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

Independent Auditors' Report

December 31, 2008

KPMG, S. A.
Multiplaza Boulevard, KPMG Bldg.
San Rafael de Escazu
P.O. Box 10208
San Jose, Costa Rica 1000

Telephone (506) 201-4100
Telefax (506) 201-4131
Internet www.kpmg.co.cr

Independent Auditors' Report

The Board of Directors and Stockholders of
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. (hereinafter "the Corporation"), which comprise the balance sheet as of December 31, 2008, and the statements of income, stockholders' equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 the auditors' 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, the auditors consider internal control relevant to the Corporation'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 Corporation'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 Corporación Interamericana para el Financiamiento de Infraestructura, S.A. as of December 31, 2008, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

KPMG

February 3, 2009

San José, Costa Rica

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

Balance Sheet

As of December 31, 2008

(With corresponding figures for 2007)

	Note		2008	2007
Assets				
Cash		US$	16,946,138	11,755,161
Investment securities			-	150,000
Loans receivable, net	6.a		205,270,816	157,832,269
Interest receivable, net			2,034,408	1,567,733
Other assets			649,494	585,182
Total assets		US$	**224,900,856**	**171,890,345**
Liabilities				
Demand deposits with banks		US$	-	150,000
Loans payable	7		157,293,954	107,415,796
Interest payable			759,444	592,322
Other accounts payable			1,296,777	404,204
Total liabilities			**159,350,175**	**108,562,322**
Stockholders' equity				
Capital stock	8		54,000,001	54,000,001
Additional paid-in capital	8		85,000	-
Legal reserve			577,508	466,401
Retained earnings			10,888,172	8,861,621
Total stockholders' equity			**65,550,681**	**63,328,023**
Total liabilities and stockholders' equity		US$	**224,900,856**	**171,890,345**
Commitments and contingencies	13	US$	19,270,781	35,182,594

The notes are an integral part of the financial statements.

CORPORACION INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA S.A.

Income Statement

Year ended December 31, 2008

(With corresponding figures for 2007)

	Note	2008	2007
Financial income:			
Interest on cash		57,806	68,028
Interest on investment securities		25,746	369,481
Interest on loans receivable, net		15,664,689	11,549,378
Total financial income		**15,748,241**	**11,986,887**
Financial expenses:			
Interest on deposits with the public		1,780	5,846
Interest on loans payable, net		8,201,276	6,837,846
Loss on fair value of derivative instruments	10	1,030,118	206,321
Total financial expenses		**9,233,174**	**7,050,013**
Financial income, net		**6,515,067**	**4,936,874**
Allowance for loan losses	6.a	(1,773,220)	(546,943)
Allowance for interest receivable		(118,152)	-
Net financial income after allowances		**4,623,695**	**4,389,931**
Personnel expenses		(1,897,946)	(1,420,421)
Other administrative expenses		(684,112)	(702,017)
Other operating income		96,021	1,142,844
Total operating expenses		**(2,486,037)**	**(979,594)**
Net pre-tax income		2,137,658	3,410,337
Income tax	9	-	-
Net income for the year		2,137,658	3,410,337

The notes are an integral part of the financial statements.

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

Statement of Stockholders' Equity

Year ended December 31, 2008

(With corresponding figures for 2007)

	Note		Capital stock	Treasury shares	Additional paid-in capital	Legal reserve	Retained earnings	Total stockholders' equity
Balances at December 31, 2006		US$	54,000,001	-	-	295,884	5,621,801	59,917,686
Net income for the year			-	-	-	-	3,410,337	3,410,337
Allocation to legal reserve			-	-	-	170,517	(170,517)	-
Balances at December 31, 2007		**US$**	**54,000,001**	**-**	**-**	**466,401**	**8,861,621**	**63,328,023**
Balances at December 31, 2007		US$	54,000,001	-	-	466,401	8,861,621	63,328,023
Purchase of own shares	8		-	(500,000)	-	-	-	(500,000)
Sale of own shares	8		-	500,000	85,000	-	-	585,000
Net income for the year			-	-	-	-	2,137,658	2,137,658
Allocation to a legal reserve			-	-	-	111,107	(111,107)	-
Balances at December 31, 2008		**US$**	**54,000,001**	**-**	**85,000**	**577,508**	**10,888,172**	**65,550,681**

The notes are an integral part of the financial statements.

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

Statement of Cash Flows

Year ended December 31, 2008

(With corresponding figures for 2007)

		2008	2007
Cash flows from operating activities			
Income for the year	US$	2,137,658	3,410,337
Adjustments for:			
Loss on allowance for loan losses		1,773,220	546,943
Loss on allowance for interest receivable		118,152	-
Loss on fair value of derivative instruments		1,030,118	206,321
Financial income, net		(7,734,172)	(5,161,923)
Deferred commission income		(62,366)	(264,371)
Deferred commission expense		92,174	807,626
Loans receivable		(49,274,131)	(43,354,031)
Other assets		(1,944,856)	(278,173)
Deposits with the public		150,000	-
Other accounts payable		1,447,076	(9,439,664)
		(52,267,127)	(53,526,935)
Interest received		15,464,464	12,009,822
Interest paid		(7,911,693)	(6,847,899)
Taxes paid		-	(152,685)
Net cash flows used in operating activities		**(44,714,356)**	**(48,517,697)**
Cash flows from investing activities			
Purchase of investment securities		-	(122,374,682)
Sale or disposal of investment securities		(150,000)	132,341,909
Net cash flows (used in) provided by investing activities		**(150,000)**	**9,967,227**
Cash flows from financing activities			
New loans payable		87,000,000	48,500,000
Payment of loans payable		(37,029,667)	(6,078,459)
Purchase of own shares		(500,000)	-
Sale of own shares		585,000	-
Net cash flows provided by financing activities		**50,055,333**	**42,421,541**
Net increase in cash		5,190,977	3,871,071
Cash at beginning of the year		11,755,161	7,884,090
Cash at end of the year	US$	16,946,138	11,755,161

The notes are an integral part of the 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.

The Corporation was organized as a non-banking financial entity. Its main line of business is extending loans to finance infrastructure projects in Latin America.

The Corporation's main offices are located at 1100 Wilson Blvd. Suite 1425, Arlington, Virginia, 22209 USA.

In May 2008, the National Financial System Oversight Board (CONASSIF) authorized the withdrawal of the Corporation as a non-banking financial entity regulated by the Superintendency General of Financial Entities (SUGEF). The withdrawal is effective as of August 4, 2008, date on which it was registered by SUGEF.

The Corporation's decision to withdraw as a SUGEF-regulated entity was due to the fact that SUGEF's regulatory framework is designed to supervise local financial entities that operate and are required to report in colones regardless of the entity's functional currency. In the case of the Corporation, no public deposits are taken in Costa Rica. It operates solely in US dollars, currently only lending funds to companies domiciled abroad. Therefore, the Corporation's functional currency is the US dollar, even though it submitted equivalent financial statements to SUGEF stated in colones. Historical depreciation of the colon versus the US dollar created distortions in the financial statements in colones due to foreign exchange gains. As a result, the Corporation was susceptible to noncompliance with certain ratios required by SUGEF, which are measured in colones. Specifically, the Corporation had difficulties complying with the maximum threshold for loans to an economic unit of 20% of the equity base and with profitability indicators.

Once no longer regulated by SUGEF, the Corporation changed the accounting standards used to prepare its financial statements from the regulatory accounting framework established by CONASSIF to International Financial Reporting Standards (IFRSs). The period ended December 31, 2008 is the first year the Corporation has adopted IFRSs, and comparative information for 2007 is presented in compliance with those standards.

(Continued)

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standard Board (IASB). The period ended December 31, 2008 is the first year the Corporation has adopted IFRSs; however, that adoption had no impact on the Corporation's financial position, financial performance, or cash flows.

The financial statements were approved by the Audit Committee on February 3, 2009.

(b) Basis of measurement

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

(c) Functional currency

The financial statements are expressed in US dollars (US$), the Corporation's functional currency.

All of the Corporation's assets are denominated in US dollars. Additionally, stockholder contributions and common stock are denominated in US dollars.

(d) Use of estimates and judgments

The preparation of financial statements 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 results of the period in which the estimate is revised and in any future periods affected.

(Continued)

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 is included in the following notes:

- Doubtful loans receivable – note 6.a
- Derivative financial instruments – note 10
- Fair value measurement – note 12

3. Significant accounting policies

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

(a) Foreign currency transactions

The Corporation's functional currency is the US dollar. Assets and liabilities held in foreign currency are translated at the foreign exchange rate ruling at the balance sheet date. Transactions in foreign currency during the year are translated at the foreign exchange rate ruling at the date of the transaction. Translation gains or losses are presented in the income statement.

(b) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The main financial instruments held by the Corporation are cash, investments, loan portfolio, and loans payable.

i. Classification

Trading instruments are those that the Corporation holds for the purpose of short-term profit taking.

Originated loans are loans created by the Corporation 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 when changes in fair value are directly recognized in the income statement.

ii. Recognition

The Corporation initially recognizes loans receivable, deposits, and loans payable on the date that they are originated. Purchases and sales of financial assets are accounted for at the date 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 initially recognized on the trade date at which time the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

iii. 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 cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

iv. Fair value measurement

Fair value is the amount at which the asset could be exchanged or the liability could be liquidated between two informed parties at the date of measurement.

The fair value of financial instruments is based on their quoted market price, when available, at the balance sheet date without any deduction for transaction costs.

When no fair value is available for a financial instrument, its fair value is estimated based on the fair value of similar assets or liabilities. When no such assets or liabilities exist, fair value is estimated by applying valuation techniques consistent with market focus, income, and cost, provided excessive costs or efforts are not required to obtain the information necessary for their application. In all cases, fair value measurement techniques must emphasize relevant market variables, including those arising from active markets.

(Continued)

v. Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in equity, until an investment is considered impaired, at which time the loss is recognized in the income statement. When the financial assets are sold, collected, or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to the income statement.

vi. 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.

(c) Derivative financial instruments

Management uses derivative financial instruments as part of its operations, which are recognized at fair value in the balance sheet.

Derivative instruments accounted for by the fair value method hedge exposure to changes in the fair value of an asset or liability recognized in the balance sheet, or an identified portion of such asset or liability attributable to the specific 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 income statement.

(d) Investment securities

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

(Continued)

At fair value through profit or loss

Financial instruments at fair value through profit or loss are those financial assets and liabilities for which changes in fair value are recognized directly in results for the year. A financial instrument 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

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

When fair value of investments in equity instruments can not 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.

(e) Loans receivable

Loans receivable are presented at the value of unpaid principal. Interest on loans is calculated based on the unpaid principal and contractual interest rates, and is accounted for as income on the accrual basis of accounting.

(f) Allowance for loan losses

Credits are defined as operations relating to any type of underlying instrument or document, except investment securities, whereby credit risk is assumed by the enterprise, either by providing or committing to provide funds or credit facilities, acquiring collection rights, or guaranteeing that third parties will honor their obligations. Credits include loans, guarantees, letters of credit, pre-approved lines of credit, and loans pending disbursement.

(Continued)

In determining the allowance for loan losses, the Corporation applies its own credit risk rating system that takes into account the following risks: type of industry, vulnerability to foreign exchange fluctuations, competitive position, financial structure, sovereign risk, etc. The amount of the allowance is calculated by multiplying the probability that borrowers will fail to meet their obligations by the loss that would result therefrom. The system considers the current and future 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.

Management considers the allowance for loan losses to be adequate to cover any potential losses that could arise from loan recovery.

(g) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements when the Corporation has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis or the assets and liabilities will be realized simultaneously.

Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a group of similar transactions.

(h) Accounts payable and other accounts payable

Accounts payable and other accounts payable are carried at amortized cost.

(i) Impairment of assets

The carrying amount of an asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Such loss is recognized in the income statement for assets carried at cost.

The recoverable amount of assets is the greater of their net selling price and value in use. The net selling price is equivalent to the value obtained in an arm's length transaction. Value in use is the present value of future cash flows and disbursements expected to arise from the continuing use of an asset and from disposal at the end of its useful life.

(Continued)

If in a subsequent period the amount of the impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

As of December 31, 2008 and 2007, no impaired assets were identified, and the Corporation has recorded no impairment losses for the years then ended.

(j) Provisions

A provision is recognized in the balance sheet 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 balance sheet date, directly affecting the income statement.

(k) Income tax

i. Current

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

However, the Corporation is not subject to income tax since it conducts its operations abroad and the Costa Rican tax system is based on the territoriality principle.

ii. Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In accordance with this standard, temporary differences are identified as either taxable temporary differences (which result in future taxable amounts) or deductible temporary differences (which result in future deductible amounts). A deferred tax liability represents a taxable temporary difference and a deferred tax asset represents a deductible temporary difference. A deferred tax asset is recognized only to the extent that there is reasonable probability of realization.

(Continued)

(l) Revenue and expense recognition

i. Interest income and expense

Interest income and expense is recognized in the income statement 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 maturity.

ii. Fee and commission income

Fee and commission income arises on services provided by the Corporation, including advisory services and disbursement fees. Fee and commission income is recognized when the corresponding service is provided. When a commission is deferred, it is recognized over the term of the loan.

iii. Operating lease expenses

Payments made under operating lease agreements are recognized in the income statement over the life of the lease.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are not yet effective for the year ended December 31, 2008, and have not been applied in preparing these financial statements:

- IFRS 8, *Operating Segments*, introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Corporation's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Corporation's Operating Management offices in order to assess each segment's performance and to allocate resources to them. The Corporation does not expect this standard to have any impact on its financial statements.

  A segment is a distinguishable component of the entity that is engaged in either providing a specific product or service, or a group of related products or services, which are subject to risks and returns that are different from those of other segments of the business within the same entity.

(Continued)

- Revised IAS 23, *Borrowing Costs*, removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Corporation's 2009 financial statements. The Corporation does not expect this standard to have any impact on its financial statements.

- IFRIC 13, *Customer Loyalty Programs*, addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Corporation's 2009 financial statements, is not expected to have any impact on the Corporation's financial statements.

- Revised IAS 1, *Presentation of Financial Statements* (2007), introduces the term "statement of total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Corporation's 2009 financial statements, is not expected to have a significant impact on the presentation of the financial statements. The Corporation plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.

- Amendments to IAS 32, *Financial Instruments: Presentation*, and IAS 1, *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*, require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Corporation's 2009 financial statements, with retrospective application required, are not expected to have any impact on the financial statements.

(Continued)

- Revised IFRS 3, *Business Combinations* (2008), incorporates the following changes that are likely to not be relevant to the Corporation's operations:

  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised IFRS 3, which becomes mandatory for the Corporation's 2010 financial statements, will be applied prospectively, and therefore, there will be no impact on prior periods in the Corporation's 2010 financial statements.

- Amended IAS 27, *Consolidated and Separate Financial Statements* (2008), requires accounting for changes in ownership interests in a subsidiary, while maintaining control, to be recognized as equity transactions. When the Corporation loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The amendments to IAS 27, which become mandatory for the Corporation's 2010 financial statements, are not expected to have a significant impact on the financial statements.

- Amendment to IFRS 2, *Share-based Payments — Vesting Conditions and Cancellations*, clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendment to IFRS 2 will become mandatory for the Corporation's 2009 financial statements, with retrospective application required. The Corporation does not expect this amendment to have any impact on its financial statements.

(Continued)

4. Collateralized assets

As of December 31, 2008 and 2007, the Corporation recognizes security deposits in the amount of US$16,168 for office space leased as part of other assets.

To secure its loans payable, the Corporation assigned the lenders rights to cash flows derived from certain loans granted by the Corporation.

5. Balances and transactions with related parties

As of December 31, 2008 and 2007, 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.

- The Corporation has a "Back Office" agreement with HSBC Costa Rica, a subsidiary of Primer Banco del Istmo, which in turn owns 9.26% of the Corporation.

- The Corporation has operating bank accounts in HSBC Costa Rica.

- As of December 31, 2008, the Corporation has received US$37,000,000 in long-term loans from International Finance Corporation (IFC), which owns 15.74% of the Corporation.

- The Corporation has an interest rate derivative with Caja Madrid, which owns 20.37% of the Corporation.

(Continued)

The above items were included in the balance sheet and income statement and their effects are as follows:

December 31, 2008

Type of entity	Relationship		Assets	Liabilities	Income	Expenses
Legal entities	Related parties	US$	12,582,605	37,425,162	57,246	672,801

December 31, 2007

Type of entity	Relationship		Assets	Liabilities	Income	Expenses
Legal entities	Related parties	US$	10,828,151	379,212	68,030	268,753

Stockholders and members of the Board of Directors have not received any per diem reimbursements for attending meetings during the year.

As of December 31, 2008 and 2007, personnel expenses include key executive salaries for US$310,565 and US$298,620, respectively.

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. During 2008 and 2007, the Corporation recognized expenses for retirement plan contributions in the amount of US$24,576 and US$14,211, respectively.

(Continued)

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 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 Executive Committee (which serves as a Credit Committee and an Asset and Liability Committee) and the Audit Committee. Both report regularly to the Board and are made up of members of the Board, stockholder employees, and members of management.

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 uses 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 Controller, who periodically reviews internal controls and procedures and reports the results to the Audit Committee.

(Continued)

a. *Credit risk*

Credit risk is the risk that the debtor or issuer of a financial instrument owned by the Corporation will fail to discharge 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 portfolio and the liquid investment portfolio, and is represented by the carrying amount of assets in the balance sheet. 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.

At the balance sheet date, 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 carrying amount of each financial asset.

Loan portfolio

As of December 31, loans receivable, net are as follows:

		2008	2007
Current loans	US$	192,692,279	161,418,147
Past due loans		18,000,000	-
Allowance for loan loss		(4,805,017)	(3,031,797)
Unearned commissions		(616,446)	(554,081)
	US$	205,270,816	157,832,269

In accordance with the Corporation's internal policy, all loans must meet the following conditions:

- no loan shall exceed 25% of the total investment cost for any new project to be financed;
- no loan shall exceed 40% of the total investment cost for any expansion and/or renovation project, provided the Corporation's participation in the renovation operation does not exceed 25% of the total capitalization of the company responsible for the project upon its completion, i.e. the sum of term loans and equity;

(Continued)

- generally, loan maturities must be between 5 and 15 years.

The Executive Committee may approve loans that exceed the limits defined above.

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 Executive Committee determines the loan to be unrecoverable or decides that its valuation does not warrant continued recognition as an asset.

The carrying amount of a fully or partially secured loan is reduced to the appraisal value of the subsidiary guaranty when the loan is 180 or more days past due.

The Corporation has developed a Credit Risk Rating System based on the Altman Z-score method adapted to emerging markets. That system includes quantitative information related to qualitative factors that affect infrastructure projects, and establishes a maximum limit in country classification. The results consider relevant information such as foreign exchange risk, competition, project analysis, and country risk.

(Continued)

In 2008 and 2007, the average loan portfolio risk rating is BB. The loan portfolio risk ratings are as follows:

		2008	2007
Risk rating			
AAA / A-	US$	13,142,857	10,000,000
BBB / BBB-		39,851,657	23,286,850
BB+ / BB-		91,355,710	70,505,130
B+ / B-		52,948,330	53,278,341
<= CCC+		13,393,725	4,347,826
	US$	210,692,279	161,418,147

As of December 31, movement in the allowance for loan losses is as follows:

		2008	2007
Balances at January 1	US$	(3,031,797)	(2,484,854)
Expense for the year for portfolio valuation		(1,773,220)	(546,943)
Balances at December 31	US$	(4,805,017)	(3,031,797)

Management of the Corporation follows of the policy of requiring collateral from its customers prior to formally extending and disbursing a loan. Seventy-nine percent (79%) of the loan portfolio is secured as follows:

		2008	2007
Mortgage	US$	81,958,774	25,785,950
Fiduciary		-	14,144,478
Trusts		31,971,768	77,585,368
Chattel		52,412,154	18,436,407
Unsecured		44,349,583	25,465,944
	US$	210,692,279	161,418,147

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

(Continued)

As of December 31, 2008, the Corporation had two loans for a total of US$18,000,000, which were 26 and 15 days past due, respectively. As of January 16, 2009, payments are current for the loan for US$10,000,000. An agreement was reached on February 17, 2009 to restructure the remaining loan for US$8,000,000.

As of December 31, 2008, the annual interest rate on loans receivable ranged between 5.09% and 10.36% (2007: between 7.25% and 11.43%).

- 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 capital plus reserves.

  The concentration in individual borrowers or groups of borrowers having similar economic interests based on capital and reserves in US dollars is as follows:

	As of December 31, 2008		
	Number of operations		**US dollars**
0% to 4.99%	11	US$	19,918,906
5% to 9.99%	13		52,786,898
10% to 14.99%	8		60,369,808
15% to 20%	7		77,616,667
	39	**US$**	**210,692,279**

	As of December 31, 2007		
	Number of operations		**US dollars**
0% to 4.99%	8	$	10,251,728
5% to 9.99%	12		48,793,441
10% to 14.99%	9		64,372,978
15% to 20%	4		38,000,000
	33	**$**	**161,418,147**

- Country risk: The Corporation uses a series of classifications by country and GDP to place countries in the following risk categories: Excellent, Normal, Average, or Restricted. Under this system, country size is irrelevant for high-risk countries and of great significance for elevated-risk countries. Each category has a maximum credit limit on the total value of the corresponding loan portfolio.

- Sector risk: The Corporation limits its concentration in any sector to 50% of the corresponding country risk limit.

As of December 31, loans receivable by economic activity are as follows:

		2008	**2007**
Ports and airports	US$	3,988,305	4,598,852
Alternative fuels		9,450,000	-
Construction and engineering		5,853,659	14,000,000
Construction materials		28,264,000	7,651,700
Gas and oil		25,874,457	19,158,145
Hydroelectric plants		4,579,841	5,799,439
Infrastructure conglomerates		5,240,000	5,240,000
Logistics centers and other		-	6,800,000
Mines and metals		1,000,000	-
Energy and other		19,625,476	13,809,917
Energy and equipment		12,000,000	14,000,000
Residential development		942,916	942,916
Roads, railroads, and other		13,500,000	4,500,000
Telecommunications		33,166,667	14,000,000
Thermal power plants		29,223,625	32,517,178
Tourism		8,000,000	8,000,000
Water and sanitation		9,983,333	10,400,000
		210,692,279	161,418,147
Allowance for loan losses		(4,805,017)	(3,031,797)
Unearned commissions		(616,446)	(554,081)
	US$	205,270,816	157,832,269

(Continued)

Investment portfolio

In order to ensure the security, liquidity, and profitability of its investment portfolio, the Corporation selects its investments based on the following criteria:

- Investments must be in countries that have received a BB+ or better rating from a respected rating agency (Moody's, S&P, Fitch).
- Investments must be in instruments with a local rating of AA or better.
- A maximum of 25% of the liquid portfolio may be invested in a country with a rating lower than AA.
- All investments must be denominated in US dollars, or in local currency provided a financial institution with an AAA international rating hedges the foreign exchange risk (e.g. currency swap).
- The maximum term is 90 days.

Qualified Interest Rate Swap Counterparts

The Corporation is only authorized to enter into interest rate swaps with counterparts that have received a rating of "Aa3","AA-" or better from a respected international rating agency (Moody's, Standard and Poor's, or Fitch) and have had past success with interest rate swap transactions. Additionally, the counterpart must have equity of US$250 million or more.

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.

(Continued)

The Controller receives information from management of new business units regarding liquidity needs for the next several days, weeks, and months. The Controller 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 any 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 Executive Committee monitors the Corporation's liquidity position by evaluating the following requirements established in the Corporation's current liquidity policy:

- Undisbursed loan commitments + annual operating expense projections < liquid assets + undisbursed portion of the Corporation's borrowings.

- Assets must exceed liabilities on the calculation date for all cumulative matches during the following year.

- Cumulative matches for projected assets must exceed projected liabilities for the three months following the calculation date.

As of December 31, 2008, the Corporation maintains undisbursed and available balances of committed credit facilities with financial institutions for US$31.5 million. A total of US$12 million of available but uncommitted lines of credit is pending disbursement.

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

Notes to the Financial Statements

As of December 31, 2008 and 2007, the Corporation's asset and liability terms are matched as follows:

December 2008

	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	16,946,138	-	-	-	-	-	16,946,138
Current loans	1,766,124	3,565,703	4,868,501	8,732,484	15,387,113	158,372,354	192,692,279
Past due loans	-	-	-	10,000,000	-	8,000,000	18,000,000
Accrued interest receivable	784,600	354,475	373,336	521,999	-	-	2,034,410
Other assets	-	11,981	5,991	12,100	97,684	521,737	649,493
Total assets	19,496,862	3,932,159	5,247,828	19,266,583	15,484,797	166,894,091	230,322,320
LIABILITIES							
Loans payable	3,000,000	2,635,417	4,752,000	7,387,417	21,774,833	119,649,832	159,199,499
Accrued interest payable	430,891	181,619	146,935	-	-	-	759,445
Other accounts payable	-	42,845	-	-	-	-	42,845
Total liabilities	3,430,891	2,859,881	4,898,935	7,387,417	21,774,833	119,649,832	160,001,789

December 2007

	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	11,755,161	-	-	-	-	-	11,755,161
Investment securities	-	-	-	150,000	-	-	150,000
Current loans	7,160,184	3,083,912	548,036	8,607,440	16,293,890	125,724,685	161,418,147
Accrued interest receivable	255,924	597,550	219,889	473,418	-	20,954	1,567,735
Other assets	-	9,509	-	15,043	34,335	526,295	585,182
Total assets	19,171,269	3,690,971	767,925	9,245,901	16,328,225	126,271,934	175,476,225
LIABILITIES							
Deposits from the public	-	-	-	150,000	-	-	150,000
Loans payable	-	10,635,417	8,200,000	4,835,417	9,670,833	75,887,500	109,229,167
Accrued interest payable	-	468,769	123,217	336	-	-	592,322
Other accounts payable	-	202,090	-	-	-	-	202,090
Total liabilities	-	11,306,276	8,323,217	4,985,753	9,670,833	75,887,500	110,173,579

Residual contractual maturities of financial liabilities are as follows:

	Balance sheet *	Gross nominal income / (expenditure) **	Less than 1 month **	1 to 3 months **	3 months to 1 year **	1 to 5 years **	More than 5 years **
December 31, 2008							
Non-derivative liabilities							
Loans payable	159,199,499	(173,846,448)	(3,524,650)	(8,593,673)	(33,408,291)	(126,721,596)	(1,598,237)
Derivative liabilities							
Interest rate swaps	1,253,931	(1,149,868)	-	(3,160)	(263,125)	(883,582)	-
Total	160,453,430	(174,996,315)	(3,524,650)	(8,596,833)	(33,671,415)	(127,605,179)	(1,598,237)
December 31, 2007							
Non-derivative liabilities							
Loans payable	109,229,167	(124,452,388)	-	(20,673,505)	(18,476,219)	(79,572,390)	(5,730,275)
Derivative liabilities							
Interest rate swaps	202,115	(161,532)	-	(540)	(4,027)	(156,966)	-
Total	109,431,281	(124,613,920)	-	(20,674,045)	(18,480,245)	(79,729,356)	(5,730,275)

* Balance does not include 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 optimizing returns.

Foreign currency risk

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

As of December 31, 2008, all of the Corporation's assets and liabilities are denominated in US dollars. Accordingly, no foreign currency risk is anticipated.

Moreover, the Corporation is restricted to lending in US dollars in accordance with its foreign currency risk management policy.

(Continued)

The net position is not hedged. The Corporation considers that the net position is kept at an acceptable level since all assets and liabilities are denominated in US dollars.

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 restricts the difference in the duration of the Corporation's assets and liabilities to +/- 0.4 years. The Executive Committee is responsible for monitoring interest rate risk.

Most of the Corporation's interest-earning assets and interest-bearing liabilities are repriced at least quarterly.

The Corporation also uses interest rate derivatives to hedge its fixed-rate asset positions by converting them to a variable rate position in order to comply with the internal duration policy.

	Assets	Liabilities	Net Portfolio
Present Value	$213,183,834.25	($157,504,511.94)	$55,679,322.30
Duration (excluding IRS)	0.57	0.15	
Notional IRS	$16,000,000.00		
IRS Duration	-2.98		
Duration (including IRS)	0.32	0.15	0.18
POLICY LIMIT:			+/- 0.40
Floating Rate as a % Total	76.61%	100.00%	
Fixed Rate as a % Total	14.27%	0.00%	
Hybrid Rate as a % Total	1.18%	0.00%	
Portfolio's sensitivity to 100bp change in interest rates, net			0.92

A change of 100 basis points in interest rates would have increased or decreased the Corporation's net earnings by US$513,568, which represents a change of +/- 24% in earnings and +/- 0.78% in equity as of December 31, 2008.

(Continued)

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

December 31, 2008

In US dollars	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Non-sensitive	Total
Assets:								
Loan portfolio	62,533,047	28,880,233	51,168,971	36,392,344	1,634,783	30,082,900	(616,447)	210,075,831
Total recovery of rate-sensitive assets	62,533,047	28,880,233	51,168,971	36,392,344	1,634,783	30,082,900	(616,447)	210,075,831
Liabilities:								
Loans payable	39,999,999	34,687,500	84,512,000	-	-	-	(1,905,545)	157,293,954
Total maturity of rate-sensitive liabilities	39,999,999	34,687,500	84,512,000	-	-	-	(1,905,545)	157,293,954
Total gap	22,533,048	(5,807,267)	(33,343,029)	36,392,344	1,634,783	30,082,900	1,289,098	52,781,877

December 31, 2007

In US dollars	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Non-sensitive	Total
Assets:								
Investments	-	-	150,000	-	-	-	-	150,000
Loan portfolio	16,684,034	69,670,475	28,825,760	9,879,418	3,697,283	32,661,177	(554,081)	160,864,066
Total recovery of rate-sensitive assets	16,684,034	69,670,475	28,975,760	9,879,418	3,697,283	32,661,177	(554,081)	161,014,066
Liabilities:								
Demand deposits	-	-	150,000	-	-	-	-	150,000
Loans payable	-	53,229,167	56,000,000	-	-	-	(1,813,371)	107,415,796
Total maturity of rate-sensitive liabilities	-	53,229,167	56,150,000	-	-	-	(1,813,371)	107,565,796
Total gap	16,684,034	16,441,308	(27,174,240)	9,879,418	3,697,283	32,661,177	1,259,290	53,448,270

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 has the following controls and procedures:

- 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
- Compliance with internal policies and controls
- Code of conduct for employees and the Board of Directors
- 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's capital structure is as follows:

		2008	2007
I. Core capital	US$	54,662,509	54,466,402
II. Supplementary capital		10,888,172	8,861,621
III. Deductions		-	-
Capital Base (I + II - III)	US$	65,550,681	63,328,023
		2008	2008
Risk weight of 10%	US$	1,691,062	1,126,679
Risk weight of 100%		229,833,630	197,534,895
Contingent assets and liabilities adjusted for credit risk	US$	231,524,692	198,661,574
Capital adequacy		28.40%	31.88%
Required capital adequacy		10.00%	10.00%

7. Loans payable

On June 9, 2005, the Corporation subscribed a credit facility for US$50,500,000 with the Inter-American Development Bank (IDB). That loan was comprised of tranche "A" in the amount of US$25,000,000 for an eight-year term, bearing interest at Libor + 2.25%, and tranche "B" in the amount of US$25,500,000 for a six-year term, bearing interest at Libor + 2.00%. Both tranches have a two-year grace period. As security for the loan, the Corporation assigned the IDB rights to cash flows derived from loans granted by the Corporation, up to a coverage ratio of 120% of the amount of the IDB loan. The first disbursement of US$15,000,000 was received on December 6, 2005, and the final disbursement was received on January 30, 2007. As of December 31, 2008, a total of US$34,687,500 remains unpaid (2007: US$45,229,167).

On September 23, 2006, the Corporation subscribed a credit facility for US$100,000,000 with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V., the Central American Bank for Economic Integration (CABEI), Deg-Deutsche Investitions-Und Entwicklungsgesellschaft Mbh, and Finnish Fund For Industrial Cooperation Ltd. That loan is comprised of one tranche in the amount of US$44,000,000 for a four-year term, bearing interest at Libor + 1.75%, and a second tranche in the amount of US$56,000,000 for a seven-year term, bearing interest at Libor + 2.00%. Both tranches have a two-year grace period. As security for the loan, the Corporation assigned the lenders rights to cash flows derived from loans granted by the Corporation, up to a coverage ratio of 110% of the amount of the loan. The first disbursement was received in the amount of US$18,000,000 on August 4, 2006, and the final disbursement was received on June 30, 2008. As of December 31, 2008, a total of US$84,512,000 remains unpaid (2007: US$50,000,000).

On June 22, 2007, an agreement was signed with the Andean Development Corporation (CAF) for an uncommitted credit line of US$15,000,000. The credit line has a one-year renewable term and bears interest at LIBOR + 1.25%. This line will be used for cash flow management. As of December 31, 2008, disbursements have been received for US$3,000,000 (2007: US$14,000,000).

(Continued)

On June 20, 2008, the Corporation subscribed a credit line for US$68,500,000 with IFC. That loan is comprised of one tranche in the amount of US$35,000,000 for a six-year term and with a three-year grace period, bearing interest at Libor + 1.90%, and a second tranche in the amount of US$33,500,000 for a four-year term and with a two-year grace period, bearing interest at Libor + 1.75%. As security for the loan, the Corporation assigned the IFC rights to cash flows derived from loans granted by the Corporation, up to a coverage ratio of 110% of the amount of the IFC credit line.

On August 20, 2008, the first disbursement was received in the amount of US$35,000,000. As of December 31, 2008, the amount of US$31,500,000 remains to be disbursed.

As of December 31, 2008, the effective interest rates on loans with foreign financial entities range between 3.81% and 5.88% (2007: 5.42% and 7.12%).

As of December 31, the balance of loans payable, net of origination costs (commissions paid) is as follows:

		2008	**2007**
Foreign financial institutions	US$	159,199,499	109,229,167
Prepaid commissions		(1,905,545)	(1,813,371)
	US$	157,293,954	107,415,796

8. Capital stock

As of December 31, 2008, the Corporation's capital stock is comprised of 54,000,001 common shares of US$1.00 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 are Class A preferred shares. As of December 31, 2007, the Corporation's capital stock was comprised of 54,000,001 common shares of US$1.00 par value, for a total of US$54,000,001. Of that total, 36,000,001 were Class B common shares and 18,000,000 were 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. As of the date of the financial statements, no dividends had been distributed.

(Continued)

In September 2008, IFC became a stockholder of the Corporation by acquiring 8,500,000 shares as follows: the entire holdings of Republic Bank of Trinidad and Tobago (1,000,000 shares), treasury shares (500,000), and a portion of the holdings of the Inter-American Investment Corporation (IIC) (7,000,000 shares). Caja Madrid increased its ownership interest by acquiring 1,000,000 additional shares from part of the holdings of Unibanco. Caixa Banco de Investimento also increased its ownership interest by acquiring 1,000,000 additional shares from part of the holdings of Unibanco.

As of December 31, 2008, the capital stock is distributed as follows:

		Acquired shares	**Ownership interest**
Caja Madrid	US$	11,000,001	20.37%
IFC		8,500,000	15.74%
CABEI		5,000,000	9.26%
Primer Banco del Istmo		5,000,000	9.26%
Nordfund		5,000,000	9.26%
Caixa Banco de Investimento		5,000,000	9.26%
IIC		3,000,000	5.56%
Unibanco-União de Bancos Brasileiros		3,000,000	5.56%
Caribbean Development Bank		3,000,000	5.56%
Finnfund		3,000,000	5.56%
Banco del Pichincha		2,500,000	4.63%
	US$	54,000,001	

9. Income tax

Pursuant to the Income Tax Law, the Corporation must file its annual income tax returns as of December 31 of each year.

The difference between income tax expense and the amount that would result from applying the income tax rate to pretax income (30%) is reconciled as follows:

		2008	2007
Expected income tax expense	US$	641,297	1,023,101
Plus:			
Non-deductible expenses		-	375,186
Less:			
Non-taxable income		4,772,702	3,947,211
Income tax	US$	-	-

Tax Authorities may review income tax returns filed by the Corporation for the 2007, 2006, 2005, and 2004 tax years and the income tax return to be filed for the 2008 tax year.

As of December 31, 2008 and 2007, the Corporation determined no temporary taxable differences that give rise to a deferred tax. A deferred tax liability represents a temporary taxable difference and a deferred tax asset represents a deductible temporary difference.

The Corporation is exempt from payment of income tax on income not produced in Costa Rica or with Costa Rican funds. During the years ended December 31, 2008 and 2007, the Corporation has no taxable income. Accordingly, it reports no income tax expense.

10. Derivative financial instruments

Interest rate derivatives

Management uses interest rate swaps to reduce the 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.

(Continued)

Swap agreements acquired by the Corporation as of December 31, 2008 and 2007 are as follows:

December 31, 2008

	Interest rate	Remaining maturity	Notional value	Fair value Assets	Fair value Liabilities
Interest Rate Swaps:					
Caja Madrid (Spain)	Variable: LIBOR 6M.	10/3/2012	10,000,000	-	937,666
HSBC New York (USA)	Variable: LIBOR 6M.	12/22/2010	5,000,000	-	247,546
HSBC New York (USA)	Variable: LIBOR 6M.	3/15/2013	1,000,000	-	68,719
			16,000,000	-	1,253,931

December 31, 2007

	Interest rate	Remaining maturity	Notional value	Fair value Assets	Fair value Liabilities
Interest Rate Swaps:					
Caja Madrid (Spain)	Variable: LIBOR 6M.	10/3/2012	10,000,000	-	172,438
HSBC New York (USA)	Variable: LIBOR 6M.	12/22/2010	5,000,000	-	29,677
			15,000,000	-	202,115

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

During the year ended December 31, 2008, the Corporation recognized a net loss of US$1,030,118 (2007: US$202,321) in its income statement, which was derived from the net change in fair value of those instruments.

As of December 31, 2008, the fair value of the above derivative financial instruments in the amount of US$1,253,931 (2007: US$206,115) is included in “Sundry accounts payable”.

(Continued)

11. Concentration of assets and liabilities

Concentration of the Corporation's assets and liabilities as of December 31, 2008 and 2007 by geographic location is as follows:

		2008	2007
Assets			
Argentina	US$	18,075,196	19,230,990
Barbados		9,853,762	-
Belize		9,260,527	2,788,681
Bolivia		11,727,294	13,946,721
Brazil		21,014,418	9,227,223
Colombia		19,525,075	10,626,023
Costa Rica		17,083,649	11,918,917
Dominican Republic		31,310,191	26,517,015
Ecuador		13,544,313	16,788,688
El Salvador		2,436,082	3,041,250
Guatemala		21,954,447	10,156,075
Honduras		18,493,883	9,546,335
Mexico		7,240,766	12,631,780
Panama		7,877,593	2,844,261
Peru		4,610,015	11,593,037
Saint Lucia		8,725,995	8,724,414
Trinidad and Tobago		2,167,650	2,308,935
Total	US$	**224,900,856**	**171,890,345**

		2008	2007
Liabilities			
Costa Rica	US$	42,845	352,424
Netherlands		83,805,600	48,766,700
United States		71,558,334	45,206,276
Venezuela		3,005,729	14,064,484
Spain		937,666	172,438
Total	US$	**159,350,175**	**108,562,322**

(Continued)

12. Fair value of financial instruments

Fair value of financial instruments is as follows:

		As of December 31, 2008	
		Carrying amount	**Fair value**
Cash	US$	16,946,138	16,946,138
Loans receivable	US$	210,692,280	206,292,627
Other accounts payable	US$	1,296,777	1,296,777
Lons payable	US$	159,199,499	157,724,306

		As of December 31, 2007	
		Carrying amount	**Fair value**
Cash	US$	11,755,161	11,755,161
Investment securities	US$	150,000	147,082
Loans receivable	US$	161,418,147	162,360,142
Deposits from customers	US$	150,000	147,082
Other accounts payable	US$	404,204	404,204
Loans payable	US$	109,229,167	109,017,541

The fair value of financial instruments is the amount at which the instrument could be exchanged between willing parties other than in a forced liquidation. Fair value is best determined based on quoted market prices.

Fair value estimates are made at a specific date, based on relevant market information and information concerning the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale a particular financial instrument at a given point in time. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Estimates could vary significantly if changes are made to those assumptions.

(Continued)

Where practicable, the following assumptions were used by management to estimate the fair value of each class of financial instrument both on and off the balance sheet:

a. *Cash, accrued interest receivable and payable, and other accounts payable*

The carrying amounts approximate fair value because of the short maturity of these instruments.

b. *Investment securities*

The fair values are based on quoted market prices or prices quoted by brokers.

c. *Loans receivable*

The fair value of loans is determined by creating a portfolio with similar financial characteristics. The fair value of each class of loans is calculated by discounting cash flows expected until maturity, using a market discount rate that reflects the inherent credit and interest rate risks. Assumptions related to credit, cash flow, and discounted interest rate risks are determined by management based on available market information.

d. *Term deposits*

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

e. *Loans payable*

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

(Continued)

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, 2008, the Corporation has commitments and contingencies in the amount of US$19,270,781 (2007: US$35,182,594) corresponding to credits pending disbursement to different companies.

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.