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

Financial Statements

December 31, 2014

(With Independent Auditor's Report)

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

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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, 2014, 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, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

February 12, 2015
Panama, Republic of Panama

Statement of Financial Position

December 31, 2014

(Expressed in US Dollars)

	Note	2014	2013
Assets			
Cash and cash equivalents		5,615,241	25,878,136
Investment securities	5	5,993,168	28,492,819
Loans receivable, net	5	216,375,497	229,391,862
Interest receivable, net		2,525,751	3,614,157
Assets held-for-sale	5	7,425,000	0
Other assets		2,446,836	327,637
Total assets		240,381,493	287,704,611
Liabilities			
Loans payable, net	6	150,957,568	183,688,359
Interest payable		1,102,965	1,113,262
Other accounts payable		1,428,366	10,506,826
Derivative liabilities held for risk management	10	30,811	159,462
Total liabilities		153,519,710	195,467,909
Equity			
Share capital	7	54,000,001	54,000,001
Additional paid-in capital		85,000	85,000
Reserves		593,348	1,009,972
Retained earnings		32,183,434	37,141,729
Total equity		86,861,783	92,236,702
Total liabilities and equity		240,381,493	287,704,611
Commitments and contingencies			
Unfunded risk participations	13	23,125,203	10,595,227
Loans pending disbursement	13	25,377,941	9,749,578
Undrawn balance of credit facilities	13	145,886,600	141,000,000
Notional amount on swaps	10	11,111,111	20,555,556

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, 2014

(Expressed in US Dollars)

	Note	2014	2013
Interest income:			
Interest on cash and cash equivalents		4,325	4,347
Interest on investment securities		1,484,612	3,082,674
Interest on loans receivable, net		14,643,844	15,520,086
Total interest income		16,132,781	18,607,107
Interest expense:			
Interest on derivative instruments		(122,910)	(218,506)
Interest on loans payable, net		(7,110,021)	(8,510,505)
Total interest expense		(7,232,931)	(8,729,011)
Net interest income		8,899,850	9,878,096
Other income:			
Net (loss) gain from other financial instruments at fair value through profit or loss	11	(48,930)	16,224
Other fees and commissions		5,327,763	3,396,568
Gain on sale of investment securities		1,228,307	721,119
Total other income		6,507,140	4,133,911
Operating income		15,406,990	14,012,007
Impairment loss on investment securities	5	(143,544)	(6,160,068)
(Provision) reversal for loan losses		(1,615,045)	2,338,343
Personnel expenses		(3,901,878)	(3,514,951)
Other administrative expenses		(1,705,291)	(1,795,706)
Net income before income tax		8,041,232	4,879,625
Income tax	9	(78,224)	(74,150)
Net income for the period		7,963,008	4,805,475
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Fair value reserve (available-for-sale financial assets):			
Net changes in fair value		313,178	(8,480,388)
Net (loss) profit amount transferred to profit or loss		(1,127,952)	5,762,415
Other comprehensive income (loss) for the period		(814,774)	(2,717,973)
Total comprehensive income for the period		7,148,234	2,087,502
Basic earnings per share	8	0.15	0.09

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, 2014

(Expressed in US Dollars)

					Reserves				
	Notes	Share capital	Treasury shares	Additional paid-in capital	Fair value reserve	Legal reserve	Total reserves	Retained earnings	Total equity
Balance at December 31, 2012		54,000,001	0	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	0	4,805,475	4,805,475
Other comprehensive income									
Net change in fair value		0	0	0	(8,480,388)	0	(8,480,388)	0	(8,480,388)
Net loss amount transferred to profit or loss		0	0	0	5,762,415	0	5,762,415	0	5,762,415
Total other comprehensive income		0	0	0	(2,717,973)	0	(2,717,973)	0	(2,717,973)
Total comprehensive income for the year		0	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	0	(10,743)	(10,743)
Allocation to legal reserve		0	0	0	0	240,274	240,274	(240,274)	0
Balance at December 31, 2013		54,000,001	0	85,000	(1,312,682)	2,322,654	1,009,972	37,141,729	92,236,702
Net income for the year		0	0	0	0	0	0	7,963,008	7,963,008
Other comprehensive income									
Net change in fair value		0	0	0	313,178	0	313,178	0	313,178
Net loss amount transferred to profit or loss		0	0	0	(1,127,952)	0	(1,127,952)	0	(1,127,952)
Total other comprehensive income		0	0	0	(814,774)	0	(814,774)	0	(814,774)
Total comprehensive income for the year		0	0	0	(814,774)	0	(814,774)	7,963,008	7,148,234
Transactions with owners of the Corporation									
Complementary tax Panama		0	0	0	0	0	0	(7,448)	(7,448)
Stock repurchase	7	0	(12,515,705)	0	0	0	0	0	(12,515,705)
Dividends declared in-kind (shares)	7	0	12,515,705	0	0	0	0	(12,515,705)	0
Allocation to legal reserve		0	0	0	0	398,150	398,150	(398,150)	0
Balance at December 31, 2014		54,000,001	0	85,000	(2,127,456)	2,720,804	593,348	32,183,434	86,861,783

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, 2014

(Expressed in US Dollars)

	2014	2013
Cash flows from operating activities		
Net income for the year	7,963,008	4,805,475
Adjustments for:		
Provision (reversal) for loan losses	1,615,045	(2,338,343)
Impairment loss on investment securities	143,544	6,160,068
Interest income	(16,132,781)	(18,607,107)
Interest expense	7,232,931	8,729,011
Net (income) loss from other financial instruments at fair value through profit or loss	48,930	(16,224)
Income tax expense	78,224	74,150
	948,901	(1,192,970)
Changes in:		
Other assets	(1,973,740)	(140,996)
Other accounts payable	(9,076,790)	9,042,006
Change in derivative liabilities held for risk management	(128,651)	(458,525)
Loan repayments and prepayments	69,461,452	99,025,318
Loan disbursements	(65,057,946)	(72,830,279)
	(6,775,675)	34,637,524
Income tax paid	(79,894)	(28,308)
Interest received	16,627,085	17,968,949
Interest paid	(7,622,852)	(7,971,389)
	8,924,339	9,969,252
Net cash from operating activities	3,097,565	43,413,806
Cash flows from investing activities		
Proceeds from investment securities	29,707,080	112,815,224
Acquisition of investment securities	(8,191,899)	(70,978,548)
Net cash from investing activities	21,515,181	41,836,676
Cash flows from financing activities		
Proceeds from loans payable	121,113,400	44,000,000
Repayments of loans payable	(153,465,888)	(122,077,195)
Dividends and complementary tax	(7,448)	(10,743)
Stock repurchase	(12,515,705)	0
Net cash from (used in) financing activities	(44,875,641)	(78,087,938)
Net (decrease) increase in cash	(20,262,895)	7,162,544
Cash and cash equivalents at the beginning of the year	25,878,136	18,715,592
Cash and cash equivalents at the end of the year	5,615,241	25,878,136

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 management of the Corporation on February 12, 2015.

(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
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.

(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 change in the payment status of borrowers or issuers in the group, or economic that correlate with details 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:

<u>Fair value through profit or loss:</u>
Investment securities at fair value through profit or loss are financial assets and liabilities for which changes in fair value are recognized immediately in profit or loss. 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. These securities are measured at their fair value and changes in value are recognized directly in equity.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized 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 recognized in profit or loss. Impairment losses are recognized in profit or loss.

Other fair value changes, other than impairment losses, are recognized 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.

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) Assets Held-for-Sale

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

(i) Other accounts payable

Other accounts payable are carried at amortized cost.

(j) 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.

(k) 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, 2014.

(l) *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.

(m) *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.

(n) *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.

(o) *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.

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

(q) 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, 2014 and therefore have not been applied in preparing these financial statements.

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

  IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

- IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

  IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption 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, these standards are expected to have a pervasive impact on the Corporation´s financial statements.

(4) Balances and transactions with related parties

For the period ended December 31, 2014 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 following items were included in the statements of financial position and of comprehensive income, and their effects are as follows:

Type of entity	Relationship	2014 Liabilities-Loans and interests payable, net	Income-Interest on cash and cash equivalents	Expenses Interest on loans payable, net
Legal entities	Related parties	50,153,164	0	1,868,473

Type of entity	Relationship	2013 Liabilities-Loans and interests payable, net	Income-Interest on cash and cash equivalents	Expenses Interest on loans payable, net
Legal entities	Related parties	67,045,288	688	2,257,866

The Corporation have access to US$5,886,600 (2013: US$0) of undisbursed committed and uncommitted lines of credit with related parties.

Members of the Board of Directors have received remuneration of US$17,750 (2013: US$26,000) for attending meetings during the year.

As of December 31, 2014 personnel expenses include salaries and benefits paid to key executives for US$816,422 (2013: US$848,923).

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$12,000 (2013: US$10,000) per year, while the Corporation contributes 3% (2013: 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.

(b) 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% of total equity (2013: 75%). 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, 2014 and 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	2014	2013
Available-for-sale:		
Investment portfolio:		
Par value	8,191,899	33,209,088
Past due bonds	0	2,507,000
Impairment losses on investment securities	0	(6,160,068)
(Discounts) and premiums, net	(98,677)	195,929
Unrealized losses, net	(2,100,054)	(1,259,130)
Total available-for-sale	5,993,168	28,492,819
Total investment securities	5,993,168	28,492,819
Current loans	216,613,381	235,642,170
Past due loans	7,200,283	0
Total loans	223,813,664	235,642,170
Allowance for loan losses	(5,971,278)	(4,356,233)
Deferred income	(1,466,889)	(1,894,075)
Total loans, net	216,375,497	229,391,862
Total investments and loans (par value)	232,005,563	271,358,258
Total investments and loans, net	222,368,665	257,884,681

The loan portfolio includes the financing of project bonds totaling US$4,427,884 (2013: US$4,967,160).

As of December 31, 2012, the Corporation reclassified the investment securities held to maturity to available for sale. The Corporation will not be able to use the held to maturity category for a period of 2 years or after December 31, 2014.

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 portfolio risk rating is BB- as of December 31, 2014 (2013: loan 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:

2014	**Loans**		**Investment securities**	
Risk rating	**Gross**	**Net (*)**	**Nominal value**	**Fair value**
AAA / A-	9,137,300	9,137,300	0	0
BBB+ / BBB-	17,384,352	17,384,352	0	0
BB+ / BB-	48,321,214	48,048,622	0	0
B+ / B-	135,565,237	133,795,297	0	0
<= CCC+	13,405,561	9,476,815	8,191,899	5,993,168
	223,813,664	217,842,386	8,191,899	5,993,168

2013 Risk rating	Loans Gross	Net (*)	Investment securities 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

(*) Net of allowance for loan loss.

As of December 31, 2014, the Corporation has one past due loan for US$7,200,283, which is 107 days past due and is secured with pledge over 80% of the debtor shares and 100% of each Co-Borrower's shares. (2013: no past due loans and two bonds for a total of US$ 2,507,000, which were 92 and 184 days past due).

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 39.07% (2013: 36.93%) of the total assets are pledged as of December 31, 2014.

Changes in the allowance for loan losses are as follows:

	2014	2013
Balance at beginning of the year	(4,356,233)	(7,194,576)
(Additional) reversal allowance	(1,615,045)	2,838,343
Balance at end of the year	(5,971,278)	(4,356,233)

Changes in the impairment allowance for losses on investment securities are as follows:

	2014	2013
Balance at beginning of the year	(6,160,068)	0
Additional allowance	(143,544)	(6,160,068)
Write-offs	6,303,612	0
Balance at end of the year	0	(6,160,068)

As of December 31, 2014, the Corporation has an allowance for interest and accounts receivables losses of US$689,340 (2013: US$500,000).

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 95% (2013: 96%) as follows:

	2014	**2013**
Mortgage on fixed assets	80,854,931	88,837,492
Trust	47,400,648	47,180,228
Pledge	24,076,288	57,143,931
Corporate guarantor	60,029,260	33,500,000
Unsecured	11,452,537	8,980,519
	223,813,664	235,642,170

The investment securities portfolio is secured 100% (2013: 65%) as follows:

	2014	**2013**
Mortgage on fixed assets	8,191,899	17,505,497
Trust	0	5,703,591
Unsecured	0	12,507,000
	8,191,899	35,716,088

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 2.35% and 17.75% per annum (2013: 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, 2014, there are three groups (2013: 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% (2013: 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 2014		% of capital plus legal reserves 2014	
	Number of exposures	U.S. dollars	Number of exposures	U.S. dollars
0 to 4.99%	6	13,134,661	3	2,193,084
5 to 9.99%	19	122,866,364	10	46,716,547
10 to 14.99%	7	67,949,333	12	87,091,394
15 to 20%	2	28,055,205	6	56,095,658
> 20%	0	0	3	39,908,880
	34	232,005,563	34	232,005,563

	% 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

- 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, 2014 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:

	2014	2013
Dominican Republic	32,416,667	34,083,333
Colombia	26,543,154	26,442,105
Ecuador	24,487,805	13,222,265
Panama	21,427,879	21,392,160
Jamaica	19,942,261	28,715,181
Brazil	13,222,358	14,336,202
Nicaragua	12,636,698	14,013,331
Chile	11,879,399	13,031,998
Argentina	8,996,917	13,097,945
Mexico	8,682,360	17,363,765
Saint Lucia	8,333,000	10,000,000
Guatemala	8,234,539	10,200,000
El Salvador	7,200,283	7,200,283
Uruguay	7,125,116	15,000,000
Costa Rica	6,984,848	8,980,519
Belize	5,000,000	0
Honduras	4,986,024	4,846,522
Peru	3,906,255	18,429,749
Bolivia	0	1,002,900
Total loans and investment portfolio	232,005,563	271,358,258
Assets held-for-sale (Panama)	7,425,000	0
Grand total	239,430,563	271,358,258

- Sector risk: The Corporation limits its concentration in any sector to 50% of the corresponding country risk limit. As of December 31, 2014 the Corporation complied with sector risk exposure limits.

- Assets held-for-sale (Panama): In March 2014, CIFI accelerated the loan granted to a thermo-power company in Panama, executing the guarantees of the loan, which included the trusts that owned: all of the shares of the company, all fixed assets (land and equipment), and the license of operation of the plant. As of March 31, 2014 CIFI reclassified the loan for US$7,425,000, transferring the asset from “Loan Receivables” to “Other Assets Available for Sale”. As of December 31, 2014 the asset is being actively marketed.

Investments and loans receivable by economic activity are as follows:

	2014	2013
Wind Power	32,452,585	35,088,249
Construction & Engineering	25,809,170	20,463,415
Gas & Oil	22,958,964	32,199,161
Logistical Centers and Other	22,000,000	27,000,000
Airports and Seaports	20,164,493	32,647,050
Hydro Power (mini)	16,691,304	9,800,139
Thermo Power	15,845,794	27,988,240
Telecommunications	15,533,283	17,200,283
Tourism	14,664,870	16,117,457
Co-generation (Biomass)	8,687,500	12,875,000
Roads, Railroads and Others	8,191,899	8,606,998
Social Infraestructure	8,000,000	0
Geothermal	7,020,848	8,178,256
Solar Power	7,000,000	0
Power Distribution	6,984,853	8,980,519
Construction Materials	0	1,002,900
Real Estate Development	0	8,210,591
Infrastructure Conglomerates	0	5,000,000
Total loans and investment portfolio	232,005,563	271,358,258
Assets held-for-sale (Thermo Power)	7,425,000	0
Grand total	239,430,563	271,358,258

(c) *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, 2014, the Corporation had US$5,615,241 (2013: US$25,878,136) in cash and cash equivalents, and maintains undisbursed and available balances of committed credit facilities with financial institutions for US$130,000,000 (2013: US$131,000,000) with tenors between 3 and 13 years. Additionally the Corporation maintains undisbursed and available balances of uncommitted short term revolving credit facilities with financial institutions for US$15,886,600 (2013: US$10,000,000). Finally the Corporation had US$5,993,168 (2013: US$28,492,819) 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:

2014	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 cash equivalents	5,615,241	0	0	0	0	0	5,615,241
Loans and investments	28,477,106	1,385,255	12,508,532	11,139,152	13,595,393	164,900,125	232,005,563
Assets held-for-sale	0	7,425,000	0	0	0	0	7,425,000
Accrued interest receivable	878,082	495,647	661,312	490,710	0	0	2,525,751
Total	34,970,429	9,305,902	13,169,844	11,629,862	13,595,393	164,900,125	247,571,555
Liabilities							
Loans payable	1,910,965	0	11,362,179	9,370,367	25,560,178	104,646,114	152,849,803
Accrued interest payable	392,117	311,287	256,047	143,514	0	0	1,102,965
Derivative liabilities	0	0	0	38,793	9,367	(17,349)	30,811
Total	2,303,082	311,287	11,618,226	9,552,674	25,569,545	104,628,765	153,983,579

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 cash equivalents	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

The following table includes the Corporation's assets and liabilities terms including on-balance and off-balance sheet items. Off-balance sheet assets and liabilities are related to credits pending disbursement to different companies and undisbursed committed lines of credit grouped on the Corporation's best estimate of when these lines will be used.

2014	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 cash equivalents	5,615,241	0	0	0	0	0	5,615,241
Loans and investments	28,477,106	1,385,255	12,508,532	11,139,152	13,595,393	164,900,125	232,005,563
Other Assets Available for Sale	0	7,425,000	0	0	0	0	7,425,000
Off-balance sheet assets (*)	(8,607,962)	0	(128,576)	3,784,512	(128,719)	5,080,745	0
Liabilities							
Loans payable	(1,910,965)	0	(11,362,179)	(9,370,367)	(25,560,178)	(104,646,114)	(152,849,803)
Off-balance sheet liabilities (*) (a)	0	50,000,000	0	0	53,750,000	(103,750,000)	0
GAP	23,573,420	58,810,255	1,017,777	5,553,297	41,656,496	(38,415,244)	92,195,001
Cumulative gap	23,573,420	82,383,675	83,401,452	88,954,749	130,611,245	92,195,001	

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 cash equivalents	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
Off-balance sheet assets (*)	(1,200,000)	(2,675,615)	(3,099,718)	22,976	635,290	6,317,067	0
Liabilities							
Loans payable	(7,118,182)		(23,862,179)	(30,027,584)	(32,457,945)	(91,736,403)	(185,202,293)
Off-balance sheet liabilities (*) (a)	0	0	15,000,000	0	24,000,000	(39,000,000)	0
GAP	24,854,872	16,196,390	6,322,537	(23,782,690)	18,175,306	70,267,686	112,034,101
Cumulative gap	24,854,872	41,051,262	47,373,799	23,591,109	41,766,415	112,034,101	

(*) See note 13.

(a) The Corporation's strategy is to maintain its liquidity off-balance through available committed long term lines of credit from top international financial institutions in order to minimize the negative carry of keeping the required liquidity by internal policy for covering one year cash needs in balance at higher cost. The Corporation's estimates that when the credit lines are used, they will be paid in more than 365 days.

Outstanding contractual maturities of financial liabilities are as follows:

2014	**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	152,849,803	152,849,803	1,910,965	11,362,179	34,930,545	94,987,023	9,659,091
Interest **	1,102,965	13,107,096	213,513	932,074	4,077,289	7,884,221	0
Derivative liabilities							
Interest rate swaps **	30,811	31,035	0	0	48,160	(17,125)	0
Total	153,983,579	165,987,934	2,124,478	12,294,253	39,055,994	102,854,119	9,659,091

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

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

(d) *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, 2014 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, 2014, 21% (2013: 21%) of interest-earning assets and 19% (2013: 19%) 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.

December 31, 2014	Assets	Liabilities	Economic Equity
Present value	US$254,320,454	(US$159,368,564)	US$94,951,890
Duration (excluding interest rate swap)	1.00	0.67	
Notional interest rate swaps		US$11,111,111	
IRS duration		(1.46)	
Duration (including interest rate swap)	1.00	0.83	0.17
Floating rate as a % total	65%	87%	
Fixed rate as a % total	35%	13%	
Hybrid rate as a % total	0%	0%	
Duration of economic equity			1.38%
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$ 1,310,845, which represents a change of +/- 16.5% of annualized net income and +/- 1.51% of equity as of December 31, 2014.

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.

2014	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	57,870,415	14,578,598	65,309,852	45,697,007	372,831	48,176,860	232,005,563
Liabilities:							
Loans payable	16,681,582	50,000,000	35,064,103	31,217,754	1,136,364	18,750,000	152,849,803
Total gap	41,188,833	(35,421,402)	30,245,749	14,479,253	(763,533)	29,426,860	79,155,760

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
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 gap	20,135,804	26,187,002	2,155,207	(2,539,078)	10,587,953	29,629,077	86,155,965

(e) 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.

(f) 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:

	2014	**2013**
Tier 1 capital	88,989,239	93,549,384
Tier 2 capital	(2,127,456)	(1,312,682)
Total capital	86,861,783	92,236,702

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.

	2014	**2013**
Risk weight of 0%	0	0
Risk weight of 20%	1,123,048	5,175,627
Risk weight of 50%	16,751,572	10,172,403
Risk weight of 100%	234,766,252	261,826,475
Risk weighted assets	252,640,872	277,174,505
Capital adequacy	34.38%	33.28%
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:

Foreign financial institutions	Maturity	2014	2013
CORPBANCA	2018	40,000,000	0
CDB	2024	21,022,727	23,295,455
BCIE	2017	16,113,400	22,000,000
NORFUND	2016	12,500,000	18,750,000
DEG	2019	11,538,462	13,846,154
BIO / SIFEM	2017	11,111,111	15,555,556
BID	2019	10,000,000	10,000,000
OFID	2018	9,230,770	11,538,462
FMO / PROPARCO	2015	8,333,333	16,666,667
ADB	2016	8,000,000	12,000,000
CAF	2015	5,000,000	4,000,000
IFC A LOAN	-	0	1,300,000
IFC B-2 LOAN	-	0	1,250,000
STANDARD BANK	-	0	35,000,000
		152,849,803	185,202,293
Deferred expense		(1,892,235)	(1,513,934)
Total		150,957,568	183,688,359

The effective interest rates on loans with foreign financial entities range between 1.50% and 4.22% per annum (2013: 1.28% and 3.89%).

	2014	**2013**
Loans outstanding	152,849,803	185,202,293
Undrawn balance of committed lines of credit	130,000,000	131,000,000
Undrawn balance of uncommitted lines of credit	15,886,600	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 shares of US$1 par value, for a total of US$54,000,001. Of that total, 14,082.203 are Class A preferred shares, and 39,917,798 are Class B common shares (2013: 19,500,000 Class A preferred shares and 34,500,001 Class B preferred shares).

In March 2014, Bankia purchased directly 5,000,000 Class B shares of the Corporation to International Finance Corporation.

In December 2014, Norfund purchased directly 9,098,213 Class B shares of the Corporation to Bankia. Subsequently the Corporation purchased the remaining 9,901,788 Class B shares, representing its own capital held by Bankia, for an amount equal to US$12,515,705, using part of the Company's retained earnings, to be held by the Company in Treasury shares and then be distributed to the Shareholders as in-kind dividends.

Subsequently on the same day, the Corporation authorized the payment on a prorata base of the shares representing its own capital, held in Treasury shares 9,901,788 shares, as in-kind dividend to the shareholders. The in-kind dividend distribution was effective in January 2015 (December 2013: no dividend declared).

The share capital is distributed as follows:

	2014		2013	
	Acquired Capital	Ownership Interest	Acquired Capital	Ownership Interest
Norfund	17,263,819	31.97%	5,000,000	9.26%
Banistmo, S.A. (previously known as HSBC Bank Panama, S.A).	6,122,697	11.34%	5,000,000	9.26%
Central American Bank For Economic Integration	6,122,697	11.34%	5,000,000	9.26%
Caixa Banco De Investimento, S. A.	6,122,697	11.34%	5,000,000	9.26%
International Finance Corporation	4,285,888	7.94%	8,500,000	15.73%
Unibanco-Uniao De Bancos Brasileiros, S. A.	3,673,618	6.80%	3,000,000	5.56%
Caribbean Devolopment Bank	3,673,618	6.80%	3,000,000	5.56%
Finnfund	3,673,618	6.80%	3,000,000	5.56%
Banco Pinchincha C. A.	3,061,349	5.67%	2,500,000	4.63%
Bankia (previously known as Caja Madrid)	0	0%	14,000,001	25.92%
	54,000,001		54,000,001	

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:

	2014	2013
Net income	7,963,008	4,805,475
Number of shares	54,000,001	54,000,001
Earnings per share	0.15	0.09

(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 is 25% of taxable net income (2013: 25%).

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.

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

	2014	**2013**
Net financial income before income tax	8,041,232	4,879,625
Foreign revenues, exempt and non-taxable, net	(21,770,173)	(21,966,303)
Costs and expenses not deductible	14,212,456	17,383,280
Net taxable income	483,515	296,602
Current income tax expense, estimated	120,878	74,150
Adjustments prior year income tax	(42,654)	0
Income tax	78,224	74,150

The Corporation does not present a deferred tax effect.

The effective tax rate of the Corporation in December 2014 was 0.97% (2013: 1.52%).

(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:

2014

	Interest Rate	**Maturity**	**Notional value**	**Fair Value-Liabilities**
Designated cash flow hedges of interest rate risk				
Goldman Sachs.................	Variable: L+ 6M.	6/15/2017	11,111,111	30,811

2013

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

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

The Corporation recognized a net loss, excluding interest expense, of US$48,930 (2013: net profit of US$16,224) in the statement of comprehensive income, which was derived from the net change in fair value of the derivatives. The Corporation recognized in the statement of changes in equity in the fair value reserve, the net profit of US$ 47,607 (2013: net profit amount of US$111,926) representing the change in fair value of the cash flow hedge.

There is not any outstanding fair value hedge as of December 31, 2014. There wasn't any ineffective effect derived from cash flow hedges for December 31, 2014. The ineffective portion of all fair value for December 31, 2013 was a net profit of US$9,859, 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

	2014	2013
Derivatives held for risk management purposes:		
Interest rate swap	(48,930)	339,689
Fair value hedges:		
Interest rate risk	0	(323,465)
Total	(48,930)	16,224

(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 judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

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

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

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

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which 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 premises 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:

		2014	
	Carrying amount	Level 1	Level 2
Investment securities	5,993,168	0	5,993,168
Derivative liabilities	(30,811)	0	(30,811)

		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)

During the current year, due to changes in market conditions for certain investment securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities, with a carrying amount of US$5,993,168, were transferred from Level 1 to Level 2 of the fair value hierarchy.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized:

	2014			
	Carrying amount	Fair value	Level 2	Level 3
Loans receivable	223,813,659	242,695,814	0	242,695,814
Loans payable	152,849,803	159,368,564	0	159,368,564

	2013			
	Carrying amount	Fair value	Level 2	Level 3
Loans receivable	235,642,170	254,065,419	0	254,065,419
Loans payable	185,202,293	187,915,379	0	187,915,379

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

(a) *Cash and cash equivalents*
The book value is similar to fair value because of its short term nature.

(b) *Investment securities and derivative liabilities*
The fair values are based on quoted market prices for investment securities and for derivatives liabilities using a model based on observable market data, such as: yield rates LIBOR OIS (Overnight Index Swap) and LIBOR rates zero coupon yield. Additionally, for those interest rate swaps indexed to the different tenors (LIBOR 1M, LIBOR 3M, LIBOR 6M), the Management uses the yield curve corresponding to the tenor in order to estimate the respective implied forward rates; which are used for estimating future cash flows of rights or obligations floating.

(c) *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 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) *Loans payable*
The fair value of 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, 2014, the Corporation has commitments and contingencies in the amount of US$ 48,503,144 corresponding to credits pending disbursement to different companies in the amount of US$ 25,377,941; and commitments for undersigned guaranty agreements and letters of credit in the amount of US$ 23,125,203 (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).

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, 2014, the Corporation had access to US$ 130,000,000 of undisbursed committed lines of credit and US$15,886,600 of undisbursed uncommitted lines of credit (2013: the Corporation had access to US$ 131,000,000 of undisbursed committed lines of credit and US$10,000,000 of undisbursed uncommitted lines of credit).

(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.