

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

Agreed-upon Procedures

September 30, 2009

*KPMG
November 10, 2009
This certification contains 39 pages
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Agreed-upon Procedures

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

We have been engaged to perform certain agreed-upon procedures with the purpose of certifying that the financial figures included in the enclosed Statement of Financial Position and Statement of Comprehensive Income of Corporacion Interamericana para el Financiamiento de Infraestructura, S.A. (the Company) as of September 30, 2009 and for the nine months then ended agree with the balances shown in the Company's accounting records as of that date.

The agreed-upon procedures engagement includes a comparison of the balances of financial statement accounts (Statement of Financial Position and Statement of Comprehensive Income) with the figures shown in the accounting records of Corporacion Interamericana para el Financiamiento de Infraestructura, S.A. as of September 30, 2009 and for the nine months then ended. For informational purposes, the Company includes the statement of changes in equity, the cash flow statement, and the notes to the financial statements. The accounting records were generated by the information system used by the Company to record its operations. Figures in the Company's accounting records are not compared to the amounts shown in its legal books.

Under articles 20 and 21 of the Regulations governing the Costa Rican Institute of Certified Public Accountants, and as a result of the engagement described above, the undersigned Certified Public Accountant certifies that the financial figures included in the Statement of Financial Position and Statement of Comprehensive Income of Corporacion Interamericana para el Financiamiento de Infraestructura, S.A. as of September 30, 2009 and for the nine months then ended were prepared by management of the Company using figures taken from the accounting records as of that date.

Given that the procedures described above do not constitute an audit in accordance with International Standards on Auditing, we do not express an opinion on the enclosed financial statements of the Company. Had we performed an audit of the financial statements of the Company in accordance with International Auditing Standards, matters might have come to our attention that would have been reported to you.

KPMG

November 10, 2009

San José, Costa Rica

Attachment

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

Financial Statements

As of September 30, 2009

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

Statement of Financial Position

As of September 30, 2009

(With corresponding figures for December 2008)

<u>Assets</u>	<u>Note</u>	<u>2009</u>	<u>2008</u>
Cash	US\$	15,245,702	16,946,138
Loans receivable, net	6.a	200,963,859	205,270,816
Interest receivable, net		2,246,783	2,034,408
Other assets		495,279	649,494
Total assets	US\$	<u>218,951,623</u>	<u>224,900,856</u>
<u>Liabilities and Equity</u>			
Loans payable	7	US\$ 149,143,795	157,293,954
Interest payable		407,924	759,444
Other accounts payable		1,242,327	1,296,777
Total liabilities		<u>150,794,046</u>	<u>159,350,175</u>
Equity			
Capital stock	8	54,000,001	54,000,001
Additional paid-in capital	8	85,000	85,000
Legal reserve		577,508	577,508
Retained earnings		13,495,068	10,888,172
Total equity		<u>68,157,577</u>	<u>65,550,681</u>
Total liabilities and equity		US\$ <u>218,951,623</u>	<u>224,900,856</u>
Commitments and contingencies	13	US\$ <u>23,528,709</u>	<u>19,270,781</u>

The notes are an integral part of the financial statements.

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

Statement of Comprehensive Income
For nine-month period ended September 30, 2009
(With corresponding figures for September 2008)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
Financcce income:			
Interest on cash	US\$	36,695	45,405
Interest on investment securities		-	25,746
Interest on loans receivable, net		10,738,688	11,333,260
Amortization of premiums / discounts		(54,920)	(47,283)
Total finance income		<u>10,720,464</u>	<u>11,357,128</u>
Financial expenses:			
Interest on deposit with the public		-	1,780
Interest carry on PF Interest Rate Swaps		266,271	94,729
Interest on loans payable, net		4,485,514	5,758,320
Total finance expenses		<u>4,751,785</u>	<u>5,854,829</u>
Finance income, net		<u>5,968,679</u>	<u>5,502,299</u>
Allowance for loan losses	8	(1,641,139)	(432,921)
Allowance for interest receivable		(80,343)	-
Net finance income after allowances		<u>4,247,197</u>	<u>5,069,378</u>
Operating income / expenses			
Personal expenses	13	(1,371,116)	(1,438,110)
Other administrative expenses		(752,252)	(520,175)
Other operating income		285,930	19,812
Total operating expenses		<u>(1,837,437)</u>	<u>(1,938,473)</u>
Operating income		<u>2,409,760</u>	<u>3,130,905</u>
Gain / loss on fair value of derivative instruments		<u>197,137</u>	<u>(177,874)</u>
Net income for the period		<u>2,606,897</u>	<u>2,953,031</u>
Income tax	14	-	-
Net income for the period	US\$	<u>2,606,897</u>	<u>2,953,031</u>

The notes are an integral part of the financial statements.

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

Statement of Changes in Equity

For the nine-month period ended September 30, 2009

(With corresponding figures for September 2008)

		Capital stock	Treasury shares	Additional paid-in capital	Legal reserve	Retained earnings	Total stockholders' equity
Balance at January 1, 2008	US\$	54,000,001	-	-	466,401	8,861,950	63,328,352
Net income for the period		-	-	-	-	2,953,031	2,953,031
Purchase of own shares		-	(500,000)	-	-	-	(500,000)
Sale of own shares		-	500,000	85,000	-	-	585,000
Balance at September 30, 2008		<u>54,000,001</u>	<u>-</u>	<u>85,000</u>	<u>466,401</u>	<u>11,814,981</u>	<u>66,366,383</u>
Balance at January 1, 2009		54,000,001	85,000	85,000	577,508	10,888,171	65,635,680
Net income for the period		-	-	-	-	2,606,897	2,606,897
Balance at September 30, 2009	US\$	<u>54,000,001</u>	<u>85,000</u>	<u>85,000</u>	<u>577,508</u>	<u>13,495,068</u>	<u>68,242,577</u>

The notes are an integral part of the financial statements.

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

Statement of cash flow

For the nine-month period ended September 30, 2009

(With corresponding figures for September 2008)

	2009	2008
Cash flow from operating activities		
Income for the period	US\$ 2,606,897	2,953,031
Adjustments for:		
Loss on allowance for loan losses	1,641,139	432,921
Loss on allowance for interest receivable	80,343	-
Unrealized losses (gains) on derivatives	(28,933)	294,142
Deferred commission income	119,024	(22,561)
Deferred commission expense	512,089	(330,844)
Other asstes	154,214	17,697
Other account payables	(25,516)	(181,361)
	5,059,257	3,163,025
Change in accrued interest receivable	(292,717)	(930,370)
Change in accrued interest payable	(351,520)	(30,771)
Net cash flows used in operating activities	4,415,020	2,201,884
 Cash flows from investments activities		
Loan repayments & prepayments	23,374,747	24,320,030
Increase in portfolio	(20,827,955)	(86,470,012)
Sale or disposal of invetment securities	-	150,000
Net cash flows from investment activities	2,546,792	(61,999,982)
 Cash flows from financing activities		
Issuances of long-term debt	18,000,000	78,999,999
(Repayments) of long-term debt	(26,662,248)	(17,642,250)
Change in short-term debt	-	(150,000)
Own shares	-	85,328
Net cash flows from financing activities	(8,662,248)	61,293,077
 Net (decrease) increase in cash	(1,700,436)	1,494,979
Cash at the beginning of the period	16,946,138	11,755,161
Cash at the end of the period	US\$ 15,245,702	13,250,140

The notes are an integral part of the financial statements.

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

Notes to 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 2950, Arlington, Virginia, 22209 USA.

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.

(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.

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

Notes to the Financial Statements

(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.

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

(e) Changes in accounting policiesPresentation of financial statements

The Company applies revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

3. Significant accounting policies

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

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

Notes to the 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

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.

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

Notes to the Financial Statements

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

(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.

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

Notes to the Financial Statements

(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:

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.

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

Notes to the Financial Statements

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.

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.

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

Notes to the Financial Statements

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.

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 September 30, 2009, an asset with a balance of U\$1,000,000 was written off. As of September 30, 2008, no assets were determined to be impaired.

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

Notes to the Financial Statements

(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.

(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.

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

Notes to the Financial Statements

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 period ended September 30, 2009, and have not been applied in preparing these financial statements:

- 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.

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

Notes to the 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.

4. Collateralized assets

As of September 30, 2009 and 2008, the Corporation does not recognize collateralized assets 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 September 30, 2009 and 2008, 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 September 30, 2009, 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.

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

Notes to the Financial Statements

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

September 30, 2009						
<u>Type of entity</u>	<u>Relationship</u>		<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>
Lagal entities	Related parties	US\$	14,990,391	37,184,918	-	878,454

December 31, 2008						
<u>Type of entity</u>	<u>Relationship</u>		<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Expenses</u>
Lagal entities	Related parties	US\$	12,582,605	26,847	53,155	8,962

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

In addition to employee salaries, the Corporation provides all full-time employees with the following benefits:

- a) All full-time employees are required to participate in the following insurance plans, unless proof of equivalent coverage is provided:
 - Medical insurance
 - Disability insurance
 - Travel insurance
- b) Retirement plan contributions (Simple IRA): Employees may contribute a maximum of US\$10,000 per year, while the Corporation contributes 3% of each employee's annual base salary. The Corporation makes its contributions to an independent fund manager and expenses those contributions as incurred. The Corporation has no future commitment to manage the funds contributed.

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

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

Notes to the Financial Statements

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 Credit Committee (which also serves as 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.

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.

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

Notes to the Financial Statements

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

Loans receivable, net are as follows:

		<u>September 30, 2009</u>	<u>December 31, 2008</u>
Current loans	US\$	207,145,485	192,692,279
Past due loans		-	18,000,000
Allowance for loan losses		(5,446,155)	(4,805,017)
Unearned commissions		(735,471)	(616,446)
	US\$	<u>200,963,860</u>	<u>205,270,816</u>

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

The Credit 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.

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

Notes to the Financial Statements

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 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.

The average loan portfolio risk rating is BB- and BB, respectively. The loan portfolio risk ratings are as follows:

		<u>September-09</u>	<u>December-08</u>
Risk rating			
AAA / A-	US\$	21,587,682	13,142,857
BBB+ / BBB-		24,724,600	39,851,657
BB+ / BB-		74,694,123	91,355,710
B+ / B-		64,278,796	52,948,330
<= CCC+		21,860,284	13,393,725
	US\$	<u>207,145,485</u>	<u>210,692,279</u>

Movement in the allowance for loan losses is as follows:

		<u>September 30, 2009</u>	<u>December 31, 2008</u>
Balance at January 1	US\$	(4,805,017)	(3,031,797)
Write-off		1,000,000	-
Expense for the year for portfolio valua		(1,641,138)	(1,773,220)
Balances at September 30	US\$	<u>(5,446,155)</u>	<u>(4,805,017)</u>

An allowance had been established to cover 100% of the account written-off in the amount US\$1,000,000.

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Notes to the Financial Statements

Management of the Corporation follows of the policy of requiring collateral from its customers prior to formally extending and disbursing a loan. Accordingly, 80.0% of the loan portfolio is secured as follows

		<u>September-09</u>	<u>December-08</u>
Mortgage	US\$	82,096,620	81,958,774
Trust		26,664,244	31,971,768
Chattel		54,135,039	52,412,154
Unsecured		44,249,583	44,349,583
	US\$	<u>207,145,485</u>	<u>210,692,279</u>

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.

As of September 30, 2009, loans receivable bear interest at rates ranging between 2.63% and 12.17% per annum (December 2008: between 5.09% and 10.36% per annum).

- 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:

	<u>As of September 30, 2009</u>	
	<u>Number of operations</u>	<u>US dollars</u>
0 a 4,99%	10	\$ 19,575,450
5 a 9,99%	13	48,877,309
10 a 14,99%	11	68,613,420
15 a 20%	8	70,079,307
	<u>42</u>	<u>\$ 207,145,485</u>

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	As of December 30, 2008	
	Number of operations	US dollars
0 a 4,99%	11	\$ 19,918,906
5 a 9,99%	13	52,786,898
10 a 14,99%	8	60,369,808
15 a 20%	7	77,616,667
	39	\$ 210,692,279

- 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.

Loans receivable by economic activity are as follows:

	September-09	December-08
Gas & Oil	US\$ 33,636,322	25,874,456
Telecommunications	28,666,807	33,166,667
Construction Materials	27,724,600	28,264,000
Thermo Power	27,477,950	29,223,625
Other Power	18,493,927	19,625,476
Airports and Seaports	13,143,217	3,988,305
Roads, Railroads and Others	12,750,000	13,500,000
Water and Sanitation	9,070,833	9,983,333
Tourism	7,441,667	8,000,000
Alternative fuels	7,350,000	9,450,000
Power-Generating Equipment	6,937,500	12,000,000
Construction & Engineering	5,853,659	5,853,659
Infrastructure Conglomerates	5,240,000	5,240,000
Hydro Power	2,416,087	4,579,841
Real Estate Development	942,916	942,916
Metals & Mining	(0)	1,000,000
	<u>207,145,485</u>	<u>210,692,279</u>
Allowance for loan losses	(5,446,155)	(4,805,017)
Deferred Income	(735,471)	(616,446)
	<u>US\$ 200,963,859</u>	<u>205,270,816</u>

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a. 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.

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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 Credit 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 September 30, 2009, the Corporation maintains undisbursed and available balances of committed credit facilities with financial institutions for US\$89.5 million. A total of US\$18 million of available but uncommitted lines of credit is pending disbursement.

The Corporation's asset and liability terms are matched as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	365 days	Total
September-09							
ASSETS							
Cash	15,245,700	-	-	-	-	-	15,245,700
Current loans	11,463,074	10,732,879	1,703,193	6,414,548	17,498,843	159,332,948	207,145,485
Accrued interest receivable	1,128,648	586,345	413,274	118,515	(0)	-	2,246,783
Total assets	27,837,422	11,319,224	2,116,468	6,533,063	17,498,843	159,332,948	224,637,968
LIABILITIES							
Loans payable	2,000,000	2,635,417	8,252,000	10,887,417	43,397,833	83,364,582	150,537,249
Accrued interest payable	260,820	84,642	62,462	-	-	-	407,924
Other accounts payable	148,404	-	73,719	15,244	248,628	739,003	1,224,998
Total liabilities	2,409,224	2,720,059	8,388,180	10,902,660	43,646,462	84,103,586	152,170,171

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	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	365 days	Total
December-08							
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	158,372,353	192,692,278
Past due loans	-	-	-	10,000,000	-	8,000,000	18,000,000
Accrued interest receivable	784,600	354,475	373,336	521,999	-	-	2,034,409
Total assets	19,496,862	3,920,178	5,241,837	19,254,482	15,387,113	166,372,353	229,672,825
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	-	-	-	759,444
Other accounts payable	-	-	3,160	86,038	177,087	987,646	1,253,931
Total liabilities	3,430,891	2,817,036	4,902,095	7,473,455	21,951,920	120,637,478	161,212,874

Residual contractual maturities of financial liabilities are as follows:

	Carrying amount*	Gross nominal inflow / (outflow)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 Years
September-09							
<i>Non-derivative liabilities</i>							
Loans payable	150,537,249	(150,537,249)	(2,000,000)	(10,887,417)	(50,433,973)	(87,215,860)	-
Interest **	407,924	(9,269,174)	(303,619)	(553,989)	(3,071,702)	(5,339,865)	-
<i>Derivative liabilities</i>							
Interest rate swaps **	1,224,998	(1,191,114)	(148,404)	(73,719)	(263,872)	(705,119)	-
Total	152,170,171	(160,997,537)	(2,452,022)	(11,515,125)	(53,769,546)	(93,260,844)	-
December-08							
<i>Non-derivative liabilities</i>							
Loans payable	159,199,499	(159,199,499)	(3,000,000)	(7,387,417)	(29,162,250)	(118,074,407)	(1,575,426)
Interest **	759,444	(14,646,949)	(524,650)	(1,206,256)	(4,246,041)	(8,647,190)	(22,812)
<i>Derivative liabilities</i>							
Interest rate swaps **	1,253,931	(1,149,868)	-	(3,160)	(263,125)	(883,582)	-
Total	161,212,874	(174,996,315)	(3,524,650)	(8,596,833)	(33,671,415)	(127,605,179)	(1,598,237)

* Excludes deferred commissions

** Includes estimated interest payments at projected forward LIBOR rates

c. Market risk

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

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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 September, 2009, 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.

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 Credit 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.

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Portfolio</u>
Present Value	\$223,232,586	(\$149,387,840)	\$73,844,746
Duration (excluding IRS)	0.56	0.13	
Notional IRS	\$16,000,000		
IRS Duration	(2.30)		
Duration (including IRS)	0.37	0.13	0.24
POLICY LIMIT:			+/- 0.40
Floating Rate as a % Total	78%	100%	
Fix Rate as a % Total	15%	0%	
Hybrid Rate as a % Total	1%	0%	
Net Portfolio's Duration			0.94

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A change of 100 basis points in interest rates would have increased or decreased the Corporation's net earnings by US\$690,451.35, which represents a change of +/-11.6% in net interest income and +/- 1.01% in equity as of September 30, 2009.

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.

	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
September-09								
<i>Assets:</i>								
Loan portfolio	80,751,205	30,935,000	37,864,895	29,367,665	509,783	27,716,938	(735,471)	206,410,014
Total maturity of rate-sensitive assets	80,751,205	30,935,000	37,864,895	29,367,665	509,783	27,716,938	(735,471)	206,410,014
<i>Liabilities:</i>								
Loans payable	56,999,999	26,781,250	66,756,000	-	-	-	(1,393,456)	149,143,793
Total maturity of rate-sensitive liabilities	56,999,999	26,781,250	66,756,000	-	-	-	(1,393,456)	149,143,793
Total gap	23,751,206	4,153,750	(28,891,105)	29,367,665	509,783	27,716,938	657,984	57,266,221
Dec-08								
<i>Assets:</i>								
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 maturity 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
<i>Liabilities:</i>								
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

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.

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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:

		Sep-09	Dec-08
I. Core capital	US\$	54,662,509	54,662,509
II. Supplementary capital		13,495,068	10,888,172
III. Deductions		-	-
Capital Base (I + II - III)	US\$	<u>68,157,577</u>	<u>65,550,681</u>
		2009	2008
Risk weight of 10%	US\$	2,998,078	1,691,062
Risk weight of 100%		<u>216,205,748</u>	<u>229,833,630</u>
Contingent assets and liabilities adjusted for credit risk	US\$	<u>219,203,826</u>	<u>231,524,692</u>
Capital adequacy		31.09%	28.40%
Required capital adequacy		10.00%	10.00%

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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 September 30, 2009, a total of US\$26,781,250 remains unpaid (December 2008: US\$34,687,500).

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 September 30, 2009, a total of US\$66,756,000.00 remains unpaid (December 2008: US\$84,512,000).

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 September 30, 2009, the amount of US\$31,500,000 remains to be disbursed.

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On November 14, 2008, the Corporation subscribed a credit facility for US\$18,000,000 with Finnish Fund For Industrial Cooperation Ltd and Norfund. That loan is for one-year term, bearing interest at Libor + 1.5%, unsecured with a bullet payment one year after the first disbursement. The first disbursement was received in the amount of US\$4,500,000 on April 9, 2009 and last disbursement was received on September 30, 2009. As of September 30, 2009, a total of US\$18,000,000.00 remains unpaid

On June 9, 2009, the Corporation subscribed a credit line for US\$25,000,000 with the Caribbean Development Bank (CDB) for a fourteen-year term and with a three-year grace period, bearing interest at 5.32%. As security for the loan, the Corporation assigned the CDB rights to cash flows derived from loans granted by the Corporation, up to a coverage ratio of 110% of the amount of the CDB credit line. As of September 30, no drawdown has been made.

On June 11, 2009, the renovation and expansion for an uncommitted and unsecured credit line of US\$20,000,000 was signed with the Andean Development Corporation (CAF). The credit line has a one-year renewable term and bears interest at LIBOR + 1.5%. This line will be used for cash flow management. As of September 30, 2009, disbursements have been received for US\$2,000,000 (December 2008: US\$3,000,000).

On August 25, 2009, the Corporation subscribed an unsecured credit line for US\$15,000,000 with OFID The OPEC Fund for International Development for a eight and a half-year term and with a two-year grace period, bearing interest at Libor + 3%. As of September 30, no drawdown has been made.

As of September 30, 2009, the effective interest rates on loans with foreign financial entities range between 1.5% and 2.69% (December 2008: 3.81% and 5.88%).

The balance of loans payable, net of origination costs (commissions paid) is as follows:

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Foreing financial institutions	US\$ 150,537,249	159,199,499
Prepaid commissions	(1,393,454)	(1,905,545)
	<u>US\$ 149,143,795</u>	<u>157,293,954</u>

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8. Capital stock

As of September 30, 2009 and 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. 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.

As of September 30, 2009 and December 31, 2008, the capital stock is distributed as follows:

		<u>Acquired capital</u>	<u>Ownership interest</u>
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\$	<u>54,000,001</u>	

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

		<u>Sep-09</u>	<u>Dec-08</u>
Expected income tax expense	US\$	-	-
Plus:			
Non-deductible expenses		-	-
Less:			
Non-taxable income		<u>11,061,314</u>	<u>11,424,222</u>
Income tax	US\$	<u>-</u>	<u>-</u>

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

As of September 30, 2009 and 2008, 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 periods ended September 30, 2009 and 2008, 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.

Swap agreements acquired by the Corporation are as follows:

		<u>September 30, 2009</u>					
		<u>Interest rate</u>	<u>Remaining maturity</u>	<u>Notional Value</u>	<u>Assests</u>	<u>Fair Value</u>	
					<u>Liabilities</u>		
Interest Rate Swap:							
	Variable:						
Caja Madrid (Spain)	LIBOR 6M.	10/3/2012	US\$	10,000,000	-	US\$	949,827
	Variable:						
HSBC New York (USA)	LIBOR 6M.	12/22/2010		5,000,000	-		225,837
	Variable:						
HSBC New York (USA)	LIBOR 6M.	3/15/2013		1,000,000	-		49,334
			US\$	<u>16,000,000</u>	<u>-</u>	US\$	<u>1,224,998</u>

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December 31, 2008

	<u>Interest rate</u>	<u>Remaining maturity</u>	<u>Notional Value</u>	<u>Assests</u>	<u>Fair Value</u>	<u>Liabilities</u>
Interest Rate Swap:						
	Variable:					
Caja Madrid (Spain)	LIBOR 6M.	10/3/2012	US\$ 10,000,000	-	US\$	937,666
	Variable:					
HSBC New York (USA)	LIBOR 6M.	12/22/2010	5,000,000	-		247,546
	Variable:					
HSBC New York (USA)	LIBOR 6M.	3/15/2013	1,000,000	-		68,719
			US\$ <u>16,000,000</u>	<u>-</u>	US\$	<u>1,253,931</u>

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

During the period ended September 30, 2009, the Corporation recognized a net gain of US\$197,136.94 (December 2008: net loss of US\$1,030,118.38) in its income statement, which was derived from the net change in fair value of those instruments.

As of September 30, 2009, the fair value of the above derivative financial instruments in the amount of US\$1,224,998.08 (December 2008: US\$1,253,931) is included in "Other accounts payable".

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

Notes to the Financial Statements

11. Concentration of assets and liabilities

Concentration of the Corporation's assets and liabilities as of September 30, 2009 and December 31, 2008 by geographic location is as follows:

		Sep-09	Dec-09
Assets			
Argentina	US\$	17,022,359	18,075,196
Barbados		8,347,392	9,853,762
Belize		9,274,007	9,260,527
Bolivia		9,784,209	11,727,294
Brazil		19,686,345	21,014,418
Colombia		19,695,770	19,525,075
Costa Rica		15,034,949	17,083,649
Dominican Republic		38,673,069	31,310,191
Ecuador		12,187,546	13,544,313
El Salvador		2,270,101	2,436,082
Guatemala		20,769,010	21,954,447
Honduras		16,021,107	18,493,883
Mexico		4,521,125	7,240,766
Panama		13,281,209	7,877,593
Peru		2,729,445	4,610,015
Saint Lucia		7,278,229	8,725,995
Trinidad and Tobago		2,120,441	2,167,650
United States		255,309	-
Total	US\$	218,951,622	224,900,856
Liabilities			
Costa Rica	US\$	17,329	42,845
Netherlands		66,267,537	83,805,600
United States		63,613,712	71,558,334
Venezuela		2,001,316	3,005,729
Finland		8,008,079	-
Norway		10,011,245	-
Austria		(75,000)	-
Spain		949,827	937,666
Total	US\$	150,794,045	159,350,175

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Notes to the Financial Statements

12. Fair value of financial instruments

Fair value of financial instruments is as follows:

			September-09	
Level			Carrying amount	Fair value
Cash	2	US\$	15,245,700	15,245,700
Loans receivable	2	US\$	207,145,485	207,986,886
Loans payable	2	US\$	150,537,249	149,387,840
Other accounts payable	2	US\$	1,242,327	1,242,327
			December-08	
			Carrying amount	Fair value
Cash	2	US\$	16,946,138	16,946,138
Loans receivable	2	US\$	210,692,280	206,292,627
Loans payable	2	US\$	159,199,499	157,724,306
Other accounts payable	2	US\$	1,296,777	1,296,777

The fair value hierarchy is divided into two levels as follows: Level 1 – (unadjusted) quoted prices in active markets; and Level 2 – items measured by discounting cash flows using market discount rates.

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.

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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.

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 September 30, 2009, the Corporation has commitments and contingencies in the amount of US\$23,528,709 (December 2008: US\$19,270,781) corresponding to credits pending disbursement to different companies.

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Notes to the Financial Statements

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.