CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Financial Statements (Unaudited)

June 30, 2010

(With Independent Accountants'
Report thereon)

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INDEPENDENT ACCOUNTANTS' REPORT

The Executive President, Board of Directors, and Board of Governors
Central American Bank for Economic Integration

We have reviewed the accompanying balance sheet of Central American Bank for Economic Integration (the Bank) as of June 30, 2010, and the related statements of income, comprehensive income, changes in equity, and cash flows for the six-month period then ended. This interim financial information is the responsibility of the Bank's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the interim financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information in order for it to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2009 were audited by other accountants and they expressed an unqualified opinion on them in their report dated February 26, 2010. Those financial statements were not audited by us, therefore, we express no opinion or any other form of assurance on the financial information presented in the balance sheet as of December 31, 2009. Additionally, the related statements of income, comprehensive income, changes in equity and cash flows for the six-month period ended June 30, 2009, were not audited or reviewed by us; therefore, we express no opinion or any other form assurance on those statements.

KPMG

August 25, 2010
Panama, Republic of Panama

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Balance Sheets

As of June 30, 2010 and December 31, 2009

(Expressed in thousands of U.S. dollars)

	(Unaudited) June 30, 2010	December 31, 2009
Assets		
Cash (note 4)	47,477	57,303
Interest-bearing deposits with banks (note 5)	697,359	639,760
Securities available for sale (note 6)	610,316	681,330
Loans	4,688,412	4,363,773
Less: Allowance for loan losses	(227,726)	(203,198)
Loans, net (note 7)	4,460,686	4,160,575
Accrued interest receivable (note 8)	56,888	53,321
Property and equipment, net (note 9)	26,427	27,108
Derivative financial instruments (note 18)	165,259	125,346
Other equity investments	21,191	19,605
Other assets (note 10)	12,567	13,002
Total assets	6,098,170	5,777,350
Liabilities		
Loans payable (note 11)	1,077,587	951,773
Bonds payable (note 12.a)	2,398,826	2,377,468
Commercial paper program (note 12.b)	168,417	115,498
Certificates of deposit (note 13)	443,586	353,036
Certificates of investment	1,500	1,874
Accrued interest payable (note 14)	30,312	32,242
Derivative financial instruments (note 18)	97,963	101,312
Other liabilities (note 15)	39,485	31,558
Total liabilities	4,257,676	3,964,761
Equity		
Paid-in capital (note 16.a) (authorized capital 2,000,000)	450,725	447,125
Special capital contributions (note 16.a)	7,250	5,688
Accumulated other comprehensive income (note 21)	1,477	3,023
Retained earnings	24,288	70,626
General reserve	1,356,754	1,286,127
Total equity	1,840,494	1,812,589
Total liabilities and equity	6,098,170	5,777,350

See accompanying notes to the financial statements and Independent Accountants' Report.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Income

For the six-month periods ended June 30, 2010 and 2009

(Expressed in thousands of U.S. dollars)

	(Unaudited) June 30, 2010	2009
Interest and fee income		
Public sector loans	98,764	88,563
Private sector loans	35,840	49,269
Investment securities	9,095	12,999
Due from banks	748	1,101
Total interest and fee income	144,447	151,932
Interest and fee expenses		
Loans payable and other liabilities	19,430	21,925
Bonds payable	36,933	36,356
Commercial paper program	2,008	595
Certificates of deposit and investment	8,645	12,676
Total interest and fee expenses	67,016	71,552
Net interest and fee income	77,431	80,380
(Release of) provision for loan losses	35,275	(419)
Net interest and fee income after provision for loan losses	42,156	80,799
Administrative expenses		
Salaries and employee benefits	9,981	10,750
Other administrative expenses	3,423	3,363
Depreciation and amortization	1,953	1,986
Other administrative expenses	151	202
Total administrative expenses	15,508	16,301
Other operating income (expense)		
Administrative fee	5,470	801
Supervision and audit fee	751	1,260
Dividends from equity investments	192	108
Adjustment on foreclosed and other assets	0	(111)
Gain (loss) on sale of securities available for sale	195	(4,834)
Market value adjustment of swap transactions and other financial instruments	(7,534)	102
Adjustment to venture capital investments	(1,502)	(1,225)
Foreign exchange translation gain	693	(3,425)
Other income (expense)	337	(100)
Total other operating expense, net	(1,398)	(7,424)
Income before other expenses	25,250	57,074
Other expenses		
Special projects and contributions	879	1,111
Provision for technical assistance and others	83	34
Total other expenses	962	1,145
Net income	24,288	55,929

See accompanying notes to the financial statements and Independent Accountants' Report.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Comprehensive Income

For the six-month periods ended June 30, 2010 and 2009

(Expressed in thousands of U.S. dollars)

	(Unaudited) June 30, 2010	(Unaudited) June 30, 2009
Net income	24,288	55,929
Other comprehensive income:		
Unrealized gain (loss) on securities available for sale, net	6,785	7,637
Reclassification adjustment for net realized (gains) losses included in earnings	(4,966)	(2,224)
Subtotal - securities available for sale	1,819	5,413
(Loss) gain from cash flow hedges	(3,365)	2,543
Other comprehensive gain (loss)	(1,546)	7,956
Comprehensive income	22,742	63,885

See accompanying notes to the financial statements and Independent Accountants' Report.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Changes in Equity

For the six-month periods ended June 30, 2010 and 2009

(Expressed in thousands of U.S. dollars)

	(Unaudited)					
	Paid-in Capital	Special Capital Contributions	Accumulated Other Comprehensive Income	Retained Earnings	General Reserve	Total Equity
Balance as of December 31, 2008	427,425	5,625	(10,755)	83,291	1,202,836	1,708,422
Capital increase	14,300	0	0	0	0	14,300
Appropriation to general reserve	0	0	0	(83,291)	83,291	0
Net change in other comprehensive income	0	0	7,956	0	0	7,956
Net income	0	0	0	55,929	0	55,929
Balance as of June 30, 2009	441,725	5,625	(2,799)	55,929	1,286,127	1,786,607
Balance as of December 31, 2009	447,125	5,688	3,023	70,627	1,286,127	1,812,590
Capital increase	3,600	0	0	0	0	3,600
Contributions	0	1,562	0	0	0	1,562
Appropriation to general reserve	0	0	0	(70,627)	70,627	0
Net change in other comprehensive income	0	0	(1,546)	0	0	(1,546)
Net income	0	0	0	24,288	0	24,288
Balance as of June 30, 2010	450,725	7,250	1,477	24,288	1,356,754	1,840,494

See accompanying notes to the financial statements and Independent Accountants' Report.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Cash Flows

For the six-month periods ended June 30, 2010 and 2009

(Expressed in thousands of U.S. dollars)

	(Unaudited) June 30, 2010	2009
Cash flows from operating activities		
Net income	24,288	55,929
Items to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,953	1,986
(Release of) provision for loan losses	35,275	(419)
Adjustment to venture capital investments	1,502	1,225
Foreign exchange (gain) loss	(693)	4,267
Market value adjustment of swap transactions and other financial instruments	7,534	(102)
Increase in accrued interest receivable	(3,567)	(1,980)
Decrease (increase) in othe assets	0	(6,511)
Increase (decrease) in accrued interest payable	(1,930)	6,574
Decrease in other liabilities	0	(4,441)
Net cash provided by operating activities	64,362	56,528
Cash flows from investing activities		
Net (increase) decrease in interest-bearing deposits with banks	(57,788)	21,591
Net sale (purchase) of securities available for sale	74,848	(4,825)
Purchase of property and equipment	(1,272)	(830)
Net decrease (increase) in derivative financial instruments	(8,986)	5,703
Disbursements of loans receivable	(594,772)	(551,682)
Collections of loans receivable	454,971	502,812
(Increase) decrease in other equity investments	(3,089)	0
Net increase (decrease) in other liabilities	7,938	(20,440)
Net decrease (increase) in other assets	437	(2,123)
Net cash used in investing activities	(127,713)	(49,794)
Cash flows from financing activities		
Net increase (decrease) in loans payable	(47,676)	(88,686)
Net increase in commercial paper program	52,919	42,678
Net (decrease) increase in bonds payable	(46,493)	214,750
Net decrease in certificates of investment	(374)	(659)
Net increase (decrease) in certificates of deposit	90,550	(110,914)
Capital contributions	3,600	14,300
Special capital contributions	1,562	0
Net cash provided by finanicing activities	54,088	71,469
Effect of exchange rate fluctuations on cash held	(563)	(592)
Cash at beginning of period	57,303	33,659
Cash at end of period	47,477	111,270
Net (decrease) increase in cash and cash equivalents	(9,826)	77,611
Supplemental information		
Cash paid for interest during period	68,946	64,978
Changes in unrealized net losses on securities available for sale	1,819	5,413

See accompanying notes to the financial statements and Independent Accountants' Report.

(1) Origin and Nature of the Bank

The Central American Bank for Economic Integration (CABEI or the Bank) is a financial institution under public international law, founded by the governments of Guatemala, El Salvador, Honduras and Nicaragua pursuant to the Constitutive Agreement dated December 13, 1960. In addition, on September 23, 1963, the Republic of Costa Rica was included as a founding member. Pursuant to protocol subscribed on September 2, 1989 and effective since 1992, the participation of non-regional members was allowed. The Bank commenced operations on May 31, 1961 and has its headquarters in Tegucigalpa, Honduras. Pursuant to the Constitutive Agreement, as a financial institution of the Economic Integration Program and through its sector investment policy, the Bank acts as both a development financing institution and a Central American institution for economic promotion.

The Bank's objective is to promote the integration and economic and social development of the Founding Members.

The activities of the Bank are complemented by the activities carried out by the Technical Cooperation Fund (Fondo de Cooperación Técnica – FONTEC) and by the Special Fund for the Social Transformation of Central America (Fondo Especial para la Transformación Social en Centroamérica – FETS). These two funds are regulated by their own by-laws and are independent and separate from the Bank, although they are administrated by the Bank. These financial statements include, solely, the assets, liabilities and operations of the Bank. Certain financial information relating to those funds has been disclosed in note 19.

(2) Summary of significant accounting policies

The Bank's accounting policies and financial information are in accordance with accounting principles generally accepted in the United States of America (US GAAP). The financial statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to fairly present our financial position, results of operations and cash flows. Certain information and note disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted. While management believes that the disclosures presented are adequate to make information not misleading, it is suggested that these financial statements be read in conjunction with the audited financial statements of the Bank and notes thereto as of December 31, 2009 and for the year then ended. Results of operations of interim periods are not necessarily indicative of the results that may be expected for the full year.

(a) Comparative statements

For comparison purposes, the June 30, 2010 balance sheet is presented together with that corresponding to December 31, 2009. The related statements of income, comprehensive income, changes in equity, and cash flows for the six – month period ended June 30, 2010 are presented together with those corresponding to the same period of the prior year.

(2) Summary of material accounting policies, continued

(b) Functional and foreign currencies
The Bank's functional currency is the United States dollar (U.S. dollar). Transactions in currencies other than the U.S. dollar are recorded at the effective exchange rates prevailing on the transaction date. Assets and liabilities denominated in currencies other than the U.S. dollar are expressed in such currency using the prevailing exchange rates as of the date of the financial statements. Foreign currency gains and losses resulting from updating such exchange rate for the assets and liabilities denominated in currencies other than the U.S. dollar are presented as other operating income (expenses).

(c) Cash and equivalents
For the purpose of the statements of cash flows, cash and cash equivalents represent the amounts included in cash and due from banks.

(d) Securities available for sale
Marketable securities are classified as "available for sale" and recorded at fair value, with unrealized gains and losses being excluded from net income and reported as a separate component of equity under accumulated other comprehensive income until they are realized and reclassified to the statement of income.

The Bank conducts periodic reviews in order to determine if events or economic situations have occurred that indicate an other-than-temporary impairment on securities with unrealized losses. Recognition of an other-than-temporary impairment on debt securities occurs when any of the following conditions are met: (1) the Bank does not expect to collect the amortized cost of the security, (2) the Bank has the intention of selling the security, or (3) it is more likely than not, that the Bank will be obligated to sell the security before it recovers its amortized cost.

If the first condition is met, but the Bank has no intention of selling and it is unlikely that the Bank will be obligated to sell the security before its amortized cost is recovered, the Bank must record the difference between the estimated cost of the security and its recoverable value in the statement of income and the difference between its recoverable value and its fair value in other comprehensive income. If the second or third condition is met, then the Bank records the total difference between amortized cost and fair value in the operating income.

The Bank has not experienced an other-than-temporary impairment during the six-month period ended June 30, 2010.

Declines in the fair value of investment securities below their cost, which are deemed to be other than temporary, are recorded as a realized loss in the statement of income.

Interest income on investment securities is recorded using the accrual method. Premiums and discounts are amortized to interest income over the life of the related security using the interest method. Gains and losses on the sale of securities are recorded on the trade date basis and are determined using the specific identification method.

(2) Summary of material accounting policies, continued

The Bank participates in a securities lending program. This program consists of lending securities in exchange for a premium payable by the investment company. Under the terms of the securities lending program, CABEI requires collateral of greater value than the fair value of the loaned securities. The Bank maintains effective control of the loaned securities during the term of the transactions given that it may be able to redeem the subject loaned securities prior to their maturity. At maturity, the investment company shall return the securities lent, similar securities or cash. The Bank's management believes these transactions bear low risk.

(e) Loans and allowance for loan losses

Loans are stated at the unearned principal balance. Interest income is recognized on the accrual basis according to the contractual terms of the loans.

Loans to the private sector are mainly granted through eligible financial institutions of the region and, in the case of direct co-financed loans, CABEI obtains such collateral as it considers appropriate including: mortgages, bank pledges, financial guarantees and credit default swaps.

A private sector loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the amortization plan established in the contractual terms of the loan. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

Loans that experience insignificant payment delay generally are not classified as impaired. Management determines the significance of payment delay on a case-by-case basis, taking into consideration all the circumstances related to the loan and the borrower, including the length of the delay, the reasons for the arrears, the borrower's prior payment record, and the amount of the shortfall in relation to the outstanding principal and interest receivable. Most of these impaired loans are classified in sub-standard or lower categories and, consequently, a specific provision has already been assigned to them. Impairment is measured by reference to the present value of expected future cash flows, discounted at the loan's original interest rate or to the fair value of any collateral. If the valuation of the impaired loan is less than the recorded investment in the loan, the Bank recognizes the impairment by creating a specific allowance for loan losses with a corresponding charge to the provision for loan losses.

Public sector loans are granted to governments and autonomous entities of the founding members and non-funding beneficiary countries under a sovereign guarantee of the respective country. In duly qualified cases, the Bank requires a generic guarantee of the borrower to fully collaterize the loan.

CABEI establishes an allowance for public sector loans that takes the individual risk of the borrowing countries into consideration. This methodology includes the calculation of the probability of default based on the credit insurance percentage assigned by Export Credit

(2) Summary of material accounting policies, continued

Agencies (ECA's) to credit transactions in the borrowing countries. This probability is adjusted for CABEI's preferred creditor status. Additionally, this methodology takes into consideration the risk of public sector loans not covered by sovereign guarantee as well as the remaining maturity of operations. Management believes that this methodology reasonably reflects the estimated risk embedded in the Bank's public sector lending activities and, consequently, considers the resulting amount of the allowance for public sector loans to be adequate. As of June 30, 2010 and December 31, 2009, there were no impaired public sector loans.

The allowances for loan losses are established through estimates of possible losses, which are charged to income in the fiscal year they are incurred and disclosed as a separate line item deducting loans receivable. Loan losses are written off against the allowance when management confirms the inability to collect the loan balances. Subsequent recoveries, if any, are credited to the provision for loan losses in the statement of income. Management assesses its allowance for loan losses on a regular basis.

(f) Non-accrual loans

Interest recognition for loans is discontinued when reasonable doubt exists as to full, timely collection of principal or interest, or when loans are 90 days or more in arrears on principal and/or interest based on contractual terms, except for public sector loans for which recognition is discontinued when they become 180 days or more past due based on contractual terms. In accordance with the Bank´s policies, loans for which the recognition of interest income has been discontinued are designated as non-accruing. All interest accrued but not collected on loans classified as non-accrual is reversed against interest income. Collections are accounted for on the cash method thereafter, until qualifying to return to accrual status. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan classified as non – accrual, the loan is returned to accrual status. The bank charges off loans when collectability of principal is not probable.

(g) Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Renewals and major improvements are capitalized, while minor replacements, repairs and maintenance which do not improve the asset nor extend its remaining useful life are charged as expenses when incurred.

Depreciation is provided by using the straight-line method over the estimated useful life of each type of asset. The estimated useful life of the assets is as follows:

	Years
Buildings	40
Facilities and improvements	10
Furniture and equipment	10 and 5
Vehicles	4
Hardware and software	3, 5 and 10

(2) Summary of material accounting policies, continued

(h) Foreclosed assets

Foreclosed real estate is held for sale and is initially recorded at the lower of the related loan balance or the fair value less cost to sell of the real estate at the date of foreclosure. At the time properties are acquired in full or partial satisfaction of loans, any excess of the loan balance over the estimated fair value of the property is charged against the allowance for loan losses. After foreclosure, these properties are carried at the lower of cost or fair value less estimated costs to sell based on recent appraised values or options to purchase the foreclosed property. Any excess of the carrying value over the estimated fair value, less estimated costs to sell, is charged to operations. The costs and expenses associated to holding these properties in portfolio are expensed as incurred.

(i) Taxes

According to the Bank's Constitutive Agreement, the Bank's income and related transactions are exempt from any payment, withholding or collection of any income or duty tax.

(j) General reserve and annual net income

According to the Constitutive Agreement, the general reserve is increased by the total annual net income.

(k) Derivative instruments and hedging activities

The Bank recognizes all derivative instruments as assets and liabilities at fair value. If certain conditions are met, the derivative may qualify for hedge accounting treatment and may be designated as one of the following types of hedges: (a) hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment ("fair value hedge"); (b) hedge of the exposure to variability of cash flows of a recognized asset, liability or forecasted transaction ("cash flow hedge") or (c) hedge of foreign currency exposure ("foreign currency hedge").

For all hedging transactions, the Bank formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, the assessment of hedge transaction's effectiveness in hedging the exposure attributable to the hedged risk, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Bank also formally monitors, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(2) Summary of material accounting policies, continued

Changes in fair value of a derivative instrument which is highly effective and which has been designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded as other operating income (expenses) in the statement of income. Changes in the fair value of a derivative instrument that is highly effective and which has been designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. Changes in fair value of derivative instrument that is highly effective and has been designated and qualifies as foreign-currency hedge is recorded in either income or other comprehensive income, depending on whether the hedge transaction is a fair value hedge or a cash-flow hedge. The ineffective portion of the change in the fair value of a derivative instrument that qualifies as either a fair-value hedge or a cash-flow hedge is reported in the statement of income.

The Bank discontinues hedge accounting when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; the derivative expires, is sold, terminated, or exercised; the hedged asset or liability expires, is sold, terminated, or exercised; the derivative is not designated a hedging instrument because it is unlikely that a forecasted transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair value hedge, the Bank continues to carry the derivative on the balance sheet at its fair value and ceases to adjust the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Bank continues to carry the derivative on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet, and recognizes any gain or loss in the statement of income.

When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Bank continues to carry the derivative on the balance sheet at its fair value with subsequent changes in fair value included in the statement of income, and gains and losses that were accumulated in other comprehensive income are immediately recognized in the statement of income. In all other situations in which hedge accounting is discontinued, the Bank continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in the statement of income.

(2) Summary of material accounting policies, continued

In addition, the Bank also contracts derivatives that although being used as hedges of risk they do not classify for hedge accounting in accordance with the guidelines of Accounting Standards Codification (ASC) 815 *Accounting for Derivatives and Hedging Activities* issued by the Financial Accounting Standards Board (FASB). Changes to the fair values of these derivatives are recorded as "Other operating income (expenses)" of the statement of income.

The Bank may also enter into derivatives to manage its credit exposure, which includes selling hedges in circumstances in which the Bank may decide to incur additional exposure in a given country.

(l) Equity investments

Equity investments have been mainly recorded at cost. These investments are annually tested for impairment, although as of June 30, 2010, such tests are in progress for most of these investments.

(m) Donations received and contributions granted

Donations are recorded as other income when they are received, unless the donations are received with donor-imposed conditions, whereby they are registered as a liability until the conditions have been satisfied in all material respects or the donor has explicitly waived the conditions.

Contributions granted to public and private sector institutions and funds or programs managed by CABEI are recorded as expenses in the period in which the Bank's Board of Directors authorizes the contributions and the related contracts are signed. These are presented as part of "Special projects and contributions" in the statements of income.

(n) Endorsements and guarantees granted

The main objective of the endorsements and guarantees granted by the Bank is to support the regional banking systems, and the development and integration of the Central American region and to expand and diversify the banking services offered by CABEI in order that its customers may have access to a broader range of services and lower financial costs in developing their projects.

In furtherance of this objective, the Bank grants two main types of endorsements and guarantees:

- Those that replace financing: Generally long-term arrangements, such as bank endorsements or payment guarantees that support a financial document or credit contract which in itself secures compliance with obligations related to execution of a project. These endorsements and guarantees are granted taking into account the credit risk concentration limits to CABEI's borrowers.

- Those that do not replace financing: Which are granted to support projects for the development of the Central American region and are generally short-term arrangements that are fully collateralized by liquid assets and are generally related to letters of credit and acquisitions of goods and services.

(2) Summary of material accounting policies, continued

(o) Use of estimates
To prepare its financial statements, the Bank's management relies on certain assumptions and estimates that have an impact on the amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements. Actual results could differ from such estimates. Material estimates that are particularly susceptible to significant change in the near term mainly relate to the determination of the allowance for loan losses, the valuation of securities and derivatives instruments and the status of contingencies.

(p) Reclassifications
Certain amounts in the financial statements of 2009 have been reclassified in order to conform to the 2010 presentation.

(3) Fair value

(a) Measurement of fair values
Guideline of FASB ASC 820 *Fair Value Measurements and Disclosures* (FASB ASC 820) defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Such standard also establishes a scheme for determining fair values.

The fair value is more accurately reflected through a quoted market price, if available. If a quoted market price is not available, fair value will be based on the quoted market price of a financial instrument with similar characteristics, the present value of estimated future cash flows or other valuation techniques, which are significantly affected by the assumptions used.

i Fair value hierarchy measured on a recurring basis

In accordance with the guidelines of FASB ASC 820, the Bank has categorized its financial instruments in three fair value levels on the basis of the information hierarchy used for determining such instruments:

- Level 1: Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or futures contracts.

- Level 2: Assets and liabilities valued based on observable market data for similar instruments, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3: Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally-developed, and consider risk premiums that a market participant would require.

(3) Fair value, continued

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Bank looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Bank looks to market observable data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to derive a fair value measurement. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The assets and liabilities valued at their fair value on a recurrent basis as of June 30, 2010 and December 31, 2009 are as follows:

June 30, 2010	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale	106,208	450,424	53,684	610,316
Derivative financial instruments	0	165,259	0	165,259
Liabilities				
Loans payable	0	44, 419	0	44, 419
Bonds payable	0	1,043,044	0	1,043,044
Derivative financial instruments	0	95,059	2,904	97,963

December 31, 2009	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale	168,248	457,873	55,209	681,330
Derivative financial instruments	0	125,346	0	125,346
Liabilities				
Loans payable	0	65,205	0	65,205
Bonds payable	0	1,052,701	0	1,052,701
Derivative financial instruments	0	97,638	3,674	101,312

Valuation techniques applied:

- Investments in securities: fair value has been calculated on the basis of the prices as quoted in the market and in the absence of such, they have been calculated based on discounted cash flows using the current yields of similar securities.
- Derivative financial instruments: fair values have been determined on the basis of valuation models that use parameters constructed from market data, such as the yield curve of interest rate. Another factor taken into account is the counterparty and the Bank's credit risks according to whether the fair value of the derivative is positive or negative (See also note 18).
- Loans and bonds payable: fair values are determined through the use of valuation models based on interest rate yield curves constructed from market data. Those yield curves also take into consideration the Bank's credit risk spread.

(3) Fair value, continued

Changes in fair values of the instruments classified in Level 3 that occurred during the periods ended June 30, 2010 and December 31, 2009 are as follow:

	Balance at January 1, 2010	Gains / (losses) of the period: Included in net income	Gains / (losses) of the period: Included in other comprehensive income / (loss)	Purchases, (sales), issuances or (settlements)	Transfers in and / or out of level 3	Balance at June 30, 2010
Assets						
Securities available for sale	55,209	0	(1,525)	0	0	53,684
Liabilities						
Derivative financial instruments	3,674	(770)	0	0	0	2,904

	Balance at January 1, 2009	Gains / (losses) of the period: Included in net income	Gains / (losses) of the period: Included in other comprehensive income / (loss)	Purchases, (sales), issuances or (settlements)	Transfers in and / or out of level 3	Balance at December 31, 2009
Assets						
Securities available for sale	54,869	0	540	(200)	0	55,209
Liabilities						
Derivative financial instruments	0	0	0	0	3,674	3,674

ii Fair value option

Guideline of FASB ASC 825-10-25 *Fair Value Option* allows the option to choose to measure at fair value certain financial assets and liabilities that do not require such measurement. Once the option has been chosen it becomes irrevocable. The standard also requires that changes to the fair value of these financial assets and liabilities be recorded in the statements of income.

The Bank has chosen to measure at fair value the financial liabilities in a currency other than the US dollar for which it has contracted a derivative as fair value hedge for foreign currency and interest rate fluctuations. For such liabilities up to December 31, 2007 the Bank had used hedge accounting. The principal purpose for applying FASB ASC 825-10-25 is to reduce the volatility of the Bank's income generated by the use of the hedge accounting under FASB ASC 815, considering that both the financial liabilities and the hedging instruments related to them are generally maintained until maturity. Consequently, the Bank has discontinued the hedge accounting for these transactions. The Bank also has chosen not to apply the option to measure at fair value other financial liabilities, as they do not produce volatility in the statements of income.

(3) Fair value, continued

Changes in the fair value of financial liabilities results from changes in interest rates, foreign exchange rates and the Bank's credit risk spread.

The Bank's credit risk spread for the six – month periods ended June 30, 2010 and 2009 has not changed. Consequently, there has been no variation in the fair value due to such input.

The amounts recorded in the statements of income as a result of changes in fair values as of June 30, 2010 and 2009 are as follows:

	2010	
	Other operating income / (expense) – Market value adjustment	Total
Loans payable	(281)	(281)
Bonds payable	(1,896)	(1,896)

	2009	
	Other operating income / (expense) – Market value adjustment	Total
Loans payable	903	903
Bonds payable	11,388	11,388

Interest and fees generated by these loans and bonds payable were calculated on an accrued basis in accordance with the contractual terms of each transaction.

The difference between the fair value of the instruments chosen for application of FASB ASC 825-10-25 and the unpaid principal balances of such instruments for the periods ended June 30, 2010 and December 31, 2009 is as follows:

	2010		
	Fair value	Unpaid principal balances	Excess / (Deficit)
Loans payable	44, 419	56,202	(11,783)
Bonds payable	1,043,044	993,437	49,607

	2009		
	Fair value	Unpaid principal balances	Excess / (Deficit)
Loans payable	129,795	128,501	1,294
Bonds payable	978,114	965,296	12,818

(3) Fair value, continued

(b) Fair value of financial instruments

The following table presents the carrying amounts and estimated fair values of the Bank's financial instruments determined on a recurring basis.

The Bank's management applies its best judgment to estimate the fair values of these financial instruments. Minor changes in the assumptions used might have a significant impact on the estimates of current values.

A significant portion of the Bank's assets and liabilities are short-term financial instruments, with maturity of less than one year, and/or with floating interest rates. These short-term instruments and/at floating rates are considered to have a fair value equivalent to their recorded value as of the date of the financial statements. The foregoing applies to cash and due from banks, interest-bearing deposits in banks, loans payable and bonds issued with floating interest rates and interest receivable and payable.

The following methods and assumptions were used to determine the fair value of main financial instruments maturing within more than one year and with fixed interest rates, which are not carried at their fair value:

- Loans receivable, net: The fair values for loans at fixed interest rates are estimated on the basis of an analysis of the discounted cash flows, using the Commercial Interest Reference Rate (CIRR) as a reference. This rate is the official rate applied by Export Credit Agencies, as published by the Export-Import Bank of the United States of America, and is based on the rates accrued on U.S. Treasury bonds. The fair values of non-accrual loans are estimated on the basis of the discounted cash flows or the value of the collateral, where applicable. This fair value does not represent a current indicator of an exit price.

- Equity investments: Given that they do not have a readily available market value, the Bank's management estimates that the carrying amount approximates fair value. For those cases in which the carrying amount significantly differs from the equity method, the latter has been considered in estimating fair value.

- Loans payable: The fair values for loans are estimated on the basis of an analysis of the discounted cash flows, using the CIRR as a reference. This fair value does not represent a current indicator of an exit price.

- Commercial paper program: The fair values are estimated on the basis of an analysis of the discounted cash flows, using as a reference the rates of the most recent transactions agreed upon with the Bank prior to each year-end.

- Bonds payable: The fair value is estimated on the basis of an analysis of the discounted cash flows, based on current bank rates for multilateral organizations.

- Certificates of deposit: Fair values are estimated on the basis of an analysis of the discounted cash flows, based on the rates of the most recent transactions agreed upon with the Bank prior to each year-end.

(3) Fair value, continued

- Contingent commitments: The fair of these financial instruments is based on the counterparty credit risk.

The estimated fair values of the Bank's financial instruments as of June 30, 2010 and December 31, 2009 are as follows:

	June 30, 2010		December 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and due from banks	47,477	47,477	57,303	57,303
Interest-bearing deposits in banks	697,359	697,359	639,760	639,760
Securities available for sale	610,316	610,316	681,330	681,330
Loans, net	4,460,686	4,535,560	4,160,575	4,243,287
Accrued interest receivable	56,888	56,888	53,321	53,321
Derivative financial instruments	165,259	165,259	125,346	125,346
Equity investments	21,191	21,191	19,605	21,277
Total	6,059,176	6,134,050	5,737,240	5,821,624
Liabilities				
Loans payable	1,077,587	1,084,205	951,773	970,820
Bonds payable	2,398,826	2,485,223	2,377,468	2,419,695
Commercial paper program	168,417	168,417	115,498	115,498
Certificates of deposit	443,586	447,468	353,036	358,307
Certificates of investment	1,500	1,500	1,874	1,874
Accrued interest payable	30,312	30,312	32,242	32,242
Derivative financial instruments	97,963	97,963	101,312	101,312
Total	4,218,191	4,315,088	3,933,203	3,999,748

(4) Cash and due from banks

At June 30, 2010 and December 31, 2009, cash and due from banks is composed as follows:

	June 30, 2010	December 31, 2009
Currencies of the founding members	4,826	3,479
US dollars	41,387	52,642
Other currencies	1,264	1,182
Total	47,477	57,303

(5) Interest-bearing deposits with banks

Interest bearing deposits are normally time deposits with terms of up to three months, renewable with respect to the term and interest rate; accordingly, the face value approximates the market value. As of June 30, 2010 and December 31, 2009, these carrying amounts are set in currencies other than those of the founding member countries.

(6) Securities available for sale

The amortized cost, gross unrealized gains and losses adjustments to hedging transactions and fair value of securities available for sale, as of June 30, 2010 and December 31, 2009 are as follows:

June 30, 2010					
Securities available for sale	Amortized cost	Unrealized gross losses	Unrealized gross gains	Adjustments to hedging transactions	Estimated fair value
Marketable securities	492,626	(4,690)	4,730	6,722	499,389
Investment funds	101,900	0	9,028	0	110,927
Total	594,526	(4,690)	13,758	6,722	610,316

December 31, 2009					
Securities available for sale	Amortized cost	Unrealized gross losses	Unrealized gross gains	Adjustments to hedging transactions	Estimated fair value
Marketable securities	512,534	(4,529)	3,128	4,706	515,839
Investment funds	96,881	0	8,650	0	105,531
Commercial paper	59,960	0	0	0	59,960
Total	669,375	(4,529)	11,778	4,706	681,330

For the six-month periods ended June 30, 2010 and 2009, the realized gross gain was 4,966 and 7,058, respectively. For the six-month period ending June 30, 2009, the realized gross loss was 4,834; there was no realized gross loss during the six-month period ended June 30, 2010.

The gains and losses were realized by considering the unamortized cost of each fund or marketable security sold.

At June 30, 2010 and December 31, 2009, the estimated fair values and unrealized losses on securities available for sale that have been in a continuous unrealized loss position are as follows:

	June 30, 2010						
	Less than 12 months of accumulated losses		12 months or greater of accumulated losses				
			Time to maturity				
			Less than 12 months		12 months or longer		
Securities available for sale:	Estimated fair value	Unrealized gross losses	Estimated fair value	Unrealized gross losses	Estimated fair value	Unrealized gross losses	Total
Marketable securities	168,900	(3,062)	0	0	34,266	(1,628)	(4,690)

(6) Securities available for sale, continued

	December 31, 2009						
	Less than 12 months of accumulated losses		12 months or greater of accumulated losses				
			Time to maturity				
			Less than 12 months		12 months or longer		
Securities available for sale:	Estimated fair value	Unrealized gross losses	Estimated fair value	Unrealized gross losses	Estimated fair value	Unrealized gross losses	Total
Marketable securities	180,728	(2,900)	0	0	37,709	(1,629)	(4,529)

The Bank's policy establishes that at least 75% of its total investment securities should be in deposits in banks and bonds issued by issuers holding an international rating of "A" (or its equivalent) or better, granted by an internationally recognized rating agency.

At June 30, 2010, management has no intention of selling the securities classified as available for sale, described in the previous table, and considers it is more likely than not, that the Bank will not have to sell the aforementioned securities before it recovers their cost. Management in conjunction with the Assets & Liabilities Committee (ALCO) monitors on a regular basis the situation and the evolution of securities available for sale, including those with unrealized losses. Management believes that the unrealized losses of such securities at June 30, 2010 are temporary and substantially related to market interest rate fluctuations and not to deterioration in the creditworthiness of the issuer or guarantor. Therefore, no other than temporary impairment has been recorded in the financial statements.

Sales and repayments of securities available for sale during the periods ended June 30, 2010 and December 31, 2009 amounted to 74,848 and 350,825, respectively.

As of June 30, 2010, investment securities are classified by contractual maturities in the following table. The expected maturities may differ from contractual maturities because issuers might have the right to redeem or prepay obligations without penalty in certain cases.

	Amortized cost	Estimated fair value
Due within one year	347,458	354,204
After one but within five years	195,017	197,399
After five but within ten years	10,464	9,214
After ten years	41,587	49,499
Total	594,526	610,316

As of June 30, 2010 and December 31, 2009 the Bank has no investment securities loaned pursuant to the securities lending program.

(7) Loans

CABEI has no significant concentrations of credit risk with any individual borrower or groups of borrowers. A detail of loans, by sector and country as of June 30, 2010 and December 31, 2009, is as follows:

	June 30, 2010			December 31, 2009		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Guatemala	763,048	351,567	1,114,615	709,346	368,699	1,078,045
El Salvador	756,393	134,660	891,053	758,927	139,600	898,527
Honduras	412,961	256,712	669,673	389,953	285,168	675,121
Nicaragua	177,577	257,998	435,575	170,906	281,389	452,295
Costa Rica	1,136,297	375,459	1,511,756	829,258	370,287	1,199,545
Dominican Republic	50,000	0	50,000	46,295	0	46,295
Panama	0	15,240	15,240	0	13,945	13,945
Belize	500	0	500	0	0	0
	3,296,776	1,391,636	4,688,412	2,904,685	1,459,088	4,363,773
Allowance for loan losses	(94,803)	(132,923)	(227,726)	(85,041)	(118,157)	(203,198)
Loans, net	3,201,973	1,258,713	4,460,686	2,819,644	1,340,931	4,160,575

During the six-month period ended June 30, 2010, the Bank acting as an intermediary recorded a lending arrangement of US$189,053; this amount is recorded in the financial statements as a loan receivable from the Costa Rican Electricity Institute, and as a loan payable to the Bank of China. Contractually, the Bank is not subject to risk of loss on its asset or liability position, relating to this transaction. (See note 11).

A detail of loans, by economic activity segment, as of June 30, 2010 and December 31, 2009, is as follows:

	June 30, 2010	December 31, 2009
Infrastructure / construction	1,384,593	1,389,474
Electricity, gas and water supply	1,104,308	1,032,556
Monetary intermediation	773,999	728,388
Multi-sector	429,932	440,778
Transport, storage and communications	312,112	125,413
Social and health services	176,246	183,648
Manufacturing industry	143,037	153,761
Real estate activities	123,727	49,769
Agro-industry	69,328	79,418
Hotels and restaurants	55,328	57,388
Mining and quarrying	45,000	48,000
Education	34,070	32,779
Wholesale and retail trade	21,096	26,392
Other social, community and personal activities	9,788	10,773
Fisheries	4,257	4,654
Extraterritorial organizations and agencies	1,591	582
Total	4,688,412	4,363,773

(7) Loans, continued

A detail of loans, by maturity, as of June 30, 2010 and December 31, 2009, is as follows:

	June 30, 2010	December 31, 2009
Past due	46,667	33,916
Up to 1 year	733,035	713,068
From 1 to 2 years	462,352	528,894
From 2 to 3 years	402,307	426,357
From 3 to 4 years	497,262	369,215
From 4 to 5 years	311,955	463,742
More than 5 years	2,234,834	1,828,581
Total	4,688,412	4,363,773

A detail of loans, by currency, as of June 30, 2010 and December 31, 2009, is as follows:

	June 30, 2010	December 31, 2009
U.S. dollar	4,463,794	4,192,696
Currencies from Central American countries	213,466	157,082
Euro	7,849	10,037
Yen	3,303	3,958
Total	4,688,412	4,363,773

As of June 30, 2010 and December 31, 2009, the weighted average interest rates on loans receivable were 6.08% and 6.19% per annum, respectively.

Loans at fixed and floating rates are as follows:

	June 30, 2010	December 31, 2009
Loans at fixed rates	1,153,786	1,059,847
Loans at floating rates	3,534,626	3,303,926
	4,688,412	4,363,773

As of June 30, 2010 and December 31, 2009, in accordance with the Bank's policies, interest on non-accrual loans of 8,423 and 8,163, respectively, was not recorded as income because it had not been collected. As of June 30, 2010 and December 31, 2009, the principal of the loans that generated such interest amounted to 161,153 and 127,411, respectively, and related exclusively to private sector borrowers.

(7) Loans, continued

The following table presents information on impaired private sector loans as of June 30, 2010 and December 31, 2009:

Impaired loans	June 30, 2010	December 31, 2009
Impaired loans with allowance for loan losses	247,190	229,122
Allowance related to impaired loans	97,733	80,154
Accrued interest on impaired loans	6,321	8,035
Interest received on impaired loans	5,547	3,728

The changes in the allowance for loan losses as of June 30, 2010 and December 31, 2009 are as follows:

	June 30, 2010			December 31, 2009		
	Sector			Sector		
	Private	Public	Total	Private	Public	Total
Balance, beginning of period	118,157	85,041	203,198	70,772	91,505	162,277
Provision	31,609	13,047	44,656	67,156	14,236	81,392
Recoveries	(6,096)	(3,285)	(9,381)	(11,238)	(20,700)	(31,938)
Loan write-offs	(10,747)	0	(10,747)	(8,533)	0	(8,533)
Balance, end of period	132,923	94,803	227,726	118,157	85,041	203,198

(8) Accrued interest receivable

Accrued interest receivable as of June 30, 2010 and December 31, 2009 is detailed as follows:

	June 30, 2010	December 31, 2009
On loans	56,753	53,248
On interest-bearing deposits with banks	135	73
Total	56,888	53,321

(9) Property and equipment, net

Property and equipment at June 30, 2010 and December 31, 2009 are as follows:

	June 30, 2010	December 31, 2009
Vehicles	1,326	1,219
Buildings	26,150	25,399
Computer equipment	19,880	19,842
Installations	9,278	9,676
Office equipment and furniture	5,383	4,891
	62,017	61,027
Land	2,590	2,590
	64,607	63,617
Less accumulated depreciation	(38,180)	(36,509)
Total	26,427	27,108

(10) Other assets

Other assets as of June 30, 2010 and December 31, 2009 is composed as follows:

	June 30, 2010	December 31, 2009
Accounts receivable	1,591	1,874
Pre-investment studies	7,949	7,800
Foreclosed assets	1,799	1,799
Prepaid expenses	586	606
Supplies	146	166
Other	496	757
Total	12,567	13,002

Foreclosed assets as of June 30, 2010 and December 31, 2009 are located in the following countries:

	June 30, 2010	December 31, 2009
Nicaragua	5,508	5,508
El Salvador	4,787	4,787
Honduras	1,830	1,830
Costa Rica	6	6
	12,131	12,131
Fair value adjustment	(10,332)	(10,332)
Total	1,799	1,799

(11) Loans payable

Loans payable as of June 30, 2010 and December 31, 2009 are detailed as follows:

	June 30, 2010	December 31, 2009
Bank of China (BoC)	189,053	0
Bayerische Landesbank	122,834	130,600
Kreditanstalt Für Wiederaufbau (K.F.W.), Germany	119,884	125,012
Financial Support Agreement Mexico - CABEI	106,932	77,817
Standard Chartered Bank	80,000	95,000
Inter-American Development Bank (IDB)	61,415	66,832
Nordic Investment Bank	53,143	54,595
Nordea Bank (Funded Participation Agreement)	39,153	40,768
Nordea Bank	34,435	43,503
Deutsche Bank, A.G.	31,829	35,012
Banco Europeo de Inversiones	25,536	18,287
Banco Mercantil de Venezuela	25,000	25,000
Royal Bank of Scotland P.L.C.	25,000	20,000
U.S. Agency for International Development (USAID)	24,228	27,099
Loans guaranteed by USAID	23,403	26,890
Mizuho Corporate Bank, Ltda.	21,419	28,559
Bank Leumi – Le Israel	19,037	21,195
Oesterreichische Entwicklungsbank AG (OeEB)	18,701	18,689
Instituto de Crédito Oficial de España	16,194	18,517
Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)	10,000	10,000
The China Council for International Cooperation on Environment and Development	7,857	8,571
Société Générale, New York	7,765	8,542
The Opec Fund for International Development	7,059	7,941
Banque Nationale de Paris, New York	7,000	30,000
Danida-Unibank	710	970
Japan Bank for International Cooperation	0	12,374
Total	1,077,587	951,773

During the six-month period ended June 30, 2010, the Bank acting as an intermediary recorded a lending arrangement of US$189,053; this amount is recorded in the financial statements as a loan receivable from the Costa Rican Electricity Institute, and as a loan payable to the Bank of China. Contractually, the Bank is not subject to risk of loss on its asset or liability position, relating to this transaction. (See note 7).

(11) Loans payable, continued

The maturities of the loans payable as of June 30, 2010 are as follows:

Up to 1 year	227,451
From 1 to 2 years	235,223
From 2 to 3 years	71,522
From 3 to 4 years	97,105
From 4 to 5 years	51,489
More than 5 years	394,797
Total	1,077,587

As of June 30, 2010 and December 31, 2009, the weighted average interest rate on loans payable was 4.06% and 3.68% per annum, respectively.

Loans payable at fixed and floating rates as of June 30, 2010 and December 31, 2009 are as follows:

	June 30, 2010	December 31, 2009
Loans payable at fixed rates	555,833	393,910
Loans payable at floating rates	521,754	557,863
Total	1,077,587	951,773

(12) Bonds payable and commercial paper program

(a) Bonds payable as of June 30, 2010 and December 31, 2009, are detailed as follows:

	Year of Issue	Maturity	June 30, 2010	December 31, 2009
MTN – Twenty - first issuance (US$)	2009	2014	497,955	497,715
Bonds payable in COP – First issuance	2006	2015	239,314	224,702
MTN – Fourth issuance (US$)	2005	2012	199,630	199,513
MTN – First issuance (US$)	2003	2013	199,152	198,999
MTN – Eleventh issuance (MXP)	2007	2014	115,987	114,144
Bonds payable in NT$ - Fourth issuance	2006	2011	110,021	110,085
MTN – Eighth issuance (HK$)	2006	2011	100,915	102,156
Bonds payable in THB - First issuance	2007	2017	81,062	73,912
Bonds payable in COP – Second issuance	2009	2014	80,519	70,353
MTN – Sixth issuance (SG$)	2005	2010	71,449	71,174
Bonds payable in NT$ - Sixth issuance	2009	2011	60,682	55,763
Bonds payable in NT$ - Eighth issuance	2009	2013	59,140	46,533
MTN – Ninth issuance (MXP)	2007	2012	58,173	57,283
MTN – Tenth issuance (MXP)	2007	2012	58,045	57,150
Regional bonds (US$)	2001	2011	50,000	50,000
Bonds payable in COP – Third issuance	2009	2019	49,578	42,812
Bonds payable in JPY - First issuance	2006	2011	45,855	44,248
Bonds payable in NT$ - Fifth issuance	2008	2010	44,541	40,291
Bonds payable in NT$ - Seventh issuance	2009	2011	40,848	58,865
MTN – Fifteenth issuance (MXP)	2008	2020	29,520	28,067
MTN – Nineteenth issuance (CRC)	2009	2014	29,296	26,479
Republic of Guatemala Bonds - First issuance	2010	2013	24,902	0
MTN – Twentieth issuance (US$)	2009	2019	24,243	25,000
Bonds payable in DOP – First issuance	2009	2014	21,213	20,767
MTN – Eighteenth issuance (CRC)	2009	2014	20,117	17,214
MTN – Seventh issuance (US$)	2006	2011	14,984	14,974
Bonds payable in NT$ - Ninth issuance	2009	2013	14,706	15,511
MTN – Twelfth issuance (MXP)	2008	2018	9,107	8,631
MTN – Thirteenth issuance (MXP)	2008	2018	8,566	7,903
MTN – Sixteenth issuance (HNL)	2008	2011	5,203	5,292
MTN – Fourteenth issuance (MXP)	2008	2010	0	57,326
MTN – Seventeenth issuance (US$)	2008	2010	0	5,000
Subtotal			2,364,723	2,347,862
Fair value adjustment on hedging activities			34,103	29,606
Total			2,398,826	2,377,468

As of June 30, 2010 and December 31, 2009, the weighted average interest rates on bonds payable were 3.07% and 3.45% per annum, respectively.

(b) On May 14, 2009 CABEI launched a Global Commercial Paper Program with dealers from Europe and the United States. The total program size is 500,000, and the program was assigned A-1 and P-1 short-term ratings by Standard and Poor's and Moody's, respectively. As of June 30, 2010, 111,804 were issued under this program, at an annual average cost of 9.00% for issuances in Costa Rican colones and 0.82% for issuances in US dollars. Maturities are generally shorter than 6 months.

(12) Bonds payable and commercial paper program, continued

On December 31, 2009, 104,758 were issued and its annual cost was 8.25% for issuances in Costa Rican colones and 1.44% for issuances in US dollars.

On September 4, 2009, CABEI launched a Regional Commercial Paper Program, registered at the National Securities Registry of Costa Rica. The Program amounts to 100,000 and received a short-term rating of F-1 + (cri) by Fitch Ratings Central America. As of June 30, 2010, and December 31, 2009, 56,613 (CRC 30 billion) and 11,572 (CRC 6 billion), respectively, were issued under this Program, with an annual rate set flat at the Basic Lending Rate of the Central Bank of Costa Rica and maturing in 6 months from inception.

(13) Certificates of deposit

Certificates of deposit as of June 30, 2010 and December 31, 2009 have been placed as follows:

	June 30, 2010	December 31, 2009
Social Benefits Fund (note 20)	135,289	132,777
Central Banks	118,506	68,382
Private financial institutions	97,467	68,425
Public financial institutions	48,686	36,694
Debt-Conversion Fund (Honduras- Spain)	23,362	23,308
Other public institutions	5,892	10,321
Institute of Nutrition of Central America and Panama	427	0
Others	13,957	13,129
Total	443,586	353,036

At June 30, 2010, the contractual maturities are as follows:

Maturity	Amount
Up to 6 months	413,013
From 6 months to 1 year	17,652
From 1 to 2 years	1,058
From 2 to 3 years	2,117
More than 3 years	9,746
Total	443,586

At June 30, 2010 and December 31, 2009, the weighted average interest rates on certificates of deposit and investment were 4.69% and 4.44% per annum, respectively.

(14) Accrued interest payable

Accrued interest payable as of June 30, 2010 and December 31, 2009 are detailed as follows:

	June 30, 2010	December 31, 2009
On bonds payable	21,593	24,043
On loans payable	5,794	5,722
On certificates of deposit	2,925	2,477
Total	30,312	32,242

(15) Other liabilities

Other liabilities as of June 30, 2010 and December 31, 2009, are detailed as follows:

	June 30, 2010	December 31, 2009
Other creditors	24,312	12,514
Financial cooperation to founding countries	7,024	3,351
Transitory deposits	2,965	3,056
Technical assistance	2,879	2,880
Bonus and supplemental compensation	1,933	2,351
Other accruals	372	7,406
Total	39,485	31,558

(16) Equity

(a) Paid-in capital

The Bank's authorized capital is 2,000,000, consisting of 200,000 registered shares with a face value of 10 per share. Of this capital, the founding members have subscribed shares in equal parts for a total amount of 1,020,000, and the non-regional members may subscribe up to a total amount of 980,000, of which 702,900 have already been subscribed.

The Constitutive Agreement was modified under a protocol adopted in Managua, Nicaragua, by the Central American countries in 1989. It became effective on January 20, 1992, and was subsequently modified on February 6, 2003. The protocol authorized the inclusion of non-regional countries as members of the Bank and modified its capital structure.

On April 29, 2009, the Board of Governors approved the principles that will govern the Bank's capital structure, as follows:

(16) Equity, continued

- The authorized capital will be 5,000,000: each founding country will equally subscribe 2,550,000, whereas 2,450,000 will be available to non-regional countries and non-founding regional partners;
- Composed of two series of stock: Series "A" reserved for founding countries, and Series "B" reserved for non-regional countries and non-founding regional partners;
- Series "E" certificates will be issued in the name of "A" and "B" shareholders, which shall evidence the retained earnings attributable to capital contributions made by the Banks' shareholders from time to time (note 16.b). These certificates will not carry voting rights and will be non-assignable.

For purposes of the capital increase approved on the aforementioned date, the Board of Governors approved the newly subscribed shares to be required from series "A" and "B" shares, a cash payment and its remainder through the use of series "E" certificates. Those partners who do not hold enough series "E" certificates to cover this payment may supplement it with additional cash funds.

In order to implement the new capital structure, the Board of Governors approved an amendment to the Bank's Constitutive Agreement. This amendment will become effective three months after the Bank has given official notice thereof to all its partners. The amendment must be previously ratified by the Congresses of the Republic of Costa Rica and the Republic of Colombia, in view of a reservation made by these countries regarding the Constitutive Agreement's amendment procedure. To this date, the Bank has not received the corresponding communications of ratification.

As of June 30, 2010 and December 31, 2009, the Bank's capital was as follows:

	June 30, 2010 Shares		December 31, 2009 Shares	
Subscribed shares of	**Subscribed**	**Paid**	**Subscribed**	**Paid**
Founding countries				
Guatemala	204,000	55,000	204,000	55,000
El Salvador	204,000	55,000	204,000	55,000
Honduras	204,000	55,000	204,000	55,000
Nicaragua	204,000	55,000	204,000	55,000
Costa Rica	204,000	55,000	204,000	55,000
Sub-total	1,020,000	275,000	1,020,000	275,000
Non-regional countries				
Spain	200,000	50,000	200,000	50,000
Republic of China, Taiwan	150,000	37,500	150,000	37,500
Mexico	122,500	30,625	122,500	30,625
Argentina	57,600	14,400	57,600	14,400
Colombia	57,600	14,400	57,600	14,400
Dominican Republic	57,600	14,400	57,600	14,400
Panama	57,600	14,400	57,600	10,800
Sub-total	702,900	175,725	702,900	172,125
Subotal	1,722,900	450,725	1,722,900	447,125
Unsubscribed shares				
Non-regional countries	277,100	0	277,100	0
Total	2,000,000	450,725	2,000,000	447,125

(16) Equity, continued

CABEI's Constitutive Agreement also considers the incorporation of Beneficiary Countries, which obtain borrowings and guarantees, interpretation and arbitration, when they make special contributions to increase the Bank's equity. Those special contributions are divided into paid-in contributions and callable contributions, under requirement of payment. Under the special paid-in contributions, each Beneficiary Country receives Certificates of Contribution, which do not grant voting rights, but grant the right to speak at the Directors and Governors' meetings.

As of June 30, 2010 and December 31, 2009, the Bank's special contributions were as follows:

	June 30, 2010		December 31, 2009	
	Subscribed	Paid	Subscribed	Paid
Argentina	1,000	250	1,000	250
Colombia	1,000	250	1,000	250
Belize	25,000	6,250	25,000	4,688
Dominican Republic	1,000	250	1,000	250
Panama	1,000	250	1,000	250
Total	29,000	7,250	29,000	5,688

(b) Issuance of Series "E" certificates

On September 8, 2005, the Board of Governors approved the accounting method for retained earnings, which consists on the issuance of general reserve certificates in order to recognize the excess of each member country's share of the Bank's equity over such member country's paid-in capital and the earnings generated throughout time over the paid-in capital of each member. Under Resolution AG 8/2009 adopted by the Board of Governors, such Certificates are to be converted into Series "E" Certificates.

The issue of Series "E" Certificates is based on the average number of shares held by each member every year, weighted by their holding time and amount thereof. The cut-off date for allocating the Series "E" certificates was December 31, 2007.

Series "E" certificates may be used by the members who are holders of "A" and "B" shares in order to pay, either completely or partially, the subscription of new shares of the unsubscribed authorized stock capital made available by the Bank. Series "E" certificates not used to subscribe for new shares of stock will become part of the Bank's general reserve.

(17) Commitments and Contingencies

As of June 30, 2010 and December 31, 2009, balances of contingent commitments are as follows:

	June 30, 2010	December 31, 2009
Subscribed credit agreements (*)	1,173,766	1,230,437
Credit default swaps	50,000	70,000
Endorsements and guarantees granted	11,218	11,383
Letters of credit and bank acceptances	0	4,584
Total	1,234,984	1,316,604

(*) Includes approved and deeded agreements

Credit agreements represent commitments to grant loans to customers at a future date. Such agreements are recorded as commitments until the date of disbursement. These agreements have fixed expiration dates and, in some cases, expire without any disbursements having been made. Therefore, the total committed amount does not necessarily represent future cash requirements.

Credit default swaps represent a contingent commitment assumed by the Bank with a client, for payments to be honored by a third party. These derivatives have been included as part of derivative financial instruments and they are carried at their market value. Market value for such derivative instruments amounted to 489 and 494 as of June 30, 2010 and December 31, 2009, respectively. In addition, as of such dates, no material losses have been incurred, neither are they expected to occur.

Endorsements and guarantees granted are contingent commitments assumed by the Bank to guarantee compliance by its customers with commitments to a third party. The credit risk implied in these commitments is essentially the same as that implied in granting loan facilities to clients. The Bank's management has analyzed each commitment assumed on a case-by-case basis, based on current information and events. As of June 30, 2010 and December 31, 2009, no significant losses have arisen, or were expected to arise, from these commitments.

Letters of credit and bank acceptances represent contingent commitments assumed by the Bank; in the event of nonpayment to exporters by importers (CABEI customers), the Bank assumes the payment commitment.

(17) Commitments and Contingencies, continued

At June 30, 2010 and December 31, 2009, the maturities of the guarantees granted, credit default swaps and letters of credit and bank acceptances are as follows:

	June 30, 2010		
Maturity	Guarantees granted	Credit default swaps	Letters of credit and bank acceptances
2010	0	0	0
2011	258	0	0
2012	250	25,000	0
2013	0	25,000	0
2016	10,710	0	0
Total	11,218	50,000	0

	December 31, 2009		
Maturity	Guarantees granted	Credit default swaps	Letters of credit and bank acceptances
2010	50	20,000	4,584
2011	373	0	0
2012	250	25,000	0
2013	0	25,000	0
2016	10,710	0	0
Total	11,383	70,000	4,584

(18) Derivative financial instruments and hedging activities

The Bank's primary objective in using derivative instruments is to reduce its risk exposure to changes in interest rates, foreign exchange rates and credit risks. Generally, the Bank does not use derivative instruments for trading or speculative purposes.

By using derivative financial instruments to hedge exposures to changes in interest rates and foreign exchange rates, the Bank exposes itself to credit and market risks.

Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative instrument is positive, the counterparty owes the Bank, which creates credit risk for the Bank. When the fair value of a derivative instrument is negative, the Bank owes the counterparty and, therefore, it does not have related credit risk. The Bank minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is "A" (or its equivalent) or better.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates or foreign exchange rates. The Bank enters into derivative instruments based on its expectations that they will vary in a manner such that they will compensate the change in the value of the instrument to be hedged.

The Bank has adopted the amendments to FASB disclosure about derivatives and hedging activities (ASC 815).

(18) Derivative financial instruments and hedging activities, continued

The following table presents the notional amount and the fair value of derivative instruments as of June 30, 2010 and December 31, 2009:

	June 30, 2010			
	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Hedging transactions according to ASC 815				
Interest rate agreements	430,400	36,583	172,953	27,218
Foreign currency agreements	295,514	19,530	0	0
	725,914	56,113	172,953	27,218
Other risk management purposes				
Foreign currency agreements	769,974	109,146	318,197	66,714
Credit risk agreements– sold	20,000	0	50,000	489
Interest rate agreements	0	0	80,249	3,542
	789,974	109,146	448,446	70,745
Total derivative instruments	1,515,888	165,259	621,399	97,963

	December 31, 2009			
	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Hedging transactions according to ASC 815				
Interest rate agreements	430,400	31,934	204,696	17,039
Foreign currency agreements	293,359	19,851	0	0
	723,759	51,785	204,696	17,039
Other risk management purposes				
Foreign currency agreements	770,149	73,560	378,822	79,535
Credit risk agreements– sold	20,000	1	50,000	495
Interest rate agreements	0	0	80,249	4,243
	790,149	73,561	509,071	84,273
Total derivative instruments	1,513,908	125,346	713,767	101,312

(18) Derivative financial instruments and hedging activities, continued

The income / (loss) from derivative instruments used as hedges under ASC 815 have been recorded together with the income / (loss) of the respective hedged financial instruments. The following chart shows such income / (loss) and the other comprehensive income / (loss) as of June 30, 2010 and 2009:

	2010			
	Income / (loss) of period			
	Derivative instrument	Hedged financial instrument	Total	Other comprehensive income / (loss)
Fair value hedges				
Interest rate agreements	(5,741)	5,741	0	0
Cashflow hedges				
Foreign currency agreements	(111)	4,499	4,388	(3,365)
Total			4,388	(3,365)

	2009			
	Income / (loss) of period			
	Derivative instrument	Hedged financial instrument	Total	Other comprehensive income / (loss)
Fair value hedges				
Interest rate agreements	13,115	(13,115)	0	0
Cashflow hedges				
Foreign currency agreements	6,769	(3,777)	2,992	2,543
Total			2,992	2,543

(19) Funds or Programs managed by CABEI

In its role as a multilateral financial institution and promoter of both the economic integration and balanced economic and social development of the beneficiary countries, CABEI manages the funds or programs described below:

Fund	Equity
Special Fund for the Social Transformation of Central America - FETS	68,067
Debt-conversion fund (Honduras-Spain)	30,652
Technical Cooperation Fund - FONTEC	20,113
Investment Trust – Dwelling Mortgage Fund	14,171
Guarantee trust administration - CISA	9,512
Program for Development of the Border Areas in Central America (former FOEXCA)	4,320
Single Italian Cooperation Fund (FUIC)	1,797
Technical Cooperation Fund of Austria	1,374
Partial Credit Guarantees – Finland	1,221
Spanish Consulting Fund	1,130
Taiwan – ICDF Fund for Consulting Service	1,000
Administration Trust for the execution of the Energy Efficiency Program in the industrial and commercial areas in Honduras (PESIC)	610
Trust of Administration, Attention, Rehabilitation, Training and Prevention of Burnt Children	537
Trust for the Institute of Nutrition of Central America and Panama	430
Trust for the Administration of Funds donated by the Republic of China, Taiwan to the Ministry of Security of Costa Rica and Trust for the Administration of funds donated by the Republic of China, Taiwan to the National Intelligence and Security Directorate of Costa Rica	266
World's Savior Foundation Fund (FUSALMO-Fondo Fundación Salvador del Mundo) – Sports Centers	230
FAT Taiwan ICDF Education Credit Program	200
Accelerating Fund for Investments in Renewable Energy in Central America (ARECA)	170
Regional Project Fund of Central American Markets for the Biodiversity- (CAMBio)	156
Trust for the Administration of funds donated by the Republic of China, Taiwan to the Ministry of Housing of Costa Rica	54
Total	156,010

(20) Social Benefits Fund (SBF)

SBF operates in accordance with the regulations issued by CABEI's Board of Directors. It has its own management board and its objective is to provide the Bank's personnel with benefits for retirement and disability pensions, voluntary retirement, compensation based on years of service, life insurance in the event of disability and death, and hospital medical benefits. This fund is financed by contributions from beneficiaries and the Bank in accordance with the provisions of the Plan. Retirement plan, pension plan and life insurance are considered as a defined benefit plan, whereas hospital-related medical benefits are considered a defined contribution plan.

(20) Social Benefit Fund (SBF), continued

Assets

Even though all the contributions made by the Bank and all assets and income of SBF belong to the Bank, according to SBF's bylaws, they are segregated from the Bank's assets and liabilities and are to be used solely to pay the specified benefits. Nevertheless, since SBF is not a separate legal entity from the Bank and its assets are not adequately restricted, they may not be recorded as off-balance sheet items. However, for practical purposes its assets are not consolidated on CABEI's balance sheet because the assets of SBF, represented by certificates of deposit, would be offset against the Bank's liability in the same amount, which in turn, is not significantly different from the projected benefits obligation.

On April 29, 2009, CABEI's Board of Governors decided to amend its Constitutive Agreement (see effective date in note 16) to ratify that the Bank will have a Social Benefits Fund as a distinct fund separate from its general assets. The SBF is created with the exclusive purpose of granting to the Bank's personnel the benefits set forth in the charter and supplementary regulations currently existing or to be issued to such effect by the Bank. The Fund's assets will be held and managed separately from the other assets of the Bank, as a pension fund, and will be used exclusively to pay the benefits and expenses under the various benefit plans granted by such Fund.

As of June 30, 2010 and December 31, 2009, as explained in note 13, the Bank recorded a liability to SBF under certificates of deposit for a total amount of 135,289 and 132,777, respectively, representing most of SBF's assets. These funds were placed in certificates issued by the Bank bearing 7% per annum. Interest income on certificates amounted to 4,735 and 4,504 during the six-month periods ended June 30, 2010 and 2009, respectively.

SBF's benefit obligations are reviewed periodically on June 30 and December 31 of each year. On these dates, the Bank measures these obligations.

Contributions

For the periods ended June 30, 2010 and 2009, the Bank's contributions to the SBF amounted to 1,781 and 1,750, respectively. It is expected that the contributions from CABEI to SBF during fiscal year 2010 will be approximately 3,450. All contributions will be paid in cash.

(21) Accumulated other comprehensive income

Accumulated other comprehensive income as of June 30, 2010 and December 31, 2009, is as follows:

	June 30, 2010		
	Cash flow hedging activities	Securities available for sale	Accumulated other comprehensive loss
At beginning of period	(4,226)	7,249	3,023
Changes during the period	(3,365)	1,819	(1,546)
At end of period	(7,591)	9,068	1,477

(21) Accumulated other comprehensive income, continued

	December 31, 2009		
	Cash flow hedging activities	Securities available for sale	Accumulated other comprehensive income
At beginning of year	(1,862)	(8,893)	(10,755)
Changes during the year	(2,364)	16,142	13,778
At end of year	(4,226)	7,249	3,023

(22) Litigation

According to the Administration's best knowledge, the Bank is not involved in any legal actions or claims that might originate an adverse material effect in its financial condition or results of operations.

(23) Subsequent Events

The Bank has evaluated subsequent events as of the date of the balance sheet up to August 25, 2010, date in which the financial statements were ready for their publication, and determined that there are no additional disclosures required on other matters.