

CENTRAL AMERICAN BANK
FOR ECONOMIC INTEGRATION

COMPARATIVE
FINANCIAL STATEMENTS
AS OF JUNE 30, 2009
WITH THE
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT (Limited Review)

To the Executive President, Board of Directors and Board of Governors of
CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
Tegucigalpa, Honduras

We have reviewed the accompanying balance sheet of CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI) as of June 30, 2009, and the related statements of income, comprehensive income, changes in stockholders' equity and cash flows for the six-month period then ended. These financial statements are the responsibility of the Bank's Management.

We conducted our review in accordance with the standards established by the American Institute of Certified Public Accountants (United States) for reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion on the financial statements 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 statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards established by the American Institute of Certified Public Accountants (United States), and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), the financial statements of CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION as of and for the fiscal year ended December 31, 2008., whose balance sheet is presented for comparison purposes, and issued our independent auditors' report dated February 27, 2009, in which we expressed an unqualified opinion.

In addition, we have reviewed the interim financial statements of CABEI as of June 30, 2008 and for the six-month period then ended, whose statements of income, comprehensive income, changes in stockholders' equity and cash flows are presented for comparison purposes, on which we issued our report on limited review dated October 17, 2008, without observations.

Deloitte & Co. S.R.L.

August 13, 2009



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Balance sheets

As of June 30, 2009 (unaudited) and December 31, 2008
(Expressed in thousands of U.S. dollars)

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
<u>Assets</u>		
Cash and due from banks (note 4)	111,270	33,659
Interest-bearing deposits in banks (note 5)	539,419	561,010
Investment securities (note 6):		
Securities available for sale	469,603	468,819
Loans receivable	4,340,160	4,315,027
Less allowance for loan losses	(153,325)	(162,277)
Loans receivable, net (note 7)	<u>4,186,835</u>	<u>4,152,750</u>
Interest receivable (note 8)	58,380	56,400
Property, furniture and equipment (note 9)	27,547	28,703
Derivative financial instruments (note 19)	111,661	114,679
Equity investments (note 10)	19,878	12,601
Other assets (note 11)	41,204	22,756
Total assets	<u>5,565,797</u>	<u>5,451,377</u>
<u>Liabilities</u>		
Loans payable (note 12) (76,316 and 139,113 at fair value as of June 30, 2009 and December 31, 2008, respectively)	1,023,265	1,113,886
Bonds payable (note 13.a) (1,078,862 and 923,579 at fair value as of June 30, 2009 and December 31, 2008, respectively)	1,936,975	1,702,303
Commercial paper program (note 13.b)	100,414	57,736
Certificates of deposit and saving (note 14 a)	543,458	654,372
Certificates of investment (note 14 b)	2,014	2,673
Interest payable (note 15)	36,431	29,857
Derivative financial instruments (note 19)	110,700	149,625
Other liabilities (note 16)	25,933	32,503
Total liabilities	<u>3,779,190</u>	<u>3,742,955</u>
<u>Equity</u>		
Paid-in capital (note 17.a) (Authorized capital 2,000,000)	441,725	427,425
Special contributions to equity (note 17.a)	5,625	5,625
Accumulated other comprehensive loss (note 22)	(2,799)	(10,755)
Retained earnings	55,929	83,291
General reserve	1,286,127	1,202,836
Total equity	<u>1,786,607</u>	<u>1,708,422</u>
Total liabilities and equity	<u>5,565,797</u>	<u>5,451,377</u>

The accompanying Notes 1 to 22 are an integral part of these financial statements.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Income (unaudited)
 For the six month periods ended June 30, 2009 and 2008
 (Expressed in thousands of U.S. dollars)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Interest and fee Income		
Public sector loans	88,563	78,228
Private sector loans	49,269	58,810
Investment securities	12,999	11,594
Due from banks	1,101	6,567
Total interest and fee income	151,932	155,199
Interest and fee expenses		
Loans payable and other liabilities	21,925	29,530
Bonds payable	36,356	40,027
Commercial paper program	595	3,184
Certificates of deposit, saving and investment	12,676	13,713
Total interest and fee expenses	71,552	86,454
Net interest and fee income	80,380	68,745
(Recovery) / provision for loan losses	(419)	12,034
Net interest and fee income after provision for loan losses	80,799	56,711
Administrative expenses		
Salaries and employee benefits	10,750	10,703
Other administrative expenses	3,363	3,099
Depreciation	1,986	1,907
Other expenses	202	73
Total administrative expenses	16,301	15,782
Other operating income		
Audit and supervision fee	1,260	1,177
Administration fee	801	6,707
Dividends from equity investments	108	158
Market value adjustment of swap transactions and other financial instruments	102	4,038
Other income	1,071	1,314
Total other operating income	3,342	13,394
Other operating expenses		
Adjustments on securities available for sale	4,834	-
Foreign exchange losses / (gains)	3,425	(391)
Adjustment to investments of risk capital	1,225	(23)
Adjustment on foreclosed and other assets	111	-
Other financial expenses	1,171	608
Total other operating expenses	10,766	194
Earning	57,074	54,129
Other expenses		
Special contributions	1,111	2,846
Technical assistance and other expenses	34	-
Total other expenses	1,145	2,846
Net income	55,929	51,283

The accompanying Notes 1 to 22 are an integral part of these financial statements.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Comprehensive Income (unaudited)
For the six month periods ended June 30, 2009 and 2008
(Expressed in thousands of U.S. dollars)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Net income	55,929	51,283
Other comprehensive income / (loss)		
Unrealized gains / (losses) on securities available for sale, net	7,637	(3,624)
Reclassification adjustment for net realized gains included in earnings	(2,224)	(2,716)
Subtotal – Securities available for sale	<u>5,413</u>	<u>(6,340)</u>
Gain / (loss) from cash flow hedge	2,543	(490)
Other comprehensive income / (loss)	<u>7,956</u>	<u>(6,830)</u>
Comprehensive income	<u>63,885</u>	<u>44,453</u>

The accompanying Notes 1 to 22 are an integral part of these financial statements.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Changes in Stockholders' Equity (unaudited)

For the six month periods ended June 30, 2009 and 2008

(Expressed in thousands of U.S. dollars)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Paid-in capital		
At beginning of fiscal year	427,425	420,225
Increase for the period (Note 17.a)	14,300	3,600
At end of period	<u>441,725</u>	<u>423,825</u>
Accumulated other comprehensive income		
At beginning of fiscal year	(10,755)	8,528
Net change in other comprehensive income	7,956	(6,830)
At end of period	<u>(2,799)</u>	<u>1,698</u>
Retained earnings		
At beginning of fiscal year	83,291	80,773
Transfer to general reserve	(83,291)	(80,773)
Net income for the period	55,929	51,283
At end of period	<u>55,929</u>	<u>51,283</u>
General reserve		
At beginning of fiscal year	1,202,836	1,122,063
Transfer from retained earnings	83,291	80,773
At end of period	<u>1,286,127</u>	<u>1,202,836</u>
Special contributions to equity		
At beginning of fiscal year	5,625	4,000
Contributions of the period	-	-
At end of period	<u>5,625</u>	<u>4,000</u>
Total stockholders' equity	<u>1,786,607</u>	<u>1,683,642</u>

The accompanying Notes 1 to 22 are an integral part of these financial statements.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Cash Flows (unaudited)

For the six month periods ended June 30, 2009 and 2008

(Expressed in thousands of U.S. dollars)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash flows from operating activities		
Net income for the period	55,929	51,283
Items to reconcile net income to net cash provided by operating activities:		
Depreciation	1,986	1,907
(Recovery) / provision for loan losses	(419)	12,034
Adjustment to investments risk of capital	1,225	(23)
Foreign exchange loss / (gain)	4,267	(391)
Market value adjustment of swap transactions and other financial instruments	(102)	(4,038)
(Increase) / decrease in interest receivable	(1,980)	4,010
Net increase in other assets	(6,511)	(4,731)
Increase / (decrease) in interest payable	6,574	(275)
Net decrease in other liabilities	(4,441)	(11,843)
Net cash provided by operating activities	<u>56,528</u>	<u>47,933</u>
Cash flows from investing activities		
Net decrease / (increase) in interest-bearing deposits in banks	21,591	(64,425)
Net increase in securities available for sale	(4,825)	(14,645)
Increase in property, furniture and equipment	(830)	(2,405)
Net decrease in derivative financial instruments	5,703	31,255
Disbursements of loans receivable	(551,682)	(962,939)
Collections of loans receivable	502,812	682,229
Net decrease in other liabilities	(2,123)	(671)
Net increase in other assets	(20,440)	(823)
Net cash used in investing activities	<u>(49,794)</u>	<u>(332,424)</u>
Cash flows from financing activities		
Net (decrease) / increase in loans payable	(88,686)	108,233
Net increase in commercial paper program	42,678	169,972
Net increase in bonds payable	214,750	49,860
Net decrease in certificates of investment	(659)	(39,550)
Net (decrease) / increase in certificates of deposit and saving	(110,914)	5,453
Capital contributions	14,300	3,600
Net cash provided by financing activities	<u>71,469</u>	<u>297,568</u>
Effect of exchange rate fluctuations on cash	<u>(592)</u>	<u>(401)</u>
Cash at beginning of fiscal year	33,659	6,261
Cash at end of period	111,270	18,937
Net increase in cash and equivalents	<u>77,611</u>	<u>12,676</u>
<u>Supplemental information</u>		
Cash interests payments	64,978	86,729
Unrealized gain / (loss) on securities available for sale, net	5,413	(6,340)

The accompanying Notes 1 to 22 are an integral part of these financial statements.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

(1) Origin and Nature of the Bank

The Central American Bank for Economic Integration (CABEI or the Bank) is a legal financial institution under public international law, founded by the governments of Guatemala, El Salvador, Honduras and Nicaragua pursuant to the Constitutive Agreement dated as of December 13, 1960. 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 began 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, though they are run by the Bank's Management. These financial statements include, solely, the assets, liabilities and operations of the Bank. With respect to the financial information regarding the above-mentioned funds, a brief description has been included in note 20.

(2) Summary of material accounting policies

(a) Applicable accounting principles

The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America.

(b) Comparative statements

The balance sheet as of June 30, 2009 is presented together with the balance sheet as of December 31, 2008, for comparison purposes. The statements of income, comprehensive income, changes in stockholders' equity and cash flows for the six-month period ended June 30, 2009, are presented with the related statements for the six-month period ended June 30, 2008, for comparison purposes.

(c) Treatment of 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 under Other operating income or other operating expense for each period, as appropriate.

(d) Cash and equivalents

For the purpose of the Statements of Cash Flows, cash and equivalents represent the amounts included in cash and due from banks.



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Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

(e) Investment securities

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.

Other equity securities without a readily determinable market value are recorded at cost and are adjusted to reflect declines in value.

Interest income on investment securities is recorded using the accrual method. Discounts and premiums are recognized as interest income using the accrued yield method. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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

The Bank participates in a securities lending program. This program consists in lending certain securities in exchange for a premium that the securities borrower has to pay. Under the terms of the securities lending program, CABEI requires collateral of a 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 loan prior to its maturity. At the loan’s maturity, the investment company returns the securities lent, similar securities or cash. The Bank’s management believes these transactions bear low risk.

(f) Concentration of credit risk

In compliance with its objective and financial policies, the Bank grants loans and guarantees to individuals and companies, both public and private, established in the founding members or in beneficiary countries, as well as to non-regional financial institutions that operate in Central America, in order to meet the needs of development and integration programs and projects in the founding members.

In accordance with such policies, the Bank avoids concentration of its loan portfolio in individual countries or in a small group of countries, as well as in sectors that tend to be negatively affected by market conditions or technological changes. The parameters have been established in relation to the Bank’s equity, defined as paid-in capital, reserves and earnings. Significant parameters are as follows:

- The total of its loan portfolio cannot exceed 3.5 times the Bank’s equity.
- The Bank’s equity should be maintained at a level not lower than 35% of total risk weighted assets.
- The weighted exposure in any of the founding members must not exceed 100% of the Bank’s equity or 30% of the Bank’s total risk assets. Exposure is defined as the aggregate risk assets which the Bank concentrates in a single borrower, whether such borrower is a country, a public or mixed institution, an individual or a private sector company.
- Exposure in each one of the non-founding beneficiary countries, with the status of extra-regional member, will be up to the sum of the capital paid in cash plus the portion in cash of



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Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

the special contribution to equity, multiplied by the factor that results from dividing the loan portfolio of the founding countries by the capital paid by those countries.

- Exposure in each one of the non-founding beneficiary countries not holding an extra-regional member status, will be up to the special contribution to equity paid in cash multiplied by the factor that results from dividing the loan portfolio of the founding countries by the capital paid by the founding countries.
- Exposure to a single public sector company or mixed institution with public majority ownership, with the exception of state owned banks without a sovereign guarantee, should not exceed 20% of the Bank's stockholders' equity.
- Exposure to a state-run bank, with no sovereign guarantee, shall not exceed 12% of the Bank's stockholders' equity.
- Exposure to a group of companies registered in any of the beneficiary countries and based on its credit rating, shall not exceed 10% of the Bank's shareholders' equity. Additionally, exposure to a single enterprise within such group shall never exceed 5% of the Bank's stockholders' equity.
- Exposure to a group of companies not registered with any of the beneficiary countries while taking into account its credit rating, shall not exceed 5% of the Bank's stockholders' equity.
- Exposure to a single enterprise or private bank shall not exceed 5% of the Bank's shareholders' equity.
- The exposure limit to a single economic sector without a sovereign guarantee is the lower of the following limits:
 - Hirschman/Herfindahl index (*), up to 12.5%
 - 30% of the portfolio
 - 1.0 times the Bank's equity

(*) Credit concentration per industry.

(g) 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 granted mainly 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 which 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



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Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

shortfall in relation to the principal and interest owed. Most of these impaired loans are classified in sub-standard or lower categories and therefore already have a specific provision allocated 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 or by adjusting an existing allowance for the impaired loan with a corresponding charge or credit to the provision.

Public sector loans are granted to governments and autonomous entities of the founding members and non-funding beneficiary countries with a sovereign guarantee of the respective country. In duly qualified cases, the Bank requires a generic guarantee of the borrower that covers 100% of the loan amount.

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 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 that do not have a 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 therefore considers the resulting amount of allowances for public sector loans to be adequate. As of June 30, 2009 and December 31, 2008, 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 period they are incurred and disclosed as a separate line item under 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 provision for loan losses in the statement of income. The allowance for loan losses is assessed on a regular basis by management.

(h) Non-accrual loans

Loans are classified as having non-accrual status, in the case of private sector loans, when they become delinquent by more than 90 days and in the case of public sector loans, when they become delinquent by more than 180 days in accordance with the Bank's policy regarding classification of loans and the establishment of allowances for loan losses. All interest accrued but not collected on loans that are classified as having non-accrual status is reversed against interest income. Past due interest on non-accrual loans is recognized as income in the period in which CABEI receives satisfactory payment of non-accrued overdue interest.

Interests on loans for which the original conditions have been modified are recorded on a cash basis until the loans perform normally for a reasonably extended period (see Note 7). Such period is typically 90 days.

(i) Property, furniture and equipment

Property, furniture and equipment are recorded 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.



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Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

Depreciation is computed in accordance with the straight-line method.

The estimated useful life of the assets is as follows:

	<u>Years</u>
Buildings	40
Facilities	10
Furniture and equipment	10 and 5
Vehicles	4
Hardware and software	3, 5 and 10

(j) Foreclosed assets

Assets acquired through, or in lieu of, loan settlements are initially recorded at fair value at the date of settlement, establishing a new cost basis. Subsequent to settlement, valuations are periodically performed by management and the assets are recorded at the lower of cost or fair value less estimated costs of sale. Income and expenses from operations and changes in the valuation are included in the statement of income.

(k) Taxes

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

(l) General reserve and annual net income

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

(m) Derivative instruments and hedging activities

All derivatives are recognized on the balance sheet at their fair values, and are classified as assets or liabilities based on the fair value of each derivative (debit or credit).

Certain derivatives contracted by the Bank are designated as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or a foreign-currency fair-value or cash flow hedge (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.

The changes in the fair value of a derivative which is highly effective and which is 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 under other operating income/expense in the statement of income. Changes in the fair



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For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

value of a derivative that is highly effective and which is 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 the fair value of derivatives that are highly effective and are designated and qualify as foreign-currency hedge are 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 or is sold, terminated, or exercised; the hedged asset or liability expires or 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.

In addition, the Bank also contracts derivatives that although being used as hedges they do not classify for hedge accounting in accordance with the guidelines of FAS No. 133 Accounting for Derivatives and Hedging Activities (FAS-133). Changes to the fair values of these derivatives are recorded in "Other operating income / other operating expense" 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.

(n) Equity investments

Equity investments have been valued at cost, which is lower than the value determined by the equity method. Equity method is calculated on the basis of the equity of the relevant company, as shown in its most recent available financial statements.

(o) 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



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Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

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 for the period in which the contributions are authorized by the Bank's Board of Directors and the related contracts are signed. These are shown in the Special contributions line of the statement of income.

(p) Endorsement 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 so that its customers may have access to a broader range of services and lower financial costs in developing their projects. (See note 18).

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 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 (See note 2.f);

- those that do not replace financing: 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.

(q) Use of estimates

To prepare its financial statements, the Bank's management relies on certain assumptions and estimates that have an impact on the amount of the assets and liabilities, the disclosure of contingencies at the date of the financial statements and the amounts of the results generated during the reporting periods. The final results may differ from such estimates. The estimates that may have significant variations in the short-term are mainly related to the loan loss provisions, the measurement at fair value of financial instruments and actuarial assumptions used to measure liabilities related to pension plans.

(3) Fair values

(a) Measurement of fair values

FAS No. 157 Fair Value Measurements (FAS-157) 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.



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i. Fair value hierarchy measured on a recurring basis

In accordance with the guidelines of FAS-157, 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: The information used to determine the fair values comes from market quotations of identical instruments in active markets.
- Level 2: The information used to determine the fair values includes: market quotations of similar instruments in active markets, market quotations of similar or identical instruments in non-active markets or valuation models that use information derived from or observed in market data.
- Level 3: The information used to determine the fair value cannot be observed and it is significant to determine such values. Such information requires the Bank's management to make significant judgments and estimates.

Whenever the information used to determine the fair values includes more than one information level, in accordance with the previously defined hierarchy, the fair value has been categorized at the lowest level that is significant for its determination.

The assets and liabilities valued at their fair value on a recurrent basis as of June 30, 2009 and as of December 31, 2008 are as follows:

<u>June 30, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Investment securities	257,783	157,735	54,085	469,603
Derivative financial instruments	-	111,661	-	111,661
<u>Liabilities</u>				
Loans payable	-	76,316	-	76,316
Bonds payable	-	1,078,862	-	1,078,862
Derivative financial instruments	-	110,700	-	110,700
<u>December 31, 2008</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Investment securities	248,589	165,361	54,869	468,819
Derivative financial instruments	-	114,679	-	114,679
<u>Liabilities</u>				
Loans payable	-	139,113	-	139,113
Bonds payable	-	923,579	-	923,579
Derivative financial instruments	-	149,625	-	149,625



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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 or 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 19).
- Loans and bonds payable: fair values are determined through the use of valuation models based on interest rate yield curves constructed from market data. Said yield curves also take into consideration the Bank's credit spread.

Changes in fair values of the instruments classified in Level 3 that occurred during the six-month periods ended June 30, 2009 and 2008 are the following:

<u>June 30, 2009</u>	Carrying amount at January 1, 2009	<u>Gains / (losses) of period</u>			Purchases, (sales), issuances or (settlements)	Transfer in and / or out of level 3	Carrying amount at June 30, 2009
		Included in net income	Included in other comprehensive income / (loss)				
<u>Assets</u>							
Investment securities	54,869	-	(684)	(100)	-	54,085	

<u>June 30, 2008</u>	Carrying amount at January 1, 2008	<u>Gains / (losses) of period</u>			Purchases, (sales), issuances or (settlements)	Transfer in and / or out of level 3	Carrying amount at June 30, 2008
		Included in net income	Included in other comprehensive income / (loss)				
<u>Assets</u>							
Investment securities	55,447	-	(291)	(124)	-	55,032	

ii. Fair value option

The financial accounting standard 159 Fair Value Option for Financial Assets and Financial Liabilities (FAS-159), 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 income statement of the period.

The Bank has chosen to measure at fair value the financial liabilities in a currency other than US dollars 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 has used hedge accounting. The principal purpose for applying FAS-159 is to reduce the volatility of the Bank's income generated by the use of the hedge accounting under FAS-133, considering that both the financial liabilities and the hedge instruments related to them are generally maintained until maturity. Consequently, the Bank has discontinued the hedge accounting for these



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transactions. The Bank has also chosen not to apply the option to measure at fair value other financial liabilities as they do not produce volatility in the income statement.

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

The Bank's credit spread for the six-month periods ended June 30, 2009 and 2008 has not changed. Consequently, there has been no variation in the fair value due to such variable.

The amounts recorded in the statement of income as a result of changes in fair values as of June 30, 2009 and 2008 are as follows:

June 30, 2009		
	Other operating income / (expense) – Market value adjustment of swap transactions and other financial instruments	Total
Loans payable	903	903
Bonds payable	11,388	11,388

June 30, 2008		
	Other operating income / (expense) – Market value adjustment of swap transactions and other financial instruments	Total
Loans payable	(220)	(220)
Bonds payable	28,602	28,602

Interest and fees generated by these liabilities were calculated on an accrued basis in accordance with the contract terms of each transaction and were recorded as expenses for interest and fees in the statement of income.

The difference between the fair value of the instruments chosen for application of FAS-159 and the unpaid principal balances of such instruments is as follows:

June 30, 2009			
	Fair value	Unpaid principal Balances	Loss
Loans payable	76,316	75,372	944
Bonds payable	1,078,862	1,065,818	13,044

December 31, 2008			
	Fair value	Unpaid principal Balances	Loss
Loans payable	139,113	137,266	1,847
Bonds payable	923,579	899,147	24,432



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(b) Fair value of financial instruments

The following table presents the carrying amounts and estimated fair values of the Bank's financial instruments and the estimated fair value of financial instruments with off-balance sheet risks.

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 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 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 financial instruments maturing within more than one year and with fixed interest rates which were not booked 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.
- Equity investments: given that they do not have a readily market value, the Bank's management estimates that the carrying amount approximates 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.
- 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 period or 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 and saving: 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 period or year-end.
- Certificates of investment: as set forth in note 14.b, as of June 30, 2009 and December 31, 2008, CIV's bear interest at 3% per annum and, accordingly, their fair value is the same as their carrying amount.



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

The estimated fair values of the bank's financial instruments as of June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009		December 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Cash and due from banks	111,270	111,270	33,659	33,659
Interest-bearing deposits in banks	539,419	539,419	561,010	561,010
Securities available for sale	469,603	469,603	468,819	468,819
Loans receivable, net	4,186,835	4,277,194	4,152,750	4,234,441
Interest receivable	58,380	58,380	56,400	56,400
Derivative financial instruments	111,661	111,661	114,679	114,679
Equity investments	19,878	19,878	12,601	12,601
Total	<u>5,497,046</u>	<u>5,587,405</u>	<u>5,399,918</u>	<u>5,481,609</u>
<u>Liabilities</u>				
Loans payable	1,023,265	1,036,235	1,113,886	1,134,140
Bonds payable	1,936,975	1,962,659	1,702,303	1,702,175
Commercial paper program	100,414	100,414	57,736	57,736
Certificates of deposit and saving	543,458	551,777	654,372	659,009
Certificates of investment	2,014	2,014	2,673	2,673
Interest payable	36,431	36,431	29,857	29,857
Derivative financial instruments	110,700	110,700	149,625	149,625
Total	<u>3,753,257</u>	<u>3,800,230</u>	<u>3,710,452</u>	<u>3,735,215</u>

(4) Cash and due from banks

As of June 30, 2009 and December 31, 2008, the cash and due from banks were as follows:

	June 30, 2009	December 31, 2008
Currencies of the founding members	36,268	19,103
Other currencies	75,002	14,556
Total	<u>111,270</u>	<u>33,659</u>

(5) Interest-bearing deposits in banks

The deposits are normally time deposits with terms of up to three months, renewable with respect to the term and interest rate; accordingly, the fair value approximates the market value. As of June 30, 2009 and December 31, 2008 these carrying amounts are set in currencies other than those of the founding countries.

(6) Investment Securities

The amortized cost of investment securities and their approximate fair values, as of June 30, 2009 and December 31, 2008 are as follows:



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Securities available for Sale	June 30, 2009						
	Amortized cost	Unrealized Gross Losses	Unrealized gross gains	Adjustments on hedging transactions	Estimated fair value	Realized gains	Realized losses
Marketable securities	380,728	(7,199)	1,855	5,920	381,304	398	(4,834)
Investment funds	86,435	-	1,864	-	88,299	6,660	-
Total	467,163	(7,199)	3,719	5,920	469,603	7,058	(4,834)

Securities available for Sale	December 31, 2008						
	Amortized cost	Unrealized Gross Losses	Unrealized Gross Gains	Adjustments on hedging transactions	Estimated fair value	Realized gains	Realized losses
Marketable securities	373,004	(10,841)	2,361	14,587	379,111	1,634	(5,786)
Investment funds	90,121	(413)	-	-	89,708	2,216	-
Total	463,125	(11,254)	2,361	14,587	468,819	3,850	(5,786)

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

As of June 30, 2009 and December 31, 2008, the estimated fair values and unrealized losses on securities available for sale that have maintained unrealized gross losses are as follows:

	June 30, 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
Marketable securities	134,732	(3,050)	-	-	58,719	(4,149)
Total	134,732	(3,050)	-	-	58,719	(4,149)

	December 31, 2008					
	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
Marketable securities	167,912	(2,315)	-	-	25,764	(8,526)
Investment funds	89,708	(413)	-	-	-	-
Total	227,547	(2,728)	-	-	25,764	(8,526)



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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.

A decrease in the fair value is recognized as other than temporary when it is probable that the book value of the investment will not be fully recovered. CABEI's Assets & Liabilities Committee (ALCO) assesses on a regular basis the situation and the evolution of securities available for sale, including those with unrealized losses. When evaluating the probability of not recovering the book value of the investment, the Bank analyzes the severity of the decline in its fair value, the volatility in the security's quotation, the period of time the investment was underwater, the financial health of the issuer, and the intention and the ability of the Bank to hold such investments until its market price would be recovered or until maturity, among other analysis. As of June 30, 2009 and as of December 31, 2008, the ALCO has concluded that unrealized losses on securities available for sale at those dates are temporary and the credit risk associated is no significant.

Sales and repayments of securities available for sale during period ended June 30, 2009 and fiscal year ended December 31, 2008 amounted to 265,448 and 198,972, respectively.

As of June 30, 2009 and December 31, 2008, investment securities are classified by contractual maturities as follows:

	June 30, 2009		December 31, 2008	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Due within one year	238,147	237,793	238,438	237,156
After one but within five years	166,696	165,967	145,436	144,190
After five but within ten years	15,702	14,135	31,039	25,898
After ten years	46,618	51,708	48,212	61,575
Total	<u>467,163</u>	<u>469,603</u>	<u>463,125</u>	<u>468,819</u>

As of June 30, 2009 and December 31, 2008 the carrying amounts of investment securities loaned pursuant to secure lending transactions totaled 18,284 and 3,270, respectively.

(7) Loans Receivable

CABEI has no significant concentrations of credit risk with any individual borrower or groups of borrowers, taking into account the credit risk concentration policies described in note 2.f. The list of loans receivable, by sector and country as of June 30, 2009 and December 31, 2008, is as follows:

	June 30, 2009			December 31, 2008		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Guatemala	682,254	392,194	1,074,448	714,571	459,234	1,173,805
El Salvador	785,382	154,469	939,851	715,781	159,375	875,156
Honduras	392,286	358,862	751,148	377,551	422,718	800,269
Nicaragua	163,331	302,573	465,904	166,247	304,806	471,054
Costa Rica	718,484	378,308	1,096,792	609,974	375,023	984,997
Panama	-	12,017	12,017	-	9,746	9,746
	<u>2,741,737</u>	<u>1,598,423</u>	<u>4,340,160</u>	<u>2,584,124</u>	<u>1,730,903</u>	<u>4,315,027</u>
Allowance for loan losses	<u>(75,864)</u>	<u>(77,461)</u>	<u>(153,325)</u>	<u>(91,505)</u>	<u>(70,772)</u>	<u>(162,277)</u>
Loans receivable, net	<u>2,665,873</u>	<u>1,520,962</u>	<u>4,186,835</u>	<u>2,492,618</u>	<u>1,660,131</u>	<u>4,152,750</u>



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The list of loans receivable, by economic activity segment, as of June 30, 2009 and December 31, 2008, is as follows:

	June 30, 2009		December 31, 2008	
Infrastructure / Construction	1,310,479	30%	1,210,988	27%
Monetary intermediation	909,173	20%	1,018,054	23%
Electricity, gas and water supply	854,273	20%	743,280	16%
Multi-sector	400,000	9%	454,509	10%
Social and health services	186,623	4%	201,464	5%
Manufacturing industry	149,960	3%	216,633	5%
Transport, storage and communications	139,563	3%	135,134	3%
Agro-industry	78,732	2%	30,584	1%
Hotels and restaurants	58,359	1%	65,139	2%
Wholesale and retail trade	54,419	1%	46,941	1%
Mining and quarrying	51,034	1%	54,068	1%
Real estate	45,701	1%	41,596	1%
Other social and community activities	38,211	1%	28,922	1%
Education	32,547	1%	37,365	1%
Housing and education loans	(a) 25,126	1%	24,029	1%
Fishing	5,210	1%	5,571	1%
Extraterritorial organizations and agencies	750	1%	750	1%
Total	4,340,160	100%	4,315,027	100%

(a) This line includes loans granted to employees of the Bank for the following purposes:

- i. Purchase of homes, for terms of up to 20 years. These loans accrue interest at rates ranging from 2.50% to 5.44% per annum for housing loans denominated in U.S. dollars, and from 8% to 12% per annum for loans denominated in Central American currencies. As of June 30, 2009 and December 31, 2008, the balances under these two headings amounted to 24,166 and 22,994, respectively.
- ii. Uses such as higher education tuition expenses, purchase of personal computers, etc., for terms of up to 15 years. These loans accrue interest at rates of 2.5% per annum for loans denominated in U.S. dollars and rates ranging from 8% to 10% per annum for loans granted in Central American currencies, except for loans granted for the purchase of personal computers, whose financial cost is zero. As of June 30, 2009 and December 31, 2008, the balances under these headings amounted to 960 and 1,035, respectively.

The list of loans receivable, by maturity, as of June 30, 2009 and December 31, 2008, is as follows:

	June 30, 2009	December 31, 2008
Past due	18,246	17,676
Up to 1 year	1,037,257	978,434
From 1 to 2 years	453,568	530,267
From 2 to 3 years	429,242	404,869
From 3 to 4 years	357,477	366,537
From 4 to 5 years	312,307	306,886
More than 5 years	1,732,063	1,710,358
Total	4,340,160	4,315,027



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The list of loans receivable, by currency, as of June 30, 2009 and December 31, 2008, is as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
U.S. dollar	4,130,492	4,047,230
Currencies from Central-American countries	195,180	252,561
Euro	9,906	9,547
Yen	4,571	5,670
Other currencies	11	19
Total	<u>4,340,160</u>	<u>4,315,027</u>

As of June 30, 2009 and December 31, 2008, the weighted average interest rates on loans receivable were 6.00% and 6.65% per annum, respectively, considering the effect of swaps, if applicable.

Loans receivable at fixed and floating rates are as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Loans receivable at fixed rates	1,047,447	960,809
Loans receivable at floating rates	3,292,713	3,354,218
Total	<u>4,340,160</u>	<u>4,315,027</u>

As of June 30, 2009 and December 31, 2008, in accordance with the Bank's policies, interest on non-accrual loans of 8,751 and 7,564, respectively, was not recorded as income because it had not been collected. As of June 30, 2009 and December 31, 2008, the principal of the loans that generated such interest amounted to 78,409 and 25,909, respectively, and related exclusively to private sector borrowers.

The following table presents information on impaired private sector loans as of June 30, 2009 and December 31, 2008:

Impaired loans	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Impaired loans without allowance for loan losses	-	-
Impaired loans with allowance for loan losses	140,056	49,636
Allowance related to impaired loans	31,766	18,143
Accrued interest on impaired loans	3,961	3,476
Interest received on impaired loans	1,929	1,993

The changes in the allowance for loan losses as of June 30, 2009 and December 31, 2008 are as follows:

	<u>June 30, 2009</u>			<u>December 31, 2008</u>		
	Sector		Total	Sector		Total
	Private	Public		Private	Public	
At beginning of fiscal year	70,772	91,505	162,277	60,160	80,281	140,441
Provision for period / fiscal year	21,465	7,041	28,506	20,169	17,414	37,583
Recoveries for period / fiscal year	(6,243)	(22,682)	(28,925)	(9,557)	(6,190)	(15,747)
Loan write-offs for period / fiscal year	(8,533)	-	(8,533)	-	-	-
At end of period / fiscal year	<u>77,461</u>	<u>75,864</u>	<u>153,325</u>	<u>70,772</u>	<u>91,505</u>	<u>162,277</u>



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(8) Interest receivable

The detail of interest receivable as of June 30, 2009 and December 31, 2008 is as follows:

	June 30, 2009	December 31, 2008
On loans	58,330	56,284
On interest-bearing deposits in banks	50	116
Total	<u>58,380</u>	<u>56,400</u>

(9) Property, furniture and equipment

Property, furniture and equipment as of June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009	December 31, 2008
Vehicles	1,408	1,795
Buildings	25,152	25,135
Computer equipment	18,926	18,725
Installations	9,600	9,580
Office equipment and furniture	4,793	4,919
Depreciable assets	<u>59,879</u>	<u>60,154</u>
Land	2,590	2,590
Subtotal	<u>62,469</u>	<u>62,744</u>
Less accumulated depreciation	(34,922)	(34,041)
Total	<u>27,547</u>	<u>28,703</u>

During the six month periods ended June 30, 2009 and 2008, the depreciation charged to expenses amounted to 1,841 and 1,754, respectively.

(10) Equity Investments

Equity investments as of June 30, 2009 and December 31, 2008 which do not have a market value are as follows:

Name	Investment	Issuer Data			Income / (loss)	June 30, 2009	December 31, 2008	
		Financial statements	Capital	Equity				
Investments								
Central American Mezzanine Infrastructure Fund LP (CAMIF)	72.73%	-	-	-	-	3,121	-	
Latin American Infrastructure Fund Energy and Cleaner Production Facility (CAREC)	1.48%	03/31/09	-	73,277	(7,714)	999	2,288	
	41.67%	03/31/09	-	5,357	(110)	2,232	1,422	
						Subtotal	<u>6,352</u>	<u>3,710</u>
Shares								
Corporación Interamericana								
Financiamiento Infraestructura	9.25%	03/31/09	54,085	66,276	725	5,000	5,000	
Banco Popular Coveló	11.76%	05/31/09	17,000	15,628	(472)	2,000	2,000	
Sociedad de Garantía Recíproca	28.25%	12/31/08	4,333	5,408	227	1,145	1,145	
Pro-Banco II	33.33%	12/31/08	737	738	-	4,521	243	
Eólico Valle Central	60.00%	12/31/08	1,035	980	(55)	836	478	
Other						24	25	
						Subtotal	<u>13,526</u>	<u>8,891</u>
						Total	<u>19,878</u>	<u>12,601</u>



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(11) Other assets

The balance of other assets as of June 30, 2009 and December 31, 2008 is as follows:

	June 30, 2009	December 31, 2008
Assets under construction	22,810	10,703
Accounts receivable	8,067	1,924
Pre-investment studies	7,800	6,926
Prepaid expenses	839	1,008
Foreclosed assets	878	989
Supplies	136	156
Other	674	1,050
Total	41,204	22,756

Foreclosed assets as of June 30, 2009 and December 31, 2008 are located in the following countries:

	June 30, 2009	December 31, 2008
Nicaragua	5,508	5,508
El Salvador	4,787	4,787
Honduras	818	818
Costa Rica	6	6
	11,119	11,119
Fair value adjustment	(10,241)	(10,130)
Total	878	989

(12) Loans payable

Loans payable as of June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009	December 31, 2008
BAYERISCHE LANDESBANK	129,899	176,915
KREDITANSTALT FÜR WIEDERAUFBAU (K.F.W.) GERMANY	128,193	129,537
INTER-AMERICAN DEVELOPMENT BANK (I.D.B.)	71,890	76,803
MEXICO-CABEI FINANCIAL COOPERATION AGREEMENT	67,840	63,738
NORDIC INVESTMENT BANK	56,048	57,500
LANDESBANK BADEN – WÜERTTEMBERG	50,000	60,000
NORDEA BANK (FUNDED PARTICIPATION AGREEMENT)	48,242 (i)	46,831
NORDEA BANK	47,853	59,020
ROYAL BANK OF SCOTLAND P.L.C.	45,000	35,000
DEUTSCHE BANK, A.G.	38,195	31,378
MIZUHO CORPORATE BANK, LTDA.	35,698	42,837
BANCO MERCANTIL, VENEZUELA	35,000	25,000
LOANS SECURED BY THE AGENCY FOR INTERNATIONAL DEVELOPMENT (A.I.D. GUARANTEES)	30,338	34,062
BANQUE NATIONALE DE PARIS, PANAMA	30,000	30,000
AGENCY FOR INTERNATIONAL DEVELOPMENT (A.I.D.)	29,930	32,894
JAPAN BANK FOR INTERNATIONAL COOPERATION	23,975	38,947
BANK LEUMI, ISRAEL	23,353	-
OESTERREICHISCHE ENTWICKLUNGSBANK AG (OeEB)	21,008	-
EUROPEAN INVESTMENT BANK	19,880	21,426
INSTITUTO DE CREDITO OFICIAL, SPAIN	15,015	20,725
Carried forward	947,357	982,613



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	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Brought forward	947,357	982,613
GERMAN CORPORATION FOR INVESTMENT AND DEVELOPMENT (DEG)	10,000	11,328
HYPOVEREINSBANK	10,000	10,000
STANDARD CHARTERED BANK	10,000	10,000
COMMERZBANK AG	10,000	-
SOCIETE GENERALE	9,318	14,010
THE CHINA COUNCIL FOR INTERNATIONAL COOPERATION ON ENVIRONMENT AND DEVELOPMENT	9,286	10,000
THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT	8,824	9,706
DRESDNER BANK LATEINAMERIKA	6,000	35,000
THE EXPORT-IMPORT BANK OF THE REPUBLIC OF CHINA	1,250	2,500
DANIDA-UNIBANK	1,230	1,489
CREDIT SUISSE	-	25,000
EKSPORTFINANS	-	2,000
OTHER INSTITUTIONS	-	240
Total	<u>1,023,265</u>	<u>1,113,886</u>

- (i) Include debt that will be settled using the funds obtained from collection of the lease payments under a lease contract entered into with Instituto Costarricense de Electricidad, the residual value of which amounted to 39,535 as of June 30, 2009, and was included under loans receivable.

The maturities of the loans payable as of June 30, 2009 and December 31, 2008 are as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Up to 1 year	315,340	377,451
From 1 to 2 years	179,673	144,640
From 2 to 3 years	160,760	165,419
From 3 to 4 years	71,722	142,836
From 4 to 5 years	98,770	69,259
More than 5 years	197,000	214,281
Total	<u>1,023,265</u>	<u>1,113,886</u>

As of June 30, 2009 and December 31, 2008, the weighted average interest rate on loans payable was 3.74% and 4.22% per annum, respectively, considering the effect of swaps, if applicable.

Loans payable at fixed and floating rates as of June 30, 2009 and December 31, 2008 are as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Loans payable at fixed rates	478,257	602,060
Loans payable at floating rates	545,008	511,826
Total	<u>1,023,265</u>	<u>1,113,886</u>



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(13) Bonds payable and commercial paper program

(a) Bonds payable as of June 30, 2009 and December 31, 2008, are as follows:

	Year of Issue	Maturity	June 30, 2009	December 31, 2008
Regional bonds (US\$)	2001	2011	50,000	50,000
MTN – First issuance (US\$)	2003	2013	198,847	198,698
MTN – Fourth issuance (US\$)	2005	2012	199,396	199,279
MTN – Fifth issuance (US\$)	2005	2009	25,000	25,000
MTN – Sixth issuance (SG\$)	2005	2010	68,899	69,575
Bonds payable in COP – First issuance	2006	2015	213,934	204,168
MTN – Seventh issuance (US\$)	2006	2011	24,964	24,954
Bonds payable in NT\$ - Fourth issuance	2006	2011	107,929	108,373
MTN – Eighth issuance (HK\$)	2006	2011	102,500	103,255
Bonds payable in JPY - First issuance	2006	2009 y 2011	105,280	111,947
MTN – Ninth issuance (MXP)	2007	2012	56,907	54,533
MTN – Tenth issuance (MXP)	2007	2012	56,710	54,458
MTN – Eleventh issuance (MXP)	2007	2014	113,276	108,470
Bonds payable in THB - First issuance	2007	2017	72,796	81,361
MTN – Twelfth issuance (MXP)	2008	2018	7,990	7,822
MTN – Thirteenth issuance (MXP)	2008	2018	7,893	7,560
MTN – Fourteenth issuance (MXP)	2008	2010	56,871	54,316
MTN – Fifteenth issuance (MXP)	2008	2020	28,430	26,694
MTN – Sixteenth issuance (HNL)	2008	2011	5,293	5,293
MTN – Seventeenth issuance (US\$)	2008	2010	10,000	15,000
Bonds payable in NT\$ - Fifth issuance	2008	2010	39,442	39,586
Bonds payable in NT\$ - Sixth issuance	2009	2011	54,644	-
Bonds payable in NT\$ - Seventh issuance	2009	2011	57,683	-
MTN – Eighteenth issuance (CRC)	2009	2014	16,930	-
Bonds payable in NT\$ - Eighth issuance	2009	2013	45,577	-
Bonds payable in NT\$ - Ninth issuance	2009	2013	15,192	-
Bonds payable in COP – Second issuance	2009	2014	68,888	-
Bonds payable in COP – Third issuance	2009	2019	46,604	-
MTN – Nineteenth issuance (CRC)	2009	2014	25,941	-
MTN – Twentieth issuance (US\$)	2009	2019	25,000	-
Bonds payable in NT\$ - Third issuance	2004	2009	-	106,577
Bonds payable – Second private issuance (US\$)	2002	2009	-	12,961
Subtotal			1,908,816	1,669,880
Fair value adjustment on hedging activities			28,159	32,423
Total			1,936,975	1,702,303

In June 2009 the Bank placed bonds denominated in U.S. dollars in the international capital market, issued under its MTN program pursuant to Regulation “S”, for an amount of 25,000, with 10-year maturity, accruing interest at a fixed rate of 6.8% per annum. This issue was hedged by an interest rate swap whereby fixed payable cash flows were exchanged for LIBOR-based flows.

In addition, in June 2009 CABEI placed its second tranche of notes under its MTN program in the Costa Rican securities exchange for CRC 15,600 million (equivalent to 27,339 as of June 30, 2009) due in 2014, accruing interest at the Costa Rican Basic Lending Rate (Tasa Básica Pasiva



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de Costa Rica.). Simultaneously, the Bank entered into a Cross Currency Swap in respect of 50% of the issue, converting the flows to U.S. dollars and a LIBOR-based rate.

As of June 30, 2009 and December 31, 2008, the weighted average interest rates on bonds payable were 3.57% and 5.52% per annum, respectively, considering the effect of swaps, when applicable.

- (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 S&P and Moody's, respectively. As of June 30, 2009, 100,414 were issued under this program, at an annual average cost of 0.90%. Maturities are shorter than 6 months.

As of December 31, 2008, 57,736 were issued under a previous U.S. Commercial Paper Program, and its annual cost was 2.42%.

(14) Certificates of deposit, savings and investment

- (a) Certificates of deposit and savings as of June 30, 2009 and December 31, 2008 are as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Private financial institutions	156,080	190,841
Social Benefit Fund (note 21)	127,229	129,435
Republic of Costa Rica	93,759	55,992
Republic of Nicaragua	46,009	-
Republic of El Salvador	34,000	34,000
Special Fund for the Social Transformation of Central America (note 20.a)	28,336	28,300
Debt-conversion fund (Honduras- Spain) (note 20.b)	22,294	21,789
Special Fund of Technical Cooperation (note 20.a)	16,769	18,252
Republic of Honduras	11,755	175,367
CABEI's certificates of deposit	6,843	-
Republic of Guatemala	384	396
Total	<u>543,458</u>	<u>654,372</u>

CABEI's Certificates of Deposit (CDBs) were originated pursuant to Board of Directors Resolution No. 238/2008, who authorized, effective as from January 1, 2009, the launch of a savings program for active employees, pensioners and retirees of CABEI, denominated in U.S. dollars. As of June 30, 2009, placements under this program accrued interest at rates ranging from 4.50% to 5.50%, for 6-month, 1-year and 5-year terms.

The contractual maturities and the weighted average interest rates as of June 30, 2009 and December 31, 2008 are as follows:

Maturity	June 30, 2009		December 31, 2008	
	Amount	Rate	Amount	Rate
Up to 6 months	469,523	4.36%	484,814	3.04%
From 6 months to 1 year	29,580	5.33%	126,121	7.00%
From 1 to 2 years	36,352	9.58%	33,600	9.46%
From 2 to 3 years	1,058	6.50%	4,545	6.50%
More than 3 years	6,945	6.50%	5,292	6.12%
Total	<u>543,458</u>		<u>654,372</u>	



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- (b) As of June 30, 2009 and December 31, 2008 balances for Certificates of Investment (CIVs) were 2,014 and 2,673, respectively, related to deposits whose beneficiaries were former employees, retirees and heirs of the Bank, are either demand deposits or 20-year deposits at depositor's discretion, and bearing interest at 3% per annum.

(15) Interest payable

Interest payable as of June 30, 2009 and December 31, 2008 are as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
On bonds payable	19,050	16,609
On loans payable	9,637	10,184
On certificates of deposit	7,730	3,054
On certificates of investment	14	-
On commercial paper program	-	10
Total	<u>36,431</u>	<u>29,857</u>

(16) Other liabilities

Other liabilities as of June 30, 2009 and December 31, 2008, were as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Other creditors	12,056	17,067
Financial cooperation to founding countries provision	3,806	4,743
Transitory deposits	3,606	3,084
Technical assistance provision	2,879	2,869
Provisions for bonuses and supplemental compensation	1,997	2,255
Other provisions	1,584	2,480
Other special contributions	5	5
Total	<u>25,933</u>	<u>32,503</u>

(17) 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 each. 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 by a protocol adopted in Managua, Nicaragua, by the Central American countries in 1989, which was entered into 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:

- the authorized capital will be 5,000,000: each founding country will ratably subscribe for 2,550,000, whereas 2,450,000 will be available to extra-regional countries and non-founding regional partners;



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- structure composed of two series of stock: Series “A” reserved for founding countries, and Series “B” reserved for non-founding regional partners and extra-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 them in the Bank from time to time (note 17.b). These certificates will not carry voting rights and will be non-assignable.

For purposes of the capital increase approved on that date, the Board of Governors approved to require from the series “A” and “B” newly subscribed shares, a cash payment and its supplement through the use of series “E” certificates. Those partners who do not hold enough series “E” certificates for covering this payment may supplement it with fresh 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. To such end, the amendment must be previously ratified by the Congresses of the Republic of Cost Rica and the Republic of Colombia, in view of a reservation made by those countries regarding the Constitutive Agreement’s amendment procedure. As of to date, the above mentioned notice has not been given.

As of June 30, 2009 and December 31, 2008, the Bank’s capital was as follows:

	June 30, 2009		December 31, 2008	
	<u>Shares</u>		<u>Shares</u>	
	<u>Subscribed</u>	<u>Paid</u>	<u>Subscribed</u>	<u>Paid</u>
<u>Founding countries</u>				
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	<u>1,020,000</u>	<u>275,000</u>	<u>1,020,000</u>	<u>275,000</u>
<u>Non-regional countries</u>				
Spain	200,000	50,000	200,000	37,500
China	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	10,800	57,600	10,800
Panama	57,600	9,000	57,600	7,200
Sub-total	<u>702,900</u>	<u>166,725</u>	<u>702,900</u>	<u>152,425</u>
Total	<u>1,722,900</u>	<u>441,725</u>	<u>1,722,900</u>	<u>427,425</u>
Unsubscribed shares of				
Non-regional countries	<u>277,100</u>	-	<u>277,100</u>	-
	<u>2,000,000</u>	<u>441,725</u>	<u>2,000,000</u>	<u>427,425</u>

CABEI’s Constitutive Agreement also considers the incorporation of Beneficiary Countries, which obtain borrowings and guarantees, interpretation and arbitration, when they make special



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contributions that increase the Bank's equity. Those special contributions are divided in paid-in contributions and callable contributions, under requirement of payment. Under the special paid-in contributions, each Beneficiary Country receive Certificates of Contribution, which do not have voting rights, but allow the right to speak at Directors' and Governors' meetings.

As of June 30, 2009 and December 31, 2008, the Bank's special contributions were as follows:

	June 30, 2009		December 31, 2008	
	<u>Subscribed</u>	<u>Paid</u>	<u>Subscribed</u>	<u>Paid</u>
Argentina	1,000	250	1,000	250
Colombia	1,000	250	1,000	250
Belize	25,000	4,687.5	25,000	4,687.5
Dominican Republic	1,000	187.5	1,000	187.5
Panama	1,000	250	1,000	250
Total	<u>29,000</u>	<u>5,625</u>	<u>29,000</u>	<u>5,625</u>

(b) Issuance of Series "E" certificates

On September 8, 2005, the Board of Governors approved an accounting method for retained earnings, which consists of 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 through the time over the paid-in capital of each member. Resolution AG 8/2009 adopted by the Board of Governors ordered such Certificates to be converted into Series "E" Certificates.

The procedure for determining the issue of those Certificates is based on the average number of shares held by each member every year, weighted by the 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 to pay, either fully or in part, 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 form part of the Bank's General Reserve.

(18) Contingent commitments

As of June 30, 2009 and December 31, 2008, balances of contingent commitments are as follows:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Credit agreements (*)	1,982,463	2,095,325
Credit default swap	75,000	75,000
Endorsements and guarantees granted	16,550	18,217
Letters of credit and bank acceptances	27,944	54,283
Total	<u>2,101,957</u>	<u>2,242,825</u>

(*) As of June 30, 2009 and December 31, 2008 the credit agreement subscribed amounted to 1,295,799 and 1,384,812, respectively.

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. The Bank assesses the creditworthiness of each customer on a case-by-case basis.



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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 in the line item Derivative financial instruments and they are carried at their market values for (815) and 728 as of June 30, 2009 and December 31, 2008, respectively. In addition, as of such dates, no material losses have been incurred, and neither are they expected to be incurred, in connection with these agreements.

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, 2009 and December 31, 2008, no significant losses have arisen, nor 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.

As of June 30, 2009 and December 31, 2008, the maturities of the guarantees granted, credit default swaps and letters of credit and bank acceptances are as follows:

Maturity	June 30, 2009		
	Guarantees granted	Credit default swaps	Letters of credit and bank acceptances
2009	5,000	25,000	27,944
2010	101	-	-
2011	489	-	-
2012	250	25,000	-
2013	-	25,000	-
2016	10,710	-	-
Total	16,550	75,000	27,944

Maturity	December 31, 2008		
	Guarantees granted	Credit default swaps	Letters of credit and bank acceptances
2009	6,500	25,000	54,283
2010	153	-	-
2011	604	-	-
2012	250	25,000	-
2013	-	25,000	-
2016	10,710	-	-
Total	18,217	75,000	54,283

(19) 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.



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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.

As from January 1, 2009, the Bank adopted FAS 161 “Disclosures about derivative instruments and hedging activities”. This standard does not require the disclosure of comparative information in the fiscal year of its adoption.

The following table presents the notional amount and the fair value of derivative instruments as of June 30, 2009 and December 31, 2008:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<u>Hedging transactions according to FAS 133</u>				
Interest rate agreements	440,400	30,991	198,228	19,048
Foreign currency agreements	156,080	18,990	151,923	299
Subtotal as of June 30, 2009	596,480	49,981	350,151	19,347
Subtotal as of December 31, 2008	616,387	51,977	240,835	41,227
<u>Other risk management purposes</u>				
Foreign currency agreements (*)	766,129	61,680	375,408	83,986
Credit risk agreements – purchased	-	-	25,000	280
Credit risk agreements – sold	-	-	75,000	815
Interest rate agreements	-	-	80,250	6,272
Subtotal as of June 30, 2009	766,129	61,680	555,658	91,353
Subtotal as of December 31, 2008	702,744	62,702	513,918	108,398
Total as of June 30, 2009	1,362,609	111,661	905,809	110,700
Total as of December 31, 2008	1,319,131	114,679	754,753	149,625

(*) Agreements used as fair value hedge that do not qualify for hedge accounting treatment under SFAS 133 guidelines.

The income / (loss) from derivative instruments used as hedge under SFAS 133 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, 2009:



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

The following chart shows the income / (loss) from derivative instruments held for other risk management purposes for the six-month period ended June 30, 2009, recorded under other operating expenses:

Foreign currency agreements	(13,066)
Credit risk agreements – purchased	8
Credit risk agreements– sold	(1,544)
Interest rate agreements	(579)
Total	<u>(15,181)</u>

(20) 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:

(a) Funds in which CABEI makes contributions

- Technical Cooperation Fund (FONTEC) was created by CABEI's Board of Governors as an independent and separate equity from the Bank's equity. Its objective is to integrate the Bank's programming processes, fulfillment processes and administration of technical cooperation resources to strengthen its ability to prepare and implement projects promoting Central American integration and development. The Fund also considers initiatives related to the studies and preparation of publications geared towards the dissemination of information about Central America.

The Fund grants three types of loans: repayable, non-repayable and contingently repayable. It offers also an option of repayment through direct funding for the conduct of any requisite pre-investment studies for financing private sector investments.

According to the By-laws of the Fund, its financial statements are presented separately from the Bank's. As a result, the Bank's management believes that all conditions are met in order to consider and record this Fund as an independent entity from Bank's equity.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

Fund's balance sheet and income statement are as follows:

	June 30, 2009 (unaudited)	December 31, 2008 (audited)
Total assets	21,059	22,465
Total liabilities	-	325
Total equity	21,059	22,140
Net income for period / fiscal year - Loss	(1,081)	(2,303)

During the six-month period ended June 30, 2009 the contribution made by CABEI to FONTEC was 105. In addition, during the fiscal year ended December 31, 2008, CABEI made no contributions to FONTEC. As of June 30, 2009 and December 31, 2008, the cumulative contributions made by CABEI amounted to 32,306 and 32,201, respectively.

- Special Fund for the Social Transformation of Central America (FETS) was created by CABEI's Board of Governors, as an independent and separate equity from the Bank. Its objectives consist of financing programs and projects as part of the efforts made for the social transformation of the region, which are aimed at beneficiary countries that develop programs declared eligible by the Bank for this purpose.

There are various sources of funding, including without limitation, donations, soft loans and issuance of securities. The Fund may also receive contributions made by the Bank in accordance with resolutions adopted by the Board of Directors.

The Fund's resources are managed by the Bank in accordance with the policies laid down for such purpose and the conditions agreed upon with the contributor entities in the respective agreements entered into with CABEI, with an overarching principle that they must meet the objectives established by the Fund.

According to the Fund's by-laws, the accounting records are to be kept separate from those of the Bank. As a result, the Bank's management believes that all conditions are met in order to consider and record this Fund as an independent entity from Bank's equity.

Fund's balance sheet and income statement are as follows:

	June 30, 2009 (unaudited)	December 31, 2008 (audited)
Total assets	87,643	78,842
Total liabilities	18,824	8,842
Total equity	68,819	70,000
Net income for period / fiscal year - Loss	(1,181)	(2,719)



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

During the six months period ended June 30, 2009 and the fiscal year ended December 31, 2008, CABEI has not contributed to FETS. As of June 30, 2009 and December 31, 2008, the accumulated contributions made by CABEI are 54,720.

- Social Benefit Fund (SBF): SBF operates in accordance with the regulations issued by CABEI's Board of Directors. It is managed by 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 (note 21). Retirement plan, pension plan and life insurance are considered as defined benefit plan, whereas hospital-related medical benefits are considered defined contribution plan.

(b) Funds in which CABEI acts as manager

As of June 30, 2009, funds managed by the Bank, with independent equities, are as follows:

Fund	Equity
World's Savior Foundation Fund (FUSALMO-Fondo Fundación Salvador del mundo) – Sports Centers	472
Spanish Consulting Fund	1,851
Investment Trust – Dwelling Mortgage Fund	12,081
Single Italian Cooperation Fund (FUIC)	2,406
Debt-conversion fund (Honduras-Spain)	31,156
Program of Development for the Border Areas in Central America (former FOEXCA)	27,750
Trust of Administration, Attention, Rehabilitation, Training and Prevention of Burnt Children	534
Administration Trust for the execution of the Energy Efficiency Program in the industrial and commercial areas in Honduras (PESIC)	670
Trust for the Administration of funds donated by the Republic of China, Taiwan to the Ministry of Housing of Costa Rica	371
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 Direction of Costa Rica	307
Regional Project Fund of Central American Markets for the Biodiversity-(CAMBio)	1,131
Trust for the Institute of Nutrition of Panama and Central America	410
Accelerating Fund investments in Renewable Energy in Central America (ARECA)	429
Fiscal administrative system of Guatemala (SAT)	479
Technical Cooperation Fund of Austria	1,371

(21) Social Benefit Fund (SBF)

Assets

As provided in SBF's bylaws, although all the contributions made by the Bank and all assets and income of SBF are owned by the Bank, they are segregated from the Bank's other assets and liabilities and are to be used solely to pay 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, 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 liabilities for the same items, which in turn, is not significantly different from the projected benefits obligation.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

On April 29, 2009, CABEI's Board of Governors amended its Constitutive Agreement to ratify that the Bank will have a Social Benefit 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 are 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, 2009 and December 31, 2008, as explained in note 14.a, the Bank recorded a liability to SBF under certificates of deposit for a total amount of 127,229 and 129,435, respectively, representing most of SBF's assets. These funds were placed in certificates issued by the Bank with the coupon of 7% per annum, and had an income of 4,504 and 4,458 during the six month periods ended June 30, 2009 and 2008, 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. The following tables show the changes in projected benefits obligation, the changes in assets and the plan position as they arise from the most recent actuarial appraisal as of June 30, 2009 and in conformity with the criteria established by currently applicable laws and regulations, as well as the figures as of June 30, 2009 and December 31 2008, presented comparatively, if applicable.

Projected benefit obligations and plan position

	June 30, 2009 (unaudited)	December 31, 2008
Changes in the benefit obligation		
Benefit obligation at beginning of fiscal year	132,578	129,715
Cost of service	1,594	3,348
Cost of interest	4,309	8,483
Collected contributions (*)	1,371	2,741
Actuarial loss	388	303
Paid benefits	(5,393)	(12,012)
Benefit obligation at end of period / fiscal year	134,847	132,578
Changes in plan assets		
Value of plan assets at beginning of fiscal year	139,533	135,970
Return on plan assets	4,830	9,542
Employer contributions	1,750	3,645
Plan participants contributions	737	1,480
Paid benefits	(5,393)	(12,012)
Other income, net	(1)	908
Value of plan assets at end of period / fiscal year	141,456	139,533
Individual account balances	(2,421)	(2,196)
Plan position	4,188	4,759

(*) Relates to medical benefits (see actuarial assumptions)



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

As of June 30, 2009 and December 31, 2008, SBF's net assets are as follows:

	June 30, 2009 (unaudited)	December 31, 2008 (audited) (*)
Net assets		
Cash and due from banks	455	1,068
CABEI's certificates of deposit	127,229	129,435
Loans to personnel	9,189	9,236
Interests receivable	4,744	444
Other accounts (payable), net	(161)	(650)
Total	141,456	139,533

(*) Independent auditor's report was issued with unqualified opinion.

Periodic pension cost

The following table summarizes the changes in the periodic cost of projected benefits associated with the SBF during the six-month periods ended June 30, 2009 and 2008:

	<u>Six-month period ended June 30, 2009 (unaudited)</u>		
	Retirement and pensions	Life insurance	Total
Service cost	1,558	36	1,594
Interest cost	4,069	240	4,309
Actuarial loss	183	205	388
Periodic cost	5,810	481	6,291

	<u>Six-month period ended June 30, 2008 (unaudited)</u>		
	Retirement and pensions	Life insurance	Total
Service cost	1,558	36	1,594
Interest cost	4,015	226	4,241
Periodic cost	5,573	262	5,835

Actuarial assumptions

The actuarial assumptions used are based on financial market interest rates, past experience and management's best estimate of future changes in benefits and economic conditions. Changes in these assumptions may have an impact on the cost of benefits and future obligations. The weighted averages of the actuarial assumptions used in the estimate of the benefit obligations were the following:

	June 30, 2009	December 31, 2008
Discount rate (market rate)	7 %	7 %
Salary increase rate	5 %	5 %
Estimated rate of return on assets	7 %	7 %

The discount rate used is derived from a theoretical portfolio in which the Bank might invest its assets in compliance with current investment policy, consisting of bonds rated as "investment



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements (unaudited)

For the six month period ended June 30, 2009 (see note 2.b)

(Expressed in thousands of U.S. dollars)

grade” or “AA” by the main international credit rating agencies. The annual return rate expected on assets reflects the return rate of the certificates of deposit that the Bank paid to the SBF as from January 1, 2007.

Medical benefits have been considered as a defined contribution plan, for which the mathematical reserve is derived from the accumulated balance of the reserves for accounting purposes corresponding to the medical benefit plan. The treatment as a defined contribution plan is based on a resolution adopted by the Bank’s Board of Directors, pursuant to which the scope of the benefit is restricted to the annual cash and cash equivalents of SBF.

Contributions

It is expected that the contributions from CABEI to SBF during fiscal year 2009 will equal approximately 3,600. All contributions will be paid in cash.

Future payments of estimated benefits

The following table shows the benefits that are expected to be payable during each of the next five years, and the aggregate benefits that are expected to be payable during the following five years, based upon the same assumptions that were used to determine the projected benefit obligations as of June 30, 2009:

Year	Benefits
2009	8,968
2010	9,094
2011	10,091
2012	10,433
2013	11,327
2014–2018	57,403

(22) Accumulated other comprehensive loss

Accumulated other comprehensive income as of June 30, 2009 and December 31, 2008, is as follows:

	June 30, 2009		
	Cash flow hedging activities	Securities available for sale	Accumulated other comprehensive loss
At beginning of fiscal year	(1,862)	(8,893)	(10,755)
Changes in the period	2,543	5,413	7,956
At end of period	681	(3,480)	(2,799)

	December 31, 2008		
	Cash flow hedging activities	Securities available for sale	Accumulated other comprehensive loss
At beginning of fiscal year	(3,193)	11,721	8,528
Changes in the period	1,331	(20,614)	(19,283)
At end of period	(1,862)	(8,893)	(10,755)