

**CENTRAL AMERICAN BANK
FOR ECONOMIC INTEGRATION**

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2007 AND 2006
WITH THE
INDEPENDENT AUDITORS' REPORT**



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI) as of December 31, 2007 and 2006, and the related statements of income, comprehensive income, changes in stockholders' equity and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the fairness of the significant estimates made by the Bank's Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements referred above present fairly, in all material respects, the financial position of CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

February 26, 2008

DELOITTE & CO. S.R.L.



ROXANA M. FIASCHE
Partner



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Balance sheets
As of December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
<u>Assets</u>		
Cash and due from banks (note 3)	6,261	3,270
Interest-bearing deposits in banks (note 4)	489,201	428,100
Investment securities (note 5):		
Securities available for sale	499,399	443,887
Loans receivable	3,948,931	3,678,186
Less allowance for loan losses	(140,441)	(133,484)
Loans receivable, net (note 6)	<u>3,808,490</u>	<u>3,544,702</u>
Interest receivable (note 7)	55,426	46,719
Property, furniture and equipment (note 8)	29,515	29,549
Derivative financial instruments (note 18)	82,838	21,663
Equity investments (note 9)	12,689	16,517
Other assets (note 10)	7,363	3,193
Total assets	<u>4,991,182</u>	<u>4,537,600</u>
<u>Liabilities</u>		
Loans payable (note 11)	1,088,534	1,041,553
Bonds payable (note 12 a)	1,590,679	1,183,727
Commercial paper program (note 12 b)	33,923	197,599
Certificates of deposit (note 13 a)	505,955	426,987
Certificates of investment (note 13 b)	42,599	46,782
Securities sold under repurchase agreements (note 14)	-	9,805
Interest payable	35,240	35,484
Derivative financial instruments (note 18)	16,714	31,669
Other liabilities (note 15)	41,949	24,553
Total liabilities	<u>3,355,593</u>	<u>2,998,159</u>
<u>Equity</u>		
Paid-in capital (note 16 a)		
(Authorized capital 2,000,000)	420,225	404,125
Special contributions (note 16 a)	4,000	2,375
Accumulated other comprehensive income (note 22)	8,528	10,878
Retained earnings	80,773	72,923
General reserve	1,122,063	1,049,140
Total equity	<u>1,635,589</u>	<u>1,539,441</u>
Total liabilities and equity	<u>4,991,182</u>	<u>4,537,600</u>

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



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Income

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Interest and fee Income		
Public sector loans	167,132	152,471
Private sector loans	107,057	97,141
Investment securities	20,639	13,863
Due from banks	21,111	17,201
Total interest and fee income	<u>315,939</u>	<u>280,676</u>
Interest and fee expense		
Loans payable and other liabilities	59,327	60,112
Bonds payable	85,944	59,609
Commercial paper program	3,298	9,473
Certificates of deposit and investment	32,753	32,358
Securities sold under repurchase agreements	158	99
Total interest and fee expense	<u>181,480</u>	<u>161,651</u>
Net interest and fee income	<u>134,459</u>	<u>119,025</u>
Provision for loan losses	<u>(6,957)</u>	<u>(13,535)</u>
Net interest and fee income after provision for loan losses	<u>127,502</u>	<u>105,490</u>
Administrative expense		
Salaries and employee benefits	20,805	21,915
Other administrative expenses	9,186	8,148
Depreciation and amortization	3,981	4,667
Other expenses	156	182
Total administrative expense	<u>34,128</u>	<u>34,912</u>
Other operating income		
Realized gains on securities available for sale (note 5)	5,973	7,929
Dividends from equity investments	2,412	3,328
Administration fee	3,444	3,267
Audit and supervision fee	785	2,504
Other income	1,188	705
Adjustment to investments risk capital	372	351
Foreign exchange gains / (losses)	102	(413)
Total other operating income	<u>14,276</u>	<u>17,671</u>
Other operating expense		
Market value adjustment of swap transactions (note 18)	4,247	392
Adjustment on foreclosed and other assets	311	-
Other financial expenses	1,378	881
Total other operating expense	<u>5,936</u>	<u>1,273</u>
Earning	<u>101,714</u>	<u>86,976</u>
Other expense		
Special contributions	20,321	13,862
Technical assistance and other expenses	620	191
Total other expense	<u>20,941</u>	<u>14,053</u>
Net income	<u><u>80,773</u></u>	<u><u>72,923</u></u>

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



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Comprehensive Income
For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Net income	80,773	72,923
Other comprehensive income / (loss):		
Unrealized gain on securities available for sale, net	2,362	10,032
Reclassification adjustment for net realized gains included in earnings	<u>(5,973)</u>	<u>(7,929)</u>
Subtotal – Securities available for sale	(3,611)	2,103
Gain / (loss) from cash flow hedge	1,261	(4,653)
Other comprehensive loss	<u>(2,350)</u>	<u>(2,550)</u>
Comprehensive income	<u>78,423</u>	<u>70,373</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
 For the fiscal years ended December 31, 2007 and 2006
 (Expressed in thousands of U.S. dollars)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Paid-in capital		
At beginning of fiscal year	404.125	384.425
Increase of fiscal year (Note 16 a)	<u>16.100</u>	<u>19.700</u>
At end of fiscal year	<u>420.225</u>	<u>404.125</u>
Accumulated other comprehensive income		
At beginning of fiscal year	10.878	13.428
Net change in other comprehensive income	<u>(2.350)</u>	<u>(2.550)</u>
At end of fiscal year	<u>8.528</u>	<u>10.878</u>
Retained earnings		
At beginning of fiscal year	72.923	56.571
Transfer to general reserve	(72.923)	(56.571)
Net income of fiscal year	<u>80.773</u>	<u>72.923</u>
At end of fiscal year	<u>80.773</u>	<u>72.923</u>
General reserve		
At beginning of fiscal year	1.049.140	992.569
Transfer from retained earnings	<u>72.923</u>	<u>56.571</u>
At end of fiscal year	<u>1.122.063</u>	<u>1.049.140</u>
Special contributions		
At beginning of fiscal year	2.375	500
Contributions of the fiscal year (note 16 a)	<u>1.625</u>	<u>1.875</u>
At end of fiscal year	<u>4.000</u>	<u>2.375</u>
Total stockholders' equity	<u>1.635.589</u>	<u>1.539.441</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

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Cash flows from operating activities		
Net income	80.773	72.923
Items to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3.981	4.667
Provision for loan losses	6.957	13.535
Adjustment to investments risk capital	(372)	(351)
Foreign exchange (gain) / loss	(102)	413
Market value adjustment of swap transactions	4.247	392
Increase in interest receivable	(8.707)	(10.936)
Net decrease in other assets	78	2.983
(Decrease) / increase in interest payable	(244)	13.716
Net increase / (decrease) in other liabilities	23.134	(851)
Net cash provided by operating activities	<u>109.745</u>	<u>96.491</u>
Cash flows from investing activities		
Net increase in interest-bearing deposits in banks	(61.101)	(198.553)
Net increase in securities available for sale	(58.377)	(58.402)
Increase in property, furniture and equipment	(3.947)	(4.284)
Net increase in derivative financial instruments	(79.116)	(155)
(Decrease) / increase in securities sold under repurchase agreements	(9.805)	9.805
Disbursements of loans receivable	(1.479.227)	(1.649.913)
Collections of loans receivable	1.211.462	1.147.447
Net (decrease) / increase in other liabilities	(5.747)	5.463
Net (increase) / decrease in other assets	(48)	5.311
Net cash used in investing activities	<u>(485.906)</u>	<u>(743.281)</u>
Cash flows from financing activities		
Net increase in loans payable	43.406	70.457
Net decrease in commercial paper program	(163.676)	(500)
Net increase in bonds payable	406.952	449.875
Net decrease in certificates of investment	(4.183)	(4.448)
Increase in certificates of deposits payable	393.495	335.204
Redemption of certificates of deposits payable	(314.527)	(226.263)
Capital contributions	16.100	19.700
Capital special contributions	1.625	1.875
Net cash provided by financing activities	<u>379.192</u>	<u>645.900</u>
Effect of exchange rate fluctuations on cash	<u>(40)</u>	<u>55</u>
Cash at beginning of fiscal year	3.270	4.105
Cash at end of fiscal year	<u>6.261</u>	<u>3.270</u>
Net increase / (decrease) in cash and equivalents	<u>2.991</u>	<u>(835)</u>
<u>Supplemental information</u>		
Cash interests payments	181.724	147.935
Unrealized net (losses) / gains on securities available for sale	(3.611)	2.103
Write-off loans transferred to foreclosed assets	-	300

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



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006

(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. Through a protocol subscribed on September 2, 1989 and in force 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.

(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) 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 at 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 fiscal year, as appropriate.

(c) 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.

(d) Investment securities

Marketable securities, including equity securities with a readily determinable fair value, 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.

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.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006

(Expressed in thousands of U.S. dollars)

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.

Those securities sold under repurchase agreements have been recorded as investments available for sale at their fair value, since their availability is restricted until the maturity date of the repurchase agreements.

The Bank participates in a securities lending program. This program consists in lending certain securities in exchange of a premium that the securities borrower has to pay. Under the terms of its securities lending agreement, CABEI requires collateral of a value above the fair value of the loaned securities. The Bank maintains effective control of the loaned securities during the term of the transactions and is 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 Management believes these transactions bear low risk.

(e) 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 following parameters have been established in relation to the Bank's equity, defined as paid-in capital, received donations, reserves and earnings:

- The total of its loan portfolio may not 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 may 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 extraregional member, will be up to the sum of the capital paid in cash plus the portion in cash of the special contribution, 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 extraregional member status, will be up to the contribution 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 the exception of state owned banks without a sovereign guarantee, may not exceed 20% of the Bank's financial equity.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006

(Expressed in thousands of U.S. dollars)

- Exposure to a single company or of related companies or to an economic group, may not exceed 10% of the Bank's financial 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

(f) Loans and allowance for loan losses

Loans are stated at the unpaid principal balance plus accrued but unpaid interest. 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 contractual terms of the agreement. 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 arrears generally are not classified as impaired. Management determines the significance of payment arrears on a case-by-case basis, taking into consideration all the circumstances related to the loan and the borrower, including the length of the delay, the reasons for the arrears, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The majority 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 loans 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 beneficiary countries with a sovereign guarantee of the country and 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 differentiates the risk of public sector loans that do not have a sovereign guarantee. 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 December 31, 2007 and 2006, there were no impaired public sector loans.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

The allowances for loan losses are established through estimates of possible losses, which are charged to income in the year 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 uncollectibility of 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.

(g) 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 fiscal year in which CABEI receives satisfactory payment of non-accrued overdue interest.

Interest 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 6), which period is typically 90 days.

(h) Property, furniture and equipment

Property, furniture and equipment are stated at cost less accumulated depreciation. Renewals and major improvements are capitalized, while minor replacements, repairs and maintenance which do not improve the asset or extend its remaining useful life are charged as expenses when incurred.

Depreciation is computed with the straight-line method over the estimated useful life of the assets.

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

(i) 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 carried 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.

(j) 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.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006

(Expressed in thousands of U.S. dollars)

(k) General reserve and annual net income

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

(l) 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 assesses, 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 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 designated as not being 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.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006

(Expressed in thousands of U.S. dollars)

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.

(m) Equity investments

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

(n) Donations received and contributions granted

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

Contributions granted to public and private sector institutions are recorded as expenses in the fiscal year in which the contributions are authorized by the Board of Directors and the related contracts are signed.

(o) 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.

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

- those that replace financing: are 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 (Note 2 (e));

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

(p) Securities sold under repurchase agreements

The Bank sells securities under repurchase agreements. Accordingly, these repurchase agreements are financing transactions guaranteed by such securities.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

The interest incurred under the repurchase agreements is reflected as interest payable. The securities subject to repurchase agreements are recorded as assets of the Bank but are held by third parties as a guarantee for the financing transactions. The earned interests for these assets are reflected as interest receivable. The fair value of the securities subject to repurchase agreements is regularly verified so as to assure that there is an appropriate guarantee for the financing transactions.

(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 fiscal years. 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) Cash and due from banks

As of December 31, 2007 and 2006, the cash and due from banks were as follows:

	December 31, 2007	December 31, 2006
Currencies of founding members	2,432	1,679
Other currencies	3,829	1,591
Total	<u>6,261</u>	<u>3,270</u>

(4) 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. The composition of the deposits by currency as of December 31, 2007 and 2006 is as follows:

	December 31, 2007	December 31, 2006
Currencies of founding members	-	102
Other currencies	489,201	427,998
Total	<u>489,201</u>	<u>428,100</u>

(5) Investment Securities

The amortized cost of investment securities and their approximate fair values, as of December 31, 2007 and 2006 are as follows:

Securities available for Sale	December 31, 2007					
	Amortized cost	Gross unrealized losses	Gross unrealized gains	Adjustments On hedging transactions	Estimated fair value	Realized gains
Marketable securities	403,501	(5,458)	2,043	1,003	401,089	56
Investment funds	83,175	-	15,135	-	98,310	5,917
Total	<u>486,676</u>	<u>(5,458)</u>	<u>17,178</u>	<u>1,003</u>	<u>499,399</u>	<u>5,973</u>



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

Securities available for Sale	December 31, 2006					
	Amortized cost	Gross unrealized losses	Gross unrealized gains	Adjustments on hedging transactions	Estimated fair value	Realized gains
Marketable securities	354,023	(2,038)	824	(291)	352,518	-
Investment funds	74,823	-	16,546	-	91,369	7,929
Total	428,846	(2,038)	17,370	(291)	443,887	7,929

The gains were realized by taking the original cost of each fund or marketable securities sold.

As of December 31, 2007 and 2006, the estimated fair value and unrealized losses of the securities available for sale that have maintained unrealized gross losses are as follows:

Securities available for sale:	December 31, 2007					
	Less than 12 months of accumulated losses		12 months or greater of accumulated losses			
	Time to maturity					
			Less than 12 months		12 months or greater	
	Estimated fair value	Unrealized gross losses	Estimated fair value	Unrealized gross losses	Estimated fair value	Estimated gross losses
Marketable securities	144,316	(5,128)	20,574	(175)	25,385	(155)
Total	144,316	(5,128)	20,574	(175)	25,385	(155)

Securities available for sale:	December 31, 2006					
	Less than 12 months of accumulated losses		12 months or greater of accumulated losses			
	Time to maturity					
			Less than 12 months		12 months or greater	
	Estimated fair value	Unrealized gross losses	Estimated fair value	Unrealized gross losses	Estimated fair value	Estimated gross losses
Marketable securities	45,498	(93)	30,308	(209)	86,522	(1,736)
Total	45,498	(93)	30,308	(209)	86,522	(1,736)

The Bank's policy establishes that at least 75% of its total investment securities be in bonds issued by issuers holding an international rating of "A" (or its equivalent) or better, granted by an internationally recognized rating agency. The decrease in fair value of fixed rate bonds is attributed to changes in market interest rates and not to deterioration of the credit quality of such bonds. The Bank intends and has the ability to hold such bond until its market price has recovered or until maturity; therefore these investments are not considered to be impaired.

The sales and repayments of securities available for sale during the fiscal years ended as of December 31, 2007 and 2006 amounted to 108,836 and 73,886, respectively.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006

(Expressed in thousands of U.S. dollars)

As of December 31, 2007 and 2006, investment securities are classified by contractual maturities as follows:

	December 31, 2007		December 31, 2006	
	Amortized Cost	Estimated fair value	Amortized Cost	Estimated fair value
Within one year	219,975	233,846	233,678	250,623
More than one year but no more than or equal to five years	148,185	147,939	130,148	128,577
More than five years but no more than ten years	70,359	68,393	29,669	29,698
More than ten years	48,157	49,221	35,351	34,989
Total	<u>486,676</u>	<u>499,399</u>	<u>428,846</u>	<u>443,887</u>

As of December 31, 2007 there are no securities available for sale pledging repurchase agreements. As of December 31, 2006, the fair value of the securities available for sale pledging obligations for repurchase agreements amounted to 10,078.

Moreover, as of December 31, 2007 the fair value of investment securities loaned pursuant to secured lending transactions totaled 5,206.

(6) 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) e). The detail of loans receivable, by sector and country as of December 31, 2007 and 2006, is as follows:

	December 31, 2007			December 31, 2006		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Guatemala	679,119	513,470	1,192,589	495,268	426,086	921,354
El Salvador	446,299	171,796	618,095	467,580	235,569	703,149
Honduras	360,695	445,194	805,889	352,086	395,048	747,134
Nicaragua	173,721	241,475	415,196	179,689	258,413	438,102
Costa Rica	623,884	288,894	912,778	553,402	315,045	868,447
Panamá	-	4,384	4,384	-	-	-
	<u>2,283,718</u>	<u>1,665,213</u>	<u>3,948,931</u>	<u>2,048,025</u>	<u>1,630,161</u>	<u>3,678,186</u>
Allowance for loan losses	<u>(80,281)</u>	<u>(60,160)</u>	<u>(140,441)</u>	<u>(71,071)</u>	<u>(62,413)</u>	<u>(133,484)</u>
Loans receivable, net	<u>2,203,437</u>	<u>1,605,053</u>	<u>3,808,490</u>	<u>1,976,954</u>	<u>1,567,748</u>	<u>3,544,702</u>



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

The detail of loans receivable, by economic activity segment, as of December 31, 2007 and 2006, is as follows:

	December 31, 2007		December 31, 2006	
Infrastructure	1,006,001	25%	958,326	26%
Financial intermediation	895,135	23%	928,319	25%
Electricity	671,616	17%	529,098	14%
Multisector	401,744	10%	206,285	6%
Housing	(a) 216,351	6%	299,044	8%
Industry	216,977	6%	159,266	4%
Social services	212,272	5%	222,694	6%
Transport, storage and communications	129,929	3%	151,460	4%
Tourism	58,924	2%	34,253	1%
Agro-industry	57,418	1%	74,259	2%
Education	41,890	1%	58,237	2%
Other	(b) 40,674	1%	56,945	2%
Total	3,948,931	100%	3,678,186	100%

(a) As of December 31, 2007 and 2006, 21,003 and 18,797 are included in those line items, respectively. The amounts correspond to mortgage loans granted to the Bank personnel for housing, each loan with a maximum of 20 years. In addition, those loans have agreed upon rates ranging from 2.5% to 5.73% per annum for US dollar denominated mortgages and from 8% to 10% per annum for local currency denominated mortgages.

(b) As of December 31, 2007 and 2006, 951 and 941 are included in those line items, respectively. They correspond to personal loans granted to the Bank personnel for several purposes such as education, personal computer acquisition, etc., which were granted for a maximum tenor of 15 years. In addition, those loans have been granted at rates of 2.5% per annum for US dollar denominated loans and ranging from 8% to 10% per annum for local currency denominated loans, except personal loans granted to purchase personal computers which were granted interest free.

The detail of loans receivable, by maturity, as of December 31, 2007 and 2006, is as follows:

	December 31, 2007	December 31, 2006
Matured	11,311	14,923
Up to 1 year	827,801	890,657
From 1 to 2 years	457,358	477,307
From 2 to 3 years	376,968	358,827
From 3 to 4 years	327,432	325,135
From 4 to 5 years	298,477	261,154
More than 5 years	1,649,584	1,350,183
Total	3,948,931	3,678,186

The detail of loans receivable, by currency, as of December 31, 2007 and 2006, is as follows:

	December 31, 2007	December 31, 2006
U.S. dollar	3,716,201	3,485,170
Currencies of Central American countries	223,762	185,863
Japanese yen	5,899	6,783
Euro	3,017	293
Other currencies	52	77
Total	3,948,931	3,678,186



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

As of December 31, 2007 and 2006, the weighted average interest rates on loans receivable were 6.90% and 6.60% per annum, respectively, taking into account the effect of hedges, if applicable.

Loans receivable at fixed and floating rates are as follows:

	December 31, 2007	December 31, 2006
Loans receivable at fixed rates	747,745	725,208
Loans receivable at floating rates	3,201,186	2,952,978
Total	<u>3,948,931</u>	<u>3,678,186</u>

As of December 31, 2007 and 2006, in accordance with the Bank's policies, interest on non-accrual loans of 5,648 and 5,398, respectively, was not recorded as income because it had not been collected. As of December 31, 2007 and 2006, the principal of the loans that generated such interest amounted to 9,468 and 21,999, respectively, and related exclusively to private sector borrowers.

The following table presents information on impaired private sector loans as of December 31, 2007 and 2006:

Impaired loans	December 31, 2007	December 31, 2006
Impaired loans without allowance for loan losses	-	-
Impaired loans with allowance for loan losses	35,598	35,028
Allowance related to impaired loans	10,799	13,190
Accrued interest on impaired loans	7,906	5,578
Interest received on impaired loans	4,179	2,969

The evolution of the allowance for loan losses as of December 31, 2007 and 2006 is as follows:

	December 31, 2007			December 31, 2006		
	Sector		Total	Sector		Total
	Private	Public		Private	Public	
At beginning of fiscal year	62,413	71,071	133,484	51,493	70,200	121,693
Loan write-offs, net	-	-	-	(1,744)	-	(1,744)
Provision for fiscal year	5,787	12,090	17,877	12,664	14,184	26,848
Recoveries for fiscal year	(8,040)	(2,880)	(10,920)	-	(13,313)	(13,313)
At end of fiscal year	<u>60,160</u>	<u>80,281</u>	<u>140,441</u>	<u>62,413</u>	<u>71,071</u>	<u>133,484</u>

(7) Interest receivable

The detail of interest receivable as of December 31, 2007 and 2006 is as follows:

	December 31, 2007	December 31, 2006
On loans	54,031	45,476
On interest-bearing deposits in banks	1,395	1,243
Total	<u>55,426</u>	<u>46,719</u>



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

(8) Property, furniture and equipment

Property, furniture and equipment as of December 31, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
Vehicles	1,785	1,882
Buildings	24,912	24,912
Computer equipment	17,079	14,007
Installations	8,664	8,556
Office equipment and furniture	5,300	5,145
Depreciable assets	57,740	54,502
Land	2,590	2,590
Subtotal	60,330	57,092
Less accumulated depreciation	(30,815)	(27,543)
Total	29,515	29,549

During the fiscal years ended December 31, 2007 and 2006, the depreciation charged to expense amounted to 3,690 and 4,372, respectively.

(9) Equity Investments

Equity investments as of December 31, 2007 and 2006 which do not have a market value are as follows:

Name	Issuer Data					December 31, 2007	December 31, 2006
	Investment	Financial statements	Capital	Equity	Income		
Investments							
Latin American Infrastructure Fund	1.48%	09/30/07	315,113	315,113	106,949	4,665	5,645
					Subtotal	4,665	5,645
Shares							
Corporación Interamericana Financiamiento Infraestructura	9.25%	03/31/07	54,000	60,071	633	5,000	5,000
Pro-Banco	-	-	-	-	-	-	4,533
Sociedad de Garantía Recíproca Central American Renewable Energy and Cleaner Production Facility (CAREC)	28.25%	11/30/07	4,205	4,941	119	1,145	1,145
Other	41.70%	09/30/07	2,622	2,622	(347)	1,376	-
						503	194
					Subtotal	8,024	10,872
					Total	12,689	16,517

(10) Other assets

The balance of other assets as of December 31, 2007 and 2006 is as follows:

	December 31, 2007	December 31, 2006
Preinvestment studies	3,219	-
Accounts receivable	1,161	281
Foreclosed assets	989	1,341
Prepaid expenses	751	1,042
Constructions in process	483	-
Supplies	119	81
Other	641	448
Total	7,363	3,193



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

Foreclosed assets as of December 31, 2007 and 2006 are located in the following countries:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Nicaragua	5,508	5,508
El Salvador	4,787	4,787
Honduras	818	858
Costa Rica	6	6
	<u>11,119</u>	<u>11,159</u>
Fair value adjustment	(10,130)	(9,818)
Total	<u>989</u>	<u>1,341</u>

(11) Loans payable

Loans payable as of December 31, 2007 and 2006 are as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
INTER-AMERICAN DEVELOPMENT BANK (I.D.B.)	87,959	97,829
BAYERISCHE LANDESBANK	80,000	-
HSBC BANK PANAMA	75,000	-
JAPAN BANK FOR INTERNATIONAL COOPERATION	63,811	90,780
NORDEA BANK	60,904	69,605
NORDEA BANK (FUNDED PARTICIPATION AGREEMENT)	60,833 (i)	74,111
MEXICO-CABEI FINANCIAL COOPERATION AGREEMENT	56,018	62,543
MIZUHO CORPORATE BANK, LTDA.	49,973	49,966
KREDITANSTALT FUR WIEDERAUFBAU (K.F.W.) GERMANY	45,825	49,055
LOANS SECURED BY THE AGENCY FOR INTERNATIONAL DEVELOPMENT (A.I.D.) GUARANTEES	40,810	47,423
AGENCY FOR INTERNATIONAL DEVELOPMENT (A.I.D.)	39,277	46,055
DEUTSCHE BANK, A.G.	36,206	43,170
ROYAL BANK OF SCOTLAND P.L.C.	35,000	-
SOCIETE GENERALE	32,052	60,310
BANQUE NATIONALE DE PARIS, PANAMA	30,000	45,000
NORDIC INVESTMENT BANK	28,500	29,500
INSTITUTO DE CREDITO OFICIAL OF SPAIN (I.C.O.)	27,381	25,680
STANDARD CHARTERED BANK	25,000	50,000
BANCO MERCANTIL OF VENEZUELA	25,000	30,000
DRESDNER BANK LATEINAMERIKA	25,000	20,000
CREDIT SUISSE FIRST BOSTON	25,000	20,000
LANDESBANK BADEN – WÜERTTEMBERG	25,000	-
EUROPEAN INVESTMENT BANK	22,671	30,421
CITIBANK, N.A.	20,000	-
HYPOVEREINSBANK	15,386	772
NATIXIS PANAMÁ BRANCH	15,000	-
GERMAN CORPORATION FOR INVESTMENT AND DEVELOPMENT	14,106	16,175
THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT	11,471	13,235
EKSPORTFINANS	5,999	9,998
THE EXPORT-IMPORT BANK OF THE REPUBLIC OF CHINA	5,000	7,500
DANIDA-UNIBANK	2,008	2,679
Subtotal	<u>1,086,190</u>	<u>991,807</u>



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Subtotal	1,086,190	991,807
WACHOVIA BANK, N.A.	549	1,516
INTERNATIONAL COOPERATION AND DEVELOPMENT FUND	-	1,026
BARCLAYS BANK P.L.C.	-	25,000
ABN AMRO BANK	-	21,000
OTHER INSTITUTIONS	962	2,093
Subtotal	<u>1,087,701</u>	<u>1,042,442</u>
Fair value adjustment on interest rate hedging activities	833	(889)
Total	<u>1,088,534</u>	<u>1,041,553</u>

- (i) This debt 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 60,833 as of December 31, 2007, and was included under loans receivable.

The maturities of the loans payable as of December 31, 2007 and 2006 are as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Up to 1 year	461,975	358,652
From 1 to 2 years	124,855	143,733
From 2 to 3 years	103,889	127,023
From 3 to 4 years	99,749	102,660
From 4 to 5 years	127,320	96,303
More than 5 years	169,913	214,071
Total	<u>1,087,701</u>	<u>1,042,442</u>

As of December 31, 2007 and 2006, the weighted average interest rate on loans payable was 5.31% and 5.22% per annum, respectively, taking into account the effect of hedges, if applicable.

Loans payable at fixed and floating rates as of December 31, 2007 and 2006 are as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Loans payable at fixed rates	759,118	692,198
Loans payable at floating rates	328,583	350,244
Total	<u>1,087,701</u>	<u>1,042,442</u>



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

(12) Bonds payable and commercial paper program

(a) Bonds payable as of December 31, 2007 and 2006, are as follows:

	Year of Issue	Maturity	December 31, 2007	December 31, 2006
Regional bonds (US\$)	2001	2011	50,000	50,000
Bonds payable – Second private issue (US\$)	2002	2009	25,868	38,776
MTN – First issue (US\$)	2003	2013	198,390	198,085
Bonds payable in NT\$ - Third issue	2004	2009	107,931	107,392
MTN – Fourth issue (US\$)	2005	2012	199,045	198,811
MTN – Fifth issue (US\$)	2005	2009	25,000	25,000
MTN – Sixth issue (SG\$)	2005	2010	69,444	65,215
Bonds payable in COP – First issue	2006	2015	227,624	204,991
MTN – Seventh issue (US\$)	2006	2011	24,935	24,915
Bonds payable in NT\$ - Fourth issue	2006	2011	107,862	107,339
MTN – Eighth issue (HK\$)	2006	2011	96,113	96,403
Bonds payable in JPY - First issue	2006	2009 and 2011	89,073	83,493
MTN – Ninth issue (MXP)	2007	2012	68,721	-
MTN – Tenth issue (MXP)	2007	2012	68,721	-
MTN – Eleventh issue (MXP)	2007	2014	137,473	-
Bonds payable in THB - First issue	2006	2017	79,614	-
Subtotal			1,575,814	1,200,420
Fair value adjustment on hedging activities			14,865	(16,693)
Total			1,590,679	1,183,727

On December 11, 2007 the Bank issued debt in the Thai market, being the first Latin American issuance in Thailand. The issuance nominal value was THB 2,374,000,000 (Thai Baht) equivalent to 70,112. The bonds mature on December 11, 2017, the principal is payable at maturity and bears a coupon of 5.97%. The transaction was hedged with a cross currency swap.

As of December 31, 2007 and 2006, the weighted average interest rates on bonds payable were 5.54% and 6.22% per annum, respectively, taking into account the effect of swaps, when applicable.

(b) The Bank has a 250,000 Commercial Paper Program in the US maturing on April 19, 2009. As of December 31, 2007 and 2006 the Bank had recorded 33,923 and 197,599 in Commercial Paper issued outstanding, with average interest rates of 5.15% and 5.34%, respectively

(13) Certificates of deposit and investment

(a) Certificates of deposit as of December 31, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
Republic of Honduras	135,837	120,545
Social Benefit Fund (Note 21)	126,334	121,666
Private financial institutions	113,588	119,380
Republic of Costa Rica	75,222	19,848
Special Fund for the Social Transformation of Central America (Note 20 a)	32,492	43,339
Special Fund of Technical Cooperation (Note 20 a)	22,080	1,806
Republic of Guatemala	402	403
Total	505,955	426,987



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

The contractual maturities and the weighted average interest rates as of December 31, 2007 and 2006 are as follows:

Maturity	December 31, 2007		December 31, 2006	
	Amount	Rate	Amount	Rate
Up to 6 months	324,345	5,27%	302,225	5.47%
From 6 months to 1 year	12,968	4,97%	119,253	9.67%
From 1 to 2 years	121,515	6,98%	556	2.14%
From 2 to 3 years	423	10,00%	-	-
More than 3 years	46,704	6,85%	4,953	12.94%
Total	505,955		426,987	

- (b) As of December 31, 2007 and 2006 balances for Certificates of Investment (CIVs) by 3,207 and 3,458, respectively, related to deposits whose beneficiaries were former employees, retirees and heirs of the Bank, are either demand deposits or 20-year deposits at the depositor's discretion, and bearing interest at 3% per annum.

The Board of Directors of CABEI resolved to create a new savings plan under the name *Programa de Certificados de Ahorro Beciano* (CABs – Beciano Savings Certificates Program), which was launched exclusively to transfer CIV deposits to this new savings plan, bearing interest rates between 7.07% and 7.26%. As of December 31, 2007 and 2006, the recorded balances totaled 39,392 and 43,324, respectively, whose final maturity has been extended to March 31, 2008, according to Resolution DI 14/2008.

(14) Securities sold under repurchase agreements

As of December 31, 2007 the Bank does not record transactions of securities sold under repurchase agreement (Repos). As of December 31, 2006 CABEI recorded 9,805 outstanding on such operations.

(15) Other liabilities

Other liabilities as of December 31, 2007 and 2006 were as follows:

	December 31, 2007	December 31, 2006
Other creditors	18,558	3,695
Transitory deposits	13,449	5,048
Other provisions	3,733	1,625
Technical assistance provision	2,880	2,649
Financial Cooperation to founding countries provision	2,316	4,218
Provisions for bonuses and supplemental compensation	1,008	948
Other special contributions	5	16
FONTEC contribution provision	-	6,354
Total	41,949	24,553

(16) Equity

(a) Paid-in capital

The Bank's authorized capital is 2,000,000, consisting of 200,000 registered shares with a face value of 10 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.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

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 October 25, 2005, the Board of Governors formally defined the process to determine the equity value of unpaid shares, which will be applicable to new subscriptions of shares in connection with new members or additional subscriptions of capital, starting January 1, 2007. Accordingly, the equity value of the shares will be calculated dividing net equity by paid-in capital and multiplying this result by the face value of the share. In any capital increase, at least fifty one percent of the capital increase must be subscribed by the founding members in equal parts.

As of December 31, 2007 and 2006, the Bank's capital was as follows:

	December 31, 2007		December 31, 2006	
	Shares		Shares	
	Subscribed	Paid	Subscribed	Paid
<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	37,500	200,000	25,000
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	7,200	57,600	3,600
Panama	57,600	3,600	57,600	3,600
Sub-total	<u>702,900</u>	<u>145,225</u>	<u>702,900</u>	<u>129,125</u>
Total	<u>1,722,900</u>	<u>420,225</u>	<u>1,722,900</u>	<u>404,125</u>
Unsubscribed shares of				
Non-regional countries	<u>277,100</u>	<u>-</u>	<u>277,100</u>	<u>-</u>
	<u>2,000,000</u>	<u>420,225</u>	<u>2,000,000</u>	<u>404,125</u>

During the fiscal year ended December 31, 2007, in respect of shares subscribed in cash, the Dominican Republic made its second contribution of 3,600, the Kingdom of Spain made its third contribution of 12,500, and on January 17, 2008, the Republic of Panama made its second contribution of 3,600.

On April 10, 2007 CABEI's Board of Governors approved, pursuant to resolution AG-11/2007, and without making any modifications to CABEI's Constitutive Agreement, the principles under which the new capital structure will be governed:

- Authorized capital will be increased to 4,000,000; and



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006

(Expressed in thousands of U.S. dollars)

- Such capital will be classified in three share series: “A” series corresponding to founding members; “B” series corresponding to non-founding members and extra-regional members; and “E” series issued to “A” and “B” stockholders for the sole purpose of recording retained earnings applicable to their own contributions to the Bank’s equity (Note 16 b) and including the right to vote.

CABEI’s Constitutive Agreement also considers the incorporation of Beneficiary Countries, which obtain borrowings and guarantees, interpretation and arbitration, when they make special 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 December 31, 2007 and 2006, the Bank’s special contributions were as follows:

	December 31, 2007		December 31, 2006	
	Subscribed	Paid	Subscribed	Paid
Argentina	1,000	250	1,000	250
Colombia	1,000	250	1,000	250
Belize	25,000	3,125	25,000	1,562.50
Dominican Republic	1,000	125	1,000	62.50
Panama	1,000	250	1,000	250
Total	<u>29,000</u>	<u>4,000</u>	<u>29,000</u>	<u>2,375</u>

During the fiscal year ended December 31, 2007, Dominican Republic and Belize have made special contributions of 62.5 and 1,562.50, respectively.

(b) Issuance of general reserve 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.

Through resolution AG/2007 on March 22, 2007 the Board of Governors approved the procedure to determine the issuance amount of reserve certificates, which is based on the share average from each stockholder every year, weighted according to the time period and amount of each member country’s shares. Based on this procedure and audited financial statements as of December 31, 2004, CABEI recorded the Certificate belonging to each founding members and non- Regional members in a sub-account with the General Reserve. In addition, as is mentioned in paragraph (a), resolution AG 11/2007 establishes the principles of the Bank’s capital structure going forward.

(17) Contingent commitments

As of December 31, 2007 and 2006, balances of contingent commitments are as follows:

	December 31, 2007	December 31, 2006
Credit agreements	2,548,297	1,847,806
Credit default swap	25,000	25,000
Endorsements and guarantees granted	9,793	6,640
Letters of credit and bank acceptances	590	12,432
Total	<u>2,583,680</u>	<u>1,891,878</u>



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

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.

Credit default swaps represent a contingent commitment assumed by the Bank with a client, for payments to be honored by a third party. These derivative instruments are recorded as derivative financial instruments at their fair value.

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 December 31, 2007 and 2006, 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 December 31, 2007 and 2006, the maturities of the guarantees granted are as follows:

Maturity	December 31, 2007	December 31, 2006
2007	-	65
2008	75	-
2009	6,500	5,000
2010	263	378
2011	931	1,197
2012	2,024	-
Total	9,793	6,640

As of December 31, 2007 and 2006 the maturities of the letters of credit and bank acceptances are as follows:

Maturity	December 31, 2007	December 31, 2006
2007	-	12,432
2008	590	-
Total	590	12,432

(18) Derivative financial instruments and hedging activities

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

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



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

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

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

The following table presents the notional amount and the fair value of derivative instruments as of December 31, 2007:

	December 31, 2007		
	Notional amount	Fair Value	
		Assets	Liabilities
Hedging			
On investment securities	28,500	102	1,105
On loans receivable	112,774	2,923	2,706
Credit default swap	25,000	-	577
On loans payable	69,474	7,253	1,133
On bonds payable	1,426,420	71,874	6,747
Subtotal	<u>1,662,168</u>	<u>82,152</u>	<u>12,268</u>
Other			
Credit default swap	100,000	686	4,136
On forecasted transactions	5,249	-	310
Subtotal	<u>105,249</u>	<u>686</u>	<u>4,446</u>
Total	<u>1,767,417</u>	<u>82,838</u>	<u>16,714</u>

The following table presents the notional amount and the fair value of derivative instruments as of December 31, 2006:

	December 31, 2006		
	Notional amount	Fair Value	
		Assets	Liabilities
Hedging			
On investment securities	28,500	573	864
On loans receivable	244,943	2,506	368
Credit default swap	25,000	-	565
On loans payable	103,898	4,506	5,296
On bonds payable	1,094,727	13,400	24,576
Subtotal	<u>1,497,068</u>	<u>20,985</u>	<u>31,669</u>
Other			
Credit default swap	25,000	678	-
Subtotal	<u>25,000</u>	<u>678</u>	<u>-</u>
Total	<u>1,522,068</u>	<u>21,663</u>	<u>31,669</u>

As of December 31, 2007 and 2006, the gains or losses from the ineffective portion of the hedges were recognized under Other operating expense for 4,247 and 392, respectively.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006

(Expressed in thousands of U.S. dollars)

(19) 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 fair value of a financial instrument is defined by FAS 107 "Disclosures About Fair Value of Financial Instruments" as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The estimated 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. Although management applies its best judgment to estimate the current values of these financial instruments, there are weaknesses inherent in all of the valuation techniques. In addition, 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 terms 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 issued at floating interest rates and interest receivable and payable.

The following methods and assumptions were used to estimate the fair value of financial instruments maturing within more than one year and with fixed interest rates:

- Securities available for sale and derivative financial instruments: the fair value, which approximates the carrying amount, is calculated based on quoted market prices, or, if there were no prices available, based on the discounted cash flows using current returns of similar securities.
- Loans receivable, net: the fair value for loans at fixed interest rates is estimated on the basis of the discounted cash flows, using the Commercial Interest Reference Rate (CIRR) as a reference. This rate is the official credit 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 the U.S. Treasury bonds. The fair value of non-accrual loans is estimated on the basis of the discounted cash flows or the value of the collateral, when applicable.
- Equity investments: given that they do not have a ready market, management estimates that the carrying amount approximates fair value.
- Loans payable: the fair values for loans are estimated on the basis of the discounted cash flows, using the CIRR as a reference.
- Commercial paper program: the fair values are estimated on the basis of the discounted cash flows, using as a reference the rates of the most recent transactions agreed upon with the Bank prior to fiscal year-end.
- Bonds payable: the fair value is estimated on the basis of the discounted cash flows, based on current bank rates for multilateral organizations.
- Certificates of deposit: fair values are estimated on the basis of the discounted cash flows, based on the rates of the most recent transactions agreed upon with the Bank prior fiscal year-end.
- Certificates of investment: as set forth in Note 13 b), as of December 31, 2007 and 2006, CIVs bear interest at 3% per annum and, accordingly, their fair value is the same as their carrying amount. The Bank estimated the fair value of the Beciano savings certificates outstanding at those dates by discounting the cash flows at the most recent agreed upon rate.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

- Sale of securities under repurchase agreement: the fair value is calculated taking into account the market value of the assigned securities that guarantee these transactions.
- Contingent commitments: the fair value of these instruments is based on the counterparty credit risks.

The estimated fair values of the bank's financial instruments as of December 31, 2007 and 2006 are as follows:

	December 31, 2007		December 31, 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Cash and due from banks	6,261	6,261	3,270	3,270
Interest-bearing deposits in banks	489,201	489,201	428,100	428,100
Securities available for sale	499,399	499,399	443,887	443,887
Loans receivable, net	3,808,490	3,825,908	3,544,702	3,558,001
Interest receivable	55,426	55,426	46,719	46,719
Derivative financial instruments	82,838	82,838	21,663	21,663
Equity investments	12,689	12,689	16,517	16,517
Total	4,954,304	4,971,722	4,504,858	4,518,157
<u>Liabilities</u>				
Loans payable	1,088,534	1,098,018	1,041,553	1,023,781
Bonds payable	1,590,679	1,608,218	1,183,727	1,192,335
Commercial paper program	33,923	33,923	197,599	197,556
Certificates of deposit	505,955	507,617	426,987	428,578
Certificates of investment	42,599	42,599	46,782	46,782
Securities sold under repurchase agreements	-	-	9,805	10,078
Interest payable	35,240	35,240	35,484	35,484
Derivative financial instruments	16,714	16,714	31,669	31,669
Contingent commitments	-	-	-	-
Total	3,313,644	3,342,329	2,973,606	2,966,263

(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. 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. Its transactions are of a reimbursable, non-reimbursable and contingent recovery nature. The financial position of the fund is as follows:

	December 31, 2007 (unaudited)	December 31, 2006 (audited)
Assets	24,447 (*)	2,221 (*)
Equity	24,447	2,221



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

As of December 31, 2007 and 2006, the accumulated contributions made by CABEI are 32,198 and 9,471, 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, and are aimed at beneficiary countries that develop programs declared eligible by the Bank for this purpose. It is financed through different sources, including donations, loans, and contributions received from CABEI. The financial position of the fund is as follows:

	December 31, 2007 (unaudited)		December 31, 2006 (audited)
Assets	75,008	(*)	78,123
Liabilities	2,289		2,392
Equity	72,719		75,731

(*) These figures include certificates of deposit made in CABEI and mentioned in note 13 a).

As of December 31, 2007 and 2006, the accumulated contributions made by CABEI are 54,720.

- Social Benefit Fund (SBF): SBF operates in accordance with the regulations issued by the CABEI’s Board of Directors, 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).

(b) Funds in which CABEI acts as manager

As of December 31, 2007, funds managed by the Bank, with equities independent, are as follows:

Fund	Equity
Salvador’s World Foundation Fund (FUSALMO-Fondo Fundación Salvador del mundo) – Sports Centres	1,489
Spanish Consulting Fund	2,272
Investment Trust – Dwelling Mortgage Fund	12,414
Single Italian Cooperation Fund (FUIC)	2,430
Honduran Debt Conversion Program before Spain	27,102
Program of Development for the Border Areas in Central America (former FOEXCA)	40,172
Trust of Administration, Attention, Rehabilitation, Training and Prevention of Burnt Children	533
Program of Binational Development in the Land Border Areas of Honduras and El Salvador	5,633
Administration Trust for the execution of the Energy Efficiency Program in the industrial and commercial areas in Honduras (PESIC)	682
Trust for the Administration of funds donated by the Republic of China, Taiwan to the Ministry of Housing of Costa Rica	376
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



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

Fund	Equity
Regional Project Fund of Central American Markets for the Biodiversity-Change Trust for the Institute of Nutrition of Panama and Central America	3,185
Accelerating Fund investments in Renewable Energy in Central America (ARECA)	404
	5,067

(21) Social Benefit Fund (SBF)

Assets

As provided in SBF's charter, 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 and are not transferable to third parties its assets may not be recorded as off-balance sheet items. However, its assets are not reflected on CABEI's balance sheet because the assets of SBF represented by certificates of deposit would be netted against the Bank's liabilities for the same items, which in turn, is not significantly different from the projected benefits obligation.

As of December 31, 2007 and 2006, as explained in Note 13(a), the Bank recorded a liability to SBF under Certificates of Deposit for a total amount of 126,334 and 121,666, respectively, representing most of SBF's assets. These funds were placed in a certificate issued by the Bank with the coupon of 7% per annum (In 2006 the rate was 10% per annum), and had an income of 8,643 and 11,700 for the fiscal years ended December 31, 2007 and 2006, respectively.

SBF's benefit obligations are reviewed periodically and June 30 and December 31 of each year are the dates used by the Bank to measure these obligations. The following table reflects the change in the projected benefits obligation, changes in assets and the plan position, that appear in the last actuarial study performed as of December 31, 2007, resulting from application of and compliance with the criteria established by the existing rules, as well as balances as of December 31, 2006, which are presented for comparison purposes, as applicable:

Projected benefit obligations and plan position

	December 31, 2007	December 31, 2006
Changes in the benefit obligation		
Benefit obligation at beginning of fiscal year	126,555	120,798
Cost of service	2,678	2,549
Cost of interest	8,241	8,016
Collected contributions (*)	2,051	2,566
Actuarial (gain)/ loss	(399)	1,691
Paid benefits	(9,411)	(9,065)
Benefit obligation at end of fiscal year	129,715	126,555
Changes in plan assets		
Value of plan assets at beginning of fiscal year	129,676	122,386
Return on plan assets	9,247	12,357
Employer contributions	3,491	3,186
Plan participants contributions	1,569	1,376
Paid benefits	(9,411)	(9,065)
Individual account balances	(1,815)	(1,565)
Other income, net	3,213	1,001
Value of plan assets at end of fiscal year	135,970	129,676
Plan position	6,255	3,121

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



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

Periodic pension cost

	December 31, 2007			
	Retirement and pensions	Life insurance	Medical benefits	Total
Service cost	2,596	82	-	2,678
Interest cost	7,823	418	-	8,241
Plan amendments	-	-	-	-
Amortization of unrecognized prior service cost	-	-	-	-
Actuarial losses	-	-	-	-
Periodic cost of fiscal year	10,419	500	-	10,919

	December 31, 2006			
	Retirement and pensions	Life insurance	Medical benefits	Total
Service cost	2,471	78	-	2,549
Interest cost	7,620	396	-	8,016
Plan amendments	-	-	-	-
Amortization of unrecognized prior service cost	-	-	-	-
Actuarial losses	1,457	234	-	1,691
Periodic cost of period	11,548	708	-	12,256

The service cost was recorded in Salaries and employee benefits under Administrative expense in the statement of income, whereas the interest cost was recorded under interest and fee expense (certificates of deposit and investment) in the statement of income.

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:

	December 31, 2007	December 31, 2006
Discount rate (market rate)	7 %	7 %
Salary increase rate	5 %	5 %
Estimated rate of return on assets	7 %	10 %

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 grade" or "AA" by the primary international credit rating agencies. The estimated annual rate of return on such assets reflects the historical rate of return on the certificates of deposit that the Bank has paid into SBF. Such rate was 10% until December 31, 2006.

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.



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Notes to financial statements

For the fiscal years ended December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

Contributions

It is expected that the contributions from CABEI to SBF during fiscal year 2008 will equal approximately 3,500. 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 December 31, 2007:

<u>Year</u>	<u>Benefits</u>
2008	9,105
2009	9,131
2010	10,095
2011	10,722
2012	12,584
2013–2017	64,190

(22) Accumulated other comprehensive income

Accumulated other comprehensive income as of December 31, 2007 and 2006, is as follows:

	<u>December 31, 2007</u>		
	<u>Cash flow hedging activities</u>	<u>Securities available for sale</u>	<u>Accumulated other comprehensive income</u>
At beginning of fiscal year	(4,454)	15,332	10,878
Changes in the fiscal year	1,261	(3,611)	(2,350)
At end of fiscal year	<u>(3,193)</u>	<u>11,721</u>	<u>8,528</u>
	<u>December 31, 2006</u>		
	<u>Cash flow hedging activities</u>	<u>Securities available for sale</u>	<u>Accumulated other comprehensive income</u>
At beginning of fiscal year	199	13,229	13,428
Changes in the fiscal year	(4,653)	2,103	(2,550)
At end of fiscal year	<u>(4,454)</u>	<u>15,332</u>	<u>10,878</u>