KPMG

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

Financial Information Required by the Superintendency General of Financial Entities

December 31, 2005

(With Independent Auditors' Report Thereon)

KPMG

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Independent Auditors' Report

To the Board of Directors and Stockholders
Corporación Interamericana para el Financiamiento de Infraestructura, S.A.

We have audited the accompanying balance sheet of Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (the Corporation) as of December 31, 2005, and the related statements of income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 2-a, the accompanying financial statements have been prepared in accordance with legal rules and accounting regulations issued by the National Financial System Oversight Board (CONASSIF) and the Superintendency General of Financial Entities (SUGEF).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporación Interamericana para el Financiamiento de Infraestructura, S.A. as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with the accounting basis described in note 2-a.

This Independent Auditors' Report is solely for the information of the Board of Directors of the Corporation and SUGEF.

KPMG

January 24, 2006

San José, Costa Rica

CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S.A.
BALANCE SHEET
As of December 31, 2005
(With corresponding figures for 2004)
(In colones and US dollars)

	Note	2005 Colones	2005 US dollars	2004 Colones	2004 US dollars
ASSETS					
Cash and due from banks	**5**	**6,867,284,127**	**13,855,108**	**2,678,651,732**	**5,852,674**
Investment securities and deposits	**6**	**123,912,500**	**250,000**	**8,005,813,812**	**17,492,164**
Held-to-maturity		123,912,500	250,000	8,005,813,812	17,492,164
Loan portfolio, net	**7**	**28,504,789,692**	**57,509,916**	**15,039,193,549**	**32,859,626**
Current		29,417,968,422	59,352,302	15,413,909,186	33,678,354
Allowance for loan losses	**7-a**	(913,178,730)	(1,842,386)	(374,715,637)	(818,728)
Accounts and accrued interest receivable, net		**356,093,651**	**718,438**	**119,836,265**	**261,835**
Accrued interest receivable		354,136,220	714,488	119,836,265	261,835
Sundry accounts receivable		1,957,431	3,950	-	-
Other		**42,977,598**	**86,710**	-	-
TOTAL ASSETS		**35,895,057,568**	**72,420,172**	**25,843,495,358**	**56,466,299**
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Obligations with the public	**8**	**123,912,500**	**250,000**	**114,420,000**	**250,000**
Term deposits		123,912,500	250,000	114,420,000	250,000
Obligations with foreign financial entities	**9**	**7,002,248,288**	**14,127,405**	-	-
Other accounts payable and provisions		**163,409,828**	**329,689**	**96,772,130**	**211,441**
Provisions	**11**	128,806,806	259,875	64,528,418	140,991
Finance charges payable		34,404,886	69,414	754,669	1,649
Sundry accounts payable		198,136	400	31,489,043	68,801
TOTAL LIABILITIES		**7,289,570,616**	**14,707,094**	**211,192,130**	**461,441**
STOCKHOLDERS' EQUITY					
Capital stock		**20,016,845,328**	**54,000,001**	**16,375,245,328**	**46,000,001**
Paid up capital	**12-a**	20,016,845,328	54,000,001	16,375,245,328	46,000,001
Additional paid-in capital	**12-b**	-	-	**3,641,600,000**	**8,000,000**
Capital reserves		**85,416,492**	**185,654**	**43,082,530**	**100,243**
Prior period retained earnings		**8,503,225,132**	**3,527,423**	**5,572,375,370**	**1,904,614**
TOTAL STOCKHOLDERS' EQUITY		**28,605,486,952**	**57,713,078**	**25,632,303,228**	**56,004,858**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**35,895,057,568**	**72,420,172**	**25,843,495,358**	**56,466,299**
CONTINGENCIES	**17**	**3,524,763,427**	**7,111,396**	**1,375,328,400**	**3,005,000**

Sergio Ruiz
Legal Representative

Guillermo Smith
Accountant

See accompanying notes to financial statements.

CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S.A.
INCOME STATEMENT
Year ended December 31, 2005
(With corresponding figures for 2004)
(In colones and US dollars)

		2005		2004	
	Note	**Colones**	**US dollars**	**Colones**	**US dollars**
Financial income					
Cash and due from banks		42,760,858	88,542	20,228,109	46,007
Investment securities and deposits		192,832,347	404,602	167,478,549	378,739
Loan portfolio		1,511,688,320	3,154,979	887,140,428	2,000,380
Foreign exchange differences, net		2,154,340,381	-	1,893,266,286	-
Total financial income		**3,901,621,906**	**3,648,123**	**2,968,113,372**	**2,425,126**
Financial expense					
Obligations with the public		4,431,179	9,276	2,778,636	6,260
Financial obligations		38,914,187	79,960	-	-
Other		60,027	123	-	-
Total financial expense		**43,405,393**	**89,359**	**2,778,636**	**6,260**
Expense for impairment of investment securities and allowance for loan losses		497,167,154	1,023,658	110,963,772	246,475
NET FINANCIAL INCOME		**3,361,049,359**	**2,535,106**	**2,854,370,964**	**2,172,391**
Other operating income					
Other		210,553,774	396,647	15,817,226	36,214
Total other operating income		**210,553,774**	**396,647**	**15,817,226**	**36,214**
Other operating expenses					
Service fees and commissions		13,106,409	25,779	17,585,431	39,706
Taxes, licenses, and statutory allocations		3,738,756	7,824	3,531,137	8,057
Other expenses with related parties		7,152,261	15,000	-	-
Other		-	-	224,833	506
Total other operating expenses		**23,997,426**	**48,603**	**21,341,401**	**48,269**
GROSS OPERATING INCOME		**3,547,605,707**	**2,883,150**	**2,848,846,789**	**2,160,336**
Administrative expenses					
Personnel		220,798,273	462,649	194,870,897	444,287
Other		353,623,710	712,281	340,076,926	780,269
Total administrative expenses	**14**	**574,421,983**	**1,174,930**	**534,947,823**	**1,224,556**
NET OPERATING INCOME BEFORE TAXES		**2,973,183,724**	**1,708,220**	**2,313,898,966**	**935,780**
Taxes	**10**	-	-	-	-
NET INCOME FOR THE YEAR		**2,973,183,724**	**1,708,220**	**2,313,898,966**	**935,780**

Sergio Ruiz
Legal Representative

Guillermo Smith
Accountant

See accompanying notes to financial statements.

CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S.A.
STATEMENT OF STOCKHOLDERS' EQUITY
Year ended December 31, 2005
(With corresponding figures for 2004)
(In colones and US dollars)

IN COLONES	Note	Capital stock	Additional paid-in capital	Capital reserves	Prior period retained earnings	Total stockholders' equity
Balances at December 31, 2003		**16,375,245,328**	**-**	**21,668,163**	**3,279,890,771**	**19,676,804,262**
Balances at January 1, 2004		**16,375,245,328**	**-**	**21,668,163**	**3,279,890,771**	**19,676,804,262**
Net income for the year		-	-	-	2,313,898,966	2,313,898,966
Cash contributions	**12-b**	-	3,641,600,000	-	-	3,641,600,000
Appropriation to legal reserve		-	-	21,414,367	(21,414,367)	-
Balances at December 31, 2004		**16,375,245,328**	**3,641,600,000**	**43,082,530**	**5,572,375,370**	**25,632,303,228**
Balances at January 1, 2005		**16,375,245,328**	**3,641,600,000**	**43,082,530**	**5,572,375,370**	**25,632,303,228**
Capitalization of additional paid-in capital	**12-b**	3,641,600,000	(3,641,600,000)	-	-	-
Net income for the year		-	-	-	2,973,183,724	2,973,183,724
Appropriation to legal reserve		-	-	42,333,962	(42,333,962)	-
Balances at December 31, 2005		**20,016,845,328**	**-**	**85,416,492**	**8,503,225,132**	**28,605,486,952**

IN US DOLLARS		Capital stock	Additional paid-in capital	Capital reserves	Prior period retained earnings	Total stockholders' equity
Balances at December 31, 2003		**46,000,001**	**-**	**53,454**	**1,015,623**	**47,069,078**
Balances at January 1, 2004		**46,000,001**	**-**	**53,454**	**1,015,623**	**47,069,078**
Net income for the year		-	-	-	935,780	935,780
Cash contributions	**12-b**	-	8,000,000	-	-	8,000,000
Appropriation to legal reserve		-	-	46,789	(46,789)	-
Balances at December 31, 2004		**46,000,001**	**8,000,000**	**100,243**	**1,904,614**	**56,004,858**
Balances at January 1, 2005		**46,000,001**	**8,000,000**	**100,243**	**1,904,614**	**56,004,858**
Capitalization of additional paid-in capital	**12-b**	8,000,000	(8,000,000)	-	-	-
Net income for the year		-	-	-	1,708,220	1,708,220
Appropriation to legal reserve		-	-	85,411	(85,411)	-
Balances at December 31, 2005		**54,000,001**	**-**	**185,654**	**3,527,423**	**57,713,078**

Sergio Ruiz
Legal Representative

Guillermo Smith
Accountant

See accompanying notes to financial statements.

CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S.A.
STATEMENT OF CASH FLOWS
Year ended December 31, 2005
(With corresponding figures for 2004)
(In colones and US dollars)

	2005		2004	
	Colones	US dollars	Colones	US dollars
Cash flows from operating activities				
Net income	2,973,183,724	1,708,220	2,313,898,966	935,780
Items applied to results not requiring cash				
Unrealized foreign exchange loss (gain), net	2,154,340,381	-	(1,893,266,286)	-
Losses on allowance for bad debts	497,167,154	1,023,658	110,963,772	246,475
Provision expense	64,278,388	118,884	189,279,448	407,261
Net (increase) decrease in assets				
Credits and cash advances	(15,388,838,293)	(25,673,948)	1,734,194,432	4,471,865
Accrued interest receivable	(321,995,957)	(456,602)	145,852,490	156,065
Other assets	(475,479,311)	(959,305)	-	-
Net increase (decrease) in assets				
Demand and term obligations	12,715,003	-	114,420,000	250,000
Other accounts payable and provisions	58,988,502	(1,249)	(199,332,566)	(276,216)
Accrued interest payable	33,650,217	613	754,669	1,649
Net cash flows from operating activities	**(10,391,990,192)**	**(24,239,729)**	**2,516,764,925**	**6,192,879**
Net cash provided by (used in) investing activities				
Increase in deposits and investments	(77,008,826,142)	(162,302,050)	(5,563,055,063)	(14,879,472)
Decrease in deposits and investments	84,154,698,729	179,544,213	1,601,776,792	5,387,308
Net cash provided by (used in) investing activities	**7,145,872,587**	**17,242,163**	**(3,961,278,271)**	**(9,492,164)**
Net cash used in financing activities				
New borrowings	7,434,750,000	15,000,000	-	-
Cash contributions	-	-	3,641,600,000	8,000,000
Net cash used in financing activities	**7,434,750,000**	**15,000,000**	**3,641,600,000**	**8,000,000**
Net increase in cash and cash equivalents	**4,188,632,395**	**8,002,434**	**2,197,086,654**	**4,700,715**
Cash and cash equivalents at beginning of year	**2,678,651,732**	**5,852,674**	**481,565,078**	**1,151,959**
Cash and cash equivalents at end of year	**6,867,284,127**	**13,855,108**	**2,678,651,732**	**5,852,674**

Supplemental cash flow information:				
Interest paid	9,755,176	21,594	2,023,967	4,612
Interest received	1,512,981,570	3,195,470	1,109,481,737	2,535,171

Sergio Ruiz
Legal Representative

Guillermo Smith
Accountant

See accompanying notes to financial statements.

(1) Organization and operations

Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (the Corporation) was organized on August 10, 2001 under the laws of the Republic of Costa Rica and began operations in July 2002.

The Corporation was organized as a non-banking financial entity engaged in financial intermediary activities, and is governed by the Internal Regulations of the Central Bank of Costa Rica and the Law Regulating Non-Banking Financial Entities. The Corporation is subject to the oversight of the Superintendency General of Financial Entities (SUGEF). Its main line of business is extending loans to finance infrastructure projects in Latin America.

The Corporation has 6 employees and its website is www.cifidc.com. Its offices are located at Barrio Tournón, Los Almendros Building, second floor. The Corporation does not operate branches in Costa Rica or have any automated teller machines under its control.

The Corporation has its principal office in Washington, D.C., United States of America, where its operations take place.

The Independent Auditors' Report, financial statements, and notes thereto have been translated from Spanish into English for the reader's convenience. However, this is not an official translation.

The financial statements were approved for issue by the Executive Committee on January 25, 2006 during meeting No.29.

(2) Summary of significant accounting principles

(a) Basis of financial statement preparation

The financial statements have been prepared in accordance with the regulation issued by the National Financial System Oversight Board (CONASSIF) and SUGEF.

CONASSIF agreed to apply International Accounting Standard No. 12 (IAS 12), "Income Taxes" and IAS 36, "Impairment of Assets" for the year ended December 31, 2004 (see note 19).

(Continued)

(b) Foreign currency

i. Functional currency

The Corporation's transactions are executed in dollars of the United States of America. Its accounting records are kept in colones (¢), in conformity with currency legislation in the Republic of Costa Rica.

All of the Corporation's assets are denominated in US dollars and the majority are invested abroad. Additionally, stockholder contributions and common stock are denominated in US dollars.

The financial statements in Costa Rican currency are obtained by translating figures stated in US dollars, as follows: monetary assets and liabilities denominated in US dollars are translated at the exchange rate in effect as of the date of the financial statements: ¢495.65 and ¢457.68 to US$1.00 as of December 31, 2005 and 2004, respectively; stockholders' equity has been translated at the exchange rate ruling at the date of the transaction (historical rate); and income and expenses have been translated at the exchange rate ruling at the date of each transaction.

ii. Foreign currency transactions (Applicable for figures expressed in colones)

Assets and liabilities held in foreign currency are translated to colones at the foreign exchange rate ruling at the balance sheet date, except transactions with a contractually agreed exchange rate. Transactions in foreign currency during the year are translated at the foreign exchange rate ruling at the date of the transaction. The net translation gain is presented in the income statement.

(c) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The Corporation's financial instruments include primary instruments, i.e. investment securities, credits, receivables, obligations payables.

(Continued)

(i) Classification

Trading instruments are those that the Corporation holds for the purpose of short-term profit taking.

Originated loans and receivables are loans and receivables created by the Corporation providing money to a debtor other than those created with the intention of short-term profit taking.

Available-for-sale assets are financial assets that are not held for trading purposes or held to maturity.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Corporation has the intent and ability to hold to maturity.

(ii) Recognition

The Corporation recognizes available-for-sale assets on the date it commits to purchase the assets. From that date, any gains and losses arising from changes in fair value of the assets are recognized in equity, pursuant to CONASSIF requirements.

Held-to-maturity assets and originated loans and receivables are recognized on the date they are transferred to the Corporation.

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

(Continued)

All non-trading financial assets and liabilities, originated loans and receivables, and held-to-maturity assets are measured at amortized cost less impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and amortized to financial income/expense.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in equity, until an investment is considered impaired, at which time the loss is recognized in the income statement. When the financial assets are sold, collected, or otherwise disposed of the cumulative gain or loss recognized in equity is transferred to the income statement.

(vi) Derecognition

A financial asset is derecognized when the Corporation loses control over the contractual rights that comprise the asset. This occurs when the rights are realized, expire, or surrendered. A financial liability is derecognized when it is extinguished.

(d) Cash and cash equivalents

Cash equivalents comprise bank deposits and investments with original maturities of three months or less.

(e) Investments

Investments that the Corporation holds for the purpose of short-term profit taking are classified as trading instruments. Investments that the Corporation has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other investments are classified as available-for-sale assets.

(f) Loan portfolio

The loan portfolio is presented at the value of unpaid principal. Interest on loans is calculated based on the unpaid principal and contractual interest rates, and is accounted for as income on the accrual basis of accounting. The Corporation follows the policy of suspending interest accruals on loans with principal or interest that has been unpaid for at least 90 days.

As of December 31, 2005 and 2004, the Corporation has no nonperforming loans in its portfolio.

(g) Allowance for loan losses

SUGEF defines credits as any operation formalized by a financial intermediary that implies assumption of risk by the Corporation. Credits include loans, factoring, purchases of securities, guarantees in general, advance payments, checking account overdrafts, bank acceptances, accrued interest, and open letters of credit.

The credit portfolio is valued based on applicable regulations established in SUGEF Directive 1-95, summarized as follows:

All loans extended to individuals or legal entities for which principal plus interest is greater than or equal to ¢17,000,000 for 2005 and 2004, (Criteria 1, SUGEF Directive 1-95), except housing loans (Criteria 3, SUGEF Directive 1-95) are classified according to credit risk. This classification takes a number of factors into consideration, including current economic conditions, the borrower's ability to pay, and quality of collateral.

Remaining loan operations for which principal plus interest is less than ¢17,000,000 for 2005 and 2004, respectively, (Criteria 2, SUGEF Directive 1-95), and housing loans (Criteria 3, SUGEF Directive 1-95), are classified based on the current status of loan payments:

(Continued)

Criteria 2		Criteria 3 (housing loans)	
Class	Days overdue	Class	Days overdue
A	Current to 30 days	A	Current to 30 days
B1	31 to 60 days	B1	31 to 60 days
B2	61 to 90 days	B2	61 to 90 days
C1	91 to 120 days	C1	91 to 120 days
		C2	121 to 360 days; secured by collateral
		C3	Over 360 days; secured by collateral
D	121 to 180 days	D	121 to 180 days; unsecured
E	Over 180 days	E	Over 180 days; unsecured

Risk rating classes and allowance percentages for each class are as follows:

Class	Level of risk	Percentage Criteria 1	Percentage Criteria 2	Percentage Criteria 3
A	Normal risk	0.5%	0.5%	0.5%
B1	Circumstantial risk	1%	1%	1%
B2	Medium risk	10%	10%	5%
C1	High risk	20%	20%	10%
C2	High risk	N/A	20%	10%
C3	High risk	N/A	20%	10%
D	Significant expected losses	60%	60%	30%
E	Doubtful recovery	100%	100%	50%

Management also has a methodology for loan portfolio valuation, which considers risks such as type of business and location. The percentages established by management using this methodology exceed those defined by current legislation.

(Continued)

(h) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements when the Corporation has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis.

(i) Accounts payable and other

Accounts payable and other are carried at cost.

(j) Impairment of assets

The carrying amount of the Corporation's assets is reviewed by management at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Such loss is recognized in the income statement for assets carried at cost, and as a revaluation decrease for assets carried at revalued amounts.

The recoverable amount of assets is the greater of their net selling price and value in use. The net selling price is equivalent to the value obtained in an arm's length transaction. Value in use is the present value of estimated future cash flows and disbursements expected to arise from the continuing use of an asset and from disposal at the end of its useful life.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement or statement of stockholders' equity, as appropriate.

As of December 31, 2005, no impaired assets were identified, and the Corporation has recorded no impairment losses for the year then ended.

(k) Other accounts payable

Other accounts payable are carried at cost.

(l) Provisions

A provision is recognized in the balance sheet when the Corporation has acquired a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision made approximates settlement value; however, final amounts may vary. The estimated amount of the provision is adjusted at the balance sheet date, directly affecting the income statement.

(m) Legal reserve

Pursuant to the Costa Rican banking legislation in effect, the Corporation allocates 5% of net earnings to a legal reserve. This legal reserve is computed based on earnings in US dollars, which is the Corporation's functional currency.

(n) Income tax

i. Current

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of the previous years.

ii. Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In accordance with this standard, temporary differences are identified as either taxable temporary differences (which result in future taxable amounts) or deductible temporary differences (which result in future deductible amounts). A deferred tax liability represents a taxable temporary difference and a deferred tax asset represents a deductible temporary difference. A deferred tax asset is recognized only to the extent that there is reasonable probability of realization.

(o) Basic earnings per share

Basic earnings per share is a measure of an enterprise's performance over the reporting period and is computed by dividing available net earnings by the weighted-average number of common shares outstanding during such period.

(p) Revenue and expense recognition

i. Interest income and expense

Interest income and expense is recognized in the income statement as it accrues, considering the effective yield or interest rate. Interest income and expense includes amortization of any discount or premium during the term of the instrument until maturity.

ii. Fee and commission income

Fee and commission income arises on financial services provided by the Corporation, including advisory services and disbursement fees. Fee and commission income is recognized when the corresponding service is provided. When a commission is deferred, it is recognized over the term of the loan.

(q) Use of estimates

Management of the Corporation has made a number of estimates and assumptions related to the reporting of assets, liabilities, results, and the disclosure of contingent liabilities to prepare these financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes are related to determination of the allowance for loan losses.

(3) Collateralized and restricted assets

As of December 31, 2005 and 2004, the Corporation has no collateralized or restricted assets.

(Continued)

(4) Balances and transactions with related parties

The financial statements include balances and transactions with related parties, as follows:

		As of December 31, 2005 Colones		US dollars
Assets:				
Cash and due from banks	¢	6,826,927,387	$	13,773,686
Investments		49,709,566		100,292
Total assets		6,876,636,953		13,873,978
Liabilities:				
Other financial obligations		49,709,566		100,292
Total liabilities		49,709,566		100,292
Income:				
Interest		128,003,120		267,356
Total income		128,003,120		267,356
Expenses:				
Service fees and commissions		11,226,819		23,435
Administrative		7,152,750		15,000
Total expenses	¢	18,379,569	$	38,435

		As of December 31, 2004 Colones		US dollars
Assets:				
Cash and due from banks	¢	2,663,039,081	$	5,818,561
Investments		4,320,037,424		9,438,991
Total assets		6,983,076,505		15,227,552
Liabilities:				
Other financial obligations		47,617,164		104,040
Total liabilities		47,617,164		104,040
Income:				
Interest		99,537,917		227,531
Total income		99,537,917		227,531
Expenses:				
Service fees and commissions		8,223,242		18,797
Administrative		6,562,050		15,000
Total expenses	¢	14,785,292	$	33,797

(Continued)

(5) Cash and due from banks

Cash and due from banks is as follows:

		As of December 31, 2005	
		Colones	US dollars
Local financial entities	¢	6,826,927,387	113,773,686
Foreign financial entities		40,356,740	81,422
	¢	6,867,284,127	113,855,108

		As of December 31, 2004		
		Colones		US dollars
Local financial entities	¢	2,663,039,081	$	5,818,561
Foreign financial entities		15,612,651		34,113
	¢	2,678,651,732	$	5,852,674

(6) Investment securities and deposits

Investment securities and deposits are classified as held-to-maturity as follows:

		December 31, 2005				
		Colones			US dollars	
Held-to-maturity		Cost	Fair value		Cost	Fair Value
Local issuers:						
Investment certificate US$ in private banks	¢	123,912,500	120,632,436	$	250,000	243,382
		123,912,500	120,632,436		250,000	243,382

		December 31, 2004				
		Colones			US dollars	
Held-to-maturity		Cost	Fair value		Cost	Fair Value
Local issuers:						
Investment certificate US$ in private banks	¢	2,475,750,356	2,475,750,356	$	2,409,348	2,409,348
		2,475,750,356	2,475,750,356		2,409,348	2,409,348
Foreign issuers:						
Investment certificate in US$ in private banks		5,530,063,456	5,530,063,456		12,082,816	12,082,816
		5,530,063,456	5,530,063,456		12,082,816	12,082,816
	¢	8,005,813,812	8,005,813,812	$	17,492,164	17,492,164

(Continued)

(7) Loan portfolio

The loan portfolio is classified by economic activity as follows:

		December 31, 2005	
		Colones	US dollars
Construction	¢	3,469,550,000	7,000,000
Electricity, gas and water		14,570,511,128	29,396,775
Transportation and communications		4,581,059,657	9,242,529
Other		6,796,847,637	13,712,998
		29,417,968,422	59,352,302
Allowance for loan losses		(913,178,730)	(1,842,386)
	¢	28,504,789,692	57,509,916

		December 31, 2004	
		Colones	US dollars
Construction	¢	801,045,449	1,750,230
Electricity, gas and water		9,885,783,191	21,599,771
Transportation and communications		4,727,080,546	10,328,353
		15,413,909,186	33,678,354
Allowance for loan losses		(374,715,637)	(818,728)
	¢	15,039,139,549	32,859,626

The Corporation classifies loans as past due when no principal or interest payments have been made by one day after the agreed date, and as nonperforming when no payments have been made by one day after the due date.

As of December 31, 2005 and 2004, the Corporation has no past due or nonperforming loans, loans in legal collections, or loans for which interest is accounted for on a cash basis.

As of December 31, 2005, the annual interest rate on loans ranged between 4.38% and 8.52% (2004: between 4.68% and 8.37%) in US dollars.

(a) Allowance for loan losses

As of December 31, 2005 and 2004, movement in the allowance for loan losses is as follows:

		Colones		US dollars
Balances at December 31, 2003	¢	239,224,761	$	572,253
Balances at January 1, 2004		239,224,761		572,253
Plus:				
Expense for the year for portfolio evaluation		110,963,772		246,475
Exchange differences on allowances in foreign currency		24,527,104		-
Balances at December 31, 2004		374,715,637		818,728
Balances at January 1, 2005		374,715,637		818,728
Plus:				
Expense for the year for portfolio evaluation		497,167,153		1,023,658
Exchange differences on allowances in foreign currency		41,295,940		-
Balance as of December 31, 2005	¢	913,178,730	$	1,842,386

(8) Obligations with the public

(a) By amount

As of December 31, 2005 and 2004, obligations with the public correspond to term certificates of deposit with local financial institutions in the amount of US$250,000 (¢123,912,500) and US$250,000 (¢114,420,000), respectively.

(b) By clients

As of December 31, 2005 and 2004, obligations with the public correspond to term certificates of deposit acquired from two local financial institutions.

(9) Other financial obligations

As of December 31, 2005, financial obligations are as follows:

		Colones		US dollars
Obligations with foreign financial entities	¢	7,434,750,000	$	15,000,000
Transaction costs		(432,501,712)		(872,595)
	¢	7,002,248,288	$	14,127,405

On June 9, 2005, the Corporation subscribed a credit facility for US$50,500,000 with the Inter-American Development Bank (IDB). That loan was comprised of tranche “A” in the amount of US$25,000,000 for an eight-year term, bearing an annual interest rate at Libor + 2.25%, and tranche “B” in the amount of US$25,500,000 for a six-year term, bearing an annual interest rate at Libor + 2.00%. Both tranches have a two-year grace period. As security for the loan, the Corporation assigned the IDB rights to cash flows derived from loan agreements in its lending portfolio, up to a coverage ratio of 120% of the amount of the IDB loan.

The first disbursement of US$15,000,000 was received on December 6, 2005 (¢7,434,750,000). As of December 31, 2005, the effective interest rate on obligations due to foreign financial entities ranges between 6.39% and 6.64%. Those obligations mature in 2013.

(10) Income tax

Pursuant to the Income Tax Law, the Corporation must file its annual income tax returns as of December 31 of each year.

During 2005 and 2004, the Corporation incurred tax losses given that it engages in foreign operations, and investment securities in local financial entities are income tax exempt since they are taxed at the source.

Income tax expense differs from the amount that would result from applying the income tax rate (2005 and 2004: 30%) to pretax income as a result of the following:

	December 31, 2005	December 31, 2004
“Expected” income tax on pretax income	¢ 891,955,117	¢ 694,169,670
Less:		
Nontaxable income	1,016,874,759	931,717,246
Plus:		
Nondeductible expenses	9,379,010	-
Income tax	¢ -	¢ -

Tax Authorities may review income tax returns filed by the Corporation for the 2005, 2004, 2003, and 2002 tax years.

As of December 31, 2005 and 2004, the Corporation determined no temporary taxable differences that give rise to a deferred tax. A deferred tax liability represents a temporary taxable difference and a deferred tax asset represents a deductible temporary difference.

(11) Provisions

Movement in provisions for services is as follows:

Balances at December 31, 2003	¢	29,883,023	$	71,595
Balances at January 1, 2004		29,883,023		71,595
Provision made		189,279,448		407,261
Provision used		(154,634,053)		(337,865)
Balances at December 31, 2004		64,528,418		140,991
Balances at January 1, 2005		64,528,418		140,991
Provision made		241,126,280		498,694
Provision used		(176,847,892)		(379,810)
Balances at December 31, 2005	¢	128,806,806	$	259,875

The Corporation establishes provisions for the payment of professional services and SUGEF contributions.

(12) Stockholders' equity

(a) Capital stock

As of December 31, 2005, the Corporation's capital stock is comprised of 54,000,001 common shares of US$1.00 par value, for a total of US$54,000,001 (¢20,016,845,328). Of that total, 36,000,001 are Class B common shares and 18,000,000 are Class A preferred shares. Class A preferred shares have the same rights as common shares, except that preferred shares may only be owned by multilateral entities.

(Continued)

In October 2005, Banco Galicia informed the Corporation's stockholders of its decision not to subscribe and pay the US$4,500,000 that would be required to reach the US$5,000,000 it had originally expressed interest in subscribing and paying. That decision was based on the bank's inability to make the disbursement due to the restructuring that resulted from Argentina's financial crisis in recent years.

As of December 31, 2004, the Corporation's capital stock is comprised of 46,000,001 common shares of US$1.00 par value, for a total of US$46,000,001 (¢16,375,245,328). Of that total, 28,000,001 are Class B common shares and 18,000,000 are Class A preferred shares. Class A preferred shares have the same rights as common shares, except that preferred shares may only be owned by multilateral entities.

(b) Additional paid-in capital

At an Extraordinary General Stockholders Meeting held on November 8, 2004, an agreement was reached to increase capital stock through a cash contribution in the amount of US$8,000,000 (¢3,641,600,000). The capital increase was authorized by CONASSIF and SUGEF in February 2005 through private letter ruling SUGEF 261-2005/200410631 dated January 21, 2005.

(13) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to common shareholders and a weighted average number of common shares outstanding.

Basic earnings per share are as follows:

	As of December 31, 2005			
		Colones		US dollars
Net profit	¢	2,973,183,722	$	1,708,220
Net profit available for common shareholders		2,930,849,760		1,622,809
Weighted average number of common shares		54,000,001		54,000,001
Basic net earnings per share	¢	54.27	$	0.030

		As of December 31, 2004		
		Colones		US dollars
Net profit	¢	2,313,898,966	$	935,779
Net profit available for common shareholders		2,292,484,599		888,990
Weight average number of common shares		46,000,001		46,000,001
Basic net earnings per share	¢	49.84	$	0.019

(14) Administrative expenses

Administrative expenses are as follows:

		As of December 31, 2005		
		Colones		US dollars
Personnel expenses:				
Salaries and bonuses	¢	129,797,556	$	271,693
Employer social security taxes		47,883,066		100,523
Personnel insurance		21,380,527		44,767
Per diem		21,021,211		44,166
Training		715,913		1,500
		220,798,273		462,649
Outsourced services		328,309,346		659,649
Overhead		23,108,287		48,015
Other		2,206,077		4,617
		353,623,710		712,281
	¢	574,421,983	$	1,174,930

		As of December 31, 2004		
		Colones		US dollars
Personnel expenses:				
Salaries and bonuses	¢	132,474,453	$	300,533
Employer social security taxes		39,933,843		91,431
Personnel insurance		10,071,685		23,728
Per diem and advertising		12,390,916		28,595
		194,870,897		444,287
Outsourced services		289,145,072		663,516
Overhead		48,688,677		111,662
Other		2,243,177		5,091
		340,076,926		780,269
		534,947,823	$	1,224,556

(Continued)

(15) Fair value

Fair value of financial instruments is as follows:

		As of December 31, 2005	
		Carrying amount	Fair Value
Colones:			
Cash and due from banks	¢	6,867,284,127	6,867,284,127
Investments:			
Held-to-maturity	¢	123,912,500	120,632,436
Loan portfolio	¢	29,417,968,422	28,608,477,367
Term deposits	¢	123,912,500	120,632,436
Obligations with financial entities	¢	7,434,750,000	7,434,750,000

		As of December 31, 2005	
		Carrying amount	Fair Value
US dollars:			
Cash and due from banks	$	13,855,108	13,855,108
Investments:			
Held-to-maturity	$	250,000	243,382
Loan portfolio	$	59,352,302	57,719,111
Term deposits	$	250,000	243,382
Obligations with financial entities	$	15,000,000	14,659,547

(Continued)

		As of December 31, 2004	
		Carrying amount	Fair Value
Colones:			
Cash and due from banks	¢	2,678,651,732	2,678,651,732
Investments:			
Held-to-maturity	¢	8,005,813,812	8,005,813,812
Loan portfolio	¢	15,413,909,186	15,062,690,919
Term deposits	¢	114,420,000	114,420,000

		As of December 31, 2004	
		Carrying amount	Fair Value
US dollars:			
Cash and due from banks	$	5,852,674	5,852,674
Investments:			
Held-to-maturity	$	17,492,164	17,492,164
Loan portfolio	$	33,678,354	32,910,966
Term deposits	$	250,000	250,000

Fair value estimates are made at a specific date, based on relevant market information and information concerning the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale a particular financial instrument at a given point in time. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Estimates could vary significantly if changes are made to those assumptions.

Where practicable, the following assumptions were used by management to estimate the fair value of each class of financial instrument both on and off balance sheet:

a. Cash and due from banks, accrued interest receivable, accounts receivable:

The carrying amounts approximate fair value because of the short maturity of these instruments.

(Continued)

b. Investment securities:

The carrying amounts approximate fair value because of the short maturity of these instruments.

c. Loan portfolio:

The fair value of loans is determined by creating a portfolio with similar financial characteristics. The fair value of each class of loans is calculated by discounting cash flows expected until maturity, using a market discount rate that reflects the inherent credit and interest rate risks. Assumptions related to credit, cash flow, and discounted interest rate risks are determined by management based on available market information.

d. Term deposits and financial obligations:

The fair value of term deposits was calculated by discounting committed cash flows at current market rates for term deposits with similar maturities.

(16) Risk management

The most important types of financial risk to which the Corporation is exposed are credit risk, liquidity risk, foreign currency risk, interest rate risk, and market risk. This section describes the methods used by the Corporation to control those risks.

Liquidity and financing risk:

Liquidity risk arises in the general funding of the Corporation's activities. It includes both the risk of being unable to fund assets at appropriate maturities and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Since the beginning of operations, the Corporation has invested capital contributed by stockholders in loan operations and liquid markets or instruments, in conformity with the Corporation's liquidity policy.

To date, since the Corporation has required to seek third-party financing, internal lending regulations are being applied with respect to maximum terms, type of interest rate (fixed or variable), and the minimum spread over a given reference rate, e.g. LIBOR.

Additionally, given its policy to avoid exposure to foreign currency risk, the Corporation will only grant loans in US dollars or euros, based on the respective funding currencies.

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

Notes to Financial Statements

As of December 31, 2005, the Corporation’s assets and liabilities are matched as follows:

COLONES		Days							
		Demand	1-30	31-60	61-90	91-180	181-365	Over 365	Total
Assets									
Cash and due from banks	¢	6,867,284,127	-	-	-	-	-	-	6,867,284,127
Investments		-	-	-	-	124,693,149	-	-	124,693,149
Loans		-	189,897,983	422,504,446	69,610,484	445,648,080	1,014,943,496	27,628,719,503	29,771,323,992
Total assets recovered		6,867,284,127	189,897,983	422,504,446	69,610,484	570,341,229	1,014,943,496	27,628,719,503	36,763,301,268
Liabilities									
Obligations with the public		-	-	-	-	123,912,500	-	-	123,912,500
Obligations with financial entities		-	-	33,624,237	-	-	-	7,434,750,000	7,468,374,237
Charges payable		-	-	-	-	780,649	-	-	780,649
Total matured liabilities		-	-	33,624,237	-	124,693,149	-	7,434,750,000	7,593,067,386
Gap between assets and liabilities	¢	6,867,284,127	189,897,983	388,880,209	69,610,484	445,648,080	1,014,943,496	20,193,969,503	29,170,233,882

(Continued)

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

Notes to Financial Statements

DOLLARS		Days							
		Demand	1-30	31-60	61-90	91-180	181-365	Over 365	Total
Assets									
Cash and due from banks	$	13,855,108	-	-	-	-	-	-	13,855,108
Investments		-	-	-	-	251,575	-	-	251,575
Loans		-	383,129	852,425	140,443	899,118	2,047,702	55,742,398	60,065,215
Total assets recovered		13,855,108	383,129	852,425	140,443	1,150,693	2,047,702	55,742,398	74,171,898
Liabilities									
Obligations with the public		-	-	-	-	250,000	-	-	250,000
Obligations with financial entities		-	-	-	-	-	-	15,000,000	15,000,000
Charges payable		-	-	67,839	-	1,575	-	-	69,414
Total matured liabilities		-	-	67,839	-	251,575	-	15,000,000	15,319,414
Gap between assets and liabilities	$	13,855,108	383,129	784,586	140,443	899,118	2,047,702	40,742,398	58,852,484

(Continued)

As of December 31, 2004, the Corporation's assets and liabilities are matched as follows:

COLONES		Days							
		Demand	1-30	31-60	61-90	91-180	181-365	Over 365	Total
Assets									
Cash and due from banks	¢	2,678,651,732	-	-	-	-	-	-	2,678,651,732
Investments		-	3,626,486,517	4,274,094,489	-	115,174,669	-	-	8,015,755,675
Loans		-	127,085,778	152,844,982	189,754,586	396,664,848	763,785,995	13,893,667,399	15,523,803,588
Total assets recovered		2,678,651,732	3,753,572,295	4,426,939,471	189,754,586	511,839,517	763,785,995	13,893,667,399	26,218,210,995
Liabilities									
Obligations with the public		-	-	-	-	114,420,000	-	-	114,420,000
Charges payable		-	-	-	-	754,669	-	-	754,669
Total matured liabilities		-	-	-	-	115,174,669	-	-	115,174,669
Gap between assets and liabilities	¢	2,678,651,732	3,753,572,295	4,426,939,471	189,754,586	396,664,848	763,785,995	13,893,667,399	26,103,036,326

(Continued)

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

Notes to Financial Statements

US DOLLARS		Days							
		Demand	1-30	31-60	61-90	91-180	181-365	Over 365	Total
Assets									
Cash and due from banks	$	5,852,674	-	-	-	-	-	-	5,852,674
Investments		-	7,923,629	9,338,609	-	251,649	-	-	17,513,887
Loans		-	277,674	333,956	414,601	866,686	1,668,821	30,356,728	33,918,466
Total assets recovered		5,852,674	8,201,303	9,672,565	414,601	1,118,335	1,668,821	30,356,728	57,285,027
Liabilities									
Obligations with the public		-	-	-	-	250,000	-	-	250,000
Charges payable		-	-	-	-	1,649	-	-	1,649
Total matured liabilities		-	-	-	-	251,649	-	-	251,649
Gap between assets and liabilities	$	5,852,674	8,201,303	9,672,565	414,601	866,686	1,668,821	30,356,728	57,033,378

(Continued)

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

Notes to Financial Statements

Market risk

Interest rate risk

This is the risk of losses in the value of a financial asset or liability arising from fluctuations in rates, when changes in rates for the asset and liability portfolios are mismatched, and the Corporation does not have the necessary flexibility to make a timely adjustment.

As of December 31, 2005, interest rate terms for the Corporation's assets and liabilities are matched as follows:

	Interest rate	Total	0-30	31-90	91-180	181-365	361-720	Over 720	Not sensitive
Assets									
Investments	4.00%	¢ 124,693,149	-	-	124,693,149	-	-	-	-
Loans	5.78%	29,771,323,993	1,825,542,983	13,819,451,602	3,898,841,629	665,014,596	1,422,963,568	8,139,509,615	-
		29,896,017,142	1,825,542,983	13,819,451,602	4,023,534,778	665,014,596	1,442,963,568	8,139,509,615	-
Liabilities									
Obligations with the public	4.00%	124,693,149	-	-	124,693,149	-	-	-	-
Obligations with financial entities	6.51%	7,468,374,237	-	-	33,624,237	-	-	7,434,750,000	-
		7,593,067,386	-	-	158,317,386	-	-	7,434,750,000	-
Gap between assets and liabilities		¢ 22,302,949,756	1,825,542,983	13,819,451,602	3,865,217,392	665,014,596	1,422,963,568	704,759,615	-

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

Notes to Financial Statements

As of December 31, 2004, interest rate terms for the Corporation's assets and liabilities are matched as follows:

	Interest rate	Total	0-30	31-90	91-180	181-365	361-720	Over 720	Not sensitive
Assets									
Investments	2.85%	¢ 8,015,755,675	3,626,486,517	4,274,094,489	115,174,669	-	-		-
Loans	5.78%	1,461,948,675	194,867,837	552,195,497	714,890,667	1,381,640,722	2,376,111,626	18,549,687,230	-
		9,477,703,676	3,821,348,354	4,826,289,986	830,065,336	1,381,640,722	2,376,111,626	18,549,687,230	-
Liabilities									
Obligations with the public	4.00%	115,174,669	-	-	115,174,669	-	-	-	-
		115,174,669	-	-	115,174,669	-	-	-	-
Gap between assets and liabilities		¢ 9,362,529,007	3,821,348,354	4,826,289,986	714,890,667	1,381,640,722	2,376,111,626	18,549,687,230	-

(Continued)

Foreign currency risk

The Corporation incurs foreign currency risk when the value of its US dollar-denominated assets and liabilities is affected by exchange rate variations, which are recognized in the income statement.

As of December 31, 2005 and 2004, all of the Corporation's assets and liabilities are denominated in US dollars.

As of December 31, 2005 and 2004, assets and liabilities in US dollars are as follows:

		As of December 31, 2005	2004
Assets:			
Cash and due from banks	US$	13,855,108	5,852,674
Investments		250,000	17,492,164
Loan portfolio		59,352,302	33,678,354
Accounts receivable		718,438	261,835
Allowance for credit portfolio		(1,842,386)	(818,728)
Others		86,710	-
Total assets		72,420,172	56,466,299
Liabilities:			
Obligations with the public		250,000	250,000
Obligations with financial entities		14,127,405	-
Accounts payable		69,814	70,451
Provisions		259,875	140,990
Total liabilities		14,707,094	461,441
Net position	US$	57,713,078	56,004,858

The net position is not hedged. The Corporation considers that the net position is kept at an acceptable level since all assets and liabilities are denominated in US dollars.

Credit risk

Credit risk is the risk that the debtor or issuer of a financial instrument owned by the Corporation will fail to discharge an obligation fully and on time in accordance with the contractual terms and conditions agreed when the Corporation acquired the financial asset. Credit risk is mainly associated with the loan portfolio and is represented by the carrying amount of assets in the balance sheet.

As of the balance sheet date, concentrations of credit risk by sectors and countries are within the limits established by the Corporation. There are no significant concentrations of credit risk by economic unit, sector, or country. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Concentrations of financial assets are detailed by country as follows:

	As of December 31, 2005	
	Colones	US dollars
Costa Rica	¢ 3,469,550,000	$ 7,000,000
Guatemala	5,600,845,000	11,300,000
Honduras	1,982,600,000	4,000,000
Ecuador	2,478,250,000	5,000.000
Dominican Republic	4,581,059,657	9,242,529
Trinidad & Tobago	1,337,954,715	2,699,394
Peru	1,039,266,127	2,096,774
Brazil	3,469,550,000	7,000,000
Panama	2,044,556,250	4,125,000
Bolivia	3,414,336,673	6,888,605
	¢ 29,417,968,422	$ 59,352,302

	As of December 31, 2004	
	Colones	US dollars
Honduras	¢ 2,059,560,000	$ 4,500,000
Costa Rica	3,203,760,000	7,000,000
Dominican Republic	4,727,080,546	10,328,353
Trinidad & Tobago	1,304,388,000	2,850,000
Peru	1,107,290,854	2,419,356
Brazil	3,011,829,786	6,580,645
	¢ 15,413,909,186	$ 33,678,354

(Continued)

The Corporation performs strict analyses before extending credit and requires collateral from its customers prior to loan disbursement. One hundred percent of the loan portfolio is secured.

The following table shows the loan portfolio by type of collateral:

	As of December 31, 2005			
		Colones		US dollars
Chattel	¢	10,985,436,750	$	22,163,698
Fiduciary		10,997,781,672		22,128,604
Mortgage		3,965,200,000		8,000,000
Parent company guarantees		3,469,550,000		7,000,000
	¢	29,417,968,422	$	59,352,302

	As of December 31, 2004			
		Colones		US dollars
Chattel	¢	9,198,319,400	$	20,097,709
Fiduciary		3,203,760,000		7,000,000
Mortgage		3,011,829,786		6,580,645
	¢	15,413,909,186	$	33,678,354

The concentration in individual borrowers or groups of borrowers having similar economic interests based on capital and capital reserves is as follows:

		As of December 31, 2005 Amount			
	Number of operations		Colones		US dollars
0 to 4.99%	1	¢	1,039,266,127	$	2,096,774
5 to 9.99%	7		14,060,065,622		28,366,923
10 to 14.99%	4		14,318,636,673		28,888,605
15 to 20%			-		-
	12	¢	29,417,968,422	$	59,352,302

		As of December 31, 2004 Amount			
	Number of operations		Colones		US dollars
0 to 4.99%	1	¢	801,045,449	$	1,750,230
5 to 9.99%	2		2,411,678,854		5,269,356
10 to 14.99%	4		8,997,424,883		19,658,768
15 to 20%	1		3,203,760,000		7,000,000
	8	¢	15,413,909,186	$	33,678,354

(Continued)

(17) Contingencies

As of December 31, 2005, the Corporation has contingent accounts in the amount of US$7,111,396 (¢3,524,763,185), corresponding to two lines of credit that have not been disbursed.

As of December 31, 2004, the Corporation has contingent accounts in the amount of US$3,005,000 (¢1,375,328,400), corresponding to a line of credit that has not been disbursed.

(18) Notes required by regulations governing financial information of financial entities, groups, and conglomerates

As of December 31, 2005 and 2004, pursuant to SUGEF Directive 31-04, "Regulations governing financial information of financial entities, groups, and conglomerates", the Corporation discloses that it was not required to present the following notes because it is not engaged in these types of transactions:

i. *Amount, number, and percentage of loans in legal collections*

As of December 31, 2005 and 2004, the Corporation has no loans in legal collections.

ii. *Collateralized or restricted assets*

As of December 31, 2005 and 2004, the Corporation has no collateralized or restricted assets.

iii. *Notes on off balance items, contingencies, other memoranda accounts, and other additional information not included in the main body of the financial statements*

As of December 31, 2005 and 2004, the Corporation has no other memoranda accounts, trust accounts, or banking mandate accounts.

(19) Transition to International Financial Reporting Standards (IFRSs)

Through various resolutions, CONASSIF (the Board) agreed to partial adoption starting January 1, 2004 of IFRSs promulgated by the International Accounting Standards Board (IASB). In order to regulate application of those Standards, the Board issued the Terms of Accounting Regulations Applicable to Entities Supervised by SUGEF, the National Securities Commission (SUGEVAL), and the Pensions Superintendency (SUPEN), and to non-financial issuers. During 2003 and 2004, the IASB revised 17 existing standards and issued 5 new standards, all effective January 1, 2005. However, the Board has not enforced application of those standards. Following is a description of the main differences between the accounting standards issued by the Board and IFRSs:

a) IAS 1: Presentation of Financial Statements

The presentation of financial statements required by the Board differs in many aspects from presentation under IAS 1. Following are some of the most significant differences:

IAS 1 requires that profit or loss attributable to equity holders of the parent be shown separately from the profit or loss attributable to the minority interest. IAS 1 further prescribes that minority interest be included in the equity section and that the statement of changes in equity present total income and expense for the period, showing separately the total amounts attributable to equity holders of the parent and to minority interest. These requirements have not been adopted by the Board.

SUGEF's model financial statements do not require separate presentation of current and deferred income taxes, while IAS 1 does prescribe separate disclosure. SUGEF standards do not allow certain transactions, such as clearing house balances, to be presented on a net basis. Given their nature, IAS 1 would require those balances to be presented net to prevent overstatement of assets and liabilities.

IAS 1 requires that an enterprise disclose the judgments, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies. It also requires disclosure of information about key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. These disclosures have not been adopted by the Board.

b) <u>IAS 7: Statement of Cash Flows</u>

The Board has only authorized the use of the direct method of presentation of the cash flow statement. The indirect method is also acceptable under IAS 7.

c) <u>IAS 8: Accounting Policies, Changes in Accounting Estimates, and Errors</u>

IAS 8, last revised in December 2003, requires that errors and voluntary changes in accounting policy be corrected retrospectively (with their effect on prior periods), thereby eliminating the alternative method of recognizing those effects in net profit or loss. The revised version of IAS 8 also eliminates the distinction between fundamental errors and other types of material errors. These changes have not been adopted by the Board.

d) <u>IAS 12: Income Taxes</u>

The Board has not included all deferred income tax items in SUGEF's Chart of Accounts. Consequently, entities have followed the practice of recognizing those items in accounts considered to be inappropriate under IAS 12.

e) <u>IAS 15: Information Reflecting the Effects of Changing Prices</u>

This Standard was withdrawn from IFRSs. However, the Board continues to recognize it as an applicable standard.

(Continued)

f) IAS 16: Property, Plant and Equipment

The standard issued by the Board and applicable to entities regulated by SUGEF allows enterprises to revalue assets based on appraisals made by independent appraisers or the Industrial Producer Price Index (IPPI). However, IAS 16 does not permit revaluation using price indexes.

SUGEF has allowed certain regulated entities to convert (capitalize) revaluation surplus into capital stock. IAS 16 only permits realization of revaluation surplus through the sale or depreciation of the asset. As a result of this treatment, regulated entities must recognize the effect of any impaired fixed assets in results of operations, since the effect cannot be credited to equity. Under IAS 16, impairment is charged to revaluation surplus, and any difference recognized in the income statement.

Additionally, under IAS 16, depreciation continues on property, plant and equipment, even if the asset is idle. The standard issued by the Board allows entities to suspend the depreciation of idle assets.

g) IAS 17: Leases

IAS 17 requires that in a lease of land and buildings, the minimum lease payments be allocated between the land and building elements in proportion to their relative fair values. This is because the land element is normally classified as an operating lease, whereas the buildings element could be classified as a finance lease. Under the revised version of IAS 17, initial direct costs incurred by lessors in negotiating leases must be recognized over the lease term. They may no longer be charged to expense when incurred. These changes have not been adopted by the Board.

(Continued)

h) IAS 18: Revenue

The Board has allowed regulated financial entities to recognize loan fees collected prior to January 1, 2003 as revenue. Additionally, the Board has permitted the deferral of 25%, 50%, and 100% of lending fees for transactions completed in 2003, 2004, and 2005, respectively. IAS 18 prescribes deferral of 100% of those fees over the loan term.

The Board has allowed loan fees and premiums and discounts on the purchase of financial instruments to be amortized on the straight-line method. IAS 18 only allows these items to be amortized by the effective interest method. The Board postponed application of the effective interest method until the year ended December 31, 2004.

i) IAS 21: The Effects of Changes in Foreign Exchange Rates

The Board requires that the financial statements of regulated entities be presented in colones. However, IAS 21 stipulates that financial statements are to be displayed in the functional currency, and establishes the procedure for presenting the financial statements in a currency other than the functional currency.

j) IAS 22: Business Combinations

Although this Standard was withdrawn from IFRSs, the Board continues to recognize it. IAS 22 was superseded by IFRS 3 *Business Combinations*, which has not been adopted by the Board.

k) IAS 23: Borrowing Costs

The Board does not permit capitalization of borrowing costs, which is established by IAS 23 as an allowed alternative treatment.

(Continued)

l) IAS 24: Related Party Disclosures

IAS 24 requires additional disclosures regarding key management personnel compensation, as well as the terms and conditions of related party transactions. These changes have not been adopted by the Board.

m) IAS 27: Consolidated and Separate Financial Statements

The Board requires that the financial statements of a parent be presented separately, measuring its investments by the equity method. Under IAS 27, a parent is required to present consolidated financial statements. A parent need not present consolidated financial statements when the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use, provided certain other requirements are also met. However, in this case, IAS 27 requires that investments be accounted for at cost.

The Board requires consolidation of investments in companies with equity of 25% or more, irrespective of considerations of control. Such treatment does not conform to IAS 27 and 28.

n) IAS 28: Investments in Associates

The Board requires consolidation of investments in companies with equity of 25% or more, irrespective of any considerations of control. Such treatment does not conform to IAS 27 and 28.

(Continued)

o) IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions

The Board requires that the loan portfolio be classified in accordance with Directive 1-95, and that the allowance for loan losses be determined based on such classification. It also allows excess allowances to be recorded. IAS 30 requires that the allowance for loan losses be determined based on a financial analysis of losses incurred. Additionally, amounts set aside by a bank for contingencies do not qualify as provisions. Therefore, a bank recognizes such amounts as appropriations of retained earnings or risk reserves. The latter treatment is not allowed by SUGEF, which means that assets and liabilities could be understated or overstated. IAS 30 eliminated the possibility of non-accrual of interest; however, SUGEF requires that an enterprise cease accruing interest when a loan is identified as impaired (no payments of principal or interest for more than 180 days).

p) IAS 32: Financial Instruments: Disclosure and Presentation

The revised version of IAS 32 provides new guidelines clarifying the classification of a financial instrument issued by an enterprise as a liability or as equity (e.g. preferred shares). It further requires a broad range of disclosures and policies about financial instruments, including information as to their fair values. These changes have not been adopted by the Board.

q) IAS 33: Earnings per Share

Significant changes were made to IAS 33 regarding additional disclosure requirements, which have not been adopted by the Board.

r) IAS 34: Interim Financial Reporting

Interim financial reporting by regulated entities must be in accordance with the standards issued by the Board. Such presentation differs from presentation under IAS 34, which specifies the content of an interim financial report that is described as conforming to IAS 1 *Presentation of Financial Statements*, in addition to other minimum required content, which must be in accordance with all other IASs and IFRSs.

(Continued)

s) IAS 36: Impairment of Assets

IAS 36 was substantially revised in 2004. The main changes are associated with the frequency of determination of impairment, method for calculating value in use, identification of an asset's cash-generating unit, allocation of goodwill to the acquirer's cash-generating units, frequency of tests for impairment of goodwill acquired, and other disclosures. These changes have not been adopted by the Board.

Of the changes mentioned above, one of the most significant differences is associated with the accounting treatment for goodwill acquired in a business combination. Under IAS 36, this type of intangible asset has an indefinite useful life. Accordingly, amortization is prohibited, although the recoverable amount should be measured annually. The standard issued by the Board prescribes the amortization of goodwill acquired for up to twenty years.

SUGEF requires that the impairment of assets which revaluation surplus was capitalized as capital stock be recorded in the income statement. This does not conform to IAS 36, which prescribes the initial reversal of the surplus and subsequent recognition of the difference against results of operations.

t) IAS 37: Provisions, Contingent Liabilities and Contingent Assets

SUGEF prescribes recognition of a provision for possible losses on contingent assets. This type of provision is prohibited under IAS 37.

u) IAS 38: Intangible Assets

The Board has determined that subsequent to initial recognition, intangible assets should be carried at acquisition cost less accumulated amortization and impairment losses. Among the main differences, IAS 38 defines the terms indefinite life and finite life. Depending on its classification, the asset is either amortized or assessed for impairment. The Board has not incorporated these definitions.

(Continued)

v) IAS 39: Financial Instruments: Recognition and Measurement

The revised version of IAS 39 introduced changes with respect to classification of financial instruments, which have not been adopted by the Board. The revised version includes the following amendments:

- The option of classifying loans and receivables as available-for-sale was established.
- Values quoted in an active market may be classified as available-for-sale, held-for-trading, or held-to-maturity.
- The 'fair value option' was established to designate any financial asset or liability to be measured at fair value, with value changes recognized in profit or loss, provided a series of requirements are met (e.g. the instrument has been measured at fair value since the original acquisition date).
- The category of loans and receivables was expanded to include acquired loans and receivables that are not quoted in an active market.

Additionally, the Board has established maximum amounts for sales of investments held-to-maturity, which do not have an effect on classification of the investment portfolio. No such limits have been established under IAS 39. The Board prescribes amortization over the investment term of premiums and discounts on securities with adjustable interest rates. This treatment does not conform to IAS 39.

w) IAS 40: Investment Property

IAS 40 allows enterprises to choose between a fair value model and a cost model to remeasure their investment property. The standard issued by the Board only allows enterprises to use the fair value model to remeasure this type of assets.

x) IFRS 1: First-time Adoption of International Financial Reporting Standards

This Standard has not been adopted by the Board.

(Continued)

y) IFRS 2: Stock-Based Payments

This Standard has not been adopted by the Board.

z) IFRS 3: Business Combinations

This Standard has not been adopted by the Board, which prescribes recognition of business combinations by comparing the carrying amount of the company acquired to consideration paid, with the resulting difference representing goodwill acquired that is amortizable for up to twenty years. Such treatment does not conform to IFRS 3, under which business combinations are accounted for by the purchase method, measuring the fair values of the assets given and liabilities incurred and identifying any intangible assets with an indefinite or finite life. The portion of acquisition cost that cannot be identified is recognized as goodwill and is not amortized, but must be tested for impairment at least annually.

aa) IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

This Standard has not been adopted by the Board, which requires an allowance for 100% of the carrying amount of assets that have not been sold within two years. The Board also prescribes an allowance for 100% of the value of foreclosed assets starting on the acquisition date. Under IFRS 5, non-current assets are measured at the lower of fair value less costs to sell and its carrying amount, which means that the assets of enterprises could be understated, with excess allowances.