



Central
American Bank
for Economic
Integration



ANNUAL REPORT 2019



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Message from the Executive President

Upon my arrival at the Central American Bank for Economic Integration (CABEI), I set a clear path to what I hoped to achieve during my administration. The element that I considered allowed me to summarize my expectations in one phrase was to boost the “I” in regional integration and, one year after, I can proudly say that we are on the right track.

In 2019, we included in the regional agenda such issues as trade facilitation, electric mobility, logistics, and multimodal transportation, with the aim of streamlining Central America’s economy. In this sense, the Bank promotes regional rail connectivity and to that end, it has provided support to the governments of El Salvador, Guatemala, and Honduras to carry out the corresponding studies.

In the same line of promoting the use of more efficient and cleaner transportation systems, the Bank approved the largest operation in its history by allocating US\$550.0 million to the Electric Passenger Train project of the Greater Metropolitan Area in Costa Rica.

In terms of integration, we also presented the Trinational Master Project Investment Plan for the Gulf of Fonseca, in addition to initiatives in the Dry Corridor aimed at mitigating the negative effects of climate change and their impact on limited resource populations in the area. CABEI is undoubtedly transforming the physiognomy of the region.

I would here like to point out that, in 2019, we started the commemoration of our sixtieth anniversary, with an event that had the presence of

one of our founders, who was the first Governor for Honduras and is now an entrepreneur: Jorge Bueso Arias. Among collaborators, clients, and allies, we reminisced about the motivation of that group of visionaries to have their own financial organization that would look after the interests of the countries that, viewed in an isolated fashion, were economically smaller. Weeks after that event, we received confirmation from the National Assembly of the Republic of Korea of having fulfilled all the requirements to ratify the Instrument of Accession as an extra-regional CABEI member. Thus, that bank with only five countries will now have 15 members with an authorized capital of up to US\$7.0 billion, as a result of the eighth capital increase authorized in 2019. Korea’s entry into CABEI opens up endless trade opportunities in the context of the Free Trade Agreement between Central America and that country, especially technology transfer in favor of the region.

Another topic of interest during my administration that made progress in 2019 was the subject of transparency and accountability. Our Board of Governors approved CABEI’s Access to Information Policy. This policy represents a first great step in making relevant information available to all of society, so that they know how our operations impact on the region, but that we also comply with strict internal control norms and high international standards. We are aware that we must be increasingly transparent in the management of the funds entrusted to us, as well as accountable.

Our Board of Governors also approved the principles for climate change adaptation and mitigation (Zero Carbon) through which CABEI refrains from financing mineral coal-based energy exploration, extraction, and generation projects; a practice that we were already implementing, but that needed to be formalized as part of our commitment to meet international standards that translate into benefits for the region. In this respect, we have the case of our first issue of Green Bonds in the amount of US\$375.0 million in the Asian and European markets. These resources will allow CABEI to continue financing programs and projects in the region that help mitigate the effects of climate change and promote adaptation measures in improved financial conditions.

The above is possible thanks to our financial strength, once again recognized by the Risk Rating Agencies, which rated us in the “AA” range at the end of 2019, thereby consolidating our position as the best risk throughout Latin America.

Regarding governance and gender equality, I am pleased to acknowledge the support received from our Acting Vice President, who is the first woman to occupy a position in the Senior Administration, and I am sure will not be the last. This was another of my commitments as President: strengthening gender equality in the Institution. In that sense, I share another reason for satisfaction: The opening of our Chief Economist Office, which is also led by a woman. The Public Sector and Private Sector Divisions were also created, with the inclusion of the Regional Projects Unit within the latter.

In an effort to achieve the highest international standards in our operations, in 2019 we received a number of recognitions, including the EDGE ASSESS certification in gender equality, the ISO 14001:2015 Environmental Management certification for the administrative and operative activities of the Headquarters Building, the Carbon Neutral Certification for the CABEI Country Office building in Costa Rica and the *Great Place to Work* Certification.

These achievements are possible thanks to the talent and professionalism of our collaborators and the direction and leadership of our Board of Directors and Board of Governors.



Jorge Bueso Arias, signer of the Constitutive Agreement in 1960.

2020 welcomes us with great challenges in economic and social development and what better way to commemorate our 60 years of institutional existence, than by working for the wellbeing of all the citizens of the countries that make up the Central American Integration System (SICA) and our Extra-Regional members.

Dante Mossi
Executive President



Board of Governors



CABEL governance

The maximum authority of CABEL is the Board of Governors, in which all the faculties of the Bank reside. On April 26, 2019, the Board of Governors elected the Minister of Finance and Titular Governor for Argentina as its President. The Board receives support from the Governor's Comptroller's and Ethics Committees, as well as the Ad hoc Committee to review the remuneration of the Directors, the Executive President, and the Comptroller.

Likewise, CABEL has a permanent Board of Directors, which is the body responsible for the Bank's management and is the immediate superior of the Executive President.

In 2019, this Board was composed of five Directors elected by the Governors of the founding member countries, two Directors elected by the Governors of the non-founding regional member countries, and by four Titular Directors and an Alternate elected by the Governors of the extra-regional member countries. The Board of Directors has the support of the Committees of Auditing; Finance and Risks; Strategy, Programming, and Evaluation; and Budget and Organizational Affairs. In addition, a number of Directors are appointed to integrate the Ethics and the Integrity Committees, in which other officials of the Institution also participate.



Board of Directors

Global figures

2019 operations



Approvals

US\$2.64
billion



Disbursements

US\$1.93
billion



Portfolio

US\$7.70
billion



Public sector
81.6%



Private sector
18.4%

Main foreseen effects from 2019 approvals on regional development

Beneficiaries



Population in
impact area
34,019,997



Healthcare
beneficiaries¹
591,315



Students
334,247



Teachers
15,285



Users per year
(culture)
1,000,000



Users per year
(transportation)
4,508,870



Producers groups
375



Patients
364,315



Social Program
beneficiaries
227,000

¹ Expressed as patients and beneficiaries of social programs.

Expected results of 2019 operations



Regional jobs
88,046



Savings for States
US\$81.7 million



Estimated income for States, mainly from taxes
US\$97.1 million



Road improvement or rehabilitation
232.7 km



Road construction
49.5 km



Bridge construction
2,997.9 m



Bridge rehabilitation
285 m



Areas built for cultural, sporting, and leisure purposes
55,691 m²



Education area built
31,127 m²



Education area rehabilitated
288,782 m²



Classrooms built
642



Classrooms rehabilitated
2,280



Residual water collection network
891 km



Home wastewater connections
51,788



Home drinking water connections
5,443



Drinking water produced
2,730,930 m³/year



Cultivated area
60,706 ha



Number of farming loans
12,158

Regional context

In 2019, the Central American region showed resilience and macroeconomic stability in the face of a drop of 0.74 percentage points in world growth, which went from growing 3.6% in 2018 to 2.9% in 2019. For its part, Central America grew at a rate of 3.3% in 2019. This average was significantly higher than the average of Latin America (0.1%) and, at the same time, exceeded the world rate.

The region demonstrated stability in price levels, reporting an inflation rate of 3.1% for 2019, below the global and Latin American averages, which reached 3.5% and 7.1%, respectively.

Revenue from trade was reduced by the low prices of the main export goods. Coffee, bananas, sugar, and palm oil had the lowest levels since 2010. There was also a slowdown in regional trade, which had grown by an average of 6.0% since 2010, while it

presented a growth rate of 7.6% in the previous decade. Trade flow has been further impaired due to mounting trade tensions between China and the US.

In this context, in 2019, the Bank began to design a financial support instrument for the countries with medium-term actions related to the implementation of key reforms. It is denominated the Development Policy Operations (DPO) program and it seeks to promote balanced economic growth, poverty reduction, sustainable development, and the fight against climate change with priority policy actions and development results for the borrower that strengthen the maintenance of macroeconomic stability. This will be accomplished through public policy dialogue with governments and other development partners, both multilateral and bilateral.

Central America in numbers²:



 **60**
million inhabitants

 **US\$360.0**
billion

 **4.4%**
average regional economic growth (2014-2018)

 **23.0%**
intra-regional trade

 Life expectancy of **75.6**
years

² Compiled from data from the World Bank, International Trade Centre, available Economic Censuses from each country, United Nations Development Program.



Approvals, disbursements, and portfolio

In 2019, CABEL successfully completed the execution of its 2015 - 2019 Institutional Strategy, denominated “Integrating Sustainable Development and Competitiveness.” During this period, solutions were promoted for the financing of multiple initiatives that responded to the needs of its member countries and consolidated its relevance as the strategic ally of the region. The diversity of implemented interventions was reflected in the Strategic Axes of Social Development, Integration, and Competitiveness, while maintaining consistency with Environmental Sustainability and Social and Financial Inclusion.

Approvals

In 2019, CABEL approved 21 new development interventions in the amount of US\$2.64 billion; the figure represents a growth of 8.0% over the previous year and, in addition, stands out as the highest in the 2014 - 2019 five-year period.



Approvals by Strategic Axis

By Strategic Axis, the Bank’s interventions in 2019 were mostly classified in the Axes of Competitiveness (49.7%) and Social Development (45.6%), while the Axis of Regional Integration had the lowest representation (4.7%). In the latter, a noteworthy approval was made for the construction of a viaduct and the expansion project of the CA-01 Highway in El Salvador, which will have a positive impact on the urban mobility of the country and the logistical connectivity of the region.

Approvals by Strategic Axis, 2019
(In US\$ Million)

Strategic Axis	Amount	%
Social Development	1,203.5	45.6
Competitiveness	1,311.2	49.7
Regional Integration	122.9	4.7
Total	2,637.6	100.0

Approvals by Focus Area

The majority of the interventions approved in 2019 focused on Productive Infrastructure (31.2%), aimed at improving road infrastructure, urban mobility, and logistics. Among them, the development of a fast passenger train in Costa Rica stands out. With regard to Services for Competitiveness (22.6%), interventions for the modernization of the identification document in Honduras and those that contribute to the strengthening of security institutions in El Salvador stand out. With respect to Human Development and Social Infrastructure (18.6%), the interventions were aimed at improving potable water and sanitation systems in Nicaragua, the education sectors in Honduras and Argentina, as well as social development in El Salvador. Also noteworthy was the support provided for Rural Development and the Environment in Guatemala, through the reactivation of the coffee sector. In a complementary way, CABEL continued to support the financial and productive sectors through the approval of new financial intermediation lines.

Approvals by Focus Area, 2019
(In US\$ Million)

Focus Area	Amount	%
Human Development and Social Infrastructure	489.5	18.6
Rural Development and the Environment	285.7	10.8
Productive Infrastructure	821.8	31.2
Financial Intermediation and Development Finance	444.8	16.8
Services for Competitiveness	595.8	22.6
Total	2,637.6	100.0

Disbursements

The Bank has a dynamic value proposition that aims to promote the economic integration and balanced economic and social development of its member countries. In 2019, it disbursed US\$1.93 billion, experiencing a slight increase (4.0%) compared to the amount disbursed during 2018.



Disbursements by Strategic Axis

During 2019, the Strategic Axis that showed the highest concentration of disbursed resources was the Competitiveness Axis (67.3%). Projects that favor sustained and inclusive economic growth in the region are thus highlighted. The Axes of Social Development (21.0%) and Regional Integration (11.7%) showed relatively lower levels of disbursed resources during the year.

Disbursements by Strategic Axis, 2019
(In US\$ Million)

Strategic Axis	Amount	%
Social Development	406.1	21.0
Competitiveness	1,302.1	67.3
Regional Integration	225.7	11.7
Total	1,933.9	100.0

With regard to the Competitiveness Axis, the countries that received most of the resources disbursed were Costa Rica, Panama, Honduras, Nicaragua, and El Salvador. In the case of the Social Development Axis, the beneficiaries of the most resources were Nicaragua, El Salvador, Honduras, the Dominican Republic, and Costa Rica. With respect to the Regional Integration Axis, the largest contributions went to Honduras, the Dominican Republic, Panama, El Salvador, and Costa Rica.

Disbursements by Focus Area

The Bank's support to its members has historically focused on promoting initiatives aimed at strengthening the factors that impact productivity levels in a context of social security and environmental sustainability. During 2019, the amounts disbursed were concentrated in the Services for Competitiveness Focus Area (28.3%).

The distribution of disbursements by country shows the largest contributions were made to Panama, followed by Costa Rica, and Guatemala.

Second, in terms of concentration of disbursements, is the Financial Intermediation and Development Finance Focus Area (22.7%); Costa Rica and Panama received the largest contributions.

The third Focus Area with the largest disbursements is Productive Infrastructure (18.1%); Honduras and Nicaragua were the most benefited countries.

Furthermore, the Focus Areas of Energy (13.5%), Rural Development and the Environment (11.9%), Human Development, and Social Infrastructure (5.5%) concentrated relatively lower levels of disbursements.

Disbursements by Focus Area, 2019
(In US\$ Million)

Focus Area	Amount	%
Human Development and Social Infrastructure	106.4	5.5
Financial Intermediation and Development Finance	439.2	22.7
Productive Infrastructure	350.3	18.1
Energy	261.3	13.5
Services for Competitiveness	546.4	28.3
Rural Development and the Environment	230.3	11.9
Total	1,933.9	100.0

Loan portfolio

As a result of CABEL's management, the portfolio of productive assets grew 2.9% in 2019 and reached a record figure of US\$7.70 billion.

Portfolio by institutional sector, 2019
(In US\$ Million)

Sector	Amount	%
Public	6,285.5	81.6
Private	1,418.8	18.4
Total	7,704.3	100.0

Technical and financial cooperation

The following table details the technical and financial cooperation initiatives approved in 2019.

Approved technical and financial cooperation, 2019
(US\$)

Operation	Amount
Support Program for the Incorporation of El Salvador into the Process of Deep Integration towards the Free Transit of People and Goods Initiated by Guatemala and Honduras	750,000.0
CABEI Intervention Strategy to Strengthen the Natural Gas Sector in Central America	525,000.0
Technical Assistance Fund for Regional Integration Projects (FATPIR)	2,500,000.0
Diagnosis and Identification of Initiatives for the Development of Railway Transportation in Central America	34,755.0
Diagnosis and Identification of Road Initiatives for Climate-smart Development of RICAM	36,220.8
Technical-Financial Design of the Coffee Transformation Initiative (ITRECAFE) and Structuring of a Regional Trust	99,750.0
Design of a Compensation, Liquidation, and Custody Mechanism for regional public debt	150,000.0
Support for the implementation of the Trinational Master Plan for Investment Projects and Economic Development of the Gulf of Fonseca	34,500.0
Preparation of a Participatory Master Plan for the Trifinio Region	635,355.0
Implementation of the Regional Program for the Protection of Archaeological Sites (PRO-ARQUE)	34,500.0
Sector Diagnosis and Identification of Initiatives for the Development of Sustainable Urban Mobility in Central America and the Dominican Republic	34,230.0
Total	4,834,310.8

Environmental sustainability in operations

In 2019, the Bank approved a total amount of US\$1.09 billion for programs and projects in environmental sustainability in operations. This figure represented 41.0% of the Bank's total approvals during the year, as well as an increase of 78.0% compared to the approvals made in 2018.

These investments were committed through the approval of projects whose operation phase will contribute to the reduction of an equivalent to 2.4 million metric tons of CO₂ in the resilient infrastructure and transportation sector. As a result, it is estimated that the resilience of approximately 81,547 families in CABI member countries will increase.

US\$1.09
billion

41.0% of total approvals had an impact on the region's **environmental sustainability**

Regional integration

CABEI has developed over **20** regional projects and initiatives, with a total of **US\$1.17 billion** channeled to regional programs and **US\$41.5 million** in donations from external sources.

Regional institutionalality

As the financial arm of Central American Integration System (SICA), CABEI has been working closely with regional institutions to identify and promote regional programs, projects, and initiatives that respond to sectoral policies and strategies within the framework of the five pillars of the System's Regional Agenda: Democratic Security, Climate Change and Integral Risk Management, Social Integration, Economic Integration, and Institutional Strengthening.

In the search for synergies to streamline the financial support that the Bank provides to its member countries, a dialogue on common proposals in Central America between CABEI Board of Directors and Directors of the Inter-American Development Bank for Central America was held during the September 2019 CABEI Board of Directors meeting in Mexico City.

During the last year of implementation of the CABEI 2015 - 2019 Institutional Strategy: "Integrating Sustainable Development and Competitiveness," the Bank promoted regional integration through the development of more than 20 projects that fostered regional initiatives in the SICA countries. In that sense, the following strategic areas were strengthened: transportation, logistics, energy, sustainable agriculture and coffee, and master development plans, among other significant sectors for intraregional trade.

In line with its commitment to regional integration during 2019, CABEI contributed with the initiatives detailed below:

Railway projects

In October 2019, the CABEL Board of Directors approved a loan for US\$550.0 million to the Republic of Costa Rica, allocated to the implementation of the project “Construction, Equipment, and Startup of a Fast Passenger Train System (TRP) in the Greater Metropolitan Area (GAM).”

Also in 2019, Guatemala's request to provide a Non-Reimbursable Technical Cooperation (CTNR) for preparing the “Prefeasibility Study for the Innovative Design, Socioeconomic Impact, and Implementation of the Guatemalan Fast Train Project (TRG) Integration of Railway Transportation in Central America in its Stage N° 1” was processed. The sub-stages 1-a and 1-b will span over 380 kilometers and 261 kilometers, respectively.

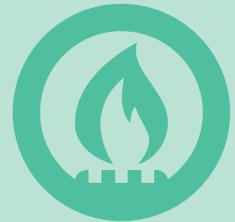
In addition, El Salvador showed interest in the diagnosis and studies for the project denominated “Train to the Pacific,” which involves a railway line parallel to the coast to join the two main ports of the country, Acajutla and La Unión, with San Salvador and the borders of Guatemala and Honduras.

Finally, the SICA Council of Transportation Ministers (COMITRAN) has been asked to consider adopting a regional regulation for standardizing the approval of designs, technical characteristics, and construction standards for railway projects that could be part of the regional railway network.



Natural Gas Strategy

In 2019, CABEL began developing an “Intervention Strategy to strengthen the Natural Gas sector in Central America,” that is coherent with the energy and economic policies of each country and identifies the technical, environmental, social, legal, economic, and financial requirements to strengthen the natural gas (NG) sector in the short, medium and long term. The initiative will also seek the diversification and sustainable growth of the energy sector, reducing Green House Gas (GHG) emissions to support the governments of countries in the decision-making process to strengthen the Central American NG sector.



Trinational Master Plan for Investment and Economic Development Projects for the Gulf of Fonseca

On April 11, 2019, the Plan was adopted by the three Heads of State of the countries that make up the Gulf of Fonseca (El Salvador, Honduras, and Nicaragua). The investment plan is aligned with the instruments and strategies of Central American integration promoted by SICA and includes feasibility or prefeasibility assessments. Likewise, it prioritizes eight strategic projects or initiatives, such as a logistics and industrial corridor, economic development zones in the three countries, a trinational ferry, a logistics center and modernization of the border crossing at El Amatillo, a plan for a tourist corridor in the Gulf of Fonseca, and the creation of a trinational institutional entity to execute the Master Investment Plan. In addition, seven program proposals were developed for such sectors as fisheries and aquaculture, sustainable tourism, agriculture, and logistics, among others.



Trifinio Participatory Master Plan

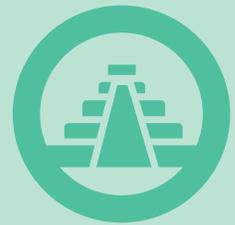
In 2019, CABEL approved financial cooperation amounting to US\$635,355.0 to finance the preparation of a Participatory Master Plan for the Trifinio Region, located on the border between Guatemala and Honduras. Subsequently, an international tender was carried out for the hiring of an expert firm to identify a portfolio of projects with a territorial focus as the basis for the development of the region, covering technical, socioeconomic, environmental, legal, institutional, financial, and risk aspects, among others.

The Trifinio region population is composed of approximately 670,000 inhabitants and has integrationist characteristics, which have been defined by the constant commercial and cultural exchange in the region, as well as by family ties.



Regional Program for the Protection of Archaeological Sites (PRO-ARQUE)

PRO-ARQUE was approved in 2019 with the objective of making financial resources available to the countries of the Central American region, in the aim of contributing to the preservation, protection, and transmission of the cultural and natural heritage present in its archaeological sites. This will be possible through measures that enable safeguarding cultural heritage, preventing the illicit traffic of cultural goods, adequately identifying and registering these goods, providing a competitive cultural offer at an international level, among others. The activities to be financed include monument and archeological site restoration and protection and natural and social environment conservation in these territories; aside from integral revitalization of historical centers and museum construction, restoration, and improvement; as well as workshop construction and establishment for local artisans.



Ecosystem-based adaptation and transformation measures to increase resilience to climate change in the Central American Dry Corridor and Arid Zones of the Dominican Republic

In November 2019, CABEL presented the first project financing proposal to the Secretariat of the Green Climate Fund (GCF), which involves taking advantage of biodiversity and ecosystem services to reduce the vulnerability of communities in the area and increase their ability to adapt to extreme weather events. The approach includes interventions such as landscape restoration and reforestation to improve the availability and quality of water, ensure the provision of habitats for pollinators and decrease erosion, among others.

In Central America, the dry corridor is a strategic area regarding food production and the fight against poverty. Out of region's 1.9 million small basic grain producers, half reside in this area.



Coffee Growing Transformation Initiative (ITRECAFE)

During 2019, CABEL approved a technical cooperation for the Technical-Financial Design of the Coffee Growing Transformation Initiative (ITRECAFE) and the structuring of a regional trust. The study for the development of this design includes a diagnosis of the region's coffee sector and a market analysis, as well as a proposal for intervention to meet the financing needs of coffee producers. The project aims to improve the competitiveness and benefits for coffee growers, through strategies to face the challenges of the sector, as well as incorporating best practices and increasing added value with a focus on specialty coffees.

In Central America, the coffee industry represents one of the main sources of employment, generating an estimated 4.8 million temporary and permanent jobs per year³.



Sustainable Urban Mobility Program (PMUS)

In 2019, the Sector Diagnosis and Identification of Initiatives for the Development of Sustainable Urban Mobility in Central America and the Dominican Republic began as a technical cooperation carried out by CABEL.

The Program will identify and finance urban mobility projects that provide a solution to mobility problems in the countries of the region through integral sustainable multimodal transportation alternatives that promote accessibility, quality of life, and citizen security, while contributing to the regional goals of efficient use of energy resources and mitigation actions that reduce greenhouse gas (GHG) emissions.

The initiative will have a significant impact on the region's countries, since, according to data from the World Health Organization (WHO), one in nine deaths worldwide is the result of conditions related to air pollution, mainly from burning fossil fuels.



Program to Reduce Poverty and Economic and Social Exclusion (PRPEES)

In May 2019, the CABEL Board of Directors approved the PRPEES Regulations along with its corresponding business plan.

In September, the first loan was approved to the Republic of Honduras with a contribution from PRPEES for the Middle Education Support Program for a total of US\$80.0 million. Of this amount, US\$50.7 million was approved with resources from PRPEES and US\$29.3 million with ordinary resources from CABEL.

At the close of the year, US\$50.7 million has been disbursed, representing 8.9% of the total amount available to PRPEES (US\$569.1 million), with US\$518.4 million remaining to finance new operations. It is notable that this Program was approved by the Board of Directors in 2018.



³ Source: International Regional Organization for Agricultural Health (OIRSA), 2016.

“Productive Investment Initiative for Adaptation to Climate Change (CAMBio II)” Program

During 2019, the Bank’s Board of Directors approved the “Productive Investment Initiative for Adaptation to Climate Change (CAMBio II)” Program, authorizing the negotiation and subscription of an Agreement for the reception of resources from the GCF for an amount of up to US\$15.5 million. The breakdown of resources is as follows: US\$12.5 million under the reimbursable modality and US\$3.0 million under the non-reimbursable modality. In addition, CABEL provided a counterpart US\$12.5 million from its ordinary resources.

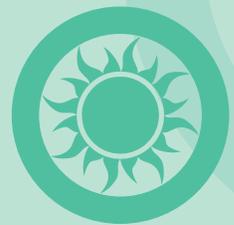


Continuation of the ARECA Project

As of December 31, 2019, two financial mechanisms are in force: The Partial Credit Guarantee Program and the Non-Reimbursable Technical Assistance Program.

During 2019, the portfolio of the first mechanism represented an amount of US\$623,610.0, composed of five Partial Credit Guarantees of the Republic of Costa Rica, mobilizing in loans amounting to US\$831,479.0.

Likewise, regarding the Technical Assistance Program during 2019, the delivery of the “Technical-Financial Feasibility Study for Investments in Electromobility Technologies using Renewable Energy in Costa Rica” benefitted the Costa Rican Institute of Electricity (ICE) with US\$43,745.0.



Mesoamerica Integration and Development Project (MP)

Noteworthy financing granted in 2019 included the CA01W Highway Expansion and Viaduct Construction Project in El Salvador for US\$245.8 million and the IX Highway Improvement and Expansion Program in Nicaragua for US\$333.9 million. Both projects reinforce the Bank’s support in the area of Infrastructure Interconnection and Transportation Services.

Likewise, the Government of Mexico has provided significant support through the Central American Social Housing Development Program. During 2019, the Program registered disbursements of US\$2.2 million, accumulating a total of US\$62.4 million aimed at financing housing programs in the region, for the benefit of thousands of families.



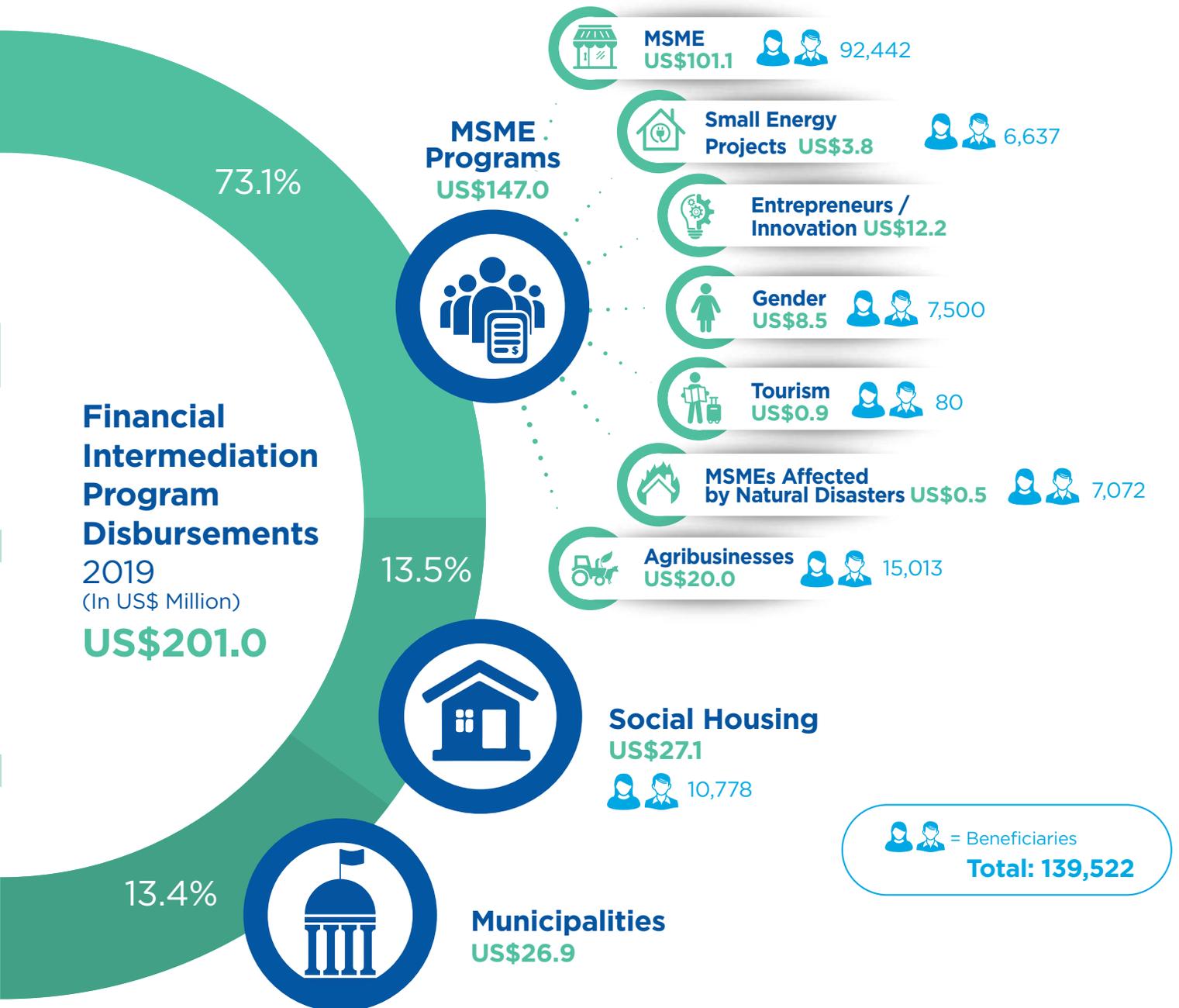
Financial intervention for MSMEs

Under the Focus Area of Financial Intermediation and Development Finance of the CABEL 2015 - 2019 Institutional Strategy, the Bank leads initiatives aimed at financing Micro, Small and Medium Enterprises (MSMEs) and providing financial solutions for the population lacking access to traditional financing.

Through financial intermediation, CABEL disbursed US\$201.0 million in programs aimed at promoting MSMEs under their different approaches.

Up to 2019, CABEL has the **largest Financial Intermediation network (IFI) in the region**

85 IFI



Approach to the private sector

The new Private Sector Division seeks to directly manage the Bank's relationship with the business sector, private investors, other multilateral and commercial banks, with the aim of strengthening its position as an agent of change in the economic and social development of the CABI member countries.

By means of this Division, the Institution aims to become the Central American benchmark for channeling private resources and foreign direct investment towards interventions that support the corporate business sector in such strategic sectors as transportation, renewable energy projects, and inclusive businesses; in addition to supporting small and medium-sized enterprises (SMEs) with innovative financial products tailored to their needs.

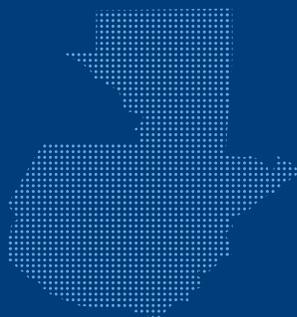
The Bank also seeks to support the training of SMEs dedicated to the export of goods and services, whose production implies important contributions to environmental and social sustainability, and gender equity.

To achieve the aforementioned goals, CABI will have updated regulatory frameworks and new eligibility assessment processes that incorporate innovation in the formulation of initiatives. As a result of this update, CABI will be able to focus on key issues such as Public-Private Partnerships (PPPs), financial intermediation, and the generation of new products to effectively meet the requirements of the private sector.

Furthermore, the development of inclusive businesses in the region requires a specialized scheme to identify opportunities for action that enable CABI to be part of value-added production chains.

Contribution to development by country

Villa Nueva Hospital



Guatemala



Expected results from approved operations



Total jobs
61,360 persons



Farmer groups
375



Estimated total annual income for the State, mainly from taxes
US\$23.1 million



Cultivated area
60,706 ha



Farming credits
12,158

Annual operations, 2015 - 2019 (In US\$ Million)

Operations	Year					Total
	2015	2016	2017	2018	2019	
Approvals	380.0	300.0	137.0	193.2	345.7	1,355.9
Public sector	370.0	300.0	100.0	193.2	285.7	1,248.9
Private sector	10.0	-	37.0	-	60.0	107.0
Disbursements	242.5	157.5	69.4	115.1	157.0	741.5
Public sector	125.3	98.7	19.6	41.3	12.6	297.4
Private sector	117.2	58.8	49.8	73.8	144.4	444.0
Portfolio	1,264.3	1,206.4	1,101.4	1,066.0	1,036.4	
Public sector	1,078.5	1,082.6	1,012.6	956.0	859.6	
Private sector	185.8	123.8	88.8	110.0	176.8	

Approved operations

Economic Reactivation Program for the Coffee Subsector of the Republic of Guatemala (PRORECAFE)

Amount: US\$285.7 million

This project will renew 19.9% of the coffee park by replacing plants damaged by rust. It will directly benefit 24,316 producers and their families



Expansion of the Global Credit Line (GCL) to Banco de Desarrollo Rural, S.A.

Amount: US\$60.0 million

It is expected to attend new MSMEs, benefiting 2,815 legal entities and 990 additional new natural persons



Highlighted disbursed operations

Support Program for Investment Projects in Social and Productive Infrastructure

Amount: US\$9.1 million

Strategic Axis: Social Development, Competitiveness, Regional Integration

Focus Area: Productive Infrastructure

Project "Expansion, Improvement and Equipment Upgrades of the Seismological, Meteorological, and Hydrological Observation Networks"

Amount: US\$2.1 million

Strategic Axis: Social Development and Competitiveness

Focus Area: Human Development and Social Infrastructure

Road project "Northern Cross-cutting Strip"

Amount: US\$1.4 million

Strategic Axis: Social Development, Competitiveness, and Regional Integration

Focus Area: Productive Infrastructure

G U A T E M A L A

3



operations under active execution

that contribute to the areas of Services for Competitiveness and Productive Infrastructure.

2 operations finalized



- Infrastructure, Machinery, and Equipment Investment Program for the University of San Carlos in Guatemala, Stage II

- Support for Investment Projects in Social and Productive Infrastructure

Impact

- 2,230 university desks.
 - 10,006 m² of renovated and painted installations.
 - 3 laboratory structures.
 - 80 bullet type security cameras.
 - 32 purifying filters with sprue.
 - 8 mobile office modules.
 - Video, audio and illumination equipment.
 - Among others.
- 17 elevators for Hospital Nacional San Juan de Dios



El Salvador



Expected results from approved operations



Total jobs
8,518 persons



Estimated total annual income for the State, mainly from taxes
US\$11.3 million



Savings for the State
US\$45.7 million



Bridge construction (freeway)
1,615 m



Drinking water produced
2,730,930 m³/year



Area built for culture, sporting, and leisure purposes
55,961 m²

Annual operations, 2015 - 2019
(In US\$ Million)

Operations	Year					Total
	2015	2016	2017	2018	2019	
Approvals	340.5	385.7	307.3	283.5	576.2	1,893.2
Public sector	250.5	383.6	246.0	283.5	531.2	1,694.8
Private sector	90.0	2.1	61.3	-	45.0	198.4
Disbursements	326.6	363.4	311.4	192.9	257.6	1,451.9
Public sector	263.6	333.4	297.7	187.0	208.0	1,289.7
Private sector	63.0	30.0	13.7	5.9	49.6	162.2
Portfolio	962.1	1,051.5	1,160.6	1,167.2	1,232.0	
Public sector	836.1	949.3	1,080.6	1,091.4	1,120.7	
Private sector	126.0	102.2	80.0	75.8	111.3	

Operations approved to the public sector

Viaduct and Expansion of Highway CA01W (Los Chorros Section) Construction Project
Amount: US\$245.8 million

A direct benefit is expected for 637 thousand users and 387 thousand people in the target area, of which 54.0% are women



Modernization Program for Citizen Security Institutions of El Salvador

Amount: US\$109.0 million

This program will benefit 227 thousand people from hospital services; 51,505 people active in the plan and 2.8 million people benefited in the target area, of which 54.0% are women



Social Development Program of El Salvador

Amount: US\$91.0 million

This program will benefit 4.8 million people and is expected to generate 6,778 permanent jobs, of which 71.0% will be held by women



GCL increase for El Salvador's Social Housing Fund

Amount: US\$60.0 million

The credit will be provided to 417,753 people; it is estimated that 48.0% will be women



Updated Design - Construction, Equipment and Modernization of the Central Offices of the Attorney General

Amount: US\$25.3 million

With the potential to generate 2,000 temporary jobs, of which 10.0% will be for women



Operations approved to the private sector

LGC opening for Banco Cuscatlán

Amount: US\$45.0 million

This new line will be able to benefit 1,500 legal persons (with an average employment of 20 people) and 800 natural persons



Highlighted disbursed operations

Revolving Line of Credit for Banco Central de Reserva de El Salvador

Amount: US\$55.0 million

Strategic Axis: Competitiveness

Focus Area: Financial Intermediation and Development Finance

Programs: Strengthening Program of the Penitentiary System in El Salvador; Development of Social Infrastructure and Prevention of Vulnerability; Agriculture and Rural Entrepreneurship Plan for Food and Nutrition Security

Projects: Rehabilitation of the Las Pavas Water Treatment Plant; Expansion of the Highway to Puerto de la Libertad Stretches II and III

Client: Republic of El Salvador

Amount: US\$50.1 million

Strategic Axis: Competitiveness, Regional Integration, and Social Development

Focus Area: Human Development and Social Infrastructure, Rural Development and the Environment, Productive Infrastructure

GCL for Banco de Desarrollo de El Salvador

Amount: US\$49.5 million

Strategic Axis: Competitiveness and Regional Integration

Focus Area: Human Development and Social Infrastructure, Energy

El Chaparral Hydroelectric Power Plant Construction Project

Client: Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL)

Amount: US\$33.5 million

Strategic Axis: Regional Integration

Focus Area: Energy

GCL for the Social Housing Fund

Amount: US\$20.0 million

Strategic Axis: Competitiveness and Regional Integration

Focus Area: Human Development and Social Infrastructure

E L S A L V A D O R

5

operations under active execution

that contribute to the areas of Energy, Human Development and Social Infrastructure and Productive Infrastructure.

3 operations finalized

- Bósforo Photovoltaic Solar Project
- Family Farming and Rural Entrepreneurship Plan for Food and Nutrition Security (PAF)
- 80.0 MW Expansion Project for the 5 de Noviembre Hydroelectric Power Plant

→ Impact

- 1,298,000 beneficiaries.
- 10 photovoltaic plants with a total generation of 100 MWh.
- 204.4 GWh per year in energy supply.
- 504 temporary jobs generated during the construction stage and 18 permanent jobs during operation.
- Reduction of 141,625 tons of CO₂ per year.
- US\$15,750.9 in oil bill reduction.
- Attraction of foreign investment to the country.
- 21,257 families benefited, surpassing the Program's goal of 14,000 families.
- 4,135 farmers trained in the production of basic grain seed.
- 45.4% increase in vegetable production.
- 16 agricultural innovation projects and restoration of the operating capacity of the Zapotitán and Lempa Acahuapa Irrigation District.
- 3 Agroindustrial Milk Processing Plants (Supply, assembly, installation and startup).
- Two 40.0 MWh turbines installed.
- Annual average generation of 130.34 GWh.





Honduras



Expected results from approved operations



Education area rehabilitated
200,648 m²



Total jobs
4,446 persons



Estimated total annual income for the State, mainly from taxes
US\$11.9 million



Education area built
488 m²

Annual operations, 2015 – 2019 (In US\$ Million)

Operations	Year					Total
	2015	2016	2017	2018	2019	
Approvals	258.6	102.2	267.5	84.3	168.6	881.2
Public sector	212.3	62.2	236.8	44.3	143.6	699.2
Private sector	46.3	40.0	30.7	40.0	25.0	182.0
Disbursements	252.7	142.5	200.1	204.6	278.2	1,078.1
Public sector	89.9	87.9	134.8	77.9	90.7	481.1
Private sector	162.8	54.6	65.3	126.7	187.5	597.0
Portfolio	1,326.4	1,318.9	1,360.6	1,414.2	1,471.1	
Public sector	985.5	1,014.2	1,074.7	1,093.6	1,106.1	
Private sector	340.9	304.7	285.9	320.6	365.0	

Approved operations

Integral Improvement of Infrastructure and Educational Training in Honduras

Amount: US\$80.0 million

The program will benefit 15,285 teachers and 42,802 students; for both beneficiary types, 51.0% are women



Modernization of the Identification Document in Honduras

Amount: US\$63.6 million

The project will enable the procurement of technological infrastructure for the collection of biometric information. 6.5 million registered citizens will benefit, of which 51.2% are women



GCL increase for Banco del País, S.A.

Amount: US\$25.0 million

It is expected to favor 48,334 people with the granting of loans, of which 29.0% are women



Highlighted disbursed operations

Villa de San Antonio – Goascorán Logistics Corridor, Stretches II and III Construction Project

Amount: US\$27.6 million

Strategic Axis: Social Development

Focus Area: Productive Infrastructure

Rehabilitation of Highway stretches La Entrada – Copán Ruinas – El Florido and La Entrada – Santa Rosa de Copán

Amount: US\$20.2 million

Strategic Axis: Social Development

Focus Area: Productive Infrastructure

Modernization of the Identification Document in Honduras (*Identifícate*)

Amount: US\$14.8 million

Strategic Axis: Competitiveness

Focus Area: Services for Competitiveness

Low Irrigation Agricultural Development Program (PDABR)

Amount: US\$9.8 million

Strategic Axis: Social Development

Focus Area: Rural Development and the Environment

Villa de San Antonio – Goascorán Logistics Corridor, Stretch I, Subsection IB, Lamaní – El Quebrachal Construction Project

Amount: US\$7.4 million

Strategic Axis: Social Development

Focus Area: Productive Infrastructure

H O N D U R A S

9

operations under active execution

that contribute to the areas of Human Development and Social Infrastructure, Services for Competitiveness, Productive Infrastructure, Rural Development and the Environment

3

operations finalized



- Villa de San Antonio – Goascorán Logistics Corridor Construction Project, Stretches II and III
- Sustainable Rural Development Program of the Southern Region (EMPRENDESUR)
- Rural Infrastructure Project (PIR)

Impacto

- 46.24 km of main road with 4 lanes, two in each direction and paved with asphalt.
- 10 reinforced concrete bridges, 10 reinforced concrete boxes and 98 sewers made of reinforced concrete pipes.
- US\$4,604,125.3 in additional compensation works (Construction of Escuela Soberanía Nacional, fords, pedestrian bridges and accesses).
- 763 resettlement cases attended.
- 39,080 families benefited.
- 5,175 jobs generated (33.0% women).
- 358 km of qualified and rehabilitated tertiary road stretches.
- 65,882 beneficiaries, including indigenous population (Chortí and Lenca).
- 24 electrification subprojects.
- 19 subprojects of roads.
- 17 water and sanitation subprojects.



Nicaragua



Expected results from approved operations



Highway construction
33.58 km



Estimated total annual income for the State, mainly from taxes
US\$3.9 million



Total jobs
11,032 persons



Bridge building
1,032.9 m



Savings for the State
US\$26.9 million



Highway improvement or rehabilitation
208.7 km



Drinking water produced
2,730,930 m³/year



Home drinking water connections
5,443



Wastewater collection network
891 km



Home sewage connections
51,788

Annual operations, 2015 - 2019 (In US\$ Million)

Operations	Year					Total
	2015	2016	2017	2018	2019	
Approvals	196.0	379.8	478.8	365.1	656.1	2,075.8
Public sector	156.0	379.8	468.8	365.1	585.3	1,955.0
Private sector	40.0	-	10.0	-	70.8	120.8
Disbursements	197.5	208.9	213.1	405.9	334.1	1,359.5
Public sector	113.6	131.0	139.3	318.5	117.7	820.1
Private sector	83.9	77.9	73.8	87.4	216.4	539.4
Portfolio	793.4	880.2	965.3	1,253.4	1,369.2	
Public sector	498.8	603.1	703.9	1,001.4	1,118.0	
Private sector	294.6	277.1	261.4	252.0	251.2	

Approved operations

Highway expansion with the Government of Nicaragua

Amount: US\$333.8 million

It is estimated to benefit 669,280 people in the direct target area



Project for the Improvement and Expansion of Potable Water and Sanitation Systems in 7 cities with the Government of Nicaragua

Amount: US\$251.4 million

It is estimated that 25,268 inhabitants will benefit from the provision of connections in 5,443 properties and the construction or improvement and expansion of sanitary sewer systems.

Regarding the treatment of residual waters, it is estimated to benefit 240,360 inhabitants in 51,788 properties



Expansion of the GCL to Banco de la Producción, S.A (BANPRO)

Amount: US\$35.8 million

It is estimated that the Institution will benefit 142 legal entities and up to 4,044 individuals



Expansion of the GCL to Banco LAFISE Bancentro, S.A.

Amount: US\$35.0 million

It is estimated to benefit a total of 389 legal entities and 256 individuals



Highlighted disbursed operations

VII Improvement and Highway Rehabilitation Program

Amount: US\$24.2 million

Strategic Axis: Competitiveness

Focus Area: Productive Infrastructure

Replacement Project of the Nuevo Amanecer Regional Hospital in the Autonomous Region of the North Atlantic (RAAN) with the Republic of Nicaragua

Amount: US\$12.5 million

Strategic Axis: Social Development and Competitiveness

Focus Area: Human Development and Social Infrastructure

National Program for Sustainable Electrification and Renewable Energy (PNESER)

Amount: US\$6.7 million

Strategic Axis: Competitiveness and Regional Integration

Focus Area: Energy

N I C A R A G U A

17



operations under active execution

that contribute to the areas of Energy, Human Development and Social Infrastructure, Rural Development and the Environment, and Productive Infrastructure

1 project finalized



- Improvement of highway stretches Nejapa - El Crucero - Diriamba - Jinotepe - Nandaime

Impact

- 58.13 km of the Pan-American main highway paved with hot asphalt mix modified with polymers.
- 16.1 km have an extension to 4 lanes (two in each direction).
- The remaining 42.03 km of highway has two lanes.

Fast Passenger Train in the Greater Metropolitan Area (architectural plan)



Costa Rica



Expected results from approved operations



Total jobs
1,846 persons



Estimated total annual income for the State, mainly from taxes
US\$39.9 million



Highway construction
1.25 km



Bridge construction
350 m



Savings for the State
US\$7.7 million



Bridge rehabilitation
285 m

Annual operations, 2015 - 2019
(In US\$ Million)

Operations	Year					Total
	2015	2016	2017	2018	2019	
Approvals	275.6	341.8	215.8	530.3	640.0	2,003.5
Public sector	202.6	291.8	214.4	530.3	640.0	1,879.1
Private sector	73.0	50.0	1.4	-	-	124.4
Disbursements	461.0	373.2	281.1	300.6	447.1	1,863.0
Public sector	333.7	286.2	223.1	270.0	398.4	1,511.4
Private sector	127.3	87.0	58.0	30.6	48.7	351.6
Portfolio	1,420.2	1,438.6	1,370.2	1,338.9	1,435.7	
Public sector	1,060.8	1,157.1	1,165.1	1,166.6	1,244.5	
Private sector	359.4	281.5	205.1	172.3	191.2	

Operations approved to the public sector

Construction, Equipment, and Startup of a Fast Passenger Train System (TRP) in the Greater Metropolitan Area (GAM) with the Costa Rican Railroad Institute (INCOFER)

Amount: US\$550.0 million

This project will benefit an estimated 4.5 million inhabitants of the GAM, generating 1,000 temporary jobs in construction activities, as well as 461 permanent jobs during the operation stage



Expansion of the Strategic Infrastructure Road Works Program with the National Highway Council (CONAVI)

Amount: US\$90.0 million

It is expected to benefit a total of 211,527 direct users and a population in the target area of 1.1 million. Likewise, it will create 385 temporary jobs for construction and road regulation activities, of which it is expected that at least 9.4% be held by women



Highlighted disbursed operations

Strategic Infrastructure Road Program with CONAVI

Amount: US\$85.4 million

Strategic Axis: Competitiveness, Regional Integration, and Social Development

Focus Area: Productive Infrastructure

Financing to the Costa Rican Institute of Electricity (ICE) for the Reventazón Hydroelectric Project

Amount: US\$32.2 million

Strategic Axis: Competitiveness, Regional Integration, and Social Development

Focus Area: Energy

Regional Wholesale Market of the Chorotega Region with PIMA Chorotega

Amount: US\$17.7 million

Strategic Axis: Competitiveness and Regional Integration

Focus Area: Rural Development and the Environment

Electrical Development Program with ICE

Amount: US\$17.7 million

Strategic Axis: Competitiveness and Regional Integration

Focus Area: Energy

Hospital Infrastructure and Equipment Renovation Program with the Costa Rican Social Security System (CCSS)

Amount: US\$9.0 million

Strategic Axis: Social Development

Focus Area: Human Development and Social Infrastructure

C O S T A R I C A

6

operations under active execution

that contribute to the areas of Human Development and Social Infrastructure, Energy, and Productive Infrastructure.

3 projects finalized



→ Impact

• Reventazón Hydroelectric Project

• 305.5 MW of total power, one substation and 13.8 km of transmission line.

• Chorotega Regional Wholesale Market Project

• 500,000 beneficiaries who have infrastructure for the storage of cold and natural products.
• 721 temporary jobs generated during the construction period (12.0% women).
• 450 permanent jobs in the market during the operation period (39.0% women).

• Improvements to Atenas aqueduct

• 16,000 immediate beneficiaries and a projection of 37,500 in the next 20 years.
• 23 km of conduction lines and 2 km of distribution pipes.
• 7 overpasses installed.
• 1 storage tank of 2,500 m³.
• The available water flow in the canton was doubled, going from 61 liters per second (l/s) to a total of 119 liters l/s.



Panama



Expected result from approved operations



Total jobs
793 persons

Annual operations, 2015 - 2019 (In US\$ Million)

Operations	Year					Total
	2015	2016	2017	2018	2019	
Approvals	220.0	256.0	190.0	801.0	184.0	1,651.0
Public sector	200.0	100.0	170.0	660.0	134.0	1,264.0
Private sector	20.0	156.0	20.0	141.0	50.0	387.0
Disbursements	14.7	100.3	190.6	295.5	327.2	928.3
Public sector	-	-	100.0	150.0	158.4	408.4
Private sector	14.7	100.3	90.6	145.5	168.7	519.9
Portfolio	66.9	163.1	308.9	476.7	420.2	
Public sector	-	-	100.0	184.5	181.8	
Private sector	66.9	163.1	208.9	292.2	238.4	

Approved operations

GCL opening with Caja de Ahorros
Amount: US\$100.0 million

These funds will benefit 156 legal entities and 250 individuals, of which 52.0% are women



GCL opening with Multibank Inc.
Amount: US\$50.0 million

It is estimated that the loan will benefit 2,254 legal entities



GCL expansion with Banco Internacional de Costa Rica, S.A. (BICSA)
Amount: US\$34.0 million

350 legal entities are expected to benefit



Highlighted disbursed operations

GCL with ETESA
Amount: US\$50.0 million

Strategic Axis: Regional Integration and Competitiveness

Focus Area: Energy

GCL with Banco Nacional de Panamá
Amount: US\$20.0 million

Strategic Axis: Competitiveness

Focus Area: Financial Intermediation and Development Finance

P A N A M A

1 operation under active execution



that contributes to the Productive Infrastructure area.

1 project finalized →

Atlantic Natural Gas Central Power Generation Project (GANA) and North Coast Regasification Terminal (CONO)

Impact

- 3 electric generators operated with Liquefied Natural Gas (LNG) with a combined installed capacity of 381 MW.
- A gasification terminal with a storage volume of 180,000 m³.





Dominican Republic

Annual operations, 2015 - 2019 (In US\$ Million)

Operations	Year					Total
	2015	2016	2017	2018	2019	
Approvals	-	100.0	249.6	154.0	-	503.6
Public sector	-	100.0	249.6	-	-	349.6
Private sector	-	-	-	154.0	-	154.0
Disbursements	-	-	40.0	341.8	132.8	514.5
Public sector	-	-	40.0	234.8	127.8	402.5
Private sector	-	-	-	107.0	5.0	112.0
Portfolio	236.2	219.5	236.2	452.0	437.4	
Public sector	236.2	219.5	236.2	345.6	352.5	
Private sector	-	-	-	106.4	84.9	

Highlighted disbursed operations

Foreign Trade Products with Banco de Reservas of the Dominican Republic
Amount: US\$809.0 million
Strategic Axis: Competitiveness
Focus Area: Services for Competitiveness

Multiple Project of the Montegrando Dam with the Government of the Dominican Republic
Amount: US\$47.8 million
Strategic Axis: Social Development
Focus Area: Rural Development and the Environment

Eastern Gas Pipeline Expansion Plan - AES Andrés DR
Amount: US\$5.0 million
Strategic Axis: Competitiveness
Focus Area: Energy

DOMINICAN REPUBLIC

1 operation under active execution



that contributes to the area of Rural Development and the Environment

1 project finalized →

- Eastern Gas Pipeline Expansion Plan - AES Andrés - San Pedro de Macorís

Impact

- 22.5 km of pipeline financed by CABEL.





Argentina



Expected results from the approved operation



Total jobs
51 persons



Savings for the State
US\$1.4 million



Education area built
31,127 m²



Education area rehabilitated
88,134 m²



Estimated total annual income for the State, mainly from taxes
US\$7.0 million



Classrooms built
544



Classrooms rehabilitated
1,119

Annual operations, 2015 - 2019
(In US\$ Million)

Operations	Year					Total
	2015	2016	2017	2018	2019	
Approvals	50.0	90.0	30.0	32.0	67.0	269.0
Public sector	50.0	90.0	30.0	32.0	67.0	269.0
Private sector	-	-	-	-	-	-
Disbursements	-	-	2.6	-	-	2.6
Public sector	-	-	2.6	-	-	2.6
Private sector	-	-	-	-	-	-
Portfolio	-	-	2.5	2.5	2.5	
Public sector	-	-	2.5	2.5	2.5	
Private sector	-	-	-	-	-	

Approved operation

Program for Improving Educational Access and Quality with the Province of Jujuy of the Argentine Republic

Amount: US\$67.0 million

248,829 children, adolescents, and young people will benefit, of which 50.3% are women. In addition, 29,480 teachers will benefit, mostly women (78.0%)



A R G E N T I N A

1 operation under active execution

that contributes to the Services for Competitiveness area





Financial management

During 2019, CABEL's financial results were positive and congruent with its prudent financial policies, allowing it to consolidate its position as a leader in resource channeling to the region and strengthening its assets, both through capital contributions made by its member countries, as well as by means of sustained profit generation.

Reflecting its solid financial profile and the preferred creditor treatment conferred by its borrowing countries, in 2019, CABEL obtained a two-scale (2)

improvement in its risk rating from the rating agency Standard & Poor's (S&P), going from "A+" to "AA." In addition, the Bank consolidated itself as the best credit in Latin America, receiving an improvement of one (1) scale in its high investment grade risk rating granted by Japan Credit Rating Agency (JCR), going from "AA-" to "AA." Furthermore, the Bank received one (1) improvement in its high investment grade risk rating granted by Moody's Investors Service rating agency, from "A1" to "Aa3."

CABEL 2019 risk ratings

Rating agency	Rating		Outlook	Last review
	Long term	Short term		
S&P	AA	A-1+	Stable	September
Moody's	Aa3	P-1	Stable	September
JCR	AA	N/A	Stable	March

It should be noted that the improvements obtained in the Bank's credit rating are largely based on the strength of the preferred creditor treatment that the members provide to the Institution, the diversification and strengthening of the shareholder base subsequent to the incorporation process of the Republic of Korea, the diversification of its loan portfolio, the soundness of its capital and liquidity indicators, and the approval of a new capital increase. The latter is the result of modifications made to the Bank's Constitutive Agreement, which entered into force on June 9, 2016.

Likewise, during 2019, the Bank approved two decreases in the reviewable interest rate margin applicable to sovereign public sector operations granted under the variable interest rate scheme referenced to LIBOR, which together amounted to 25 basis points (bps). The foregoing is a result of the favorable evolution of the Bank's risk rating, as well as improvements in its funding cost.

It is also noteworthy that in November 2019, CABEL's Board of Governors increased the Bank's authorized capital by US\$2.0 billion, going from

US\$5.0 billion to US\$7.0 billion, and established the conditions applicable to the subscription of shares under the aforementioned increase, pursuant to the agreement made at the April 2018 Board of Governors Meeting.

This is the Bank's eighth General Capital Increase and the second within the last ten years, which confirms the high value of CABEL's franchise and its relevance to the region as the main financial resource channel to the region, having disbursed almost US\$30.0 billion since its inception in 1960. The referenced increase of the Bank's authorized capital will result in new cash capital payments starting in 2020 and for at least US\$255.0 million.

Benefits of the capital increase:

- Strengthening CABEL'S financial profile.
- Availing the Bank with the necessary capital to attract new highly-qualified members.
- Boosting the institutional credit capacity through an increased allocation of resources from external sources to operations related to climate change.



On December 31, 2019, the Instrument of Accession to the CABEL Constitutive Agreement, as well as the Share Subscription Agreement between the Republic of Korea and CABEL entered into force. As of that date, the Republic of Korea has a capital subscription of 45,000 Series "B" Shares equivalent to US\$450.0 million, of which US\$337.5 million corresponds to callable capital and US\$112.5 million to paid-in capital.

Issues

During 2019, the international recognition of the entity's relevance and institutional soundness facilitated the attraction of competitive resources through bond issues for an aggregate amount of US\$1.12 billion in the capital markets of Latin America, Asia, and Europe.

Improvements in the Bank's credit rating have resulted in greater diversification in capital markets, as well as better funding costs in markets important to CABEL. In 2019, the following noteworthy issues were made:

- i) Two placements in the Mexican local market, which present a lower cost compared to previous issues in said market.
- ii) The inclusion of new investors and currencies, such as the first issue in Swedish kroner (SEK) equivalent to US\$20.9 million in the Japanese market.
- iii) The issue of the first global green bond, which had a demand in excess of three times the amount announced and a significant compression of the margin originally announced for this operation, closing with a total amount of US\$375.0 million.

It is noteworthy that the Bank's initiative to diversify markets and financing sources established in the CABEL Financial Strategy has enabled it to place bonds in 24 currencies and 23 different markets.

The first Global Green Bond under the *USD Reg S Only* is highlighted for 2019.

Issues in international financial markets, 2019

(In US\$ Million)

Month	Market	Currency	Term (years)	Amount
February	Uruguay	UYU	5	50.0
February	Switzerland	CHF	5	200.2
May	Mexico	MXN	3	262.3
May	Japan	SEK	10	20.9
June	Uruguay	UYU	5	50.0
July	Mexico	MXN	3	157.9
October	Global	US\$	5	375.0
Total				1,116.3

Raising of medium and long-term funds

For 2019, the total of medium and long-term fundraising from bilateral financial institutions amounted to US\$112.7 million.

Medium and long-term bilateral resource collection, 2019

(In US\$ Million)

Financial institution	Amount
Official Credit Institute (ICO) of Spain	11.1
Kreditanstalt für Wiederaufbau (KfW) of the Federal Republic of Germany	46.0
Agence Française de Développement (AFD) of the Republic of France	55.6
Total	112.7

Management of institutional and bilateral resources

During 2019, resources from institutional sources were contracted for an aggregate amount of US\$688.7 million to finance Bank operations through the signing of nine (9) contracts with six (6) financial institutions. Of these resources, US\$656.2 million is reimbursable and US\$32.5 million is non-reimbursable.

Contracting of institutional, non-reimbursable and bilateral medium and long-term resources, 2019

(In US\$ Million)

Financial institution	Funding destination	Amount
Resources contracted on a reimbursable basis		
Ministry of Economy and Finance (MoEF) of the Republic of Korea	Co-financing of projects in the sovereign public sector of CABI member countries.	300.0
GCF	Financing of the Program "Productive Investment Initiative for Adaptation to Climate Change (CABio II)".	12.5
ICO	Financing of investment and/or liquidity and export/import operations of Spanish companies in CABI member countries.	90.7
KfW	Financing of the Initiative for the Development of Business Ideas and Acceleration of Central American MSMEs (DINAMICA Initiative).	55.0
AFD	Financing of projects related to climate change mitigation and adaptation and promotion of gender equality.	198.0
Total resources contracted on a reimbursable basis		656.2
Resources contracted on a non-reimbursable basis		
United Nations Office for Project Services (UNOPS), as GCF resource manager	Financing of complementary studies and the development of the proposal for the "Fast Passenger Train project of the Greater Metropolitan Area of San José, Costa Rica" to be submitted to the GCF.	0.6
KfW Seed Capital	Financing of the Regional Risk Seed Capital Program within the framework of the second phase of the DINAMICA Initiative.	13.1
KfW Green MSMEs	Financing of the Technical Assistance Program and the Partial Credit Guarantees Program within the framework of the Green MSME Initiative.	15.3
KfW VIVE	Financing of feasibility studies for the formulation of the Green Housing Program in Central America (VIVE).	0.5
GCF	Financing of technical assistance components and adaptation prize, within the framework of the Productive Investment Initiative for Adaptation to Climate Change (CABio II) initiative.	3.0
Total resources contracted on a non-reimbursable basis		32.5
Total resources contracted		688.7

Strategic alliances

During 2019, CABEL formalized ten strategic alliances in order to mobilize additional financial and technical resources to strengthen the installed capacity and join efforts that contribute to reducing poverty, fostering regional integration, and promoting sustainable economic growth in the region.

Likewise, CABEL carried out actions to improve investment coordination with other Multilateral Banks:

World Bank (WB)

Coordination meetings were held at the WB facilities in Washington D.C., USA and CABEL Representative Offices, in order to identify opportunities for joint financing of operations in different countries, including Honduras and Panama.

Inter-American Development Bank (IADB)

The First joint CABEL - IADB Technical Meeting was held with the participation of CABEL's Executive President and IADB's Manager for Central America, with a resulting Road Map generated to establish joint regional and national operations in the respective member countries.

Development Bank of Latin America (CAF)

Information on good practices in resource mobilization was exchanged and the joint financing of the Program for Improving Educational Access and Quality in the Province of Jujuy in Argentina was established.

Strategic alliances formalized by CABEL, 2019

Counterpart	Objective
Spanish Company of Development Financing (COFIDES, S.A.)	To promote a culture that favors productive and commercial implantation abroad, strategic alliances, and international business cooperation.
Spain Renewable Energy Consortium (SREC)	To promote the collaboration and participation of both organizations in the promotion and development of low carbon energy (Green Energy) in CABEL's area of action.
UN-HABITAT	To deepen institutional cooperation with CABEL.
Organization for Economic Cooperation and Development (OECD)	To establish a cooperation framework between the parties for the development of joint programs, policy review, and implementation of projects that contribute to the Central American integration process, complementary to the Regional Program for Latin America and the Caribbean and the Central American Initiative, both run by OECD.
University of Córdoba, Spain	Promote joint programs, projects, and initiatives in the scientific, technical and cultural fields of common interest in order to contribute to the sustainable economic development of the CABEL member countries.
Iberian-American Guarantees Network (REGAR)	To formalize a cooperation framework that promotes joint programs, projects, initiatives, and activities that facilitate access to financing for micro, small, and medium-sized enterprises with improved conditions through the granting of guarantees.
Spanish Railway Association (MAFEX)	To establish a collaboration mechanism between the parties that facilitates and promotes the advice, exchange, and knowledge transfer from the Spanish railway sector to CABEL for the respective support to projects in its member countries.

Counterpart	Objective
Green Climate Fund (GCF)	To outline the general terms of cooperation between the parties in terms of evaluation and valuation of results and impacts in the different stages of implementation of operations financed with funds from the GCF.
Costa Rican Railway Institute (INCOFER)	To establish a collaboration mechanism between the parties to facilitate and promote the advice, exchange, and transfer of knowledge from the Costa Rican railway sector to CABEL for the respective support in structuring the financing of potential railway projects.
Korea Eximbank	To establish a non-exclusive cooperation framework, including participation in the co-financing of the Rapid Passenger Train of the Greater Metropolitan Area of San José, in Costa Rica and in eligible projects identified in the electric mobility sector.

Management of extraordinary assets and derecognized operations

The management of extraordinary assets continues with the aim of reducing financial and reputational risk losses. The Bank concluded its exit from the Agua Zarca Hydroelectric Project in Honduras and is making progress in the donation of the extraordinary asset José Sánchez y Hermano to the Republic of Honduras and other extraordinary assets with onerous costs for the Bank.

2019 main financial indicators

Total assets	Total liabilities	Equity
US\$11.61 billion	US\$8.17 billion	US\$3.44 billion
Liquid assets	Loan portfolio ⁴	Net profit
US\$3.94 billion	US\$7.70 billion	US\$228.5 million

⁴ Loan portfolio: Includes loan balances, Social Benefit Fund, and Accounting Adjustments (swap coverages, capitalized interest, etc.).

Profitability

Return on equity (ROE) presented a value of 6.9%, while return on assets (ROA) stood at 2.2%.

Evolution of profitability indicators, 2015 - 2019
(%)



Financial indicators

The evolution of the Bank's main financial indicators shows a positive performance, revealing its continued financial strength and solvency, as a result of the application of its financial policies.

Evolution of selected financial indicators, 2015 - 2019

Indicator	Measure	Policy	2015	2016	2017	2018	2019
Capital adequacy index	%	>35.0	38.3	40.1	40.6	40.8	41.8
Liquidity index	Months	>6.0	7.6	6.8	8.8	7.6	7.8
Indebtedness index	Times	<3.0	2.1	2.2	2.2	2.2	2.2

Operational efficiency

In terms of operational performance, the Administrative Expenditure Index (AEI) showed a favorable trend throughout the last 5 years, going from 0.58% in 2015 to 0.49% at the close of 2019. For its part, the operational efficiency index stood at 19.8% at the close of 2019, compared to 20.2% presented in 2018.

Evolution of selected financial indicators, 2015 - 2019

Indicator	Measure	2015	2016	2017	2018	2019
Administrative Expenditure Index (AEI)	%	0.58	0.53	0.49	0.49	0.49
Operational efficiency	%	19.4	19.5	18.6	20.2	19.8

Portfolio quality

The evolution of CABEL's loan portfolio quality is measured by the indicator of portfolio in non-accrual status, which at the close of 2019 stood at 0.01%.

Furthermore, the Bank has a significantly robust reserve coverage. Provisions for probable losses totaled US\$246.6 million at the close of 2019, representing 3.2% of the total loans receivable portfolio.

Evolution of selected financial indicators, 2015 - 2019

Indicator	Measure	2015	2016	2017	2018	2019
Portfolio in non-accrual status / Loan portfolio	%	0.06	0.05	0.00	0.00	0.01
Loan reserves / Loan portfolio	%	2.90	3.00	4.28	3.32	3.20

Audited financial statements

Please refer to the notes accompanying the financial statements at
<https://www.bcie.org/en/investor-relations/financial-statements>





MANAGEMENT'S REPORT REGARDING THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

February 28, 2020

The Management of the Central American Bank for Economic Integration (the Bank) is responsible for establishing and maintaining an effective internal control system over financial reporting. Therefore, Management assessed the Bank's internal control over financial reporting as of December 31st, 2019. This assessment was based on the criteria for effective internal control established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Bank's internal control over financial reporting is a process designed and executed under the supervision its principal executives and financial officers or personnel that performs similar functions, intended to provide reasonable assurance regarding the elaboration of reliable financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Bank's internal control over financial reporting includes those norms and procedures that, (1) pertain to the maintenance of records that, at reasonably detailed level, accurately and fairly reflect the transactions and dispositions of the assets of the entity, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with the authorization of management and those charged with governance and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements. Based on this assessment, Management believes that the Bank's internal control over financial reporting is effective as of December 31st, 2019.

Nevertheless, there are inherent limitations in assessing the effectiveness of any internal control system, which may include a human error, or the possibility to elude or override the established controls intentionally. Accordingly, even an effective internal control can provide only a reasonable assurance regarding the financial statements preparation. Furthermore, there may be changes in certain conditions that would impact on the effectiveness of the internal control in a period of time.

However, the Bank has been subject to an integrated audit of its the internal control system and financial statements as of December 31, 2019 by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte México), an independent registered public accounting firm. Deloitte México has issued an attestation report regarding the effectiveness of the Bank's internal control over financial reporting, which states that the Bank's internal control is effective as of that date, based on the criteria established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).


Dante Ariel Mossi Reyes
Executive President


Hernan Danery Alvarado
Chief Financial Officer

Independent Auditors' Report to the Board of Governors, Executive President and Board of Directors of Central American Bank for Economic Integration

We have audited the accompanying financial statements of Central American Bank for Economic Integration (the "Bank"), which comprise the balance sheet as of December 31, 2019, and the related statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central American Bank for Economic Integration as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

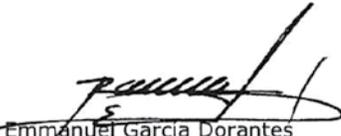
Report on Internal Control over Financial Reporting

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the Bank's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2020 expressed an unmodified opinion on the Bank's internal control over financial reporting.

Predecessor Auditors' Opinion on 2018 Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2018 were audited by other independent auditors whose report, dated March 13, 2019, expressed an unmodified opinion on those statements.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



Rony Emmanuel Garcia Dorantes
Mexico City, Mexico
February 28, 2020



Independent Auditors' Report to the Executive President, Board of Directors and Board of Governors of Central American Bank for Economic Integration

We have audited the internal control over financial reporting of the Central American Bank for Economic Integration (the "Bank") as of December 31, 2019, based on the criteria established in the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's Responsibility for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on the Effectiveness of Internal Controls over Financial Reporting.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

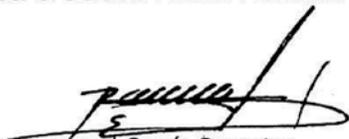
Opinion

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the criteria established in the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements as of and for the year ended December 31, 2019 of the Bank, and our report dated February 28, 2020 expressed an unmodified opinion on those financial statements.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



Rony Emmanuel García Dorantes
Mexico City, Mexico
February 28, 2020



CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION



Balance Sheets

As of December 31, 2019 and 2018

(Expressed in thousands of U.S. dollars)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and demand deposits (note 4)	30,570	38,078
Interest-bearing deposits with banks (note 5)	2,132,810	1,693,961
Securities available for sale (237,818 in 2019 and 307,773 in 2018, under securities lending agreements) (note 6)	1,771,734	1,667,147
Loans, net of deferred origination fees	7,704,290	7,487,365
Less: Allowance for loan losses	(246,629)	(248,863)
Net loans (note 7)	<u>7,457,661</u>	<u>7,238,502</u>
Accrued interest receivable (note 8)	93,736	96,619
Property and equipment, net (note 9)	34,024	33,804
Derivative financial instruments (note 20)	18,879	25,451
Equity investments (note 10)	29,333	31,056
Other assets (note 11)	41,842	25,738
Total assets	<u><u>11,610,589</u></u>	<u><u>10,850,356</u></u>
Liabilities		
Loans payable (290,412 in 2019 and 237,269 in 2018, measured at fair value) (note 12)	1,159,994	1,321,411
Bonds payable (4,482,142 in 2019 and 4,223,197 in 2018, measured at fair value) (note 13.a)	5,511,953	4,893,452
Commercial paper programs (note 13.b)	59,412	24,961
Certificates of deposit (note 14)	1,327,076	1,298,428
Certificates of investment	282	471
Accrued interest payable (note 15)	52,421	59,763
Derivative financial instruments (note 20)	1,360	268
Other liabilities (note 16)	55,091	53,340
Total liabilities	<u><u>8,167,589</u></u>	<u><u>7,652,094</u></u>
Equity		
Paid-in capital (note 17)	1,102,063	1,074,263
General reserve	2,113,680	1,819,667
Retained earnings	228,452	294,127
Accumulated other comprehensive (loss) income (note 23)	(1,195)	10,205
Total equity	<u><u>3,443,000</u></u>	<u><u>3,198,262</u></u>
Total liabilities and equity	<u><u>11,610,589</u></u>	<u><u>10,850,356</u></u>

See accompanying notes to financial statements in <https://www.bcie.org/en/investor-relations/financial-statements/>

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION



Statements of Income

For the years ended December 31, 2019 and 2018

(Expressed in thousands of U.S. dollars)

	2019	2018
Financial income		
Public sector loans	351,401	327,598
Private sector loans	91,759	77,003
Marketable securities	42,931	28,119
Due from banks	43,805	36,453
Realized gain on investment funds	7,769	2,796
Total financial income	<u>537,665</u>	<u>471,969</u>
Financial expenses		
Loans payable	38,632	37,206
Bonds payable	196,269	165,246
Commercial paper programs	786	619
Certificates of deposit and investment	35,612	27,159
Total financial expenses	<u>271,299</u>	<u>230,230</u>
Net financial income	<u>266,366</u>	<u>241,739</u>
Reversal of provision for loan losses (note 7)	(2,341)	(44,903)
(Reversal of) provision for losses on contingencies	(1,270)	750
Total reversal of provisions for credit losses	<u>(3,611)</u>	<u>(44,153)</u>
Net financial income, after reversal of provisions for credit losses	<u>269,977</u>	<u>285,892</u>
Other operating income (expenses)		
Financial services and other fees	5,076	1,518
Monitoring and administration fees	1,388	1,091
(Loss) gain on equity investment, net	(1,427)	658
Dividends from equity investments	1,467	485
Loss on foreclosed assets, net	(434)	0
Foreign exchange gain (loss), net	496	(1,475)
Other operating income	2,282	1,220
Total other operating income, net	<u>8,848</u>	<u>3,497</u>
Administrative expenses		
Salaries and employee benefits	33,173	30,724
Other administrative expenses	15,987	14,352
Depreciation and amortization	4,183	3,665
Other	640	557
Total administrative expenses	<u>53,983</u>	<u>49,298</u>
Income, before special and other contributions and valuation of derivative financial instruments and debt	<u>224,842</u>	<u>240,091</u>
Special and other contributions (note 24)	(11,200)	(9,231)
Income, before valuation of derivative financial instruments and debt	<u>213,642</u>	<u>230,860</u>
Valuation of derivative financial instruments and debt	14,810	(7,343)
Net income	<u>228,452</u>	<u>223,517</u>

See accompanying notes to financial statements in <https://www.bcie.org/en/investor-relations/financial-statements/>

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in thousands of U.S. dollars)



	<u>2019</u>	<u>2018</u>
Net income	<u>228,452</u>	<u>223,517</u>
Other comprehensive (loss) income:		
Unrealized gain (loss) on securities available for sale, net	30,196	(2,151)
Reclassification adjustments for net realized gains		
included in earnings (note 23)	<u>(7,769)</u>	<u>(2,796)</u>
Subtotal - securities available for sale	<u>22,427</u>	<u>(4,947)</u>
Change in credit risk of debt instruments at fair		
value (note 3(vi))	(38,568)	43,254
Reclassification of net loss realized by maturity of debt		
in operations at fair value (note 23)	<u>88</u>	<u>337</u>
Subtotal - change in credit risk of debt instruments		
at fair value (note 23)	<u>(38,480)</u>	<u>43,591</u>
Retirement plans, pensions and other social benefits:		
Change in actuarial gain (note 23)	<u>4,653</u>	<u>7,196</u>
Other comprehensive (loss) income	<u>(11,400)</u>	<u>45,840</u>
Comprehensive income	<u><u>217,052</u></u>	<u><u>269,357</u></u>

See accompanying notes to financial statements in <https://www.bcie.org/en/investor-relations/financial-statements/>

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in thousands of U.S. dollars)

	Paid-in Capital	General Reserve	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Equity
Balances at the beginning of 2018 (audited)	1,046,463	1,718,400	101,380	(35,635)	2,830,608
Net income	0	0	223,517	0	223,517
Other comprehensive income	0	0	0	45,840	45,840
Comprehensive income	0	0	223,517	45,840	269,357
Capital contributions, in cash (note 17.b)	27,687	0	0	0	27,687
Capital payments through series "E" certificates (note 17.b)	113	(113)	0	0	0
Effect generated by integration of the FETS into the Ordinary Capital of the Bank (note 18)	0	0	70,610	0	70,610
Transfer to general reserve	0	101,380	(101,380)	0	0
Balances as of December 31, 2018	1,074,263	1,819,667	294,127	10,205	3,198,262
Net income	0	0	228,452	0	228,452
Other comprehensive loss	0	0	0	(11,400)	(11,400)
Comprehensive income (loss)	0	0	228,452	(11,400)	217,052
Capital contributions, in cash (note 17.b)	27,686	0	0	0	27,686
Capital payments through series "E" certificates (note 17.b)	114	(114)	0	0	0
Transfer to general reserve	0	294,127	(294,127)	0	0
Balances as of December 31, 2019	1,102,063	2,113,680	228,452	(1,195)	3,443,000

See accompanying notes to financial statements in <https://www.bcie.org/en/investor-relations/financial-statements/>

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in thousands of U.S. dollars)



	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net income	228,452	223,517
Items to reconcile net income to net cash provided by operating activities:		
Reversal of provision for loan losses	(3,611)	(44,153)
Gain on equity investment, net	1,427	(658)
Loss on foreclosed assets, net	434	0
Foreign exchange (gains) losses, net	(496)	1,475
Depreciation and amortization	4,183	3,665
Valuation of derivative financial instruments and debt	(14,810)	7,343
Reversal of provision against claims and legal actions	(1,317)	0
Net decrease (increase) in accrued interest receivable	2,981	(13,198)
Net (decrease) increase in accrued interest payable	(7,342)	18,713
Net increase in other assets	(11,926)	(1,139)
Net increase in other liabilities	4,336	4,666
Net cash provided by operating activities	<u>202,311</u>	<u>200,231</u>
Cash flows from investing activities		
Net (increase) decrease in interest-bearing deposits with banks	(438,850)	191,798
Purchases of securities available for sale	(2,147,904)	(1,437,367)
Proceeds from sales and redemptions of securities available for sale	2,073,452	921,467
Purchases of property and equipment	(4,403)	(5,341)
Net decrease (increase) in margin calls and other on derivative financial instruments	199,949	(140,534)
Disbursements of loans receivable	(1,944,642)	(1,862,911)
Collections of loans receivable	1,734,312	1,244,275
Capital returns to equity investments, net of contributions	297	112
Net cash used in investing activities	<u>(527,789)</u>	<u>(1,088,501)</u>
Cash flows from financing activities		
Capital contributions	27,686	27,687
Proceeds from loans payable	112,706	379,677
Repayments of loans payable	(285,829)	(311,952)
Net decrease in commercial paper programs	34,450	(15,872)
Proceeds from issuance of bonds payable	1,116,271	1,134,887
Repayments of bonds payable	(715,619)	(544,187)
Net (decrease) increase in certificates of deposit	(189)	250,730
Net decrease in certificates of investment	28,648	(89)
Net cash provided by financing activities	<u>318,124</u>	<u>920,881</u>
Effect of exchange rate fluctuations on cash held	<u>(154)</u>	<u>(366)</u>
Cash generated by the FETS integration process (note 18)	<u>0</u>	<u>2,141</u>
Cash and demand deposits at beginning of year	38,078	3,692
Cash and demand deposits at end of year	<u>30,570</u>	<u>38,078</u>
Net (decrease) increase in cash and cash equivalents	<u>(7,508)</u>	<u>34,386</u>
Supplemental information of cash flows		
Cash paid for interest	<u>278,641</u>	<u>211,502</u>
Net gains (loss) on unrealized changes in securities available for sale	<u>22,427</u>	<u>(4,947)</u>

See accompanying notes to financial statements in <https://www.bcie.org/en/investor-relations/financial-statements/>



Institutional strengthening

Declaration on Access to Information

In April 2019, the Board of Governors issued the Declaration on Access to Information, instructing the Board of Directors to put into effect an Access to Information Policy and the Executive President to start the process of streamlining internal regulations and strengthening transparency to allow the public to gain detailed knowledge of CABEL's activities, as well as the projects and programs it finances.

Compliance initiatives

In 2019, the available tools and systems were monitored and maintained, including the filters for international blacklists, internal applications, monitoring systems, and Money Laundering and Terrorism Financing (ML-TF) risk rating tools, among others, to ensure the effective functioning and consolidation of the ML-TF Risk Management System.

It is worth noting that an independent review of this tool was launched in 2019, following best practices and international standards. In addition, CABEL continued to strengthen the Ring Fence mechanism for operations related to Cuba, by means of initiating an independent review.

Strengthening the culture of Integrity

Within the framework of CABEL's Integrity System, an "Integrity Risk Management Workshop" was held with the representation of 22 Project Executing Units from Central America, Panama, and the Dominican Republic, who strengthened their knowledge on detection of warning signs, as well as available reporting tools and channels.

Complaints, inquiries, and advice

In 2019, four new means for filing complaints, submit questions, and request advice were launched, which complement those already available. These are the ethical line, WhatsApp application, and an intranet site, as well as an online mailbox for ethical consultations and frequently asked questions. The following inquiries were received during the year, which were attended to by the corresponding areas:

Attention to complaints received, 2019

Incident type	Attended	Attended details	
		Processing	Resolved
Fraud / Corruption	34	2	32
CABEI Staff Ethics / Standards of Conduct	76 ⁵	0	76
Environmental / Social	5	2	3
Others: incidents such as complaints, expressions of interest, criticism, opinions.	20 ⁶	0	20
Total	135	4	131

Transcending ethics

In 2019, CABEI's affiliation to the Ethics Network of Multilateral Organizations (ENMO) is noteworthy. This membership allows the Bank to share experiences and best practices to constantly update ethical standards and procedures.

Strengthening procurement processes

CABEI held training sessions for 32 Executing Units, with the aim of strengthening their knowledge to ensure efficiency in the execution of operations. Such trainings focused on the most relevant changes in procurement regulations in 2018.

The "Multilateral Development Bank (MDB) Procurement Workshop," held jointly with the Inter-American Development Bank (IADB) and the World Bank, is also highlighted. 40 public officials who manage procurements in the projects financed by these Banks participated in this workshop.

COSO Internal Control

As part of its commitment to strengthening CABEI's Internal Control System, and taking as reference the categories of objectives of the COSO Integrated Internal Control Conceptual Framework (Committee of Sponsoring Organizations of the Treadway Commission), the Bank carried out two evaluation exercises that allowed to guarantee the reasonableness of the internal control in two important processes: issuance of financial information ("Information" category) and compliance in funds and trusts administered by CABEI ("Compliance" category), both with December 31, 2019 closing dates.

With respect to the process of issuing financial information, Upper Management concluded that, until December 31, 2019, the internal control of CABEI was effective as a whole. Regarding the "Compliance" category, CABEI Management issued a favorable opinion on internal control in the compliance process in funds and trusts administered by CABEI at the close of 2019. Additionally, Deloitte Mexico issued an independent opinion, based on the review of internal control over compliance with specified requirements of four funds and trusts, which indicated that CABEI maintained in all important aspects an effective internal control over the financial information at the close of the year, based on the criteria established in the COSO framework and in agreement with the standards of attestation established by the American Institute of Certified Public Accountants for this type of evaluations.

⁵ Four (4) complaints were transferred by the Ethics Committee to the consideration of the Integrity Committee.

⁶ One (1) case was sent to the attention of the Ethics Committee.

CABEI and the Evaluation Cooperation Group (ECG)

At the beginning of the fiscal year, the Independent External Opinion of the CABEI Evaluation was disclosed and improvements were designed in the project cycle for the ex ante, monitoring, and ex post evaluations. Likewise, measures were generated for strategy evaluation, lessons learned, complex studies, and monitoring of recommendations. CABEI's application to join the ECG was submitted and it is expected that the membership committee will issue a resolution in 2020. With its admission into the ECG, institutional assessment at the Bank will reach international standards for measuring development impact.

Launching of the Regional Integration and Development Center (CRID)

The creation of the Regional Integration and Development Center (CRID) is highlighted for fiscal year 2019. It aims to disseminate information and knowledge to support the Bank's decision-making for the creation of policies, programs, and projects to achieve the development goals of CABEI's beneficiary countries. It also seeks to enable regional dialogue and discussion on issues of economic integration and sustainable development.

New CABEI structure

In 2019, the role of the former Sectors and Countries Division was redefined and divided into two Divisions, which will report to the Executive Presidency: The Private Sector Division and the Public Sector Division.

Likewise, two support areas were also created, which will report to the Executive Presidency: The Economist Office and the Budget Office.

Talent development in figures

In 2019, there was an increase of 89.0% in terms of filling vacant positions through internal contracting, in contrast to the average over the last four years. Of this number, 41.0% represents female staff and the remaining 59.0% male staff. These numbers are the result of institutional efforts to expand the scope of internal requisitions, among other aspects.

In addition to the growth due to internal hiring, the reclassification of various positions was approved during fiscal year 2019, which represents both a salary improvement and professional growth for the collaborators holding a total of 24 positions. Of these, 46.0% were held by women and 54.0% by men.

International accreditation "Great Place to Work"

During 2019, a survey on Organizational Climate and Culture was applied under the "Great Place to Work" methodology, through which CABEI obtained the certification as a great place to work. This institutional achievement was enhanced by the fact that it was certified during the first application of the methodology. Based on the areas of opportunity identified, action initiatives were established and will be implemented in fiscal year 2020.



Extract from the congratulatory letter received from Great Place to Work Institute Central America & Caribbean for having achieved a satisfactory result in the CABEI process to become certified as one of the best places to work in the region.

CABEI: A leader in learning and culture

A survey applied to over 500 executives determined that CABEI is a leader in learning and culture, standing out among more than 1,300 nominated companies.



Recognition from Revista Summa and Korn Ferry to CABEI for its organizational culture management.

EDGE ASSESS certification

As part of the action plans to address relevant issues related to best practices, CABEI received the "EDGE ASSESS" certificate in gender equality from EDGE Strategy, a leading organization in the use of global assessment and certification methodologies that aims to help organizations create optimal workplaces for women and men, while simultaneously benefiting from it.



Certificate in gender equality issued by EDGE Strategy.

Corporate environmental and social responsibility system (SASC)

Environmental responsibility

For CABEI, proper management of environmental issues on the basis of best international practices and standards is important, as a means to contribute to the region's environmental sustainability. In order to minimize the direct negative impact of its operations on the environment, the following results are reported for 2019:

Carbon Neutrality certification

Aware of climate change and its effects in the region, the Bank inventoried the Greenhouse Gas (GHG) emissions for its Costa Rica regional building, taking 2014 as the base year. In December 2019, the Costa Rican Institute of Technical Standards (Inteco) certified said building as "Carbon Neutral" for the third consecutive year.

LEED Certification

Committed to environmental sustainability in its facilities, CABEI obtained the gold category certification from the Leadership in Energy & Environmental Design (LEED) for the operation and maintenance of its regional building in El Salvador. Simultaneously, the design of its annex building in Honduras and its building in Nicaragua were also certified.

Environmental Management System (SGA) certification

In July 2019, the Bank's headquarters building was certified under the ISO 14001: 2015 Environmental Management international standard, with zero findings identified.



CABEI is the first development bank in the region that has been certified by the Colombian Institute of Technical Standards and Certification (ICONTEC) and the second to be certified by the International Certification Network (IQNet).

ISO 14001:2015 Environmental Management System Certificate, issued by ICONTEC.

SGA objectives and results, 2019

Set objective	Consumption/Generation		Result at the close of 2019	%
	2018	2019		
 1 To reduce paper consumption (reams) by 10.0%, compared to 2018	2,670 reams	1,776 reams	894	-33.0 ✓
 2 To keep drinking water consumption at 8,530 m ³	8,530 m ³	8,154 m ³	376 m ³	-4.0 ✓
 3 To reduce well water consumption by 600 m ³	11,769 m ³	3,155 m ³	8,614 m ³	-73.0 ✓
 4 To reduce non-recoverable waste generation by 1,860 kg	37,201 kg	32,904 kg	4,297 kg	-12.0 ✓
 5 To generate 372,000 Kwh of renewable energy	372,770 Kwh	390,890 Kwh	18,120 Kwh	+5.0 ✓
 6 To keep non-renewable electricity consumption at 1,845,200 Kwh	1,845,200 Kwh	1,925,000 Kwh	79,800 Kwh*	+4.0

* Due to the extension of last summer, air conditioning consumption was higher than anticipated, which prevented achieving this goal.

Social responsibility

Throughout the year, the Bank channeled resources in support of 22 civil society initiatives developed in the health, education, community development, and environmental sectors.

In 2019, CABI volunteers carried out activities benefiting the environment, through which over 600 trees were planted in protected areas of Central America, totaling 17,230 trees planted in vulnerable areas affected by climate change since 2009. Volunteers also participated in turtle releasing and beach cleaning activities.

In order to impact on the region's social development, the Institution signed a Memorandum of Understanding with the International Chess Federation to promote this formative sporting activity among children and young people from CABI member countries.

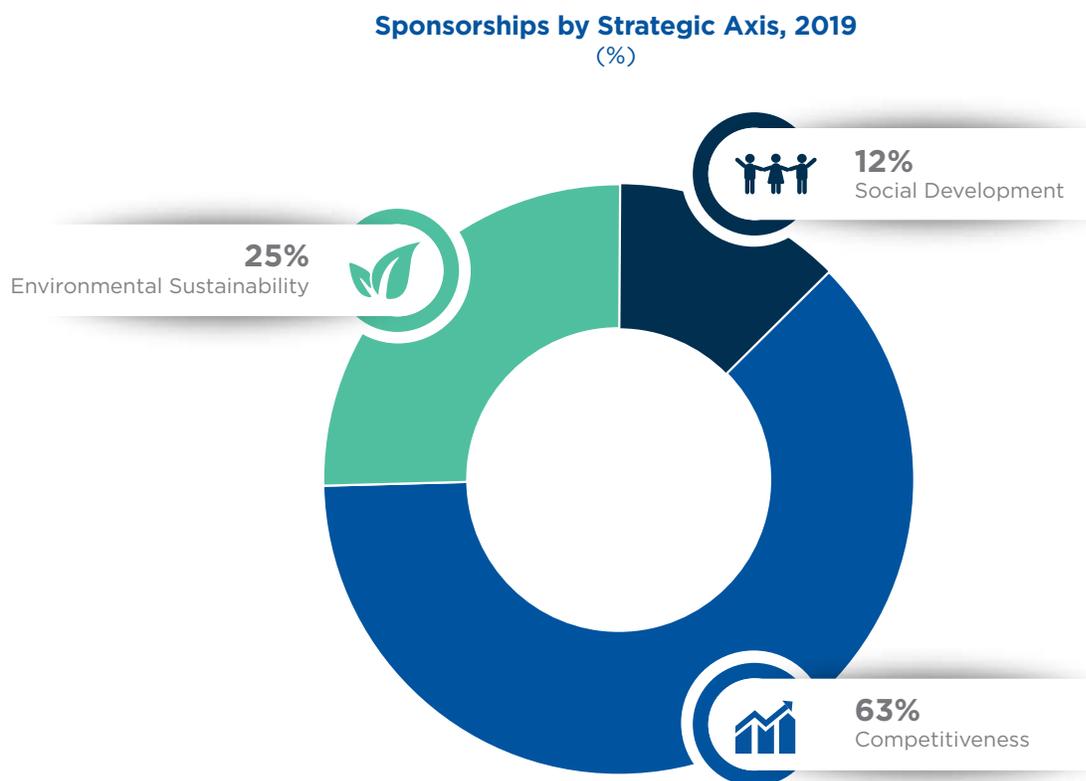
Likewise, in 2019, the Mesoamerican Poetry Workshops began with the aim of bringing our

people closer together through words and poetry; the activities will promote a sense of identity and belonging among participants.

Sponsorships

CABI sponsors events that contribute to the economic, social, and environmental development of Central America and its other member countries. In 2019, 63 events were sponsored for an amount of US\$405,636.92, which promoted knowledge, the adoption of best practices, innovation, competitiveness, and regional integration.

The following graph highlights the Strategic Axes where these initiatives impacted; as shown, the Strategic Axis of Competitiveness represents the highest percentage in the distribution of sponsorships (63.0%).



CABEI authorities

Board of Governors

Country	Titular Governor	Alternate Governor
Guatemala	Víctor Manuel Alejandro Martínez Ruiz Minister of Public Finance	Acisclo Valladares Urruela Minister of Economy
El Salvador	Nelson Eduardo Fuentes Menjivar Minister of Finance	Oscar Edmundo Anaya Sánchez Vice Minister of Finance <i>ad honorem</i>
Honduras	Rocío Izabel Tábor Morales Secretariat of Finance	Wilfredo Rafael Cerrato Rodríguez President of the Central Bank
Nicaragua	Iván Acosta Montalván Minister of Finance and Public Credit	Leonardo Ovidio Reyes Ramírez President of the Central Bank
Costa Rica	Rodrigo Alberto Chaves Robles Minister of Finance (Since November 25, 2019)	Rodrigo José Cubero Brealey Executive President del Banco Central
	María del Rocío Aguilar Montoya Minister of Finance (Until October 23, 2019)	
Mexico	Arturo Herrera Gutiérrez Secretary of Treasury and Public Credit (Since July 9, 2019)	Gabriel Yorio González Undersecretary of Finance and Public Credit (Since August 1, 2019)
	Carlos Manuel Urzúa Macías Secretary of Treasury and Public Credit (Until July 8, 2019)	Arturo Herrera Gutiérrez Undersecretary of Treasury and Public Credit (Until July 9, 2019)
Republic of China (Taiwan)	Jain-Rong Su Minister of Finance	Nan-Kuang Chen Deputy Governor of the Central Bank
Argentina	Gustavo Osvaldo Beliz Secretary of Strategic Affairs (Since December 27, 2019)	Christian Gonzalo Asinelli Undersecretary of International Financial Relations for Development (Since December 27, 2019)
	Jorge Roberto Hernán Lacunza Minister of Finance (Until December 10, 2019)	Guido Martín Sandleris Chairman under commission of the Central Bank (Until December 10, 2019)
	Nicolás Dujovne Minister of Finance (Until August 20, 2019)	
Colombia	Alberto Carrasquilla Barrera Minister of Finance and Public Credit	Juan Pablo Zárate Perdomo Technical Vice Minister of Finance and Public Credit (Since September 24, 2019)
		Luis Alberto Rodríguez Ospino Technical Vice Minister of Finance and Public Credit (Until September 23, 2019)
España	Nadia Calviño Santamaría Minister of Economy and Business	Ana de la Cueva Fernández Secretariat of Economy and Business Support

Country	Titular Governor	Alternate Governor
Panama	Héctor E. Alexander H. Minister of Economy and Finance (Since August 12, 2019)	Javier Enrique Carrizo Esquivel General Manager of the National Bank (Since July 27, 2019)
	Javier Carrizo Esquivel General Manager of the National Bank (From July 24 until August 11, 2019)	David Saied Torrijos Vice Minister of Economy (From July 1 to 26, 2019)
	Rolando de León de Alba General Manager of the National Bank (Until June 30, 2019)	Gustavo A. Valderrama R. Vice Minister of Economy (Until June 30, 2019)
Dominican Republic	Donald Guerrero Ortiz Minister of Treasury	Héctor Valdez Albizu Governor of the Central Bank
Belize	Erwin Rafael Contreras Ministry of Economic Development, Petroleum, Investment, Trade and Commerce	Santiago Santino Castillo
Cuba	Marta Sabina Wilson González Minister President of the Central Bank (Since December 21, 2019)	Katerine Aliño Carballo Vice President of the Central Bank
	Irma Margarita Martínez Castrillón Minister President of the Central Bank (Until December 20, 2019)	
Comptroller:	Jorge Alberto Muñoz Henríquez	
Secretary:	Héctor Javier Guzmán Bonilla	

Board of Directors

Founding Member Country Directors

Director for Guatemala	José Carlos Castañeda y Castañeda	
<i>Ad honorem</i> Temporary Directress for El Salvador	Carolina Recinos	(Since September 4, 2019)
Director for El Salvador	Guillermo Enrique Funes Cartagena	(Until July 1, 2019)
Directress for Honduras	Catherine Yamileth Chang Carías	(Since March 4, 2019)
	Tania Joselina Lobo Alonzo	(Until March 3, 2019)
Director for Nicaragua	Armando Enrique Navarrete Mena	
Director for Costa Rica	Ottón Solís Fallas	

Non-founding Regional Member Country Directors

Director for Panama	Carlos Ernesto Arosemena Argüelles	(Since November 1, 2019)
	Héctor René Chinchilla García	(Until October 31, 2019)
Directress for the Dominican Republic	Clara Quiñones de Longo	

Extra-Regional Directors

Director for Mexico	Jorge Saggiante	(Since January 18, 2019)
	Omar Antonio Francisco Martínez Villada	(Until January 17, 2019)
Director for the Republic of China (Taiwan)	Wei-Sheng Chiu	
Titular Director for Argentina and Colombia	Ángel Custodio Cabrera Báez	(Since April 1, 2019)
	Julio Luis Jácome Arana	(Until March 31, 2019)
Alternate Director for Argentina and Colombia	Carlos Sanguinetti Barro	
Director for Spain	Enrique Manzanares Carbonell	

Positions attached to the Board of Directors

Secretary	Héctor Javier Guzmán Bonilla	
Internal Auditor	Francisco Rodríguez Nava	
Head of the Evaluation Office	José Efraín Deras	
Ethics Officer	Ricardo Enrique Arriaga Mata	

Management

Upper Management and Staff Offices

Executive President	Dante Ariel Mossi Reyes	
Executive Vice President	Nadia Liz Baldelomar Leclair a.i.	(Since August 3, 2019)
	Alejandro José Rodríguez Zamora	(Until September 23, 2019)
Economist Office	Florencia Teresa Castro-Leal	(Since October 1, 2019)
Programming and Special Programs Advisor	Jennifer Elizabeth Bonilla Lozano a.i.	(From September 30, 2019 to October 27, 2019)
	José de Jesús Rojas Rodríguez	(Until September 27, 2019)
Institutional Relations Advisor	Salvador José Sacasa Cisne	
Head of the Legal Affairs Office	Julio Eduardo Martínez Bichara	
Head of the Human Resources Office	José Roberto Galindo Arévalo	
Head of the Social Benefits Fund	María José Negreira Juchniewicz	
Head of Budget	Rubén Reinaldo Méndez	(Since August 5, 2019)
Head of the Integrity and Compliance Office	Nestor Alejandro Chavez Canales	
Head of the Environmental and Social Sustainability Office	Norma Roberta Palma Milla a.i.	(Since July 20, 2019)
	Cristian Porras Chaparro	(From January 14 to July 19, 2019)

Management

Sectors and Countries Manager	Javier Rodríguez Renovato a.i.	(From June 26 to August 2, 2019)
	Horacio Leiva Madrid	(Until June 25, 2019)
Private Sector Manager	Carlos Eduardo Gómez Díaz a.i.	(Since August 3, 2019)
Public Sector Manager	Javier Rodríguez Renovato a.i.	(Since August 3, 2019)
Finance Manager	Hernán Danery Alvarado Gómez	
Credit Manager	Randall Chang Benambur a.i.	(Since October 16, 2019)
	Luis Enrique Navarro Barahona	(Until November 6, 2019)
Institutional Risk Manager	Juan Jorge Mourra Carías	(Since April 16, 2019)
	José Arístides Solorzano Ramírez a.i.	(Until April 15, 2019)
General Services and Technology Manager	Francisco José Cornejo Párraga	

Regional Country Office Managers

Guatemala	Trevor Brial Estrada Ruíz
El Salvador	Raúl Guillermo Castaneda Trabanino
Honduras	Manuel José Torres Lezama
Nicaragua	José Alberto Navarro Rodríguez
Costa Rica	Mauricio Alberto Chacón Romero
Panama	Carlos Javier Moreno Medina



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