



Central  
American Bank  
for Economic  
Integration

CABEI



# Institutional Presentation

April 2020



**1. Macroeconomic Overview**

**2. CABEI's Role and Policy Importance**

**3. Results of the Amendments to CABEI's Constitutive Agreement**

**4. Equity and Profitability**

**5. ALM Policy**

**6. Credit Risk Management**

**7. Comparison with other MDBs - Rating**

# Central America: Key Economic Facts

## Key Economic Facts

**Area:** 572,563 km<sup>2</sup>

**Population:** 60.7 million

**Population density:** 106.1 people per km<sup>2</sup>

**Population Growth (2018-2019):** 1.41%

**Regional GDP:** US\$366.2 billion

**GDP per Capita:** US\$6,023

- ✓ *The Central American region consists of eight countries: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Belize, Panama, and the Dominican Republic.*
- ✓ *Central America as a region is the sixth largest economy in Latin America.*

Guatemala



El Salvador



Costa Rica



Honduras



Nicaragua



Belize



Panama



Dominican Republic



<http://www.secmca.org/simafir.html>

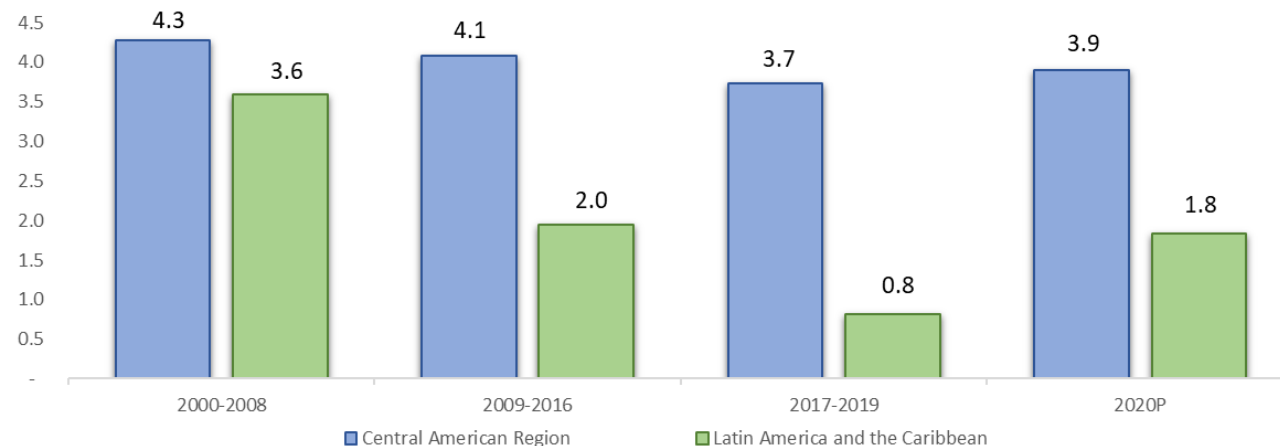
<http://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx>

BMI search

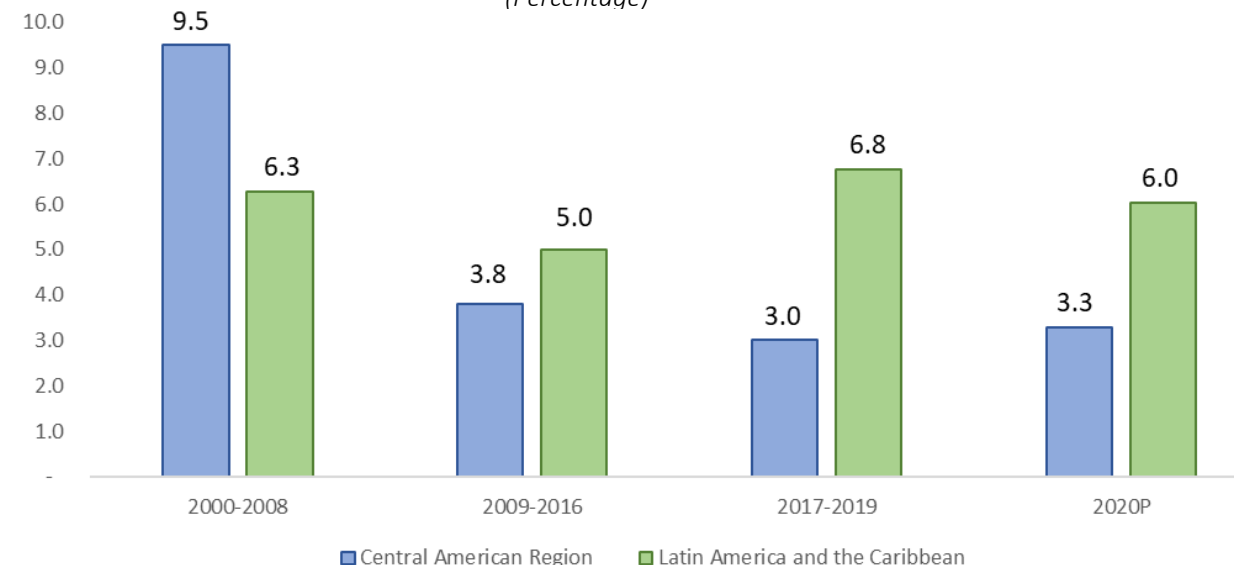
# Key Statistics for the Central American Region\*- Economic Outlook



Economic Growth  
(Percentage)



Inflation  
(Percentage)



Economic Activities with Higher Growth

| Belize                                | Guatemala                           | El Salvador           | Honduras                            | Nicaragua                           | Costa Rica  | Panama                                | Dominican Republic                    |
|---------------------------------------|-------------------------------------|-----------------------|-------------------------------------|-------------------------------------|---|---------------------------------------|---------------------------------------|
| Trade                                 | Trade                               | Manufacturing         | Manufacturing                       | Agriculture, Livestock and fishing. | Education and Health services                     | Construction                          | Manufacturing                         |
| Public Administration                 | Manufacturing                       | Trade                 | Trade                               | Manufacturing                       | Professional, Scientific and Technical Activities | Trade                                 | Construction                          |
| Transport, Storage and Communications | Agriculture, Livestock and fishing. | Public Administration | Agriculture, Livestock and fishing. | Trade                               | Manufacturing                                     | Real State Activities                 | Trade                                 |
| Financial and insurances Activities   | Real State activities               | Public Administration | Education and Health Services       | Education and Health Services       | Trade   | Transport, Storage and Communications | Education and Health Services         |
| Real State activities                 | Education and Health Services       | Real State activities | Constructions                       | Real State activities               | Real State activities                             | Financial and insurances Activities   | Transport, Storage and Communications |

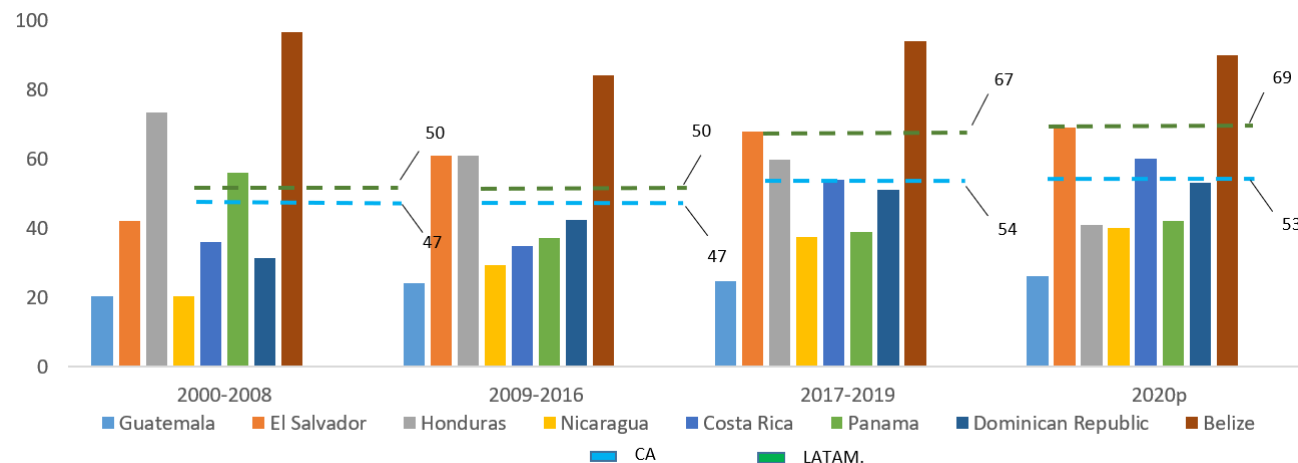
- Economic growth for 2020 in LATAM is estimated to be around 1.8%, while CA's growth is estimated at 3.9%.
- For 2020, inflation in LATAM is estimated at 6.0%; 2.7% higher than the 3.3% estimate for CA.

\*The Central American Region includes Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, the Dominican Republic, and Belize.

# Key Statistics for the Central American Region- Economic Outlook

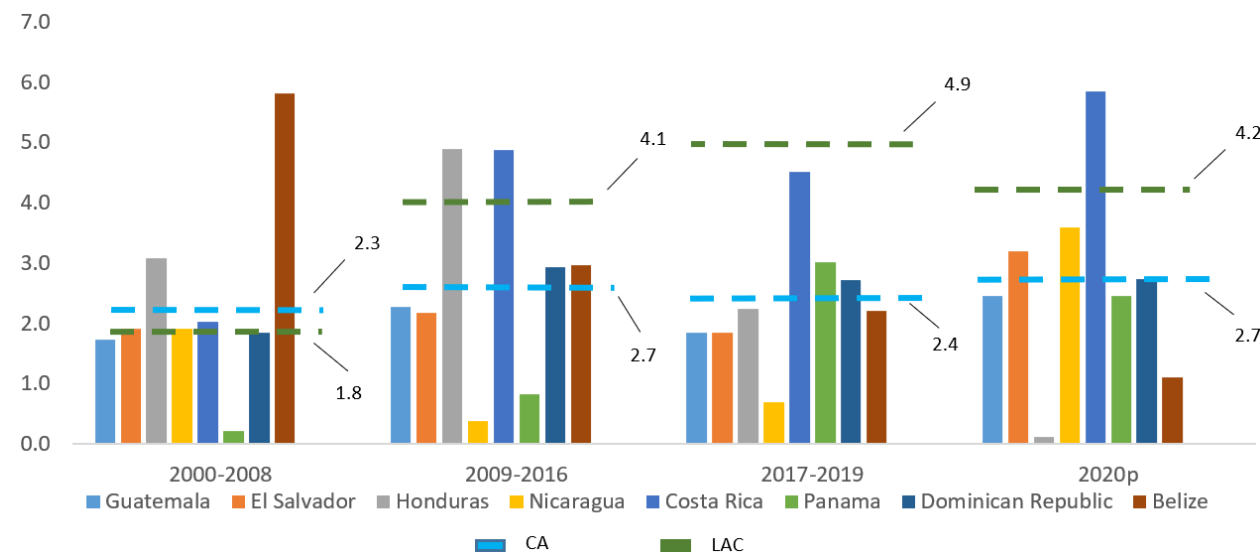


Central America Region: CG Debt  
(Percentage of GDP)



- During the 2000-2008 period, most CA countries reported fiscal deficits close to LATAM's regional average (1.8%).
- The fiscal position of the CA region as a whole has improved in the recent past; as governments keep making and implementing important policy measures. It also compares favorably to the LATAM average for the 2019 (2.7% vs 4.8%).

Central America Region: Fiscal Deficit  
(Percentage of GDP)



- Central Government debt growth is one of the major concerns for LATAM and CA authorities.
- Except for El Salvador and Belize, Central American countries exhibit debt levels below the LATAM average.

# Central America: Trade Integration Agreements and Regional Initiatives



✓ Following substantial work towards regional trade integration over the last half century, Central America has emphasized multilateral initiatives that underpin integration:

| Initiatives   | Year approved                 | Benefits   |
|---|-------------------------------|--|
| Free trade agreement between <b>Chile</b> and Central America                   | Formally signed October 1999  | Improved hemispheric integration.<br>Improved rules for the investments promotion.<br>Create an expanded and secure market for the goods produced.   |
| Free trade agreement between <b>Panama</b> and Central America                  | Formally signed March 2002    | Improved commercial relationship in the region.<br>Increased the economic and social development.  |
| Central America* – <b>USA</b> Free Trade Agreement (DR-CAFTA)                   | Formally signed May 2004      | Improved commercial relationship in the region.<br>Increased the market access.<br>Encouraged a complementary agenda for Central America Region.   |
| Free trade agreement between <b>Mexico</b> and Central America                  | Formally signed November 2011 | Improved the competitiveness between Central America and Mexico.<br>Increased the economic and social development.<br>Removed commercial barriers and facilitated the trade between Central America and Mexico.  |
| The <b>European Union</b> - Central America Association Agreement (EU-CAAA)     | Formally signed June 2012     | Improved commercial and cooperative relationship between regions.<br>Increased social development in the Central America Region.   |
| Free trade agreement between the Republic of <b>Korea</b> and Central America** | Formally signed February 2018 | On June 18, 2015, Central American countries and the Republic of Korea launched negotiations towards a free trade agreement, which concluded on November 16, 2016 in Managua, Nicaragua. On February 21, 2018, the FTA was signed in Seoul, Korea with Costa Rica, El Salvador, Honduras, Nicaragua, and Panama. The agreement took effect on October 1, 2019. |
| Free trade Agreement between the <b>United Kingdom</b> and Central America**    | Formally signed July 2019     | On July 2019, a free trade agreement was signed between the United Kingdom and the Central American Region, with the aim of ensuring trade relations, considering the United Kingdom's withdrawal (BREXIT) from the EU. This incorporates changes that differentiate the existing agreement between the EU and Central America.                                |

\*Includes Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and, the Dominican Republic.

\*\* Includes Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama.





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### CABI's Mission\*

*“The Bank’s objective shall be to promote the economic integration and the balanced economic and social development of the Central American region, which includes the founding countries and the non-founding regional countries, and in harmony with the objectives of its non-regional members.”*

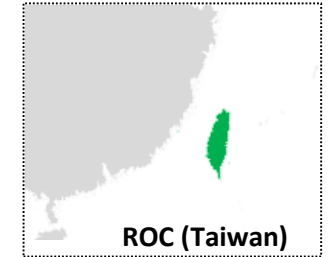
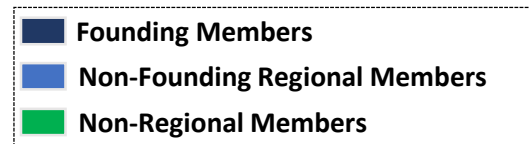
*\* Effective as of January 29, 2020 (Resolution DI-04/2020).*



# Member Countries



- Supranational development bank focused on Central America, founded in 1960
- Headquartered in Tegucigalpa, Honduras
- **Founding Members:**
  - El Salvador
  - Guatemala
  - Honduras
  - Nicaragua
  - Costa Rica
- **Non-Founding Regional Members:**
  - Dominican Republic (2007)
  - Panama (2007)
  - Belize (2006)
- **Non-Regional Members:**
  - ROC Taiwan (1992)
  - Mexico (1992)
  - Argentina (1995)
  - Colombia (1997)
  - Spain (2005)
  - Cuba (2018)
  - Republic of Korea (2019)



# CABEI as part of the Central American Integration System

## (SICA by its acronym in Spanish)



### CABEI - SICA

SICA’s purpose is to achieve the integration of Central America for it to become a Region of Peace, Freedom, Democracy and Development.

CABEI is SICA’s financial arm.

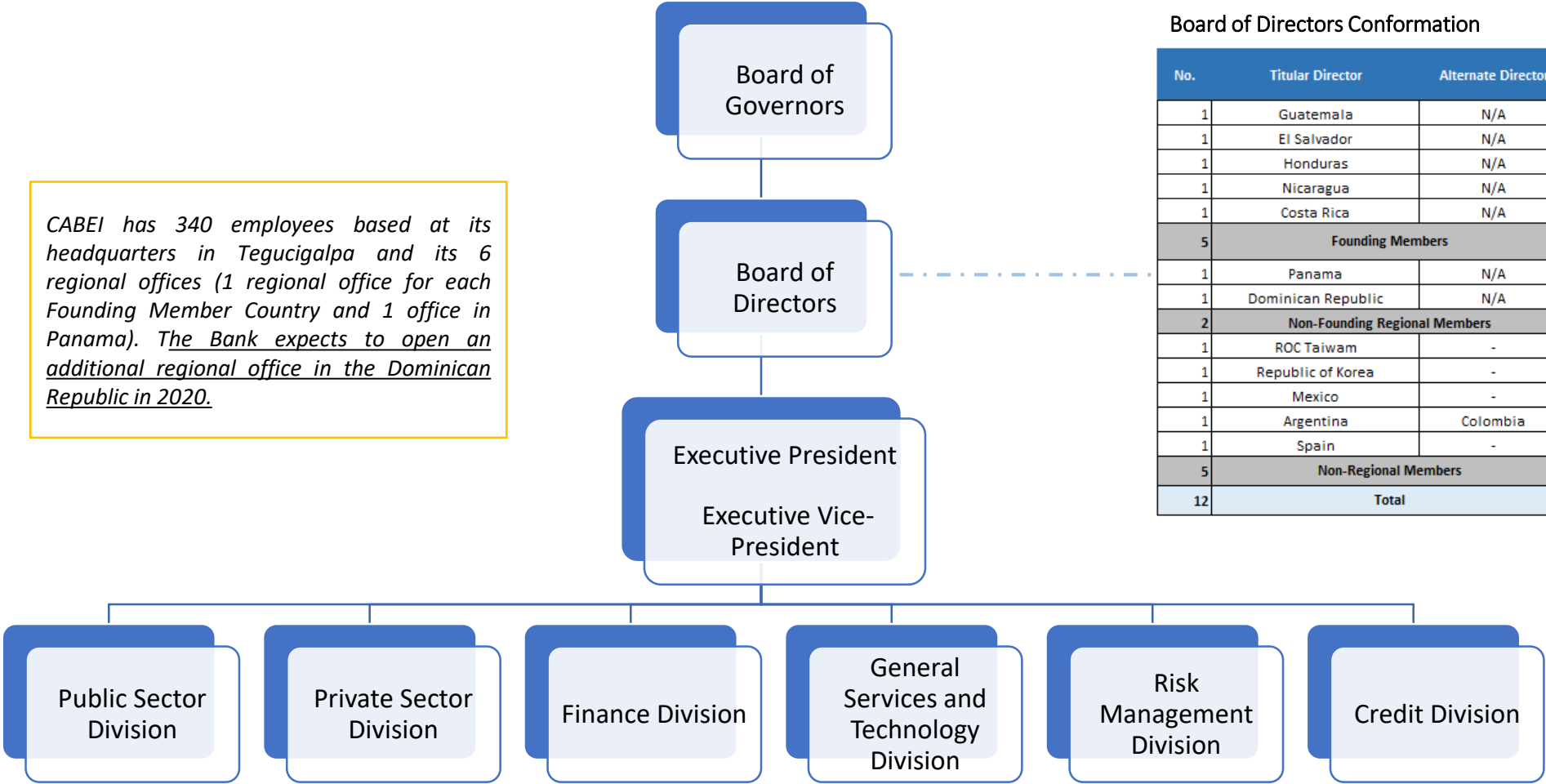


| Member states                 | Extraregional observers     | Extraregional observers |
|-------------------------------|-----------------------------|-------------------------|
| Belize                        | Republic of China (Taiwán)  | Canada                  |
| Costa Rica                    | Kingdom of Spain            | Bolivia                 |
| El Salvador                   | Federal Republic of Germany | Russia                  |
| Guatemala                     | Germany                     | Sweden                  |
| Honduras                      | Italian Republic            | Egypt                   |
| Nicaragua                     | Japan                       | Georgia                 |
| Panamá                        | Australia                   |                         |
| Dominican Republic            | Republic of Korea           |                         |
|                               | French Republic             |                         |
|                               | Holy See                    |                         |
|                               | United Kingdom              |                         |
|                               | European Union              |                         |
|                               | Kingdom of Morocco          |                         |
|                               | New Zealand                 |                         |
|                               | State of Qatar              |                         |
|                               | Republic of Turkey          |                         |
|                               | Order of Malta              |                         |
|                               | Republic of Serbia          |                         |
| Regional Observers            |                             |                         |
| United Mexican States         |                             |                         |
| Republic of Chile             |                             |                         |
| Federative Republic of Brazil |                             |                         |
| Argentina                     |                             |                         |
| Republic of Peru              |                             |                         |
| United States of America      |                             |                         |
| Ecuador                       |                             |                         |
| Uruguay                       |                             |                         |
| Republic of Colombia          |                             |                         |

# Organizational Structure



CABEI has 340 employees based at its headquarters in Tegucigalpa and its 6 regional offices (1 regional office for each Founding Member Country and 1 office in Panama). The Bank expects to open an additional regional office in the Dominican Republic in 2020.



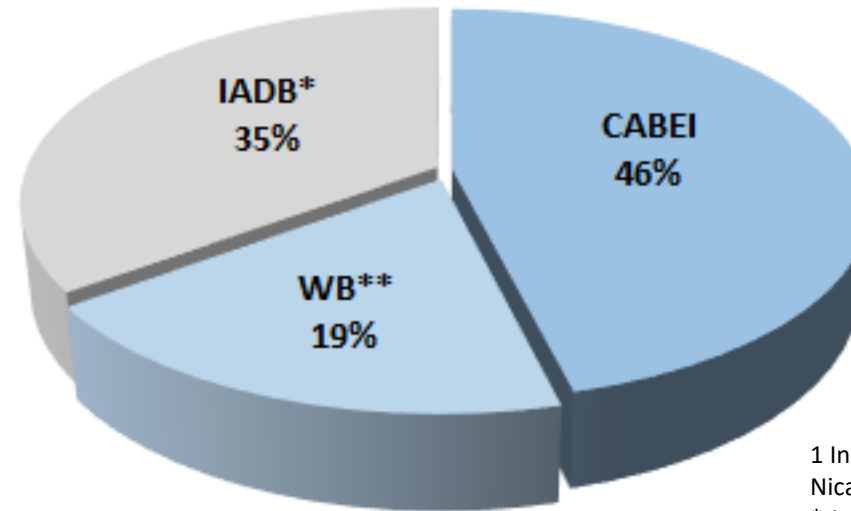
Board of Directors Conformation

| No. | Titular Director              | Alternate Director |
|-----|-------------------------------|--------------------|
| 1   | Guatemala                     | N/A                |
| 1   | El Salvador                   | N/A                |
| 1   | Honduras                      | N/A                |
| 1   | Nicaragua                     | N/A                |
| 1   | Costa Rica                    | N/A                |
| 5   | Founding Members              |                    |
| 1   | Panama                        | N/A                |
| 1   | Dominican Republic            | N/A                |
| 2   | Non-Founding Regional Members |                    |
| 1   | ROC Taiwan                    | -                  |
| 1   | Republic of Korea             | -                  |
| 1   | Mexico                        | -                  |
| 1   | Argentina                     | Colombia           |
| 1   | Spain                         | -                  |
| 5   | Non-Regional Members          |                    |
| 12  | Total                         |                    |

# CABEI is the dominant MDB in the Central American Region



CABEI, IADB and World Bank participation (%) of total disbursements to the Region<sup>1</sup> in the last 15 years (2004-2018)



**Total Disbursements 2004-2018:**  
**US\$43.7 billion**

<sup>1</sup> Includes Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica

\* Includes BID Invest.

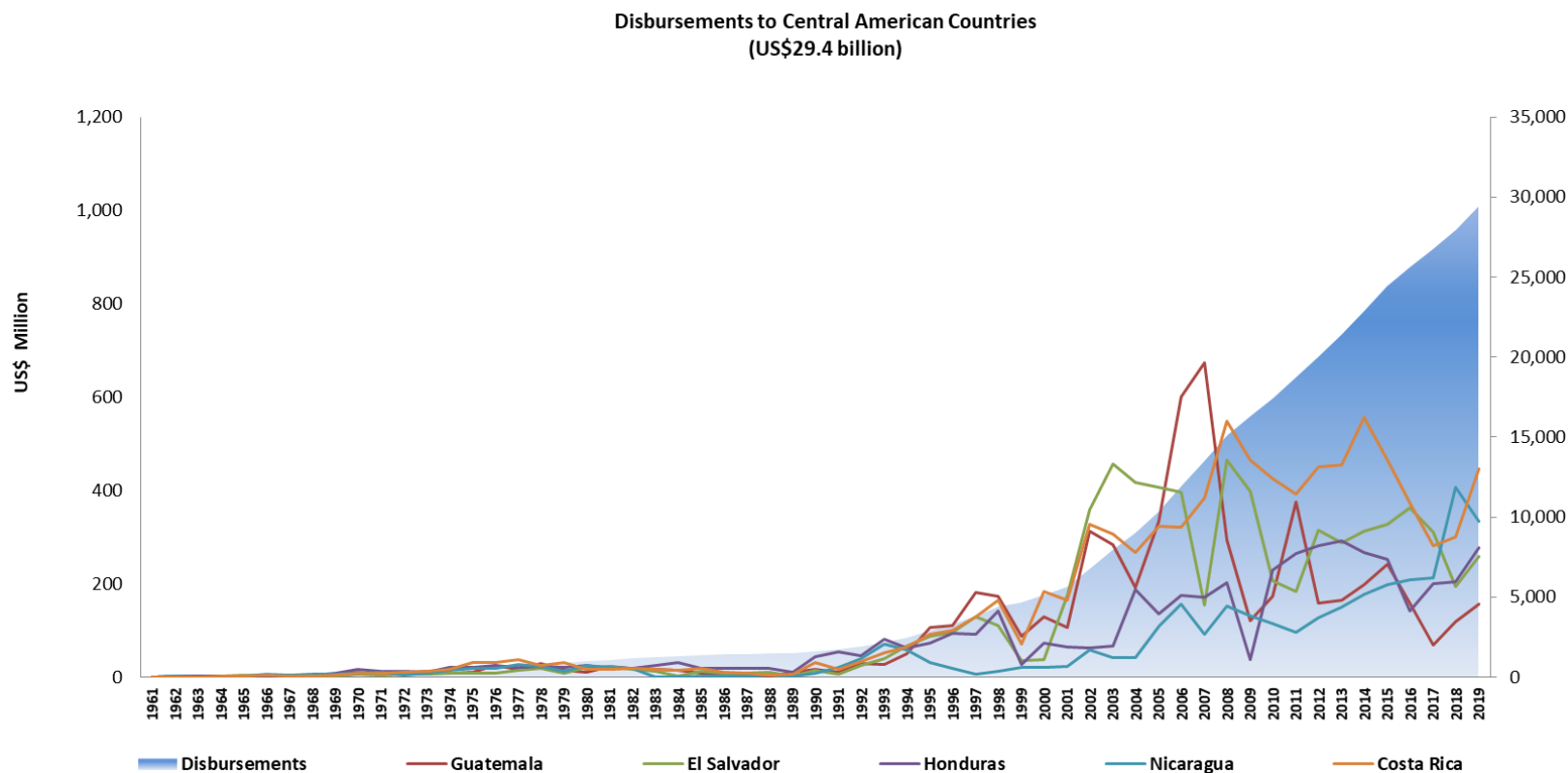
\*\* Includes IFC & IDA. IBRD data until Nov-18.

It does not include Funds in Administration.

Source: [www.iadb.org](http://www.iadb.org), [www.worldbank.org](http://www.worldbank.org) CABEI.

- ✓ Through the years CABEI has consolidated its role as the Multilateral Development Bank with the most relevant presence in the Central American region, with a participation close to 50% in the disbursements of the region in the last 15 years (2004- 2018).
- ✓ This consolidation has been mainly derived from the Preferred Creditor Treatment conferred to CABEI by its member countries.
- ✓ **CABEI's role is not and cannot be readily fulfilled by another private or domestic public institution.**

# Rising importance of CABEL in the Region



- ✓ Since its creation, CABEI has disbursed over **US\$29.4 billion** to the Central American region.
- ✓ Almost 50% of those disbursements have taken place over the past 10 years.
- ✓ During periods when several multilateral development banks have frozen disbursements to some Central American countries (Nicaragua, Honduras and Guatemala), CABEI continued to fulfill its mandate, thus strengthening the Preferred Creditor Treatment conferred to it by its member countries.
- ✓ CABEI has a track record of six (6) decades of fulfilling its public policy mandate throughout credit cycles, and will continue to do so in the future.



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3. Results of the Amendments to CABEI's Constitutive Agreement

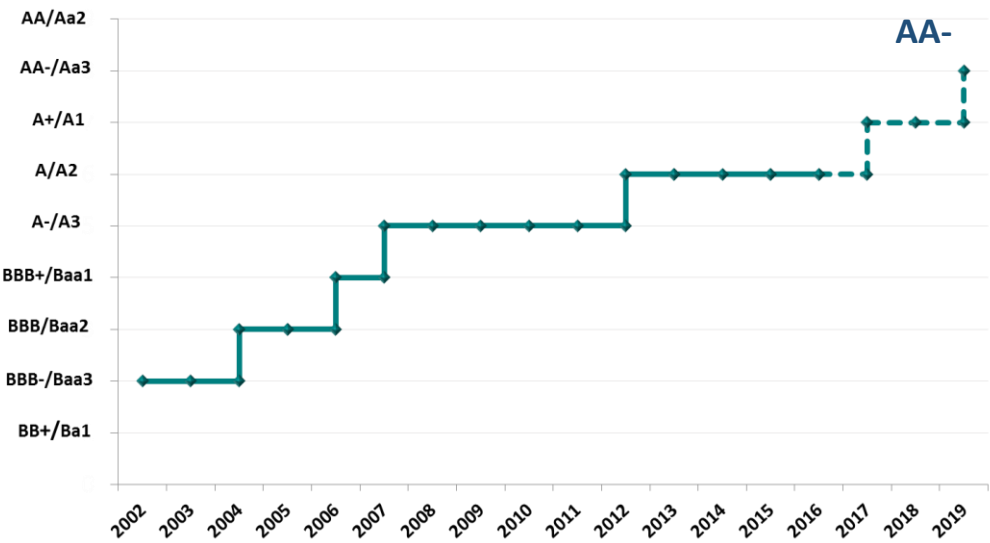
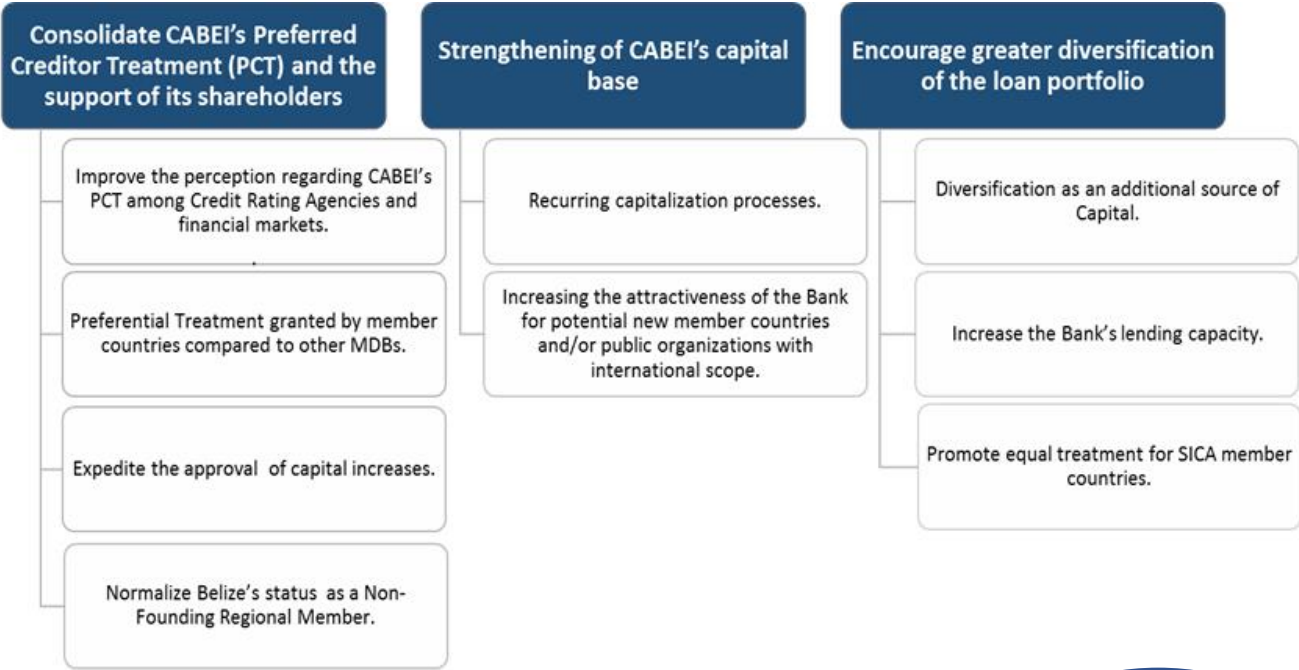
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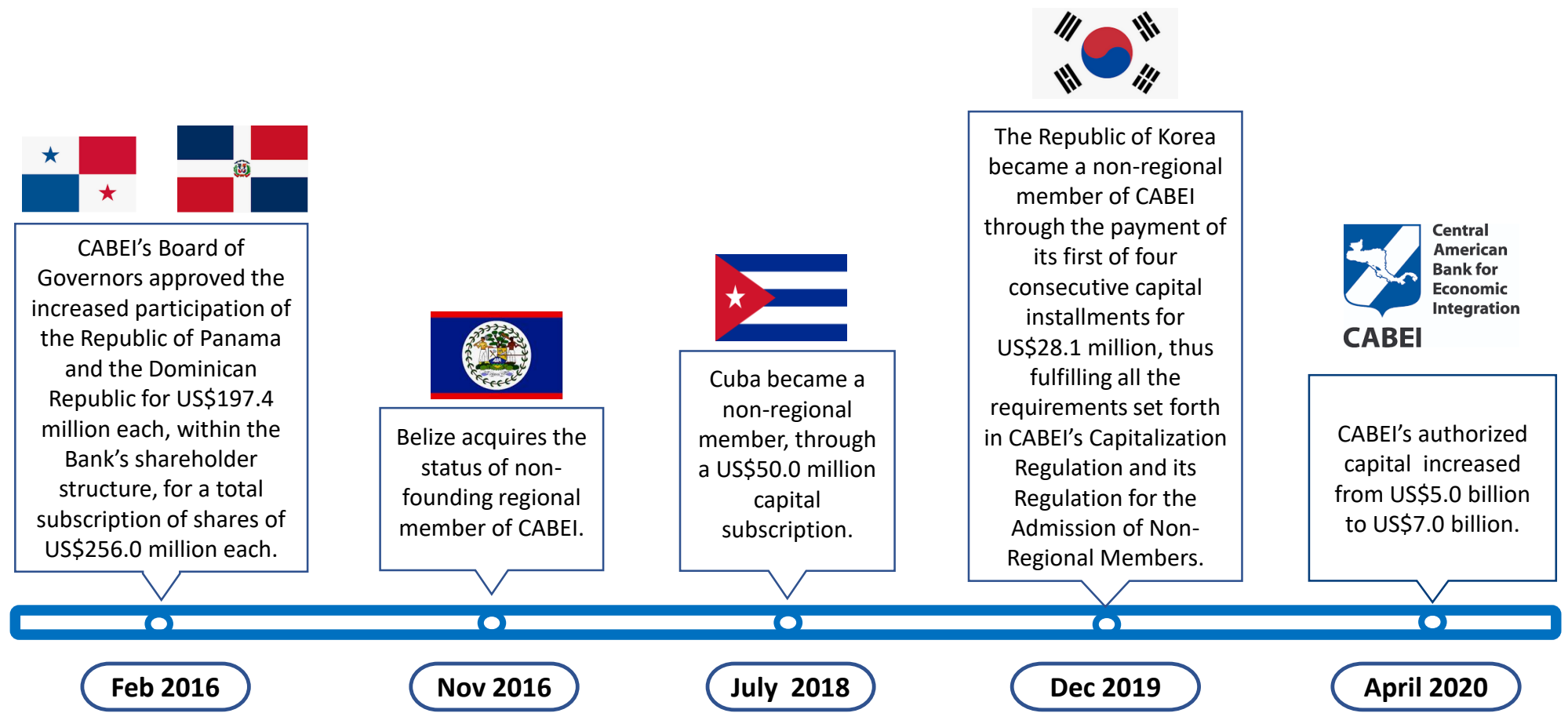
# Results of the Amendments to CABEI's Constitutive Agreement





# Results of the Amendments to CABEL's Constitutive Agreement

## Recent Institutional Events



# Capital Structure



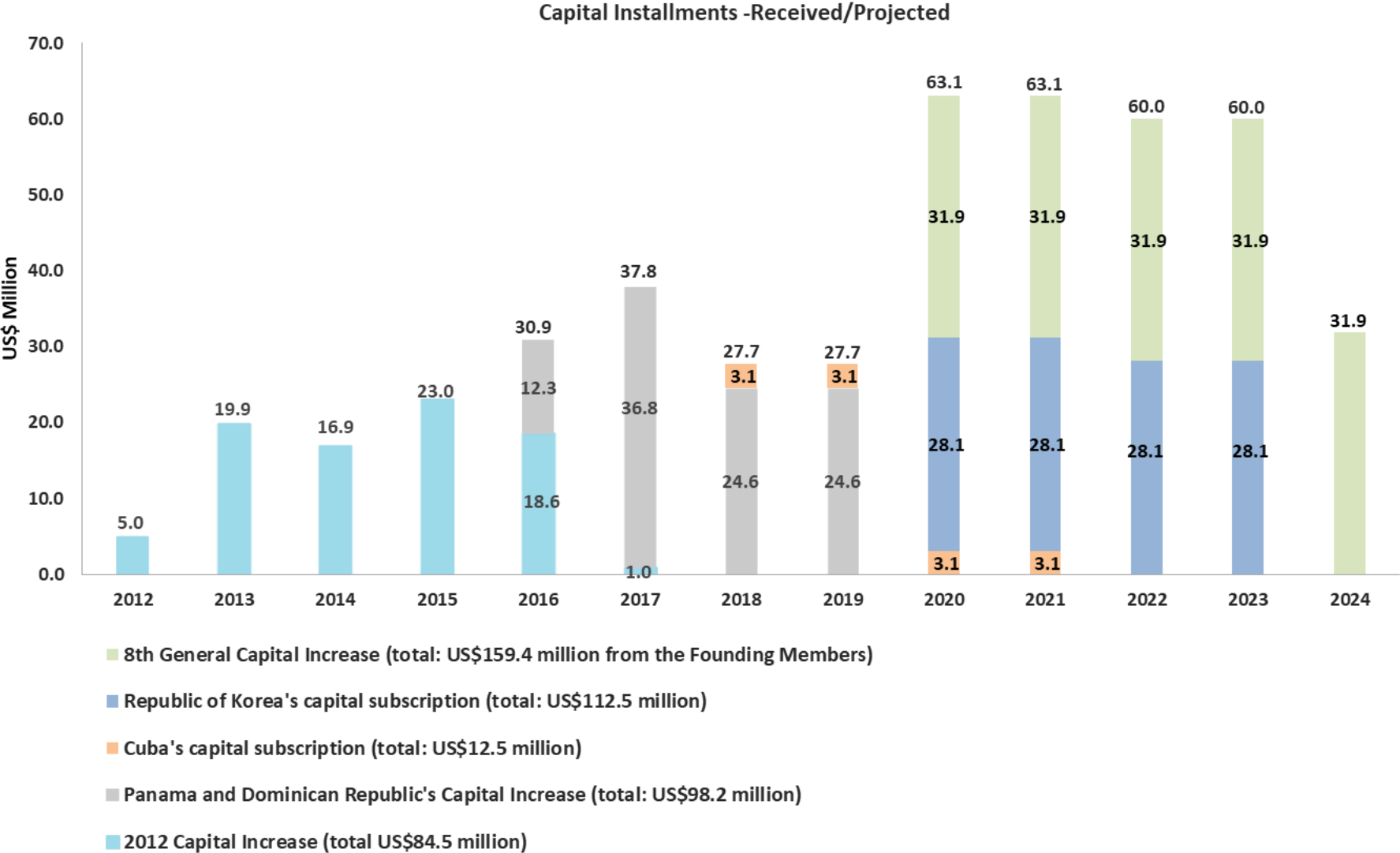
## Capital Structure as of April 20, 2020

| Founding Members                      | Subscribed Capital (US\$) | Subscribed Callable Capital (US\$) | Subscribed Paid-In Capital (US\$) (*) | No. of Series A Shares | No. of Series C Shares | No. of Shares with Voting Rights (A+C) | Series A Shares % of Authorized Capital | Share Participation (A+C) (%) |
|---------------------------------------|---------------------------|------------------------------------|---------------------------------------|------------------------|------------------------|--|---|-------------------------------|
| Guatemala                             | 714,000,000               | 535,500,000                        | 178,500,000                           | 71,400                 | 17,076                 | 88,476                                 | 10.20%                                  | 12.17%                        |
| El Salvador                           | 714,000,000               | 535,500,000                        | 178,500,000                           | 71,400                 | 17,076                 | 88,476                                 | 10.20%                                  | 12.17%                        |
| Honduras                              | 714,000,000               | 535,500,000                        | 178,500,000                           | 71,400                 | 17,076                 | 88,476                                 | 10.20%                                  | 12.17%                        |
| Nicaragua                             | 714,000,000               | 535,500,000                        | 178,500,000                           | 71,400                 | 17,076                 | 88,476                                 | 10.20%                                  | 12.17%                        |
| Costa Rica                            | 714,000,000               | 535,500,000                        | 178,500,000                           | 71,400                 | 17,076                 | 88,476                                 | 10.20%                                  | 12.17%                        |
| <b>Total Founding Members</b>         | <b>3,570,000,000</b>      | <b>2,677,500,000</b>               | <b>892,500,000</b>                    | <b>357,000</b>         | <b>85,380</b>          | <b>442,380</b>                         | <b>51.00%</b>                           | <b>60.86%</b>                 |
| Non-Founding Regional Members         | Subscribed Capital (US\$) | Subscribed Callable Capital (US\$) | Subscribed Paid-In Capital (US\$) (*) | No. of Series B Shares | No. of Series C Shares | No. of Shares with Voting Rights (B+C) | Series B Shares % of Authorized Capital | Share Participation (B+C) (%) |
| Panama                                | 256,000,000               | 192,000,000                        | 64,000,000                            | 25,600                 | 3,868                  | 29,468                                 | 3.66%                                   | 4.05%                         |
| Dominican Republic                    | 256,000,000               | 192,000,000                        | 64,000,000                            | 25,600                 | 3,385                  | 28,985                                 | 3.66%                                   | 3.99%                         |
| Belize                                | 25,000,000                | 18,750,000                         | 6,250,000                             | 2,500                  | 244                    | 2,744                                  | 0.36%                                   | 0.38%                         |
| <b>Sub-total</b>                      | <b>537,000,000</b>        | <b>402,750,000</b>                 | <b>134,250,000</b>                    | <b>53,700</b>          | <b>7,497</b>           | <b>61,197</b>                          | <b>7.67%</b>                            | <b>8.42%</b>                  |
| Non-Regional Members                  | Subscribed Capital (US\$) | Subscribed Callable Capital (US\$) | Subscribed Paid-In Capital (US\$) (*) | No. of Series B Shares | No. of Series C Shares | No. of Shares with Voting Rights (B+C) | Series B Shares % of Authorized Capital | Share Participation (B+C) (%) |
| ROC (Taiwan)                          | 500,000,000               | 375,000,000                        | 125,000,000                           | 50,000                 | 16,741                 | 66,741                                 | 7.14%                                   | 9.18%                         |
| Republic of Korea                     | 450,000,000               | 337,500,000                        | 112,500,000                           | 45,000                 | -                      | 45,000                                 | 6.43%                                   | 6.19%                         |
| Mexico                                | 306,250,000               | 229,687,500                        | 76,562,500                            | 30,625                 | 10,254                 | 40,879                                 | 4.38%                                   | 5.62%                         |
| Spain                                 | 200,000,000               | 150,000,000                        | 50,000,000                            | 20,000                 | 6,697                  | 26,697                                 | 2.86%                                   | 3.67%                         |
| Argentina                             | 145,000,000               | 108,750,000                        | 36,250,000                            | 14,500                 | 4,831                  | 19,331                                 | 2.07%                                   | 2.66%                         |
| Colombia                              | 145,000,000               | 108,750,000                        | 36,250,000                            | 14,500                 | 4,831                  | 19,331                                 | 2.07%                                   | 2.66%                         |
| Cuba                                  | 50,000,000                | 37,500,000                         | 12,500,000                            | 5,000                  | 267                    | 5,267                                  | 0.71%                                   | 0.72%                         |
| <b>Sub-total</b>                      | <b>1,796,250,000</b>      | <b>1,347,187,500</b>               | <b>449,062,500</b>                    | <b>179,625</b>         | <b>43,621</b>          | <b>223,246</b>                         | <b>25.66%</b>                           | <b>30.72%</b>                 |
| <b>Sub-total Non-Founding Members</b> | <b>2,333,250,000</b>      | <b>1,749,937,500</b>               | <b>583,312,500</b>                    | <b>233,325</b>         | <b>51,118</b>          | <b>284,443</b>                         | <b>33.33%</b>                           | <b>39.14%</b>                 |
| <b>Total Subscribed Capital</b>       | <b>5,903,250,000</b>      | <b>4,427,437,500</b>               | <b>1,475,812,500</b>                  | <b>590,325</b>         | <b>136,498</b>         | <b>726,823</b>                         | <b>84.33%</b>                           | <b>100.00%</b>                |
| Unsubscribed Shares                   | 1,096,750,000             |                                    |                                       | 109,675                |                        |  | 15.67%                                  |                               |
| <b>Total Authorized Capital</b>       | <b>7,000,000,000</b>      |                                    |                                       | <b>700,000</b>         |                        |  | <b>100.00%</b>                          |                               |

(\*) Subscribed Paid-In Capital includes unpaid capital

# Results of the Amendments to CABEL's Constitutive Agreement

## New Capital Installments

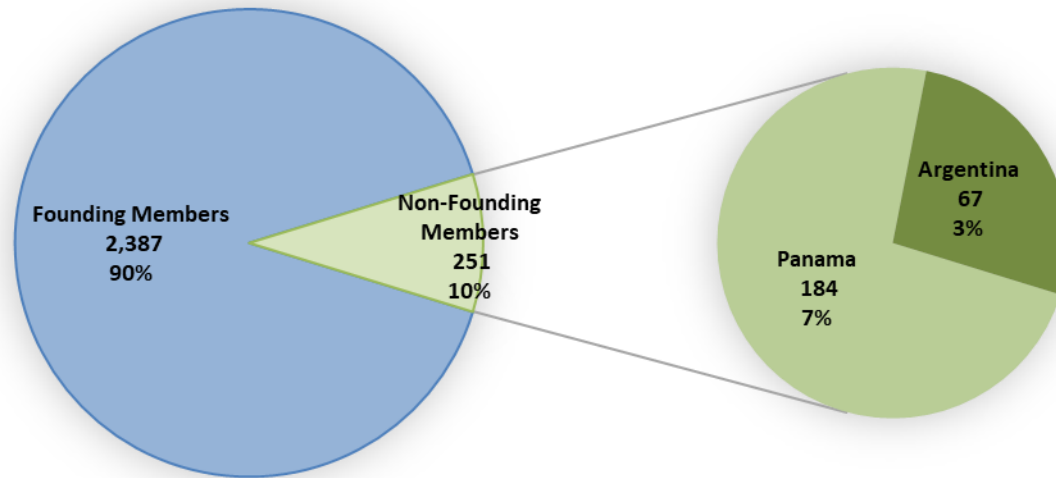


# Results of the Amendments to CABEL's Constitutive Agreement

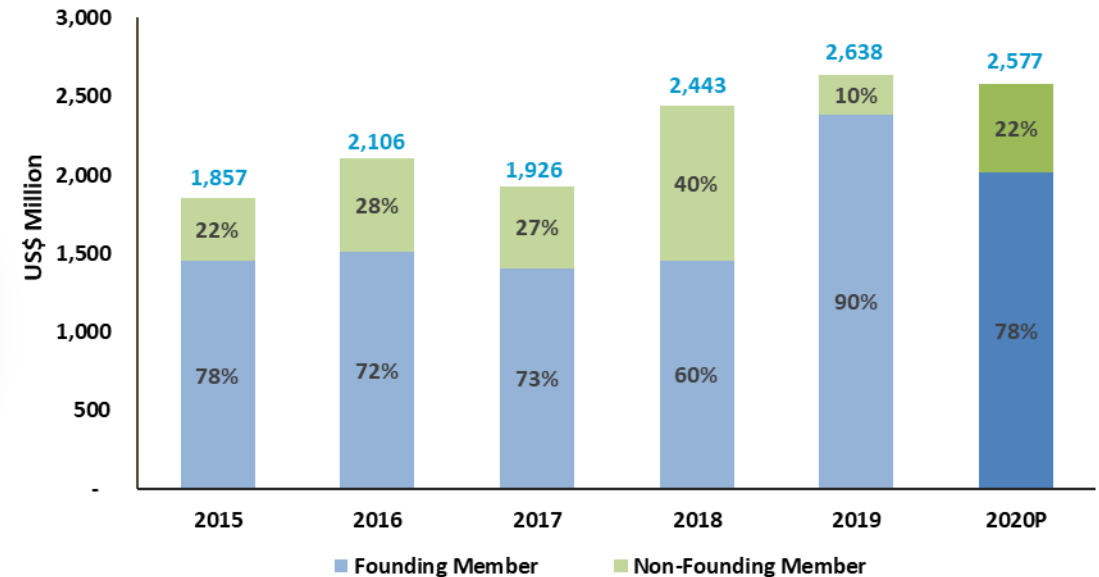
## Loan Portfolio Diversification



2019 Approvals by Member Type  
(US\$ Million and %)



Loan Approvals by Member Type

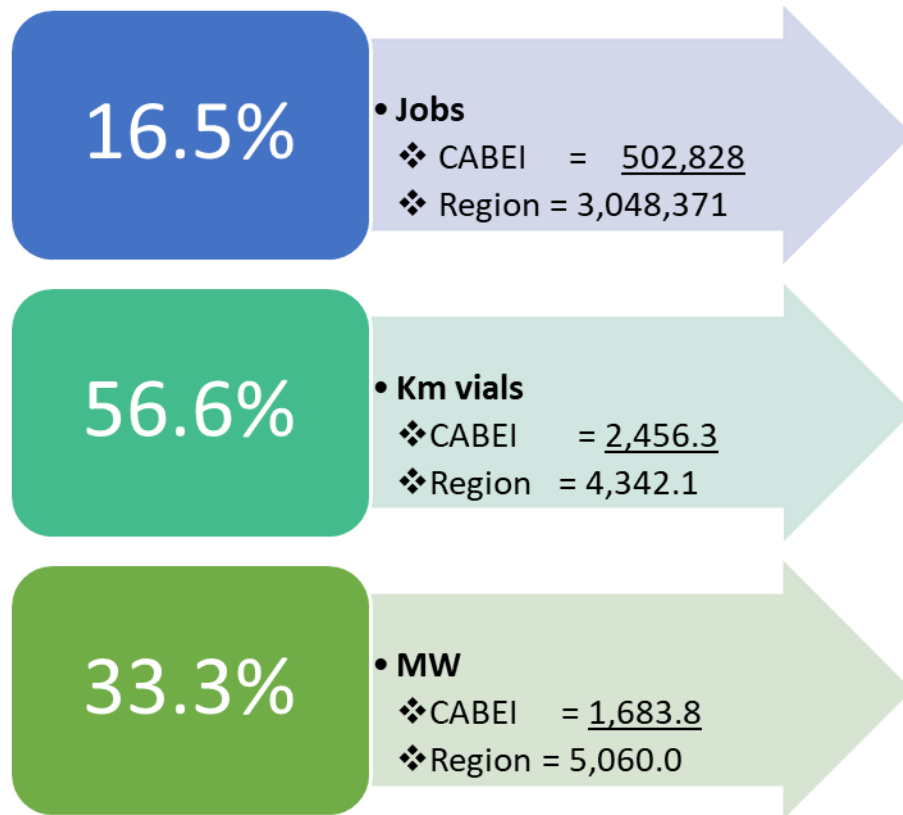


- ✓ During 2019, CABEI approved operations for US\$2,638 million of which US\$251 million (10%) correspond to non-founding regional countries and non-regional countries.
- ✓ For the strategic period 2020-2024, the Bank will continue its loan portfolio diversification process which is established as an objective under the amendments to its Constitutive Agreement.

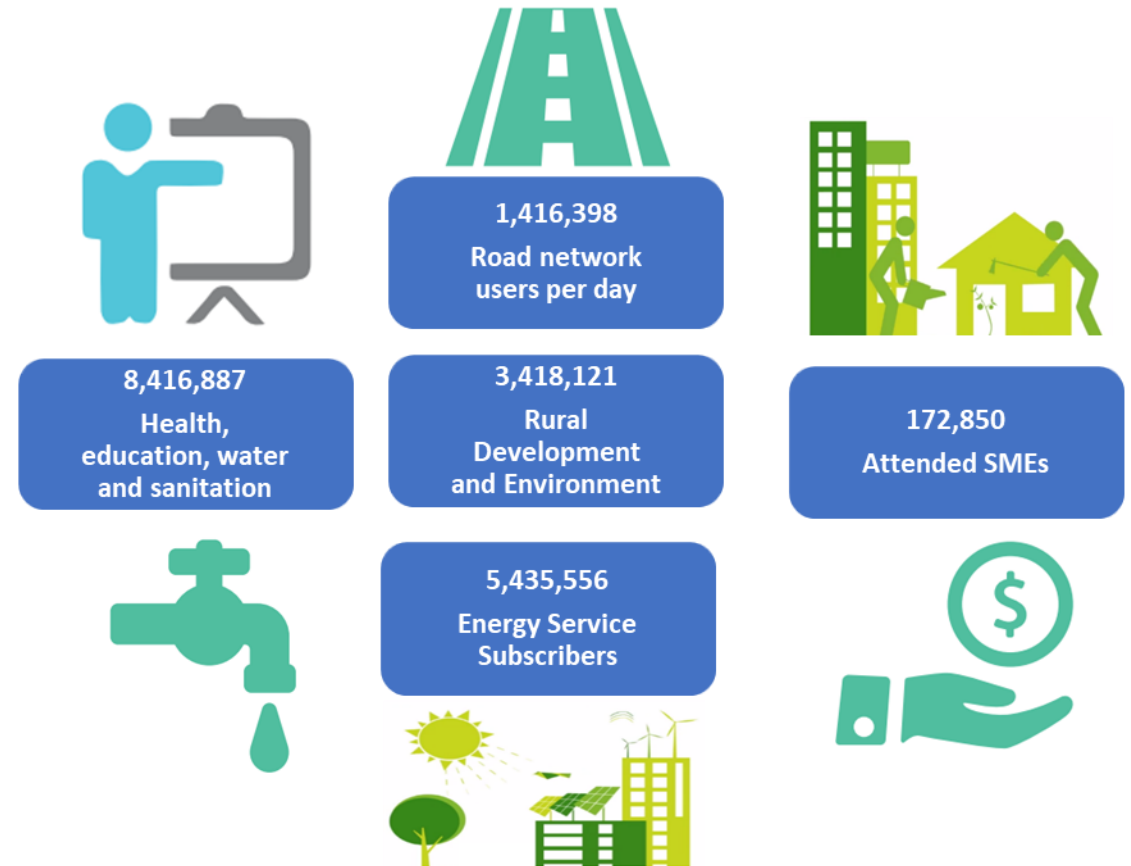
# Promoter of Interventions with High Development Impact (2010-2018)



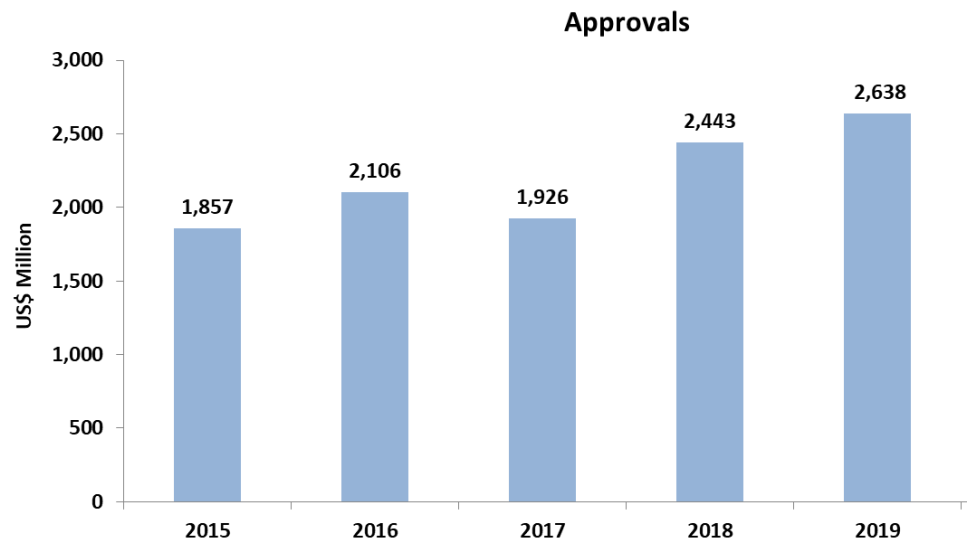
## Selected indicators: CABEI Baselines in the founding member countries



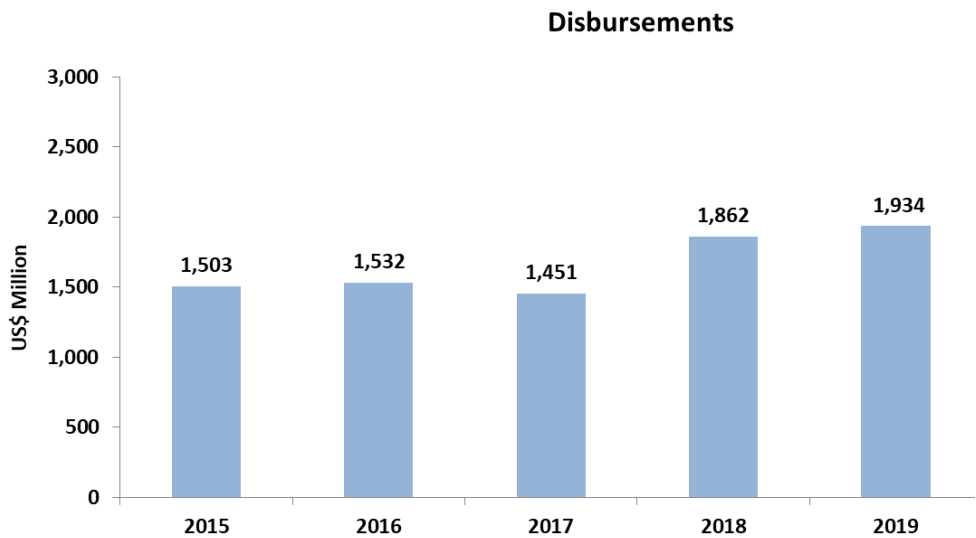
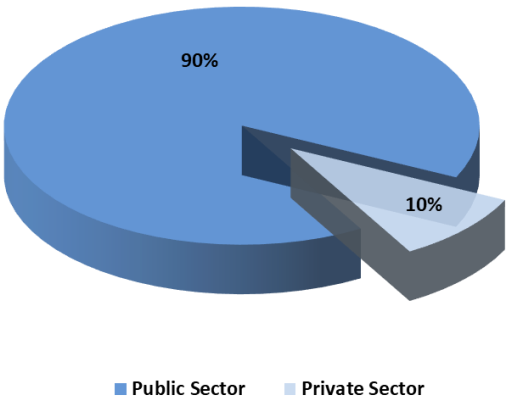
## Selected focus areas: Beneficiaries in the founding member countries



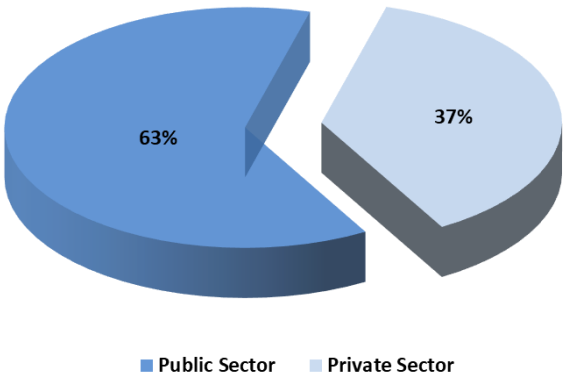
# Approvals and Disbursements | December 2019



**Approvals by Institutional Sector  
December 2019**



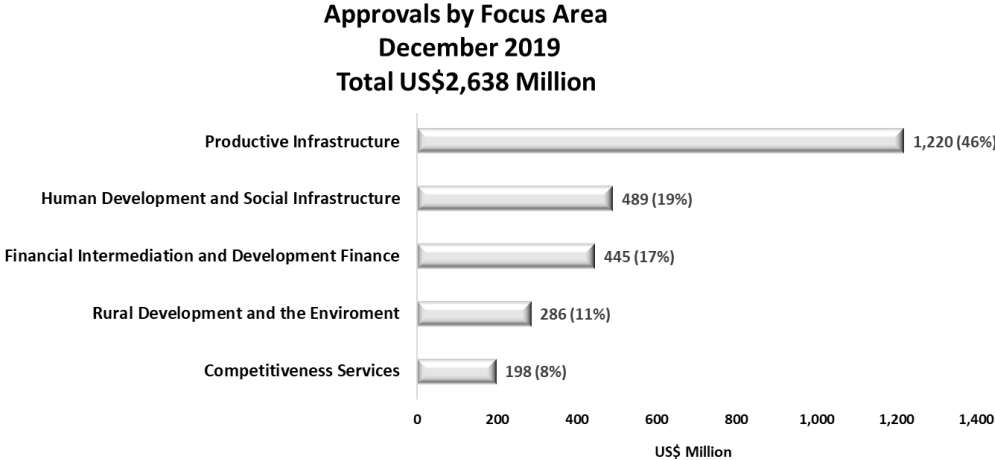
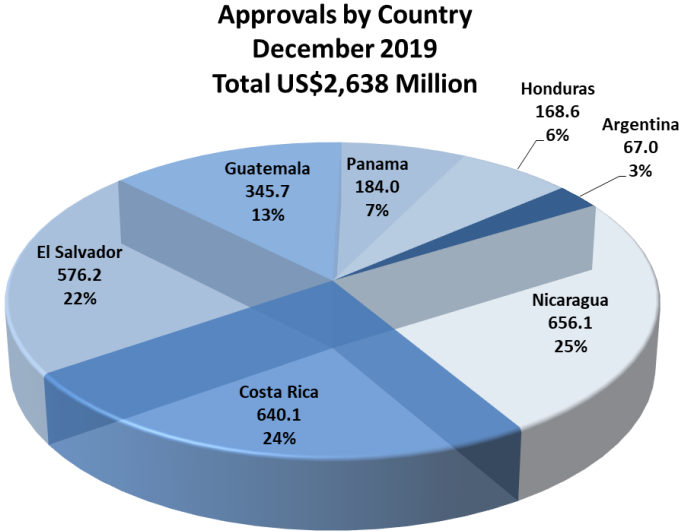
**Disbursements by Institutional Sector  
December 2019**



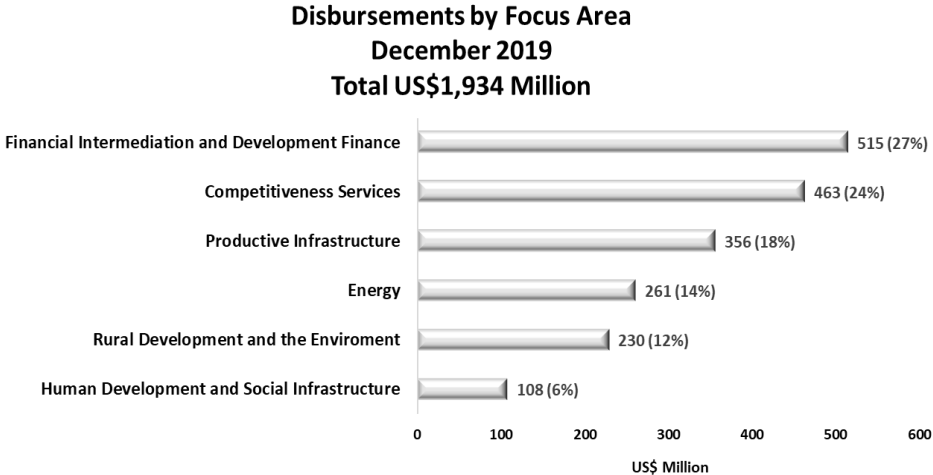
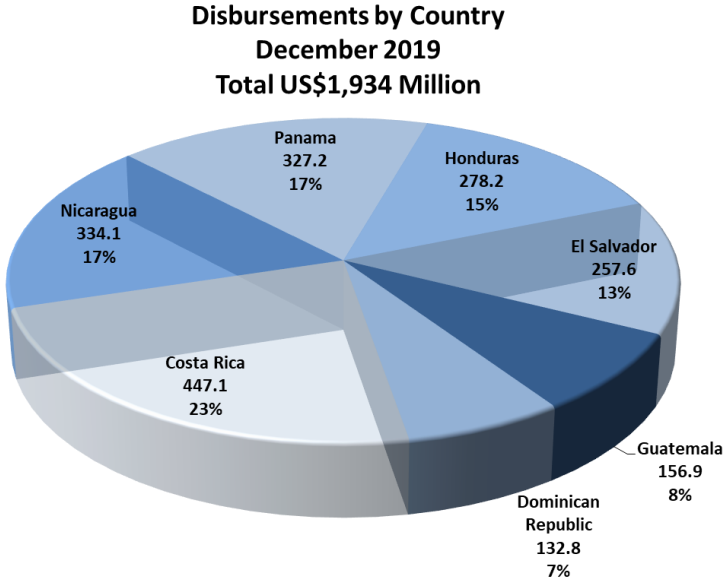
# Operations by Country & Focus Area | December 2019



| Approvals by Member Type |     |
|--------------------------|-----|
| F                        | 90% |
| NF                       | 10% |



| Disbursements by Member Type |     |
|------------------------------|-----|
| F                            | 76% |
| NF                           | 24% |





# Loan Portfolio: Approvals during 2019



## Rapid Passenger Train of the Greater Metropolitan Area (Costa Rica)

The project involves the construction, equipment and startup of an Electric Rail Passenger System in the Greater Metropolitan Area (GAM). The main expected impacts include direct benefits for 4.5 million inhabitants of GAM (approximately 34% are women); hiring of 1,000 temporary employees for construction activities; generation of 461 fixed jobs for the project's operational stage, of which at least 22% will be held by women; generation of 189 direct temporary jobs, of which 20% will be occupied by women; reduction of carbon dioxide emission; alleviation of road congestion; and reduction of road accidents.

### CABEI Investment:

The amount to be financed by CABEI is US\$550.0 million.



## Improvement of Educational Access and Quality (PROMACE) (Argentina)

The project aims to improve 123 educational centers; construction of 14 administrative offices and renovation of 12 offices; construction of 31 spaces for students to carry out cultural, sports and recreational activities and renovation of 12 spaces; and construction of seven laboratories and renovation of 2 laboratories. In addition, 230 school mess halls will be equipped, connectivity and internet access will be provided to 783 educational institutions and pedagogical equipment will be distributed to 29,480 teachers.

### CABEI Investment:

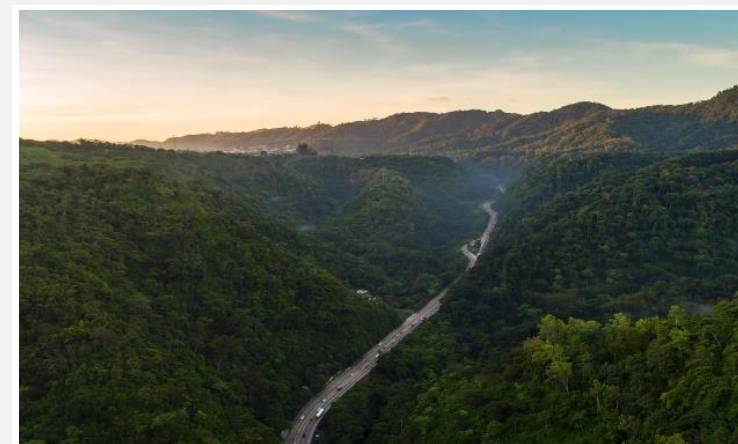
The amount to be financed by CABEI is US\$67.0 million.

## Construction of Viaduct and Expansion of Highway CA01W (Los Chorros Stretch) (El Salvador)

The investment aims to solve the vehicular congestion that occurs during peak hours on this stretch of the CA01W Pan-American Highway, whereby more than 327,000 people and 58,000 vehicles are mobilized. The reduction in travel time of approximately 35 minutes will significantly impact on the quality of life of users. It also represents a substantial improvement to the safety of users with approximately 3000 linear meters of retaining walls, mitigation works and 11 pedestrian overpasses.

### CABEI Investment:

The amount to be financed by CABEI is US\$245.8 million.



# Regional Integration Projects



**Energy - SIEPAC II Project:** It consists in the supply and installation of a second power transmission circuit, reaching an additional 996.4 km of high voltage lines. Consequently, the power line in the SIEPAC infrastructure will go from 1,790.0 km to 2,786.4 km. Similarly, the energy exchange capacity will increase from 300 MW to 600 MW of maximum capacity of simultaneous energy trade. With the execution of this project, the quality, safety and performance of the system is increased, which improves the continuity of the electric service, contributing to the elimination of electricity rationing.

**CABEI's Investment:** The investment in this second phase of the SIEPAC is for US\$128.0 million.



**Gulf of Fonseca:** The presidents of the Republics of El Salvador, Honduras, and Nicaragua, requested that CABEI becomes the leading financial entity in the process of preparing the Trinational Investment and Economic Development Project Master Plan for the Gulf of Fonseca that will serve as the planning, negotiation, and management instrument for this project. CABEI plans to contribute to the logistics development of the region through studies and action plans in order to identify a portfolio of investment programs and projects to promote the economic, social and sustainable transformation of the Gulf of Fonseca.

**CABEI's Investment:** Currently, the investment corresponds to a non-reimbursable cooperation for US\$732 thousand to finance the preparation of the Master Plan.



**Dry Corridor:** CABEI has provided technical cooperation resources to the countries in order to finance the preparation of the technical and financial documents related to the "Regional Program to Increase the Resilience to Climate Change in the Central American Dry Corridor and Arid Zones of the Dominican Republic" to be presented for financing to the Green Climate Fund (GCF).

**CABEI's Investment:** Currently, the investment corresponds to a non-reimbursable cooperation for US\$2.8 million.







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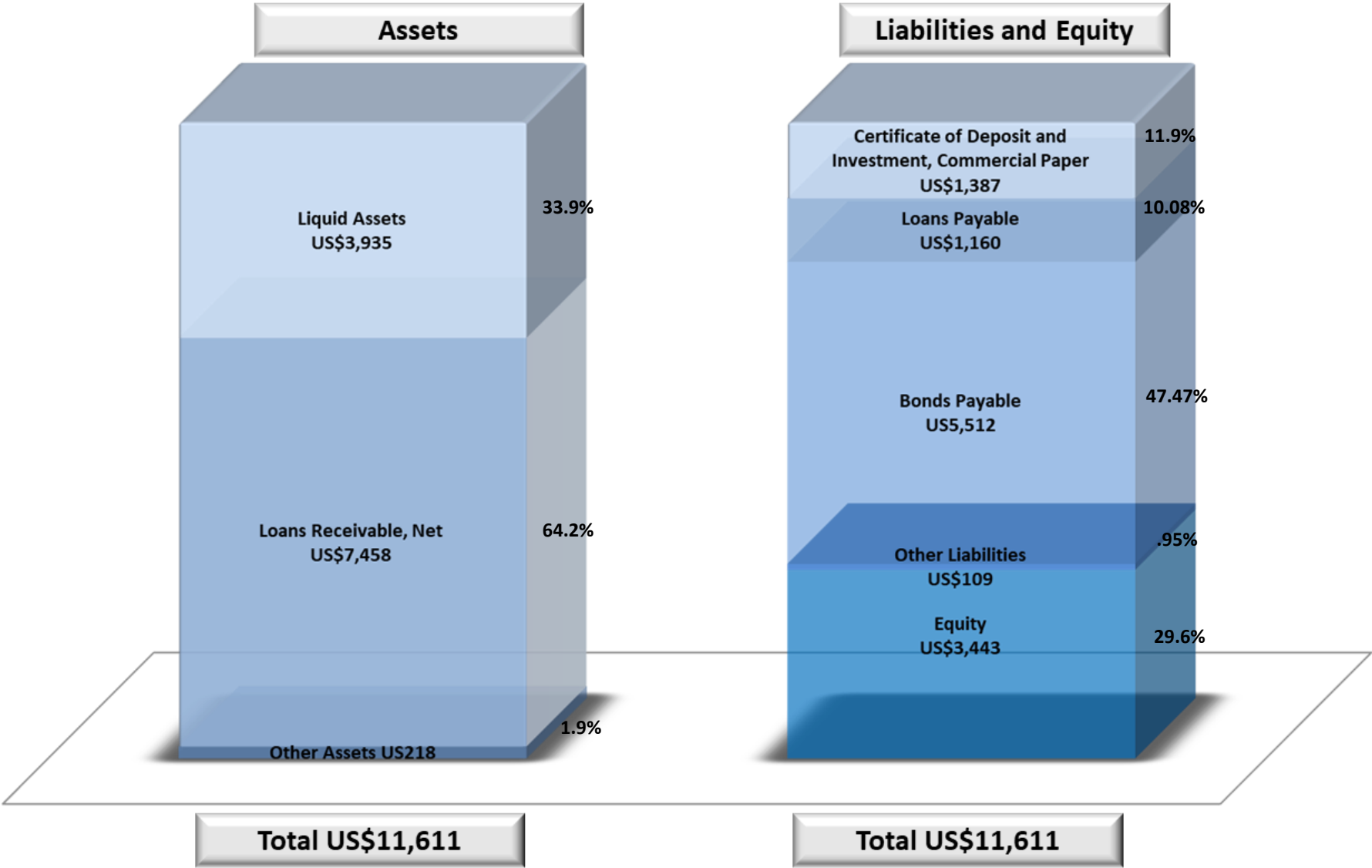
6. Credit Risk Management

7. Comparison with other MDBs - Rating

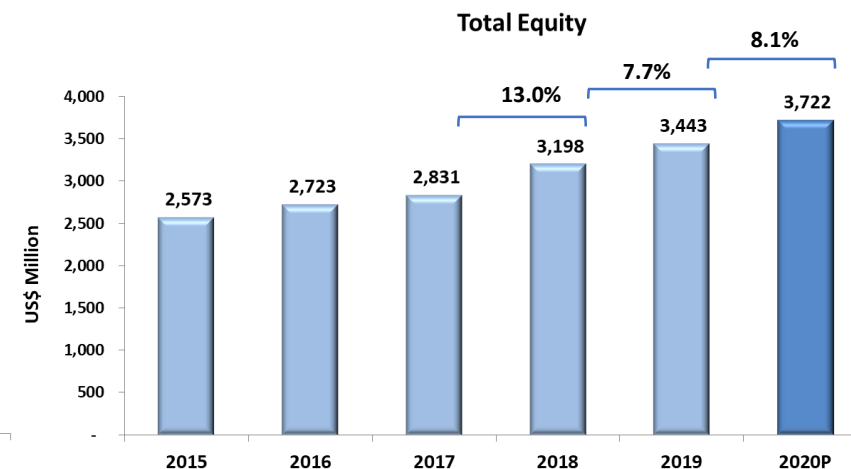
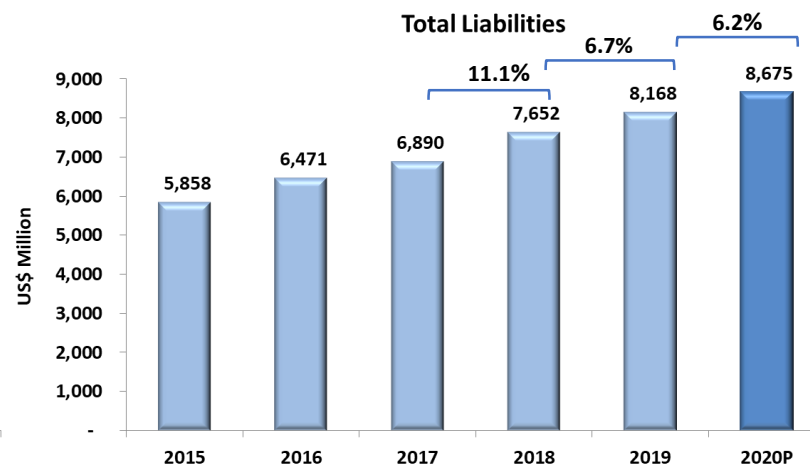
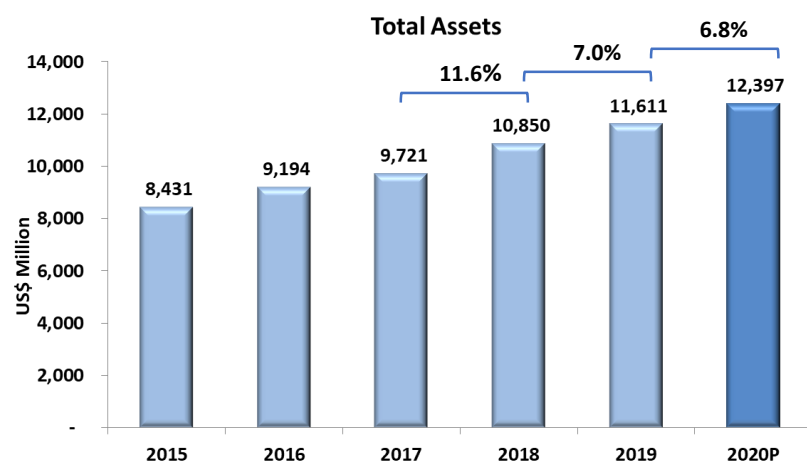
# Balance Sheet

# Balance Sheet

Balance Sheet as of December 31, 2019  
(US\$ Million)



# Balance Sheet

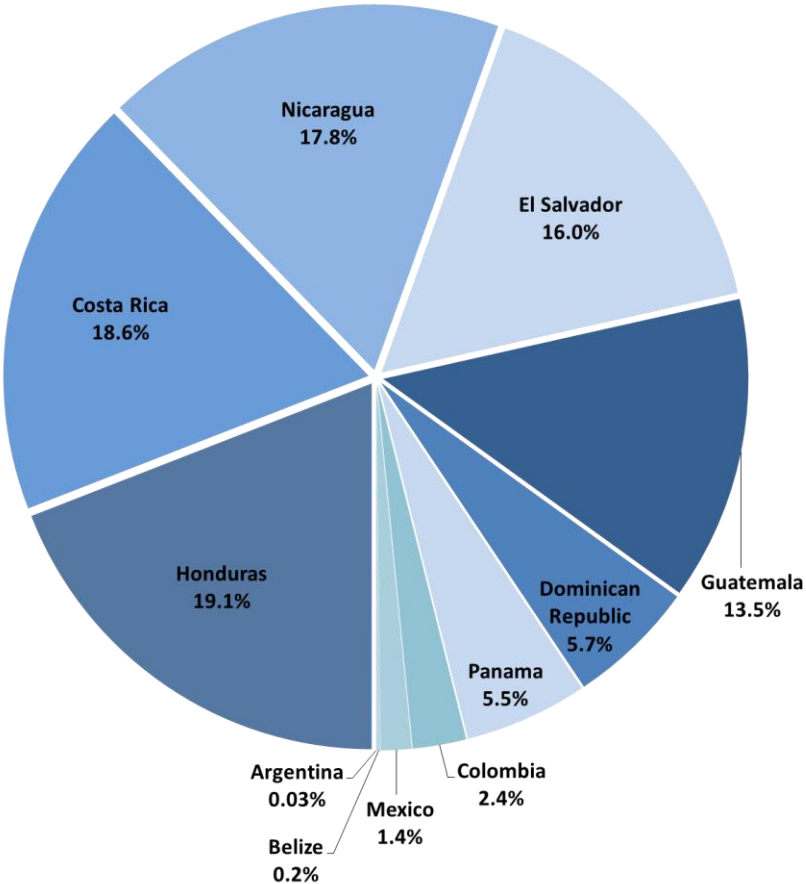
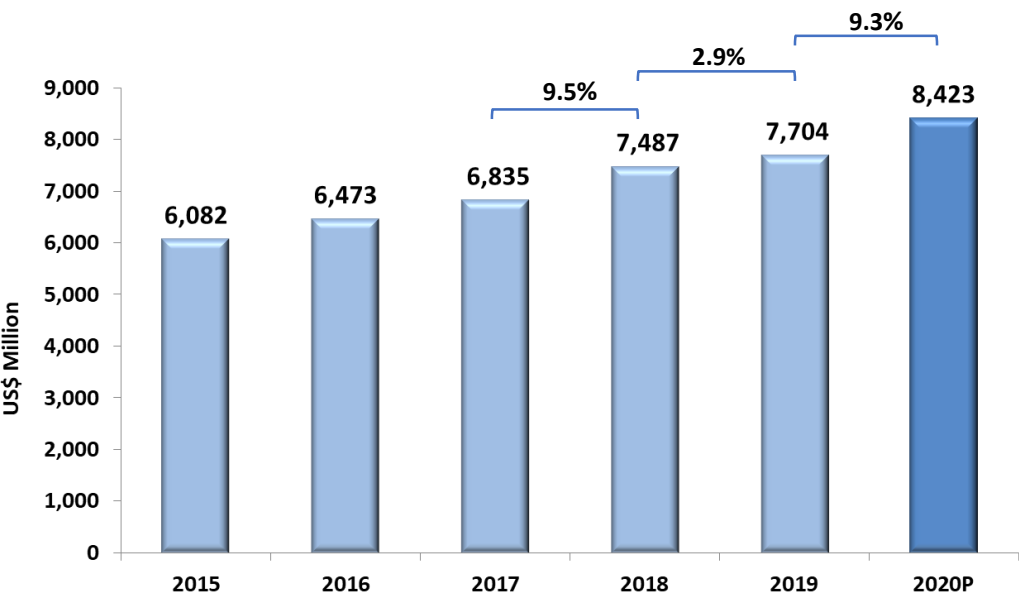


# Financials: Balance Sheet – Loan Portfolio



As of December 31, 2019  
Loan Portfolio by Country US\$7,704 Million

Loan Portfolio



| Country            | US\$ Million |
|--------------------|--------------|
| Honduras           | 1,471.1      |
| Costa Rica         | 1,435.7      |
| Nicaragua          | 1,369.3      |
| El Salvador        | 1,232.0      |
| Guatemala          | 1,036.4      |
| Dominican Republic | 437.4        |
| Panama             | 420.1        |
| Colombia           | 182.6        |
| Mexico             | 104.8        |
| Belize             | 12.3         |
| Argentina          | 2.5          |
| Total              | 7,704.3      |

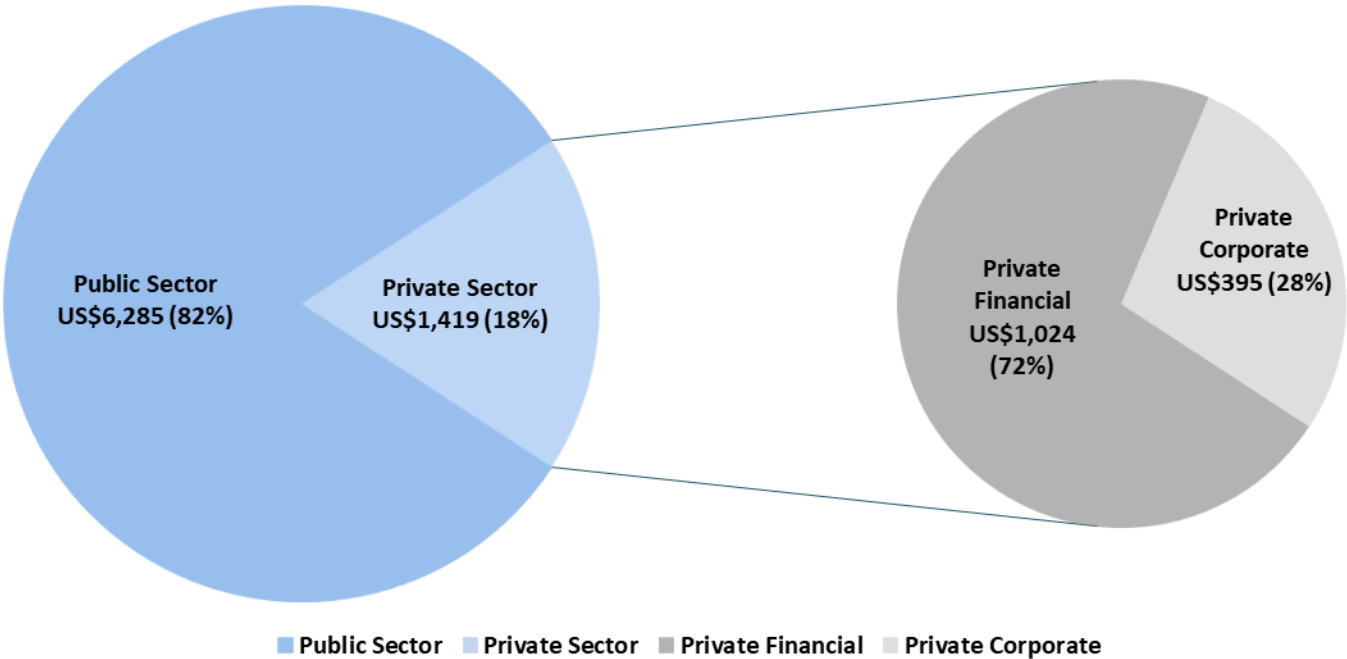


# Financials: Balance Sheet – Loan Portfolio Distribution by Institutional Sector and Focus Area

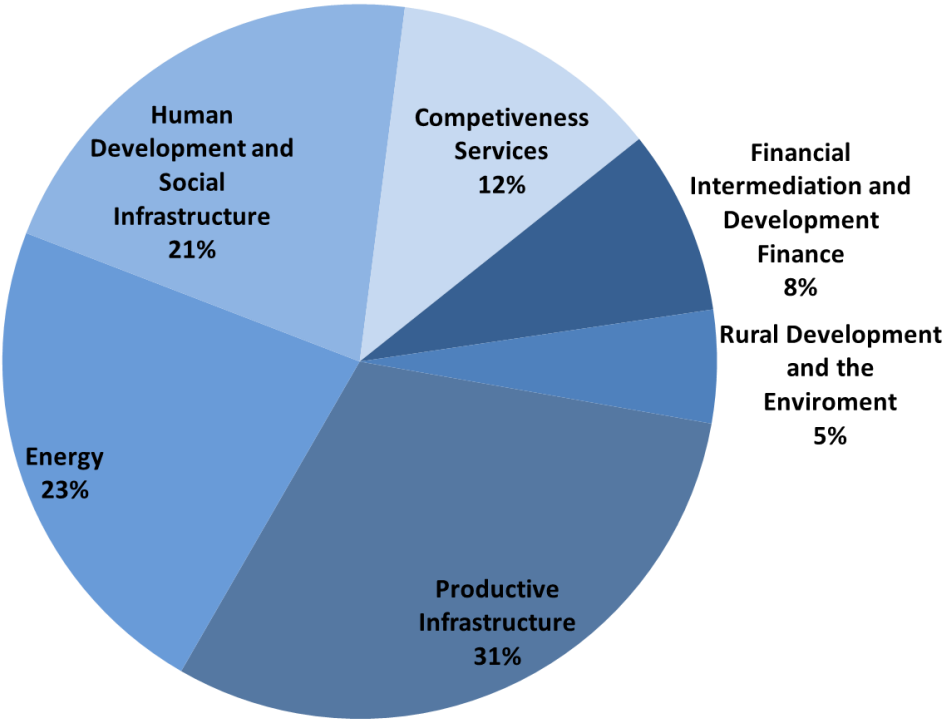


As of December 31, 2019  
Total Loan Portfolio US\$7,704 Million

Loan Portfolio by Institutional Sector  
(US\$ million)



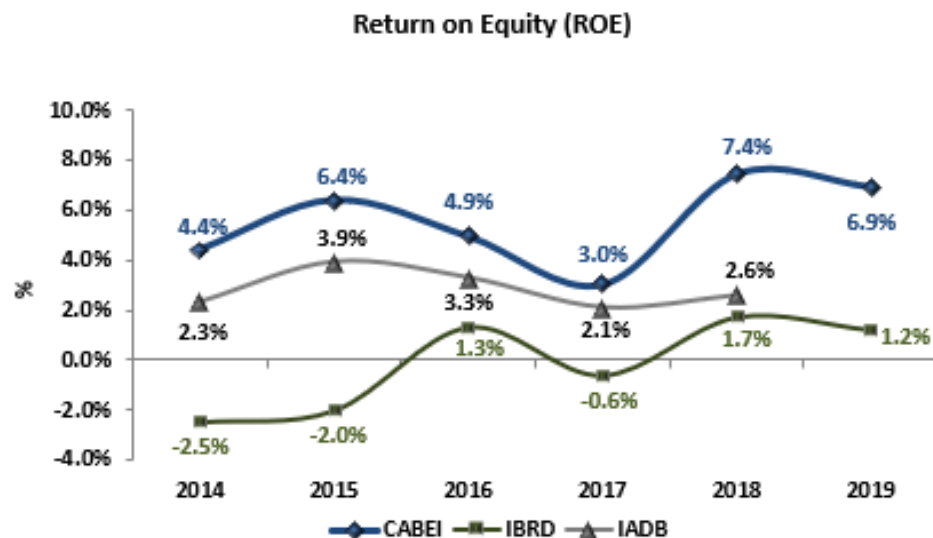
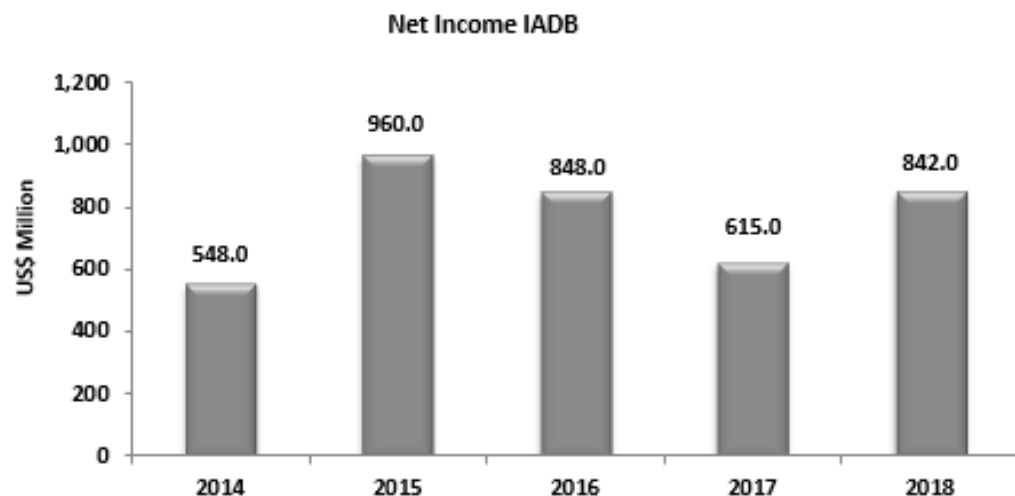
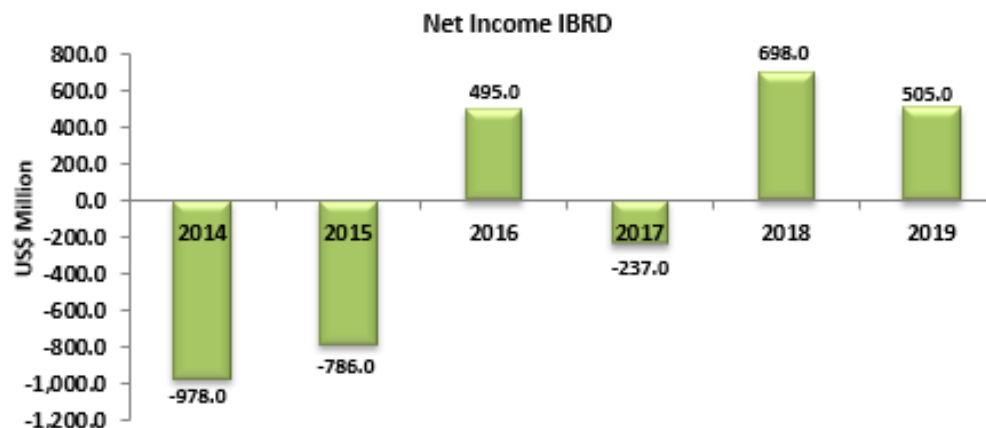
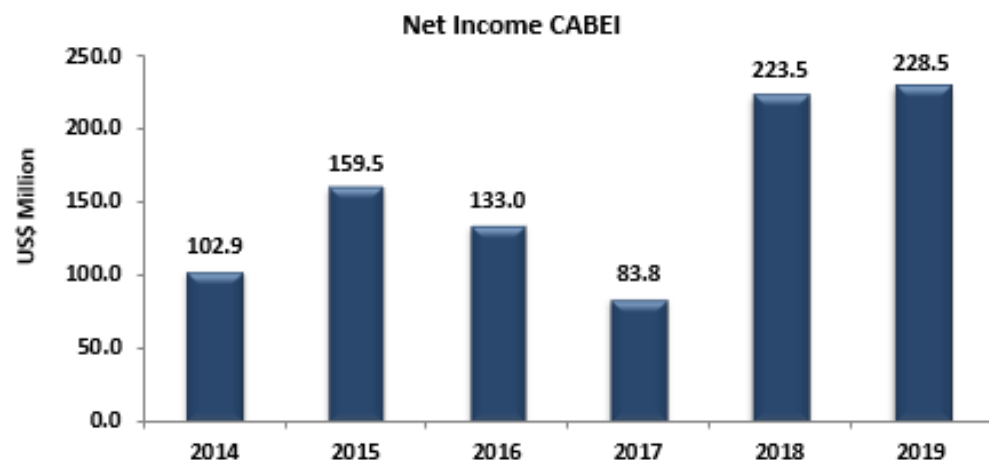
Loan Portfolio by Focus Area  
(%)



- ✓ The Bank’s loan portfolio is mainly in the public sector; which grants CABEI a Preferred Creditor Status.
- ✓ Within the private sector, the portfolio has a greater proportion corresponding to the financial sector (with 72% ), in line with the trend observed over the past 5 years.

# Profitability and Capitalization

# Consistent Profitability

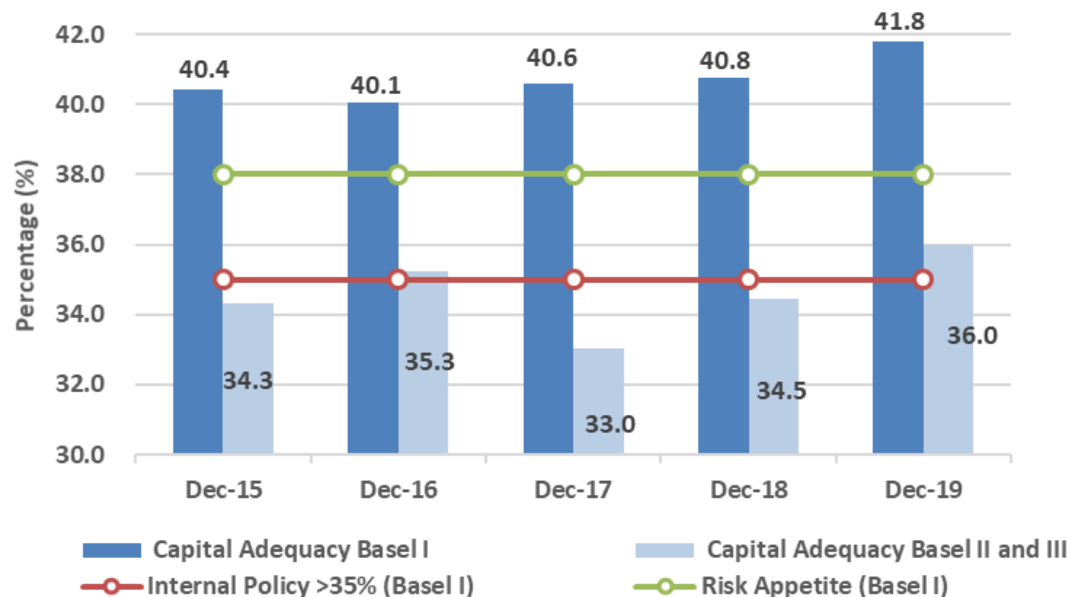


CABEI, in line with the principle of institutional self-sustainability, maintains consistent levels of profitability. All net income is capitalized to the general reserve.

# Sound Capitalization

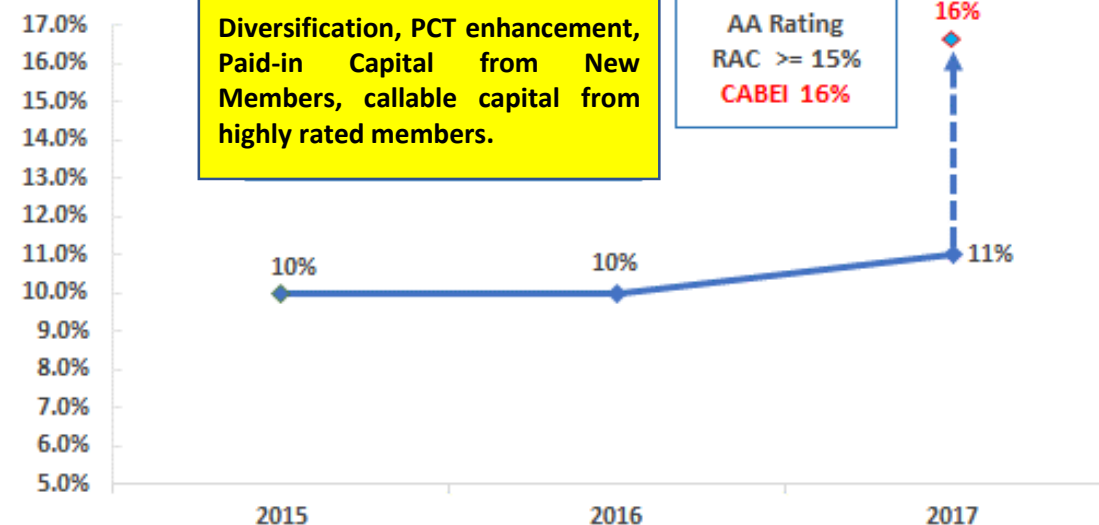


## Capital Adequacy Ratios



- ✓ The capital adequacy ratio is the main pillar to assure CABEI's financial soundness.
- ✓ The Bank has a strict capital adequacy requirement (35%).
- ✓ CABEI, in compliance with its ALM Policy, also monitors the Capital Adequacy Ratio established by the Basel II and Basel III Accords; as per December 2019 calculation, Basel I ratio reached 41.8%, in like manner Basel II and Basel III reached 36%.

## Adjusted RAC



| Adjusted RAC (including trend) | Initial capital adequacy assessment |
|--------------------------------|-------------------------------------|
| Above 23%                      | Extremely strong                    |
| Above 15%                      | Very strong                         |
| Above 10% and up to 15%        | Strong                              |
| Above 7% and up to 10%         | Adequate                            |
| Above 5% and up to 7%          | Moderate                            |
| Above 3% and up to 5%          | Weak                                |
| Lower than 3%                  | Very weak                           |



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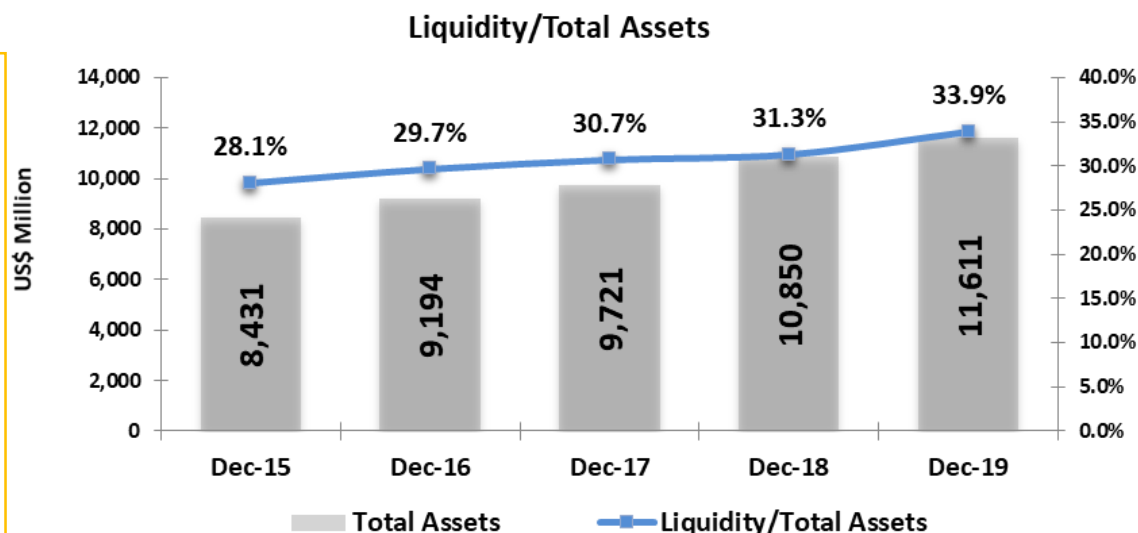
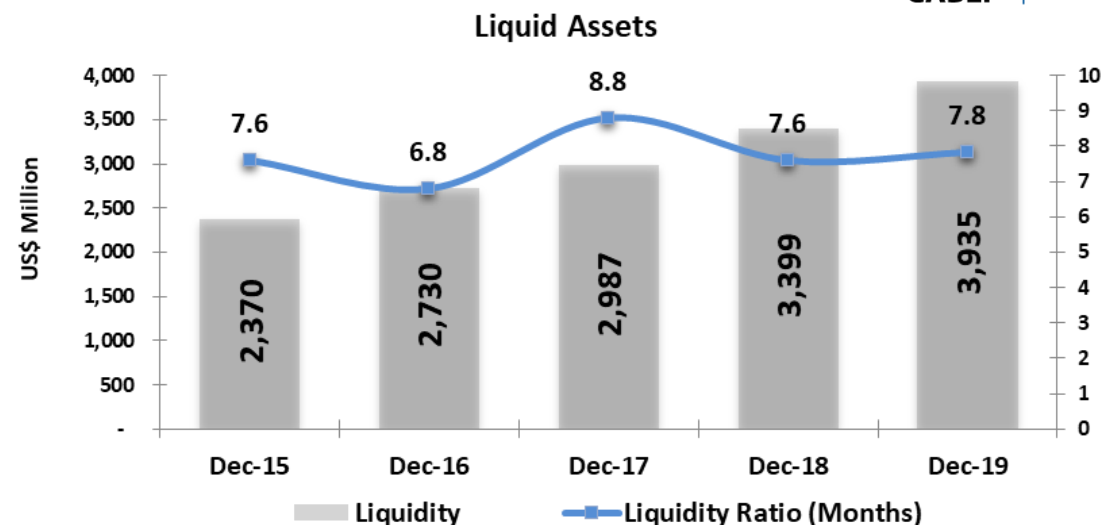
# Funding and Liquidity

# Liquidity Risk - Investment Portfolio & Liquidity Levels



| Cash and Investment Portfolio December 2019 |              |             |
|---|--------------|-------------|
| Instrument                                  | US\$ Million | %           |
| Cash  | 31           | 1%          |
| Money Market                                | 2,522        | 64%         |
| Investment Funds                            | 190          | 5%          |
| Third Party Asset Management                | 106          | 3%          |
| Bonds                                       | 1,087        | 28%         |
| <b>Total Investment Portfolio</b>           | <b>3,905</b> | <b>99%</b>  |
| <b>Cash + Investment Portfolio</b>          | <b>3,935</b> | <b>100%</b> |

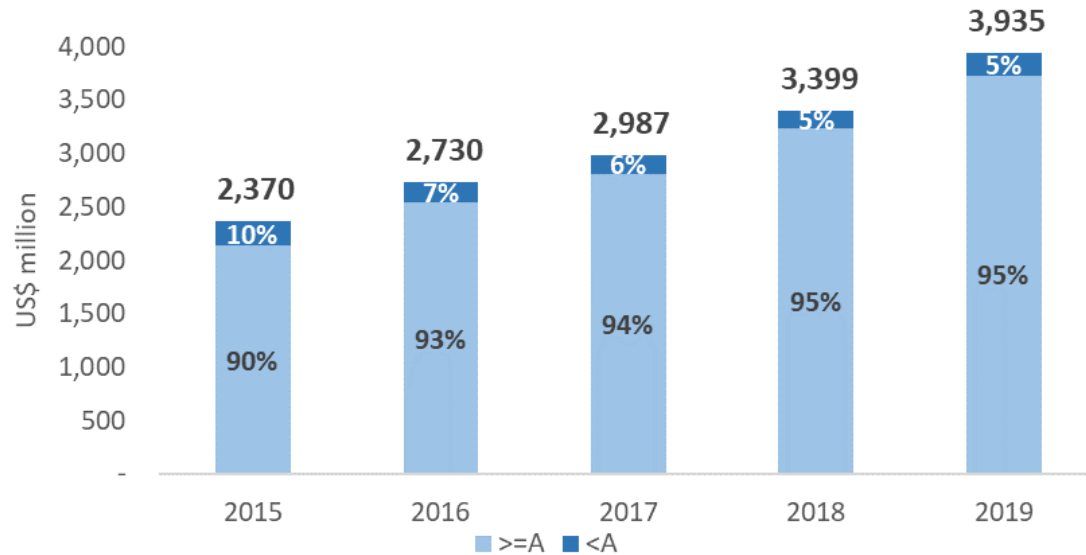
- ✓ Liquidity risk is mitigated by CABEI's ALM Policy, which requires holding a minimum liquid asset coverage of 6 months of gross cash requirements which include loan disbursements, debt service obligations and operating expenses.
- ✓ CABEI also maintains a high level of liquid assets in relation to its total assets.
- ✓ In line with international risk management standards and the Bank's ALM Policy, CABEI monitors both the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) proposed by Basel III. As of December 31, 2019, the aforementioned ratios stood at 3.88x and 1.25x, respectively.
- ✓ At December 2019, the effective duration of the Investment Portfolio was 0.61 years.



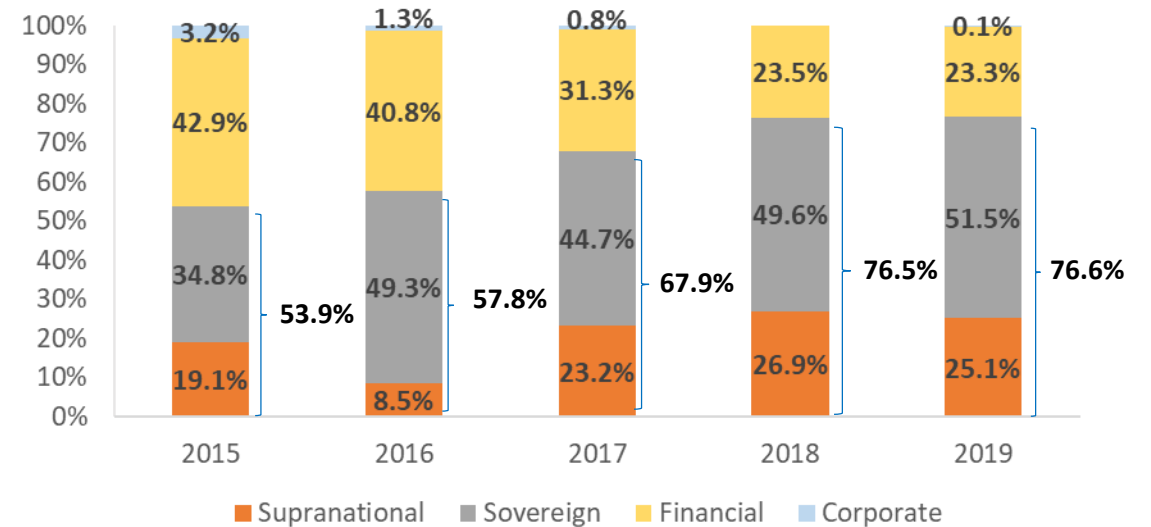


# Liquidity Risk - Investment Portfolio & Liquidity Levels

Investment Portfolio Credit Quality Evolution



Liquidity by Sector



- ✓ The quality of the Investment Portfolio has improved in recent years, from 90% invested in liquid assets with A or higher in 2015 to 95% in 2018 and 2019.
- ✓ Likewise, the investment portfolio composition by sector also reflects an improvement as the sovereign and supranational exposures increase.

# Funding Strategy



## Objective

To access money markets and international capital markets to ensure that the required resources to fulfill CABEI's obligations will be available at the most efficient cost, to benefit CABEI's borrowing member countries

## Pilars

### Instruments

- Bond Issuances
- Loans
- Comercial Paper Program
- Term Deposits Program

### Markets

- International
- Regional

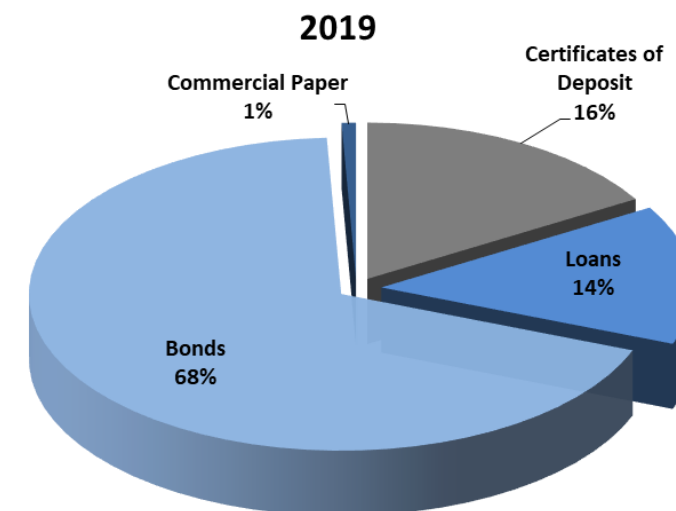
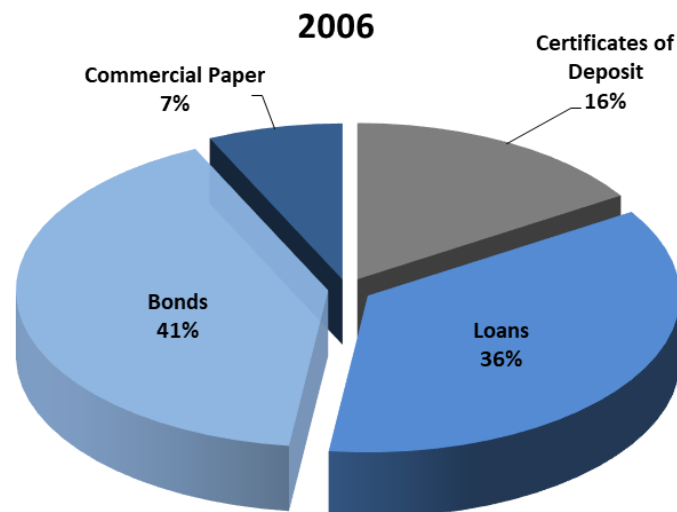
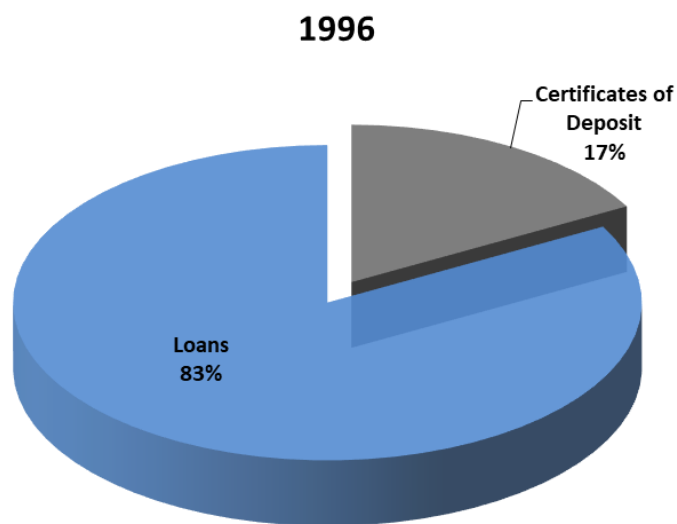
### Maturities

- Diversification by tenors
- Asset/Liability Duration Management

### Costs

- Cost Efficiency

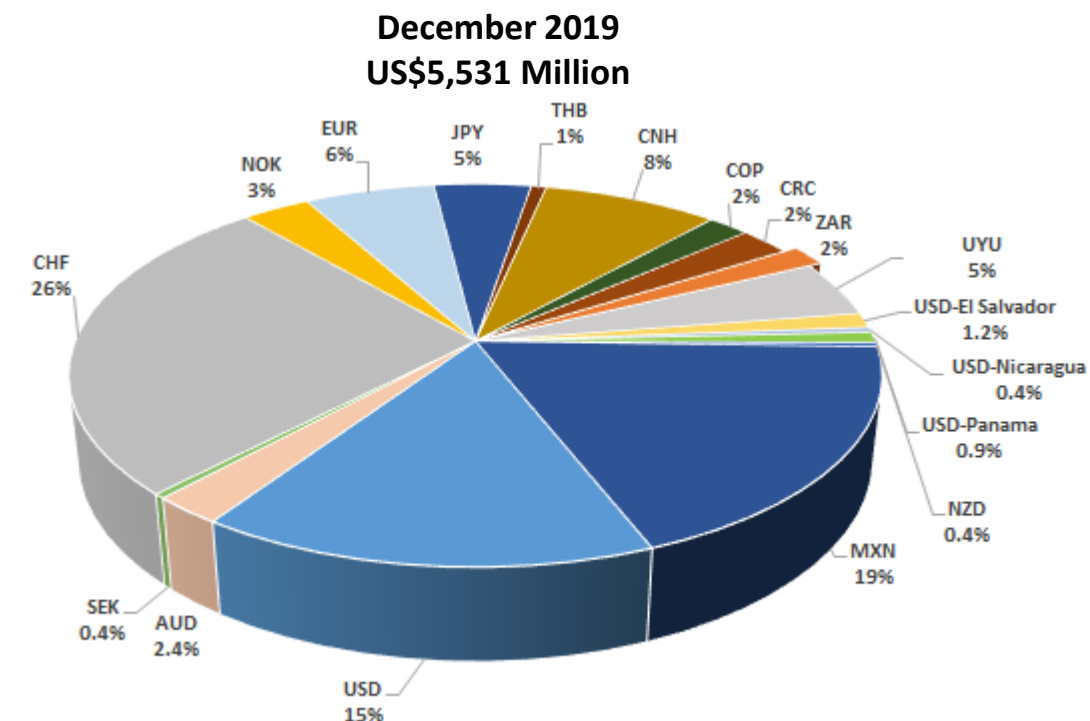
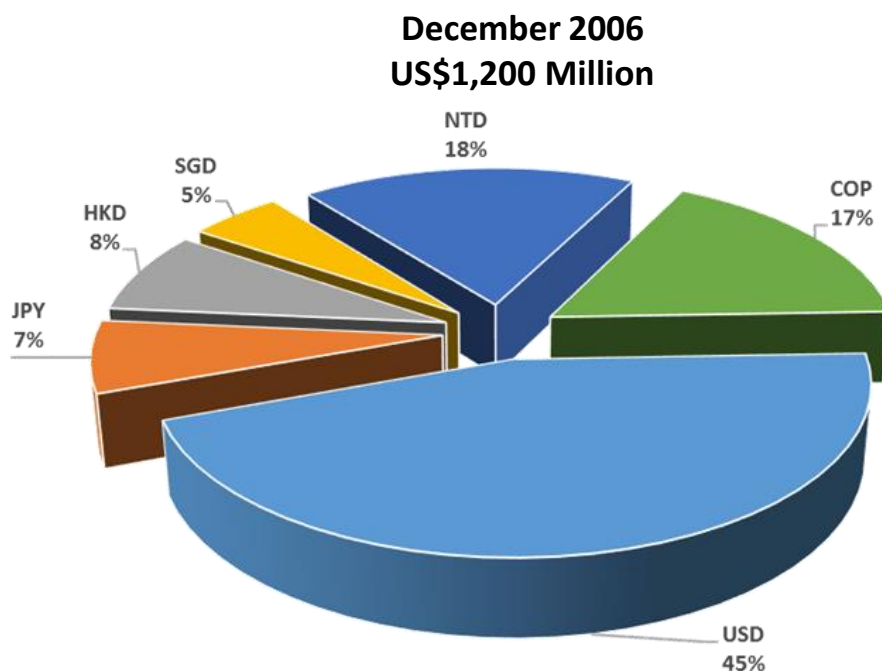
# Evolution of Funding Sources



- ✓ CABEI's financing structure has been evolving due to an active participation in capital markets, which reflects the good perception international markets have regarding its credit profile and maturity as an institution.
- ✓ CABEI's financing structure reflects the institution's preference for stable funding sources.

# Funding Diversification

## Bonds Payable/Distribution by Markets and Currencies



- ✓ CABEI has a highly diversified funding base and has maintained an uninterrupted access to the international capital markets.
- ✓ Historically, CABEI has made debt placements in 24 different currencies and 23 different markets.

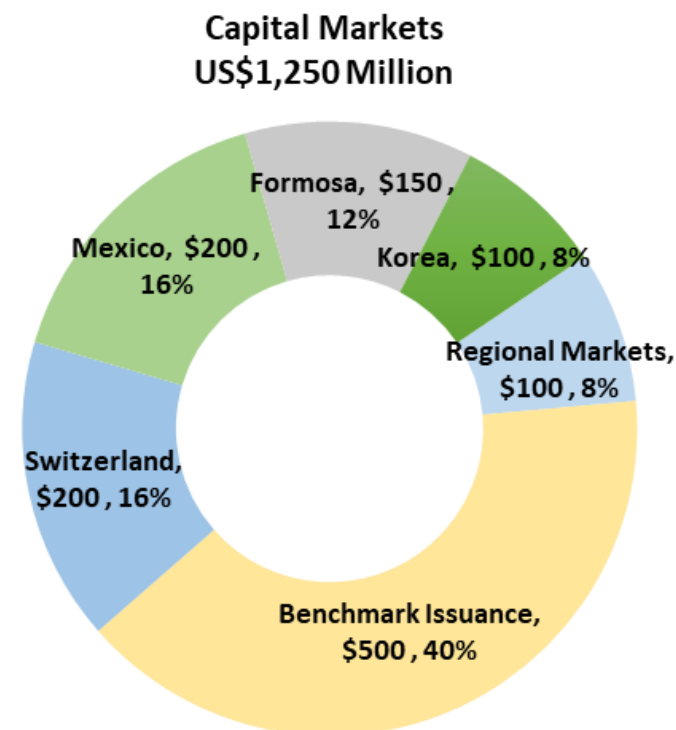
# Liquidity – Long Term Funding 2019 - 2020



Summary of Debt Placements 2019

| Market                     | US\$ Million | Term (years) | Spread (bps) |
|----------------------------|--------------|--------------|--------------|
| URUGUAY                    | 50.0         | 5.0          | 65.0         |
| SWITZERLAND                | 200.2        | 5.0          | 71.0         |
| MEXICO                     | 262.3        | 3.0          | 21.3         |
| JAPAN                      | 20.9         | 10.0         | 73.0         |
| URUGUAY                    | 50.0         | 5.0          | 50.0         |
| MEXICO                     | 157.9        | 3.0          | 11.2         |
| GREEN BOND (ASIA / EUROPE) | 375.0        | 5.0          | 77.8         |
| Total/Weighted Average     | 1,116.3      | 4.3          | 52.0         |

Summary of Projected Debt Placements 2020



- ✓ During 2019, the Bank executed seven transactions in the capital markets for an aggregate amount of US\$1,116.3 million. The weighted average term of these issuances reached 4.3 years.
- ✓ CABEI's funding plan for 2020 contemplates US\$1,250.0 million in bond issuances.

# International Strategic Partners



- ✓ To further its mission, for over 50 years CABEI has partnered with a wide range of institutions including governments, development banks, and official agencies.



# ***CABEI Statements and Commitments on Climate Change***



CABEI's Board of Governors, as its highest level Authority, has issued two statements to express the Bank's commitment to support climate change mitigation and adaptation.

## **April 2016 - Statement to Promote and Support Actions to Finance Climate Change Adaptation and Mitigation**

### **CABEI's commitment to:**

- Support member countries to achieve the goals established in COP21.
- Promote and support financing actions for climate change adaptation and mitigation.
- Generate and implement mechanisms that facilitate the adoption of best practices regarding climate change financing.

## **April 2019 - Statement on Zero Carbon Emissions**

### **CABEI's commitment to:**

- 1) Refrain from financing projects related to the exploration and extraction of coal and to the energy generation based on coal.
- 2) Contribute actively in:
  - a) Structuring and developing financial instruments to support climate change mitigation and prevention.
  - b) Strengthening of low carbon economies.
  - c) Communities resilient to climate change.
  - d) Sustainable food production.
  - e) Clean energy generation and energy efficiency.



# Diversification of Financial Instruments to channel resources for Climate Change projects

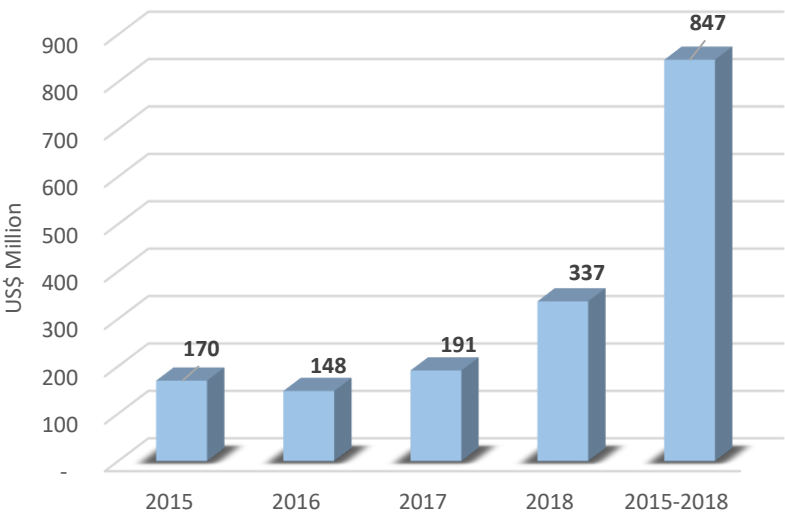


## Credit Lines from Partners

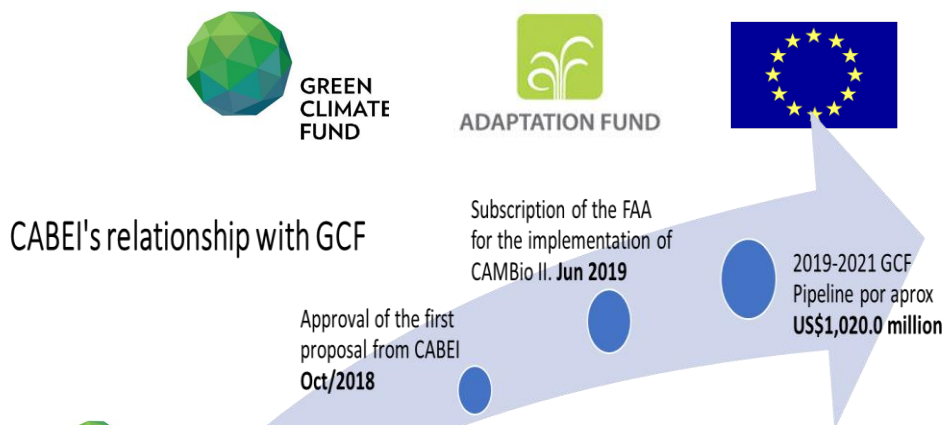


CABEI has mobilized **US\$847.0 million** to finance climate change operations within the 2015-2018 period.

Mobilization of Resources from partners for Climate Change Projects



## Accreditation to Global Funds



| Fiduciary Functions   | Intended project size that the accredited entity may undertake: | Level of environmental and social risk          |
|---|---|---|
| Defines how the entity may make use of the Fund's resources (e.g. grants, concessional loans, equity, guarantees) | Micro (US\$ 0 - 10 million)                                     | Category A (high risk) / Intermediation I (I-1) |
|   | Small (US\$10-50 million)                                       | Category B (medium risk)/I-2                    |
|   | Medium (US\$50-250 million)                                     | Category C (low risk)/No/I-3                    |
|   | Large (>US\$ 250 million)                                       |   |

# Green Bond Issuance Rationale



CABEI has implemented a strategy focused on Sustainable Development with Environmental and Social Commitments. As such, by considering Sustainability as a transverse strategic axis, CABEI aims not only to improve the quality of life of Central Americans, but also to ensure the sustainable development of the territory and its resources.

CABEI's Green Bond issuances are intended to redirect financial flows towards strategic sectors with strong contributions to the transition to a low-carbon economy:

- Sustainable Land Use
- Renewable Energy
- Sustainable Water Management
- Clean Transport

On September 24, 2019, CABEI's Green Bond Framework achieved a favorable Second Party Opinion (SPO) by the firm Sustainalytics. As part of its conclusion, the firm stated:

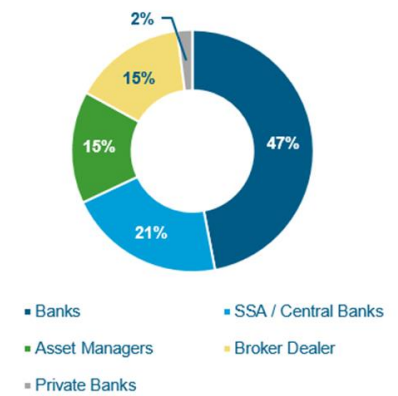
**Sustainalytics:** "CABEI's Framework is aligned with the Bank's Sustainable Development strategy and that the environmental and social use of proceeds categories will advance a number of key Sustainable Development Goals (SDGs). By adhering to strong eligibility criteria, demonstrating a structured and transparent project selection process which ensures the mitigation of environmental and social risks, committing to manage proceeds in alignment with market practices and reporting on allocation and relevant quantitative indicators, Sustainalytics considers that the CABEI Green Bond Framework is robust, credible and in alignment with the four core components of the Green Bond Principles 2018."

# CABEI Reaffirms its Commitment to Promote Actions to Finance Climate Change Mitigation: US\$375 Million 2019 Green Bond Issuance

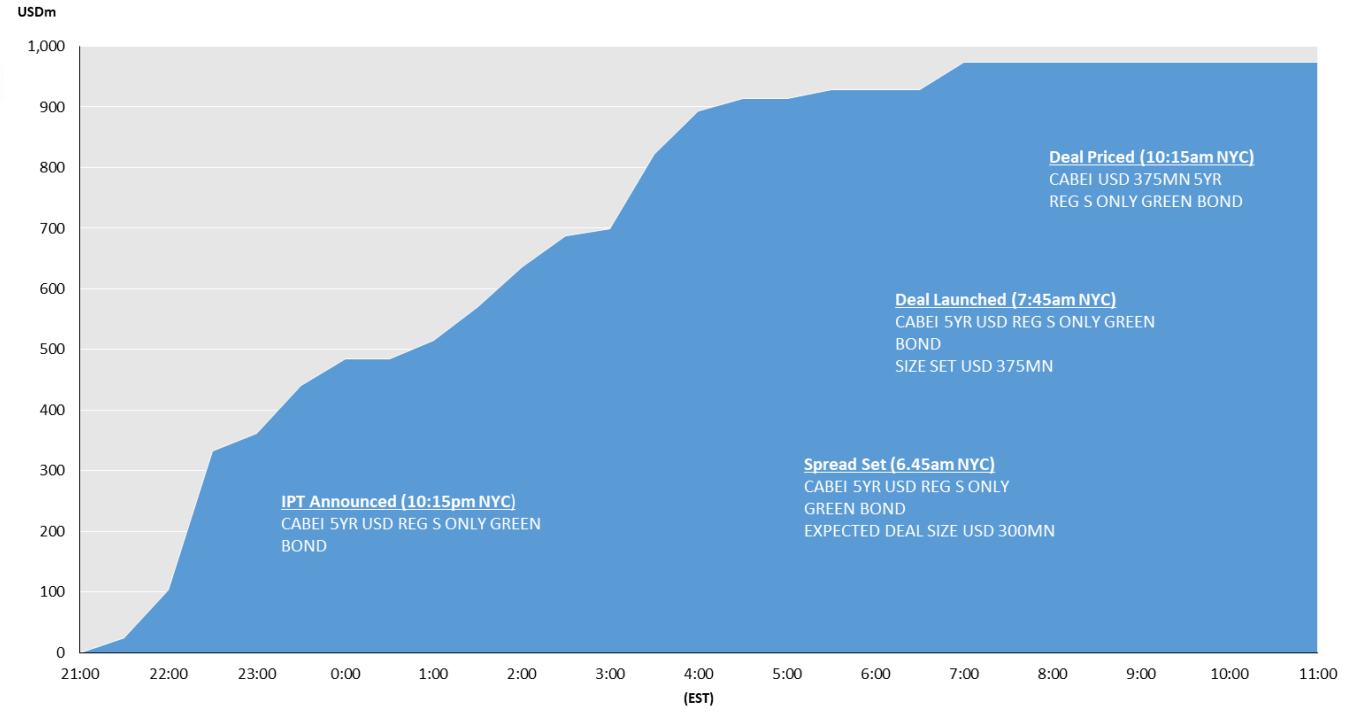
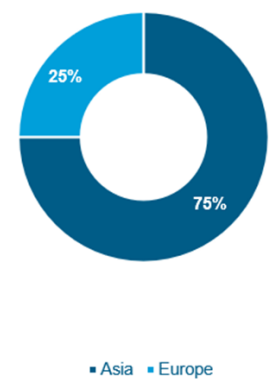


- ✓ On November 15, 2019 CABEI issued a US\$375 million Floating Rate “USD Reg S Only” 5-year Green Bond, listed on both, the Luxembourg and Taipei Stock Exchanges.
- ✓ The issuance engrossed an aggregate demand for approximately US\$974 million, equivalent to an oversubscription of 3.2 times its original US\$300 million announcement. Such demand was driven by Asian (75%) and European (25%) investors, including Banks, SSAs/Central Banks, Asset Managers, Broker Dealers and Private Banks among others, resulting in a well-diversified/high-quality transaction.

Investors by Type



Investors by Geography





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# Financials: Credit Risk - Risk Management Policy



## Capital Adequacy and Leverage Policies:

- ✓ CABEI's Capital Adequacy Ratio requires that total equity represent at least 35% of total risk weighted assets.
- ✓ CABEI's total loan portfolio shall not exceed 3.5 times its total equity (Gearing Ratio).
- ✓ CABEI's maximum leverage cannot exceed 3 times its total equity (Debt / Equity).
- ✓ By policy, the ALCO Committee should monitor the capital adequacy indicator that incorporates the criteria established in the framework of Basel II and III.
- ✓ By policy, the ALCO Committee should monitor the leverage ratio established under Basel III.

## Main Credit Policies:

- ✓ CABEI's participation in project finance loans to the private sector must not exceed 40% of the total amount of the loan during its life (60% for projects with amounts lower than US\$25 million or with public sector participation).
- ✓ For corporate private sector loans, the collateral put forth by the client, must maintain a minimum coverage of 100% of the total loan.
- ✓ Single Client Exposure (Private) must not exceed 5% of the Bank's equity, and the exposure to a regulated private financial economic group must not exceed 10%.
- ✓ State or mixed institutions with majority state participation with NSG should not exceed 22% of CABEI's equity.

## Main Credit Policies for Derivatives Exposures:

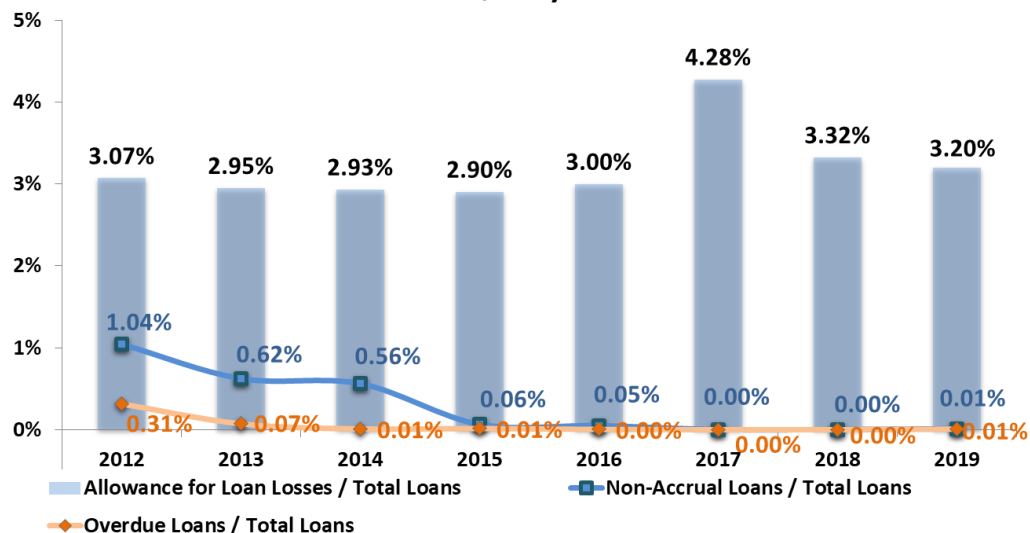
- ✓ Subscription of Credit Support Annexes (CSAs) with all counterparties in order to mitigate the credit exposure. In that sense, CABEI has established thresholds and margin calls (collateral).
- ✓ Credit risk in derivatives has been eliminated by requiring daily collateral and establish a "threshold" of 0. As part of this initiative, since December 2013, a third party provides collateral management service to CABEI.
- ✓ Calculation of net positions with counterparties under ISDA agreements.
- ✓ All counterparties must be approved by the ALCO Committee.
- ✓ Counterparties in derivatives contracts must have an investment grade rating. If an existing counterparty is downgraded below investment grade, no new derivative contracts can be agreed between such entity and CABEI.
- ✓ Credit exposure limits with derivative counterparties are defined by the following conditions:
  - ✓ Financial international counterparties: Up to US\$50 million.
  - ✓ For clients (Government, Financial Institutions o Corporates): ALCO Approval.



# Credit Risk - Improving Credit Quality



Credit Quality 2012 - 2019

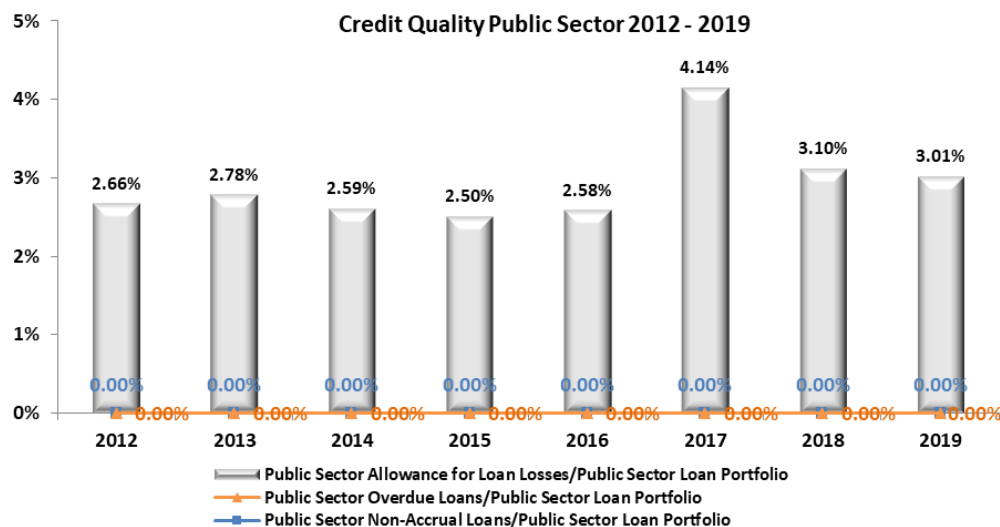


Portfolio Quality Indicators

US\$ Million

| Indicator                                  | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    |
|--|---------|---------|---------|---------|---------|---------|---------|
| Total Loans                                | 5,395.4 | 5,713.2 | 6,081.6 | 6,473.1 | 6,834.8 | 7,487.4 | 7,704.3 |
| Overdue Loans                              | 3.8     | 0.5     | 0.9     | 0.2     | 0.0     | 0.0     | 0.6     |
| Non-Accrual Loans                          | 33.5    | 32.0    | 3.8     | 3.1     | -       | -       | 0.8     |
| Allowance for Loan Losses                  | 159.1   | 167.5   | 176.6   | 194.1   | 292.3   | 248.9   | 246.6   |
| PORTFOLIO QUALITY INDICATORS               |         |         |         |         |         |         |         |
| Overdue Loans / Total Loans                | 0.07%   | 0.01%   | 0.01%   | 0.00%   | 0.00%   | 0.00%   | 0.01%   |
| Non-Accrual Loans / Total Loans            | 0.62%   | 0.56%   | 0.06%   | 0.05%   | 0.00%   | 0.00%   | 0.01%   |
| Allowance for Loan Losses / Total Loans    | 2.9%    | 2.9%    | 2.9%    | 3.0%    | 4.3%    | 3.3%    | 3.2%    |
| Number of Operations in Non-Accrual Status | 4       | 4       | 4       | 3       | 0       | 0       | 1       |

Credit Quality Public Sector 2012 - 2019

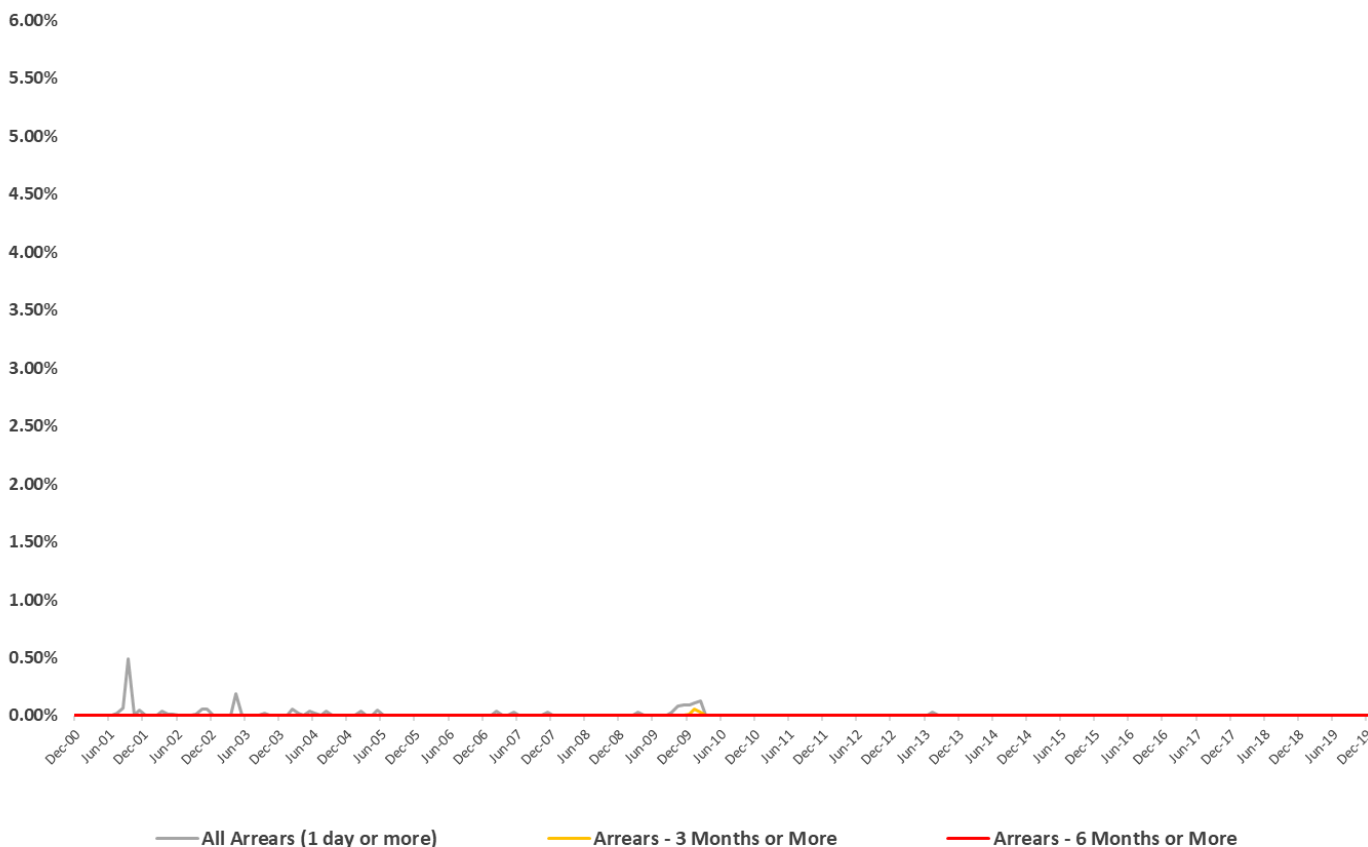


- ✓ All Public Sector borrowers are current with their payments.
- ✓ All overdue and non-accrual loans observed in past years correspond to private sector operations.
- ✓ Historically and due to its preferred creditor status, CABEI's public sector loan portfolio does not present overdue loans or non-accrual status.
- ✓ CABEI's credit quality has reached historical levels and is under control.

# CABEI's Preferred Creditor Treatment (PCT) and Policy Importance



CABEI's Sovereign Arrears / Public Sector Outstanding Portfolio (2000 - 2019)



## CABEI has consistently benefited from its Strong PCT.

- ✓ Arrears on both Sovereign and Non- Sovereign loans do not consider a grace period and are immediately accounted for.
- ✓ Arrears on sovereign lending have been scarce and all cases have been quickly cured.
- ✓ Even when considering the most conservative scenario/analysis of using arrears of 1 day or more, the outstanding balance of public sector arrears has not exceeded 0.5% of the public sector's total loan exposure.
- ✓ **CABEI has a strong track record of PCT, and will remain so in the future.**
- ✓ According to the Bank's Policy, loans are considered in arrears when there is a delay in their effective date of payment **>=1 day.**
- ✓ CABEI considers a loan to be in Non-Accrual Status when arrears are:
  - >= 90 days in the case of private sector loans, and**
  - >= 180 days in the case of public sector loans.**





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# Key Financial Indicators



| Ratio                       |  | CABEI          |           | IBRD           |           | IADB           |           |
|-----------------------------|--|----------------|-----------|----------------|-----------|----------------|-----------|
| Rating (S&P/Moody's/JCR)    |  | AA/Aa3/AA      |           | AAA/Aaa/AAA    |           | AAA/Aaa/AAA    |           |
| Total Assets (US\$ Million) |  | 11,611         |           | 283,031        |           | 129,459        |           |
| Financial Ratios            |  | 5 Year Average | Year 2019 | 5 Year Average | Year 2019 | 5 Year Average | Year 2018 |
| PROFITABILITY               | Return on Average Equity (ROE)                                       | 5.73%          | 6.90%     | 0.32%          | 1.20%     | 2.84%          | 2.58%     |
|                             | Return on Average Assets (ROA)                                       | 1.69%          | 2.04%     | 0.05%          | 0.18%     | 0.67%          | 0.66%     |
|                             | NII/Average Earning Assets (*)                                       | 2.55%          | 2.38%     | 0.71%          | 0.67%     | 1.45%          | 1.25%     |
| LEVERAGE                    | Equity/Total Assets  | 29.67%         | 29.61%    | 12.36%         | 14.88%    | 23.87%         | 25.44%    |
|                             | Debt/Equity (times)  | 2.34           | 2.34      | 4.94           | 5.47      | 2.98           | 2.73      |
| LIQUIDITY                   | Liquid Assets/Total Assets   | 30.75%         | 33.89%    | 20.88%         | 29.08%    | 25.77%         | 25.30%    |
| EFFICIENCY                  | Administrative Expenses/Average Total Assets                         | 0.50%          | 0.48%     | 0.55%          | 0.78%     | 0.68%          | 0.66%     |
|                             | Administrative Expenses/NII  | 19.88%         | 20.27%    | 111.14%        | 118.58%   | 48.64%         | 54.45%    |
|                             | Administrative Expenses/Net Income                                   | 32.73%         | 23.63%    | 17.41%         | 419.60%   | 104.91%        | 100.24%   |
| PROVISIONING                | Allowance for Loan Losses/Total Gross Loan Portfolio                 | 3.34%          | 3.20%     | 0.89%          | 0.81%     | 0.56%          | 0.46%     |
|                             | Public Sector Allowance for Loan Losses/Public Sector Loan Portfolio | 3.07%          | 3.01%     | 0.89%          | 0.81%     | 0.01%          | 0.03%     |

(\*) Earning Assets: Gross Loan Portfolio and Investments.

# *S&P upgrades CABI from A+ to AA*



## **S&P Global** Ratings

- ✓ On Friday, March 08, 2019, Standard & Poor's (S&P) upgraded the long-term international credit rating of the Central American Bank for Economic Integration (CABI) by two notches from A + to AA; with a stable outlook.
- ✓ S&P stated that its assessment of the Bank's policy importance is supported by key developments following the amendments to CABI's Constitutive Agreement which became effective in 2016, with the objective of improving the Institution's governance, increasing its membership base and enabling additional financing through the diversification of its loan portfolio and additional capital injections.
- ✓ According to the official statement issued by the rating agency, the aforementioned upgrade results from the solid preferred creditor treatment that member countries grant the Institution which supports the Bank's capital position and the fact that CABI has managed to extend its mandate and increase its membership base through the recent incorporation of the Republic of Korea.
- ✓ S&P highlighted the fact that during the last 10 years, a period they define as an economic cycle, borrowing members have not entered into arrears in their debt service to the Bank; a situation the rating agency considers sustainable towards the future, despite the economic pressures that some countries face.
- ✓ **The upgrade consolidates CABI as the best rated issuer in all Latin America, placing it at a level deemed as "high" investment grade, under which, obligations are considered as high quality, bearing very low credit risk.**

# S&P upgrades CABI from A+ to AA



## Ratings Score Snapshot

|                           | From            | To             |
|---------------------------|-----------------|----------------|
| Issuer Credit Rating      | A+/Positive/A-1 | AA/Stable/A-1+ |
| SACP                      | a+              | aa-            |
| Enterprise Risk Profile   | Strong          | Very Strong    |
| Policy Importance         | Strong          | Very Strong    |
| Governance and management | Adequate        | Adequate       |
| Financial Risk Profile    | Strong          | Strong         |
| Capital Adequacy          | Strong          | Strong         |
| Funding and Liquidity     | Strong          | Strong         |
| Extraordinary Support     | 0               | +1             |
| Callable capital          | 0               | +1             |
| Group Support             | 0               | 0              |

Results from the solid preferred creditor treatment that member countries grant the Institution which supports the Bank's capital position and the fact that CABI has managed to extend its mandate and increase its membership base through the recent incorporation of the Republic of Korea.

S&P highlighted the fact that CABI's policy importance is supported by key developments following the 2016 amendments to it's Constitutive Agreement, which improved the bank's governance structure, increased its membership base, and unlocked additional financing through diversification and capital injections.

S&P factored extraordinary support in the form of callable capital into the rating from CABI's highly rated shareholder, which provides an uplift to our RAC ratio.

Currently, eligible callable capital comes from the Republic of China, Taiwan, rated 'AA-', for \$375 million. Once the Republic Korea makes its first capital installment, an additional \$337.5 million in callable capital will become eligible.

# Credit Ratings

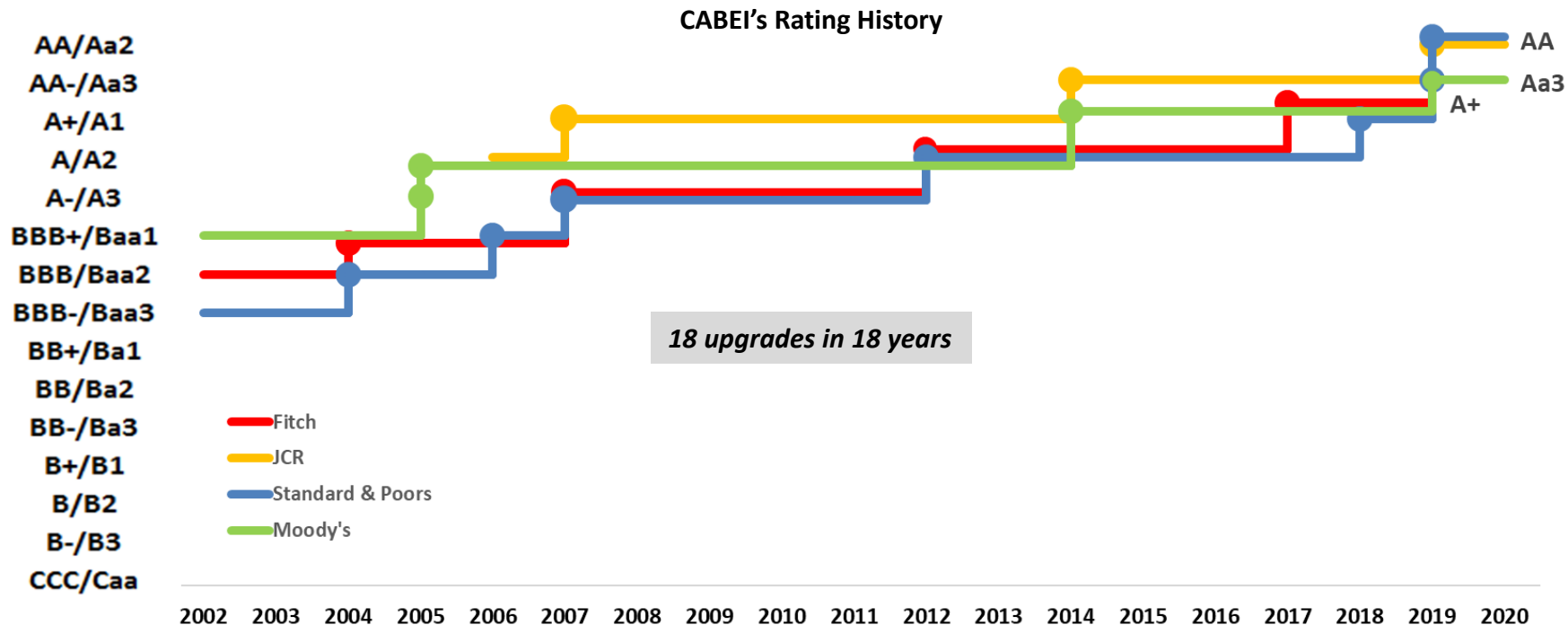


Credit Ratings to Date

| Agency  | Rating    |            | Outlook | Last Reviewed |
|---------|-----------|------------|---------|---------------|
|         | Long Term | Short Term |         |               |
| S&P     | AA        | A-1+       | Stable  | Sept-19       |
| Moody's | Aa3       | P-1        | Stable  | Sept-19       |
| JCR     | AA        | N/A        | Stable  | Mar-19        |

## Key Factors Supporting High Investment Grade Rating

- ▶ Very strong preferred creditor treatment (PCT)
- ▶ Strong capital adequacy
- ▶ Strong liquidity position
- ▶ High quality loan portfolio
- ▶ Diversify funding strategy
- ▶ Very strong mandate and policy importance
- ▶ Extraordinary shareholder support



# CABEI's Risk Rating is the best rated issuer in all Latin America



| Country/Bank |                    | S&P's Rating         |                  |     |      |    |   |    |     |     |     | Moody's          |      |      |      |    |    |    |     |     |     |
|--------------|--------------------|----------------------|------------------|-----|------|----|---|----|-----|-----|-----|------------------|------|------|------|----|----|----|-----|-----|-----|
|              |                    | Non-Investment Grade | Investment Grade |     |      |    |   |    |     |     |     | Investment Grade |      |      |      |    |    |    |     |     |     |
|              |                    |                      | BBB-             | BBB | BBB+ | A- | A | A+ | AA- | AA- | AA+ | AAA              | Baa3 | Baa2 | Baa1 | A3 | A2 | A1 | Aa3 | Aa2 | Aa1 |
| 1            | CABEI              |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 2            | Chile              |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 3            | CAF                |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 4            | FONPLATA           |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 5            | Mexico             |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 6            | Peru               |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 7            | Panama             |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 8            | Uruguay            |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 9            | Colombia           |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 10           | Paraguay           |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 11           | Guatemala          |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 12           | Brazil             |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 13           | Bolivia            |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 14           | Dominican Republic |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 15           | Honduras           |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 16           | Costa Rica         |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 17           | Argentina          |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 18           | El Salvador        |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 19           | Belize             |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 20           | Ecuador            |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 21           | Nicaragua          |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 22           | Venezuela          |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 23           | Cuba               |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |
| 24           | Haiti              |                      |                  |     |      |    |   |    |     |     |     |                  |      |      |      |    |    |    |     |     |     |

\* Source: S&P & Moody's



CABEI



# Thanks

