CABEI
Central American Bank for Economic Integration

Institutional Presentation

June 2021

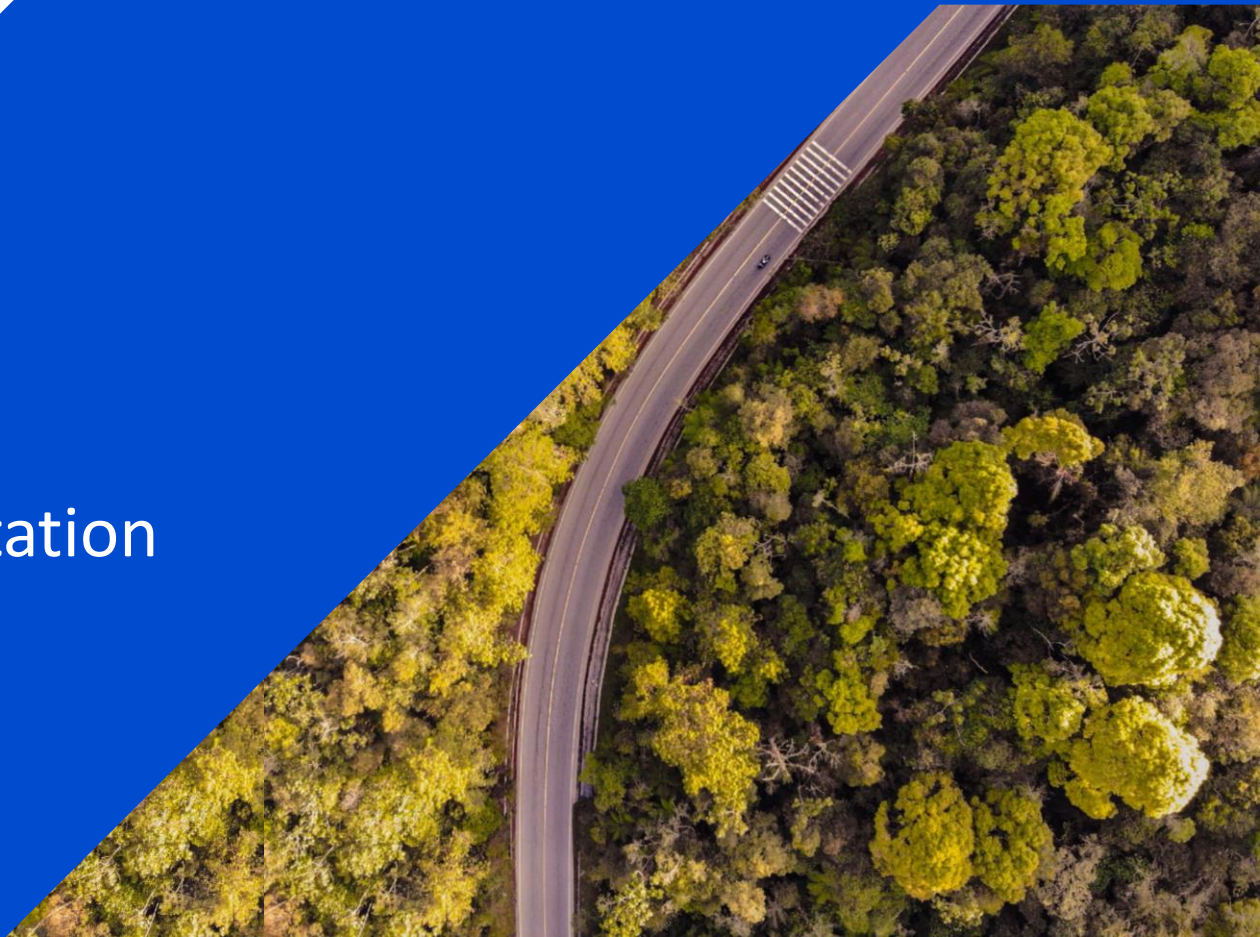

Table of contents

1. Macroeconomic Overview

2. CABEI's Role and Policy Importance

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

4. CABEI´s Credit Ratings

5. Equity and Profitability

6. ALM Policy

7. Credit Risk Management

8. Comparison with other MDBs

The Central American region: CABEI's core business

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Central American Bank for Economic Integration

Key Economic Facts:

- **Area:** 572,563 km ^{2}
- **Population:** 60.7 million
- **Population density:** 106.1 people per km^2
- **Population Growth (2017-2019):** 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 Dominican Republic.

✓ Central America is the sixth largest economy in LATAM.

Guatemala

El Salvador

Costa Rica

Honduras

Nicaragua

Belize

Panama

Dominican Republic

Source:
http://www.secmca.org/simafir.html
http://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx

Central American Region: Economic growth outlook

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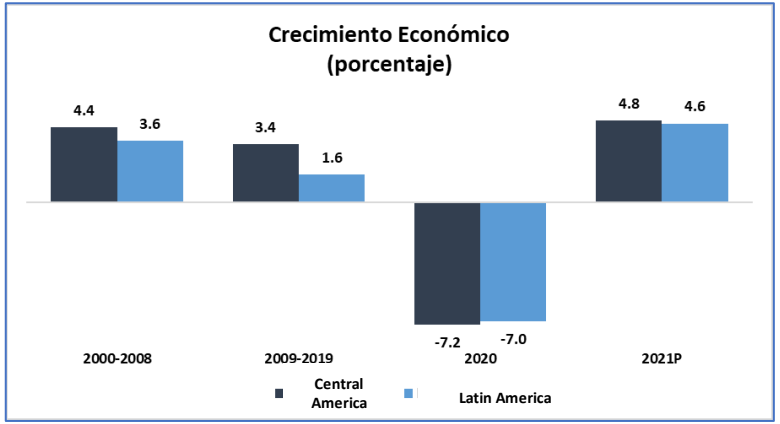
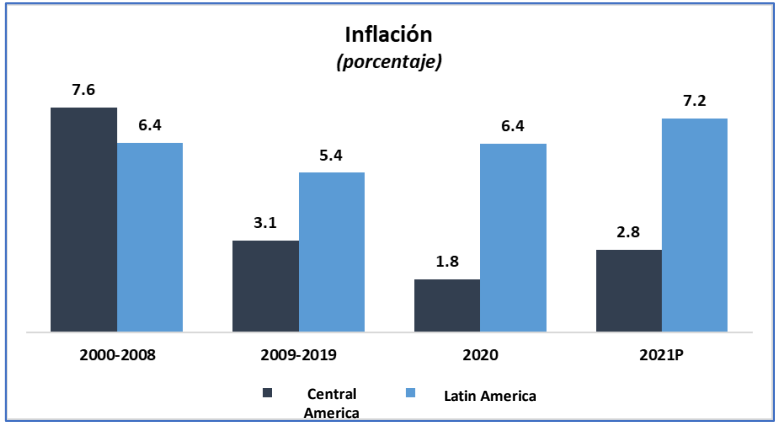
Economic growth (percentage)



Source: International Monetary Fund, WEO April 2021
*2021 estimates

Inflation (percentage)



Source: International Monetary Fund, WEO April 2021
*2021 estimates

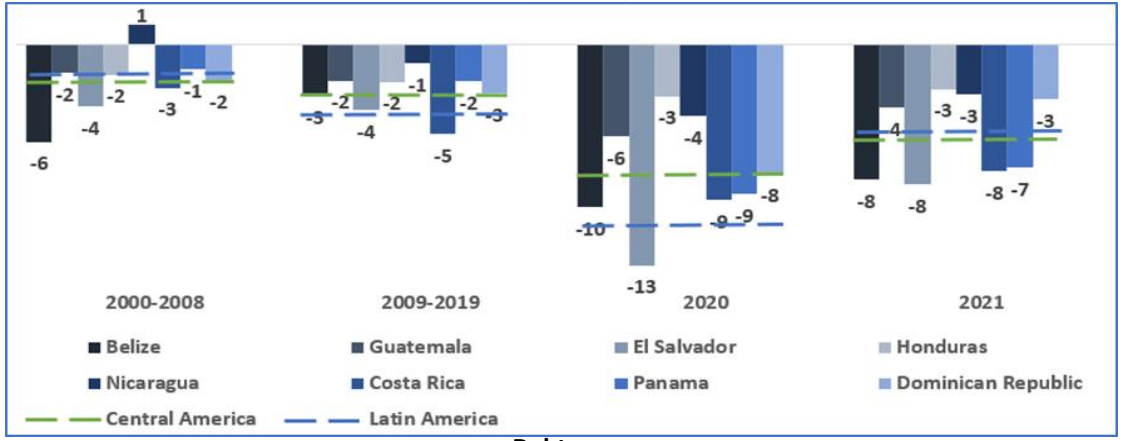
Major Economic Activities

Belice	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica	Panama	Dominican Republic
Trade	Trade	Manufacturing industries	Manufacturing industries	Agriculture, cattle, forestry and fishing	Education and health	Construction	Manufacturing industries
Public administration and defense	Manufacturing industries	Trade	Trade	Manufacturing industries	Professional, scientific and technical activities	Trade	Construction
Transportation, storage and communication	Agriculture, cattle, forestry and fishing	Education and health	Agriculture, cattle, forestry and fishing	Trade	Manufacturing industries	Real estate	Trade
Financial and insurance activities	Real estate	Public administration and defense	Education and health	Education and Health	Trade	Transportation, storage and communication	Education and health

- Year 2020 indicates that Latin America fell by 7.0% while Central America by 7.2%.
- The projection for 2021 indicates a better recovery for Central America with 4.8% vs. 4.6% for Latin America.
- Average inflation in 2020 for Central America was 1.8% and the 2021 projection is 2.8%, below the average for Latin America which was 6.4% and 7.2%,respectively.

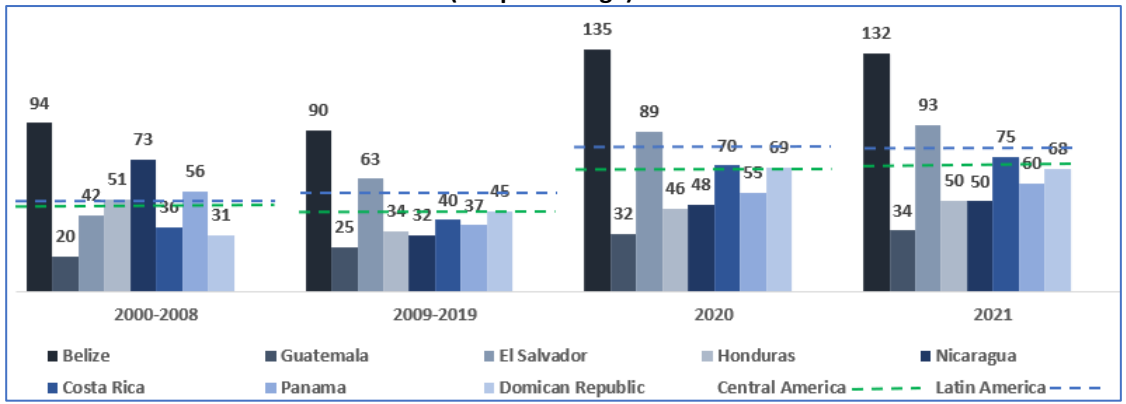
Central American Region: Economic Outlook

Fiscal Deficit
(PIB percentage)



- During the 2000-2008,the average deficit in Central America was 2.2% while LATAM stood at -1.8%
- During 2009-2019 the average deficit of Central America was 2.9% on the other hand Latam had an average of -4.3%.
- During 2020 Central America´s average deficit estimates of -7.8%, well under Latam´s average of -10.8%.

Debt
(PIB percentage)

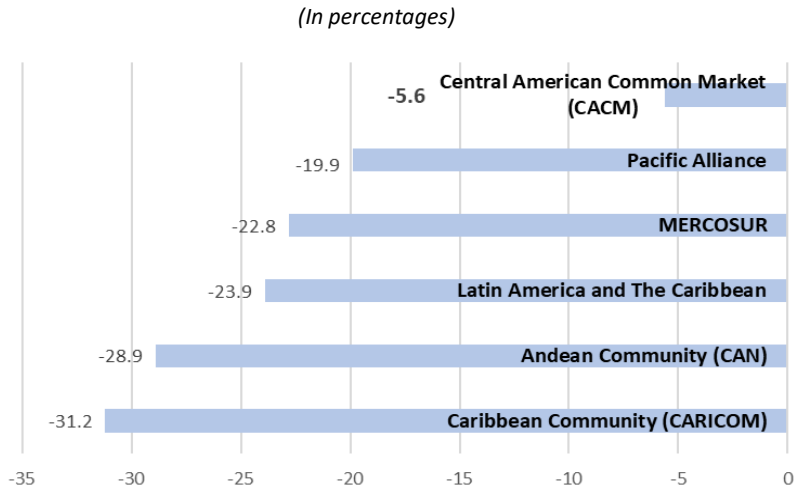


- Between 2000-2020, the average debt for Central America was 54.4% of its GDP, lower than the Latin American average at 61.1% of its GDP.
- In 2020, Central America's average debt increased to 67.9% of its GDP due to the negative impact of the health crisis and extraordinary fiscal measures implemented while LATAM stood at 79.3%.
- In 2021, the average debt of Central America is projected to reach 70.3% of its GDP, lower than the Latin American average which stood at 79% for the same period.

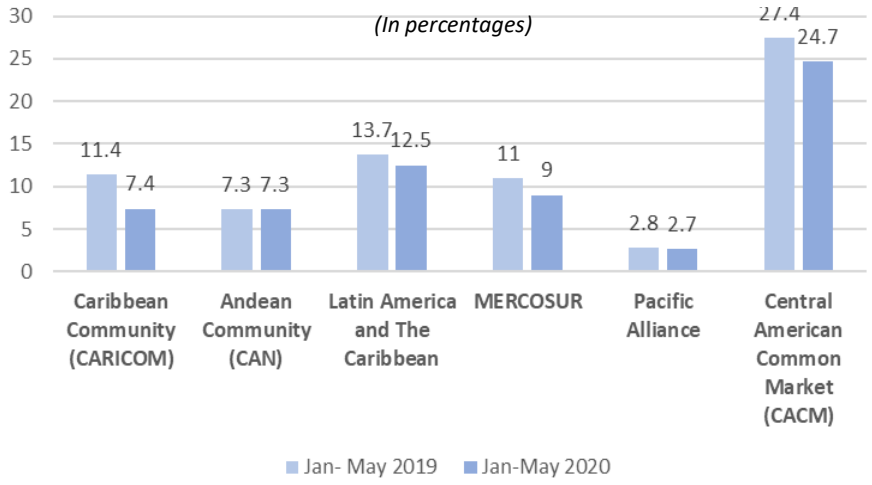
Note: Data correspond to General Government.
Source: International Monetary Fund, WEO April 2021.

The Central American region and Dominican Republic: a resilient integration scheme

Latin America and the Caribbean: Interannual variation rate of intra-group export in various integration schemes, Jan-May 2020.



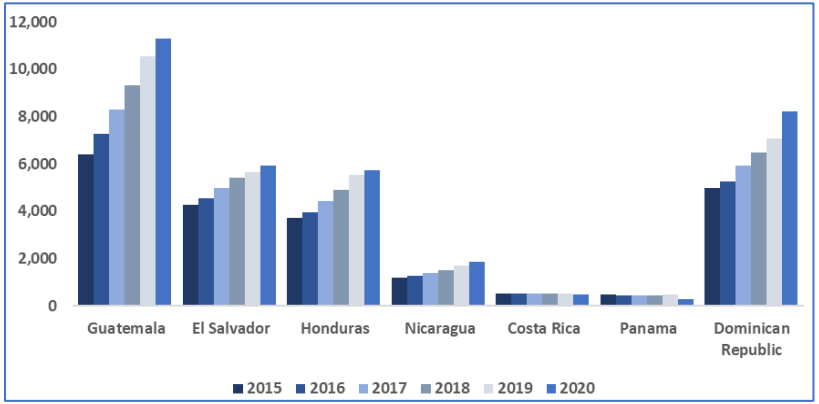
Latin American and The Caribbean: Coefficient of intra-group trade measured by exports in the various integration schemes, Jan-May 2019 and 2020



Source: CEPAL, based on information from central banks, customs services, and statistical institutes of the region.
The information corresponding to the Caribbean community is sourced from the Direction of Trades Statistics (DOTS) database o f the International Monetary Fund.

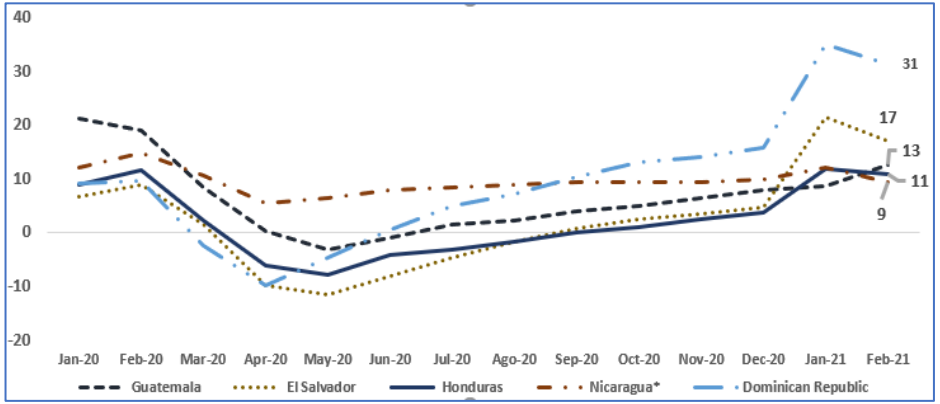
International remittances levels in the region have returned to normal

Evolution of remittances from the period 2015-2020
(In USD million)



Source: Secretariat of the Central American Monetary Council

Behavior of remittances in the region during the COVID-19 (Jan. 2020-feb 2021)
(In USD million)



Source: Secretariat of the Central American Monetary Council

- The region has shown a steady and healthy growth in international remittances over the course of the past 5 years, with a total increase of US$ 21.5 billion from year 2015 to US$ 34 billion in year 2020.
- The decrease in remittances showed resilience to the impact of COVID-19, ending 2020 with an average growth of 9% and starting 2021 with an average growth of 17%.

COVID-19's impact in the Central American region

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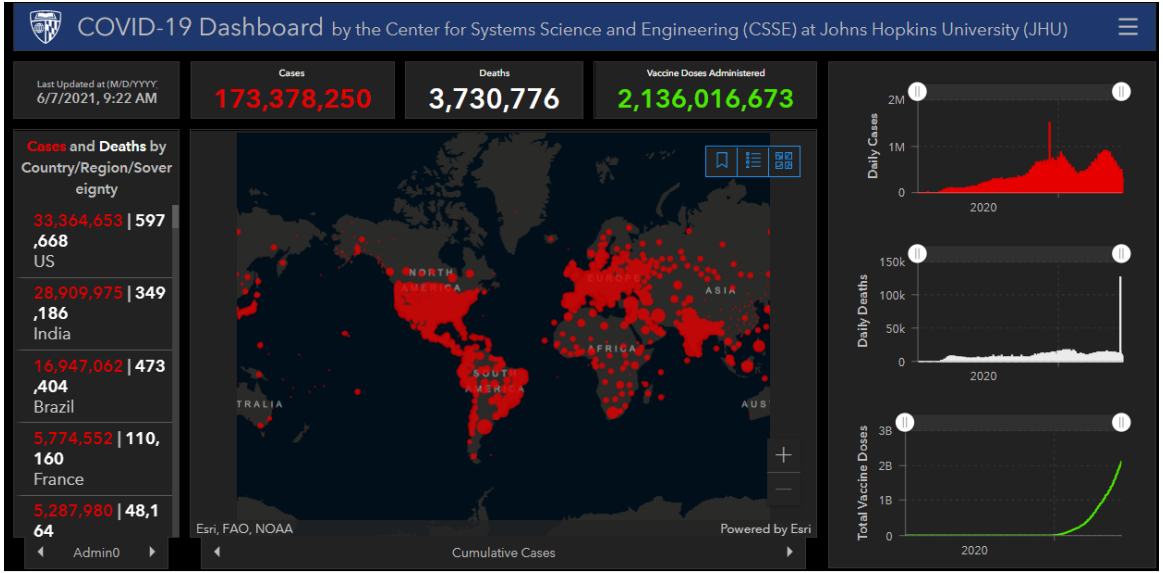

Country	Confirmed cases	Confirmed deaths	% of the population partially vaccinated
Panama	382,475	6,402	16.5%
Dominican Republic	301,078	3,654	34.9%
Costa Rica	327,979	4,153	19.9%
Guatemala	261,958	8,294	2.7%
Honduras	241,826	6,479	3.7%
El Salvador	74,141	2,274	18.1%
Nicaragua	7,481	187	2.5%
Total	**1,596,938**	**31,443**	

Sources:
https://www.unah.edu.hn/coronavirus/mapa-mundial-covid-19
https://ourworldindata.org/covid-vaccinations
Data as of June 7th 1st , 2021

CABEI's COVID-19 Emergency Program promptly created

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According to the declaration of the SICA countries in the face of the COVID-19 pandemic, an Emergency Program was approved to provide financial resources to the countries of the region to finance operations for the prevention, detection and treatment of COVID-19 and mitigation of its economic impact in these countries. The Program will be financed with regular CABEI resources of up to **US$3,060,125,000**

Components	Amount in US$	Financial Instruments and Institutional Sector
1. Emergency AID	8,000,000	Grant to the Public Sector
2. Aid for the regional purchase and supply of medicines and medical equipment for early detection of COVID-19.	2,100,000	Grant to the Public Sector
3. Credit to finance Public Sector Operations.	350,000,000	Sovereign and non-sovereign Public Sector Loan
4. Credit Program to Support the Liquidity Management of Central Banks.	1,000,000,000	Central Bank Credit Line
5. Financial Sector Support Facility.	650,000,000	Loans, trade finance and guarantees to the financial sector.
6. Support for the Trifinio Project.	25,000	Grant to the Trifinio Project
7. Support for the adquisition of Vaccines to immunize the population against COVID-19.	800,000,000	Loans to the sovereign public sector.
8. Employment and youth entrepreneurship.	250,000,000	Loans to the sovereign public sector.
Total amount of the program	**3,060,125,000**	

CABEI also approved US$2,513.0 million for the Central American Program for Resilient Reconstruction

CABEI Central American Bank for Economic Integration

Components	CABEI Resources (US$)	External Resources (US$)	Total Amount (US$)	Financial instrument and sector
1. Emergency aid	3,000,000	TBD	3,000,000	Non-Refundable
2.Technical assistance funds and preparation of FCC investments projects.	5,000,000	5,000,000	10,000,000	Non-Refundable
3. Public investment Program	600,000,000	600,000,000	1,200,000,000	Public Sector Loan
4. Private investment program	400,000,000	400,000,000	800,000,000	Public and Private sector loans, Private and public partnership loans
5. Theme bonds: Green and ESG.	500,000,000	N/A	500,000,000	Regional and Global Bond Issuances
6. Knowledge development and management on adaptation to climate change.	N/A	N/A	N/A	Support from CABEI`s Members and international institutions.
Total amount of the program	**1,508,000,000**	**1,005,000,000**	**2,513,000,000**	

In response to the damage caused by hurricanes ETA and IOTA in the region, CABEI supported its member countries with the approval of the Central American Program for Resilient Reconstruction for an amount of up to US$2,513 million with the objective of encouraging SICA countries to confront and combat to climate change.

Central America: Trade Integration Agreements and Regional Initiatives

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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 **Chile** and Central America	Formally signed October 1999	Improved hemispheric integration. Improved rules for the investments promotion. Create an expanded and secure market for the goods produced.
Free trade agreement between **Panama** and Central America	Formally signed March 2002	Improved commercial relationship in the region. Increased the economic and social development.
Central America* – **USA** Free Trade Agreement (DR-CAFTA)	Formally signed May 2004	Improved commercial relationship in the region. Increased the market access. Encouraged a complementary agenda for Central America Region.
Free trade agreement between **Mexico** and Central America	Formally signed November 2011	Improved the competitiveness between Central America and Mexico. Increased the economic and social development. Removed commercial barriers and facilitated the trade between Central America and Mexico.
The **European Union** - Central America Association Agreement (EU-CAAA)	Formally signed June 2012	Improved commercial and cooperative relationship between regions. Increased social development in the Central America Region.
Free trade agreement between the Republic of **Korea** 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 **United Kingdom** 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.

Table of contents

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About CABEI

CABEI
Central American Bank for Economic Integration

CABEI'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).*

Extraordinary shareholder support through highly rated non-regional members

CABEI
Central American Bank for Economic Integration

- 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)

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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
Belize
Costa Rica
El Salvador
Guatemala
Honduras
Nicaragua
Panamá
Dominican Republic

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

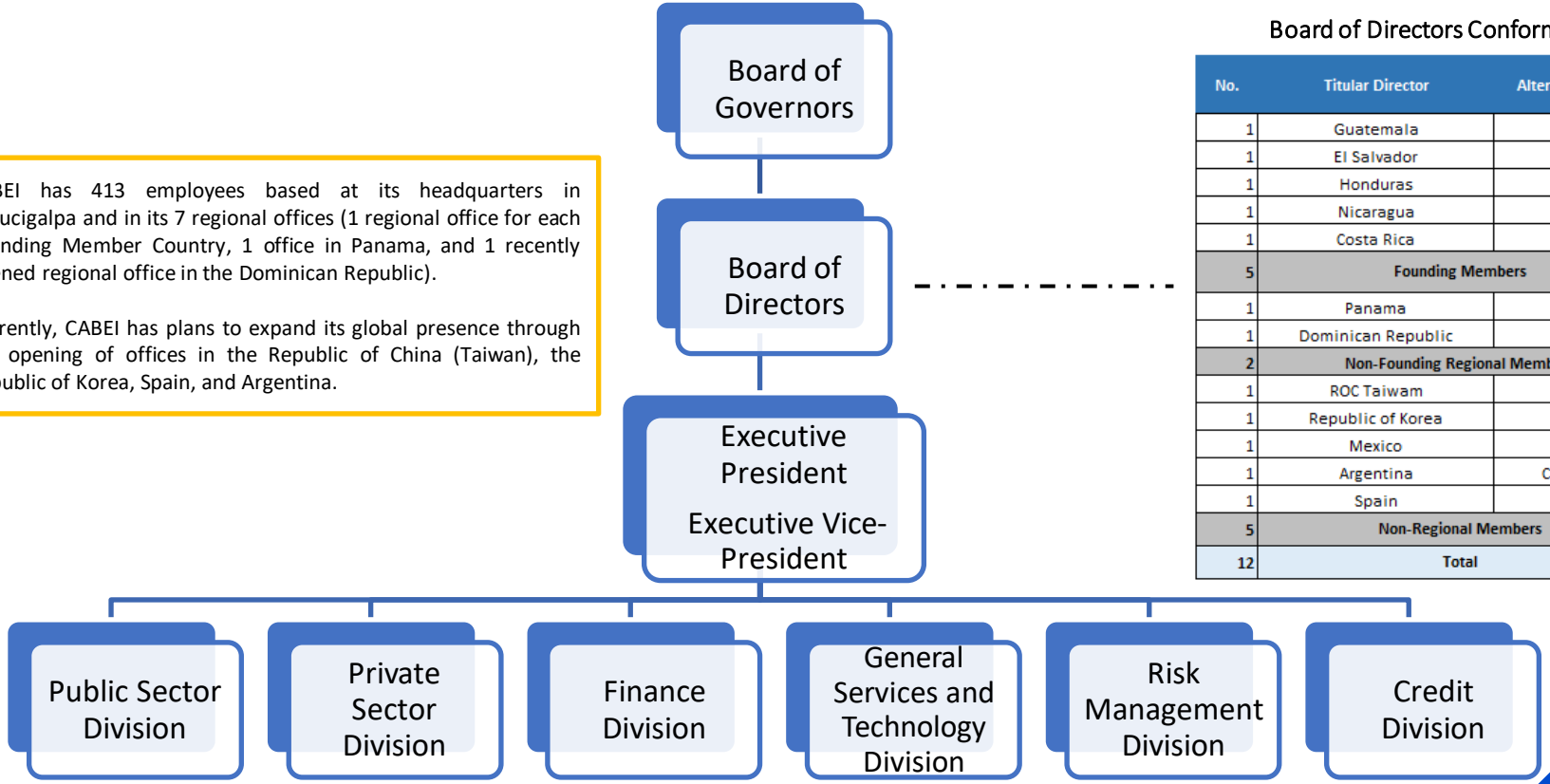
Extraregional observers
Republic of China (Taiwán)
Kingdom of Spain
Federal Republic of Germany
Italian Republic
Japan
Australia
Republic of Korea
French Republic
Holy See
United Kingdom
European Union
Kingdom of Morocco
New Zealand
State of Qatar
Republic of Turkey
Order of Malta
Republic of Serbia

Extraregional observers
Canada
Bolivia
Russia
Sweden
Egypt
Georgia

Organizational Structure

CABEI has 413 employees based at its headquarters in Tegucigalpa and in its 7 regional offices (1 regional office for each Founding Member Country, 1 office in Panama, and 1 recently opened regional office in the Dominican Republic).

Currently, CABEI has plans to expand its global presence through the opening of offices in the Republic of China (Taiwan), the Republic of Korea, Spain, and Argentina.

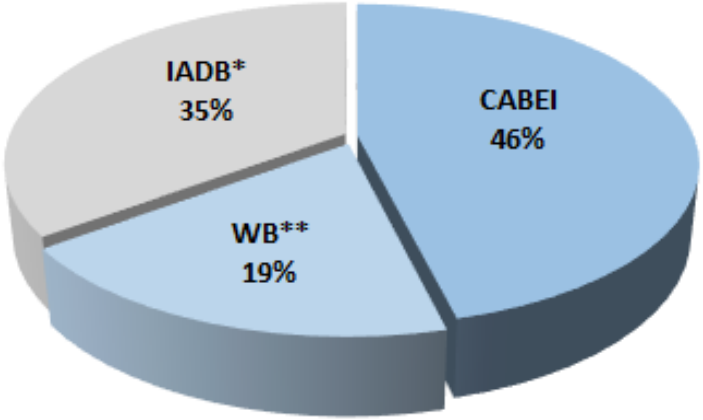


Board of Directors Conformation

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 Taiwam	-
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[1] in the last 15 years (2004-2018)



Total Disbursements in the region 2004-2018: US$43.7 billion

1 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, www.worldbank.org CABEI.

- ✓ Throughout 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.

Rising importance of CABEI in the Region

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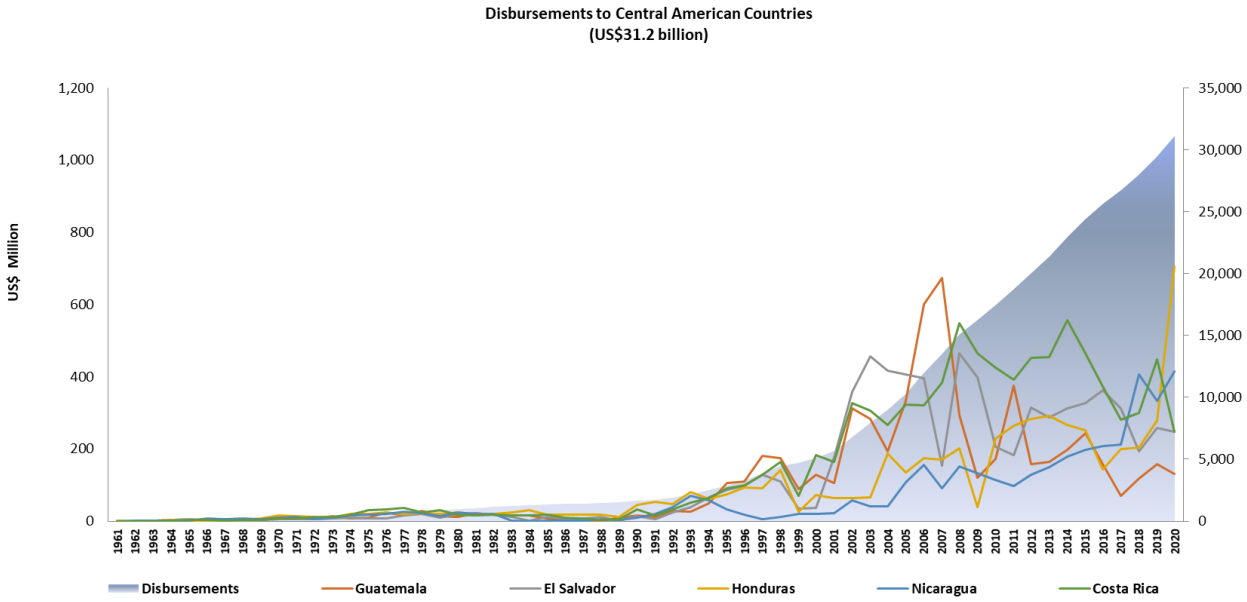
CABEI`s total disbursements (2000-2020)



- ✓ Since its creation, CABEI has disbursed over **US$31.2 billion** to the Central American region.
- ✓ In times of economic crisis, CABEI has continued to fulfill its mandate; thus strengthening the preferential creditor status.
- ✓ 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.

Table of contents

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2. CABEI's Role and Policy Importance

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

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5. Equity and Profitability

6. ALM Policy

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2016: Amendments to CABEI's Constitutive Agreement

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Consolidate CABEI's Preferred Creditor Treatment (PCT) and the support of its shareholders

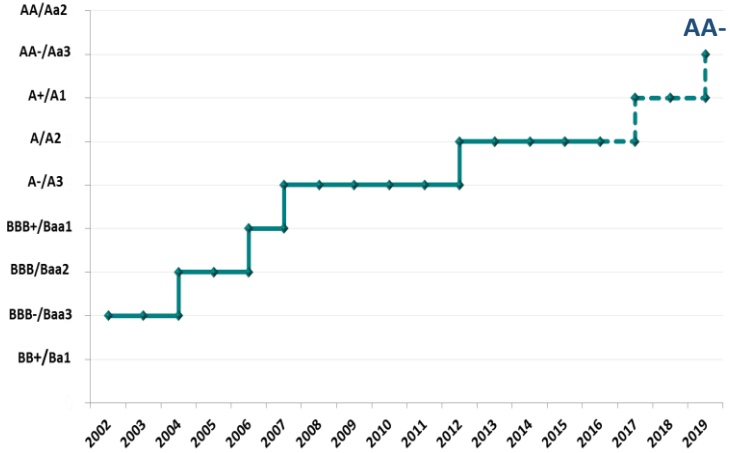
- Improve the perception regarding CABEI's PCT among Credit Rating Agencies and financial markets.
- Preferential Treatment granted by member countries compared to other MDBs.
- Expedite the approval of capital increases.
- Normalize Belize's status as a Non-Founding Regional Member.

Strengthening of CABEI's capital base

- Recurring capitalization processes.
- Increasing the attractiveness of the Bank for potential new member countries and/or public organizations with international scope.

Encourage greater diversification of the loan portfolio

- Diversification as an additional source of Capital.
- Increase the Bank's lending capacity.
- Promote equal treatment for SICA member countries.



April 2014

CABEI's Board of Governors required the formulation of an action plan to modify the Institution's Constitutive Agreement.

February 2015

CABEI's Board of Governors approved the proposed amendments to its Constitutive Agreement.

June 2016

The amendments to the Constitutive Agreement became effective.

Results of Amendments to CABEI's Constitutive Agreement: capital increase, loan diversification and incorporation of new members

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CABEI's Board of Governors approved the increased participation of the Republic of Panama and the Dominican Republic for US$197.4 million each, within the Bank's shareholder structure, for a total subscription of shares of US$256.0 million each.

Feb 2016

Belize acquires the status of non-founding regional member of CABEI.

Nov 2016

Cuba became a non-regional member, through a US$50.0 million capital subscription.

July 2018

On December 31, 2019, the Republic of Korea´s Adhesion Protocol to CABEI´s Constitutive Agreement and shares Subscription Agreement entered into full force and effect. As of That date, the Republic of Korea´s US$450 million capital subscription became effective.

Dec 2019

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CABEI's authorized capital increased from US$5.0 billion to US$7.0 billion.

April 2020

CABEI Central Americar Bank for Economic Integration

On July, 2020, the implementation process of the 8th GCI was completed, within the framework of which the founding, non-founding regional and extra-regional members formalized the subscription of 195,330 shares (all of the available shares) equivalent to a subscribed capital of US$1,953.3 million.

July 2020

CABEI's Capital Structure: almost 20% attributed to highly-rated Asian countries

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Capital Structure as of may 2021

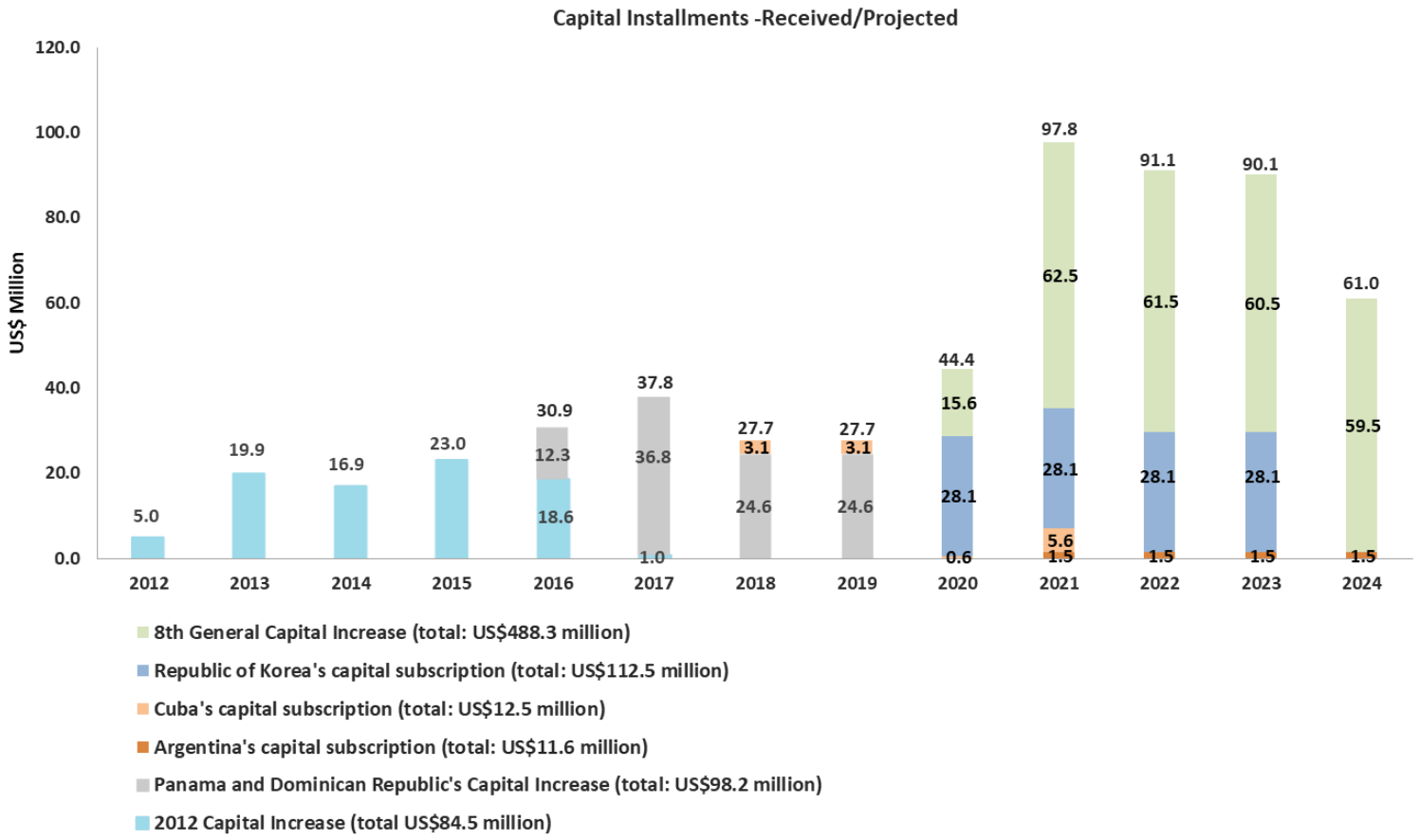
Founding Members	Subscribed Capital (US$)	Subscribed Callable Capital (US$)	Subscribed Paid-In Capital (US$) (*)	No. of Series A Shares	No. of Series C Shares	Total No. of Shares (A+C)	Series A Shares % of Authorized Capital	Share Participation (A+C) (%)(**)
Guatemala	714,000,000	535,500,000	178,500,000	71,400	21,147	92,547	10.20%	10.73%
El Salvador	714,000,000	535,500,000	178,500,000	71,400	21,147	92,547	10.20%	10.73%
Honduras	714,000,000	535,500,000	178,500,000	71,400	21,147	92,547	10.20%	10.73%
Nicaragua	714,000,000	535,500,000	178,500,000	71,400	21,147	92,547	10.20%	10.73%
Costa Rica	714,000,000	535,500,000	178,500,000	71,400	21,147	92,547	10.20%	10.73%
Total Founding Members	**3,570,000,000**	**2,677,500,000**	**892,500,000**	**357,000**	**105,735**	**462,735**	**51.00%**	**53.66%**
Non-Founding Regional Members	**Subscribed Capital (US$)**	**Subscribed Callable Capital (US$)**	**Subscribed Paid-In Capital (US$) (*)**	**No. of Series B Shares**	**No. of Series C Shares**	**Total No. of Shares (B+C)**	**Series B Shares % of Authorized Capital**	**Share Participation (B+C) (%)(**)**
Dominican Republic	378,400,000	283,800,000	94,600,000	37,840	5,180	43,020	5.41%	4.99%
Panama	358,400,000	268,800,000	89,600,000	35,840	5,655	41,495	5.12%	4.81%
Belize	25,000,000	18,750,000	6,250,000	2,500	394	2,894	0.36%	0.34%
Sub-total	**761,800,000**	**571,350,000**	**190,450,000**	**76,180**	**11,229**	**87,409**	**10.88%**	**10.14%**
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**	**Total No. of Shares (B+C)**	**Series B Shares % of Authorized Capital**	**Share Participation (B+C) (%)(**)**
ROC (Taiwan)	776,250,000	582,187,500	194,062,500	77,625	20,864	98,489	11.09%	11.42%
Republic of Korea	630,000,000	472,500,000	157,500,000	63,000	2,769	65,769	9.00%	7.63%
Mexico	306,250,000	229,687,500	76,562,500	30,625	12,486	43,111	4.38%	5.00%
Argentina	305,800,000	229,350,000	76,450,000	30,580	6,085	36,665	4.37%	4.25%
Spain	280,000,000	210,000,000	70,000,000	28,000	8,293	36,293	4.00%	4.21%
Colombia	203,000,000	152,250,000	50,750,000	20,300	5,987	26,287	2.90%	3.05%
Cuba	50,000,000	37,500,000	12,500,000	5,000	555	5,555	0.71%	0.64%
Sub-total	**2,551,300,000**	**1,913,475,000**	**637,825,000**	**255,130**	**57,039**	**312,169**	**36.45%**	**36.20%**
Sub-total Non-Founding Members	**3,313,100,000**	**2,484,825,000**	**828,275,000**	**331,310**	**68,268**	**399,578**	**47.33%**	**46.34%**
Total Subscribed Capital	**6,883,100,000**	**5,162,325,000**	**1,720,775,000**	**688,310**	**174,003**	**862,313**	**98.33%**	**100.00%**
Unsubscribed Shares	116,900,000			11,690			1.67%	
Total Authorized Capital	**7,000,000,000**			**700,000**			**100%**	

(*) Subscribed Paid-in Capital Includes Unpaid Capital.

(**) The right to vote for the capital subscription from the corresponding capital increase will take effect once the first capital payment of the founding member countries has been received to guarantee the 51% proportion, and provided that the period granted to non-founding regional members and extra-regional members to make the first capital payment has elapsed.

- ✓ *Under CABEI's 8th General Capital Increase (GCI), the second one in less than a decade, shareholder participation of founding member countries falls from 64.4% in 2015, to 54.0% in 2020.*
- ✓ *The amendments to the Constitutive Agreement and the incorporation of new members, further strengthen CABEI's "business profile", as they solidify its relationship with all of its members and diversify its shareholder structure.*
- ✓ *Considering current subscriptions, CABEI's 8th GCI will generate at least US$488.3 million in new paid-in capital installments.*
- ✓ *US$163.5 million is currently available for additional subscriptions by current non-founding members, as well as new members.*
- ✓ *Capital subscribed by members rated at or above a "AA-" rating reached 19.2% (Taiwan and the Republic of Korea) from 17.9%.*

New Paid-in Capital 2020-2024 to strengthen CABEI's solvency



The impact of CABEI´s investments

CABEI
Central American Bank for Economic Integration

Impact on Development Assessment System (SEID for its acronym in Spanish) aims to assess the impact on development for operations financed by CABEI. The Evaluation Cycle brings together the necessary steps to complete the evaluation process from ex ante, half term to ex post within the CABEI Project Cycle.

IMPACT ON DEVELOPMENT

- **HIGH (≥70%)**
- **SATISFACTORY (≥40%)**
- **LOW (>40%)**

Results on Development (2015-2020)

367,357
Area for Education (m2)

105,330
Area for health care built and rehabilitated (m2)

2,147
Kilometers of roads to be built, improved and rehabilitated

411
Km of distribution and conduction channels for irrigation built and improved

46,416
Area under irrigation (hectares)

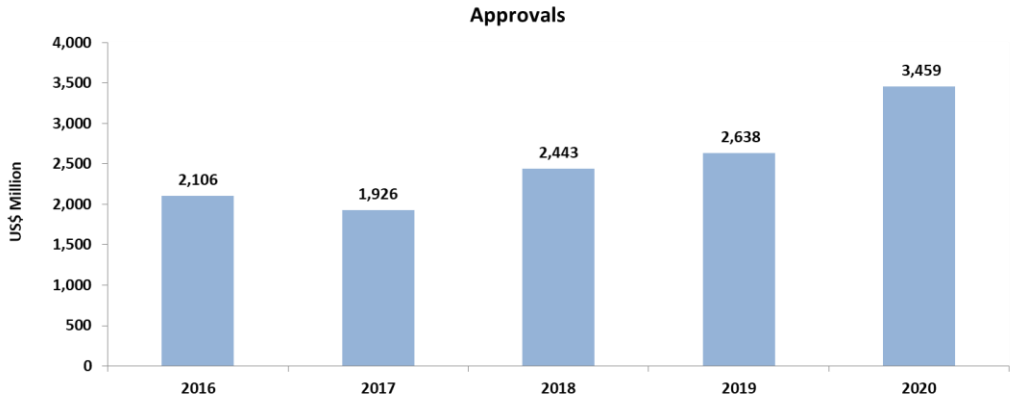
15,633
MSMEs benefited with access to loans with preferential rates

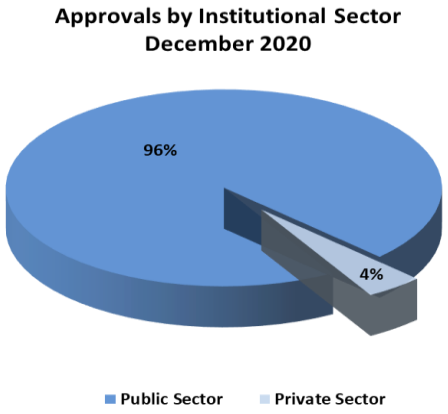
424,327
Students beneficiaries

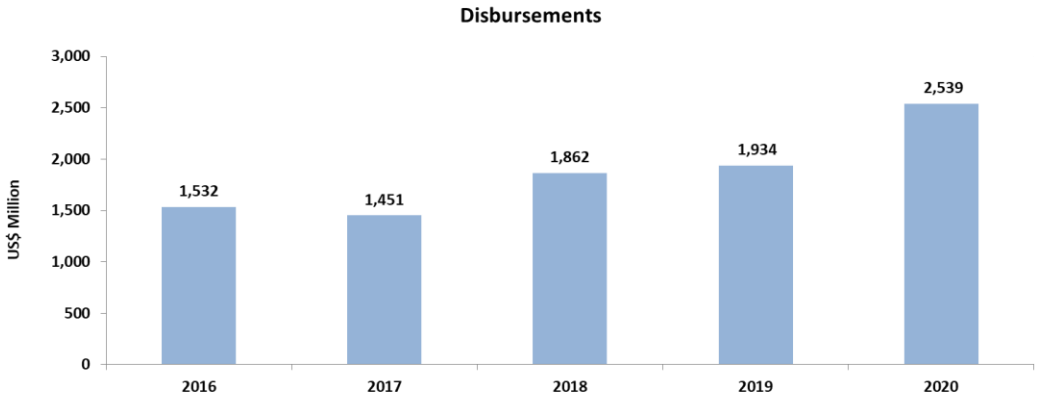
29,130
Dock construction and ehabilitation area (m2)

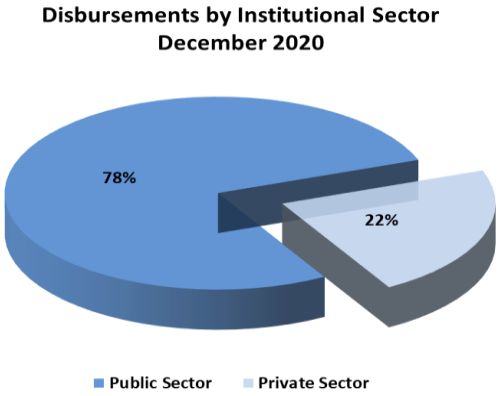
1,686,735
Beneficiaries of water for human consumption

Evolution of Credit Approvals and Disbursements







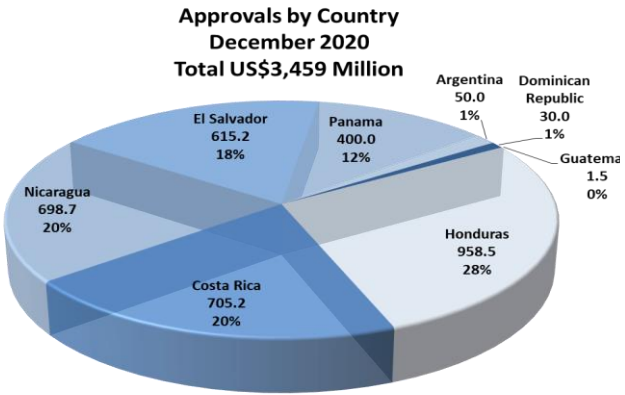


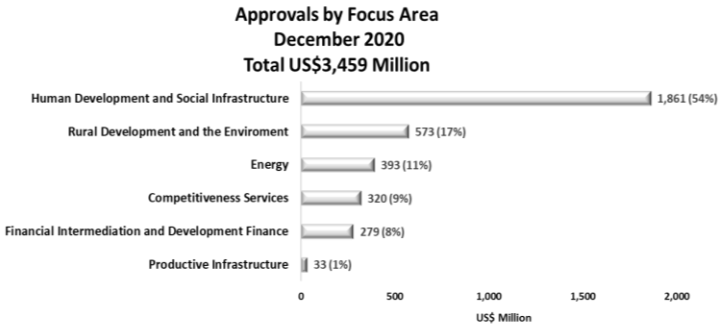
Credit Operations by Country & Focus Area

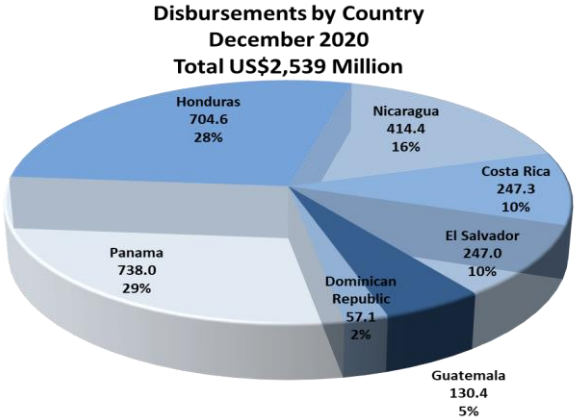
CABEI Central American Bank for Economic Integration

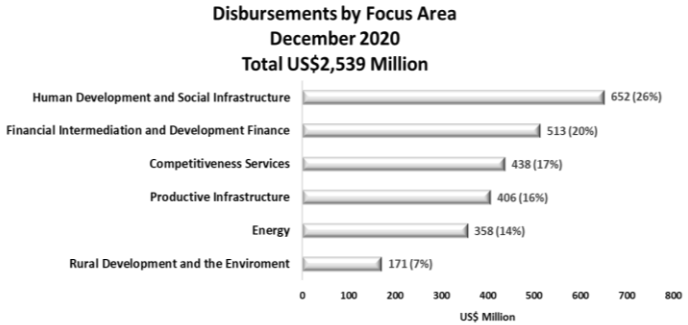
Approvals by Member Type	
Founding	86%
Non-Founding	14%

Disbursements by Member Type	
Founding	69%
Non-Founding	31%









Loan Portfolio: Approvals during 2020

CABEI approves US$ 2.5 billion for the Central American Program for resilient reconstruction.

November 2020, Central America was massively struck by two devastating hurricanes, ETA and IOTA, which brought along enormous damage in terms of infrastructure, crop losses and damage to the housing infrastructure of the region, as a result on November 16th 2020 ,the bank announced the approval of the *Central American Program for Resilient Reconstruction* in response to natural disaster emergencies for an amount of US$2.5 billion. These resources will be oriented to finance projects that address and prevent natural disasters for the sake of adapting to climate change, to restore livelihoods and create socioeconomic opportunities in affected communities.

CABEI approved the Emergency Support and Preparedness Program for COVID-19 and economic reactivation of US$3.06 billion.

The Program responds to the efforts for the prevention and containment of the health emergency faced by the member countries of the Bank.

The program includes:

- Emergency aid and non-reimbursable funds.
- Support to purchase of medical supplies.
- Finance sector public operations.
- Liquidity management of central banks.
- Support the financial sector to support SMEs
- Credit facility for the acquisition and application of vaccines.

CABEI approves US$399.2 million for mega-project that will supply potable water to the Great Metropolitan Area of Costa Rica.

CABEI approved the Costa Rican Institute of Aqueducts and Sewerage of the Republic of Costa Rica to finance the Supply Project for the Fifth Stage Metropolitan Aqueduct.

The project consists of the construction of 44.3 kilometers of pipelines, of which 8.6 km are tunnels, a new water treatment plant and six storage tanks with a total capacity of 50,000 cubic meters, infrastructure that will allow the capture, treatment and distribution of 2.5 m3/s (cubic meters per second) of drinking water in the Great Metropolitan Area and surrounding areas.

The direct beneficiaries are estimated at 638,000 people.

Regional Integration Projects

CABEI Central American Bank for Economic Integration

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.

Table of contents

1. Macroeconomic Overview

2. CABEI's Role and Policy Importance

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

4. CABEI´s Credit Ratings

5. Equity and Profitability

6. ALM Policy

7. Credit Risk Management

8. Comparison with other MDBs

S&P upgrades CABEI from A+ to AA

CABEI Central American Bank for Economic Integration

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 (CABEI) 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 CABEI'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 CABEI 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 CABEI 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, baring very low credit risk.**

S&P upgrades CABEI from A+ to AA

CABEI Central American Bank for Economic Integration

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

RAC: 11%

RAC: 17%

Results from the solid preferred creditor treatment that member countries grant the Institution which supports the Bank's capital position and the fact that CABEI 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 CABEI'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 CABEI'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. With the Republic Korea making its capital installment payments, additional callable capital is eligible for coming years.

Credit Ratings

CABEI Central American Bank for Economic Integration

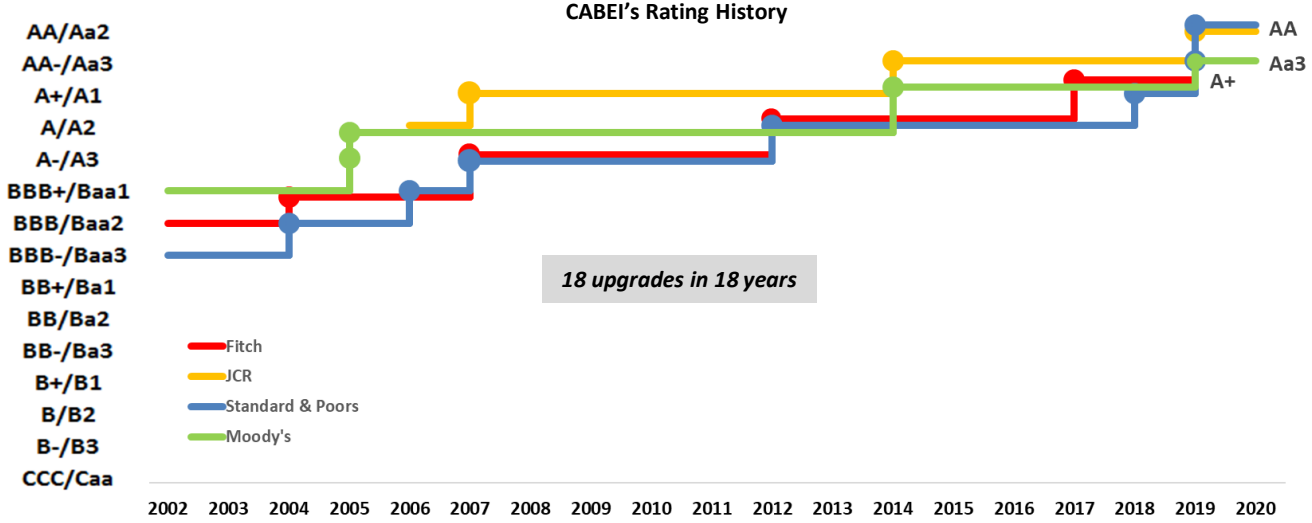
Credit Ratings to Date

Agency	Rating		Outlook	Last reviewed
	Long term	Short Term		
S&P	AA	A-1+	Stable	Sep-20
Moody's*	Aa3	P-1	Stable	Jul-20
JCR	AA	N/A	Stable	Mar-21

Key Factors Supporting High Investment Grade Rating

- Proven preferred creditor treatment (PCT)
- Solid capital adequacy
- Robust liquidity position
- Diversification of funding resources
- High quality loan portfolio
- Extraordinary shareholder support

CABEI's Rating History



CABEI is the highest-rated issuer in all of Latin America

CABEI
Central American Bank for Economic Integration

	Country/Bank	S&P										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	Aaa
1	CABEI																					
2	Chile																					
3	CAF																					
4	FONPLATA																					
5	Peru																					
6	Panama																					
7	Uruguay																					
8	Colombia																					
9	Mexico																					
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																					

Table of contents

1. Macroeconomic Overview

2. CABEI's Role and Policy Importance

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

4. CABEI´s Credit Ratings

5. Equity and Profitability

6. ALM Policy

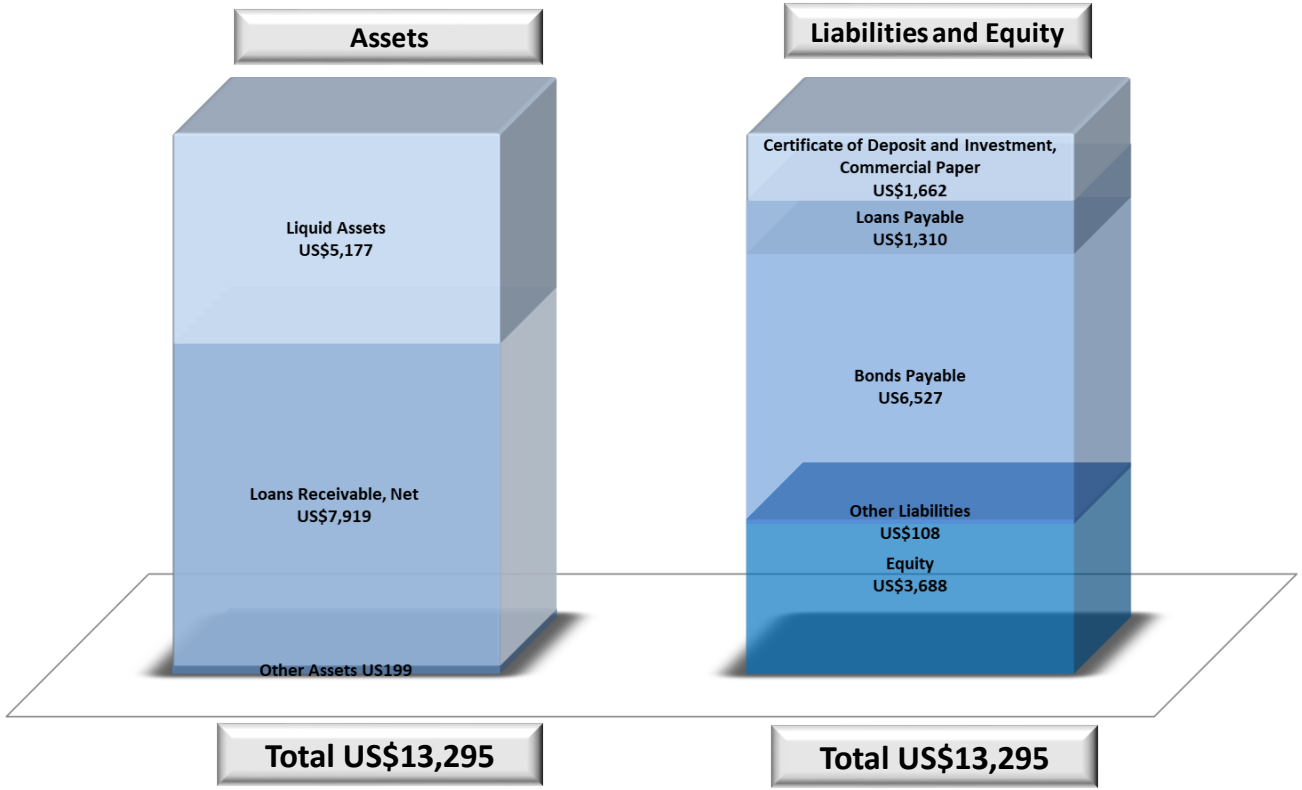
7. Credit Risk Management

8. Comparison with other MDBs

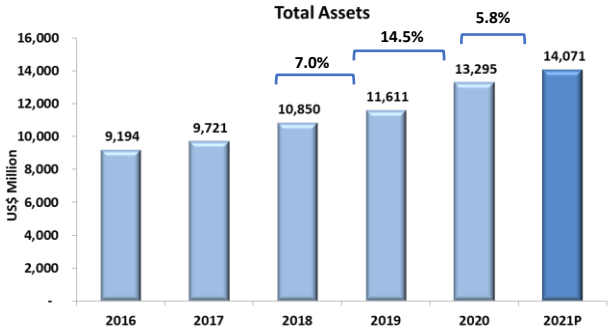
Balance Sheet: US$ 13.3 billion, with an average growth rate of 8.6% (2015 – 2020)

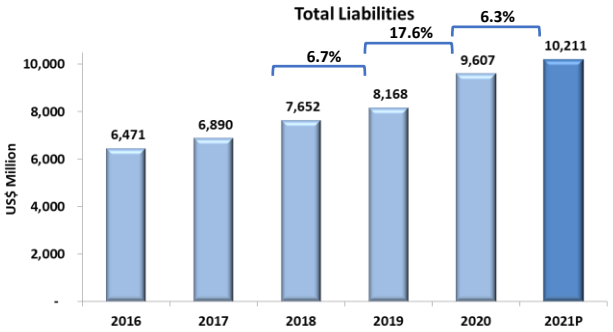
CABEI
Central American Bank for Economic Integration

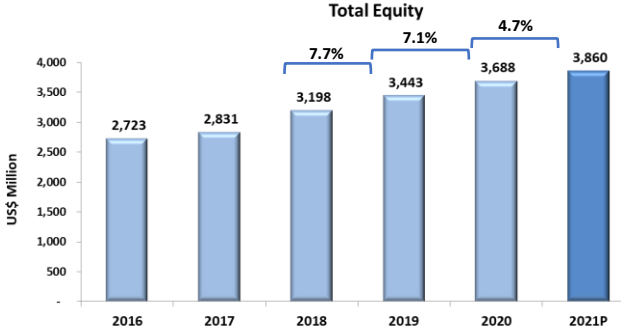
Balance Sheet as of December 31, 2020
(US$ million)



Balance Sheet



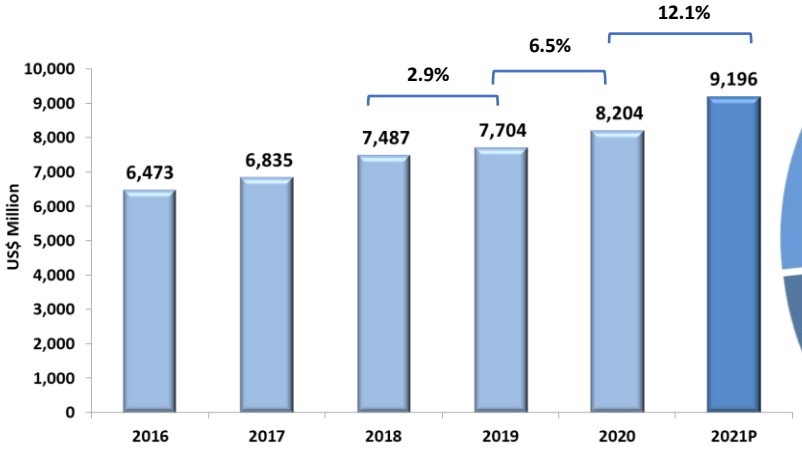




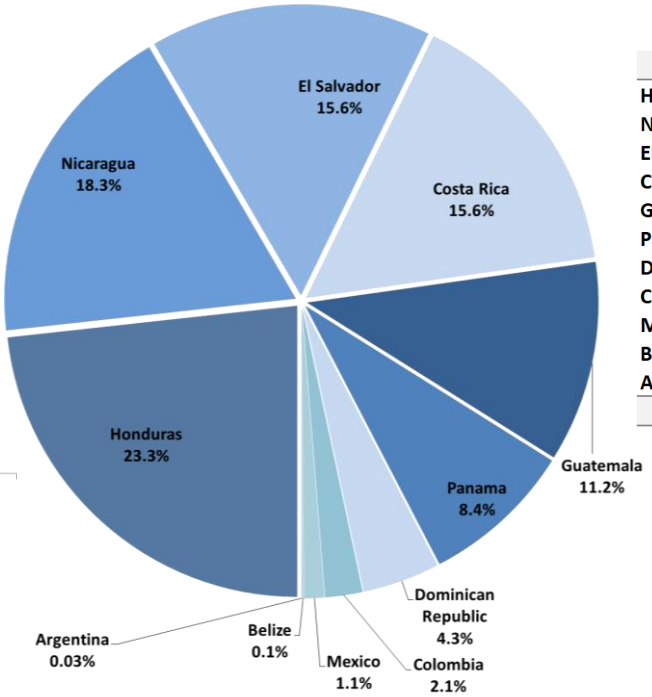
Loan Portfolio: improving diversification beyond founding members

CABEI Central American Bank for Economic Integration

Loan Portfolio



As of December 31, 2020
Loan Portfolio by Country US$8,204 Million

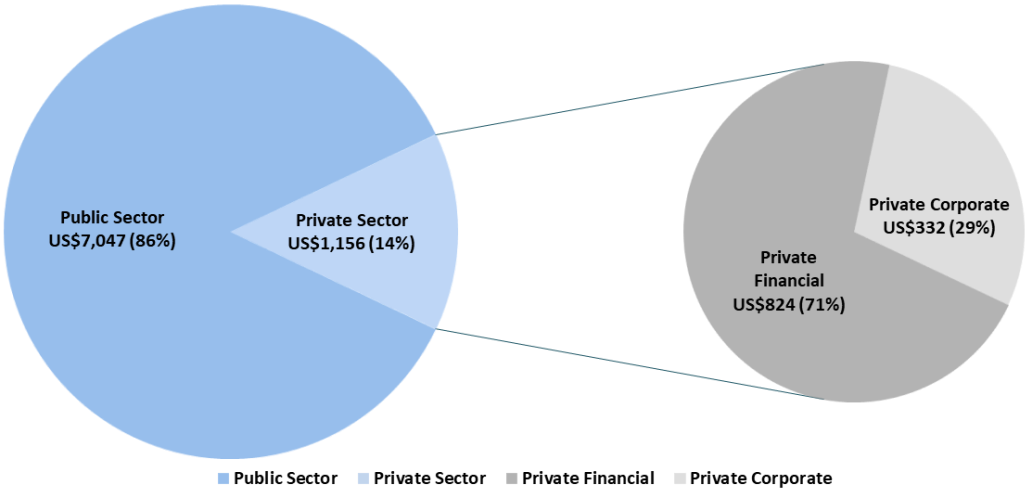


Country	US$ Million
Honduras	1,908.3
Nicaragua	1,504.6
El Salvador	1,279.6
Costa Rica	1,276.7
Guatemala	916.1
Panama	693.1
Dominican Republic	351.3
Colombia	170.0
Mexico	89.9
Belize	11.4
Argentina	2.5
Total	**8,203.7**

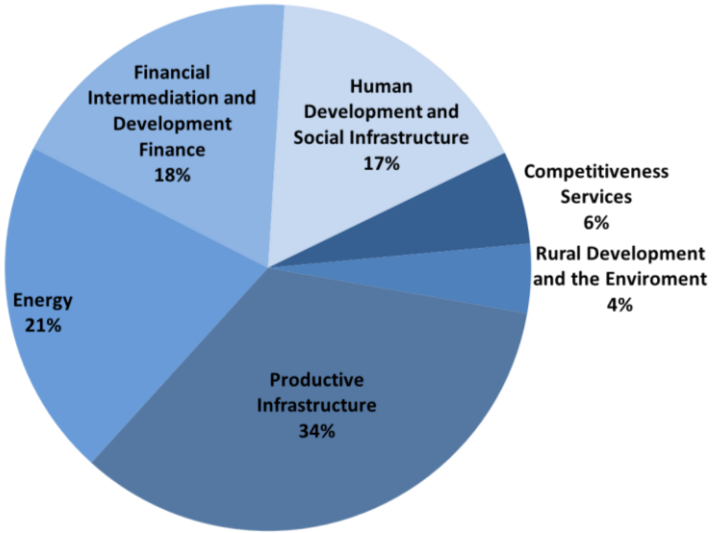
Loan portfolio is mainly in the public sector, which grants CABEI Preferred Creditor Status

As of December 31, 2020
Total Loan Portfolio US$8,204 Million

Loan Portfolio by Institutional Sector
(US$ million)



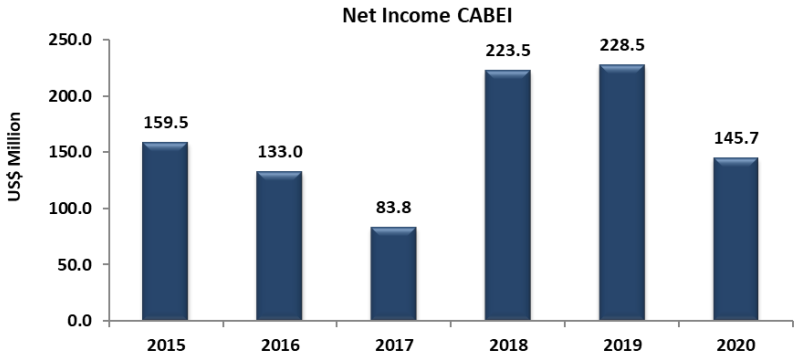
Loan Portfolio by Focus Area
(%)

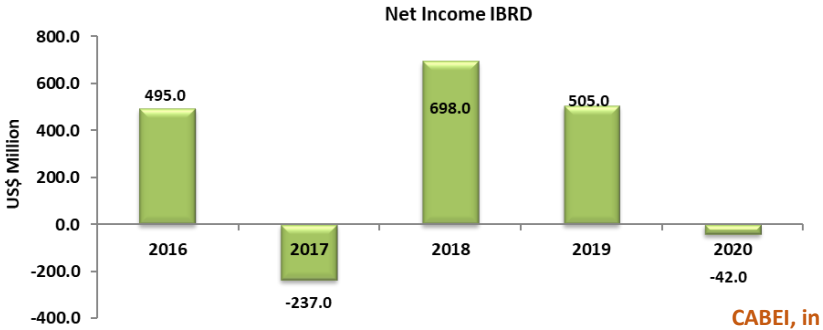


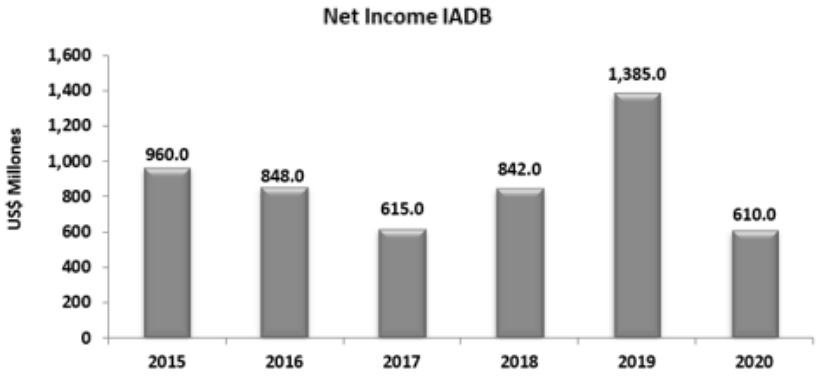
- ✓ The Bank's loan portfolio is mainly in the public sector; which grants CABEI a Preferred Creditor Status.
- ✓ Within the private sector, the portfolio has a greater proportion corresponding to the financial sector (with 71%), in line with the trend observed over the past 5 years.

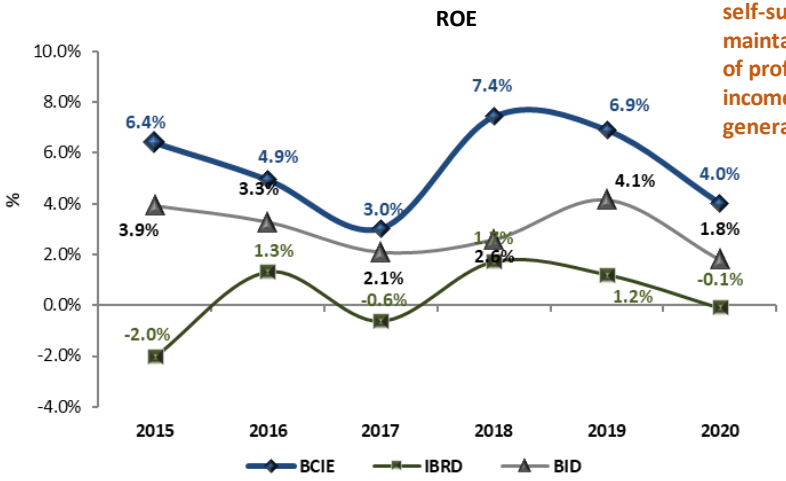
Consistent and above-peer average profitability

CABEI
Central American Bank for Economic Integration





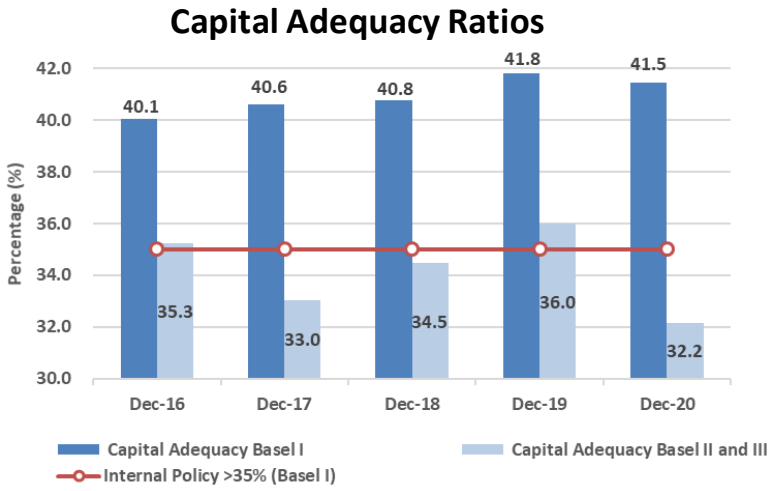


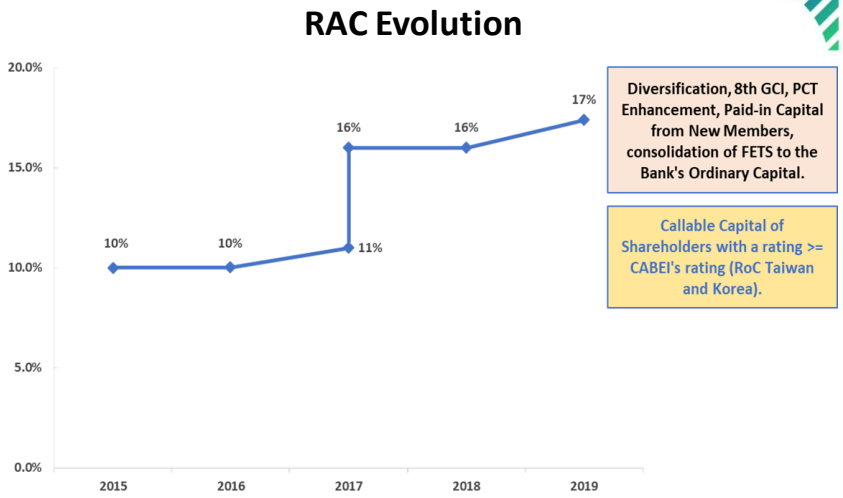


CABEI, in line with the principle of institutional self-sustainability, maintains consistent levels of profitability. All net income is capitalized to the general reserve.

Very strong capital adequacy

CABEI Central American Bank for Economic Integration





- ✓ 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 Accords; as of December 2020, Basel I ratio reached 32.2%.

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

- ✓ The aggregate impact of diversification, the implementation of an 8th GCI, a PCT enhancement, the incorporation of new members, and the consolidation of FETS, will allow CABEI to maintain and improve its adjusted RAC ratio.

Table of contents

1. Macroeconomic Overview

2. CABEI's Role and Policy Importance

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

4. CABEI´s Credit Ratings

5. Equity and Profitability

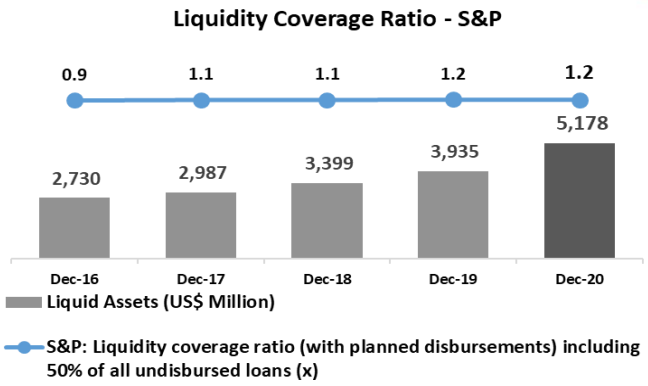
6. ALM Policy

7. Credit Risk Management

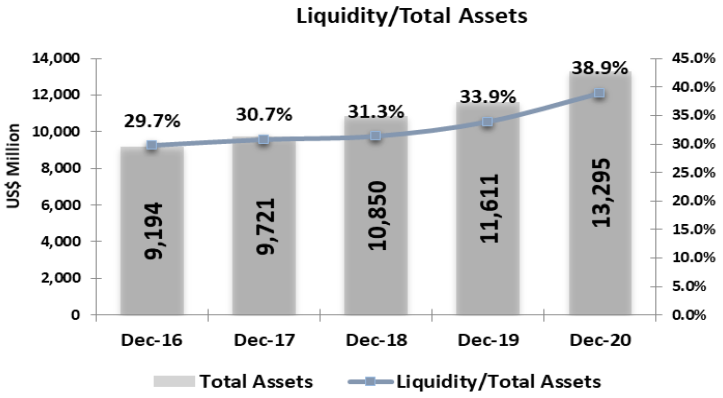
8. Comparison with other MDBs

High level and strong liquidity position

Cash and Investment Portfolio December 2020		
Instrument	US$ Million	%
Cash	13	0%
Money Market	3,763	73%
Investment Funds	200	4%
Third Party Asset Management	109	2%
Bonds	1,093	21%
Total Investment Portfolio	5,165	100%
Cash + Investment Portfolio	5,178	100%



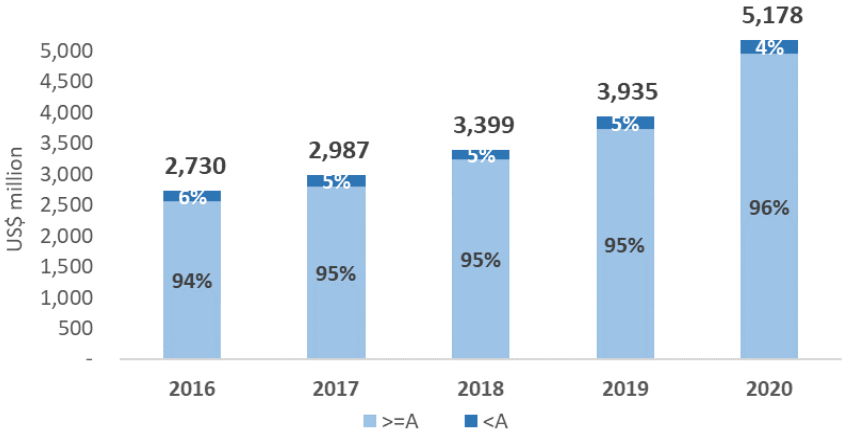
- ✓ Liquidity risk is mitigated by CABEI's ALM Policy, which requires compliance with the key liquidity indicators used by rating agencies Standard & Poor's and Moody's to evaluate MDBs, in line with the Bank's credit rating; as well as holding a minimum liquid asset coverage of 6 months of gross cash 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, 2020, the aforementioned ratios stood at 4.56x and 1.32x, respectively.
- ✓ As of December 31, 2020, the effective duration of the Investment Portfolio was 0.66 years.



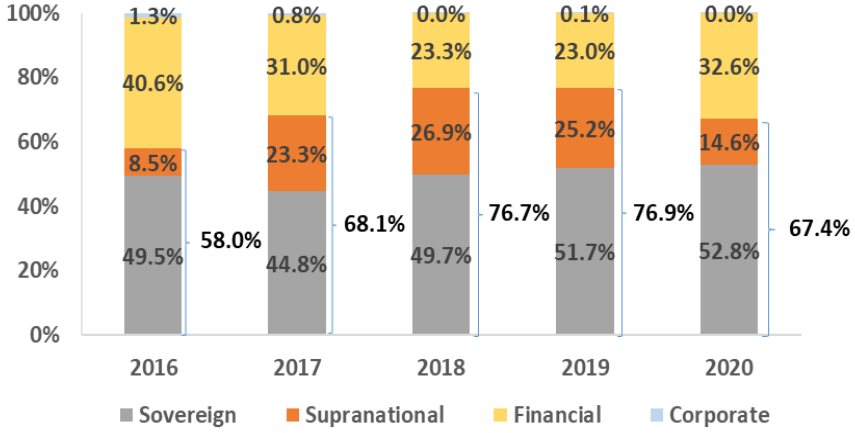
Liquidity Risk - Investment Portfolio & Liquidity Levels

CABEI Central American Bank for Economic Integration

Investment Portfolio Credit Quality Evolution



Liquidity by Sector



- ✓ The credit quality of the Investment Portfolio has improved in recent years, from 94% invested in liquid assets with an A rating or higher in 2016 to 96% in 2020.
- ✓ Likewise, the investment portfolio conformation by sector also reflects an improvement as the sovereign and supranational exposures have increased.

Funding Strategy

CABEI
Central American Bank for Economic Integration

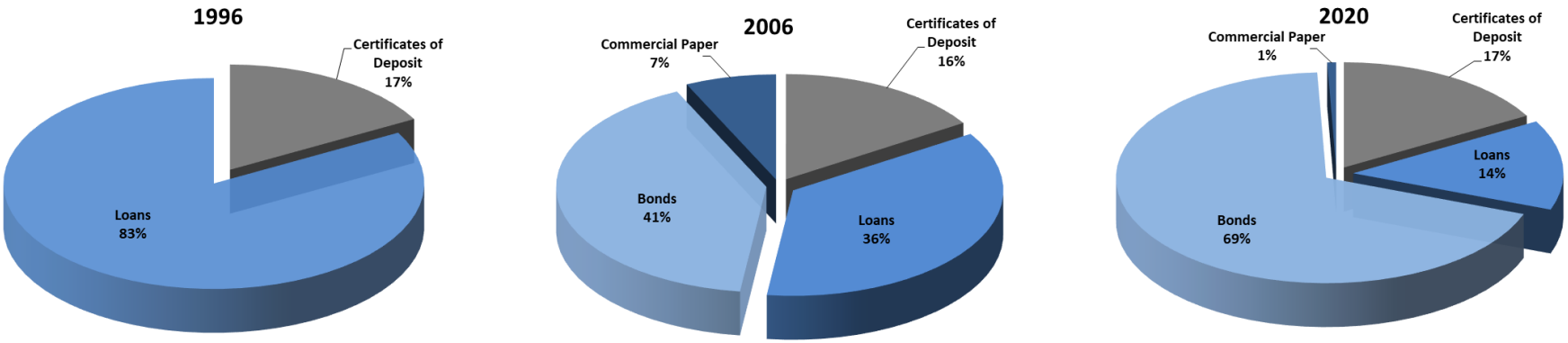
Objective

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 shows how CABEI has matured as a frequent issuer in the capital markets



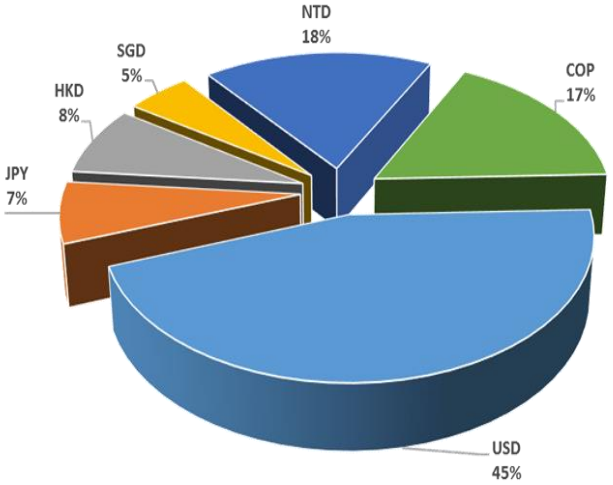
- ✓ Funding Cost Optimization, which reflects the good perception international markets have regarding its credit profile and maturity as an institution.
- ✓ CABEI's financing structure reflects the institution's preference for stable funding sources.

Funding Diversification: CABEI has flexibility to access different markets and currencies

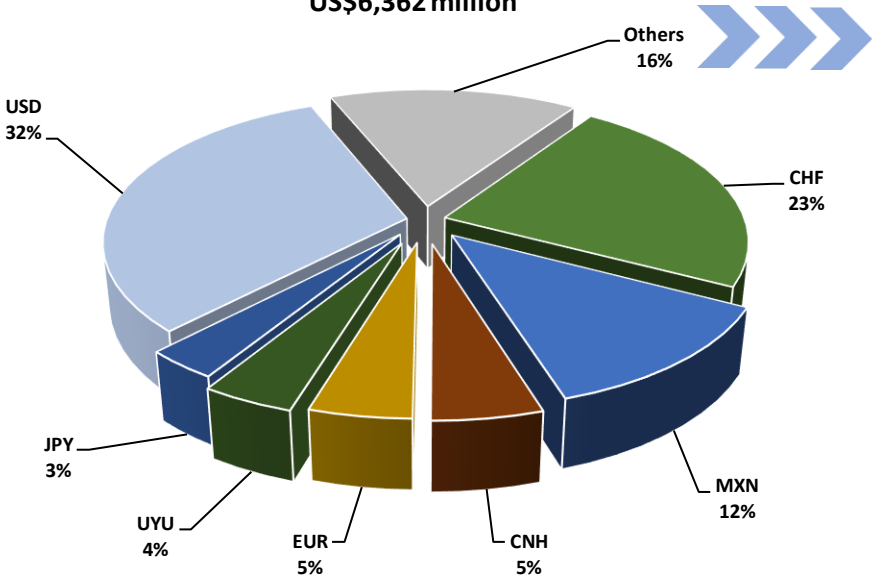
CABEI Central American Bank for Economic Integration

Bonds Payable/Distribution by markets and currencies

December 2006
US$1,200 million



December 2020
US$6,362 million



	NOK	2.84%
	CNY	2.35%
	AUD	2.13%
	COP	1.74%
	CRC	1.72%
	NZD	1.11%
	HKD	0.81%
	USD	0.79%
	USD	0.79%
	THB	0.63%
	ZAR	0.39%
	SEK	0.33%

- ✓ Funding Cost Optimization.
- ✓ Investor Diversification via debt issuance across markets and currencies as well as thematic bond. Historically, CABEI has made debt placements in 24 different currencies and 23 different markets.
- ✓ Funding and Lending Match in terms of floating rate exposure.

CABEI`s Recent Transactions

CABEI
Central American Bank for Economic Integration

3-Feb-2021
US$ 500 Mn

2021
Global Social Bond

4-Dic-2020
NZD 72 Mn

2020
Vaccine Bond II Private Placement

12-Nov-2020
US$ 50 Mn

2020
Vaccine Bond Private Placement

4-Jun-2020
CHF 150 Mn

2020
Swiss Market

3-Jun-2020
US$ 375 Mn

2020
Formosa Market

29-Apr-2020
US$ 750 Mn

2020
Global Note

24-Mar-2020
MXN 4.3 Bn

2020
Mexican Market

31-Oct-2019
US$ 375 Mn

2019
Global Green Bond

International Strategic Partners of CABEI to mobilize/blend resources to the Central American region.

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Green Funding

GREEN CLIMATE FUND · gef · ADAPTATION FUND · KFW · AFD · European Investment Bank

Export Credit Agencies

UK Export Finance · Korea Eximbank

Development Resources for Energy, MSME, Infrastructure, Education and Agriculture.

中華民國外交部 Ministry of Foreign Affairs Republic of China (Taiwan) · DFC U.S. International Development Finance Corporation · TAIWAN ICDF · Liberté • Égalité • Fraternité République Française · Instituto de Crédito Oficial · EDCF Economic Development Cooperation Fund · Ministère de l'Économie et des Finances · JBIC Japan Bank for International Cooperation · IFAD International Fund for Agricultural Development · Gobierno de México · Ministry of Economy and Finance · BANCOMEXT · USAID From the American People · laif Latin America Investment Facility · CeEB · cooperación española · CAF Banco de Desarrollo de América Latina · cooperación alemana Deutsche Zusammenarbeit

On-lending

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Central America development projects

Co-financing

CABEI Statements and Commitments on Climate Change

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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

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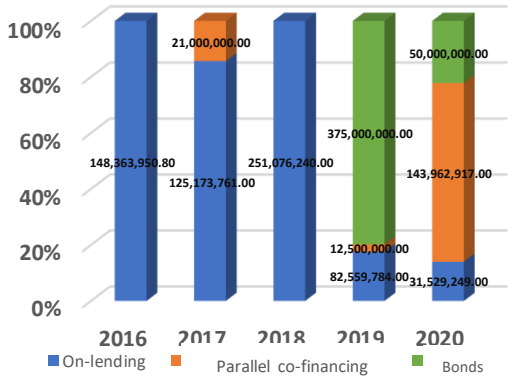
Credit Lines from Partners

European Investment Bank · KFW · AFD · CeEB · JBIC Japan Bank for International Cooperation

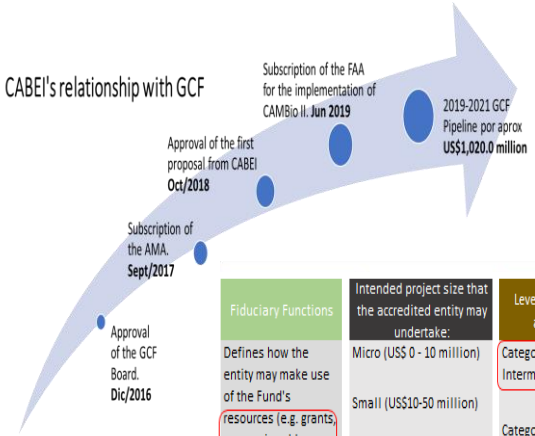
CABEI has mobilized **US$1.2 billion** to finance climate change operations within the 2016-2020 period.

Mobilization of Resources from partners for Climate Change Projects



Accreditation to Global Funds

GREEN CLIMATE FUND · ADAPTATION FUND



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-
	Medium (US$50-250 million)	Category C (low risk)/No/I-3
	Large (>US$ 250 million)	

Green Bonds

CABEI´s contribution to sustainable world green finance, supporting green infrastructure in Central America

On November 2019, CABEI issued its first Global Green Bond for a total Amount of **US$375 million**.

CABEI's incursion in the green bond market is its latest green initiative.

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

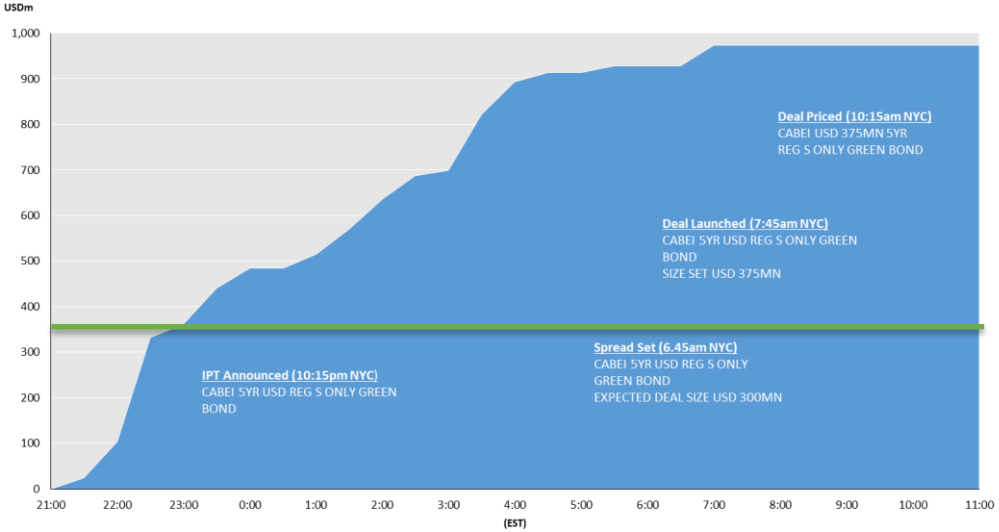
On September 24, 2019, CABEI's Green Bond Framework achieved a favorable Second Party Opinion (SPO) by the firm Sustainalytics. As part of its conclusion, the firm stated:

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."*

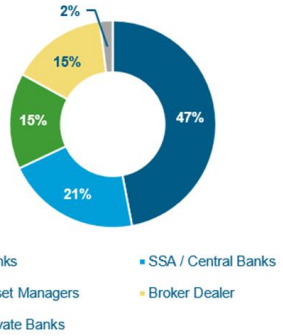
CABEI Reaffirms its Commitment to Promote Actions to Finance Climate Change Mitigation: US$375 million 2019 Green Bond Issuance.

CABEI Central American Bank for Economic Integration

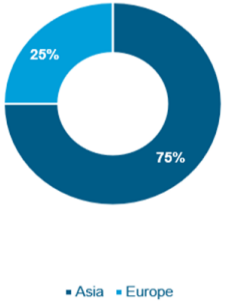
- ✓ On November 15, 2019 CABEI issued a US$375 million Floating Rate "USD Reg S Only" 5-year Green Bond, listed on both, the Luxembourg and Taipei Stock Exchanges.
  - ✓ The issuance engrossed an aggregate demand for approximately US$974 million, equivalent to an oversubscription of 3.2 times its original 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.



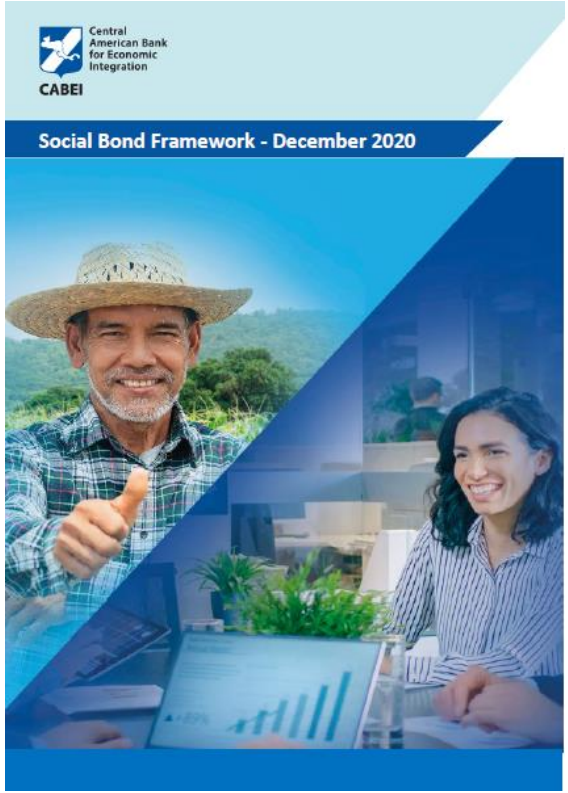
Investors by Type



Investors by Geography



CABEI´s Social Bond Framework



CABEI´s Social Bond framework is aligned with the 2020-2024 institutional strategy, which includes human development and social inclusion within its transversal axes. CABEI´s social bond framework has received favorable SPO by Sustainalytics, issuances are intended to finance and refinance financial flows to:

- ✓ Access to Essential Services
- ✓ Employment Generation
- ✓ Socioeconomic Empowerment
- ✓ Affordable Basic Infrastructure
- ✓ Food Security and sustainable food systems.

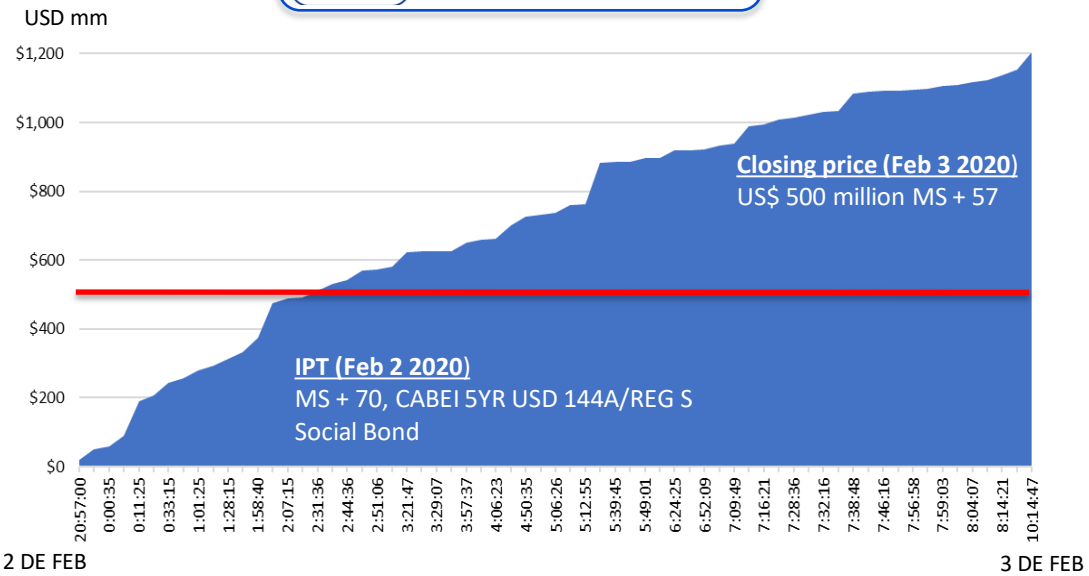
On January 6, 2021, CABEI's Social Bond Framework received a favorable Second Party Opinion (SPO) by the firm Sustainalytics. As part of its conclusion, the firm stated:

"Sustainalytics is confident that CABEI is well-positioned to issue social bonds and that the social bond framework is robust, transparent, and in alignment with the core components of the social bond principles 2020".

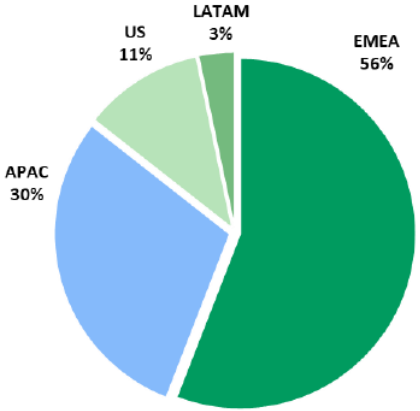
CABEI issues its first Global Social Bond US$500 Million

CABEI Central American Bank for Economic Integration

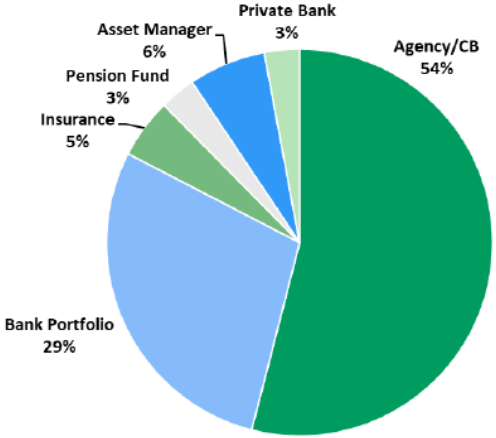
60.6% ESG Investors participation



Geographical breakdown



Investor type breakdown



- ✓ On February 3rd 2021, CABEI successfully priced US$500mm a 1.140% 5-year Social rated Aa3 (Moody's), and AA- (Fitch). This transaction represents CABEI's inaugural USD-denominated Social Bond.
- ✓ The orderbook grew steadily, attracting real money investor demand, reaching over US$1.2bn in orders at its peak, Despite the price-tightening, orderbooks remained steady enabling CABEI to launch US$500 million at +57 bps over Mid-Swaps

Table of contents

1. Macroeconomic Overview

2. CABEI's Role and Policy Importance

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Financials: Credit Risk - Risk Management Policy

CABEI Central American Bank for Economic Integration

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.

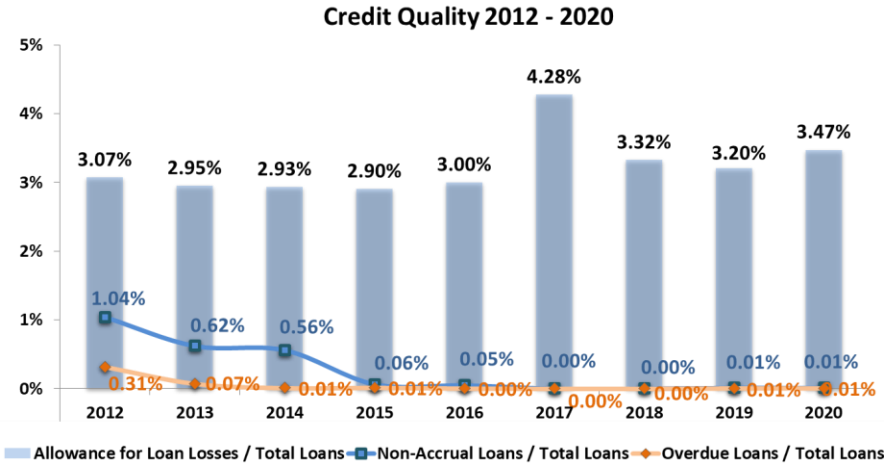
Main Credit Policies:

- ✓ 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:

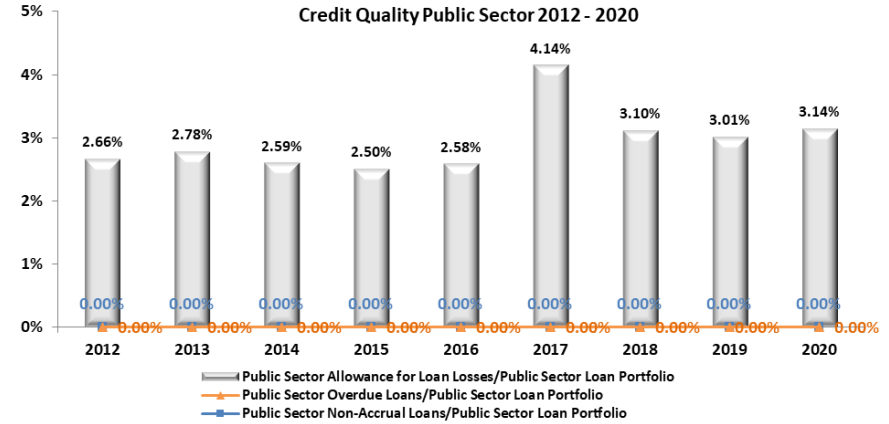
- ✓ Subscription of Credit Support Annexes (CSAs) with all counterparties in order to mitigate the credit exposure. In that sense, CABEI has established thresholds and margin calls (collateral).
- ✓ Credit risk in derivatives has been eliminated by requiring daily collateral and establish a "threshold" 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, zero arrears and NALs



Portfolio Quality Indicators
US$ Million

Indicator	2013	2014	2015	2016	2017	2018	2019	2020
Total Loans	5,395.4	5,713.2	6,081.6	6,473.1	6,834.8	7,487.4	7,704.3	8,203.7
Overdue Loans	3.8	0.5	0.9	0.2	0.0	0.0	0.6	0.5
Non-Accrual Loans	33.5	32.0	3.8	3.1	-	-	0.8	0.8
Allowance for Loan Losses	159.1	167.5	176.6	194.1	292.3	248.9	246.6	285.0
PORTFOLIO QUALITY INDICATORS								
Overdue Loans / Total Loans	0.07%	0.01%	0.01%	0.00%	0.00%	0.00%	0.01%	0.01%
Non-Accrual Loans / Total Loans	0.62%	0.56%	0.06%	0.05%	0.00%	0.00%	0.01%	0.01%
Allowance for Loan Losses / Total Loans	2.9%	2.9%	2.9%	3.0%	4.3%	3.3%	3.2%	3.5%
Number of Operations in Non-Accrual Status	4	4	4	3	0	0	1	1

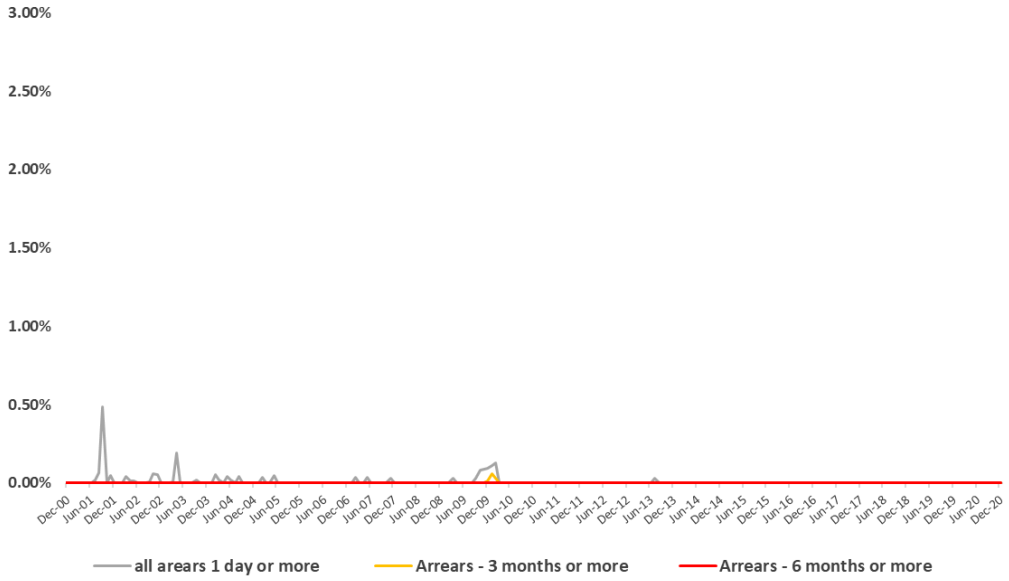


- ✓ **All Public Sector borrowers are current with their payments.**
- ✓ All overdue and non-accrual loans observed in past years correspond to private sector operations.
- ✓ **Historically and due to its preferred creditor status, CABEI's public sector loan portfolio does not present overdue loans or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

Proven Preferred Creditor treatment

CABEI Central American Bank for Economic Integration

CABEI´s Sovereign Arrears / Public Sector Outstanding Portfolio (Dec. 2000 - Dec. 2020)



The importance of CABEI's policy is supported by key developments following the amendments to its Constitutive Agreement that entered into force in 2016, with the aim of improving the Institution's governance, increasing its membership base and allowing additional financing through diversifying its loan portfolio and additional capital injections.

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.

Table of contents

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Key Financial Indicators: CABEI is better positioned than AAA MDBs

CABEI Central American Bank for Economic Integration

	Ratio	CABEI		IBRD		IADB	
	Rating (S&P/Moody's/JCR)	AA/Aa3/AA		AAA/Aaa/AAA		AAA/Aaa/AAA	
	Total Assets (US$ Million)	13,295		296,804		151,737	
	Financial Ratios	5 Year Average	Year 2020	5 Year Average	Year 2020	5 Year Average	Year 2020
PROFITABILITY	Return on Average Equity (ROE)	5.26%	4.02%	0.70%	-0.10%	2.78%	1.81%
	Return on Average Assets (ROA)	1.54%	1.18%	0.09%	-0.01%	0.68%	0.42%
	NII/Average Earning Assets (*)	2.38%	2.07%	0.73%	0.74%	1.34%	1.05%
LEVERAGE	Equity/Total Assets	29.12%	27.74%	12.83%	13.61%	24.27%	22.19%
	Debt/Equity (times)	2.41	2.58	5.31	6.02	2.93	3.27
LIQUIDITY	Liquid Assets/Total Assets	32.92%	38.94%	23.74%	28.99%	25.77%	25.95%
EFICIENCY	Administrative Expenses/Average Total Assets	0.49%	0.46%	0.60%	0.72%	0.65%	0.62%
	Administrative Expenses/NII	20.45%	22.56%	105.20%	99.14%	51.44%	62.41%
	Administrative Expenses/Net Income	34.90%	39.50%	-929.79%	-4952.38%	105.76%	145.90%
PROVISIONING	Allowance for Loan Losses/Total Gross Loan Portfolio	3.45%	3.47%	0.85%	0.78%	0.51%	0.48%
	Public Sector Allowance for Loan Losses/Public Sector Loan Portfolio	3.19%	3.14%	0.85%	0.78%	0.02%	0.06%

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

Thanks

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