# US$10,000,000,000
# Central American Bank for Economic Integration
## Medium-Term Note Program

Under its Medium-Term Note Program (the "Program"), Central American Bank for Economic Integration ("CABEI") may from time to time issue its Medium-Term Notes (the "Notes") as specified in a supplement to this Base Prospectus (a "Final Terms"). The aggregate principal amount of all Notes will not exceed US$10,000,000,000 (or the equivalent thereof in other currencies or composite currencies), subject to increase.

The terms of the Notes, which in each case will be specified in a Final Terms, may differ from those described herein. Notes may be denominated in U.S. dollars, Japanese ¥, euro, a currency of a Founding Member (as defined below), or other currencies or composite currencies, as specified in the applicable Final Terms. If Notes are to be denominated in a composite currency, the applicable Final Terms will establish the mechanism for determining the value of such composite currency. Any date of payment or amount payable in respect of principal, interest or premium payable on the Notes may be determined by reference to specified currency, security, commodity, interest rate and/or other indices or formulas and/or other measures, instruments or events as specified in the relevant Final Terms. Subject to certain exceptions, payments on the Notes will be made without deduction for, or on account of, any withholding taxes imposed by or within the Founding Members. See "Terms and Conditions of the Notes—Additional Amounts".

Interest on fixed rate notes and floating rate notes will be payable on the dates specified in the applicable Final Terms and at maturity. Zero coupon notes generally will not bear interest. Unless otherwise specified in the applicable Final Terms, Notes will not be subject to redemption at the option of CABEI.

**See "Risk Factors" beginning on page 15 of this Base Prospectus for a discussion of certain factors to be considered in connection with an investment in the Notes.**

CABEI may determine to list Notes issued under the Program on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the London Stock Exchange and/or any other applicable exchange. Notes issued under the Program may be listed on one or more stock exchanges or may be unlisted as specified in the applicable Final Terms. This Base Prospectus replaces and supersedes the Base Prospectus dated May 11, 2022. This Base Prospectus is valid for a period of one year (12 months) from the date hereof.

This Base Prospectus does not comprise a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129 (as amended) (the "Prospectus Regulation"). Pursuant to Article 1(2)(b) of the Prospectus Regulation, no offer of the Notes will be subject to the prospectus requirements of the Prospectus Regulation as a result of CABEI's status as a public international body of which one or more Member States of the European Economic Area is a member. This Base Prospectus does not comprise a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129 as it forms part of United Kingdom ("UK") domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA") (the "UK Prospectus Regulation") or section 85 of the Financial Services and Markets Act 2000 (as amended, the "FSMA"). Pursuant to Article 1(2)(b) of the UK Prospectus Regulation and section 85(6) of the FSMA, no offer of the Notes will be subject to the prospectus requirements of the UK Prospectus Regulation or the FSMA as a result of CABEI's status as a public international body of which one or more states Area is a member.

The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and are being offered and sold in the United States only to qualified institutional buyers within the meaning of Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act. For a description of certain restrictions on transfers of the Notes, see "Terms and Conditions of the Notes", "Offering and Sale" and "Notice to Investors".

Offers to purchase Notes may be solicited, on a reasonable efforts basis, from time to time on behalf of CABEI by the Agents referred to in "Offering and Sale". Notes also may be sold to the Agents for their own account at negotiated discounts or commissions for resale to other purchasers. CABEI reserves the right to sell Notes directly on its own behalf in certain circumstances or to or through other brokers or dealers. CABEI reserves the right to withdraw, cancel or modify the offering of the Notes contemplated hereby without notice. No termination date for the offering of the Notes has been established. CABEI or any Agent may reject any offer made to or through it in whole or in part. See "Offering and Sale".

May 30, 2023

You should rely only on the information contained or incorporated by reference in this Base Prospectus. CABEI has not authorized anyone to provide you with different information. CABEI is not making an offer of the Notes in any state where the offer is not permitted. You should not assume that the information contained in this Base Prospectus is accurate as of any date other than the date on the front of this Base Prospectus.

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CABEI has made all reasonable inquiries and confirms that, to the best of its knowledge, the information contained herein with regard to CABEI and the Notes is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Base Prospectus are honestly held and that there are no other facts the omission of which would make this Base Prospectus as a whole or any of the information or the expression of any of these opinions or intentions misleading. CABEI accepts responsibility accordingly.

This Base Prospectus has been prepared by CABEI solely for use in connection with the proposed offering of the Notes.

The Agents make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Base Prospectus. Nothing contained in this Base Prospectus is, or shall be relied upon as, a promise or representation by the Agents as to the past or future. The Agents assume no responsibility for the accuracy or completeness of any of the information contained herein (financial, legal or otherwise).

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other U.S. regulatory authority has approved or disapproved the Notes, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Base Prospectus. Any representation to the contrary is a criminal offense.

In making an investment decision, prospective investors must rely on their own examination of CABEI and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Base Prospectus as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

This Base Prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information and all such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to CABEI or the Agents. CABEI accepts responsibility for the information contained in this Base Prospectus and it takes responsibility for the correct reproduction and extraction of the information.

The distribution of this Base Prospectus and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by CABEI and the Agents to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on the offering and sale of the Notes, see “Terms and Conditions of the Notes”, “Offering and Sale” and “Notice to Investors”. This Base Prospectus does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful.

## NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold or otherwise made available to any retail investors in the European Economic Area (“EEA”). For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a “qualified investor” as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and the Notes will not be offered or sold or otherwise made available to any retail investor in the EEA.

The expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable":

(i) each Agent has represented and agreed, and each further Agent appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor (as defined above) in the EEA; and

(ii) each person in a Member State of the EEA who receives any communication in respect of, or who acquires any Notes under, the offers to the public contemplated in this Base Prospectus, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Agent and CABEI that it and any person on whose behalf it acquires Notes is not a retail investor (as defined above).

in each case, except that an offer of such Notes may be made in the EEA:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Agent or Agents nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

## MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The relevant Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the MiFID II product governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Agent subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Agents nor any of their respective affiliates will be a manufacturer for the purposes of the MiFID Product Governance Rules.

## NOTICE TO INVESTORS IN THE UNITED KINGDOM

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2(1) of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a "qualified investor" as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPS Regulation as it forms part of domestic law by virtue of the EUWA (the ''UK PRIIPs Regulation'') for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and the Notes will not be offered or sold or otherwise made available to any retail investor in the UK.

The expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable":

(i) each Agent has represented and agreed, and each further Agent appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor (as defined above) in the UK; and

(ii) each person in the UK who receives any communication in respect of, or who acquires any Notes under, the offers to the public contemplated in this Base Prospectus, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Agent and CABEI that it and any person on whose behalf it acquires Notes is not a retail investor (as defined above).

in each case, except that an offer of such Notes may be made in the UK:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Agent or Agents nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Agent to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Each Agent has represented and agreed, and each further Agent appointed under the Program will be required to represent and agree, that: (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (as amended, the "FSMA") by CABEI; (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to CABEI; and (iii) it has complied and will comply with all applicable provisions of the FSMA and the Financial Services Act 2012 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This Base Prospectus, as completed by the final terms in relation thereto, is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"); (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; (iii) are outside the United Kingdom; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Base Prospectus, as completed by the Final Terms in relation thereto, is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Base Prospectus as completed by the Final Terms in relation thereto relates is available only to relevant persons and will be engaged in only with relevant persons.

## UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The relevant Final Terms in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the UK MiFIR Product Governance Rules, any Agent subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Agents nor any of their respective affiliates will be a manufacturer for the purposes of the UK MIFIR Product Governance Rules.

## STABILIZATION

In connection with the offering of any tranche of the Notes, the Agents (or persons acting on their behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 calendar days after the date on which the Issuer received the proceeds of the relevant Tranche of the issue and 60 calendar days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the Agents (or persons acting on their behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Agents (or persons acting on their behalf).

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- any interim financial statements of CABEI (whether audited or unaudited) that become publicly available subsequent to the annual financial statements included herein from time to time; and

- all amendments and supplements to this Base Prospectus prepared by CABEI from time to time and filed with the Luxembourg Stock Exchange;

*provided*, *however*, that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The documents incorporated by reference in, and forming part of, this Base Prospectus, may be obtained free of charge at the offices of the Luxembourg listing and paying agent. CABEI's audited financial statements as of December 31, 2022, December 31, 2021 and December 31, 2020 are included in this Base Prospectus.

CABEI has undertaken, in connection with the listing of the Notes on the Luxembourg Stock Exchange, that if there shall occur any adverse change in the business or financial position of CABEI or any change in the information set out under "Terms and Conditions of the Notes" that is material in the context of issuance under the Program, CABEI will prepare or procure the preparation of any amendment or supplement to this Base Prospectus for use in connection with any subsequent issue by CABEI of Notes to be listed on the Luxembourg Stock Exchange.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

CABEI is a multilateral development financial institution, of an international nature, with legal personality, which is regulated by the provisions set forth in its Constitutive Agreement and its regulations. The majority of its assets and those of its governors, directors and executive officers, all of whom are non-residents of the United States, are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States on CABEI or on such persons with respect to matters arising under U.S. federal securities laws, or to enforce in the Member Countries (as defined below) judgments obtained against CABEI or such persons in U.S. courts, including actions predicated upon the civil liability provisions of such U.S. federal securities laws. In the Member Countries, both recognition and enforcement of court judgments with respect to civil liability provisions of U.S. federal securities laws are governed by local laws.

CABEI has appointed CT Corporation System as its authorized agent upon which process may be served in any action instituted in any U.S. federal or state court having subject matter jurisdiction in the Borough of Manhattan, The City of New York, arising out of or based upon the fiscal agency agreement governing the Notes. See "Terms and Conditions of the Notes—Jurisdiction, Consent to Service and Enforceability".

## FORWARD-LOOKING STATEMENTS

This Base Prospectus includes forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including statements regarding future events or prospects and certain statements under the headings "Summary", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" are forward-looking statements. Statements that include the words "aim", "may", "will", "expect", "anticipate", "believe", "future", "continue", "hope", "estimate", "plan", "intend", "should", "shall" or the negative or other variations thereof, as well as other statements regarding matters that are not historical fact, are or may constitute forward-looking statements. CABEI has based these forward-looking statements on management's current views with respect to future events and financial performance. These views reflect the best judgment of CABEI's executives but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in CABEI's forward-looking statements and from past results, performance or achievements. Important factors that could cause CABEI's actual results to differ materially from those in the forward-looking statements include, among others:

- CABEI's business could be affected by future adverse economic or political conditions in the Central American region, which includes the Founding Members and the Non-Founding Regional Members, as well as in the Non-Regional Members. See "Capital Structure— Non-Founding Regional Members and Non-Regional Members"; and

- CABEI could be adversely affected by currency devaluations, exchange controls or any ratings downgrade.

## PRESENTATION OF FINANCIAL INFORMATION

CABEI's functional currency is the U.S. dollar. Transactions in currencies other than in U.S. dollars are recorded at the effective exchange rates prevailing on the transaction date. Assets and liabilities denominated in currencies other than in U.S. dollars are expressed in such currency using the prevailing exchange rates at the balance sheet date. Net foreign currency gains and losses resulting from transactions denominated in currencies other than in U.S. dollars are presented as other operating income (expenses). CABEI prepares its financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). Figures set forth in this Base Prospectus may have been rounded. Accordingly, totals may not be the sum of their components.

## SUMMARY

*The Notes will be offered from time to time in varying amounts and will have varying terms, which for each Note will be described in the related Final Terms to this Base Prospectus and may differ from the terms described herein. For each particular Note, the description of the Notes included in this Base Prospectus will be supplemented, and to the extent inconsistent herewith will be superseded, by the description of such Note in the applicable Final Terms.*

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| Issuer ................................................................ | Central American Bank for Economic Integration. |
| Fiscal Agent, Registrar and Transfer Agent ...... | Deutsche Bank Trust Company Americas. |
| New York Paying Agent .................................. | Deutsche Bank Trust Company Americas. |
| London Paying and Transfer Agent ................. | Deutsche Bank AG, London Branch. |
| Luxembourg Paying Agent and Transfer Agent | Deutsche Bank Luxembourg S.A. |
| Luxembourg Listing Agent .............................. | Banque Internationale à Luxembourg, Société Anonyme. |
| Aggregate Amount ........................................... | Not to exceed an aggregate initial principal amount of US$10,000,000,000 (or the equivalent thereof in other currencies or composite currencies), subject to increase by CABEI as provided in the Fiscal Agency Agreement (as defined below). |
| Fiscal Agency Agreement ................................ | The Notes will be issued under the Fiscal Agency Agreement, dated as of April 2, 2003 (as amended or supplemented from time to time, the "Fiscal Agency Agreement"), among CABEI and Deutsche Bank Trust Company Americas, as Fiscal Agent, Registrar and Transfer Agent and New York Paying Agent; Deutsche Bank Luxembourg S.A., as Paying Agent and Transfer Agent in Luxembourg; and Deutsche Bank AG, London Branch, as Paying Agent and Transfer Agent in London. |
| The Offering..................................................... | Notes are being offered to non-U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S, and in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act. |
| Minimum Denominations................................. | Registered Notes (as herein defined) will be issued in minimum denominations of US$10,000 and integral multiples of US$1,000 in excess thereof (or the equivalent thereof in a Specified Currency, as defined below), or in such other denominations as may be specified in the applicable Final Terms. Bearer Notes (as herein defined) will be issued in denominations as specified in the applicable Final Terms. Unless otherwise permitted by then current laws, regulations and directives, Notes denominated in Japanese ¥ will be in minimum denominations of ¥1,000,000. |
| Maturities ......................................................... | Subject to compliance with all relevant laws, regulations and directives, Notes may have any maturity as may be allowed or |

required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the relevant currency or currencies.

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| Issue Price ........................................................ | Notes may be issued at their nominal amount or at a discount to or premium to their nominal amount, as specified in the relevant Final Terms. |
| Specified Currencies ........................................ | Notes may be denominated in U.S. dollars, Japanese ¥, euro, a currency of a Founding Member, or any other currency or composite currencies as may be specified in the applicable Final Terms, subject in all cases to compliance with all applicable legal and regulatory requirements, as well as all applicable requirements of the Luxembourg Stock Exchange, London Stock Exchange or any other applicable exchange. |
| Issuance in Series .............................................. | The Notes will be issued in series (each, a "Series"). The Notes of each Series will have identical terms (except for the issue date, the issue price or the first interest payment date), including, but not limited to, terms with respect to currency, denomination, interest, interest payment dates and maturity. |
| Interest Rates and Other Terms ......................... | Interest, if any, will be paid at a fixed rate or at a floating rate determined by reference to one or more Base Rates (as defined below), which may be adjusted by a Spread and/or a Spread Multiplier, as specified in the applicable Final Terms. Zero Coupon Notes will be issued at a discount from the principal amount payable at maturity thereof, and, unless otherwise specified in the applicable Final Terms, holders of Zero Coupon Notes will not receive periodic payments of interest thereon. The Notes may also be issued as Indexed Notes, any date of payment of which, and/or the principal of and any premium and interest on which, may be determined by reference to specified currency, security, commodity, interest rate and/or other indices or formulas and/or other measures, instruments or events as specified in the applicable Final Terms. |
| Interest Payments .............................................. | Interest on Fixed Rate Notes and Floating Rate Notes will be paid semi-annually, or as otherwise provided, on the dates set forth in the applicable Final Terms and at maturity. Zero Coupon Notes generally will not bear interest. |
| Taxation............................................................ | Subject to certain limitations, all payments in respect of the Notes will be made without deduction for, or on account of, any withholding taxes imposed by or within the Member Countries, as provided in the Notes, except as otherwise required by law or described herein. Subject to specified exceptions and limitations, CABEI will pay Additional Amounts in the event of the imposition of such taxes. See "Terms and Conditions of the Notes—Additional Amounts". |
| Negative Pledge................................................ | The Notes will have the benefit of a Negative Pledge as described in "Terms and Conditions of the Notes—Negative Pledge". |

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| Redemption | The Notes will not be redeemable at the option of CABEI prior to maturity, except as otherwise specified in the applicable Final Terms. The Notes will not be redeemable at the option of the holders thereof, except as otherwise specified in the applicable Final Terms. |
| Status of Notes | The Notes will constitute general, direct, unconditional, unsecured and unsubordinated obligations of CABEI and will rank *pari passu* without any preference among themselves with all other present and future unsecured and unsubordinated indebtedness of CABEI. See "Terms and Conditions of the Notes—Status". |
| Form, Denomination and Registration of Notes. | Notes may be issued in registered form ("Registered Notes" or a "Registered Note"), or in bearer form ("Bearer Notes" or a "Bearer Note"), or as specified in the applicable Final Terms.<br><br>Except as otherwise may be specified in the applicable Final Terms, Bearer Notes will initially be represented only in the form of one or more temporary Bearer Notes in global form without interest coupons attached (each, a "Temporary Global Bearer Note"), which will be deposited with a common depositary in London for the accounts of Euroclear System ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). Interests in a Temporary Global Bearer Note will be exchangeable, in whole or in part, for interests in a permanent global Bearer Note (a "Global Note") on or after the Exchange Date (as defined below) therefor, and after the requisite certifications as to non-U.S. beneficial ownership have been provided as described herein. Such certification will also be required before any interest will be paid in respect of any such beneficial interest. Interests in a Temporary Global Bearer Note or Global Note will only be exchangeable for definitive Bearer Notes if so specified in the relevant Final Terms and in accordance with the terms of the relevant Temporary Global Bearer Note or Global Note. See "Certain Provisions Relating to the Forms of the Notes—Global Notes".<br><br>Except as otherwise may be specified in the applicable Final Terms, Registered Notes of the same Series and of like tenor sold in offshore transactions in reliance on Regulation S will be represented by a Registered Note in global form (a "Regulation S Global Note"), which will be deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company ("DTC") in New York, New York or a common depositary in London, in each case for the accounts of the Euroclear and Clearstream, Luxembourg. Prior to the 40th day after the completion of the distribution (as certified to the Fiscal Agent by the relevant Agent) of Notes constituting an identifiable tranche (the "Exchange Date"), beneficial interests in the related Regulation S Global Note may be held only by non-U.S. persons, unless transfer and delivery are made through a Restricted Global Note (as defined below) of the same Series and of like tenor in accordance with the requirements referred to below. |

Except as otherwise may be specified in the applicable Final Terms, Registered Notes of the same Series and of like tenor that are sold to a qualified institutional buyer within the meaning of Rule 144A under the Securities Act will be represented by a Registered Note in global form (a "Restricted Global Note"), which will be deposited with a custodian for and registered in the name of a nominee of DTC in New York, New York.

Euroclear, Clearstream, Luxembourg or DTC, as the case may be, will credit the account of each of its participants with the principal amount of Notes that are represented by a Regulation S Global Note or a Restricted Global Note and are being purchased by or through such participant. Beneficial interests in any such Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, including Euroclear and Clearstream, Luxembourg. Except in limited circumstances, definitive Notes will not be issued in exchange for beneficial interests in any such Global Note. See "Certain Provisions Relating to the Forms of the Notes—Global Notes".

A holder of a beneficial interest in a Global Note deposited with DTC that wishes to transfer such interest in reliance upon an exemption from the registration requirements of the Securities Act other than the exemption provided by Rule 144A, Regulation S or Rule 144 (if available) may be required under applicable DTC procedures to exchange such interest for a definitive Note prior to transfer. In particular, under DTC procedures currently in effect, DTC does not permit a holder of a Note that is not a qualified institutional buyer as defined under Rule 144A to hold its interest in a Restricted Global Note (as defined above) through DTC.

Each Restricted Global Note will bear a Securities Act legend. Neither any Restricted Global Note nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in such legend. In addition, no beneficial interest in a Restricted Global Note may be transferred to a person that takes delivery thereof through a Regulation S Global Note of the same Series and of like tenor unless the transferor provides the Registrar (as named in "Terms and Conditions of the Notes—General") with a written certification regarding compliance with certain of such transfer restrictions. A transfer of a beneficial interest in a Regulation S Global Note to a person that takes delivery through a Restricted Global Note of the same Series and of like tenor, if (but only if) made prior to the applicable 40th day referred to above, also requires certification as to compliance with certain transfer restrictions. See "Notice to Investors", "Terms and Conditions of the Notes—Form, Denomination and Registration" and "Offering and Sale".

Events of Default............................................. For a description of certain events that will permit acceleration of the principal of the Notes of a particular Series (together with any interest and Additional Amounts accrued and unpaid

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| | thereon), see "Terms and Conditions of the Notes—Default; Acceleration of Maturity". |
| Settlement | Unless otherwise stated in the applicable Final Terms, settlement for each sale of a Note will be made in immediately available funds five Business Days (as defined below) after the applicable trade date. |
| Governing Law | The Notes will be governed by, and interpreted in accordance with, the laws of the State of New York. |
| Selling Restrictions | There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. See "Offering and Sale". |
| Transfer Restrictions | There are restrictions on the transfer of Registered Notes sold pursuant to Rule 144A or Regulation S under the Securities Act. See "Notice to Investors". |
| Clearing Systems | Euroclear and Clearstream, Luxembourg for Bearer Notes; Euroclear, Clearstream, Luxembourg and/or DTC for Registered Notes; or any other clearing system as may be specified in the relevant Final Terms. |
| Listing | CABEI may determine to list Notes issued under the Program on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the London Stock Exchange and/or any other applicable exchange. Notes issued under the Program may be listed on one or more stock exchanges or may be unlisted as specified in the applicable Final Terms. This Base Prospectus replaces and supersedes the Base Prospectus dated May 11, 2022. This Base Prospectus is valid for a period of one year (12 months) from the date hereof. |
| Final Terms | Each particular issuance of Notes will be the subject of a Final Terms that, for the purposes of that issuance only, supplements the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular issuance of Notes are the Terms and Conditions of the Notes as supplemented, amended or replaced by the relevant Final Terms. |

## RISK FACTORS

### Risks Related to CABEI's Business

***CABEI's financial condition, results of operations and ability to repay the Notes could be adversely affected by adverse economic or political conditions in the Founding Members, Non-Founding Regional Members and Non-Regional Members.***

CABEI's loans are and will be the direct or guaranteed obligations of public and private sector obligors located in the Central American region, which includes the Founding Members and the Non-Founding Regional Members (see "Central American Bank for Economic Integration") or Non-Regional Members (see "Capital Structure—Non-Founding Regional Members and Non-Regional Members"). The ability of such obligors to repay those loans is and will be substantially dependent on economic and political conditions prevailing from time to time in the countries of their respective residences.

Accordingly, adverse economic or political conditions in the Founding Members and Non-Founding Regional Members, as well as in the Non-Regional Members, may adversely affect the ability of CABEI's public and private sector obligors to meet their payment obligations to CABEI which may in turn have an adverse effect on CABEI's financial condition, results of operations and ability to make payments on the Notes when due.

***Our business may be adversely affected by the global health crises.***

Pandemic disease and similar health events, such as the outbreak of COVID-19, have the potential to negatively impact economic activities in many countries, including our Member Countries, with subsequent adverse effects on our business growth, results of operations or financial condition.

During the worldwide outbreak of COVID-19 in early 2020, countries responded by taking various measures including mass quarantines, shelter-in-place orders, medical screenings, restricting or banning travel, limiting public gatherings, closing businesses and schools and suspending certain other economic activities. The spread of COVID-19 resulted in a global and regional economic slowdown, and efforts to contain the spread of the coronavirus intensified from time to time, including shutdowns mandated by governmental authorities. The outbreak and the preventative and protective actions that governments have taken in respect of the coronavirus have resulted in periods of business disruption and reduced operations. CABEI assessed and prioritized the areas that required, and continue to require, CABEI's financial support, aimed at strengthening the capabilities of its Member Countries to manage the pandemic. The resulting long-term financial impact cannot be reasonably estimated at this time but has, and continues to, adversely affect the economic, financial condition and operations of CABEI's Member Countries, which may adversely affect our business, financial condition and results of operations.

In addition, the market volatility resulting from the spread of COVID-19 has negatively impacted, and may continue to impact, our financial investments portfolio. Furthermore, to the extent borrowers suffer any financial difficulties or any downgrades in their credit ratings, we may be required to make additional provisions for loan losses in our financial statements, in line with CABEI's approved internal guidelines. The extent to which the coronavirus or new health crises impact our results will depend on future developments, including vaccination effectiveness and new variants, which are highly uncertain and cannot be predicted, including government efforts and new information which may emerge concerning the severity of any new outbreaks and the actions to contain them or treat their impact, among others.

***CABEI could be adversely affected by exchange controls or currency devaluations or changes in interest rates.***

CABEI's loans are predominantly denominated in U.S. dollars. Some of its borrowers, however, do not or may not generate U.S. dollars, or have or may have limited access to U.S. dollars. Therefore, the ability of such borrowers to repay their loans in U.S. dollars is dependent on the availability of U.S. dollars at the central bank of the country in which they are located and on such borrowers generating sufficient local currency to purchase the U.S. dollars that are so available. CABEI cannot give any assurances that such country would not impose exchange controls or devalue its currency in a manner that would adversely affect the ability of CABEI's borrowers to repay their loans, or that such potential failure to repay would not adversely affect CABEI's financial condition and results of operations or its ability to make payments on the Notes when due.

In addition, a significant portion of CABEI's loans are linked to adjustable interest rates and a decrease in such interest rates may have an adverse effect on CABEI's income from such loans.

***The market price of the Notes could be affected by political, economic, social and other developments in emerging market countries and globally.***

The Founding Members, certain actual and potential Non-Founding Regional Members and Non-Regional Members are generally considered by international investors to be "emerging market countries". From time to time, adverse economic developments have led to a general decline in trading prices of securities of issuers located in Latin America and other emerging market countries, including securities similar to the Notes, due to investors' generalized concerns about the region or about emerging market countries. In addition, the impact of hostilities or political unrest in other emerging market countries and globally, including between Russia and Ukraine, could affect international trade, commodity prices and general conditions in those countries.

As a result, political, economic, social and other developments in other emerging market countries could have an adverse economic effect on the market value and liquidity of the Notes.

***It may be difficult to enforce civil liabilities against CABEI or its directors and executive officers.***

CABEI is a multilateral development financial institution, of an international nature, with legal personality, which is regulated by the provisions set forth in its Constitutive Agreement and its regulations. The majority of its assets and those of its governors, directors and executive officers, all of whom are non-residents of the United States, are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States on CABEI or on such persons with respect to matters arising under U.S. federal securities laws, or to enforce outside the United States judgments obtained against CABEI or such persons in U.S. courts, including actions predicated upon the civil liability provisions of such U.S. federal securities laws. In the Member Countries, both recognition and enforcement of court judgments with respect to civil liability provisions of U.S. federal securities laws are solely governed by local laws.

**Risks Related to the Notes**

***Risks related to the structure of a particular issue of Notes***

A wide range of notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments, but as a way to reduce risks or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

***There is no active trading market for the Notes***

Notes issued under the Program will be new securities which may not be widely distributed and for which there is currently no active trading market, for example, the Notes may be allocated to a limited pool of investors (unless in the case of any particular tranche, such tranche is to be consolidated with and form a single series with a tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of CABEI. Similarly, there is no assurance as to the development or liquidity of any trading market for any particular tranche of Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed trading market.

***The Notes may be redeemed prior to maturity***

Unless specified otherwise in the applicable Final Terms, in the event that CABEI would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected or withheld as required by law, CABEI may redeem all outstanding Notes in accordance with the conditions of the Notes. In addition, in the case of any particular tranche of Notes for which the relevant Final Terms specifies that the Notes are redeemable at CABEI's option in certain other circumstances, CABEI may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***A portion of CABEI's assets are LIBOR-based floating rate loans that may have to be repriced.***

The chief executive of the United Kingdom Financial Conduct Authority, or the "FCA", which regulates LIBOR, announced in July 2017 that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. A portion of CABEI's current portfolio of assets as of December 31, 2022 are LIBOR-based floating rate loans with maturity dates beyond June 30, 2023. These LIBOR-related assets are being migrated to the forward-looking term rate based on Secured Overnight Financing Rate ("Term SOFR") as the new reference rate for CABEI's loan portfolio and other funding instruments. In some cases, the replacement process so may require notices to, and consent of, the applicable borrowers under such assets and, possibly, notice to, or consent of, third parties that might have acquired limited assignments or participation interests in such assets.

There can be no assurances at this time that LIBOR provisions can be replaced and the applicable loans repriced without potential adverse consequences, including timing delays, potential early prepayments and inability of CABEI to redeploy funds so obtained, requests to renegotiate loan or other terms or other impacts, any or all of which could have an adverse impact on CABEI.

For example, CABEI continue to currently review its portfolio of USD LIBOR-based loans to determine how to handle fallback situations. We have begun to deploy an action plan that includes: (i) the identification of our main exposures and risks related to the LIBOR transition, (ii) the development of new products linked to the new reference rate, (iii) revision of current contracts and renegotiation with some of our customers, (iv) the construction of new yield curves based on Secured Overnight Financing Rate ("SOFR") in order to address and value new derivative transactions, and (v) the enhancement of our front and back office platforms to address the implementation of the new reference rate to migrate all former operations based on LIBOR. As of the date of this Base Prospectus, according to our estimates, we believe that switching from LIBOR to alternatives benchmarks such as Term SOFR, or other SOFR rates, would not be expected to have a material impact on our results of operations. However we cannot assure you that any other reforms and changes, any establishment of alternative reference rates or any other reforms to these reference rates that may be enacted will not have a material impact on our results of operations in the future.

***Interest on the Notes will be calculated using a Benchmark Replacement selected by CABEI if a Benchmark Transition Event occurs.***

As described herein, if during the term of the Notes, CABEI determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR, CABEI (or our Designee) in its sole discretion will select a Benchmark Replacement as the base rate in accordance with the benchmark transition provisions. The Benchmark Replacement will include a spread adjustment and technical, administrative or operational changes described in the benchmark transition provisions may be made to the interest rate determination if CABEI (or our Designee) determines in its sole discretion they are required.

The interests of CABEI (or our Designee) in making the determinations described above may be adverse to your interests as a holder of the Notes. The selection of a Benchmark Replacement, and any decisions made by CABEI (or our Designee) in connection with implementing a Benchmark Replacement with respect to the Notes, could result in adverse consequences to the applicable interest rate on the Notes, which could adversely affect the return on, value of and market for such securities. Further, there is no assurance that the characteristics of any Benchmark Replacement will be similar to SOFR or that any Benchmark Replacement will produce the economic equivalent of SOFR.

***Compounded SOFR is a daily compounded rate that is relatively new in the marketplace.***

CABEI has issued and in the future may again issue floating rate notes linked to SOFR.

The interest rate on such notes will be based on a formula used to calculate a daily compounded SOFR rate or will be calculated using the SOFR Index, as applicable, both of which are relatively new in the market. This interest rate for SOFR-linked notes will not be SOFR published on or in respect of a particular date during such interest or observation period or an average of SOFR during such period. Accordingly, the interest rate on SOFR-linked notes will differ from the interest rate on other investments linked to SOFR that use an alternative basis to determine the applicable interest rate. Also, if the SOFR rate for a particular day during an observation or interest period is negative, the amount of interest attributable to that day may be less than zero; *provided that* in no event will the interest payable on a SOFR-linked note for any interest period be less than zero.

Limited market precedent exists for securities that use SOFR as the interest rate, and the method for calculating an interest rate based upon SOFR in those precedents varies. Accordingly, the specific formula for Compounded SOFR or the SOFR Index used for determining the interest due on the SOFR-linked notes may not be widely adopted by other market participants, if at all. If the market adopts a calculation method that differs from that for the SOFR-linked notes, the return on, value of and market for such floating rate notes could be adversely affected.

***Any market for SOFR-linked notes may be illiquid or unpredictable.***

SOFR-linked notes will likely have no established trading market when issued, and an established trading market for the SOFR-linked notes may never develop or may not be very liquid. Market terms for securities that are linked to SOFR may evolve over time, and as a result, trading prices of the SOFR-linked notes may be lower than those of later-issued securities that are linked to SOFR. Similarly, if SOFR does not prove to be widely used in securities that are similar or comparable to the SOFR-linked notes, the trading price of the SOFR-linked notes may be lower than those of securities that are linked to rates that are more widely used. You may not be able to sell your SOFR-linked notes at all or may not be able to sell the SOFR-linked notes at prices that will provide you with a yield comparable to similar investments that have a developed secondary market, and consequently, you may suffer from increased pricing volatility and market risk.

The manner of adoption or application of reference rates based on SOFR in the bond market may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. You should carefully consider how any potential inconsistencies between the adoption of reference rates based on SOFR across these markets may impact any hedging or other financial arrangements which you may put in place in connection with any acquisition, holding or disposal of the SOFR-linked notes.

***You should not rely on indicative or historical data concerning SOFR.***

The Federal Reserve Bank of New York ("NY Federal Reserve") started publishing SOFR in April 2018 and has also started publishing historical indicative SOFR dating back to 2014, although such historical indicative data inherently involves assumptions, estimates and approximations. You should not rely on such historical indicative data or on any historical changes or trends in SOFR as an indicator of the future performance of SOFR. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and SOFR over time may bear little or no relation to the historical actual or historical indicative data. In addition, the return on and value of the SOFR-linked notes may fluctuate more than floating rate securities that are linked to less volatile rates.

***Changes in SOFR could adversely affect holders of the SOFR-linked notes.***

Because SOFR is published by the NY Federal Reserve based on data received from other sources, CABEI has no control over its determination, calculation or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the SOFR-linked notes. If the manner in which SOFR is calculated is changed, that change may result in a reduction in the amount of interest that accrues on the SOFR-linked notes, which may adversely affect the trading prices of the SOFR-linked notes. In addition, the interest rate on the SOFR-linked notes for any day will not be adjusted for any modification or amendment to SOFR for that day that NY Federal Reserve may publish if the interest rate for that day has already been determined prior to such publication. Further, if the interest rate on the SOFR-linked notes for any interest period declines to zero or becomes negative, no interest will accrue on the SOFR-linked notes with respect to that interest period.

With respect to SOFR Index notes, implementation of use of the SOFR Index or increased regulatory scrutiny of such SOFR Index could increase the costs and risks of administering such SOFR Index and complying with any such regulations or requirements. These factors may have the effect of discouraging market participants from continuing to administer the SOFR Index, trigger changes in the rules or methodologies used in the SOFR Index or lead to the discontinuance or unavailability of the SOFR Index.

***The total amount of interest payable with respect to each interest period for SOFR-linked notes will not be known until near the end of the interest period.***

The total amount of interest payable with respect to each interest period for a SOFR-linked note will not be known until near the end of such interest period. As a result you will not know the total amount of interest payable with respect to each such interest period until shortly prior to the related interest payment date and it may be difficult for you to reliably estimate the amount of interest that will be payable on each such interest payment date.

***Any Benchmark Replacement may not be the economic equivalent of Compounded SOFR.***

Under the benchmark transition provisions of the SOFR-linked notes, if CABEI (or its affiliate) determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR, then the interest rate on the SOFR-linked notes will be determined using the next available Benchmark Replacement (which may include a related Benchmark Replacement Adjustment). However, there is no assurance that the characteristics of the Benchmark Replacement will be similar to SOFR or the then-current Benchmark that it is replacing and the Benchmark Replacement may not be the economic equivalent of Compounded SOFR or the then-current Benchmark that it is replacing. Further, the ISDA Fallback Rate, which is another Benchmark Replacement, may change over time.

In addition, (i) any failure of the Benchmark Replacement to gain market acceptance could adversely affect the floating rate notes, (ii) the Benchmark Replacement may have a very limited history and the future performance of the Benchmark Replacement may not be predicted based on historical performance, (iii) the secondary trading market for floating rate notes based on the Benchmark Replacement may be limited and (iv) the administrator of the Benchmark Replacement may make changes that could change the value of the Benchmark Replacement or discontinue the Benchmark Replacement and has no obligation to consider your interests in doing so.

***The implementation of Benchmark Replacement Conforming Changes could adversely affect holders of SOFR-linked notes.***

Under the benchmark transition provisions of the SOFR-linked notes, if a particular Benchmark Replacement or Benchmark Replacement Adjustment cannot be determined, then the next-available Benchmark Replacement or Benchmark Replacement Adjustment will apply. These replacement rates and adjustments may be selected or formulated by (i) the Relevant Governmental Body (such as the Federal Reserve Bank of New York's

Alternative Reference Rates Committee), (ii) ISDA or (iii) in certain circumstances, CABEI (or its affiliate). In addition, the benchmark transition provisions expressly authorize CABEI (or its affiliate) to make certain changes, which are defined as "Benchmark Replacement Conforming Changes," with respect to, among other things, the determination of interest periods, observation periods and interest reset dates, and the timing and frequency of determining rates and making payments of interest. The application of a Benchmark Replacement and Benchmark Replacement Adjustment, and any implementation of Benchmark Replacement Conforming Changes, could result in adverse consequences to the amount of interest payable on the SOFR-linked notes, which could adversely affect the return on, value of and market for such notes.

***CABEI (or its affiliate) will have authority to make determinations, decisions and elections that could affect the return on, value of and market for the SOFR-linked notes.***

Under the terms of the SOFR-linked notes, CABEI (or its affiliate) will be authorized to make certain determinations, decisions and elections with respect to the interest rate on SOFR-linked notes. CABEI (or its affiliate) will make any such determination, decision or election in its sole discretion, and any such determination, decision or election that is made could affect the amount of interest payable on SOFR-linked notes. For example, if CABEI (or its affiliate) determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, then CABEI (or its affiliate) will determine, among other things, the Benchmark Replacement, Benchmark Replacement Adjustment and Benchmark Replacement Conforming Changes. Any exercise of discretion by us, or by one of our affiliates, under the terms of the SOFR-linked notes could present a conflict of interest. The interests of CABEI (or its affiliate) in making the determinations described above may be adverse to your interests as a holder of such floating rate notes. All determinations, decisions or elections by CABEI (or its affiliates), including those made by an affiliate acting as calculation agent, will be conclusive and binding absent manifest error.

***There may be no trading market for the notes.***

If any Notes are a new issue of securities, they will have no established trading market and will not be listed on any securities exchange. The initial purchasers, underwriters, dealers or agents will not be obligated to make a trading market in the notes and may discontinue market making at any time at their sole discretion. Therefore, no assurance can be given as to the liquidity of or trading markets for any series of notes.

## CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Central American Bank for Economic Integration, CABEI, was established in 1960 as a multilateral development financial institution, of an international nature, with legal personality, and is regulated by the provisions set forth in its *Convenio Constitutivo del Banco Centroamericano de Integración Económica*, dated December 13, 1960 (as amended, the "Constitutive Agreement"), an international treaty among the Republics of Guatemala, El Salvador, Honduras and Nicaragua. The Republic of Costa Rica became a party to the Constitutive Agreement in 1963.

CABEI's mission, as set forth in its Constitutive Agreement, is to promote the economic integration and balanced economic and social development of the Central American region, which includes the Founding Members and the Non-Founding Regional Members. Its principal business activity consists of making loans, predominantly denominated in U.S. dollars, to public and private sector borrowers in the Founding Members in furtherance of its mission. CABEI is also authorized by virtue of amendments to its Constitutive Agreement and internal regulations to make loans to public and private sector borrowers in a Non-Founding Regional or Non-Regional Member country. The latter, following compliance with the procedures established by CABEI as a condition to becoming a Non-Founding Regional Member or Non-Regional Member. See "Capital Structure—Non-Founding Regional Members and Non-Regional Members".

CABEI also invests in funds that make debt or equity investments in public and private sector entities principally in the Founding Members and is responsible for implementing various development programs in the Founding Members. CABEI views its fund investment activities as a minor portion of its overall business and does not foresee any significant increase in such activities in the future.

CABEI's headquarters is located in Tegucigalpa, M.D.C. Honduras, C.A. and it maintains representative offices in each of the Founding Members, the Republic of Panama, the Dominican Republic, the Republic of China (Taiwan), the Republic of Argentina, the Kingdom of Spain and the Republic of Korea.

The Constitutive Agreement provides that CABEI's Board of Governors (the "Board of Governors") is CABEI's highest authority and that CABEI's Board of Directors (the "Board of Directors") is responsible for setting the policies and directing the business of CABEI. See "Business—Board of Governors" and "Business—Board of Directors".

CABEI obtains funds for its operations from a number of sources, including banks, multilateral financial institutions and purchasers of its certificates of deposit, U.S. commercial paper and privately and publicly placed debt securities. See "Business—Financial Debt".

CABEI's obligations are not guaranteed by the present Member Countries and will not be guaranteed by any future Non-Founding Regional or Non-Regional Members nor are they in any other manner responsible for those obligations.

CABEI does not have any subsidiaries.

## LEGAL STATUS OF CABEI

CABEI is a multilateral development financial institution, of an international nature, with legal personality, and is regulated by the provisions set forth in its Constitutive Agreement. It has its own legal personality, which permits it to enter into contracts, acquire and dispose of property and take legal action. The Constitutive Agreement has been ratified by the legislature in each of the Member Countries.

CABEI has been granted the following privileges and immunities in the territory of the Member Countries:

- CABEI's assets and property are immune from confiscation, seizure, attachment, detention, auction, adjudication or any other form of seizure or taking in the absence of final judgment;

- CABEI's assets and property are considered public international property and are immune from search, requisition, confiscation, expropriation or any other form of seizure or taking by executive or legislative action and free from restrictions, regulations, controls or moratoria of any nature;

- CABEI, its income, property and other assets, as well as the operations and transactions it carries out pursuant to the Constitutive Agreement, are exempt from taxation and from all customs duties or other charges of a similar nature imposed by Member Countries and are not subject to regulation by the central banks of the Member Countries (including reserve requirements and restrictions on convertibility and transferability of currency); and

- No tax or lien may be levied on any obligation or security issued by CABEI, including any dividend or interest thereon, except as otherwise described herein with respect to the Republic of Korea.

CABEI will be granted at least the same privileges and immunities in the territory of any country that becomes a Non-Founding Regional or Non-Regional Member.

## USE OF PROCEEDS

CABEI intends to use the net proceeds from the sale of the Notes for general purposes in the ordinary course of its business or as otherwise specified in the applicable Final Terms.

No proceeds from offerings under the Program will be used in connection with the Republic of Cuba. The Republic of Cuba is a Non-Regional Member of CABEI. CABEI has adopted and implemented a "ring fencing" scheme to segregate all activity involving the Republic of Cuba and Cuban nationals. All transactions and dealings between CABEI and the Republic of Cuba will take place within the "ring fencing" scheme to prevent the involvement of persons subject to U.S. jurisdiction and the use of U.S. dollars, including the proceeds of any U.S. dollar transaction.

## CAPITALIZATION

The following table sets forth the capitalization of CABEI at December 31, 2022. Except as disclosed in this Base Prospectus, there has been no material change in CABEI's capitalization since that date. This table should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements of CABEI for the fiscal year ended December 31, 2022 included in this Base Prospectus.

| | **December 31, 2022** |
|---|---|
| | **(in thousands of U.S. dollars)** |
| Debt | |
| Loans payable | 1,314,121 |
| Commercial paper programs | 230,263 |
| Bonds payable | 6,689,214 |
| Certificates of deposit and investment | 2,339,234 |
| **Total debt** | **10,572,832** |
| Equity | |
| Paid-in capital | 1,360,803 |
| General reserve | 2,580,301 |
| Retained earnings | 187,781 |
| Accumulated other comprehensive income | (73,905) |
| **Total equity** | **4,054,980** |
| **Total** | **14,627,812** |

From January 1, 2023 through the date of this Base Prospectus, CABEI has issued the following under the Program: (i) on January 13, 2023, US$50 million in 4.880% notes due in January 2033, (ii) on January 31, 2023, US$130 million in 4.90% notes due January 2033, (iii) on January 31, 2023, JPY 7.0 billion in 1.265% notes due January 2033 and (iv) on February 7, 2023, US$1.25 billion in 5.0% notes due February 2026.

## CAPITAL STRUCTURE

### General

Central American Bank for Economic Integration (CABEI) was established in 1960 as a multilateral development financial institution, of an international nature, with legal personality, and is regulated by the provisions set forth in its *Convenio Constitutivo del Banco Centroamericano de Integración Económica*, dated December 13, 1960 (as amended, the "Constitutive Agreement"), an international treaty among the Republics of Guatemala, El Salvador, Honduras and Nicaragua. The Republic of Costa Rica became a party to the Constitutive Agreement in 1963. At December 31, 2022, these five countries (collectively, the "Founding Members" or the "Central American countries") owned 51% of the authorized capital of CABEI and 53.4% of its Paid-in Capital. The balance of CABEI's subscribed and Paid in Capital amounted to US$6,883.1 million and US$1,360.8 million, respectively, at December 31, 2022, and is owned by all member countries ("Member Countries"), which include the Founding Members, the Republic of Panama, the Dominican Republic and Belize (collectively, the "Non-Founding Regional Members"), the United Mexican States, the Republic of China (Taiwan), the Republic of Argentina, the Republic of Colombia, the Kingdom of Spain, the Republic of Cuba, and the Republic of Korea (collectively, the "Non-Regional Members").

CABEI's authorized capital is US$7,000 million, of which US$3,570.0 million is held by the Founding Members and US$3,430.0 million is to be held by the Non-Founding Regional Members and Non-Regional Members. CABEI's outstanding shares are classified into three main series: Series "A" shares, which are available only to the Founding Members, composed of up to 357,000 shares, each with a face value of US$10,000; Series "B" shares, which are available to Non-Founding Regional Members and Non-Regional Members, composed of up to 343,000 shares, each with a face value of US$10,000; and Series "C" shares, which are issued in favor of the holders of the Series "A" and Series "B" shares with a face value of zero, with the purpose of aligning the equity value of the Series "A" and Series "B" shares with their nominal value and will be issued as the result of a periodic proportional assignment process, as regulated by the Board of Governors.

As of December 31, 2022, the Founding Members have subscribed US$3,570.0 million from the total amount of shares into equal parts, and the Non-Founding Regional Members and Non-Regional Members have subscribed for US$3,313.1 million. The remaining US$116.9 million is available for subscription.

Series "E" certificates are also issued to Series "A" and Series "B" shareholders, each with a face value of US$10,000, to recognize the retained earnings attributable to their capital contributions to CABEI. These certificates do not grant voting rights and may not be transferred. Series "E" certificates may be used by Series "A" and "B" shareholders to pay, in whole or in part, amounts due for the subscription of new shares of non-subscribed authorized capital stock made available by CABEI. Series "E" certificates not used to subscribe for new shares of stock will become part of CABEI's general reserve.

CABEI has never requested that the Member Countries pay part or all of their Callable Capital and has no current plans to do so, as it expects to service its indebtedness and guaranties without needing to make such a request.

On February 12, 2015, CABEI's Board of Governors adopted certain amendments to CABEI's Constitutive Agreement and related regulations, in order to consolidate the preferred creditor status, members' support to CABEI, as well as to continue strengthening the capital base, promote greater diversification of CABEI's loan portfolio and establish a governance structure that reflects its alignment with the Central American Integration System ("SICA"). In compliance with the requirements laid down in the Constitutive Agreement currently in effect, the Legislative Assembly of the Republic of Costa Rica approved such amendments by enacting "Law No.9350 Amendments to the Constitutive Agreement of CABEI", which became effective under Costa Rican law once it was published in the Official Journal *La Gaceta* on March 8, 2016. On the same date, CABEI made the official communication to all of its members and such amendments became effective on June 9, 2016.

In response to the aforementioned amendments, on February 12, 2015, CABEI's Board of Governors approved the requests made by the Republic of Panama and the Dominican Republic, to increase their shareholder position in CABEI's capital structure by US$197.4 million each, amounting to a total subscription of US$256.0 million for each country. The increase in the Republic of Panama's shareholder position came into effect on September 16, 2016 when it paid the first capital installment corresponding to its additional capital subscription. With regard to the Dominican Republic's additional capital subscription, it entered into force on May 12, 2017, when the payment of its first capital installment was received. The increase in the shareholder position of such countries generated new capital paid in cash to CABEI for an aggregate amount of US$98.2 million, received over a four-year term. The entirety of the US$98.2 million for the aforementioned capital subscriptions were received during 2019.

On November 9, 2016, CABEI carried out the transformation of Belize's special capital contributions into "B" series shares, thereby granting Belize the status of a Non-Founding Regional Member. Consequently, as of that date, Belize has a subscription of 2,500 "B" series shares, with a nominal value of US$10,000 each, amounting to US$25.0 million, of which US$6.25 million corresponds to capital payable in cash and US$18.75 million corresponds to callable capital.

On December 31, 2019, the Accession Protocol of the Republic of Korea to the Constitutive Agreement of CABEI, as well as the Shares Subscription Agreement Between the Republic of Korea and CABEI, entered into full force and effect, thus constituting legal, valid, and binding obligations of the Republic of Korea. Consequently, as of that date, the Republic of Korea's 45,000 "B" series shares subscription became effective, with a nominal value of US$10,000 each, amounting to US$450.0 million, of which US$112.5 million corresponded to capital payable in cash and US$337.5 million corresponded to callable capital.

On April 20, 2020, CABEI officially increased its authorized capital by US$2.0 billion, from US$5.0 billion to US$7.0 billion. The five Founding Members have agreed to subscribe for 51% of the capital increase, equivalent to US$1,020 million and from which US$255 million represents paid in capital. Each Founding Member will pay US$51.0 million of paid in capital in equal annual installments of US$6.375 million per year for eight (8) years. On July 31, 2020, the implementation process of the capital increase was completed, through which 195,330 shares, with a nominal value of US$10,000 each, amounting to US$1,953.3 million were subscribed by the Founding Members, Non-Founding Regional Members and Non-Regional Members. These subscriptions will generate new capital paid in cash for an aggregate amount of US$488.3 million.

On May 10, 2021, Argentina increased its shareholder participation by US$46.55 Million for a total of 5,200 additional shares and an increase of shareholder participation of 0.52% from 3.73% to 4.25%.

The following table sets forth CABEI's capital structure as of December 31, 2022:

**Capital of CABEI**

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | **Authorized Capital** | **Callable Subscribed Capital** | **Subscribed Payable(1)** | **Paid-in Capital** |
| **Subscribed Capital** | | **(in thousands of U.S. dollars)** | | |
| Founding Members: | | | | |
| Guatemala | 714,000 | 535,500 | 178,500 | 140,250 |
| El Salvador | 714,000 | 535,500 | 178,500 | 153,000 |
| Honduras | 714,000 | 535,500 | 178,500 | 146,625 |
| Nicaragua | 714,000 | 535,500 | 178,500 | 146,625 |
| Costa Rica | 714,000 | 535,500 | 178,500 | 140,250 |
| **Subtotal** | **3,570,000** | **2,677,500** | **892,500** | **726,750** |
| | | | | |
| Non-Regional Members and Non-Founding Regional Members: | | | | |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Authorized Capital | Callable Subscribed Capital | Subscribed Payable[(1)] | Paid-in Capital |
| *Non-Regional Members:* | | | | |
| Republic of China (Taiwan) | 776,250 | 582,187 | 194,063 | 142,266 |
| Republic of Korea | 630,000 | 472,500 | 157,500 | 101,250 |
| Mexico | 306,250 | 229,687 | 76,563 | 76,563 |
| Spain | 280,000 | 210,000 | 70,000 | 67,000 |
| Argentina | 305,800 | 229,350 | 76,450 | 46,300 |
| Colombia | 203,000 | 152,250 | 50,750 | 39,875 |
| Cuba | 50,000 | 37,500 | 12,500 | 12,500 |
| **Subtotal** | **2,551,300** | **1,913,474** | **637,826** | **485,753** |
| *Non-Founding Regional Members:* | | | | |
| Dominican Republic | 378,400 | 283,800 | 94,600 | 71,650 |
| Panama | 358,400 | 268,800 | 89,600 | 70,400 |
| Belize | 25,000 | 18,750 | 6,250 | 6,250 |
| **Subtotal** | **761,800** | **571,350** | **190,450** | **148,300** |
| **Non-Regional Members and Non-Founding Regional Members Subtotal** | **3,313,100** | **2,484,824** | **828,276** | **634,053** |
| **Subscribed capital and paid-in capital, subtotal** | **6,883,100** | **5,162,324** | **1,720,776** | **1,360,803** |
| | | | | |
| **Unsubscribed Capital** | | | | |
| Non-Regional Members and Non-Founding Regional Members | 116,900 | | | |
| | **7,000,000** | | | |

(1) Includes paid and unpaid capital installments.

As a result of the new subscription of shares, for the year ended December 31, 2022, the members made the following capital payments:

| | December 31, 2022 (in thousands of U.S. dollars) |
|---|---|
| **Capital Payments** | **Total** |
| Founding countries | |
| Guatemala | 6,375 |
| El Salvador | 19,125 |
| Honduras | 12,750 |
| Nicaragua | 12,750 |
| Costa Rica | 6,375 |
| *Subtotal Founding countries* | **57,375** |
| | |
| Non-Founding Regional Countries | |
| Dominican Republic | 3,825 |
| Panama | 3,200 |
| *Subtotal Non-Founding Regional countries* | **7,025** |
| | |
| Non-Regional Countries | |
| Republic of Korea | 5,625 |
| Republic of China (Taiwan) | 8,633 |
| Spain | 3,000 |
| Argentina | 5,025 |

| | December 31, 2022 (in thousands of U.S. dollars) |
|---|---|
| Colombia | 1,813 |
| Cuba | 0 |
| *Subtotal Non-Regional countries* | **24,096** |
| **Total** | **88,496** |

The following chart sets forth the long-term foreign currency ratings assigned to the Member Countries by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group ("S&P's") and Fitch's Ratings ("Fitch's") as of May 11, 2023, the most recent practicable date. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice. Each rating should be evaluated independently of any other.

| | Moody's | S&P's | Fitch's |
|---|---|---|---|
| Founding Members: | | | |
| Guatemala | Ba1 | BB | BB |
| El Salvador | Caa3 | CCC+ | CCC+ |
| Honduras | B1 | BB- | NR |
| Nicaragua | B3 | B | B- |
| Costa Rica | B2 | B+ | BB- |
| Non-Regional Members: | | | |
| Mexico | Baa2 | BBB | BBB- |
| Republic of China (Taiwan) | Aa3 | AA+ | AA |
| Argentina | Ca | CCC- | C |
| Colombia | Baa2 | BB+ | BB+ |
| Spain | Baa1 | A | A- |
| Cuba | Ca | NR | NR |
| Republic of Korea | Aa2 | AA | AA- |
| Non-Founding Regional Members: | | | |
| Dominican Republic | Ba3 | BB | BB- |
| Panama | Baa2 | BBB | BBB- |
| Belize | Caa2 | B- | NR |

**Non-Founding Regional Members and Non-Regional Members**

Pursuant to the amendments to the Constitutive Agreement adopted February 12, 2015, CABEI's Board of Governors also adopted certain modifications to the internal regulations governing the process by which a country may become a Non-Founding Regional Member and a Non-Regional Member, which became effective on June 9, 2016. As a consequence of the above mentioned, Non-Founding Regional Member and Non-Regional Member status will allow public and private sector entities to borrow from CABEI to finance projects that promote the economic integration and the balanced economic and social development of the Central American region, which includes the Founding Members and the Non-Founding Regional Members. Likewise, under conditions set forth in CABEI´s internal regulations issued by the Board of Governors, CABEI will also assist with programs and projects in Non-Regional Member countries.

As of the date hereof, CABEI's Non-Regional Members consist of the United Mexican States, the Republic of China (Taiwan), the Republic of Argentina, the Republic of Colombia, the Kingdom of Spain, the Republic of Cuba and the Republic of Korea. In addition, CABEI's Non-Founding Regional Members as of the date hereof are the Dominican Republic, the Republic of Panama and Belize.

On December 28, 2018, the Republic of Korea signed the Accession Protocol to CABEI's Constitutive Agreement as well as its respective Shares Subscription Agreement for 45,000 "B" series shares. On December 31, 2019, the Accession Protocol of the Republic of Korea to the Constitutive Agreement of CABEI, as well as the Shares Subscription Agreement Between the Republic of Korea and CABEI, entered into full force and effect, thus constituting legal, valid, and binding obligations of the Republic of Korea.  Additionally, on January 10, 2020, the Republic of Korea became a Non-Regional Member of CABEI.

## SELECTED FINANCIAL INFORMATION

The tables below present selected income statement and balance sheet data of CABEI derived from CABEI's financial statements for the fiscal years ended December 31, 2022, 2021 and 2020 ("Fiscal 2022", "Fiscal 2021", and "Fiscal 2020", respectively), prepared in conformity with U.S. GAAP.

The figure opposite each line item that reflects a total may not equal the sum of the figures that precede it in the relevant table because the table may not include all items that comprise such total.

The following data should be read in conjunction with CABEI's financial statements and the notes thereto included in this Base Prospectus along with Management's Report Regarding the Effectiveness of Internal Control Over Financial Reporting, "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 33and other financial data included in this Base Prospectus.

Total income statement and balance sheet data for the fiscal years ended December 31, 2022, 2021 and 2020 are presented in the following tables. Realized gains on investment funds are included in financial income while realized gains (losses) on securities available for sale are included in other operating income (expenses).

**Income statement data**

| | Fiscal year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| | **(in thousands of U.S. dollars)** | | |
| Financial income | | | |
| Public sector loans | 375,499 | 287,990 | 305,325 |
| Private sector loans | 35,458 | 41,400 | 64,504 |
| Marketable securities[1] | 30,447 | 25,119 | 35,024 |
| Due from banks | 49,850 | 4,615 | 17,559 |
| **Total financial income** | **491,254** | **359,124** | **422,412** |
| Financial expenses | | | |
| Loans payable[2] | 31,017 | 18,521 | 24,343 |
| Bonds payable | 169,046 | 83,664 | 127,732 |
| Commercial paper programs | 6,432 | 107 | 762 |
| Certificates of deposit and investment | 35,838 | 3,065 | 14,582 |
| **Total financial expenses** | **242,333** | **105,357** | **167,419** |
| Net financial income | 248,921 | 253,767 | 254,993 |
| (Reversal of) provision for loan losses | (66,329) | 62,043 | 38,491 |
| (Reversal of) provision for losses on contingencies | (378) | (452) | 169 |
| Total (reversal of) provision for credit losses | (66,707) | 61,591 | 38,660 |
| Net financial income, after (reversal of) provision for credit losses | 315,628 | 192,176 | 216,333 |
| Other operating income (expenses) | | | |
| Financial services and other fees | 969 | 8,674 | 1,468 |
| Monitoring and administration fees | 2,339 | 2,680 | 1,506 |
| Gain (loss) on equity investment, net | 941 | (548) | 24 |
| Dividends from equity investments | 23 | 0 | 455 |
| Gain on sale of foreclosed assets | 34 | 0 | 0 |
| Foreign exchange loss, net | (37) | (315) | (462) |
| Other operating income | 3,059 | 1,785 | 932 |
| **Total other operating income, net** | **7,328** | **12,276** | **3,923** |
| Administrative expenses | | | |
| Salaries and employee benefits | 46,196 | 41,499 | 34,545 |
| Other administrative expenses[3] | 26,218 | 21,273 | 17,839 |
| Depreciation and amortization | 5,705 | 5,489 | 5,147 |
| **Total administrative expenses** | **78,119** | **68,261** | **57,531** |

| | Fiscal year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Income, before special and other contributions and valuation of derivative financial instruments and debt | 244,837 | 136,191 | 162,725 |
| Special and other contributions[4] .............................. | (24,603) | (28,690) | (29,929) |
| Income, before valuation of derivative financial instruments and debt ................................................ | 220,234 | 107,501 | 132,796 |
| Valuation of derivative financial instruments and debt | (32,453) | (14,995) | 12,867 |
| **Net income.....................................................................** | **187,781** | **92,506** | **145,663** |

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(1) Includes realized gains on investment funds of US$4.461 million and US$7.193 million at December 31, 2021 and December 31, 2020, respectively. There were no such gains for the year ended December 31, 2022.

(2) CABEI may obtain loans and credit facilities from international commercial banks and other development banks. As of December 31, 2022, CABEI had available long-and short-term committed and non-committed lines of credit from international commercial banks, development banks and institutions totaling US$1,799 million, of which US$1,783 million was on a non-committed basis. CABEI also has in effect a global commercial paper program in the amount of up to US$500 million and approval for a regional commercial paper program in the amount of US$200 million.

(3) Other expenses are included in Administrative Expenses under the line item Other administrative expenses for US$25.737 million, US$20.621 million and US$17.197 million at December 31, 2022, December 31, 2021 and December 31, 2020, respectively.

(4) During Fiscal 2022, CABEI has made contributions for emergency aid for US$6.199 million, for the granting of technical cooperation for US$5.826 million to the Technical Cooperation Fund (FONTEC), special contributions to the Social Benefit Fund (SBF) for US$5.102 million, non-reimbursable financial cooperation to member countries for US$4.674 million, contributions for US$1.400 million to the Social Support Foundation Fund and other contributions for US$1.402 million.

**Balance sheet data**

| | At December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (in thousands of U.S. dollars) | | |
| Assets | | | |
| Cash and demand deposits ................................... | 34,908 | 42,086 | 12,634 |
| Interest-bearing deposits with banks .................... | 3,477,310 | 2,790,462 | 2,941,219 |
| Securities available for sale.................................. | 1,997,115 | 2,585,194 | 2,223,660 |
| Loans, net of deferred origination fees................. | 9,254,914 | 8,617,638 | 8,203,689 |
| Less: allowance for loan losses[1] ...................... | (268,302) | (349,843) | (284,964) |
| **Net loans..............................................................** | **8,986,612** | **8,267,795** | **7,918,725** |
| Accrued interest receivable.................................. | 127,825 | 64,466 | 70,339 |
| Property and equipment, net ................................ | 57,870 | 40,372 | 33,737 |
| Derivative financial instruments .......................... | 32,971 | 256 | 1,697 |
| Equity investments............................................... | 11,514 | 28,809 | 29,356 |
| Other assets .......................................................... | 75,865 | 135,512 | 63,889 |
| **Total assets**............................................................ | **14,801,990** | **13,954,952** | **13,295,256** |
| Liabilities | | | |
| Loans payable ...................................................... | 1,314,121 | 1,339,743 | 1,310,357 |

| | At December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Bonds payable | 6,689,214 | 6,919,394 | 6,526,759 |
| Commercial paper programs | 230,263 | 64,999 | 64,998 |
| Certificates of deposit | 2,339,083 | 1,743,867 | 1,596,650 |
| Certificates of investment | 151 | 185 | 229 |
| Accrued interest payable | 86,163 | 17,917 | 19,586 |
| Derivative financial instruments | 12,455 | 27,773 | 28,552 |
| Other liabilities | 75,560 | 47,059 | 59,870 |
| **Total liabilities** | **10,747,010** | **10,160,937** | **9,607,001** |
| Equity | | | |
| Subscribed capital | 6,883,100 | 6,883,100 | 6,836,550 |
| Less callable capital | (5,162,324) | (5,162,324) | (5,127,412) |
| Less capital payable in cash receivable | (359,973) | (448,468) | (562,724) |
| Paid-in capital | 1,360,803 | 1,272,308 | 1,146,414 |
| General reserve [2] | 2,580,301 | 2,487,795 | 2,342,132 |
| Retained earnings | 187,781 | 92,506 | 145,663 |
| Accumulated other comprehensive (loss) income | (73,905) | (58,594) | 54,046 |
| **Total equity** | **4,054,980** | **3,794,015** | **3,688,255** |
| **Total liabilities and equity** | **14,801,990** | **13,954,952** | **13,295,256** |

(1) The allowance for loan losses to private sector borrowers was US$53.456 million, US$43.739 million and US$64.010 million at December 31, 2022, December 31, 2021 and December 31, 2020, respectively. The allowance for loan losses to public sector borrowers was US$214.846 million, US$306.104 million and US$220.954 million at December 31, 2022, December 31, 2021 and December 31, 2020, respectively.

(2) The General Reserve is integrated by a Capital Reserve (net profits) and by the "E" Series certificates pending to be used by CABEI's member countries for the payment of new subscription of shares.

**Other Information**

| | Fiscal year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (expressed as a percentage) | | |
| Profitability | | | |
| Return on average assets[1] | 1.35 | 0.68 | 1.17 |
| Return on average equity[2] | 4.73 | 2.47 | 4.09 |
| Asset Quality | | | |
| Overdue loans/loans | 0.00 | 0.00 | 0.01 |
| Liquidity | | | |
| Loans, net of deferred origination fees/total assets | 62.52 | 61.75 | 61.70 |
| Loans, net of deferred origination fees/total liabilities | 86.12 | 84.81 | 85.39 |
| Capital adequacy | | | |
| Total equity/total assets | 27.39 | 27.19 | 27.74 |
| Total equity/total liabilities | 37.73 | 37.34 | 38.39 |
| Total equity/total risk-weighted assets (plus swaps)[3] | 40.23 | 41.04 | 42.59 |
| Operational efficiency[4] | 0.58 | 0.51 | 0.47 |

(1) For any particular year, consists of net income for the fiscal year divided by the average of total assets at the end of the previous fiscal year and the end of the current fiscal year.

(2) For any particular year, consists of net income for the fiscal year divided by the average of total equity at the end of the previous fiscal year and the end of the current fiscal year.

(3) Calculated pursuant to CABEI's internal policies and according to the guidelines of CABEI for International Settlements. See "Business—Capital Adequacy and Leverage".

(4) For any particular year, consists of administrative expenses for the current fiscal year, divided by the average earning assets at the end of the previous year and the end of the current year. Administrative expenses consist of the sum of salaries and employee benefits, depreciation and amortization, and other administrative expenses for the fiscal year. Earning assets consist of interest-bearing deposits with banks, marketable securities and net loans.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with "Selected Financial Information" and with CABEI's financial statements and the other financial data included in this Base Prospectus. CABEI prepares its financial statements in conformity with U.S. GAAP. This section contains forward-looking statements that involve risks and uncertainties. CABEI's actual results may differ materially from the results that the forward-looking statements express or imply.*

### Overview

CABEI's principal business activity consists of granting loans, predominantly denominated in U.S. dollars, to public and private sector borrowers in the Central American region. In addition, CABEI recently began to approve loans in Non-Founding Regional and Non-Regional Members. See "Capital Structure—Non-Founding Regional Members and Non-Regional Members". CABEI also invests in funds that make debt or equity investments in public and private sector entities principally in the Founding Members and is responsible for implementing various development programs in the Founding Members.

CABEI's income is derived principally from the lending activities described above, as well as from marketable securities and deposits with banks. CABEI views its fund investment activities as a minor portion of its overall business and does not foresee any significant increase in such activities in the future.

CABEI considers other regional multilateral development banks and international and regional commercial banks to be its principal competitors and seeks to strengthen its position as a leader in the sustainable development of the Central American countries by providing competitive interest rates and loan terms to its public and private sector borrowers.

Of CABEI's loans totaling US$9,254.914 million at December 31, 2022, approximately 92% (US$8,558.758 million) represented loans to public sector borrowers and approximately 8% (US$696.157 million) represented loans to private sector borrowers compared to approximately 83% (US$5,704.697 million) and 17% (US$1,130.132 million), respectively, of CABEI's loans of US$6,834.829 million at December 31, 2017. Consistent with its strategy, CABEI continued to shift its loan disbursement activity to the public sector, while decreasing its disbursement of loans to the private sector.

From December 31, 2020 through December 31, 2022, CABEI's loans grew at a compound annual rate of approximately 4.3%. During the period, CABEI's public sector loans grew at a compound annual rate of approximately 6.8%, while private sector loans decreased at a compound annual rate of 12.1%.

During Fiscal 2022, 2021 and 2020, CABEI has managed the volatility in the interest rate environment by targeting a constant net interest margin.

CABEI's financial expense includes interest on loans payable, bonds payable, commercial paper and certificates of deposit and investment.

### Results of Operations

#### *Fiscal years ended December 31, 2022 and December 31, 2021*

*Financial income*. CABEI's total financial income increased by US$132.130 million (36.8%) to US$491.254 million for Fiscal 2022 from US$359.124 million for Fiscal 2021. This increase was primarily attributable to an increase in income from public sector loans of US$87.509 million (30.4%) to US$375.499 million for Fiscal 2022 from US$287.990 million for Fiscal 2021. This increase was partially offset by a decrease in income from private sector loans of US$5.942 million (14.4%) to US$35.458 million for Fiscal 2022, from US$41.400 million for Fiscal 2021, mainly due to a decrease in the size of the private sector loan portfolio.

CABEI's total financial income also increased as a result of an increase of US$55.024 million (217.7%) in income from banks and marketable securities to US$80.297 million for Fiscal 2022 from US$25.273 million for Fiscal 2021.This increase is attributable to an increase in market interest rates.

*Financial expenses*. CABEI's total financial expenses increased by US$136.976 million (130.0%) to US$242.333 million in Fiscal 2022 from US$105.357 million in Fiscal 2021. This was primarily attributable to an increase in interest expense on bonds payable of US$85.382 million (102.1%) to US$169.046 million in Fiscal 2022 from US$83.664 million in Fiscal 2021, which was due to an increase in market interest rates. This increase was also due to an increase in interest expense on certificates of deposit and investment of US$32.773 million (1,069.3%) to US$35.838 million for Fiscal 2022 from US$3.065 million for Fiscal 2021.

*(Reversal of) provision for credit losses*. During Fiscal 2022, CABEI recorded a reversal of provision for loan losses of US$66.329 million as compared to a provision for loan losses of US$62.043 million during Fiscal 2021. The reversal in the allowance balance is mainly due to a reversal of provisions for public sector loan losses of US$91.258 million in Fiscal 2022, which in turn is primarily due to a revision of the Loss Given Default (LGD) component included in CABEI's methodology for provisioning sovereign public sector loan losses. This reversal in provision for loan losses was partially offset by a provisioning for loan losses due to the downgrade of the international credit risk rating of El Salvador. Regarding the allowance for private sector loan losses, CABEI recorded a provision of US$24.929 million, which is also primarily due to the previously mentioned downgrade.

*(Reversal of) provision for losses on contingencies* During Fiscal 2022, CABEI recorded a reversal of provision for losses on contingencies of US$0.378 million as compared to US$0.452 million during Fiscal 2021. This change was primarily led by a decrease in contingent commitments of US$1.211 million to US$43.090 million in Fiscal 2022 from US$44.301 million in Fiscal 2021.

*Other operating income (expenses)*. CABEI's other operating income (expenses), which includes financial services and other fees, monitoring and administration fees, gain (loss) on equity investment, net, dividends from equity investments, gain on sale of foreclosed assets, foreign exchange loss, net and other operating income decreased by US$4.948 million (40.3%), which generated a decrease in income to US$7.328 million for Fiscal 2022 as compared to US$12.276 million in Fiscal 2021. The decrease in other operating income (expenses) is primarily the result of (i) a decrease in financial services and other fees by US$7.705 million (88.8%) to US$0.969 million in Fiscal 2022 from US$8.674 million in Fiscal 2021 and (ii) a decrease in monitoring and administration fees by US$0.341 million (12.7%) to US$2.339 million in Fiscal 2022 from US$2.680 million in Fiscal 2021. This decrease was partially offset by (i) an increase in gain on equity investment, net of US$1.489 million (271.7%) to US$0.941 million for Fiscal 2022 as compared to a loss on equity investment, net of US$0.548 million for Fiscal 2021, (ii) an increase in other operating income of US$1.274 million (71.4%) to US$3.059 million for Fiscal 2022 from US$1.785 million for Fiscal 2021 and (iii) a decrease in foreign exchange loss, net of US$0.278 million (88.3%) to US$0.037 million for Fiscal 2022 from US$0.315 million for Fiscal 2021.

*Administrative expenses*. CABEI's administrative expenses increased by US$9.858 million (14.4%) to US$78.119 million in Fiscal 2022 from US$68.261 million in Fiscal 2021. This increase was primarily due to an increase in other administrative expenses by US$5.116 million (24.8%) to US$25.737 million for Fiscal 2022, from US$20.621 million for Fiscal 2021 and salaries and employee benefits by US$4.697 million (11.3%) to US$46.196 million for Fiscal 2022 from US$41.499 million for Fiscal 2021.

*Special and other contributions*. CABEI's special and other contributions decreased by US$4.087 million (14.2%) to US$24.603 million from US$28.690 million in Fiscal 2021. This decrease was primarily attributable to a decrease in special contribution to FONTEC of US$4.819 million (45.3%) to US$5.826 million for Fiscal 2022, from US$10.645 million in Fiscal 2021.

*Valuation of derivative financial instruments and debt*. CABEI's loss from changes in valuation of derivative financial instruments and debt increased by US$17.458 million (116.4%) to a loss of US$32.453 million in Fiscal 2022 as compared to a loss of US$14.995 million in Fiscal 2021. This increase in loss was primarily attributable to changes in the mark-to-market valuation of CABEI's cross-currency swaps by US$17.510 million, partially offset by a decrease in loss of credit risk valuation adjustment for counterparties under netting agreements in the amount of US$0.052 million. All of CABEI's derivative financial instruments are held to maturity and CABEI does not use derivative instruments for trading or speculative purposes.

CABEI establishes that changes in fair value attributable to the credit risk of a specific financial instrument, when the fair value option has been chosen for financial liabilities, must be recognized separately in the other comprehensive income (loss) line item of the balance sheet, as opposed to the income statement.

*Net income*. As a result of the foregoing, CABEI's net income increased US$95.275 million (103.0%) to US$187.781 million for Fiscal 2022 as compared to US$92.506 million in Fiscal 2021.

***Fiscal years ended December 31, 2021 and December 31, 2020***

*Financial income*. CABEI's total financial income decreased by US$63.288 million (15.0%) to US$359.124 million for Fiscal 2021 from US$422.412 million for Fiscal 2020 as a result of a decrease in income from private sector loans of US$23.104 million (35.8%) to US$41.400 million for Fiscal 2021 from US$64.504 million for Fiscal 2020. In addition, income from public sector loans decreased by US$17.335 million (5.7%) to US$287.990 million for Fiscal 2021 from US$305.325 million for Fiscal 2020. The decrease in income from private and public sector loans was mainly attributable to lower market interest rates.

CABEI's total financial income also decreased as a result of a decrease of US$20.117 million (44.3%) in income from marketable securities and due from banks to US$25.273 million for Fiscal 2021 from US$45.390 million for Fiscal 2020. This decrease was mainly attributable to lower market interest rates.

*Financial expenses*. CABEI's total financial expenses decreased by US$62.062 million (37.1%) to US$105.357 million in Fiscal 2021 from US$167.419 million in Fiscal 2020. This was primarily attributable to a decrease in interest expense on bonds payable of US$44.068 million (34.5%) to US$83.664 million in Fiscal 2021 from US$127.732 million in Fiscal 2020, which was due to a decrease in market interest rates. This decrease was also due to a decrease in interest expense on certificates of deposit and investment of US$11.517 million (79.0%) to US$3.065 million for Fiscal 2021 from US$14.582 million for Fiscal 2020.

*Provision for loan losses*. During Fiscal 2021, CABEI recorded a provision for loan losses of US$62.043 million as compared to US$38.491 million during Fiscal 2020. The increase in the allowance balance comes from an increase of US$85.150 million for the public sector offset by a decrease of US$23.107 million for the private sector. The increase in the generic allowance for public sector loan losses is mainly due to the aggregate effect of the portfolio's net flow and changes in probabilities of default. The decrease in the generic and specific reserve for the private sector by US$18.002 million and US$5.105 million, respectively, is mainly due to (i) a decrease in the net flow of the portfolio, (ii) a decrease in the weighted average term and (iii) prepayments received during the period 2021.

*(Reversal of) provision for losses on contingencies*. During Fiscal 2021, CABEI recorded a reversal of provision on contingencies of US$0.452 million as compared to a provision for losses on contingencies of US$0.169 million during Fiscal 2020. This change was primarily led by a decrease in contingent commitments of US$28.951 million to US$44.301 million in Fiscal 2021 from US$73.252 million in Fiscal 2020.

*Other operating income (expenses)*. CABEI's other operating income (expenses), which includes financial services and other fees, monitoring and administration fees, (loss) gain on equity investment, net, dividends from equity investments, foreign exchange loss, net, and other operating income, increased by US$8.353 million (212.9%) leading to an income of US$12.276 million in Fiscal 2021 compared to US$3.923 million in Fiscal 2020. The increase in other operating income (expenses) is the result of (i) an increase in financial services and other fees by US$7.206 million (490.9%) to US$8.674 million in Fiscal 2021 from US$1.468 million in Fiscal 2020, mainly due to financial service fees recognized during the period, as a result of prepayments received, (ii) an increase in monitoring and administration fees by US$1.174 million (78.0%) to US$2.680 million in Fiscal 2021 from US$1.506 million in Fiscal 2020, (iii) an increase in other operating income by US$0.853 million (91.5%) to US$1.785 million in Fiscal 2021 from US$0.932 million in Fiscal 2020 and (iv) a decrease in foreign exchange loss by US$0.147 million (31.8%) of US$0.315 million in Fiscal 2021 from US$0.462 million in Fiscal 2020. This increase was partially offset by an aggregate increase in loss on equity investment, net by US$0.572 million (2,383.3%) to a loss in Fiscal 2021 of US$0.548 million from a gain in Fiscal 2020 of US$0.024 million.

*Administrative expenses*. CABEI's administrative expenses increased by US$10.730 million (18.7%) to US$68.261 million in Fiscal 2021 from US$57.531 million in Fiscal 2020. This increase was primarily due to an increase in salaries and employee benefits by US$6.954 million (20.1%) and other administrative expenses by US$3.424 million (19.9%).

*Special and other contributions*. CABEI's special and other contributions decreased by US$1.239 million (4.1%) to US$28.690 million in Fiscal 2021 from US$29.929 million in Fiscal 2020. This result was primarily attributable to a decrease in emergency aid by US$16.246 million (73.0%) to US$6.0 million in Fiscal 2021 from US$22.246 million in Fiscal 2020, partially offset by an increase in FONTEC special contribution of US$9.145 million (609.7%) to US$10.645 million in Fiscal 2021 from US$1.5 million in Fiscal 2020.

*Valuation of derivative financial instruments and debt*. CABEI's loss from changes in valuation of derivative financial instruments and debt increased by US$27.862 million (216.5%) to a loss of US$14.995 million in Fiscal 2021 from a gain of US$12.867 million in Fiscal 2020. This increase was primarily attributable to changes in the mark-to-market valuation of CABEI's cross-currency swaps and credit risk valuation adjustment for counterparties under netting agreements in the amount of US$27.647 million and US$0.215 million, respectively. All of CABEI's derivative financial instruments are held to maturity and does not use derivative instruments for trading or speculative purposes.

CABEI establishes that changes in fair value attributable to the credit risk of a specific financial instrument, when the fair value option has been chosen for financial liabilities, must be recognized separately in the other comprehensive income (loss) line item of the balance sheet, as opposed to the income statement.

*Net income*. As a result of the foregoing, CABEI's net income decreased by US$53.157 million (36.5%) to US$92.506 million in Fiscal 2021 from US$145.663 million in Fiscal 2020.

**Balance sheet**

At December 31, 2022, CABEI's total assets, total liabilities and equity were US$14.802 billion, US$10.747 billion and US$4.055 billion, respectively, compared to US$13.955 billion, US$10.161 billion and US$3.794 billion, respectively, at December 31, 2021, and US$13.295 billion, US$9.607 billion and US$ 3.688 billion, respectively, at December 31, 2020.

**Asset quality overdue**

***Overdue loans***

At December 31, 2022, there are no overdue loan installments (including overdue principal installments of non-accrual loans). At December 31, 2021, the total amount of CABEI's overdue loan installments (including overdue principal installments of non-accrual loans) was US$0.179 million as compared to US$0.498 million at December 31, 2020. In Fiscal 2022 and Fiscal 2021, all loans were granted to private sector borrowers.

See "Business—Asset quality".

***Non-accrual loans***

At December 31, 2022 there are no loans on non-accrual status. At December 31, 2021, total amount of CABEI's loans on non-accrual status was US$25.085 million and during Fiscal 2020, it was US$0.780 million. All non-accrual loans in Fiscal 2021 and Fiscal 2020 were loans granted to private sector borrowers.

See "Business—Asset quality".

*Loan write-offs and provisions for loan losses*

According to CABEI's policy, management decides to write off against the allowance when a loan's outstanding balance has been deemed uncollectible. CABEI normally makes a 100% provision for these loans. During Fiscal 2022, CABEI wrote off US$15.414 million, all of which were made to private sector borrowers. During Fiscal 2021, there were no loan write-offs, and in Fiscal 2020, CABEI wrote off US$0.156 million, all of which were made to private sector borrowers. CABEI recorded a reversal of provision of US$66.329 million in Fiscal 2022 compared to provisions of US$62.043 million in Fiscal 2021 and US$38.491 in Fiscal 2020.

**Liquidity and Capital Resources**

CABEI generates cash primarily from:

- payments to it of interest and from other operating activities,
- payments to it of principal, and
- financing, including sales of debt securities and loans from banks and multilateral lending institutions.

CABEI's principal uses of cash are:

- payments by it of principal and interest,
- loan disbursements by it, and
- operating expenses.

CABEI's policy is to have liquid assets at least equal to its anticipated gross cash requirements for the next six months.

CABEI's current investment policy, established by the Board of Directors on November 25, 2014, requires that at least 80% of its liquid assets be held in the form of investment grade obligations rated A- or better. At December 31, 2022, 96.57% of CABEI's liquid assets were invested in investment grade obligations rated A- or better, compared to 96.28 % at December 31, 2021 and 95. 85% at December 31, 2020.

CABEI's conservative investment policy emphasizes liquidity over yield. On November 11, 2014, the Board of Directors, through CABEI's investment policy, established three years as the maximum average weighted duration for its fixed income portfolio with a five-year maximum modified duration for individual securities at the time of acquisition and required that those securities be readily marketable. At December 31, 2022, the average duration of the securities included in CABEI's investment portfolio was 0.66 compared to an average duration of securities of 0.96 at December 31, 2021.

*Operating activities*

CABEI's cash provided by operating activities increased by US$69.406 million (97.2%) to net cash inflows of US$140.833 million for Fiscal 2022 from net cash inflows of US$71.427 million for Fiscal 2021. This increase was primarily due to (i) an increase in net income, (ii) a decrease in other assets, (iii) an increase in accrued interest payable, (iv) the valuation of derivative financial instruments and debt, (v) a net decrease in other liabilities and (vi) an increase in depreciation and amortization all of which led to an aggregate increase in cash inflows of US$267.112 million, to net cash inflows of US$271.837 million for Fiscal 2022 from net cash inflows of US$4.725 million for Fiscal 2021. This increase was partially offset primarily by (i) a reversal of provision for loan losses, (ii) an increase in accrued interest receivable, (iii) gain on sale of equity investment, net, and (iv) other outflows, all of which led to an aggregate increase in cash outflows of US$197.706 million, to net cash outflows of US$131.004 million for Fiscal 2022 from net cash inflows of US$66.702 million for Fiscal 2021.

CABEI's cash provided by operating activities decreased by US$83.827 million (54.0%) to US$71.427 million for Fiscal 2021 from US$155.254 million for Fiscal 2020. This decrease was primarily due to (i) an increase in other assets, (ii) a decrease in net income, (iii) a decrease in other liabilities, (iv) a decrease in accrued interest receivable, and (v) a decrease in accrued interest receivable, all which led to an aggregate increase in cash outflows of US$166.700 million to cash outflows of US$9.527 million for Fiscal 2021 from cash inflows of US$157.173 million for Fiscal 2020. This decrease was partially offset by (i) a decrease in accrued interest payable, ii) a decrease in the gains of valuation of derivative financial instruments and debt, and (iii) an increase in the provision for loan losses, all which led to an aggregate increase in cash inflows of US$82.873 million to cash inflows of US$80.954 million for Fiscal 2021 from cash outflows of US$1.919 million for Fiscal 2020.

***Investing activities***

CABEI's cash used in investing activities increased by US$318.241 million (30.8%), to net cash outflows of US$1,352.313 million for Fiscal 2022 from net cash outflows of US$1,034.072 million for Fiscal 2021. This increase was primarily due to (i) a decrease in proceeds from sales and redemptions of securities available for sale, (ii) an increase in interest-bearing deposits with banks, (iii) a decrease in collections of loans, (iv) a net increase in cash collateral for derivative, (v) an increase in disbursements of loans and (vi) an increase in purchases of property and equipment all of which led to an aggregate increase in cash outflows of US$2,692.733 million, to net cash outflows of US$1,230.650 million for Fiscal 2022 from cash inflows of US$1,462.083 million for Fiscal 2021. This increase was partially offset by (i) a decrease in purchases of securities available for sale, (ii) an increase in proceeds from sale of loans and (iii) other inflows, all of which led to an aggregate increase in cash inflows of US$2,374.492 million, to net cash outflows of US$121.663 million for Fiscal 2022 from net cash outflows of US$2,496.155 million for Fiscal 2021.

CABEI's cash used in investing activities decreased by US$57.449 million (4.4%) to US$1,238.330 million for Fiscal 2021 from US$1,295.779 million for Fiscal 2020 due to (i) a decrease in interest-bearing deposits with banks, (ii) a decrease in purchases of securities available for sale and (iii) a decrease in disbursements of loans receivable, all which led to an aggregate decrease in cash outflows of US$1,805.580 million, to cash outflows of US$4,703.192 million for Fiscal 2021 from cash outflows of US$6,508.772 million for Fiscal 2020. This decrease was partially offset by (i) a decrease in cash collateral received for derivative, (ii) a decrease in collections of loans receivable and iii) a decrease in proceeds from sales and redemptions of securities available for sale, all of which led to an aggregate decrease in cash inflows of US$1,748.131 million, to cash inflows of US$3,464.862 million for Fiscal 2021 from cash inflows of US$5,212.993 million for Fiscal 2020.

***Financing activities***

CABEI's cash provided by financing activities increased by US$211.766 million (21.3%), to net cash inflows of US$1,204.215 million for Fiscal 2022 from net cash inflows of US$992.449 million for Fiscal 2021. This increase was attributable primarily to (i) an increase in certificates of deposit, (ii) an increase in commercial paper programs, (iii) an increase in proceeds from loans payable and (iv) other inflows, all of which led to an aggregate increase in cash inflows of US$700.414 million, to net cash inflows of US$1,099.123 million for Fiscal 2022 from net cash inflows of US$398.709 million for Fiscal 2021. This increase was partially offset by (i) a decrease in proceeds from issuance of bonds payable, (ii) an increase in repayments of bonds payable, (iii) a decrease in capital contributions and (iv) an increase in repayments of loans payable, all of which led to an aggregate increase in cash outflows of US$488.648 million, to net cash inflows of US$105.092 million for Fiscal 2022 from cash inflows of US$593.740 million for Fiscal 2021.

CABEI's cash provided by financing activities decreased by US$130.148 million (11.6%), to cash inflows of US$992.449 million for Fiscal 2021 from cash inflows of US$1,122.597 million for Fiscal 2020. This decrease was attributable primarily to (i) a decrease in proceeds from loans payable, (ii) a decrease in certificates of deposit, (iii) an increase in repayments of bonds payable and (iv) a decrease in commercial paper programs, all of which led to an aggregate an increase in cash outflows of US$439.424 million, to cash outflows of US$492.337 million for Fiscal 2021 from cash outflows of US$52.913 million for Fiscal 2020. This decrease was partially offset by (i) a decrease in repayments of loans payable, (ii) an increase in capital contributions and (iii) an increase in proceeds from issuance of bonds payable, all of which led to an aggregate increase in cash inflows of US$309.276 million, to cash inflows of US$1,484.786 million for Fiscal 2021 from cash inflows of US$1,175.510 million for Fiscal 2020.

**Quantitative and qualitative disclosures about market risk**

Market risk represents the risk of loss that may affect CABEI's financial position, results of operations or cash flows due to adverse changes in financial markets. CABEI is exposed to market risk with respect to interest rates and foreign currency exchange fluctuations. These fluctuations can alter CABEI's financing, loan and investment costs, as well as its income from loans.

CABEI reduces its sensitivity to interest rate risk by effectively extending its loans and funding itself on a floating rather than a fixed interest rate basis. At December 31, 2022, approximately 88% of CABEI's loans were priced on the basis of the London Interbank Offered Rate (LIBOR), SOFR or other interest rates that were generally subject to adjustment at least every three months and, in substantially all cases, at least every six months. The liabilities of CABEI that funded these loans were also contracted at, or swapped into, floating interest rates. When CABEI makes loans at fixed interest rates, it attempts to obtain the corresponding funding on a fixed interest rate basis or, alternatively, to hedge the risk.

CABEI requires that counterparties with which it enters into swap agreements be rated "A" or better by a U.S. nationally recognized rating agency. At December 31, 2022, CABEI was a party to swap agreements with an aggregate notional amount of US$7,022.2 million.

CABEI seeks, to the extent possible under prevailing market conditions, to match the maturities of its liabilities to the maturities of its loan portfolio. At December 31, 2022, the weighted average life of CABEI's loan portfolio was 6.9 years and the weighted average life of its financial liabilities was 3.3 years.

Management expects that the weighted average life of CABEI's liabilities will increase gradually as a result of its strategy of increasing CABEI's presence in the international and regional bond market as market conditions permit. CABEI's management also expects the weighted average life of CABEI's financial assets to increase gradually as a result of CABEI's strategy of increasing the weighted average life of its liabilities, which will enable longer-term financing to its public sector borrowers.

At December 31, 2022, approximately 100.0% of CABEI's assets and 58.4% of its liabilities were denominated in U.S. dollars, with the remainder of its liabilities denominated principally in Swiss francs, Mexican Pesos, Euros, Chinese Yuan Renminbi, Norwegian Kroner, Australian Dollars, Japanese ¥, Uruguayan Pesos, and currencies of Founding Members and others, which were generally swapped into U.S. dollars. After giving effect to swaps, approximately 100.0% of CABEI's liabilities were denominated in U.S. dollars and substantially all of the balance was denominated in the currencies of the Founding Members.

CABEI does not trade derivatives for its own account. Under CABEI's asset-liability management and hedging & derivative financial instruments policies (see "Business—Financial Policies"), CABEI enters into swap agreements to hedge interest rate and currency risks or to provide hedges to its clients taking a neutral position. CABEI may also use derivatives to manage its credit exposure.

CABEI continuously reevaluates the above risks and will engage in interest rate, exchange rate and credit risk hedging transactions when management deems such transactions to be appropriate.

## BUSINESS

### Mission and focus

CABEI's mission, as set forth in its Constitutive Agreement, is to promote the economic integration and the balanced economic and social development of the Central American region, which includes the Founding Members and the Non-Founding Regional Members. To implement its mission, CABEI is required by the Constitutive Agreement to focus on infrastructure projects, long-term investments in regional industries that contribute to an increase in commercial trading within the Central American region and promote its exports, investments in the agroindustry and agricultural sectors to improve exploitation, industrial modernization and expansion aimed at improving efficiency and competitiveness, services for the region's development, the social development, the conservation and protection of natural resources and the environment, the mitigation and adaptation of the effects of climate change, studies related to the activities established in its Constitutive Agreement, as well as other programs and projects authorized by the Board of Governors. CABEI also focuses on developing other operations and projects that can generate a significant impact in the region's economic and social development and which contribute to the development of the countries of the Central American region. Likewise, under the conditions set forth in the regulations issued by the Board of Governors, CABEI also attends programs and/or develops projects in Non-Regional Member countries.

### General

CABEI's principal business activity consists of making loans, predominantly denominated in U.S. dollars, to public and private sector borrowers in the Founding Members. CABEI is also authorized to make loans to public and private sector borrowers in the rest of the Member Countries (including Non-Founding Regional and Non-Regional Members). See "Capital Structure—Non-Founding Regional Members and Non-Regional Members". Unless the context otherwise requires, references in this Base Prospectus to CABEI's lending, fund investment and other business activities being conducted solely in the Founding Members should be understood to refer also to those activities being carried out in any country that becomes a Non-Founding Regional Member and Non-Regional Member Country. CABEI also invests in funds that make debt or equity investments in public and private sector entities principally in the Founding Members and is responsible for implementing various development programs in the Founding Members.

CABEI's income is derived principally from the lending activities described above as well as from marketable securities and deposits with banks. CABEI views its fund investment activities as a minor portion of its overall business and does not foresee any significant increase in such activities in the future.

To comply with the requirements of the Constitutive Agreement and to achieve financially acceptable operating results, CABEI targets borrowers and projects that have a relative competitive advantage or that will fill pressing economic and/or social needs in the Member Countries. In addition, CABEI targets projects that emphasize environmentally sustainable development, including through the issuance of labelled securities under CABEI's green, blue and social frameworks.

The following table sets forth the amount of income derived from the lending activities described above as well as from marketable securities and deposits with banks for the fiscal years ended December 31, 2022, 2021 and 2020.

**Principal sources of CABEI's income**

| | Fiscal year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| | **(in thousands of U.S. dollars)** | | |
| Loans | 410,957 | 329,390 | 369,829 |
| Marketable securities, deposits with banks and realized gains on investment funds | 80,297 | 29,734 | 52,583 |
| **Total** | **491,254** | **359,124** | **422,412** |

**Lending**

CABEI lends exclusively to public and private sector borrowers organized under the laws of, or qualified to do business in, the Founding Members. CABEI may also make loans to public and private sector borrowers organized under the laws of, or qualified to do business in, any country that becomes a Non-Founding Regional Member and Non-Regional Member country. CABEI's lending was primarily to public sector borrowers prior to 1992, the year CABEI made a strategic decision to increase its lending to private sector borrowers. Of CABEI's loans totaling US$9,254.914 million at December 31, 2022, approximately 92% (US$8,558.758 million) represented loans to public sector borrowers and approximately 8% (US$696.157 million) represented loans to private sector borrowers compared to approximately 83% (US$5,704.697 million) and 17% (US$1,130.132 million), respectively, of CABEI's loans of US$6,834.829 million at December 31, 2017.

Consistent with its strategy, CABEI continued to shift its loan disbursement activity to the public sector, while decreasing its disbursement of loans to the private sector. During Fiscal 2022, CABEI wrote off US$15.414 million, all of which were made to private sector borrowers. During Fiscal 2021, there were no loan write-offs, and in Fiscal 2020, CABEI wrote off US$0.156 million, all of which were made to private sector borrowers. CABEI recorded a reversal of provision of US$66.329 million in Fiscal 2022 compared to provisions of US$62.043 million in Fiscal 2021 and US$38.491 in Fiscal 2020.

The following table sets forth the amount of income derived from CABEI's public sector and private sector lending activities for the fiscal years ended December 31, 2022, 2021 and 2020.

**Financial income from public sector and private sector loans**

| | Fiscal year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| | (in thousands of U.S. dollars) | | |
| Public sector | 375,499 | 287,990 | 305,325 |
| Private sector | 35,458 | 41,400 | 64,504 |
| **Total** | **410,957** | **329,390** | **369,829** |

***Public sector lending***

CABEI generally finances specific projects or programs developed by the central governments or state-owned autonomous or decentralized entities of the Member Countries. CABEI generally requires a sovereign guarantee of payment or collectability for public sector debt. See "Credit policies and credit approval procedures and controls". CABEI's public sector exposure with respect to any Member Country cannot exceed 30% of the aggregate countries exposure. Exposure in Non-Founding Regional Member and Non-Regional Member countries will result from the sum of a base limit plus a multiple of the paid in cash capital contributions. For countries with more than US$40 million of paid in cash capital contributions, the limit will be the sum of US$800 million plus ten times for each dollar of capital contribution in excess of US$40 million; otherwise, the limit has a base amount of US$250 million plus twenty times for each dollar of capital contribution in excess of US$12.5 million.

CABEI's exposure to any public (financial or non-financial) group without sovereign guarantee is limited to 22% of CABEI's equity.

Loans without sovereign guarantee to state-owned institutions or institutions with state participation representing the majority of their capital structure are determined by that institution's internal credit risk rating and exposure to said institutions is limited to 22% of CABEI's equity. Loans to state-owned financial institutions without sovereign guarantee must not exceed 14% of CABEI's equity.

On November 30, 2018 the Special Fund for the Social Transformation of Central America (FETS) was effectively integrated into CABEI's ordinary capital. As of that date, the financial figures of FETS became part of

CABEI’s balance sheet. The foregoing, in response to CABEI’s Board of Governors Resolution, which approved the proposal to integrate the FETS into CABEI´s ordinary capital (No. AG-10/2018 of April 26, 2018).

***Preferred creditor status***

Because of the importance of CABEI in the economic development of the Central American region and CABEI’s policy of not lending to any public sector borrower or guarantor that is in arrears on a loan from or a guarantee to CABEI, CABEI believes that the Member Countries and public sector borrowers within the Member Countries will attempt to meet their obligations to CABEI even if they are not meeting their obligations to other creditors (CABEI refers to this as “preferred creditor status”). See “Financial Policies”.

In practice, CABEI has been treated as “more preferred” than other creditors that also enjoy preferred creditor status and that lend to public sector borrowers in the Central American region. For example, during the 1980s, certain Central American governments continued making payments to CABEI notwithstanding that such governments were defaulting on obligations to other multilateral lenders.

As CABEI’s portfolio consists predominantly of loans to public sector borrowers, the majority of its loan portfolio benefits and will continue to benefit in the medium term from CABEI’s preferred creditor status.

***Private sector lending***

CABEI lends directly to corporate entities and to intermediary private financial institutions who on-lend to private sector borrowers of the Member Countries. During the fiscal years ended December 31, 2022, 2021 and 2020, 62%, 82% and 84%, respectively, of CABEI’s private sector loans were disbursed to private intermediary financial institutions for lending, while its remaining private sector loans were disbursed directly to corporate borrowers. CABEI channels funds to private sector borrowers through a revolving global credit line awarded to intermediary financial institutions to increase efficiency, promote the development of the financial sector and increase the likelihood of repayment as the intermediary financial institution remains liable to CABEI, rather than the ultimate borrower.

While CABEI may not require an intermediary financial institution to provide collateral to CABEI at the time of the closing of a loan by CABEI to such intermediary, it reserves the right to require such intermediary to provide collateral during the life of the loan. CABEI requires its direct private sector borrowers to provide collateral generally in the form of fixed assets, stock, real estate or trust funds. See “Credit policies and credit approval procedures and controls”.

For direct lending to private borrowers established in one of the Member Countries, CABEI’s participation in the financing of Public-Private Association projects must be equal to or less than 60% of the total cost of the proposed project during the life of the loan, whereas CABEI´s participation in the financing of other project finance must be equal or less than 40% of the total cost of the proposed project during the life of the loan. For projects with a cost less than US$25.0 million, CABEI´s participation could be equal or less than 60% of the total cost of the project. CABEI requires a capital contribution from investors or sponsors of at least 25% of the total cost of the project and the composition of the equity contribution depends on the initial assessment of the project’s credit quality.

CABEI’s maximum risk exposure to an intermediary financial institution is determined by that institution’s internal credit risk rating and controls structure, and the availability of CABEI financing is capped based on the institution’s available equity. CABEI’s exposure in a single private financial sector client must not exceed 6% of CABEI’s equity and exposure to private corporate companies requiring corporate financing must not exceed 5% of CABEI’s equity. Furthermore, CABEI’s exposure in a single client or project must be less than 2.0% of the total CABEI portfolio and in the ten private largest exposures must not exceed 11% of CABEI’s total loan portfolio.

CABEI limits its exposure to 10% of its equity for private financial economic groups and 5% for private non-financial economic groups. CABEI’s risk exposure to a corporate non-financial client depends on the client’s credit quality assessed by CABEI’s internal credit risk model.

CABEI's participation in project finance private sector loans depends on CABEI's equity and project characteristics. If the project has investment grade sponsors, CABEI's maximum exposure must not exceed 5% of its equity, in all other cases, CABEI's exposure must not exceed 3% of its equity, depending on the client's credit quality. If the project has support from the public sector, CABEI performs a case by case analysis.

***Loans***

The following table sets forth CABEI's loans by country of borrower at December 31, 2022, 2021 and 2020.

**Loans by country of borrower**

| | December 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| | (in thousands of U.S. dollars) | | |
| Guatemala | 702,144 | 792,978 | 916,098 |
| El Salvador | 2,433,015 | 2,137,450 | 1,279,620 |
| Honduras | 1,954,837 | 1,881,393 | 1,908,309 |
| Nicaragua | 1,971,705 | 1,721,654 | 1,504,619 |
| Costa Rica | 1,126,179 | 968,045 | 1,276,698 |
| Dominican Republic | 289,085 | 314,043 | 351,341 |
| Panama | 559,776 | 614,074 | 693,122 |
| Belize | 9,403 | 10,571 | 11,448 |
| Colombia | 11,250 | 23,750 | 170,050 |
| Mexico | 59,905 | 74,882 | 89,858 |
| Argentina | 137,615 | 78,798 | 2,526 |
| | **9,254,914** | **8,617,638** | **8,203,689** |
| Allowance for loan losses | (268,302) | (349,843) | (284,964) |
| Loans, net | **8,986,612** | **8,267,795** | **7,918,725** |

The following table sets forth CABEI's public sector loans by country of borrower at December 31, 2022, 2021 and 2020.

**Public sector loans by country of borrower**

| | December 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| | (in thousands of U.S. dollars) | | |
| Guatemala | 610,064 | 698,898 | 771,068 |
| El Salvador | 2,287,623 | 2,035,570 | 1,174,755 |
| Honduras | 1,744,879 | 1,609,603 | 1,569,887 |
| Nicaragua | 1,879,006 | 1,579,694 | 1,314,883 |
| Costa Rica | 1,030,973 | 879,071 | 1,095,660 |
| Dominican Republic | 289,085 | 309,046 | 306,375 |
| Panama | 498,954 | 523,154 | 540,354 |
| Belize | 9,403 | 10,571 | 11,448 |
| Colombia | 11,250 | 23,750 | 170,050 |
| Mexico | 59,905 | 74,882 | 89,858 |
| Argentina | 137,615 | 78,798 | 2,526 |
| | **8,558,757** | **7,823,037** | **7,046,864** |
| Allowance for loan losses | (214,846) | (306,104) | (220,954) |
| Loans, net | **8,343,911** | **7,516,933** | **6,825,910** |

The following table sets forth CABEI's private sector loans by country of borrower at December 31, 2022, 2021 and 2020.

**Private sector loans by country of borrower**

| | December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (in thousands of U.S. dollars) | | |
| Guatemala | 92,080 | 94,080 | 145,030 |
| El Salvador | 145,392 | 101,880 | 104,865 |
| Honduras | 209,958 | 271,790 | 338,422 |
| Nicaragua | 92,699 | 141,960 | 189,736 |
| Costa Rica | 95,206 | 88,974 | 181,038 |
| Dominican Republic | 0 | 4,997 | 44,966 |
| Panama | 60,822 | 90,920 | 152,768 |
| | **696,157** | **794,601** | **1,156,825** |
| Allowance for loan losses | (53,456) | (43,739) | (64,010) |
| Loans, net | **642,701** | **750,862** | **1,092,815** |

The following table sets forth CABEI's loans by economic sector in which the ultimate borrower is engaged at December 31, 2022, 2021 and 2020.

**Loans by economic sector of ultimate borrower**

| | December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (in thousands of U.S. dollars) | | |
| Construction | 2,485,022 | 2,667,760 | 2,938,889 |
| Supply of electricity, gas, steam, and air conditioning | 1,434,541 | 1,510,048 | 1,779,561 |
| Other services | 1,306,011 | 808,147 | 263,351 |
| Human health care and social assistance | 980,483 | 890,009 | 578,511 |
| Financial and insurance activities | 724,334 | 710,101 | 745,229 |
| Multi-sector | 663,742 | 527,273 | 606,306 |
| Public administration and social security plans | 380,520 | 341,838 | 21,069 |
| Climate change | 299,290 | 29,253 | 0 |
| Water supply; sewage disposal, waste management and decontamination | 250,971 | 192,781 | 160,184 |
| Education | 245,242 | 229,946 | 28,944 |
| Agriculture, ranching, forestry, and fishing | 152,908 | 355,540 | 395,220 |
| Wholesale and retail | 99,090 | 162,368 | 348,856 |
| Food safety | 49,815 | 0 | 0 |
| Arts, entertainment and recreational activities | 49,163 | 7,505 | 8,414 |
| Information and communication | 34,913 | 48,173 | 46,212 |
| Professional, scientific and technical activities | 32,107 | 41,799 | 140,119 |
| Transportation and storage | 22,557 | 25,456 | 35,054 |
| Lodging activities and food services | 22,274 | 25,450 | 36,753 |
| Manufacturing industry | 21,919 | 41,272 | 46,665 |
| Administrative services and support activities | 12 | 2,919 | 3,766 |
| Real estate | 0 | 0 | 20,585 |
| **Total** | **9,254,914** | **8,617,638** | **8,203,688** |

The following table sets forth the approximate amount at December 31, 2022 of CABEI's loans maturing during the indicated fiscal years.

**Maturities of loans**

| | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter | Total |
|---|---|---|---|---|---|---|
| | | | (in thousands of U.S. dollars) | | | |
| Principal payable in...... | 1,045,902 | 788,891 | 1,014,898 | 701,445 | 5,703,778 | 9,254,914 |

The following table sets forth CABEI's loans by currency after giving effect to related swap transactions at December 31, 2022, 2021 and 2020.

**Loans by currency**

| | December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (in thousands of U.S. dollars) | | |
| US$........................................................ | 9,252,074 | 8,613,723 | 8,194,804 |
| Currencies from Central American countries.............................................. | 1,973 | 3,915 | 8,197 |
| Euro........................................................ | 867 | 0 | 688 |
| | **9,254,914** | **8,617,638** | **8,203,689** |
| Allowance for loan losses........................ | (268,302) | (349,843) | (284,964) |
| Loans net................................................ | **8,986,612** | **8,267,795** | **7,918,725** |

The following table sets forth CABEI's 20 largest borrowers at December 31, 2022. At that date, loans to these borrowers represented 91.6% of CABEI's loans of US$8,481.564 million.

**20 Largest borrowers**

| | At December 31, 2022 aggregate exposure |
|---|---|
| | (in thousands of U.S. dollars) |
| Republic of Nicaragua (NIC) ...................................................................................... | 1,833,571 |
| Republic of Honduras (HNL)....................................................................................... | 1,697,198 |
| Republic of El Salvador (SLV) .................................................................................... | 1,616,537 |
| Republic of Guatemala (GTM) .................................................................................... | 605,396 |
| Republic of Costa Rica (CRI) ...................................................................................... | 452,480 |
| Republic of Panama (PAM) ......................................................................................... | 399,850 |
| Comisión Ejecutiva Hidroeléctrica del Río Lempa (SLV).......................................... | 371,906 |
| Government of the Dominican Republic (DOM)......................................................... | 289,479 |
| Instituto Costarricense de Electricidad (ICE) (CRI).................................................... | 225,954 |
| Consejo Nacional de Vialidad (CONAVI) (CRI)........................................................ | 217,426 |
| Government of Argentina (ARG)................................................................................ | 138,316 |
| Banco Financiera Comercial Hondureña S.A. (FICOHSA) (HND)............................. | 103,592 |
| Fondo Social para la Vivienda (SLV) .......................................................................... | 93,222 |
| Caja Costarricense de Seguro Social (CRI)................................................................. | 80,698 |

| | |
|---|---|
| Banco Central de Reserva de El Salvador (SLV) | 78,200 |
| Comisión Federal de Electricidad (MEX) | 60,000 |
| Global Bank Corporation (PAN) | 57,253 |
| Banco Cuscatlán (SLV) | 55,500 |
| Banco Bicsa-Panamá (PAN) | 52,500 |
| Banco de Desarrollo de la República (SLV) | 52,486 |
| **Total** | **8,481,564** |

The following table shows CABEI's five largest private sector borrowers in each Founding Member at December 31, 2022.

**Largest Private Sector Borrowers**

| | At December 31, 2022 aggregate exposure (in thousands of U.S. dollars) |
|---|---|
| **Guatemala:** | |
| Banco Industrial, S.A | 46,432 |
| Banco de Desarrollo Rural, S.A | 35,667 |
| Financiera Consolidada, S.A | 4,750 |
| Banco INV, S.A | 1,000 |
| Banco G&T Continental, S.A | 429 |
| **Subtotal** | **88,278** |
| **El Salvador:** | |
| Banco Cuscatlán de El Salvador, S.A. | 55,500 |
| Federación de Cajas de Crédito de Bancos de los Trabajadores | 22,798 |
| Bosforo, LTDA. de C.V | 17,527 |
| Banco Atlántida de El Salvador S.A | 15,795 |
| Banco Promérica, S.A | 9,137 |
| **Subtotal** | **120,757** |
| **Honduras:** | |
| Banco Ficohsa, S.A | 103,592 |
| Banco del País, S.A | 50,884 |
| Banco Financiera Centroamericana, S.A | 16,255 |
| Banco Atlántida, S.A. | 13,969 |
| Fundación Jose Maria Covelo | 2,333 |
| **Subtotal** | **187,033** |
| **Nicaragua:** | |
| Banco de la Producción, S.A | 26,022 |
| Sightfull y Marina de Guacalito | 17,295 |
| Banco de Finanzas, S.A | 12,824 |
| Banco Ficohsa Nicaragua, S.A | 9,336 |

| | |
|---|---|
| Hidropantasma, S.A. | 8,428 |
| **Subtotal** | **73,905** |
| | |
| **Costa Rica:** | |
| Banco Promérica Costa Rica, S.A | 24,063 |
| Cooperativa de Ahorro y Crédito de los Servidores Públicos R.L | 11,000 |
| Grupo Mutual Alajuela-La Vivienda de Ahorro y Préstamo | 10,516 |
| Mutual Cartago de Ahorro y Préstamo | 9,210 |
| Banco Improsa S.A | 7,667 |
| **Subtotal** | **62,456** |
| | |
| **Panama:** | |
| Global Bank Corporation | 57,253 |
| Banco Aliado, S.A. | 3,600 |
| **Subtotal** | **60,853** |
| | |
| **Total** | **593,282** |

**Financial Debt**

CABEI raises funds for its operations almost exclusively outside the Founding Members. CABEI has traditionally obtained loans and credit lines from multilateral development banks, government sponsored lenders, export credit agencies and commercial banks. CABEI has also funded itself through the issuance of certificates of deposit and investment. In addition, since 1997, CABEI's funding policy has been both to diversify its funding sources and rely on a more stable funding by raising funds in the financial markets through the issuance of global and regional commercial paper, along with the public or private issuance of bonds in different markets, including the United States of America, Central American countries, Republic of China (Taiwan), Singapore, Hong Kong, Japan, Thailand, Uruguay, Republic of Colombia, Peru, Switzerland, Luxembourg, Norway, Australia, Germany and the United Mexican States.

CABEI has never defaulted on the payment of principal of, or premium or interest on, any debt security it has issued, and it has always met all of its debt obligations on a timely basis.

The following chart sets forth the sources of CABEI's financial debt at December 31, 2022, 2021 and 2020.

**Sources of financial debt**

| | **December 31,** | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| | **(in thousands of U.S. dollars)** | | |
| Loans payable[(1)] | 1,314,121 | 1,339,743 | 1,310,357 |
| Bonds payable | 6,689,214 | 6,919,394 | 6,526,759 |
| Commercial paper programs | 230,263 | 64,999 | 64,998 |
| Certificates of deposit and investment | 2,339,234 | 1,744,052 | 1,596,879 |
| **Total** | **10,572,832** | **10,068,188** | **9,498,993** |

(1) CABEI may obtain loans and credit facilities from international commercial banks and other development banks. As of December 31, 2022, CABEI had available long-and short-term committed and non-committed lines of credit from international commercial banks, development banks and institutions totaling US$1,799 million, of which approximately US$1,783 million was on a non-committed basis. CABEI also has

in effect a global commercial paper program in the amount of up to US$500 million and approval for a regional commercial paper program in the amount of US$200 million.

The following table sets forth CABEI's loans payable, commercial paper programs, bonds payable and certificates of deposit and investment as a percentage of CABEI's total financial debt at December 31, 2022, 2021 and 2020.

**Breakdown of financial debt**

| | December 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| Loans payable | 12% | 13% | 14% |
| Commercial paper programs | 2% | 1% | 1% |
| Bonds payable | 63% | 69% | 68% |
| Certificates of deposit and investment | 22% | 17% | 17% |
| **Total** | **100%** | **100%** | **100%** |

The following table sets forth the sources of CABEI's loans payable at December 31, 2022:

**Sources of loans payable**

| **Source** | **December 31, 2022 (in thousands of U.S. dollars)** |
|---|---|
| *Government sponsored lenders and export credit agencies* | |
| Kreditanstalt Für Wiederaufbau (K. f. W.) | 305,382 |
| Instituto de Crédito Oficial de España (ICO) | 235,413 |
| Agence Française de Développement | 180,441 |
| CTBC Bank Co., Ltd. | 149,972 |
| The International Cooperation and Development Fund (Taiwan ICDF) | 132,778 |
| Banco Nacional de Comercio Exterior, S.N.C. (Bancomext) | 117,480 |
| United States International Development Finance Corporation (US DFC) | 99,244 |
| Oesterreichische Entwicklungsbank AG (OeEB) | 27,500 |
| Japan Bank for International Cooperation (JBIC) | 16,409 |
| The Export Import Bank of Korea | 14,986 |
| US Agency for International Development (USAID) | 4,120 |
| **Subtotal** | **1,283,725** |
| *Commercial banks* | |
| Citibank, N.A | 0 |
| Mizuho Bank, Ltd | 0 |
| Wells Fargo | 0 |
| Nordea Bank | 10,139 |
| Fortis Bank SA/NV, Belgium | 2,518 |
| BNP Paribas Fortis | 2,440 |
| **Subtotal** | **15,097** |
| *Multilateral development banks* | |
| European Investment Bank | 0 |
| Nordic Investment Bank | 14,966 |
| Inter-American Development Bank (IDB) | 333 |
| **Subtotal** | **15,299** |
| **Total loans payable** | **1,314,121** |

The following table sets forth the types of CABEI's bonds payable at December 31, 2022:

**Types of Bonds Payable at December 31, 2022**

| Type [1] | Amount | Outstanding amount as of December 31, 2022 (in millions of U.S. dollars) | Maturity | Coupon |
|---|---|---|---|---|
| JPY MTN Series 28 | JPY 10 billion | 89.868 | July 2023 | 2.41% |
| USD MTN Series 34 | USD 25 million | 26.107 | April 2027 | 4.290% |
| EUR MTN Series 36 | EUR 21.5 million | 32.403 | August 2032 | 4.00% |
| US$ MTN Series 38 | US$ 50 million | 52.224 | November 2027 | 4.00% |
| EUR MTN Series 42 | EUR 50 million | 71.344 | April 2033 | 3.25% |
| EUR MTN Series 47 | EUR 75 million | 102.980 | February 2034 | 2.769% |
| EUR SNV | EUR 35 million | 46.866 | May 2029 | 3.00% |
| EUR MTN Series 49 | EUR 35 million | 50.760 | August 2039 | 3.00% |
| JPY Samurai 10 yr | JPY 4,500 million | 40.302 | December 2025 | 0.96% |
| NOK MTN Series 65 12 | NOK 500 million | 58.354 | May 2028 | 2.898% |
| NOK MTN Series 65 15 | NOK 500 million | 59.646 | May 2031 | 3.035% |
| AUD Australian MTN | AUD 75 million | 60.508 | November 2026 | 4.42% |
| NOK MTN Series 72 | NOK 500 million | 58.879 | January 2029 | 3.00% |
| AUD Australian MTN | AUD 65 million | 52.440 | November 2026 | 4.42% |
| UYU MTN Series 74 | UYU 1,846 million | 49.394 | February 2027 | 13.90% |
| UYU MTN Series 76 | UYU 2,851.8 million | 75.524 | April 2027 | 0.14% |
| CHF MTN Series 81 | CHF 200 million | 222.543 | September 2024 | 0.314% |
| MXN MTN Series 84 | MXN 2,000 million | 59.443 | June 2028 | M bono |
| COP MTN Series 87 | COP 150,000 million | 35.395 | September 2025 | 7.1% |
| COP MTN Series 88 | COP 185,600 million | 42.088 | October 2028 | 7.55% |
| CRC MTN Series 89 | CRC 65,000 million | 114.120 | October 2023 | 9.66% |
| USD MTN Series 90 | USD 100 million | 104.409 | December 2023 | 3.842% |
| UYU MTN Series 91 | UYU 1,631.6 million | 48.927 | February 2024 | 3.15% |
| CHF MTN Series 92 | CHF 200 million | 221.805 | March 2024 | 0.200% |
| SEK MTN Series 94 | SEK 200 million | 22.488 | June 2029 | 1.460% |
| UYU MTN Series 95 | UYU 1,758.8 million | 41.442 | July 2024 | 10.90% |
| USD MTN Series 97 | USD 375 million | 375.297 | November 2024 | L3m+85 bps |
| USD MTN Series 99 | USD 750 million | 738.912 | May 2025 | 2.00% |
| USD MTN Series 100 | USD 375 million | 385.609 | June 2025 | L3m+145 bps |
| CHF MTN Series 101 | CHF 150 million | 167.899 | June 2025 | 0.405% |
| USD MTN Series 102 | USD 50 million | 48.486 | November 2025 | 1.137% |
| NZD MTN Series 103 | NZD 72 million | 46.008 | December 2025 | 1.075% |
| USD MTN Series 104 | USD 500 million | 485.076 | February 2026 | 1.14% |
| MXN MTN Series 105 | MXN 5,000 million | 242.476 | June 2024 | TIIE 28d - 30pb |
| CHF MTN Series 106 | CHF 200 million | 217.311 | September 2031 | 0.17% |
| CRC MTN Series 107 | CRC 23.81 million | 36.830 | November 2024 | 2.41% |

| Type [1] | Amount | Outstanding amount as of December 31, 2022 (in millions of U.S. dollars) | Maturity | Coupon |
|---|---|---|---|---|
| NOK MTN Series 108 | NOK 1,400 million | 158.629 | December 2031 | 2.40% |
| CHF MTN Series 109 | CHF 220 million | 241.087 | December 2028 | 0.11% |
| MXN MTN Series 110 | MXN 3,428.57 million | 164.564 | December 2031 | 7.65% |
| AUD MTN Series 111 | AUD 110 million | 76.296 | May 2042 | 4.70% |
| AUD MTN Series 112 | AUD 72 million | 50.400 | May 2032 | 4.780% |
| USD MTN Series 113 | USD 75 million | 75.000 | May 2042 | 3.169% |
| AUD MTN Series 114 | AUD 50 million | 35.890 | June 2027 | 3.94% |
| CHF MTN Series 115 | CHF 155 million | 158.583 | June 2026 | 1.5462% |
| USD MTN Series 116 | USD 50 million | 50.000 | August 2027 | USD SOFR O/N + 100 bps |
| USD MTN Series 117 | USD 35 million | 35.0 | August 2027 | USD SOFR O/N + 100 bps |
| USD MTN Series 118 | USD 55 million | 55.0 | August 2027 | 4.00% |
| AUD MTN Series 119 | AUD 60 million | 40.440 | September 2029 | 5.00% |
| MXN MTN Series 120 | MXN 3,000 million | 150.867 | October 2025 | TIIE 28d +25pb |
| USD MTN Series 121 | USD 50 million | 50.0 | November 2025 | 5.163% |
| EUR MTN Series 122 | EUR 25 million | 24.725 | November 2037 | 4.125% |
| USD MTN Series 123 | USD 250 million | 250.0 | November 2032 | 5.229% |
| CHF MTN Series 124 | CHF 110 million | 114.798 | December 2027 | 2.1375% |
| AUD MTN Series 125 | AUD 30 million | 20.130 | December 2027 | 4.44% |
| JPY MTN Series 126 | JPY 10 billion | 72.700 | December 2027 | 0.562% |

[1] From January 1, 2023 through the date of this Base Prospectus, CABEI has issued the following under the MTN program: (i) on January 13, 2023, US$50 million in 4.880% notes due in January 2033 (MTN Series 127), (ii) on January 31, 2023, US$130 million in 4.90% notes due January 2033 (MTN Series 128), (iii) on January 31, 2023, JPY 7.0 billion in 1.265% notes due January 2033 (MTN Series 129), and (iv) on February 7, 2023, US$1.25 billion in 5.0% notes due February 2026 (MTN Series 130).

The following table sets forth the principal categories of holders of CABEI's certificates of deposit at December 31, 2022:

**Sources of certificates of deposit and investment**

| Source | At December 31, 2022 |
|---|---|
| | (in thousands of U.S. dollars) |
| Central Banks | 1,722,163 |
| Private financial institutions | 155,164 |
| Public financial institutions | 301,247 |
| Multilateral institutions | 125,000 |
| Other | 35,660 |
| **Total** | **2,339,234** |

The following table sets forth the approximate principal amount at December 31, 2022 of each type of CABEI's financial debt maturing during the indicated fiscal years.

**Principal maturities of financial debt**

| | Fiscal year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | **2024** | **2025** | **2026** | **2027 and thereafter** | **Total** |
| | (in thousands of U.S. dollars) | | | | | |
| Loans payable | 115,183 | 125,452 | 131,379 | 124,425 | 817,682 | 1,314,121 |
| Commercial paper programs (Global and Regional) | 230,263 | - | - | - | | 230,263 |
| Bonds payable | 964,984 | 1,308,041 | 1,627,689 | 699,754 | 2,088,746 | 6,689,214 |
| Certificates of deposit and investment [(1)] | 2,317,297 | 3,318 | 5,829 | 2,285 | 10,505 | 2,339,234 |
| **Total** | **3,627,727** | **1,436,811** | **1,764,897** | **826,464** | **2,916,933** | **10,572,832** |

[(1)] No certificates of deposit mature after 2023.

**Financial Policies**

Key financial policies established by the Board of Directors are summarized below.

*Liquidity*: CABEI's policy requires compliance with the key liquidity indicators used by rating agencies Standard & Poor's and Moody's, through their respective methodologies, to assess a multilateral development bank's liquidity position, in line with CABEI's credit rating. CABEI's internal liquidity ratio requires having liquid assets at least equal to its anticipated gross cash requirements for the next six months. Liquid assets are composed of cash due from banks, interest-bearing deposits with banks, and securities available for sale. CABEI generally does not hold currency of Founding Members in amounts greater than those required to meet operating cash requirements in those currencies. Pursuant to policy, the ALCO Committee monitors CABEI's liquidity ratios following the criteria established in the Basel III framework (LCR-Liquidity Coverage Ratio and NSFR-Net Stable Funding Ratio).

*Investment in liquid assets*: CABEI's investment policy requires that at least 80% of its liquid assets be held in the form of investment grade obligations rated A or better. CABEI may only hold up to a maximum of 20% of the balance of its liquid assets in non-rated instruments or with ratings lower than in the "A" range (including A-, A, A+), subject to approval by the Asset and Liability Committee. Additionally, all issuers in which CABEI invests are previously analyzed by CABEI's Risk Division and approved by the Asset and Liability Committee.

*Concentration*: With the purpose of managing concentration risk, CABEI limits the maximum exposure per corporate issuer to 10% of its Fixed Income Portfolio and 3.5% of its Total Investment Portfolio. In addition, any investment on fixed income from a corporate issuer must not exceed 10% of the total amount issued of a given issuance.

*Market Risk*: CABEI manages the risk of its Fixed Income Portfolio with a Value-at-Risk (VaR) measure with a 1-year horizon and a 99% level of confidence. The VaR limit is approved by the Board of Directors and monitored by CABEI's Risk Division on a daily basis.

*Duration*: CABEI's investment policy requires that each fixed income security in which it invests has a modified duration not exceeding five years at the time of acquisition. Additionally, the securities in its fixed income portfolio cannot have a weighted average duration exceeding three years.

*Interest rates*: CABEI sets interest rates on its loans on the basis of numerous factors, including its cost of funds, the particular risks of the relevant loans, the more general risks inherent in the borrowers' markets and a reasonable return on its capital. It is CABEI's policy that such interest rates must be determined in accordance with prevailing rates in international markets and those applied by international credit institutions.

*Allowance for Expected Credit Losses*: CABEI's internal policy for the allowance for expected credit losses of public and private sector loans, off-balance sheet exposures, and unfunded commitments establishes that the allowance must be estimated based on net exposure at default (EAD), probability of default (PD) and loss given default (LGD). The probability of default for each public sovereign counterparty will be determined by the sovereign risk rating, sovereign probability of default (provided by international credit rating agencies) and forward-looking possible adjustments. CABEI considers a sovereign counterparty's preferred creditor status in order to adjust the probability of default, based on the multilateral debt ratio and the external debt stock. The probability of default for each public non-sovereign and private sector counterparty will be determined pursuant to the country risk rating for the country where the borrower is located, the corporate probability of defaults (calculated by using the counterparty's internal risk rating to corporate probability of default published by international credit rating agencies) and the forward-looking adjustment of the country of risk. In accordance with CABEI's policy on the allowance for loan losses of public non-sovereign and private sector exposures, CABEI's management has developed procedures that reflect the credit risk assessment by considering all available information to determine whether the allowance for credit losses is adequate. The expected credit losses estimated are discounted at the effective interest rate.

Off-Balance sheet liabilities and unfunded commitments expected credit losses are also estimated with an EAD, PD and LGD model which in addition considers credit conversion factors, utilization ratios and other parameters that allow to model future exposure to counterparties.

Financial instruments classified as available-for-sale are assessed based certain characteristics including the extent of the fair value loss, more than significant credit rating deterioration, arrears, among others. For financial instruments with a traded market value, the allowance for expected credit losses is estimated based a discounted cashflow model in which the expected recoveries are based on survival probabilities derived from credit spreads and a given recovery rate. If instruments without a market value are held in the portfolio, an EAD, PD and LGD model or loss rate model would be used to estimate the expected credit losses. The discounting is based on the effective interest rate (initial yield-to-maturity).

CABEI maintains an allowance for public and private sector financial instruments expected credit losses based on an analysis of the loan portfolio, delinquencies and other general conditions (general allowance), and an evaluation of each individual loan and whether or not it shares certain risk characteristics with the other portfolio instruments (specific allowance).

The allowance for expected credit losses is estimated by CABEI's management through a provision charged to earnings. Allowance for credit losses on financial instruments are written off against the outstanding balance when CABEI's management believes and confirms its uncollectability. Subsequent recoveries, if any, are credited to CABEI's provision for loan losses.

The allowance for loan losses is evaluated regularly by CABEI's management. This evaluation is inherently subjective as it requires estimates that are susceptible to revisions over time.

*Arrears*: CABEI makes no disbursement to any borrower or guarantor (public or private sector) that is in arrears on a loan from or a guarantee to CABEI.

*Non-accrual loans*: CABEI classifies a loan to a public sector borrower as "non-accrual" if it is more than 180 days in arrears on principal or interest on such loan. CABEI classifies a loan to a private sector borrower as "non-accrual" if it is more than 90 days in arrears on principal or interest on such loan. All interest accrued but not collected on loans classified as non-accrual is reversed against interest income. Subsequent collections are accounted for on a cash basis, until qualifying to return to accrual status.

*Indebtedness*: CABEI's policy is that its indebtedness may not exceed three times its equity. Pursuant to CABEI's policy, the ALCO Committee monitors CABEI's leverage ratio using the criteria established in the Basel III framework.

*Capital Adequacy*: CABEI's policy is that asset growth should maintain a capital adequacy ratio equal to or greater than 35%, in accordance with Basel I; it also requires compliance with the key capital adequacy indicators used by rating agencies Standard & Poor's and Moody's, through their respective methodologies, to assess a multilateral development bank's capital position, in line with CABEI's credit rating. Pursuant to CABEI's policy, the ALCO Committee monitors CABEI's capital adequacy ratio using the criteria established in the Basel II and Basel III framework.

*Exchange rate risk*: CABEI limits its exchange rate risk exposure by restricting currency mismatches. As such, currency mismatches for a currency of a Founding Member country may not exceed +/-5% of equity, while currency gaps for any other currency may not exceed +/-0.4% of equity. CABEI achieves this end by making substantially all of its loans in U.S. dollars and raising substantially all of its funding in U.S. dollars or in currencies swapped into U.S. dollars. CABEI also limits its FX VaR.

*Interest rate risk*: CABEI limits interest rate risk in its operations. CABEI restricts its interest rate risk by limiting its projected one-year net interest income sensitivity to less than 0.50% of its equity, for a 100 basis point move.

*Portfolio Management and Exposure*: Its net weighted exposure from any single Member country may not exceed either CABEI's equity. Furthermore, CABEI has in place a soft limit and a hard limit of 26% and 28%, respectively, of CABEI's total exposure. CABEI total exposure considers the net disbursed loan and leases exposure to public and private counterparties, investments, derivatives credit exposure, off-balance sheet exposures, as well as 50% of all unfunded loan commitments.

If the exposure to a country exceeds the soft limit, the new approvals to that country will be subject to deobligation of loan commitments. Likewise, the formalization process will be suspended for those operations that have been approved and not signed. If the exposure to a country exceeds the hard limit, the new approvals to that country are limited to the amount of projected principal recoveries and disbursements are limited to high priority commitments.

In addition, CABEI's net exposure to public sector in any country is limited to 30% of CABEI's total countries exposure. Its net exposure from public sector banks without sovereign guarantee may not exceed 14% of CABEI's equity and CABEI's net exposure to state-owned companies or partially state-owned companies without sovereign guarantee may not exceed 22% of CABEI's equity. Additionally, its net exposure from any single corporate private sector borrower or group of related private sector borrowers is limited to 5% of CABEI's equity, or up to 10% for wholly regulated financial groups. CABEI also limits the projected future exposure for its public and private sector loan portfolios.

*Hedging & Derivatives Financial Instruments*: CABEI may enter into derivatives contracts for the sole purpose of hedging its activities and to offer them as a service to its clients. The policy provides that CABEI may only enter into derivatives contracts with investment grade counterparties or eligible institutions below investment grade, under collateral agreements. Nevertheless, the current practice is to enter into transactions with institutions rated at least "A". CABEI monitors its counterparty risk with derivatives counterparties through limits, which include replacement cost of operations (considering collateral and thresholds) and potential future exposure. The credit risk in derivatives operations is mitigated with netting and collateral agreements that are approved by the Asset and Liability Committee. CABEI's derivatives exposures are monitored and reported by the Risk Division to the Asset and Liability Committee and the Board of Directors on a monthly basis.

**Credit policies and credit approval procedures and controls**

CABEI's key credit policies and credit approvals are established by the Executive President with the approval of the Board of Directors. CABEI's credit policies establish the framework for lending and the guidelines for credit granting activities. CABEI reviews its credit policies periodically, to assure that they are sufficiently flexible to meet changes in (i) the applicable laws and regulations of the Member Countries, (ii) the market conditions and (iii) CABEI's financial situation, resource channeling capacity and institutional strategy.

***Credit policies***

CABEI's key credit policies are summarized below:

*Public sector loans guarantees*: CABEI generally requires a sovereign guarantee in loans to public sector borrowers.

*Collateral and covenants for private sector loans:*

Financial intermediaries: While CABEI may not require an intermediary financial institution to provide collateral to CABEI at the time of closing of a global credit line, CABEI reserves the right to require such institution to provide collateral during the life of the line.

Direct loans: In general, CABEI requires private sector borrowers to provide collateral having a value of at least 100% of the principal amount of the loan. The collateral is generally in the form of fixed assets, stock and/or fiduciary guarantees, and a haircut is assessed pursuant to internal policies and guidelines that take into consideration potential losses and recovery expenses. CABEI also requires that private sector borrowers comply with financial covenants established during the structuring and approval process of the loan.

*Additional requirements for direct loans*:

- CABEI requires that private sector borrowers be organized under the laws of, or qualified to do business in, the host country.

*Limitations on loans*: CABEI maintains different lending limits based on a borrower's country, sector, institution, economic group, etc. CABEI sets limits on loan approval and disbursement amounts based on several variables, including, among others, a borrower's country of operation, sector in which the borrower operates, type of borrower entity and the aggregate exposure of the borrower's economic group to CABEI. In accordance with internal policies and guidelines, such as CABEI's exclusion list and code of ethics, CABEI does not finance activities related to gaming, the production of war materials, activities that involve any form of forced labor and/or child exploitation, or activities that do not comply with CABEI's environmental policy or with the environmental regulations of the host country.

***Credit approval procedures and controls:***

CABEI's credit approval procedures are conducted through its representative offices in each of the five Founding Members, in Panama and the Dominican Republic and in the case of the remaining Non-Founding Regional Members and Non-Regional Members, at CABEI's headquarters. CABEI conducts extensive due diligence on the applicant borrower and the project for which lending is sought. The due diligence covers the technical, market, financial, economic, legal, corporate governance, money laundering compliance, social and environmental aspects of the applicant borrower and the project. CABEI also examines the project's sponsor, and management's integrity, experience and success rate in similar projects, its financial resources and capability, to ensure a successful project.

The credit analysis is performed by the Credit Division's team (functional division independent of the division that originates the credit proposal) and will determine the project's viability, from both a financial and credit risk point of view. The opinion of CABEI's Credit Division is binding on the department that originates the credit proposal.

Upon completion of the credit analysis, a credit proposal is sent to the corresponding Division Manager, who may be either the Sovereign Public Sector or Non-Sovereign Public and Private Sector Manager, for his approval, and then relayed to the Credit Committee, which is comprised of the following voting members: (i) the Executive President (chair); (ii) the Sovereign Public Sector Manager; (iii) Non-Sovereign Public and Private Sector Manager (iv) the Credit Risk Officer; (v) the Chief Financial Officer; and (vi) the Institutional Risk Division Manager. The General Legal Counsel is a member of the Credit Committee and can participate in discussions but has no vote. The Credit Committee has a Secretary appointed by Executive President.

The Credit Committee discusses the credit proposal, and if the Committee agrees on the proposal, the proposal is recommended to the Executive President, who then submits it to the Board of Directors, which then votes to approve the credit. In addition, the Executive President may approve lines of credit which are valued at or below US$1 million for financial institutions. If a loan is approved, and the conditions set forth in the approval resolution are satisfied, CABEI and the borrower will enter into an agreement. The funds are disbursed under the terms of the agreement that has been executed by all the parties.

Once funds have been disbursed, CABEI monitors its investments closely, as well as its requirement that all debtors follow best practices on transparency and procurement. CABEI consults periodically with the client and visits the enterprise or project as necessary. In private sector operations, CABEI monitors any information that may materially affect the project or enterprise in which it has invested, including any annual financial statements audited by independent public accountants. CABEI monitors its loans until they are fully repaid, performing periodic reviews, at least twice a year, on both the qualitative and quantitative aspects of each private sector loan and public sector loan without a sovereign guarantee. For such reviews, CABEI uses risk ratings that are based on CABEI's Internal Credit Risk Rating System in order to provide a report on the asset quality of CABEI's loans. As a result of these periodic revisions, an internal rating is assigned to each loan or project in order to specify the credit quality of the borrower/loan. Said rating is also used in determining the required levels of provisioning for the individual projects. The rating system adopts international credit standards that require that banks identify repayment risks and manage such risk. CABEI's financial risk rating system consists of an eight-point scale and the technical rating consists of a six-point scale.

On an annual basis, an international and independent risk management consulting firm reviews CABEI's portfolio.

**Asset quality**

CABEI classifies a loan as overdue whenever payment is not made on its due date. It charges interest on the overdue payment from the due date and immediately suspends disbursements on all loans to the borrower or guarantor that is in arrears on a loan from or a guarantee to CABEI. The entire principal amount of a loan is placed in non-accrual status when any payment, including principal, interest, fees or other charges in respect of the loan, is more than 90 days overdue, in the case of a loan to a private sector borrower, or more than 180 days overdue, in the case of a loan to a public sector borrower. Interest and other charges on non-accrual loans are included in income only to the extent that payments have actually been received by CABEI.

At December 31, 2022, there are no overdue loan installments (including overdue principal installments of non-accrual loans). At December 31, 2021, the total amount of CABEI's overdue loan installments (including overdue principal installments of non-accrual loans) was US$0.179 million as compared to US$0.498 million at December 31, 2020. In Fiscal 2022 and Fiscal 2021, all such loans were granted to private sector borrowers.

At December 31, 2022 there are no loans on non-accrual status. At December 31, 2021, total amount of CABEI's loans on non-accrual status was US$25.085 million and during Fiscal 2020, it was US$0.780 million. All non-accrual loans in Fiscal 2021 and Fiscal 2020 were loans granted to private sector borrowers.

At December 31, 2022, there are no overdue interest or other charges in respect of non-accrual loans excluded from CABEI's interest income, as compared to US$0.045 million, or 0.00% at December 31, 2021 and US$0.000 million, or 0.00% at December 31, 2020. All of these loan write-offs were made to private sector borrowers.

The following table shows CABEI's loans, overdue loan principal, non-accrual loans, loans written off, allowance for loan losses and the percentage which each of them represents of CABEI's loans at December 31, 2022, 2021 and 2020:

**Loans, non-accrual loans and others**

| | Fiscal year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| | **(in thousands of U.S. dollars except percentages)** | | |
| Loans | 9,254,914 | 8,617,638 | 8,203,689 |
| Total amount of overdue loan installments | - | 179 | 498 |
| Non-accrual loans | - | 25,085 | 780 |
| Loans written off (net) | 15,414 | - | 156 |
| Allowance for loan losses | 268,302 | 349,843 | 284,964 |
| Overdue loan principal as a percentage of loans | 0.00% | 0.00% | 0.01% |
| Non-accrual loans as a percentage of loans | 0.00% | 0.29% | 0.01% |
| Loans written off (net) as a percentage of loans | 0.17% | 0.00% | 0.00% |
| Allowance for loan losses as a percentage of loans | 2.90% | 4.06% | 3.47% |

The following table shows the changes of CABEI's allowance for loan losses for the fiscal years ended December 31, 2022, 2021 and 2020:

| | Fiscal year ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2022** | | | **2021** | | | **2020** | | |
| | **Sector** | | | **Sector** | | | **Sector** | | |
| | **Private** | **Public** | **Total** | **Private** | **Public** | **Total** | **Private** | **Public** | **Total** |
| | **(in thousands of U.S. dollars)** | | | | | | | | |
| At beginning of fiscal year | 43,739 | 306,104 | 349,843 | 64,010 | 220,954 | 284,964 | 57,618 | 189,011 | 246,629 |
| Loans written off, net | (15,414) | - | (15,414) | - | - | - | (156) | - | (156) |
| Recoveries | 202 | - | 202 | 2,836 | - | 2,836 | - | - | - |
| (Reversal of) Provision for loan losses | 24,929 | (91,258) | (66,329) | (23,107) | 85,150 | 62,043 | 6,548 | 31,943 | 38,491 |
| At fiscal year end | **53,456** | **214,846** | **268,302** | **43,739** | **306,104** | **349,843** | **64,010** | **220,954** | **284,964** |

**Capital Adequacy and Leverage**

CABEI believes it has a strong capital base. CABEI's policies require that its equity represent at least 35% of its total risk weighted assets (defined in accordance with BIS I methodology). At December 31, 2022, this ratio stood at 40.2% compared to 41.0% at December 31, 2021 and 41.5% at December 31, 2020. Like most other multilateral institutions and pursuant to its Constitutive Agreement, CABEI does not pay dividends.

CABEI's equity at December 31, 2022 was US$4,055.0 million, or 27.4% of total assets, compared to US$3,794.0 million, or 27.2% at December 31, 2021 and US$3,688.3 million, or 27.7% of total assets at December 31, 2020.

CABEI believes that its capital levels provide a substantial cushion against unforeseen losses. Additionally, CABEI's capital base is in U.S. dollars and not the local currencies of its Member Countries. Historically, Member Countries were allowed to contribute capital in local currencies, provided that the value was maintained in U.S. dollar terms. However, since October 23, 2002, any new capital contributions, including amounts required to be made as a result of a call on callable capital, must be made in U.S. dollars. Therefore, CABEI's capital base does not suffer from any depreciation associated with the Central American currencies.

## Litigation

CABEI is involved in routine litigation and other proceedings in the ordinary course of business. CABEI does not believe that the proceedings pending against it are likely to have a material adverse effect on its business or results of operations.

## Employees

The following table sets forth the number of employees (including management) and independent contractors employed by CABEI at December 31, 2022, 2021 and 2020.

**Employees and Independent Contractors**

| | December 31, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| Employees | 415 | 392 | 358 |
| Independent contractors | 46 | 39 | 42 |

CABEI's management believes that the salaries and other benefits of its professional staff are competitive and that the local support staff is paid at levels above the prevailing local rates. Although CABEI is not subject to local labor laws, it provides its employees with benefits and safeguards at least equivalent to those required under the law of the country where they normally work and reside. CABEI offers technical and professional training opportunities through courses and seminars for the team members. Management considers its relationship with CABEI's employees to be good. An equal opportunity employer, CABEI welcomes and encourages diversity in the workforce. There is no employee union and there have been no strikes in the history of CABEI.

## Board of Governors

Under the Constitutive Agreement, CABEI is governed by its Board of Governors. Each Member Country is entitled to appoint one Governor and an alternate who acts in place of the relevant Governor in his or her absence. All of CABEI's powers are vested in its Board of Governors.

The following table lists the members of the Board of Governors as of the date hereof.

**Board of Governors**

| Appointed by | Name and Title | Position in Nominating Country |
|---|---|---|
| Guatemala | Governor: Alvaro González Ricci | President of the Monetary Board and the Bank of Guatemala |
| | Alternate: Edwin Oswaldo Martínez Cameros | Minister of Public Finance |
| El Salvador | Governor: José Alejandro Zelaya Villalobo | Minister of Treasury |
| | Alternate: Jerson Rogelio Posada Molina | Vice-Minister of Treasury |
| Honduras | Governor: Rixi Ramona Moncada Godoy | Secretary of Finance |
| | Alternate: Rebeca Patricia Santos Rivera | President of the Central Bank of Honduras |

| Appointed by | Name and Title | Position in Nominating Country |
|---|---|---|
| Nicaragua | Governor: Iván Acosta Montalván | Minister of Treasury and Public Credit |
| | Alternate: Leonardo Ovidio Reyes Ramírez | President of the Central Bank of Nicaragua |
| Costa Rica | Governor: Nogui Ramón Acosta Jaén | Minister of Treasury |
| | Alternate: Róger Madrigal López | President of the Central Bank of Costa Rica |
| Mexico | Governor: Rogelio Eduardo Ramírez de la O | Secretary of Treasury and Public Credit |
| | Alternate: Gabriel Yorio González | Under-Secretary of Treasury and Public Credit |
| Republic of China (Taiwan) | Governor: Tsui-Yun Chuang | Minister of Finance |
| | Alternate: Mei-Lie Chu | Vice-Governor of the Central Bank of the Republic of China |
| Argentina | Governor: Sergio Tomás Massa | Minister of Economy |
| | Alternate: Leandro Adrián Gorgal | National Director of Financing with International Credit Organizations |
| Colombia | Governor: Ricardo Bonilla | Minister of Treasury and Public Credit |
| | Alternate: Gonzalo Hernández Jiménez | Technical Vice-Minister of the Ministry of Treasury and Public Credit |
| Spain | Governor: Nadia Calviño Santamaría | First Vice-President and Minister of Economic Affairs and Digital Transformation |
| | Alternate: Gonzalo García Andrés | Secretary of Economy and Business Support |
| The Dominican Republic | Governor: José Manuel Vicente Dubocq | Secretary of Treasury |
| | Alternate: Héctor Valdez Albizu | Governor of the Central Bank of The Dominican Republic |
| Panama | Governor: Héctor E. Alexander H. | Minister of Economy and Finance |
| | Alternate: Javier Enrique Carrizo Esquivel | General Manager of the National Bank of Panama |
| Belize | Governor: John Briceño | Prime Minister and Minister of Finance, Economic Development and Investment |
| | Alternate: Christopher Coye | Minister of State in the Ministry of Finance |

| Appointed by | Name and Title | Position in Nominating Country |
|---|---|---|
| Republic of Cuba | Governor: Joaquín Alonso Vásquez | Minister President of the Central Bank of Cuba |
| | Alternate: Francisco Mayobre Lence | Vice-President of the Central Bank of Cuba |
| Republic of Korea | Governor: Kyungho Choo | Deputy Prime Minister and Minister of Economy and Finance |
| | Alternate: Chang Yong Rhee | Governor of the Bank of Korea |

On May 12, 2023, the Board of Governors appointed the Governor of Guatemala, Mr. Alvaro González Ricci to serve as President of the Board of Governors from the above mentioned date until the next Board of Governors' ordinary meeting.

**Board of Directors**

The Board of Directors is responsible for setting the policies and directing the business of CABEI. The Board of Directors consists of one Director from each Founding Member country and, pursuant to the terms of the Constitutive Agreement, not fewer than four Directors elected by the Governors of the Non-Founding Regional Members and the Non-Regional Members. The Directors are elected to three-year terms. Directors are full-time employees of CABEI. The business address for the Directors is P.O. Box 772, Tegucigalpa, M.D.C., Honduras, C.A.

The following table sets forth as of the date hereof the names of the members of the Board of Directors appointed by each Member Country:

**Board of Directors**

| Appointed by | Name |
|---|---|
| Guatemala | Pedro Brolo Vila |
| El Salvador | Luis Eduardo Rodríguez Villacorta |
| Honduras | Belinda María Carías Martínez |
| Nicaragua | Ramón Uriel Pérez Acuña |
| Costa Rica | Erwen Yanan Masís Castro |
| Mexico | Jorge Saggiante García |
| Panama | Carlos Arosemena Argüelles |
| Republic of China (Taiwan) | Ken Chang-Keng Chen |
| Spain | Jorge Mariné Brandi |
| Argentina and Colombia (Director) | Felipe Carlos Solá |
| Argentina and Colombia (Alternate Director) | Julio Luis Jácome Arana |
| Dominican Republic | Hostos José Rizik Lugo |

| Appointed by | Name |
|---|---|
| Republic of Korea | Dongjoon Kim |

**Supplemental Information on Certain Member Countries**

***Republic of Cuba***

Due to the Republic of Cuba's incorporation as a Non-Regional Member of CABEI, within the above-mentioned Governors and Alternate Governors, CABEI has a Cuban Governor and a Cuban Alternate Governor to the Board of Governors.

The Republic of Cuba holds less than 1% of CABEI's total shares or capital. CABEI does not anticipate these numbers to change materially.

Neither the Republic of Cuba nor CABEI's Cuban Governors are in a position to control CABEI's decisions or actions.

CABEI does not maintain and does not plan to open any offices or other facilities in the Republic of Cuba.

CABEI has adopted and implemented a "ring fencing" policy to segregate all activity involving the Republic of Cuba and Cuban nationals. Therefore, all transactions and dealings between CABEI and the Republic of Cuba will take place within the "ring fencing" structure to prevent the involvement of persons subject to U.S. jurisdiction and the use of U.S. dollars or the U.S. financial system, including the proceeds of any U.S. dollar transaction.

On January 11, 2021, the U.S. Department of State designated Cuba as a State Sponsor of Terrorism ("SST"). As a result of this SST designation, Cuba is subject to OFAC's Terrorism List Governments Sanctions Regulations that prohibit U.S. persons from engaging in financial transactions with the Government of an SST. CABEI's existing Cuba ring-fence procedures also serve to protect against potential violations of the Terrorism List Governments Sanctions Regulations.

***Nicaragua***

In accordance with CABEI´s Constitutive Agreement, each member country is entitled to have a Governor and an Alternate Governor, who will be, without distinction, the Minister of Economy, the Minister of Finance or Treasury, or the President of the Central Bank or persons acting on their behalf, or those persons to whom said representation belongs according to the internal law of each respective country. However, said Governors and Alternate Governors are not employees of CABEI, and they are not part of the day-to-day decision-making or operations of CABEI.

On May 22, 2020, the Nicaraguan Governor, Mr. Iván Adolfo Acosta Montalván, was designated by OFAC as a Specially Designated National ("SDN") for being a current official of the Government of Nicaragua as the Minister of Finance and Public Credit ("MHCP") in Nicaragua.

On June 9, 2021, the Nicaraguan Alternate Governor, Mr. Leonardo Ovidio Reyes Ramírez, was designated by OFAC as an SDN for being a current official of the Government of Nicaragua as the President of the Banco Central de Nicaragua (BCN) in Nicaragua.

As a result, all property and interests in property of these individuals is blocked, and transactions subject to U.S. jurisdiction involving either individual are generally prohibited.

Mr. Acosta's and Mr. Reyes' sole involvement in CABEI is as Governor and Alternate Governor, respectively, representing the Republic of Nicaragua, and they do not have any involvement in the day-to-day operations of CABEI. CABEI does not engage in any activities or transactions with either Mr. Acosta or Mr. Reyes in their individual capacity.

As a result of the SDN designations, CABEI immediately took steps to ensure that no future activity involving Mr. Acosta and Mr. Reyes was processed, including to ensure that CABEI does not enter into any written agreements or contracts with Mr. Acosta and Mr. Reyes as signatories.

CABEI has taken additional actions to segregate Mr. Acosta from all loans and grants between CABEI and the Republic of Nicaragua, in order to prevent the involvement of him as a representative of the Ministry of Finance and Public Credit of Nicaragua. In this sense, the persons who represent the MHCP in loans and donations between CABEI and the Republic of Nicaragua are not SDN. For this purpose and to this date, the Republic of Nicaragua has appointed Mr. Bruno Mauricio Gallardo Palaviccine as a signatory for the MHCP.

CABEI has taken additional actions to segregate Mr. Reyes from all loans and grants between CABEI and BCN, in order to prevent the involvement of him as a representative of the BCN. In this sense, the persons who represent the BCN in loans and donations between CABEI and the BCN are not SDN. For this purpose and to this date, the BCN has appointed Mrs. Magaly María Sáenz Ulloa as a signatory for the BCN.

Finally, we note that OFAC has not sanctioned the Government of the Republic of Nicaragua, the MHCP or BCN, and therefore U.S. persons are not prohibited from engaging in transactions in which the Government of Nicaragua, including the Ministry of Finance and Public Credit and BCN, has an interest.

## MANAGEMENT

Pursuant to the Constitutive Agreement, the Board of Governors appoints an Executive President for a five-year term. The Executive President is elected on the basis of a competitive process for a five-year term and may be reelected for one additional five-year term. The Executive President nominates an Executive Vice President for appointment by the Board of Directors. While the Executive President is required to be a citizen of a Founding Member, the Executive Vice President need not be a citizen of a Founding Member. The Executive President and the Executive Vice President are required to be of different nationalities. The Executive President appoints the balance of CABEI's senior management.

Pursuant to Article 15 of the Constitutive Agreement, the Board of Directors created the following eight divisions to manage CABEI, each of which is or is to be headed by a manager appointed by the Executive President subject to the approval of the Board of Directors:

- Finance Division;
- Sovereign Public Sector;
- Non-Sovereign Public and Private Sector;
- Credit Division;
- Risk Division;
- General Services and Financial Operations Control;
- Information Technology Division; and
- CABEI Social Support Foundation Fund

CABEI's representative offices in the Member Countries report through the Manager of the Public Sector Division to the Executive President, while the Legal Affairs Office, the Office of the Economist, the Strategy and Innovation Presidential Unit, the Social Benefit Fund, the Communication and External Relations Office, the Planning and Budget Office, the Office of Environmental Social Monitoring and the Human Resources Office report directly to the Executive President.

The Integrity and Compliance Office reports directly to the Risk Division.

In addition to the divisions and departments described above, CABEI also has an Internal Auditing Department, an Evaluation Office and an Ethics Office that reports directly to the Board of Directors and a Comptroller who reports directly to the Board of Governors. CABEI also has a Secretary's Office (auxiliary organ that responds to the Board of Directors and the Board of Governors). The business address for the Directors is P.O. Box 772, Tegucigalpa, M.D.C., Honduras, C.A.

The following table sets forth the names and titles of certain members of CABEI's management as of the date hereof:

| Name | Position |
|---|---|
| Dante Ariel Mossi Reyes | Executive President |
| Jaime Roberto Díaz Palacios | Executive Vice President |

| Name | Position |
| --- | --- |
| Rubén Reinaldo Méndez | Chief Financial Officer |
| Zurama Tatyana Corea López | Information Technology Division Manager |
| Francisco Cornejo Párraga | General Services and Financial Operations Control Manager |
| Juan Jorge Mourra Carías | Institutional Risk Division Manager |
| Julio Eduardo Martínez Bichara | General Legal Counsel |
| Manuel José Torres Lezama | Sovereign Public Sector Manager. |
| Carlos Gómez Díaz | Non-Sovereign Public and Private Sector Manager |
| Randall Chang | Credit Division Manager |

Set forth below is a brief biographical description of certain of CABEI's executives.

Dante Ariel Mossi Reyes was appointed as Executive President of CABEI on December 1, 2018. He received his bachelor's degree in electrical engineering from the Universidad Autónoma de Honduras, a master's degree in economics with specialization in econometrics from Duke University and a Ph.D. in Economics with a specialization in public finance from Vanderbilt University. Prior to joining CABEI, Dr. Mossi served for fifteen years in the World Bank in different positions. Before his experience in multilateral banks, Dr. Mossi worked for ten years as an economist in various positions in the government sector and as a consultant for the private sector. Additionally, he has been a professor of economics at the Catholic University of Honduras.

Jaime Roberto Díaz Palacios was appointed as Executive Vice President on November 2, 2020. He received his bachelor's degree in science in economics from the Universidad Francisco Marroquín, a master's degree in science in economics from the London School of Economics and Political Sciences (LSE) and a master's degree in public policy from Harvard University, John F. Kennedy School of Government (HKS). Prior to becoming CABEI's Executive Vice-President, Mr. Díaz carried out offices such as principal adviser to the Executive Director at the World Bank Group, worked as Executive Director at the Programa Nacional de Competitividad (Pronacom) and also worked at Centro de Investigaciones Económicas Nacionales, both in the Republic of Guatemala.

Rubén Reinaldo Méndez was appointed as Chief Financial Officer of CABEI on October 4, 2022. He received his bachelor's degree in public accounting from the Universidad Nacional Autónoma de Honduras and a master's degree in Business Administration majoring in finance from the Universidad Católica de Honduras. Prior to become Chief Financial Officer, Mr. Mendez held different positions over his more than 20 years of experience at CABEI.

Zurama Tatyana Corea López was appointed as Information Technology Manager on August 16, 2022. She received her bachelor's degree in systems engineering from the Universidad Católica de Nicaragua and a master's degree in business administration majoring in marketing from INCAE Business School. Prior to joining CABEI, Mrs. Corea worked in private banking for 15 years.

Francisco Cornejo Párraga was appointed as General Services and Financial Operations Control Manager on April 21, 2014. He received his bachelor's degree in industrial engineering from the Universidad Católica de El Salvador and a master's degree in business administration majoring in finance from INCAE Business School. Prior to joining CABEI, Mr. Cornejo worked for Sysbanc as Country Manager & Partner, and also worked for Citibank and Banco Uno.

Juan Jorge Mourra Carías was appointed as Institutional Risk Division Manager on April 16, 2019. He received his bachelor's degree in industrial engineering from the Universidad Nacional Autónoma de Honduras (UNAH) and holds a master's degree in finance from the Universidad Tecnológica Centroamericana (UNITEC). Prior to his appointment as Institutional Risk Division Manager, Mr. Mourra worked for twenty-one years in CABEI´s development and commercial banking, in the areas of special credit management, credit analysis, risk analysis and portfolio management in the public and private sector**.**

Julio Eduardo Martínez Bichara was appointed as General Legal Counsel on March 1, 2013. He received his graduate degree in law and a master's degree in business administration from the Universidad Centroamericana José Simeón Cañas in San Salvador, Republic of El Salvador and a master's degree in international trade law from the Universitat de Barcelona, Barcelona, Spain. Prior to his appointment as General Legal Counsel, Mr. Martínez was appointed as Legal Counsel for CABEI's Representative Office located in El Salvador and later was appointed as the Structured Transactions Legal Coordinator at CABEI's main headquarters. Prior to joining CABEI, Mr. Martínez worked at B&M Abogados and for Banco Uno, S.A. (Grupo Financiero Uno).

Manuel José Torres Lezama was appointed as Sovereign Public Sector Manager on August 26, 2020. He received his bachelor´s degree in economics from the Universidad Nacional Autónoma de Nicaragua and a master´s degree in science in economics from the Universidad de los Andes de Colombia. Mr. Torres has more than 23 years of experience in generating, identifying, engineering and financing programs and development projects in both private and public sectors, as well as structuring and managing pre-investment and technical cooperation projects. Prior to his appointment as Public Sector Manager, Mr. Torres has worked in different positions within CABEI, such as Coordinator of the External Cooperation Department, Head of the Pre-Investment and Technical Cooperation Department, Pre-investment and Engineering of Projects and Head of the Country Office in Honduras.

Carlos Gómez Díaz was appointed as Non-Sovereign Public and Private Sector Manager, on September 20, 2021. He received his bachelor's degree in Business Administration from the Universidad José María Vargas and an MBA from IE Business School. Mr. Gómez acted as CABEI´s Head of Structured Finance prior to his appointment as Non-Sovereign Public and Private Sector Manager, Mr. Gómez was also the Investment & Project Finance Director at Renewable Energies FERSA.

Randall Chang was appointed as Credit Division Manager on January 1, 2020. He holds a bachelor's degree in Business Administration from the International University of the Americas, two master's degrees, one in business administration and another in Sustainable Development, both from INCAE Business School. In addition, he has received specialized training in Public Private Partnerships and International Fiduciary Administration. Prior to his appointment as Credit Division Manager, he served in several positions at CABEI such as Head of Credit Analysis, Credit Analyst, Development Projects Analyst, among others.

## RECENT DEVELOPMENTS

### *Debt Issuances*

From January 1, 2023 through the date of this Base Prospectus, CABEI has issued the following under the MTN program: (i) on January 13, 2023, US$50 million in 4.880% notes due in January 2033, (ii) on January 31, 2023, US$130 million in 4.90% notes due January 2033, (iii) on January 31, 2023, JPY 7.0 billion in 1.265% notes due January 2033 and (iv) on February 7, 2023, US$1.25 billion in 5.0% notes due February 2026.

### *Public International Body Recognition*

In April 2022, the Financial Conduct Authority (FCA) of the United Kingdom approved CABEI´s prospectus exemption eligibility for the Program, recognizing CABEI as a "public international body" for purposes of the UK Prospectus Regulation and listing on the London Stock Exchange.

In February 2023, the Luxemburg Stock Exchange similarly recognized CABEI as a "public international body", under the Prospectus Regulation.

### *Other Developments*

On May 8, 2023, CABEI announced that, after June 30, 2023, Term SOFR will be the replacement reference rate for certain outstanding floating debt securities issued by CABEI under Program that use U.S. dollar LIBOR as the reference rate, all in accordance with the fallback provisions included in the terms of the applicable securities.

## TERMS AND CONDITIONS OF THE NOTES

***The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms, will be applicable to and, subject further to simplification by deletion of non-applicable provisions, will be attached to or endorsed on, the Notes in global form and the Notes in definitive form (if any) issued in exchange for the relevant Global Note(s), details of the relevant Notes being shown on the relevant Notes and in the applicable Final Terms.***

***The Final Terms relating to each Note will describe the following items (each term is as defined below or in the Fiscal Agency Agreement): (i) the Specified Currency with respect to such Note (and, if such Specified Currency is other than U.S. dollars, certain other terms relating to such Note); (ii) the price (expressed as a percentage of the principal amount thereof) at which such Note will be issued; (iii) the date on which such Note will be issued; (iv) the date on which such Note will mature; (v) whether such Note is a Fixed Rate Note or a Floating Rate Note; (vi) if such Note is a Fixed Rate Note, the rate per annum at which such Note will bear interest, if any, and the interest payment date or dates; (vii) if such Note is a Floating Rate Note, the Interest Rate Basis for such Floating Rate Note, which will be such interest rate formula as is set forth in such Final Terms, and, if applicable, the Calculation Agent, the Index Maturity, the Spread or Spread Multiplier, the Maximum Rate, the Minimum Rate, the Initial Interest Rate, the Interest Payment Dates, the Regular Record Dates, the Calculation Dates, the Interest Determination Dates and the Interest Reset Dates with respect to such Floating Rate Note; (viii) whether such Note is an Original Issue Discount Note, and if so, the yield to maturity; (ix) whether such Note is an Indexed Note, and if so, the principal amount thereof payable at maturity, or the amount of interest payable on an interest payment date, as determined by reference to any applicable index, in addition to certain other information relating to the Indexed Note; (x) whether such Note may be redeemed at the option of CABEI or repaid at the option of the Holder, prior to Stated Maturity and, if so, the provisions relating to such redemption or repayment; and (xi) any other terms of such Note not inconsistent with the provisions of the Fiscal Agency Agreement.***

(1) General

This Note is one of a duly authorized issue of Medium-Term Notes issued and to be issued pursuant to a Fiscal Agency Agreement, dated as of April 2, 2003 (as amended or supplemented from time to time, the "Fiscal Agency Agreement"), among CABEI and Deutsche Bank Trust Company Americas, as Fiscal Agent, Registrar, Transfer Agent ("Fiscal Agent", "Registrar" and "Transfer Agent", which terms include any successor as Fiscal Agent or Registrar or Transfer Agent under the Fiscal Agency Agreement), and Paying Agent in New York, Deutsche Bank Luxembourg S.A. as Paying Agent and Transfer Agent in Luxembourg and Deutsche Bank AG, London Branch as Paying Agent and Transfer Agent in London. These Terms and Conditions, as amended or supplemented by the provisions contained in the applicable Final Terms, are fully incorporated into this Note by reference and shall for all purposes have the same effect as if set forth herein. Terms used but not defined herein shall have the meanings assigned to them in the Fiscal Agency Agreement, and such defined terms are incorporated herein by reference. Copies of the Fiscal Agency Agreement are available for inspection at the principal office of the Fiscal Agent at Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Americas, Trust and Agency Services, 1 Columbus Circle, 17th Floor, Mail Stop: NYC01-1710, New York, NY 10019, Attn: Corporates Team (the "Corporate Trust Office"), and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such Exchange shall so require, at the office of the Paying Agent hereinafter named in Luxembourg. The Holders (as defined in Section 3 hereof) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement that are applicable to them. Unless the context otherwise requires, references in these Terms and Conditions to the "Notes" apply generally to the Notes and, to the extent not inconsistent with the applicable Final Terms, this Note.

Notes may be issued under the Fiscal Agency Agreement from time to time in separate series (each such series of Notes being hereinafter referred to as a "Series" or the "Notes of a Series"). The Notes of each Series will have identical terms (except for the issue date, the issue price or the first interest payment date), including, but not limited to, terms with respect to currency, denomination, interest rate, interest payment dates and maturity, except that each Series may include Registered Notes (as herein defined) and Bearer Notes (as herein defined). The Notes of all Series are limited to an aggregate initial principal amount of US$10,000,000,000 (or its equivalent in another currency or composite currency), subject to increase by CABEI as provided in the Fiscal Agency Agreement if in the future it so determines for any reason. Except for such aggregate limit, there is no limit on the number of Notes that may be issued in any particular Series.

CABEI may, in its discretion, sell additional notes from time to time in one or more offerings (the "Additional Notes"). Any Additional Notes issued by CABEI will be part of the same series as the Notes. The Notes and the Additional Notes will have the same ranking, interest rate, maturity and other terms and will be treated as a single series of notes under the Fiscal Agency Agreement. The Additional Notes will be fungible for trading purposes with, and will bear the same Common Code and ISIN Number, as the Notes.

This Note will mature on the date specified in the applicable Final Terms ("Stated Maturity"). Upon the Stated Maturity, CABEI will be required to repay 100% of the outstanding principal amount thereof (or, in the case of Zero Coupon Notes, Original Issue Discount Notes, Currency Indexed Notes or Indexed Notes, 100% of the amount due and payable upon maturity), unless the applicable Final Terms with respect to such Notes otherwise specifies.

This Note is denominated in either U.S. dollars or in such other currency or composite currency ("Specified Currency") as may be specified on the face hereof and in the applicable Final Terms. Notes denominated in a Specified Currency other than the U.S. dollar are hereinafter referred to as "Foreign Currency Notes". Purchasers of Notes are required to pay for such Notes by delivery of the requisite amount of the Specified Currency to an Agent, unless other arrangements have been made. Unless otherwise specified in the applicable Final Terms, payments on each Foreign Currency Note (other than Notes held through DTC with respect to which certain elections have not been made) will be made in the applicable Specified Currency in the country issuing the Specified Currency (or, in the case of euro, in a city in which banks have access to the TARGET System (as herein defined)), *provided* that, at the election of the holder thereof and in certain circumstances at the option of CABEI, payments on a Foreign Currency Note may be made in U.S. dollars.

Notes are sold in individual issues of Notes having such interest rate or interest rate formula, if any, Stated Maturity and date of original issuance as shall be set forth in the applicable Final Terms.

Unless otherwise indicated in the applicable Final Terms, this Note, unless it is a Zero Coupon Note, Currency Indexed Note or Indexed Note, will bear interest at a fixed rate or at a rate (the "Base Rate") determined by reference to the Commercial Paper Rate, the Prime Rate, SOFR, the Treasury Rate, the CD Rate or the Federal Funds Rate, as adjusted by the Spread and/or Spread Multiplier (each as defined in Section 4 hereof), if any, applicable to such Note, or any other rate as set forth in the applicable Final Terms. This Note has been issued as a Zero Coupon Note if so indicated in the applicable Final Terms. A Zero Coupon Note is a Note that is issued at a discount from the principal amount payable at maturity thereof and which will not bear interest, unless otherwise specified in the Final Terms.

This Note has been issued as an Original Issue Discount Note if so indicated in the applicable Final Terms. In general, an Original Issue Discount Note is a Note, including any Zero Coupon Note, that is issued at a price lower than the principal amount thereof, and which provides that upon redemption or acceleration of the maturity thereof, the amount payable to the Holder of such Note will be determined in accordance with the terms of such Note, but will be an amount that is less than the amount payable at the Stated Maturity of such Note.

This Note may be issued as a Currency Indexed Note, the principal amount of which is payable at or prior to maturity and any interest on which and/or any premium on which will be determined by the difference between the currency or composite currency in which such Note is denominated and another currency or composite currency or by reference to any currency index or indices, in each case as set forth in the applicable Final Terms. This Note may also be issued as other (non-Currency) Indexed Notes, the principal amount of which is payable at or prior to maturity, any interest on which and/or any premium on which will be determined by reference to the difference in the prices of specified securities, commodities or interest rates or securities, commodities, interest rates or other indices, in each case as set forth in the applicable Final Terms.

Unless otherwise specified in the applicable Final Terms, this Note will not be redeemable prior to maturity at the option of CABEI. Unless otherwise specified in the applicable Final Terms, this Note will not be repayable prior to maturity at the option of the Holder of the Note.

(2) Form, Denomination and Registration

Notes may be issued in registered form ("Registered Notes" or a "Registered Note"), in bearer form ("Bearer Notes" or a "Bearer Note"), or as specified in the applicable Final Terms.

Except as otherwise specified in the applicable Final Terms and with respect to Notes denominated in Japanese ¥, Registered Notes may be issued only in minimum denominations of (i) if denominated in U.S. dollars, US$10,000 and integral multiples of US$1,000 in excess thereof or (ii) if denominated other than in U.S. dollars, the amount of the Specified Currency for such Note equivalent to US$10,000 and integral multiples of US$1,000 in excess thereof, at the noon buying rate in The City of New York for cable transfers in such Specified Currency certified by the Federal Reserve Bank of New York or, in the event the Federal Reserve Bank of New York does not certify a noon buying rate for such Specified Currency, at the rate quoted or published by the relevant central bank as the rate for buying such Specified Currency (or, in the case of euro, the European Central Bank Frankfurt).

Bearer Notes may be issued in denominations as specified in the applicable Final Terms.

Unless otherwise permitted by then current laws, regulations and directives, Notes denominated in Japanese ¥ will be in minimum denominations of ¥1,000,000.

CABEI will at all times, for as long as any Notes are outstanding, appoint and maintain one or more Paying Agents (any of which may be the Fiscal Agent), each of which will be authorized in writing by CABEI to pay the principal of (and premium, if any) or interest on any Note on behalf of CABEI and will have an office or agency (a "Paying Agency Office") in a specified city (a "Place of Payment") where the Notes may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to the Notes may be served (*provided* that interest on any Bearer Note shall be payable only outside the United States and its possessions, as defined under Section 5 below). CABEI reserves the right to vary or terminate the appointment of any Paying Agent or to appoint additional or other Paying Agents or to approve any change in the office through which any Paying Agent acts, *provided* that for so long as any Notes are outstanding, there shall at all times be a Paying Agency Office in Western Europe (which, for so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such Exchange shall so require, shall include an office or agency in Luxembourg) and for so long as any Registered Notes are outstanding, there shall at all times be a Paying Agency Office in The City of New York.

CABEI shall maintain for so long as any Notes are outstanding transfer agents (each, a "Transfer Agent") where the Notes may be surrendered for registration of transfer or exchange. CABEI has initially appointed the Corporate Trust Office of the Fiscal Agent in The City of New York, the London office of the Fiscal Agent and the Luxembourg Paying Agent as its Transfer Agents. CABEI shall cause each Transfer Agent to act as a Notes registrar and shall cause to be kept at the office of each Transfer Agent a register in which, subject to such reasonable regulations as it may prescribe, CABEI shall provide for the registration of Notes and registration of transfers and exchanges of Notes. CABEI reserves the right to vary or terminate the appointment of any Transfer Agent or to appoint additional or other Transfer Agents or to approve any change in the office through which any Transfer Agent acts, *provided* that for so long as any Notes are outstanding there shall at all times be a Transfer Agent in Western Europe (which, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such Exchange shall so require, shall include an office or agency in Luxembourg), and, for so long as any Registered Notes are outstanding, there shall at all times be a Transfer Agent in The City of New York.

(3) Transfer; Exchange

Subject to the restrictions set forth herein and in the Fiscal Agency Agreement, the transfer of a Registered Note is registrable on the aforementioned registers upon surrender of such Note at any Transfer Agent duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to CABEI duly executed by, the registered Holder thereof or his attorney duly authorized in writing. Upon such surrender of such Note for registration of transfer, CABEI shall execute, and the Fiscal Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes, dated the date of authentication thereof, of any authorized denominations and of a like aggregate principal amount.

Subject to the restrictions set forth herein and in the Fiscal Agency Agreement, at the option of the registered Holder upon request confirmed in writing, Registered Notes of a Series may be exchanged for Registered Notes of such Series of any authorized denominations and of a like tenor, form and aggregate principal amount upon surrender of the Registered Notes to be exchanged at the office of any Transfer Agent. Whenever any Registered Notes are so surrendered for exchange, CABEI shall execute, and the Fiscal Agent shall authenticate and deliver, the Registered Notes that the registered Holder making the exchange is entitled to receive. Any registration of transfer or exchange will be effected upon the Transfer Agent or the Fiscal Agent, as the case may be, being satisfied with the documents of title and identity of the person making the request and subject to such reasonable regulations as CABEI may from time to time agree with the Transfer Agents and the Fiscal Agent.

Subject to the restrictions set forth herein and in the Fiscal Agency Agreement, at the option of the Holder of a Bearer Note, Bearer Notes of a Series may be exchanged for Bearer Notes of such Series of any authorized denominations and of a like aggregate principal amount, tenor and form and upon surrender of the Notes to be exchanged, together with all unmatured Coupons and all matured Coupons in default appertaining to such Note, at the office of any Transfer Agent in Western Europe. If the Holder of a Bearer Note is unable to produce any such unmatured Coupon or Coupons or matured Coupon in default, such exchange may be effected if the Bearer Notes are accompanied by payment in funds acceptable to CABEI in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived in writing by CABEI and the Fiscal Agent if there be furnished to them such security or indemnity as they may require to save each of them and each other agent of CABEI hereunder harmless. Whenever any Notes are so surrendered for exchange, CABEI shall execute, and the Fiscal Agent shall authenticate and deliver, the Notes that the Holder making the exchange is entitled to receive. Any exchange will be subject to such reasonable regulations as CABEI may from time to time agree with the Transfer Agents and the Fiscal Agent.

Subject to the restrictions set forth herein and in the Fiscal Agency Agreement, at the option of the Holder of a Bearer Note upon request confirmed in writing, Bearer Notes may be exchanged for Registered Notes of any authorized denominations and of a like aggregate principal amount and tenor upon surrender of the Bearer Notes to be exchanged, together with all unmatured Coupons and all matured Coupons in default appertaining thereto, at the office of any Transfer Agent in Western Europe. If the Holder of a Bearer Note is unable to produce any such unmatured Coupon or Coupons or matured Coupons in default, such exchange may be effected if the Bearer Notes are accompanied by payment in funds acceptable to CABEI in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived in writing by CABEI and the Fiscal Agent if there be furnished to them such security or indemnity as they may require to save each of them and each other agent of CABEI hereunder harmless. Notwithstanding the foregoing, if a Bearer Note is surrendered in exchange for a Registered Note (i) after the close of business on the Regular Record Date (as herein defined) next preceding an Interest Payment Date and before the opening of business on such Interest Payment Date, or (ii) after the close of business on any special record date for the payment of defaulted interest and before the opening of business on the relevant proposed date of payment of such defaulted interest, such Bearer Notes shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date of payment, as the case may be, and the interest payable on such Interest Payment Date or proposed date of payment shall not be payable in respect of the Registered Note issued in exchange for such Bearer Note, but will be payable only to the Holder of such Coupon upon presentation and surrender thereof when due.

Registered Notes may not be exchanged for Bearer Notes.

In the event of a redemption of the Notes of a Series in part, CABEI shall not be required (i) to register the transfer of or exchange of any Note of such Series during a period beginning at the opening of business 15 days before, and continuing until, the date notice is given identifying the Notes to be redeemed, or (ii) to register the transfer of or exchange of any Notes of such Series, or portion thereof, called for redemption except the unredeemed portion of any Note redeemed in part.

All Notes of a Series issued upon any registration of transfer or exchange of Notes shall be the valid obligations of CABEI, evidencing the same debt, and entitled to the same benefits, as the Notes surrendered upon such registration of transfer or exchange. No service charge shall be made for any registration of transfer or exchange, but CABEI may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith, other than an exchange in connection with a partial redemption of a Note not involving any registration of transfer.

Title to Bearer Notes and Coupons shall pass by delivery. CABEI, the Fiscal Agent and any agent of CABEI or the Fiscal Agent may treat the Holder of a Bearer Note, the Holder of a Coupon and, prior to due presentment of a Registered Note for registration of transfer, the person in whose name a Registered Note is registered as the absolute owner thereof for all purposes, whether or not such Note or Coupon be overdue, and neither CABEI, the Fiscal Agent nor any such agent of either shall be affected by notice to the contrary.

For all purposes under the Notes and the Fiscal Agency Agreement, the "Holder" of any Note is the person in whose name such Note is registered, in the case of a Registered Note, or the bearer of such Note, in the case of a Bearer Note.

(4) Interest Rate

Unless otherwise specified in the applicable Final Terms, each Note, other than a Zero Coupon Note, will bear interest from its date of issue or from the most recent Interest Payment Date (or, if such Note is a Floating Rate Note and the Interest Reset Period is daily or weekly, from the calendar day following the most recent Regular Record Date) to which interest on such Note has been paid or duly provided for at the fixed rate per annum, or at the rate per annum determined pursuant to the interest rate formula, stated therein and in the applicable Final Terms until the principal thereof is paid or made available for payment. Interest will be payable on each Interest Payment Date and at maturity as specified under "Payment of Principal and Interest".

Each Note, other than a Zero Coupon Note, will bear interest at either (i) a fixed rate (a "Fixed Rate Note") or (ii) a variable rate determined by reference to an interest rate basis (a "Floating Rate Note"), which may be adjusted by adding or subtracting the Spread and/or multiplying by the Spread Multiplier (each term as defined below). A Floating Rate Note may also have either or both of the following: (i) a maximum numerical interest rate limitation, or ceiling, on the rate at which interest may accrue during any interest period (a "Maximum Rate") and (ii) a minimum numerical interest rate limitation, or floor, on the rate at which interest may accrue during any interest period (a "Minimum Rate"). The "Spread" is the number of basis points specified in the applicable Final Terms as being applicable to the interest rate for such Note and the "Spread Multiplier" is the percentage specified in the applicable Final Terms as being applicable to the interest rate for such Note. "Market Day" means any day that is a Business Day in the named financial center for the payment currency specified in the Final Terms, or if no such financial center is so specified, The City of New York. Unless otherwise specified in the applicable Final Terms, the term "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday that is (i) not a day on which banking institutions in the relevant location generally are obligated by law or executive order to close, and (ii) if this Note is denominated in a Specified Currency other than U.S. dollars, not a day on which banking institutions are authorized or obligated by law or executive order to close in the financial center of the country issuing the Specified Currency (except in the case of euro, in which case "Business Day" shall not include any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer ("TARGET") System is not operating). "Index Maturity" means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable Final Terms. The calculation agent, which will calculate the interest rate basis with respect to any particular issue of Floating Rate Notes (the "Calculation Agent"), will be specified in the applicable Final Terms. "U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association (SIFMA) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

In addition to any Maximum Rate that may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by U.S. law of general application. Under present New York law the maximum rate of interest is 25% per annum on a simple interest basis, with certain exceptions. The limit may not be applicable to Floating Rate Notes in which US$4,000,000 or more has been invested.

The applicable Final Terms relating to a Fixed Rate Note will designate a fixed rate of interest per annum payable on such Fixed Rate Note. Interest on Fixed Rate Notes will be paid semi-annually (unless otherwise specified in the applicable Final Terms) and at maturity.

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the rate of interest, such interest being payable in arrears on each Interest Payment Date as adjusted in accordance with the applicable day count fraction.

The applicable Final Terms relating to a Floating Rate Note will designate an interest rate basis (the "Interest Rate Basis") for such Floating Rate Note. The Interest Rate Basis for each Floating Rate Note will be: (i) the Commercial Paper Rate, in which case such Note will be a Commercial Paper Rate Note; (ii) the Prime Rate, in which case such Note will be a Prime Rate Note; (iii) SOFR, in which case such Note will be a SOFR Note; (iv) the Treasury Rate, in which case such Note will be a Treasury Rate Note; (v) the CD Rate, in which case such Note will be a CD Rate Note; (vi) the Federal Funds Rate, in which case such Note will be a Federal Funds Rate Note; or (vii) such other interest rate formula as is set forth in such Final Terms. The applicable Final Terms for a Floating Rate Note will specify the Interest Rate Basis and, if applicable, the Calculation Agent, the Index Maturity, the Spread or Spread Multiplier, the Initial Interest Rate, the Maximum Rate, the Minimum Rate, the Interest Payment Dates, the Regular Record Dates, the Calculation Dates, the Interest Determination Dates, the Interest Reset Period and the Interest Reset Dates with respect to such Note (each term as defined below or in such Note). The Minimum Rate on a Floating Rate Note is zero.

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or otherwise as specified in the applicable Final Terms (each such period, an "Interest Reset Period"). Unless otherwise specified in the applicable Final Terms, the interest reset date (the "Interest Reset Date") will be, in the case of Floating Rate Notes that reset daily, each Market Day; in the case of Floating Rate Notes (other than Treasury Rate Notes) that reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes that reset weekly, the Tuesday of each week, except as provided below; in the case of Floating Rate Notes that reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December; in the case of Floating Rate Notes that reset semi-annually, the third Wednesday of two months of each year that are six-months apart as specified in the applicable Final Terms; and in the case of Floating Rate Notes that reset annually, the third Wednesday of one month of each year as specified in the applicable Final Terms; *provided* that the interest rate in effect from the date of issue to the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate (as set forth in the applicable Final Terms). If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Market Day with respect to such Floating Rate Note, the Interest Reset Date for such Floating Rate Note shall be postponed to the next day that is a Market Day with respect to such Floating Rate Note, except that, in the case of a SOFR Note, if such Market Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Market Day.

The Fiscal Agent shall notify the Luxembourg Stock Exchange of the Interest Payment Dates, the applicable interest rate and the amount of interest payable on each Interest Payment Date for Notes of each Series to be listed on such Exchange by no later than (a) in the case of Fixed Rate Notes, the date of the applicable Final Terms or (b) in the case of Floating Rate Notes, the beginning of the relevant Interest Reset Period relating to such Notes.

Unless otherwise specified in the applicable Final Terms, Interest Determination Dates will be as set forth below. The Interest Determination Date pertaining to an Interest Reset Date for (i) a Commercial Paper Rate Note (the "Commercial Paper Rate Interest Determination Date"), (ii) a Prime Rate Note (the "Prime Rate Interest Determination Date"), (iii)) a CD Rate Note (the "CD Rate Interest Determination Date") and (iv) a Federal Funds Rate Note (the "Federal Funds Rate Interest Determination Date") will be the second Market Day preceding such Interest Reset Date. For a SOFR Note, "Observation Period" means, in respect of each interest period, the period from, and including, the date five U.S. Government Securities Business Days preceding the first date in such interest period to, but excluding, the date five U.S. Government Securities Business Days preceding the interest payment date for such interest period.

The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (the "Treasury Rate Interest Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury Bills would normally be auctioned. Treasury Bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date shall instead be the first Market Day immediately following such auction date.

Upon the request of the holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect, and, if determined, the interest rate that will become effective on the next Interest Reset Date with respect to such Floating Rate Note.

The Calculation Agent will, for each Interest Period, as soon as practicable after 11:00 A.M. (New York time) on the Interest Determination Date therefor, determine the interest rate therefor and calculate the amount of interest payable on each US$1,000 (or the equivalent thereof in the Specified Currency) (the "Minimum Multiple") face amount of the Notes for such Interest Period. The amount of interest payable in respect of the Notes in the face amount equal to the Minimum Multiple for any Interest Period (the "Interest Amount") shall be calculated by (A) applying the rate of interest for such Interest Period to the outstanding principal amount of a Note having a face amount equal to the Minimum Multiple, (B) multiplying such amount by the actual number of days in such Interest Period, (C) dividing by 360 and (D) rounding as specified in the following paragraph. The amount of interest payable in respect of any Fixed Rate Note issued in Renminbi for any Interest Period shall be equal to the product of the Rate of Interest, the Interest Amount, and the Day Count Fraction, rounding the resulting figure to the nearest CNY0.01 and in accordance with the succeeding paragraph, and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Fixed Rate Note divided by the Interest Amount. Unless otherwise specified in the applicable Final Terms, "Interest Period" means the period beginning on (and including) the date of original issuance of a Note and ending on (but excluding) the first Interest Payment Date thereafter and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date; *provided* that with respect to any overdue amount hereunder, the first Interest Period therefor shall commence on the day on which such amount was due and payable hereunder and end on the seventh calendar day thereafter, and thereafter each Interest Period for such overdue amount shall commence on the date of the expiration of the preceding Interest Period for such amount and end on the date one month thereafter; and *provided further* that, if at least three Business Days prior to the end of any Interest Period for such overdue amount CABEI notifies the Fiscal Agent in writing that CABEI intends to pay such overdue amount on a date prior to the date on which the next succeeding Interest Period for such overdue amount would otherwise end, then the next succeeding Interest Period shall end on the date specified in such notice, provided that such overdue amount is paid on such date.

All percentages resulting from any calculations referred to herein will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward, e.g., 8.763235% (or .08763235) being rounded to 8.76324% (or .0876324), and all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upward) or in the case of currencies other than U.S. dollars to the nearest one-hundredth of a unit.

***Commercial Paper Rate Notes***

Each Commercial Paper Rate Note will bear interest at the interest rates calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any, specified in such Commercial Paper Rate Note and the applicable Final Terms and will be payable on the dates specified on the face of such Commercial Paper Rate Note and in the applicable Final Terms. Unless otherwise indicated in the applicable Final Terms, the "Calculation Date" pertaining to a Commercial Paper Rate Interest Determination Date will be the tenth calendar day after such Commercial Paper Rate Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Final Terms, “Commercial Paper Rate” means, with respect to any Interest Reset Date, the Money Market Yield (calculated as described below) of the per annum rate (quoted on a bank discount basis) for the relevant Commercial Paper Rate Interest Determination Date for commercial paper having the specified Index Maturity as published by the Board of Governors of the Federal Reserve System in “Statistical Release H.15(519), Selected Interest Rates” or any successor publication of the Board of Governors of the Federal Reserve System (“H.15(519)”) under the heading “Commercial Paper—Nonfinancial”. In the event that such rate is not published prior to 3:00 P.M., New York City time, on the relevant Calculation Date, then the Commercial Paper Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered per annum rates (quoted on a bank discount basis), as of 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper of the specified Index Maturity placed for an industrial company whose bond rating is “AA”, or the equivalent, from a U.S. nationally recognized rating agency; *provided* that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Commercial Paper Rate with respect to such Interest Reset Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

“Money Market Yield” shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\frac{\mathrm{D} \times 360}{360 - (\mathrm{D} \times \mathrm{M})}$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and “M” refers to the actual number of days in the period for which interest is being calculated.

***Prime Rate Notes***

Each Prime Rate Note will bear interest at the interest rates calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any, specified in such Prime Rate Note and the applicable Final Terms, and will be payable on the dates specified on the face of such Prime Rate Note and in the applicable Final Terms. Unless otherwise indicated in the applicable Final Terms, the “Calculation Date” pertaining to a Prime Rate Interest Determination Date will be the tenth day after such Prime Rate Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Final Terms, “Prime Rate” means, with respect to any Interest Reset Date, the rate set forth for the relevant Prime Rate Interest Determination Date in H.15(519) under the heading “Bank Prime Loan”. In the event that such rate is not published prior to 3:00 P.M., New York City time, on the relevant Calculation Date, then the Prime Rate with respect to such Interest Reset Date will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the display designated as page “NYMF” on the Reuters Monitor Money Rates Service (or such other page as may replace the NYMF page on that service for the purpose of displaying prime rates or base lending rates of major U.S. banks) (“Reuters Screen NYMF Page”) as such bank’s prime rate or base lending rate as in effect for such Prime Rate Interest Determination Date as quoted on the Reuters Screen NYMF Page on such Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen NYMF Page on such Prime Rate Interest Determination Date, the Prime Rate with respect to such Interest Reset Date will be the arithmetic mean of the prime rates or base lending rates (quoted on the basis of the actual number of days in the year divided by 360) as of the close of business on such Prime Rate Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent; provided that if fewer than three banks selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Prime Rate with respect to such Interest Reset Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

***SOFR Notes***

**Compounded SOFR – Payment Delay Notes**

*Accrued interest, interest periods, the interest rate and/or timing of interest payments for a particular interest period, among other terms and provisions of compounded SOFR notes will be determined in accordance with a "payment delay convention," if so specified in the applicable Final Terms. The terms and provisions of such notes relating to accrued interest, interest periods, the interest rate and/or timing of interest payments for a particular interest period, among other terms and provisions of the notes, differ from the terms and provisions that generally are applicable to notes that do not use a payment delay convention.*

*If the applicable Final Terms for a series of compounded SOFR notes specifies that the "payment delay convention" applies, then the following terms and provisions will apply to such series. References to "notes" in this section are to compounded SOFR notes using the payment delay convention.*

<u>General Terms and Provisions Applicable to the Notes Using the Payment Delay Convention</u>

Each series of the SOFR notes will accrue interest from the original issue date of such series until the principal amount is paid or made available for payment at a rate per annum equal to compounded SOFR, as specified in the applicable Final Terms, plus or minus the spread (if any), or multiplied by the spread multiplier (if any), as may be specified in the applicable Final Terms. The "spread" is the number of basis points we may specify to be added to or subtracted from the applicable base rate. The "spread multiplier" is the percentage (or number) we may specify by which the specified base rate is multiplied in order to calculate the applicable interest rate.

The interest rate for a series of the SOFR notes also may be subject to (i) a maximum interest rate limit, or ceiling, on the interest that may accrue during any interest or other applicable period; and/or (ii) a minimum interest rate limit, or floor, on the interest that may accrue during any interest or other applicable period.

The interest rate for a series of the SOFR notes will be determined by reference to compounded SOFR calculated in respect of each interest period in accordance with the formula set forth below.

We will pay interest on a series of the SOFR notes on each interest payment date with respect to such series of SOFR notes. Each interest payment due on an interest payment date, the maturity date or the redemption date, as applicable, will include interest accrued from, and including, the most recent interest period demarcation date to which interest has been paid, or, if no interest has been paid, from the original issue date, to, but excluding, the next interest period demarcation date (or, in the case of the final interest period, the maturity date or, if such SOFR notes are redeemed earlier, the redemption date) (each such period, an "interest period" for such series of SOFR notes). The applicable Final Terms for a series of SOFR notes will specify, among other terms and provisions, the "interest period demarcation dates" with respect to such series.

We will pay interest on each series of the SOFR notes in arrears, on the second business day (or such other number of business days we may specify in the applicable Final Terms) following each interest period demarcation date (each such day being an "interest payment date" for such SOFR notes); provided that the interest payment date with respect to the final interest period for a series of the SOFR notes will be the maturity date for such series or, if the SOFR notes are redeemed earlier, the redemption date. On each interest payment date, we will pay accrued interest for the most recently completed interest period.

If an interest period demarcation date other than the final interest period demarcation date otherwise would fall on a day that is not a business day, then such interest period demarcation date will be postponed to the next day that is a business day, except that, if the next succeeding business day falls in the next calendar month, then such interest period demarcation date will be advanced to the immediately preceding day that is a business day. If the scheduled final interest period demarcation date (which will be the maturity date or, if we elect to redeem the SOFR notes earlier, the redemption date) falls on a day that is not a business day, the payment of principal and interest will be made on the next succeeding business day, and such final interest period demarcation date will be postponed to such succeeding business day. In each case, the related interest periods also will be adjusted for non-business days.

With respect to any series of fixed/floating rate SOFR notes for which compounded SOFR is specified to be the base rate for the applicable floating-rate period and for which the payment delay convention is specified to be applicable, notwithstanding anything to the contrary in the applicable terms and provisions of the SOFR notes, and provided that such series of SOFR notes is not redeemed prior to the commencement of the floating-rate period, if the final interest payment date falling in the fixed-rate period otherwise would fall on a day that is not a business day, then such interest payment date will be postponed to the next day that is a business day, and the related interest period also will be adjusted for non-business days. If such final interest payment date during the fixed-rate period is so postponed, the first day of the initial interest period during the floating-rate period will be adjusted accordingly.

The calculation agent will determine compounded SOFR, the interest rate and accrued interest for each interest period in arrears as soon as reasonably practicable on or after the interest period demarcation date at the end of such interest period (or, in the case of the final interest period, the rate cut-off date) and prior to the relevant interest payment date and will notify us of compounded SOFR, and such interest rate and accrued interest for each interest period as soon as reasonably practicable after such determination, but in any event by the business day immediately prior to the interest payment date.

All amounts resulting from any calculation on a note will be rounded to the nearest cent, in the case of U.S. dollars, or to the nearest pence, in the case of pounds sterling, with one-half cent or pence, as applicable, being rounded upward. All percentages resulting from any calculation with respect to a note will be rounded, if necessary, to the nearest one hundred-thousandth of a percent, with five one-millionths of a percentage point rounded upwards, e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655).

*Determination of Compounded SOFR (Payment Delay)*

The calculation agent will determine "compounded SOFR" for a series of the SOFR notes for each interest period in accordance with the formula set forth below. For purposes of calculating compounded SOFR in accordance with such formula with respect to the final interest period, SOFR for each U.S. government securities business day in the period from, and including, the rate cut-off date to, but excluding, the maturity date or redemption date, as applicable, will be SOFR in respect of such rate cut-off date. The "rate cut-off date" will be the second U.S. government securities business day (or such other number of U.S. government securities business days as we may specify in the applicable Final Terms) prior to the maturity date or the redemption date, as applicable.

$$\left[\prod_{i=1}^{\text{do}}\left(1+\frac{SOFR_i \text{ x } n_i}{360}\right)-1\right]\text{x}\frac{360}{\text{d}}$$

where:

"$d_0$", for any interest period, is the number of U.S. government securities business days in such interest period;

"$i$" is a series of whole numbers from one to $d_0$, each representing the relevant U.S. government securities business days in chronological order from, and including, the first U.S. government securities business day in such interest period;

"$SOFR_i$" for any U.S. government securities business day "$i$" in such interest period, is equal to SOFR in respect of that day, determined by the calculation agent; provided that, for purposes of calculating compounded SOFR with respect to the final interest period, SOFR for each U.S. government securities business day in the period from, and including, the rate cut-off date to, but excluding, the maturity date or redemption date, as applicable, will be SOFR in respect of such rate cut-off date;

"$n_i$" for U.S. government securities business day "$i$" in such interest period, is the number of calendar days from, and including, such U.S. government securities business day "$i$" to, but excluding, the following U.S. government securities business day; and "d" is the number of calendar days in such interest period.

For purposes of the foregoing terms and provisions, the following terms have the meanings set forth below:

"SOFR" means, with respect to any U.S. government securities business day prior to a Benchmark Replacement Date:

(1) the Secured Overnight Financing Rate published for such U.S. government securities business day as such rate appears on the SOFR Administrator's Website at 3:00 p.m., New York City time, on the immediately following U.S. government securities business day; or

(2) if the rate specified in (1) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. government securities business day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website.

Notwithstanding the foregoing, if we or our designee, after consulting with us, determines that a Benchmark Transition Event and related Benchmark Replacement Date have occurred prior to the applicable Benchmark Reference Time in respect of any determination of SOFR on any date as described under "—Effect of a Benchmark Transition Event and Related Benchmark Replacement Date with Respect to SOFR" below, then the Benchmark transition provisions set forth under such heading will thereafter apply to all determinations of the interest rate payable on the relevant SOFR notes. In accordance with the Benchmark transition provisions, after a Benchmark Transition Event and related Benchmark Replacement Date have occurred, the amount of interest that will be payable for each applicable interest period will be determined by reference to a per annum rate equal to the Benchmark Replacement plus or minus the spread, or multiplied by the spread multiplier, as may be specified in the applicable Final Terms. Certain capitalized terms used in this paragraph have the meanings set forth below.

"SOFR Administrator" means the NY Federal Reserve (or a successor administrator of the Secured Overnight Financing Rate).

"SOFR Administrator's Website" means the website of the NY Federal Reserve, or any successor source. The information contained on such website is not part of this prospectus supplement and is not incorporated in this prospectus supplement by reference.

**Compounded SOFR Notes (Other than Compounded SOFR Notes Using the Payment Delay Convention)**

For a series of compounded SOFR notes not using the payment delay convention, compounded SOFR will be determined in accordance with an "observation period convention," a "rate cut-off convention" or a "SOFR Index convention" in accordance with the terms and provisions applicable to such convention as set forth below. The applicable Final Terms relating to a series of compounded SOFR notes will specify whether the "observation period convention," the "rate cut-off convention" or the "SOFR Index convention" applies to such compounded SOFR notes.

The calculation agent will determine compounded SOFR, the interest rate and accrued interest for each interest period in arrears as soon as reasonably practicable on or after the last day of the applicable observation period, and in any event on or prior to the business day immediately preceding the relevant interest payment date, and will notify us of compounded SOFR and such interest rate and accrued interest for each interest period as soon as reasonably practicable after such determination, but in any event by the business day immediately prior to the interest payment date.

With respect to a series of compounded SOFR notes using the "observation period convention," the "rate cut-off convention" or the "SOFR Index convention," the following terms will have the meanings set forth below:

"observation period" means, in respect of each interest period, the period from, and including, the date that is five U.S. government securities business days (or such other number of U.S. government securities business days as we may specify in the applicable Final Terms) preceding the first date in such interest period to, but excluding, the date that is five U.S. government securities business days (or such other number of U.S. government securities business days as we may specify in the applicable Final Terms) preceding the interest payment date for such interest period.

"SOFR" means, with respect to any U.S. government securities business day prior to a Benchmark Replacement Date:

(1) the Secured Overnight Financing Rate published for such U.S. government securities business day as such rate appears on the SOFR Administrator's Website at 3:00 p.m., New York City time, on the immediately following U.S. government securities business day; or

(2) if the rate specified in (1) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. government securities business day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website.

Notwithstanding the foregoing, if we or our designee, after consulting with us, determines that a Benchmark Transition Event and related Benchmark Replacement Date have occurred prior to the applicable Benchmark Reference Time in respect of any determination of SOFR on any date as described under "—Effect of a Benchmark Transition Event and Related Benchmark Replacement Date with Respect to SOFR" below, then the Benchmark transition provisions set forth under such heading will thereafter apply to all determinations of the interest rate payable on the relevant notes. In accordance with the Benchmark transition provisions, after a Benchmark Transition Event and related Benchmark Replacement Date have occurred, the amount of interest that will be payable for each applicable interest period will be determined by reference to a per annum rate equal to the Benchmark Replacement plus or minus the spread, or multiplied by the spread multiplier, as may be specified in the applicable Final Terms. Certain capitalized terms used in this paragraph have the meanings set forth below.

"SOFR Administrator" means the NY Federal Reserve (or a successor administrator of the Secured Overnight Financing Rate).

"SOFR Administrator's Website" means the website of the NY Federal Reserve, or any successor source. The information contained on such website is not part of this prospectus supplement and is not incorporated in this prospectus supplement by reference.

Observation Period Convention

If the applicable Final Terms for a series of compounded SOFR notes specifies that the "observation period convention" applies, then "compounded SOFR" means, for each applicable interest period, a rate calculated in accordance with the formula set forth below with respect to the observation period relating to such interest period:

$$\left[\prod_{i=1}^{\mathrm{do}}\left(1+\frac{SOFR_i \text{ x } n_i}{360}\right)-1\right] \text{x} \frac{360}{\mathrm{d}}$$

where:

"$d_0$", for any observation period, is the number of U.S. government securities business days in such observation period;

"*i*", for such observation period, is a series of whole numbers from one to $d_0$, each representing the relevant U.S. government securities business days in chronological order from, and including, the first U.S. government securities business day in such observation period;

"$SOFR_i$" for any U.S. government securities business day "*i*" in such observation period, is equal to SOFR in respect of that day, determined by the calculation agent;

"$n_i$" for U.S. government securities business day "$i$" in such observation period, is the number of calendar days from, and including, such U.S. government securities business day "$i$" to, but excluding, the following U.S. government securities business day; and

"d", for such observation period, is the number of calendar days in such observation period.

Rate Cut-Off Convention

If the applicable Final Terms for a series of compounded SOFR notes specifies that the "rate cut-off convention" applies, then "compounded SOFR" means, for each applicable interest period, a rate calculated in accordance with the formula set forth below. For purposes of calculating compounded SOFR in accordance with such formula with respect to any interest period for an applicable series of compounded SOFR notes, SOFR for each U.S. government securities business day in the period from, and including, the rate cut-off date to, but excluding, the interest payment date in respect of such interest period (or, in the case of the final interest period, the maturity date or redemption date, as applicable), will be SOFR in respect of such rate cut-off date. With respect to each applicable interest period, the "rate cut-off date" will be the fifth U.S. government securities business day (or such other number of U.S. government securities business days as we may specify in the applicable Final Terms) prior to the interest payment date in respect of such interest period (or, in the case of the final interest period, the maturity date or redemption date, as applicable).

$$\left[\prod_{i=1}^{\mathrm{do}}\left(1+\frac{SOFR_i \text{ x } n_i}{360}\right)-1\right]\text{x}\frac{360}{\mathrm{d}}$$

where:

"$d_0$", for any interest period, is the number of U.S. government securities business days in such interest period;

"$i$" is a series of whole numbers from one to $d_0$, each representing the relevant U.S. government securities business days in chronological order from, and including, the first U.S. government securities business day in such interest period;

"$SOFR_i$" for any U.S. government securities business day "$i$" in such interest period, is equal to SOFR in respect of that day, determined by the calculation agent; provided that, for purposes of calculating compounded SOFR with respect to any interest period, SOFR for each U.S. government securities business day in the period from, and including, the rate cut-off date to, but excluding, the interest payment date in respect of such interest period (or, in the case of the final interest period, the maturity date or redemption date, as applicable), will be SOFR in respect of such rate cut-off date;

"$n_i$" for U.S. government securities business day "$i$" in such interest period, is the number of calendar days from, and including, such U.S. government securities business day "$i$" to, but excluding, the following U.S. government securities business day; and

"d" is the number of calendar days in such interest period.

SOFR Index Convention

If the applicable Final Terms for a series of compounded SOFR notes specifies that the "SOFR Index convention" applies, then "compounded SOFR" means, for each applicable interest period, a rate calculated in accordance with the formula set forth below with respect to the observation period relating to such interest period:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}}-1\right)\text{x}\frac{360}{d}$$

where:

"SOFR $\text{Index}_{\text{End}}$" is the SOFR Index value for the day which is five U.S. government securities business days (or such other number of U.S. government securities business days as we may specify in the applicable Final Terms) preceding the interest payment date relating to such interest period;

"SOFR $\text{Index}_{\text{Start}}$" is the SOFR Index value for the day which is five U.S. government securities business days (or such other number of U.S. government securities business days as we may specify in the applicable Final Terms) preceding the first day of the relevant interest period;

"d" is the number of calendar days in the applicable observation period;

"SOFR" means the daily Secured Overnight Financing Rate as provided by the SOFR Administrator on the SOFR Administrator's Website; and

"SOFR Index," with respect to any U.S. Government Securities Business Day, means:

(1) the SOFR Index value as published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at 3:00 p.m., New York City time, on such U.S. government securities business day (the "SOFR Index Determination Time"); or

(2) if a SOFR Index value specified in (1) above does not so appear at the SOFR Index Determination Time, then:

    (i) if a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to SOFR, then compounded SOFR shall be the rate determined pursuant to the "SOFR Index Unavailability" provisions below; or

    (ii) if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR, then compounded SOFR shall be the rate determined in accordance with the terms and provisions set forth under "—Effect of a Benchmark Transition Event and Related Benchmark Replacement Date with Respect to SOFR" below.

*SOFR Index Unavailability Provisions* – If SOFR $\text{Index}_{\text{Start}}$ or SOFR $\text{Index}_{\text{End}}$ is not published or otherwise is not available on the relevant interest determination date and a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to SOFR, "compounded SOFR" will mean, for the applicable interest period for which such index is not available, the rate of return on a daily compounded interest investment calculated in accordance with the formula set forth above under "—Observation Period Convention" as if the applicable Final Terms had specified "observation period convention" to be applicable to the notes, rather than "SOFR Index convention."

*Effect of Benchmark Transition Event*

Benchmark Replacement. If CABEI (or our Designee) determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Compounded SOFR notes in respect of such determination on such date and all determinations on all subsequent dates.

Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, CABEI (or our Designee) will have the right to make Benchmark Replacement Conforming Changes from time to time.

Decisions and Determinations. Any determination, decision or election that may be made by CABEI (or our Designee) pursuant to the benchmark transition provisions described herein, including any determination with respect to tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, will be made in CABEI's (or such Designee's) sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Compounded SOFR notes, shall become effective without consent from the holders of the Compounded SOFR notes or any other party. The Calculation Agent, Paying Agents and the Fiscal Agent, will be entitled to conclusively rely on any determinations made by CABEI (or the Designee) and will have no liability for such actions taken at the direction of CABEI (or the Designee). Deutsche Bank Trust Company Americas and Deutsche Bank AG, London Branch is not CABEI's Designee.

Certain Defined Terms. As used in this section:

"Benchmark" means, initially, Compounded SOFR; provided that if CABEI (or our Designee) determines that on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by CABEI (or our Designee) as of the Benchmark Replacement Date:

(1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment; or

(2) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

(3) the sum of: (a) the alternate rate of interest that has been selected by CABEI (or our Designee) as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by CABEI (or our Designee) as of the Benchmark Replacement Date:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by CABEI (or our Designee) giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes that CABEI (or our Designee) decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if CABEI (or such Designee) decides that adoption of any portion of such market practice is not administratively feasible or if CABEI (or such Designee) determines that no market practice for use of the Benchmark Replacement exists, in such other manner as CABEI (or such Designee) determines is reasonably necessary).

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"Business Day" means any weekday that is not a legal holiday in New York City and is not a day on which banking institutions in New York City are authorized or required by law or regulation to be closed and is a U.S. Government Securities Business Day.

"ISDA" means the International Swaps and Derivatives Association, Inc. or any successor thereto.

"ISDA Definitions" means the 2021 ISDA Definitions published by ISDA, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"NY Federal Reserve" means the Federal Reserve Bank of New York.

"NY Federal Reserve's Website" means the website of the NY Federal Reserve, currently at http://www.newyorkfed.org, or any successor website of the NY Federal Reserve or the website of any successor administrator of the Secured Overnight Financing Rate.

"Rate Cut-Off Date" means the second U.S. Government Securities Business Day prior to a redemption date or the maturity date.

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is Compounded SOFR, the SOFR Determination Time and (2) if the Benchmark is not Compounded SOFR, the time determined by CABEI (or our Designee) in accordance with the Benchmark Replacement Conforming Changes.

"Relevant Governmental Body" means the Federal Reserve Board and/or the NY Federal Reserve, or a committee officially endorsed or convened by the Federal Reserve Board and/or the NY Federal Reserve or any successor thereto.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Section 4 will be notified promptly (and in any event not less than 10 Business Days prior to such changes taking effect) by the Issuer to the Fiscal Agent the Calculation Agent, the Paying Agents. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

Notwithstanding any other provision of this Section 4, if following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment or Benchmark Replacement Conforming Changes, in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Section 4, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability to any party for not doing so.

None of the Fiscal Agent, the Calculation Agent, the New York Paying Agent or the London Paying and Transfer Agent shall be obliged to agree to any Benchmark Replacement Conforming Changes or other changes pursuant to this Section 4 which, in the sole opinion of such agent, as applicable, would have the effect of (i) exposing the relevant agent, as applicable, to any liability against which is has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of such agent under the Fiscal Agency Agreement (as applicable) or any other transaction document.

***Treasury Rate Notes***

Each Treasury Rate Note will bear interest at the interest rates calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any, specified in such Treasury Rate Note and the applicable Final Terms, and will be payable on the dates specified on the face of such Treasury Rate Note and in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the "Calculation Date" with respect to a Treasury Rate Interest Determination Date will be the tenth day after such Treasury Rate Interest Determination Date or, if any such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Final Terms, "Treasury Rate" means, with respect to any Interest Reset Date, the rate for the auction on the relevant Treasury Rate Interest Determination Date of direct obligations of the United States ("Treasury Bills") having the specified Index Maturity as published in H.15(519) under the heading "U.S. Government Securities/Treasury Bills/Auction High" or, if not so published by 3:00 P.M., New York City time, on the relevant Calculation Date, the auction average rate (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) for such auction as otherwise announced by the U.S. Department of the Treasury. In the event that the results of such auction of Treasury Bills having the specified Index Maturity are not published or reported as provided above by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held during such week, then the Treasury Rate shall be the rate set forth in H.15(519) for the relevant Treasury Rate Interest Determination Date for the specified Index Maturity under the heading "U.S. Government Securities/Treasury Bills/Secondary Market". In the event such rate is not so published by 3:00 P.M., New York City time, on the relevant Calculation Date, the Treasury Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three primary U.S. government securities dealers in The City of New York selected by the Calculation Agent for the issue of Treasury Bills with a remaining maturity closest to the specified Index Maturity; *provided* that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Treasury Rate with respect to such Interest Reset Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

***CD Rate Notes***

Each CD Rate Note will bear interest at the interest rates calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any, specified in such CD Rate Note and the applicable Final Terms, and will be payable on the dates specified on the face of such CD Rate Note and in the applicable Final Terms. Unless otherwise indicated in the applicable Final Terms, the "Calculation Date" pertaining to a CD Rate Interest Determination Date will be the tenth day after such CD Rate Interest Determination Date or, if such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Final Terms, "CD Rate" means, with respect to any Interest Reset Date, the rate for the relevant CD Rate Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in H.15(519) under the heading "CDs (Secondary Market)". In the event that such rate is not published prior to 3:00 P.M., New York City time, on the relevant Calculation Date, then the CD Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the secondary market offered rates, as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers of negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major U.S. money market banks with a remaining maturity closest to the specified Index Maturity in a denomination of US$5,000,000; *provided* that if fewer than three dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the CD Rate with respect to such Interest Reset Date will be the CD Rate in effect on such CD Rate Interest Determination Date.

***Federal Funds Rate Notes***

Each Federal Funds Rate Note will bear interest at the interest rates calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any, specified in such Federal Funds Rate Note and the applicable Final Terms and will be payable on the dates specified on the face of such Federal Funds Rate Note and in the applicable Final Terms. Unless otherwise indicated in the applicable Final Terms, the "Calculation Date" pertaining to a Federal Funds Rate Interest Determination Date will be the tenth day after such Federal Funds Rate Interest Determination Date or, if such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Final Terms, "Federal Funds Rate" means, with respect to any Interest Reset Date, the rate on the relevant Federal Funds Rate Interest Determination Date for Federal Funds as published in H.15(159) under the heading "Federal Funds (effective)". In the event that such rate is not published prior to 3:00 P.M., New York City time, on the relevant Calculation Date, then the Federal Funds Rate with respect to such Interest Reset Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the rates, as of 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date, for the last transaction in overnight Federal Funds arranged by each of three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent; *provided* that if fewer than three brokers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Federal Funds Rate with respect to such Interest Reset Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

(5) <u>Payment of Principal and Interest</u>

For so long as the Fiscal Agent is acting as a Paying Agent hereunder, CABEI shall provide to the Fiscal Agent on or prior to the close of business on the Business Day in New York, New York, prior to each date on which interest, if any, is to be paid (each, an "Interest Payment Date"), any redemption date and the maturity date of the Notes (or, if any such date is not a Market Day, on the Business Day prior to the Market Day next succeeding such date), in immediately available funds such amount as is necessary (with any amounts then held by the Fiscal Agent and available for the purpose) to pay any interest on, the redemption price of and accrued interest (if the redemption date is not an Interest Payment Date) on, and the principal of (and premium, if any, on) the Notes due and payable on such Interest Payment Date, redemption date or maturity date, as the case may be. The Fiscal Agent shall apply the amounts so paid to it to the payment of such interest, redemption price and principal (and premium, if any) in accordance with the terms of the Fiscal Agency Agreement and the Notes.

Any monies paid by CABEI to the Fiscal Agent for the payment of the principal of (or premium, if any) or any interest on any Notes and remaining unclaimed at the end of two years after such principal (or premium, if any) or interest shall have become due and payable (whether at maturity, upon call for redemption or otherwise) shall then be repaid to CABEI along with any interest accrued on such monies, and upon such repayment all liability of the Fiscal Agent with respect thereto shall cease, without, however, limiting in any way any obligation CABEI may have to pay the principal of (and premium, if any) and any interest on this Note as the same shall become due.

<u>*Payment Currency*</u>

Unless otherwise specified in the applicable Final Terms, payments of principal, premium (if any) and any interest on the Notes will be made in the applicable Specified Currency; *provided* that payments of principal, premium (if any) and interest on any Foreign Currency Note will be made in U.S. dollars (i) if such Foreign Currency Note is held in the book-entry settlement system of DTC, (ii) at the option of the Holder thereof under the procedures described in the fourth and fifth paragraphs under this Section 5, and (iii) at the option of CABEI in the case of imposition of exchange controls or other circumstances beyond the control of CABEI as described in the penultimate paragraph under this Section 5.

No payment of principal (or premium, if any) or any interest in respect of a Bearer Note shall be made at an office or agency of CABEI in the United States or its possessions and no check in payment thereof which is mailed shall be mailed to an address in the United States or its possessions, nor shall any transfer made in lieu of payment by check be made to an account maintained by the payee with a bank in the United States or its possessions. Notwithstanding the foregoing, such payments may be made at an office or agency located in the United States or its possessions if such payments are to be made in U.S. dollars and if payment of the full amount so payable at each office of the Fiscal Agent and of each Paying Agent outside the United States and its possessions appointed and maintained pursuant to the Fiscal Agency Agreement is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the full payment or receipt of such amount in U.S. dollars. As used herein, the term "United States" means the United States of America (including the States thereof and the District of Columbia) and its "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

Unless otherwise specified in the applicable Final Terms, and except as provided in the next paragraph, payments of principal, premium (if any) and any interest with respect to any Foreign Currency Note will be made in U.S. dollars if the registered Holder of such Note on the relevant Regular Record Date or at maturity, as the case may be, has transmitted a written request for such payment in U.S. dollars to the Fiscal Agent in New York City on or prior to such Regular Record Date or the date 15 days prior to maturity, as the case may be. Such request may be in writing (mailed or hand delivered) or by facsimile transmission. Any such request made with respect to any Foreign Currency Note by a registered Holder will remain in effect with respect to any further payments of principal, premium (if any) and any interest with respect to such Foreign Currency Note payable to such Holder, unless such request is revoked on or prior to the relevant Regular Record Date or the date 15 days prior to maturity, as the case may be.

The U.S. dollar amount to be received by a Holder of a Foreign Currency Note who elects to receive payment in U.S. dollars or who holds through the book-entry settlement system of DTC will be determined by the Exchange Rate Agent (as defined below) based upon the highest bid quotation in The City of New York received by such Exchange Rate Agent as of 11:00 A.M., New York City time, on the second Business Day next preceding the applicable payment date from three recognized foreign exchange dealers selected by the Exchange Rate Agent (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer of the Specified Currency for U.S. dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all holders of Foreign Currency Notes electing to receive U.S. dollar payments or holding through the book-entry settlement system of DTC and at which the applicable dealer commits to execute a contract. If three such bid quotations are not available on the second Business Day preceding the date of payment of principal, premium (if any) or any interest with respect to any Foreign Currency Note, such payment will be made in the Specified Currency. All currency exchange costs associated with any payment in U.S. dollars on any such Foreign Currency Note will be borne by the Holder thereof by deductions from such payment, such currency exchange being effected on behalf of the Holder by the Exchange Rate Agent. The exchange rate agent with respect to any particular issue of Notes (the "Exchange Rate Agent") will be specified in the applicable Final Terms.

Interest with respect to any Registered Notes will be payable to the person in whose name such Note is registered at the close of business on the Regular Record Date next preceding each Interest Payment Date; *provided* that interest payable at maturity will be payable to the person to whom principal shall be payable (which in the case of any U.S. Global Note or International Global Note will be the depositary with respect to such Note or a nominee of such depositary). The Interest Payment Dates for a Fixed Rate Note will be the dates specified on the face of such Note and in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the first payment of interest on any Note originally issued between a Regular Record Date and an Interest Payment Date with respect to such Note will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered owner on such next succeeding Regular Record Date. Unless otherwise indicated in the applicable Final Terms, the "Regular Record Date" with respect to any Registered Note shall be the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

Interest with respect to any Global Note will be payable against presentation of the Global Note at the offices of a Paying Agent located outside the United States and its possessions. Each of the persons shown on the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system as being a beneficial owner of an interest in a Global Note must look solely to the relevant clearing system for such beneficial owner's share of each payment made by CABEI to the bearer of the Global Note.

Interest with respect to any Note in definitive bearer form will be payable against presentation and surrender of the appropriate coupon at the offices of a Paying Agent located outside the United States and its possessions.

Unless otherwise indicated in the applicable Final Terms and except as provided below, interest will be payable, in the case of Floating Rate Notes that reset daily, weekly or monthly, on the third Wednesday of each month (as indicated in the applicable Final Terms); in the case of Floating Rate Notes that reset quarterly, on the third Wednesday of March, June, September and December of each year; in the case of Floating Rate Notes that reset semi-annually, on the third Wednesday of the two months of each year specified in the applicable Final Terms; and in the case of Floating Rate Notes that reset annually, on the third Wednesday of the month specified in the applicable Final Terms, and in each case, at maturity.

Payments of interest on any Fixed Rate Note or Floating Rate Note with respect to any Interest Payment Date will include interest accrued to but excluding such Interest Payment Date; *provided* that, unless otherwise specified in the applicable Final Terms, if the Interest Reset Dates with respect to any Floating Rate Note in registered form are daily or weekly, interest payable on such Note on any Interest Payment Date, other than interest payable on the date on which principal on any such Note is payable, will include interest accrued to but excluding the day following the next preceding Regular Record Date.

With respect to a Floating Rate Note, accrued interest from the date of issue or from the last date to which interest has been paid is calculated by multiplying the face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the date of issue, or from the last date to which interest has been paid to but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the applicable Final Terms, the interest factor (expressed as a decimal) for each such day is computed by dividing the interest rate (expressed as a decimal) applicable to such date by 360, in the case of Commercial Paper Rate Notes, Prime Rate Notes, SOFR Notes, CD Rate Notes or Federal Funds Rate Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes. Unless otherwise specified in the applicable Final Terms, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Unless otherwise specified in the applicable Final Terms, if any Interest Payment Date other than the Maturity Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Payment Date shall be the next day that is a Business Day, except that, in the case of a SOFR Note, if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the next preceding Business Day. Unless otherwise specified in the applicable Final Terms, if the Maturity Date for any Fixed Rate Note or Floating Rate Note or the Interest Payment Date for any Fixed Rate Note falls on a day which is not a Business Day, payment of principal, premium (if any) and interest with respect to such Note will be paid on the next succeeding Business Day with the same force and effect as if made on such date and no interest on such payment will accrue from and after such date.

Payments of principal of (and premium, if any) and any interest due with respect to a Registered Note at maturity to be paid in U.S. dollars shall be made in immediately available funds against surrender of such Note at the Corporate Trust Office of the Fiscal Agent in the Borough of Manhattan, The City of New York or at such other offices or agencies as CABEI may designate and at the offices of such other Paying Agents as CABEI shall have appointed pursuant to the Fiscal Agency Agreement. Payments of interest on such Note to be paid in U.S. dollars other than at maturity shall be made by check mailed on or before the due date of such payment to the person entitled thereto at such person’s address appearing on the register of such Note or by wire transfer to an account maintained by the payee with a bank located in the Borough of Manhattan, The City of New York, if such registered Holder so elects by giving written notice to the Fiscal Agent, not less than 15 days (or such fewer days as the Fiscal Agent may accept at its discretion) prior to the date of the payments to be obtained, of such election and of the account to which payments are to be made. Payments of principal of (and premium, if any) or any interest on such Note to be made in U.S. dollars may be made, in the case of a registered Holder of at least the minimum principal amount of such Notes specified in the applicable Final Terms (which minimum amount, if no such minimum is so specified, will be deemed to be US$1,000,000), by wire transfer to a U.S. dollar account maintained by the payee with a bank in the Borough of Manhattan, The City of New York or in Western Europe, *provided* that such registered Holder so elects by giving written notice to the Fiscal Agent or a Paying Agent designating such account no later than 30 days immediately preceding the relevant interest payment date (or such other date as the Fiscal Agent may accept in its discretion). Unless such designation is revoked, any such designation made by such Holder with respect to such Notes shall remain in effect with respect to any future payments with respect to such Notes payable to such Holder.

Principal of (and premium, if any, on) a Bearer Note shall be payable by check or wire transfer upon presentation and surrender of such Note at an office of a Paying Agent located outside the United States and its possessions, or at such other offices or agencies located outside the United States and its possessions as CABEI shall have appointed for the purpose pursuant to the Fiscal Agency Agreement. Such Paying Agents shall initially be Deutsche Bank AG, London Branch in London and Deutsche Bank Luxembourg S.A. in Luxembourg. Interest on such Note shall be payable by check or wire transfer to the Holder of each Coupon appertaining to such Note in the amount determined in accordance with such Coupon, on or after the due date of such payment as set forth in such Coupon, upon presentation and surrender thereof at the offices of the Paying Agents set forth on the reverse of such Coupon or at such other offices or agencies located outside the United States and its possessions as CABEI shall have appointed pursuant to the Fiscal Agency Agreement.

Unless otherwise specified in the applicable Final Terms, payments of interest and principal (and premium, if any) with respect to any Note to be made in a Specified Currency other than U.S. dollars will be made by wire transfer to such account with a bank located in the country issuing the Specified Currency (or, with respect to Notes denominated in euro, in a city in which banks have access to the TARGET System) or other jurisdiction acceptable to CABEI and the Paying Agent as shall have been designated in writing on or prior to the relevant Regular Record

Date preceding the Interest Payment Date or 15 days preceding the Stated Maturity, as the case may be, by the Holder (registered Holder, if a Registered Note) of such Note on the relevant Regular Record Date or maturity, *provided* that, in the case of payment of principal, premium (if any) and any interest due at such maturity, the Note (and any Coupons appertaining thereto, if a Bearer Note) is presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its normal procedures. Such designation shall be made by filing the appropriate written information with the Paying Agent at the Paying Agency Office in the Place of Payment and, unless revoked in writing, any such designation made with respect to any Note by a Holder (registered Holder, if a Registered Note) will remain in effect with respect to any further payments with respect to such Note payable to such Holder. If a payment with respect to any such Note cannot be made by wire transfer because the required written designation has not been received by the Paying Agent on or before the requisite date or for any other reason, CABEI will cause a notice to be mailed to the Holder of such Note at its registered address requesting a designation pursuant to which such wire transfer can be made and, upon the Paying Agent's receipt of such a written designation, such payment will be made within five Business Days of such receipt. CABEI will pay any administrative costs imposed by banks in connection with making payments by wire transfer but, except as otherwise specified in the applicable Final Terms, any tax, assessment or governmental charge imposed upon payments will be borne by the holders of the Notes in respect of which payments are made.

Unless otherwise specified in the applicable Final Terms, Foreign Currency Notes will provide that, in the event of an official redenomination of the Specified Currency, the obligations of CABEI with respect to payments on such Foreign Currency Notes shall, in all cases, be deemed immediately following such redenomination to provide for payment of that amount of the redenominated Specified Currency representing the amount of such obligations immediately before such redenomination.

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion (except to the extent expressly provided herein or in the applicable Final Terms that any determination is subject to approval by CABEI) and, in the absence of manifest error, shall be conclusive for all purposes and binding on holders of the Notes and CABEI, and the Exchange Rate Agent shall have no liability therefor.

Unless otherwise specified in the applicable Final Terms, if the principal of, premium (if any) or interest on any Note is payable other than in U.S. dollars and such Specified Currency is not available for purposes of such payment, due to the imposition of exchange controls or other circumstances beyond the control of CABEI, or is no longer used by the government of the country issuing such currency or for settlement of transactions by public institutions of or within the international banking community, CABEI will be entitled to satisfy its obligations to the Holder of such Note by making such payment in U.S. dollars on the basis of the Exchange Rate for such Specified Currency determined on the second Business Day prior to the applicable payment date or, if the Exchange Rate is then not available, on the basis of the most recently available Exchange Rate. Any payment made under such circumstances in U.S. dollars where the required payment is in other than U.S. dollars will not constitute an Event of Default under the Notes.

In addition, the applicable Final Terms will identify the Calculation Agent that will calculate the amounts payable with respect to any Currency Indexed Note.

<u>*Payment of U.S. Dollar Equivalent on Notes Payable in Renminbi*</u>

Notwithstanding anything to the contrary herein, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy any payment on the Notes when due, in whole or in part, in Renminbi in Hong Kong, the Issuer may, on giving irrevocable notice to the holders of the Notes not less than five nor more than 30 Business Days prior to the relevant payment date, settle any such payment, in whole or in part, in U.S. dollars on that payment date at the U.S. Dollar Equivalent of the amount that was otherwise payable in Renminbi. In such event, the Issuer will make payments in respect of the Notes in U.S. dollars, as determined in its discretion, (1) by wire transfer to a U.S. dollar-denominated account maintained by the relevant holders with a bank in New York City as such account shall have been provided to the Registrar and appears on the security register or (2) in the form of U.S. dollar-denominated checks drawn on a bank in New York City by mailing the checks payable to or upon the written order of the relevant holders to the addresses of those holders as they appear in the security register; *provided* that, if any date for payment in respect of the Notes is not a Business Day, the holders thereof will not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

**Any such payment made in U.S. dollars in accordance with these provisions will constitute valid payment in full and will not constitute a default in respect of the Notes.**

"CNY Dealer" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong.

"Determination Business Day" means any day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and in New York City.

"Determination Date" means the day which is two Determination Business Days before the relevant payment date.

"Governmental Authority" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong.

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

"Illiquidity" means the general Renminbi exchange market in Hong Kong becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal, in whole or in part, in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two CNY Dealers.

"Inconvertibility" means the occurrence of any event that makes it impossible for the Issuer to convert any Renminbi amount due in respect of the Notes from or into U.S. dollars in the general Renminbi exchange market in Hong Kong, except if such impossibility is due solely to the failure by the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority, unless such law, rule or regulation is enacted on or after the date of these Final Terms and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation.

"Non-transferability" means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account outside Hong Kong to an account inside Hong Kong, or vice versa, except if such impossibility is due solely to the failure by the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority, unless such law, rule or regulation is enacted or becomes effective on or after the date of these Final Terms and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation.

"Spot Rate" means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11:00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a nondeliverable basis by reference to Reuters Screen Page TRADNDF. If neither of the foregoing rates is available, the Calculation Agent will determine the Spot Rate at or around 11:00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

"U.S. Dollar Equivalent" means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date.

The Issuer will provide notice to the relevant Fiscal Agent and each paying agent of any such payment of U.S. Dollar Equivalent. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the foregoing provisions by the Issuer or the Calculation Agent will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, each other agent under the Fiscal Agency Agreement and all holders of the Notes, as applicable.

(6) Currency Indexed Notes

CABEI may from time to time offer Notes ("Currency Indexed Notes"), (i) the principal amount of which is payable at or prior to the Stated Maturity, (ii) the amount of interest payable on which and/or (iii) any premium payable with respect to which, are determined by the difference between the rate of exchange of the Specified Currency and the other currency or composite currency specified as the Indexed Currency (the "Indexed Currency") or by reference to some other currency index or indices, in each case as set forth in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, Holders of Currency Indexed Notes will be entitled to receive a principal amount in respect of such Currency Indexed Notes exceeding the amount designated as the face amount of such Currency Indexed Notes in the applicable Final Terms (the "Face Amount") if, at the Stated Maturity, the rate at which the Specified Currency can be exchanged for the Indexed Currency is greater than the rate of such exchange designated as the Base Exchange Rate, expressed in units of the Indexed Currency per one unit of the Specified Currency in the applicable Final Terms (the "Base Exchange Rate"), and will only be entitled to receive a principal amount in respect of such Currency Indexed Notes less than the Face Amount of such Currency Indexed Notes, if, at the Stated Maturity, the rate at which the Specified Currency can be exchanged for the Indexed Currency is less than such Base Exchange Rate. A description of the currency index or indices, information as to the relative historical value of the applicable Specified Currency against the applicable Indexed Currency, any currency and/or exchange controls applicable to such Specified Currency or Indexed Currency and any additional tax consequences to Holders may be set forth in the applicable Final Terms. The applicable Final Terms will identify the Calculation Agent that will calculate the amounts payable with respect to any Currency Indexed Note.

Unless otherwise specified in the applicable Final Terms, the term "Exchange Rate Day" shall mean any day that is a Business Day in The City of New York and, if the Specified Currency or Indexed Currency is other than the U.S. dollar, in the principal financial center of the country of such Specified Currency or Indexed Currency or, if the Specified Currency or Indexed Currency is the euro, a day on which the TARGET system is operating.

Unless otherwise specified in the applicable Final Terms, interest and/or any premium will be payable by CABEI in the Specified Currency based on the Face Amount of the Currency Indexed Notes and at the rate and times and in the manner set forth herein and in the applicable Final Terms.

(7) Other Indexed Notes

CABEI may also from time to time offer Notes ("Indexed Notes"), as to which the dates of payment of principal, interest and other amounts, the amount of any such payment or the rate at which any such payment is calculated or any other term is determined with reference to securities of one or more issuers; one or more commodities; any other financial, economic or other measure or instrument or event, including the occurrence or non-occurrence of any event or circumstance; or one or more indices or baskets of the items described above. The applicable Final Terms relating to such Indexed Note will set forth information about the relevant index, about how amounts that are to become payable will be determined by reference to the price or value of that index, about the other terms of such Indexed Notes, and about the terms on which the Note may be settled physically or in cash. The applicable Final Terms will also identify the Calculation Agent that will calculate the amounts payable with respect to the Indexed Note, will set forth any additional tax consequences to the Holder of such Note, and may set forth a description of certain risks associated with investment in such Note and other information relating to such Note.

(8) Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), CABEI will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any bonds, notes or other evidence of indebtedness for money borrowed heretofore or hereafter issued or assumed by CABEI or for any guarantee heretofore or hereafter issued by CABEI for any bonds, notes or other evidence of indebtedness for money borrowed issued or assumed by others (other than "permitted liens" as defined below), unless the Notes shall be secured by such mortgage, pledge or other lien or charge equally and ratably with such other bonds, notes, other evidences of indebtedness or guarantees issued or assumed by CABEI.

For purposes of this Section 8, "permitted liens" means:

(a) mortgages, pledges and other liens securing bonds, notes, other evidence of indebtedness and guarantees issued or assumed by CABEI that do not exceed US$25 million (or its foreign currency equivalent) at any time outstanding and that do not in the aggregate materially detract from the value of the property or assets subject thereto or materially impair the use of such property or assets in the business of CABEI;

(b) mortgages, pledges and other liens securing reimbursement obligations under letters of credit and similar documents given in the ordinary course of business and that do not support the payment of bonds, notes or other evidence of indebtedness for money borrowed or guarantees of such bonds, notes or other evidence of indebtedness; and

(c) liens securing obligations under hedge agreements entered into in the ordinary course of business.

For purposes of this Section 8, "hedge agreements" means: any swap agreement, cap agreement, collar agreement, futures contract, forward contract, option contract or similar agreement or arrangement designed to protect against or mitigate the effect of fluctuations in interest rates or foreign exchange and entered into as bona fide hedges and not for speculative purposes.

(9) Redemption and Repayment

The Notes will not be subject to any sinking fund. Unless a Redemption Commencement Date is specified in the applicable Final Terms, the Notes will not be redeemable or repayable prior to their Stated Maturity. If a Redemption Commencement Date is so specified with respect to any Note, the applicable Final Terms will also specify one or more redemption prices (expressed as a percentage of the principal amount of such Note) ("Redemption Prices") and the redemption period or periods ("Redemption Periods") during which such Redemption Prices will apply. Unless otherwise specified in the applicable Final Terms, any such Note will be redeemable, in whole or in part, at the option of CABEI, on or after such specified Redemption Commencement Date, at the specified Redemption Price applicable to the Redemption Period during which such Note is to be redeemed, together with any interest accrued to the redemption date. If not so redeemed, the Notes shall be paid on the Stated Maturity.

In the event that CABEI exercises its option to redeem any Note in the circumstances referred to above, CABEI will, unless otherwise provided in the applicable Final Terms, give written notice to the Fiscal Agent of the principal amount of such Note to be redeemed not less than 30 days prior to the optional redemption date. In the case of a partial redemption of the Notes of a Series, the Notes to be redeemed shall be selected by the Fiscal Agent by such method as the Fiscal Agent shall deem fair and appropriate. All notices of redemption will be made in the name and at the expense of CABEI and will be given in the manner described below under "Notices".

CABEI or any instrumentality thereof may at any time purchase Notes in the open market or otherwise at any price.

(10) Additional Amounts

Any and all payments by CABEI in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by any Member Country or any political subdivisions or authorities thereof or therein having power to tax ("Taxes"), unless CABEI is compelled by law to deduct or withhold such Taxes. In such event, CABEI shall make such withholding or deduction, make payment of the amount so withheld or deducted to the appropriate governmental authority and forthwith pay such additional amounts ("Additional Amounts") as may be necessary in order to ensure that the net amounts receivable by the Holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest that would have been receivable in respect of the Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of any Note to or on behalf of a Holder or beneficial owner of a Note who is liable for such Taxes:

(a) by reason of such Holder or beneficial owner having some connection with any taxing jurisdiction other than the mere holding of such Note or the receipt of principal or interest in respect thereof;

(b) by reason of the failure of the Holder or beneficial owner to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with any taxing jurisdiction of the Holder or beneficial owner of a Note or any interest therein or rights in respect thereof, if compliance is required by CABEI or by such taxing jurisdiction as a precondition to exemption from all or any part of such deduction or withholding;

(c) by reason of the failure of such Holder to present such Holder's Note or Coupon for payment (where such presentation is required) within 30 days after the relevant payment is first made available for payment to the Holder;

(d) by reason of any tax, duty, assessment or other governmental charge imposed by any unit of the federal or a state government of the United States;

(e) by reason of any tax, duty, assessment or other governmental charge that is payable other than by deduction or withholding from a payment on a Note;

(f) by reason of any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, duty, assessment or governmental charge;

(g) by reason of withholding or deduction imposed on a payment to an individual who would have been able to avoid such withholding or deduction by presenting the relevant Notes for payment to another Paying Agent in a European Union member state not obliged to withhold or deduct;

(h) by reason of withholding or deduction imposed on or in respect of any Note pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the Code; or

(i) by reason of any combination of the taxes, duties, assessments or other governmental charges described above;

nor shall any Additional Amounts be payable to a Holder of a Note that is a fiduciary or partnership or other than a sole beneficial owner of such payment to the extent that a beneficiary or settlor of such fiduciary or partnership or beneficial owner would not have been entitled to such Additional Amounts had such beneficiary, settlor or other beneficial owner been the Holder of such Note.

Except as specifically provided above, CABEI shall not be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein. Whenever in a Note there is a reference, in any context, to the payment of the principal of (or premium, if any, on) or interest on, or in respect of, any Note, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Section 10 to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section 10, and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

(11) Status

The Notes will constitute general, direct, unconditional, unsecured and unsubordinated obligations of CABEI and will rank *pari passu* without any preference among themselves with all other present and future unsecured and unsubordinated indebtedness of CABEI.

(12) Default; Acceleration of Maturity

In case one or more of the following events (herein referred to as "Events of Default") shall have occurred and be continuing:

(a) CABEI shall fail to pay any principal of or premium, if any, or interest on any of the Notes of a Series when due, and such failure shall continue for 30 days; or

(b) CABEI shall fail duly to perform any other material obligation contained in the Notes of a Series or (with respect to the Notes of a Series) the Fiscal Agency Agreement, and such failure shall continue for 90 days after written notice thereof shall have been given to CABEI with a copy to the Fiscal Agent by any holder of the Notes of such Series; or

(c) CABEI shall fail to pay any amount in excess of US$25 million (or the equivalent thereof in any other currency or currencies) of principal or interest or premium in respect of any indebtedness incurred, assumed or guaranteed by CABEI as and when such amount becomes due and payable and such failure continues until the expiration of any applicable grace period; or

(d) the acceleration of any indebtedness incurred or assumed by CABEI with an aggregate principal amount in excess of US$25 million (or the equivalent thereof in any other currency or currencies) by the holder or holders thereof;

then any Note may, by written notice addressed by the holder thereof to CABEI and delivered to CABEI and the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount (or, in the case of Zero Coupon Notes, Original Issue Discount Notes, Currency Indexed Notes or Indexed Notes, at the amount due and payable upon maturity) together with accrued interest without further action or formality, unless prior to receipt of such notice by CABEI all Events of Default in respect of such Note shall have been cured. If all such Events of Default shall have been cured following such declaration, such declaration may be rescinded by any such holder with respect to any such previously accelerated Note upon delivery of written notice of such rescission to the CABEI and the Fiscal Agent.

(13) Notices

Notices to Holders of Notes issued in registered form will be given by mail to the Holders of such Notes at their registered addresses as recorded in the Note Register. In addition, if and for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, such notices will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and/or in a daily newspaper of general circulation in Luxembourg (expected to be the *Luxemburger Wort*). If publication as aforesaid is not practicable, notices will be validly given if made in accordance with the rules of the Luxembourg Stock Exchange. Any such notice shall be deemed to have been given on the later of the date of such publication and the date of mailing.

With respect to Notes issued in bearer form, all notices will be deemed to have been duly given if published at least once (i) in a leading daily newspaper in the English language of general circulation in London, England and (ii) if such Notes are listed on the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange and/or in a daily newspaper of general circulation in Luxembourg. It is expected that any such publication by newspaper will be made in the *Financial Times* and the *Luxemburger Wort*, as applicable. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication, or if published more than once, on the date of the first such publication. Any notice published on the website of the Luxembourg Stock

Exchange shall be deemed to have been given on the date of such publication. If publication as aforesaid is not practicable, notices will be validly given if made in accordance with the rules of the Luxembourg Stock Exchange.

Notwithstanding the foregoing, so long as a Temporary Global Bearer Note or a Permanent Global Bearer Note representing Notes of a Series is held on behalf of Euroclear and Clearstream, Luxembourg, there may be substituted for such publication on the website of the Luxembourg Stock Exchange or in such newspapers the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the Holders of interests in the relevant Temporary Global Bearer Note or Permanent Global Bearer Note; *provided* that, so long as the Notes are listed on the Luxembourg Stock Exchange, substitution of publication may only be made if permitted by the rules of the Luxembourg Stock Exchange. Neither the failure to give notice nor any defect in any notice given to any particular Holder of a Note shall affect the sufficiency of any notice with respect to other Notes.

(14) Purchase of Notes by CABEI

CABEI may at any time purchase any of the Notes in any manner and at any price. Any Note so purchased by CABEI (including upon any redemption) shall be promptly surrendered to the Fiscal Agent for cancellation and shall not be reissued or resold.

(15) Meetings of Holders, Modification and Waiver

Upon (i) the affirmative vote, in person or by proxy thereunto duly authorized in writing, of the Holders of not less than a simple majority in aggregate principal amount of the Notes of a Series then outstanding represented at a meeting of holders held in accordance with the provisions of Section 11 of the Fiscal Agency Agreement (or of such other percentage as may be set forth in the text of this Note with respect to the action being taken), or (ii) with the written consent of the owners of a simple majority in aggregate principal amount of the Notes of a Series then outstanding (or of such other percentage as may be set forth in the text of such Note with respect to the action being taken), CABEI may modify, amend or supplement the terms of the Notes of such Series or, insofar as respects the Notes of such Series, the Fiscal Agency Agreement, in any way, and such holders may make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement or the Notes of such Series to be made, given or taken by Holders of Notes of such Series; *provided* that no such action may, without the consent or the affirmative vote of the Holder of each Note of a Series affected thereby, (a) change the due date for the payment of the principal of (or premium, if any) or any installment of interest on the Notes of such Series, (b) reduce the principal amount of the Notes of such Series, the portion of such principal amount that is payable upon acceleration of the maturity of the Notes of such Series, the interest rate thereon or the premium payable upon redemption thereof, (c) change the currency of principal of (or premium, if any) or interest on the Notes of such Series, (d) shorten the period during which CABEI is not permitted to redeem the Notes of such Series, or permit CABEI to redeem the Notes of such Series if, prior to such action, CABEI is not permitted so to do, (e) reduce the proportion of the principal amount of the Notes of such Series, the vote or consent of the holders of which is necessary to modify, amend or supplement the Fiscal Agency Agreement or the terms and conditions of the Notes of such Series or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided hereby or thereby to be made, taken or given, or (f) change the obligation of CABEI to pay Additional Amounts in respect of the Notes of such Series.

CABEI may, without the vote or consent of any Holder of the Notes of a Series, amend the Fiscal Agency Agreement or the Notes of such Series for the purpose of (a) adding to the covenants of CABEI, for the benefit of the holders of Notes of such Series, (b) surrendering any right or power conferred upon CABEI, (c) securing the Notes of such Series pursuant to the requirements of the Notes of such Series or otherwise, (d) curing any ambiguity, or curing, correcting or supplementing any defective provision contained in the Fiscal Agency Agreement or in the Notes of such Series, or (e) amending the Fiscal Agency Agreement or the Notes of such Series in any manner that CABEI may determine and that shall not materially adversely affect the interests of the Holders of the Notes of such Series.

(16) Replacement of Notes and Coupons

If any mutilated Note or a Note with a mutilated Coupon appurtenant to it is surrendered to the Fiscal Agent, CABEI shall execute, and the Fiscal Agent shall authenticate and deliver in exchange therefor, a new Note of like tenor and principal amount, bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appurtenant to the surrendered Note.

If there be delivered to CABEI and the Fiscal Agent (i) evidence to their satisfaction of the destruction, loss or theft of any Note or Coupon, and (ii) such security or indemnity as may be required by them to save each of them and any agent of each of them harmless, then, in the absence of notice to CABEI or the Fiscal Agent that such Note or Coupon has been acquired by a bona fide purchaser, CABEI shall execute, and upon its request the Fiscal Agent shall authenticate and deliver in lieu of any such destroyed, lost or stolen Note or in exchange for the Note to which such Coupon appertains (with all appurtenant Coupons not destroyed, lost or stolen), a new Note of like tenor or principal amount and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to such destroyed, lost or stolen Note or to the Note to which such destroyed, lost or stolen Coupon appertains.

Upon the issuance of any new Note under this Section 16, CABEI may require the payment of a sum sufficient to cover any stamp or other tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and the expenses of the Fiscal Agent) connected therewith.

Every new Note with its Coupons, if any, issued pursuant to this Section 16 in lieu of any destroyed, lost or stolen Note, or in exchange for a Note to which a destroyed, lost or stolen Coupon appertains, shall constitute an original additional contractual obligation of CABEI, whether or not the destroyed, lost or stolen Note and its Coupons, if any, or the destroyed, lost or stolen Coupon shall be at any time enforceable by anyone.

Any new Bearer Note delivered pursuant to this Section 16 shall be dated the date of its authentication. Any new Registered Note delivered pursuant to this Section 16 shall be so dated that neither gain nor loss in interest shall result from such exchange.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes or Coupons.

(17) Judgment Currency

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder to the Holder of this Note in one currency into another currency, CABEI and each Holder agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures such Holder could purchase the first currency with such other currency in The City of New York on the date of entry of the final judgment.

To the fullest extent that they may effectively do so, CABEI and each Holder agree that the obligation of CABEI in respect of any sum payable by it to the Holder of this Note shall, notwithstanding any judgment in a currency (the "judgment currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Note (the "Note currency"), be discharged only to the extent that on the Business Day following receipt by such Holder of this Note of any sum adjudged to be so due in the judgment currency, such Holder of this Note may in accordance with normal banking procedures purchase the Note currency with the judgment currency; if the amount of the Note currency so purchased is less than the sum originally due to the Holder of this Note in the Note currency (determined in the manner set forth in the preceding paragraph), CABEI agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Holder of this Note against such loss, and if the amount of the Note currency so purchased exceeds the sum originally due to the Holder of this Note such Holder agrees to remit to CABEI such excess, *provided* that such Holder shall have no obligation to remit any such excess as long as CABEI shall have failed to pay such Holder any obligations due and payable under this Note, in which case such excess may be applied to such obligations of CABEI hereunder in accordance with the terms hereof.

(18) Jurisdiction, Consent to Service and Enforceability

CABEI hereby irrevocably submits to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan, The City of New York in respect of any action arising out of or based on the Notes of a Series that may be brought by the Holder of any such Note, irrevocably waives any objection that it may have to the venue of any such court in respect of any such action and, to the extent permitted by law, irrevocably waives and agrees not to plead any immunity to the jurisdiction of any such court to which it may otherwise be entitled (including sovereign immunity and immunity to post-judgment attachment and execution but not to prejudgment attachment) in any such action; *provided* that, except as provided under Article 29 of the Constitutive Agreement, the revenues, assets and property of CABEI located in any Member Country are not subject to execution or attachment. CABEI has appointed CT Corporation System, presently at 111 Eighth Avenue, New York, New York 10011, as its authorized agent ("Authorized Agent") upon whom process may be served in any such action that may be instituted in any state or federal court in the Borough of Manhattan, The City of New York. Such appointment shall be irrevocable until all amounts in respect of the principal of (and premium, if any) and interest due and to become due on or in respect of all the Notes of this Series have been paid to the Fiscal Agent, except that if, for any reason, CT Corporation System ceases to be able to act as Authorized Agent or no longer has an address in The City of New York, CABEI will appoint another person in the Borough of Manhattan, The City of New York, as such Authorized Agent. CABEI will take any and all action, including the filing of any and all documents and instruments that may be necessary to continue such appointment or appointments in full force and effect as aforesaid. Upon receipt of such service of process, the Authorized Agent shall advise CABEI promptly at its address specified in Section 13 of the Fiscal Agency Agreement. Service of process upon the Authorized Agent at the address indicated above, or at such other address in the Borough of Manhattan, The City of New York as the Authorized Agent shall specify by written notice given by it to the Fiscal Agent shall be deemed, in every respect, effective service of process upon CABEI.

(19) Further Issues

CABEI may from time to time without the consent of the Holders of Notes of a Series create and issue further Notes of such Series either having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest on them or the issue price).

(20) Governing Law

This Note will be governed by, and interpreted in accordance with, the laws of the State of New York.

## FORM OF FINAL TERMS

Final Terms No.

Final Terms Dated []

**US$10,000,000,000**
**Central American Bank for Economic Integration [Title of Notes] under the Medium-Term Note Program**

[Agent Name(s)]

This Final Terms supplements the Base Prospectus, dated [______________], 202__, relating to the Central American Bank for Economic Integration's Medium Term Notes (the "Base Prospectus"), and should be read in conjunction with the Base Prospectus. Terms used but not defined herein have the same meaning as in the Base Prospectus.

Unless the context otherwise requires, references to the "Terms and Conditions" herein are to the Terms and Conditions of the Notes set out in the Base Prospectus.

[Include whichever of the following apply:]

| | |
|---|---|
| 1. Series number: | [ ] |
| 2. (a) Aggregate principal amount: | [ ] |
| (b) Stated Maturity: | [ ] |
| 3. (a) Issue date: | [ ] |
| (b) Issue price: | [generally, % of principal amount] |
| (c) Trade date: | [ ] |
| (d) Settlement date: | [ ] |
| 4. Authorized denomination(s) (See Section 2 of the Terms and Conditions): | [ ] |
| 5. Specified Currency: | [ ] |
| 6. Interest/payment basis: | [Fixed Rate Notes/Floating Rate Notes/Zero Coupon Notes/Indexed Notes/Currency Indexed Notes] |
| 7. Fixed Rate Notes: | [ ] |

| | |
|---|---|
| (a) Fixed Rate of interest: | [ ]% per annum |
| (b) Interest payment date(s): | [semi-annually on ____ and ____ of each year, beginning ____ and at maturity] |
| (c) Other terms for computing interest: | [ ] |
| 8. Floating Rate Notes: | [ ] |
| (a) Interest Rate Basis: | [Commercial Paper Rate/Prime Rate/SOFR/Treasury Rate/CD Rate/Federal Funds Rate/other interest rate formula (provide details)] |
| (b) Spread and/or Spread Multiplier: | [+/-____basis points] [ ]% per annum |
| (c) If SOFR Notes, Relevant SOFR Convention: | [payment delay convention/observation period convention/rate cut-off convention/SOFR Index convention] |
| (d) Interest Determination Dates: | [ ] |
| (e) Minimum Rate of interest: | [ ]% per annum |
| (f) Maximum Rate of interest: | [ ]% per annum |
| (g) Calculation Agent: | [ ] |
| (h) Initial Interest Rate: | [ ] |
| (i) Interest Payment Dates: | [ ] |
| (j) Regular Record Dates: | [ ] |
| (k) Calculation Dates: | [ ] |
| (l) Index Maturity: | [ ] |
| (m) Interest Reset Period: | [ ] |
| (n) Interest Reset Dates: | [ ] |
| 9. Zero Coupon Notes: | [ ] |
| (a) Formula/basis of determining amount payable at maturity: | [ ] |
| 10. Currency Indexed Notes/Indexed Notes: | [ ] |
| (a) Face Amount: | [ ] |
| (b) Indexed Currency; Base Exchange Rate (units of Indexed Currency per one unit of Specified Currency): | [ ] |

| | |
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| (c) Index/formula for determining dates of payments, amounts payable, rates and other terms: | [ ] |
| (d) Party responsible for calculating the principal and/or interest due: | [ ] |
| (e) Provisions where calculation by reference to index and/or formula is impossible and/or impracticable: | [ ] |
| (f) Description of applicable index or formula: | [ ] |
| (g) Information regarding historical exchange rate of Indexed Currency against Specified Currency and any applicable exchange controls: | [ ] |
| (h) Any tax consequences to holder of Notes: | [ ] |
| (i) Special risks associated with Notes: | [ ] |
| 11. Foreign Currency Notes: | [ ] |
| (a) Exchange Rate Agent: | [ ] |
| (b) Exchange Rate: | [ ] |
| 12. Original Issue Discount Note: | [Yes/No] |
| (a) Total amount of OID: | [___ per [$] 1,000 principal amount] |
| (b) Yield to maturity: | [ ] |
| (c) Method used to determine yield: | [ ] |
| (d) Initial accrual period of OID : | [____ per [$] 1,000 principal amount] |
| (e) Formula/basis for determining amount payable upon redemption or acceleration of maturity: | [ ] |
| 13. Redemption at CABEI's and/or Noteholders' option — [Yes/No], if yes: | [specify] |
| (a) Redemption Commencement Date: | [ ] |
| (b) Redemption price(s): | [% of principal amount] |
| (c) Redemption period(s): | [ ] |

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| 14. Details of the relevant stabilizing Agent, if any: | [ ] |
| 15. Additional selling restrictions: | [give details] |
| 16. Other terms or special conditions or modifications: | [ ] |
| 17. Applicable definition of Business Day (if different from that set out in the Terms and Conditions): | [ ] |
| 18. As applicable: | [ ] |
| LEI code of the Issuer | 549300OLDAMXBPSHIC05 |
| Euroclear and Clearstream, Luxembourg common code: | [ ] |
| CUSIP number: | [ ] |
| ISIN number: | [ ] |
| 19. Admission to trading and listing: | [Yes/No] |
| (a) Luxembourg Stock Exchange for trading on the Euro MTF market: | [Yes/No] |
| (b) London Stock Exchange: | [Yes/No] |
| 20. Form of Notes: | [Registered Notes/Bearer Notes] [Represented by: Temporary Global Note/Permanent Global Note/Restricted Global Note/U.S. Global Note/Regulation S Global Note/International Global Note/Certificated Notes] |
| 21. Depositary: | [DTC/Common Depositary] |
| 22. Net proceeds | [ ] |
| 23. Intended use of proceeds of the Notes (if other than general purposes): | [ ] |
| 24. Method of distribution (syndicated/non-syndicated): | [ ] |
| 25. Name(s) of the Agent(s) or syndicates of dealer(s) that are to offer and sell the Notes to be issued: | [ ] |
| 26. Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable] |
| | *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information* |

document will be prepared, "Applicable" should be specified.)

| | |
|---|---|
| 27. Prohibition of Sales to UK Retail Investors | [Applicable/Not Applicable]<br><br>(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.) |

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold or otherwise made available to any retail investors in the European Economic Area ("EEA"). For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a "qualified investor" as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and the Notes will not be offered or sold or otherwise made available to any retail investor in the EEA.][1]

**[MiFID II PRODUCT GOVERNANCE / TARGET MARKET**

Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "MiFID II")]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s'/s/] target market assessment) and determining appropriate distribution channels.][2]

**NOTICE TO INVESTORS IN THE UNITED KINGDOM**

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "retail investor" means a person

[1] Only applicable where paragraph 27 of the Terms Sheet is marked as "Applicable."

[2] This legend should be inserted where the arranger/agents in relation to a particular issuance of Notes are MiFID manufacturers. This wording will need to be revised where retail investors are included in the target market assessment.

who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2(1) of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a "qualified investor" as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPS Regulation as it forms part of domestic law by virtue of the EUWA (the ''UK PRIIPs Regulation'') for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and the Notes will not be offered or sold or otherwise made available to any retail investor in the UK.][3]

**[UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET**

Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][4]

**Responsibility**

CABEI accepts responsibility for the information contained in this Final Terms, which, when read together with the Base Prospectus referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of CABEI:

By: ________________________________

Duly authorized signatory

[3] Only applicable where paragraph 28 of the Terms Sheet is marked as "Applicable."

[4] This legend should be inserted where the arranger/agents in relation to a particular issuance of Notes are UK MiFIR manufacturers. This wording will need to be revised where retail investors are included in the target market assessment

## CERTAIN PROVISIONS RELATING TO THE FORMS OF THE NOTES

### Global Notes

#### *U.S. Global Notes*

Registered Notes of the same Series and of like tenor may be represented, in whole or in part, by a Note in global form that is deposited with or on behalf of a depositary located in the United States (a "U.S. Depositary") or a nominee thereof, for credit to the respective accounts of beneficial owners of the Notes represented thereby (a "U.S. Global Note"). U.S. Global Notes are subject to special restrictions and procedures set forth in the Fiscal Agency Agreement.

Notes of the same Series and like tenor that are sold in offshore transactions in reliance on Regulation S may be issued in the form of a U.S. Global Note in registered form without interest coupons (each, a "Regulation S Global Note"), which will be registered in the name of DTC, as U.S. Depositary, or a nominee of DTC, and deposited with the Fiscal Agent, at its New York office, as custodian for DTC. Prior to the 40th day after the completion of the distribution (as certified in writing to the Fiscal Agent by the relevant Agent) of Notes constituting an identifiable tranche, beneficial interests in the related Regulation S Global Note may be held only by non-U.S. persons, unless delivery is made through a Restricted Global Note (as defined below) of the same Series and of like tenor in accordance with the certification requirements described below.

Notes of the same Series and like tenor that are sold in reliance on Rule 144A may be represented by a single U.S. Global Note in registered form without interest coupons (each, a "Restricted Global Note"), which will be deposited with the Fiscal Agent, at its New York office, as custodian for DTC and registered in the name of DTC, as U.S. Depositary, or a nominee of DTC. A Restricted Global Note (and any Notes issued in exchange therefor) is subject to certain restrictions on transfer set forth in the Fiscal Agency Agreement. Prior to the 40th day after the completion of the distribution (as certified in writing to the Fiscal Agent by the relevant Agent) of Notes constituting an identifiable tranche represented by a Regulation S Global Note, a beneficial interest therein may be transferred to a person who takes delivery in the form of an interest in a Restricted Global Note of the same Series and like tenor, but only upon receipt by the Fiscal Agent of a written certification from the transferor (in the form provided in the Fiscal Agency Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment discretion and that such person and each such account is a qualified institutional buyer within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States (a "Restricted Global Note Certificate"). On and after such 40th day, such written certification requirement will no longer apply to such transfers. Beneficial interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note of the same Series and of like tenor, whether before, on or after such 40th day, but only upon receipt by the Fiscal Agent of a written certification from the transferor (in the form(s) provided in the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or (if available) Rule 144 under the Securities Act (a "Regulation S Global Note Certificate") and that, if (but only if) such transfer occurs prior to such 40th day, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg for the account of non-U.S. persons. Any beneficial interest in a U.S. Global Note that is transferred to a person who takes delivery in the form of an interest in another U.S. Global Note of the same Series and of like tenor will, upon transfer, cease to be an interest in such U.S. Global Note and become an interest in such other U.S. Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other U.S. Global Note for as long as it remains such an interest.

Upon the issuance of a U.S. Global Note, DTC or its custodian will credit, on its internal system, the respective principal amounts of the individual beneficial interests represented by such U.S. Global Note to the accounts of persons who have accounts with the U.S. Depositary. Such accounts initially will be designated by or on behalf of the participating Agents (or, if none, CABEI). Ownership of beneficial interests in a U.S. Global Note will be limited to persons who have accounts with DTC or persons who hold interests through participants. Ownership of beneficial interests in the U.S. Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered holder of a U.S. Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such U.S. Global Note for all purposes under the Fiscal Agency Agreement and the Notes. Unless DTC notifies CABEI that it is unwilling or unable to continue as depositary for such Note, or ceases to be a "Clearing Agency" registered under the U.S. Securities and Exchange Act of 1934 (the "Exchange Act"), or an Event of Default has occurred and is continuing with respect to such Note, owners of beneficial interests in such U.S. Global Note will not be entitled to have any portions of such U.S. Global Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders of such U.S. Global Note (or any Notes represented thereby) under the Fiscal Agency Agreement or the Notes. In addition, no beneficial owner of an interest in a U.S. Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Fiscal Agency Agreement referred to herein and, if applicable, those of Euroclear and Clearstream, Luxembourg).

Investors may also hold their interests in a Regulation S Global Note through Clearstream, Luxembourg or Euroclear, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Beginning 40 days after the completion of the distribution (as certified in writing to the Fiscal Agent by the relevant Agent) of Notes constituting an identifiable tranche represented by such Regulation S Global Note, investors may also hold such interests through organizations other than Clearstream, Luxembourg and Euroclear that are participants in the DTC system. Clearstream, Luxembourg and Euroclear will hold interests in a Regulation S Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in a Restricted Global Note directly through DTC, if they are participants in such system, or indirectly through organizations which are participants in such system.

Payments of the principal of and any premium, interest, Additional Amounts, if any, and other amounts on any U.S. Global Note will be made to DTC or its nominee as the registered owner thereof. None of CABEI, the Fiscal Agent and any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a U.S. Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

CABEI expects that DTC or its nominee, upon receipt of any payment in respect of a U.S. Global Note held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such U.S. Global Note as shown on the records of DTC or its nominee. CABEI also expects that payments by participants to owners of beneficial interests in a U.S. Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in street name. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in accordance with DTC's procedures and will be settled in same-day funds. The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a U.S. Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a U.S. Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels or Luxembourg time). Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in any U.S. Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions directly to the depositaries for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a U.S. Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear and Clearstream, Luxembourg) immediately following the DTC settlement date and such credit of any transactions in interests in a U.S. Global Note settled during such processing day will be reported to the relevant Euroclear or Clearstream, Luxembourg participant on such day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of securities by or through a Euroclear participant or a Clearstream, Luxembourg participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the Business Day following settlement in DTC.

DTC has advised CABEI that it will take any action permitted to be taken by a holder of a U.S. Global Note (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in such U.S. Global Note are credited and only in respect of such portion of the aggregate principal amount of such U.S. Global Note as to which such participant or participants has or have given such direction. However, if there is an Event of Default (as defined under "Terms and Conditions of the Notes—Default; Acceleration of Maturity") under a U.S. Global Note, DTC will exchange such U.S. Global Note for legended Notes in definitive form, which it will distribute to its participants. DTC has advised CABEI that, with respect to any Foreign Currency Note that is held in the name of DTC or its nominee, it will elect to have all payments of principal and any premium and interest on such Foreign Currency Note made in U.S. dollars, unless notified by a participant through which an interest in such Foreign Currency Note is held that it elects to receive such payment of principal or any premium or interest in the relevant foreign currency. Holders of Foreign Currency Notes that are registered in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in the relevant foreign currency may be made.

DTC has advised CABEI as follows: DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the U.S. Global Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of CABEI, the Fiscal Agent, any Paying Agent and the Registrar will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

***International Global Notes***

Registered Notes or Bearer Notes of the same Series and of like tenor may be represented, in whole or in part, by a Registered Note or a Bearer Note, as the case may be, in global form that is deposited with or on behalf of a depositary located outside the United States and its possessions (a "Common Depositary") or a nominee thereof, for credit to the respective accounts of beneficial owners of the Notes represented thereby (or to such other accounts as they may direct), *provided* that all such accounts are maintained at or through Euroclear or Clearstream, Luxembourg (an "International Global Note"). International Global Notes are subject to special restrictions and procedures set forth in the Fiscal Agency Agreement.

Investors may hold their interests in an International Global Note through Euroclear or Clearstream, Luxembourg, or such other clearing systems as specified in the relevant final terms, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Each International Global Note will be deposited with the Common Depositary which will be the registered holder or bearer, as the case may be, of such Note on behalf of Euroclear or Clearstream, Luxembourg.

As long as the Common Depositary, or its nominee, is the registered holder of an International Global Note in registered form, or the bearer of an International Global Note in bearer form, the Common Depositary or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such International Global Note for all purposes under the Fiscal Agency Agreement and the Notes. Except as described under "—Bearer Notes", owners of beneficial interests in an International Global Note will not be entitled to have any portions of such International Global Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders of such International Global Note (or any Notes represented thereby) under the Fiscal Agency Agreement or the Notes. In addition, no beneficial owner of an interest in an International Global Note will be able to transfer that interest except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg (in addition to those under the Fiscal Agency Agreement referred to herein and, if applicable as indicated below, those of DTC).

Payments of the principal of and any premium, interest, Additional Amounts, if any, and other amounts on any International Global Notes will be made to Euroclear or Clearstream, Luxembourg, as the case may be, or its nominee as the registered owner or bearer thereof, as the case may be. None of CABEI, the Fiscal Agent and any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in an International Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

CABEI expects that each of Euroclear and Clearstream, Luxembourg, upon receipt of any payment in respect of an International Global Note held by a Common Depositary or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such International Global Note as shown on the records of Euroclear or Clearstream, Luxembourg, as the case may be. CABEI also expects that payments by participants to owners of beneficial interests in an International Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in street name. Such payments will be the responsibility of such participants.

If all Notes represented by an International Global Note are offered and sold pursuant to Regulation S, such International Global Note may be designated, in the applicable Final Terms, as a Regulation S Global Note. In such event, the procedures for transfer of beneficial interests in Regulation S Global Notes and Restricted Global Notes described above under "—U.S. Global Notes", may, if so specified in the applicable Final Terms, apply to such International Global Note and any Restricted Global Note of the same Series and of like tenor, with such modification as may be specified therein, subject in all cases to the restrictions described below under "—Bearer Notes" regarding exchanges and deliveries of Bearer Notes.

In any such case, the considerations discussed above under "—U.S. Global Notes" regarding settlement and transfer, including cross-market transfers, through DTC may be relevant.

Except as otherwise may be specified in the applicable Final Terms, CABEI will appoint (i) Deutsche Bank Trust Company Americas as its Fiscal Agent, Registrar, New York Paying Agent and Transfer Agent, (ii) Deutsche Bank Luxembourg S.A. as its Luxembourg Paying Agent and Transfer Agent and (iii) Deutsche Bank AG, London Branch as its Paying Agent and Transfer Agent in London, if applicable, of the Notes. In such capacities, the Fiscal Agent will be responsible for, among other things, (i) maintaining a record of the aggregate principal amount of Notes represented by each U.S. Global Note and International Global Note, (ii) accepting Notes for exchange and, if applicable, registration of transfer, (iii) ensuring that payments in respect of Notes received by the Fiscal Agent from

CABEI are duly paid to the holders and (iv) forwarding to CABEI any notices received by the Fiscal Agent from holders.

Unless otherwise specified in the applicable Final Terms under its current rules, if DTC requires that a beneficial owner of Notes held in the book-entry settlement system of DTC denominated in a Specified Currency other than U.S. dollars electing to receive payments of principal, premium (if any) or interest on this Note in the Specified Currency must notify the DTC participant through which its interest is held on or prior to the applicable Regular Record Date, in the case of a payment of interest, and on or prior to the sixteenth day prior to the Stated Maturity (in the case of Fixed Rate Notes or Original Issue Discount Notes) or the final Interest Payment Date (in the case of Floating Rate Notes) in the case of principal or premium, if any, of such beneficial owner's election to receive such payment in such currency. Such DTC participant must notify DTC of such election (a) to receive all, or the specified portion, of such payment in the Specified Currency and (b) its instructions for wire transfer of such payment to a Specified Currency account or accounts prior to the third Business Day after such Regular Record Date or 12 days prior to the payment of principal. DTC will notify the Fiscal Agent of such election on or prior to the fifth Business Day after such Regular Record Date or the 10th Business Day prior to the payment date for the payment of principal. If complete instructions are received by a DTC participant, DTC, and the Fiscal Agent, on or prior to such dates, the Fiscal Agent shall use such instructions to pay such DTC participant directly. In the case of a beneficial owner of interests in a Regulation S Global Note, such owner electing to receive payments of principal, premium (if any) and any interest on such Note in such Specified Currency must notify Euroclear or Clearstream, Luxembourg at least seven days prior to the Regular Record Date, in the case of a payment of interest, and at least 18 days prior to the Stated Maturity or the final Interest Payment Date, in the case of a payment of principal or premium (if any).

***Certificated Notes***

If a U.S. Depositary is at any time unwilling or unable to continue as a depositary for a U.S. Global Note and a substitute U.S. Depositary is not appointed, CABEI will issue, in exchange for beneficial interests in such U.S. Global Note, definitive Registered Notes of the same Series and of like tenor and having an equal principal amount. In addition, if so indicated in the applicable Final Terms, Temporary Global Bearer Notes (as defined below) may be exchangeable for definitive Notes upon satisfaction of certain requirements as described below. Beneficial interests in a global Registered Note and definitive Registered Notes will not be exchangeable for beneficial interests in a Temporary Global Bearer Note or a Permanent Global Bearer Note (as defined below) or for definitive Bearer Notes. In all cases, certificates for Notes delivered in exchange for any global Note or beneficial interests therein will be registered in the name (if such Notes are Registered Notes), and issued in any approved denominations, requested by the depositary.

In the case of certificates for Notes issued in exchange for any Restricted Global Note, such certificates will bear the legend referred to under "Notice to Investors" in the version of this Base Prospectus used in connection with sales of the Notes made in reliance on Rule 144A (unless CABEI determines otherwise in accordance with applicable law). The holder of a definitive Registered Note may transfer such Note, subject to compliance with the provisions of such legend, by surrendering it at (i) the office or agency maintained by CABEI for such purpose in The City of New York, which initially will be the office of the Fiscal Agent, or (ii) the office of any Transfer Agent appointed by CABEI. Upon the transfer, exchange or replacement of Notes bearing the legend, or upon specific request for removal of the legend on a Note, CABEI will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to CABEI such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by CABEI that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any Note in definitive form may be transferred to a person who takes delivery in the form of an interest in any U.S. Global Note, the transferor will be required to provide the Fiscal Agent with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

***Bearer Notes***

Bearer Notes will initially be represented only in the form of one or more Bearer Notes in temporary global form without interest coupons attached (each, a "Temporary Global Bearer Note"), which will be deposited with or on behalf of a Common Depositary, for credit to the respective accounts of the beneficial owners of such Notes (or to such other accounts as they may direct), *provided* that all such accounts must be maintained at or through Euroclear or Clearstream, Luxembourg. Notwithstanding the foregoing, if indicated in the applicable Final Terms, Bearer Notes with a maturity not exceeding one year from the date of issue may initially be represented by one or more Bearer Notes in permanent global form without interest coupons attached (each, a "Permanent Global Bearer Note"). Bearer Notes will be subject to certain requirements and restrictions imposed by the U.S. federal tax laws and regulations. See "Limitations on Issuance of Bearer Notes".

Temporary Global Bearer Notes will be exchangeable for definitive Bearer Notes, interests in a Permanent Global Bearer Note or definitive Registered Notes, as specified in the applicable Final Terms; *provided* that no Temporary Global Bearer Note or portion thereof may be exchanged for any definitive Bearer Note or an interest in a Permanent Global Bearer Note until (A) on or after the 40th day after the issuance of such Temporary Global Bearer Note (the "Exchange Date") and (B) with respect to each beneficial interest in the portion of such Temporary Global Bearer Note to be exchanged, (i) the participant in Euroclear or Clearstream, Luxembourg, as the case may be, through which such beneficial interest is held has delivered to Euroclear or Clearstream, Luxembourg, as the case may be, an Owner Tax Certification (as defined below), and (ii) Euroclear or Clearstream, Luxembourg, as the case may be, has delivered to the Fiscal Agent a Depositary Tax Certification in the form required by the Fiscal Agency Agreement.

No interest payable in respect of any beneficial interest in a Temporary Global Bearer Note will be paid until the certification requirements described above have been satisfied with respect to such beneficial interest. Delivery of the Owner Tax Certification by a participant in Euroclear or Clearstream, Luxembourg shall constitute an irrevocable instruction by such participant to Euroclear or Clearstream, Luxembourg, as the case may be, to exchange on the applicable Exchange Date, the beneficial interest covered by such certificate for such definitive Bearer Notes or interest in a Permanent Global Bearer Note as such participant may specify consistent with the Fiscal Agency Agreement and the applicable Final Terms.

As described above, no payment will be made on any Temporary Global Bearer Note and no exchange of a beneficial interest in a Temporary Global Bearer Note for a definitive Bearer Note or an interest in a Permanent Global Bearer Note may occur until the person entitled to receive such interest or Bearer Note furnishes written certification (an "Owner Tax Certification"), in the form required by the Fiscal Agency Agreement and Schedule E thereof, to the effect that such person (i) is not a U.S. person (as defined below under "Limitations on Issuance of Bearer Notes"), (ii) is a foreign branch of a U.S. financial institution purchasing for its own account or for resale, or is a U.S. person who acquired the Note through such a financial institution and who holds the Note through such financial institution on the date of certification, *provided* in either case that such financial institution certifies that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the U.S. Treasury regulations thereunder, or (iii) is a financial institution holding for purposes of resale during the restricted period (as defined in U.S. Treasury regulations Section 1.163-5(c)(2)(i)(D)(7)). A financial institution described in clause (iii) of the preceding sentence (whether or not also described in clause (i) or (ii)) must certify that it has not acquired the Note for purposes of resale directly or indirectly to a U.S. person or to a person within the United States or its possessions.

The following legend will appear on all Temporary Global Bearer Notes, Permanent Global Bearer Notes and definitive Bearer Notes and any coupons with respect thereto: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code". The sections referred to in the legend provide that, with certain exceptions, a U.S. taxpayer will not be permitted to deduct any loss, and will not be eligible for capital gain treatment with respect to any gain, realized on a sale, exchange or redemption of a Bearer Note or Coupon.

## LIMITATIONS ON ISSUANCE OF BEARER NOTES

In compliance with U.S. federal income tax laws and U.S. Treasury regulations, Bearer Notes (including Temporary Global Bearer Notes), other than Bearer Notes with a maturity not exceeding one year from the date of issue, may not be offered or sold during the restricted period (as defined in U.S. Treasury regulations Section 1.163-5(c)(2)(i)(D)(7)) within the United States or its possessions or to U.S. persons (each as defined below) other than to an office located outside the United States or its possessions of a U.S. financial institution within the meaning of U.S. Treasury regulations Section 1.163-5(c)(2)(i)(D)(6), purchasing for its own account or for resale or for the account of certain customers, that provides a certificate stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the U.S. Treasury regulations thereunder, or to certain other persons described in U.S. Treasury regulations Section 1.163-5(c)(2)(i)(D)(1)(iii)(B). Moreover, such Bearer Notes may not be delivered within the United States or its possessions in connection with their sale during the restricted period. No Bearer Note (other than a Temporary Global Bearer Note) may be delivered, nor may interest be paid on any Bearer Note until receipt by CABEI of (i) a Depositary Tax Certification in the case of Temporary Global Bearer Notes or (ii) an Owner Tax Certification in all other cases as described above under "Certain Provisions Relating to the Forms of the Notes—Bearer Notes".

As used herein, "U.S. person" means a citizen or resident of the United States, a U.S. partnership and certain non-U.S. partnerships, a corporation created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia, an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust if a U.S. court can exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust; and "United States" means the United States of America (including the states thereof and the District of Columbia) and "possessions" of the United States include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

## IMPORTANT TAX CONSIDERATIONS

*The following is a general description of certain tax considerations relating to the Notes, but is not a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the United States and the Member Countries of acquiring, owning and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This description is based upon laws as in effect on the date of this Base Prospectus, all of which are subject to change, possibly with retroactive effect.*

### United States Taxation

This section describes the material U.S. federal income tax considerations related to the acquisition, ownership and disposition of Notes issued under the Program, subject to the limitations set forth below. This section applies only to U.S. Holders (as defined below) who acquire Notes in an offering pursuant to the Program and who hold such Notes as capital assets for U.S. federal income tax purposes and who purchase the Notes for cash at the initial purchase price. This section does not apply to a U.S. Holder who is a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a bank or other financial institution,
- an insurance company,
- a tax-exempt organization,
- a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that owns Notes as part of a straddle, conversion transaction or other integration transaction for U.S. federal income tax purposes,
- a U.S. Holder (as defined below) whose functional currency for U.S. federal income tax purposes is not the U.S. dollar,
- a partnership (or any entity or arrangement treated as a partnership) for U.S. federal income tax purposes,
- a taxpayer liable for the alternative minimum tax, or
- a person being required to accelerate the recognition of any item of income with respect to the Notes as a result of such income being recognized on an applicable financial statement.

If a partnership (including for this purpose any entity or any arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the Notes, the treatment of a partner in the partnership generally will depend upon the status of the partner and upon the activities of the partnership. A U.S. Holder that is a partnership and partners in such partnership should consult their tax advisors regarding the U.S. federal income tax treatment of holding and disposing of Notes.

This section addresses Notes that are due to mature 30 years or less from the date on which they are originally issued. The U.S. federal income tax consequences of owning Notes that are due to mature more than 30 years from their date of original issue will be discussed in an applicable Final Terms. This section is based on the

Code, its legislative history, existing and proposed U.S. Treasury regulations promulgated under the Code, published Internal Revenue Service (the "IRS") rulings and court decisions, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis.

Prospective purchasers are advised to consult their own tax advisor concerning the consequences of owning Notes in their particular circumstances under the Code and the laws of any other taxing jurisdiction.

This section does not discuss the Medicare tax on net investment income. Further, this section does not discuss Bearer Notes. Prior to investing in Bearer Notes, prospective investors who would be U.S. Holders should consult with their U.S. tax advisor concerning an investment in Bearer Notes and the limitations under U.S. federal income tax law.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is:

- an individual who is a citizen or resident of the United States,
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

This subsection does not address the U.S. federal income tax consequences applicable to investors who are not U.S. Holders. Such investors should consult their own tax advisors.

*Payments of Interest*

*General*. Except as described below in the case of interest on an Original Issue Discount Note that is not qualified stated interest (as defined below under "—Original Issue Discount—General") and in the case of short-term Notes, a U.S. Holder will be taxed on any interest on Notes held by such U.S. Holder and any Additional Amounts paid with respect to any withholding taxes on such Notes, including withholding tax on payments of such Additional Amounts, whether payable in U.S. dollars or a foreign currency, as ordinary income at the time the U.S. Holder receives the interest or when it accrues, depending on the U.S. Holder's method of accounting for tax purposes. Thus, a U.S. Holder may be required to report income in an amount greater than the actual amount of interest it receives on the Notes if payments on the Notes are subject to withholding tax.

Interest and Additional Amounts, if any, paid by CABEI on Notes and original issue discount ("OID"), if any, accrued with respect to such Notes (as described below under "—Original Issue Discount") is income from sources outside the United States for U.S. foreign tax credit purposes and typically will constitute "passive category income" for purposes of computing the U.S. foreign tax credit allowable to a U.S. Holder. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement and a requirement under recent U.S. Treasury regulations that the tax must be a "covered withholding tax") a U.S. Holder may be entitled to a foreign tax credit in respect of any foreign income taxes withheld on any interest payments on the Notes. In lieu of claiming a credit, U.S. Holders may elect to deduct foreign income taxes in computing their U.S. federal taxable income, *provided* the U.S. Holder does not elect to credit any foreign income taxes paid or accrued for the relevant taxable year. The rules relating to foreign tax credits are complex, and U.S. Holders should consult their own tax advisors with regard to the availability of a U.S. foreign tax credit and the application of the U.S. foreign tax credit limitations to their particular situations.

*Cash Basis Taxpayers*. If a U.S. Holder is a taxpayer that uses the cash receipts and disbursements method of accounting for U.S. federal income tax purposes and receives an interest payment and any Additional Amount that is denominated in, or determined by reference to, a foreign currency, such U.S. Holder must recognize income equal to the U.S. dollar value of the interest payment and the Additional Amount, if any, based on the exchange rate in effect on the date of receipt, regardless of whether the U.S. Holder actually converts the payment into U.S. dollars at such time.

*Accrual Basis Taxpayers*. If a U.S. Holder is a taxpayer that uses an accrual method of accounting for U.S. federal income tax purposes, such U.S. Holder may determine the amount of income that it recognizes with respect to an interest payment and any Additional Amount denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, such U.S. Holder will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

Under the second method, a U.S. Holder would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if the U.S. Holder receives a payment of interest within five Business Days of the last day of its accrual period or taxable year, it may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that it actually receives the interest payment. If such U.S. Holder elects the second method, that method will apply to all debt instruments that such U.S. Holder holds at the beginning of the first taxable year to which the election applies and to all debt instruments that such U.S. Holder subsequently acquires. A U.S. Holder may not revoke this election without the consent of the IRS.

When a U.S. Holder actually receives an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of its Note) denominated in, or determined by reference to, a single foreign currency for which such U.S. Holder accrued an amount of income, such U.S. Holder will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that such U.S. Holder used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether such U.S. Holder actually converts the payment into U.S. dollars at such time.

Special rules may apply to Notes with interest denominated in, or determined by reference to, multiple foreign currencies. The U.S. federal income tax consequences of such Notes will be described in the applicable Final Terms.

*Original Issue Discount*

*General*. If a U.S. Holder owns a Note, other than a short-term Note with a term of one year or less, it will be treated as an Original Issue Discount Note with OID if the amount by which the Note's stated redemption price at maturity exceeds its issue price is more than a *de minimis* amount. Generally, a Note's issue price will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Note's stated redemption price at maturity is the total of all payments provided by the Note that are not payments of qualified stated interest. Generally, an interest payment on a Note is qualified stated interest if it is one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the Note. There are special rules for Floating Rate Notes that are discussed under "—Floating Rate Notes".

In general, a Note does not have OID if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of ¼ of 1 percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity from its original issue date. A U.S. Holder's Note will have *de minimis* OID if the amount of the excess is less than the *de minimis* amount. If a Note has *de minimis* OID, such U.S. Holder must include the *de minimis* amount in income as capital gain as stated principal payments are made on the Note, unless such U.S. Holder makes the election described below under "—Election to Treat All Interest as Original Issue Discount".

Generally, a U.S. Holder must include OID in income before receiving cash attributable to that income. The amount of OID that a U.S. Holder must include in income is calculated using a constant-yield method, and generally a U.S. Holder will include increasingly greater amounts of OID in income over the term of its Notes. More specifically, a U.S. Holder can calculate the amount of OID that it must include in income by adding the daily portions of OID with respect to its Original Issue Discount Note for each day during the taxable year or portion of the taxable year that it holds its Original Issue Discount Note. The daily portion is determined by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. A U.S. Holder may select an accrual period of any length with respect to its Original Issue Discount Note and such U.S. Holder may vary the length of each accrual period over the term of its Original Issue Discount Note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the Original Issue Discount Note must occur on either the first or final day of an accrual period.

A U.S. Holder can determine the amount of OID allocable to an accrual period by:

- multiplying its Original Issue Discount Note's adjusted issue price at the beginning of the accrual period by such Note's yield to maturity, and then

- subtracting from this figure the sum of the payments of qualified stated interest on such Note allocable to the accrual period.

A U.S. Holder must determine the Original Issue Discount Note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, a U.S. Holder determines its Original Issue Discount Note's adjusted issue price at the beginning of any accrual period by:

- adding its Original Issue Discount Note's issue price and any accrued OID for each prior accrual period, and then

- subtracting any payments previously made on such Original Issue Discount Note that were not qualified stated interest payments.

In determining the amount of OID allocable to an accrual period, if an interval between payments of qualified stated interest on a U.S. Holder's Note contains more than one accrual period, then, when such U.S. Holder determines the amount of OID allocable to an accrual period, it must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, a U.S. Holder must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. A U.S. Holder may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of the U.S. Holder's Note, other than any payment of qualified stated interest, and

- the adjusted issue price of the U.S. Holder's Note as of the beginning of the final accrual period.

*Acquisition Premium*. If a U.S. Holder purchases a Note for an amount that is less than its stated redemption price at maturity as of the purchase date but that is greater than its adjusted issue price, as described above, the excess is acquisition premium. If a U.S. Holder does not make the election described below under "—Election to Treat All Interest as Original Issue Discount", then the U.S. Holder must reduce the daily portions of OID includible in income for a taxable year by the portion of the excess properly allocable to that year.

*Election to Treat All Interest as Original Issue Discount*. A U.S. Holder may elect to include in gross income all interest that accrues on a Note held by it using the constant-yield method described above, with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. In applying the constant-yield method pursuant to this election:

- the issue price of such Note will equal the U.S. Holder's cost,
- the issue date of such Note will be the date the U.S. Holder acquired it, and
- no payments on such Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which it is made; however, if a Note has amortizable bond premium or market discount, the U.S. Holder will be deemed to have made an election that applies to other debt instruments held by such U.S. Holder. A U.S. Holder may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortizable bond premium or market discount Notes without the consent of the IRS.

*Foreign Currency Original Issue Discount Notes*. If an Original Issue Discount Note is also a Foreign Currency Note, a U.S. Holder must determine OID for any accrual period on its Original Issue Discount Note in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under "—U.S. Holders—Payments of Interest". Such U.S. Holder may recognize ordinary income or loss when it receives an amount attributable to OID in connection with a payment of interest or the sale or retirement of such Note.

*Pre-Issuance Accrued Interest.*

An election may be made to decrease the issue price of a Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of such Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on such Note is to be made within one year of such Note's issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on such Note.

*Notes Subject to Certain Contingencies Including Optional Redemption.*

If a Note provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than those that are disregarded as remote or incidental, and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date of such Note, a U.S. Holder must determine the yield and maturity of such Note by assuming that the payments will be made according to the payment schedule, if any, that is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, a U.S. Holder must recognize income on a Note in accordance with special rules that govern the treatment of contingent payment debt obligations. If relevant, these rules will be discussed in the applicable Final Terms.

Notwithstanding the general rules for determining yield and maturity, if a Note is subject to contingencies, and either a U.S. Holder or CABEI has an unconditional option or options that, if exercised, would require payments to be made on such Note under an alternative payment schedule or schedules, then:

- in the case of an option or options that CABEI may exercise, CABEI will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on such Note, and

- in the case of an option or options that a U.S. Holder may exercise, the U.S. Holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on such Note.

If both a U.S. Holder and CABEI hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. A U.S. Holder may determine the yield on a Note held by it for the purposes of those calculations by using any date on which such Note may be redeemed or repurchased as the maturity date and the amount payable on the date that it chooses in accordance with the terms of such Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules, then except to the extent that a portion of a Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, a U.S. Holder must redetermine the yield and maturity of such Note by treating such Note as having been retired and reissued on the date of the change in circumstances for an amount equal to such Note's adjusted issue price on that date.

*Floating Rate Notes.*

A Floating Rate Note will constitute a variable rate debt instrument ("VRDI") if:

- such Floating Rate Note's issue price does not exceed the total noncontingent principal payments by more than the lesser of:

    1. 1.5 percent multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or

    2. 15 percent of the total noncontingent principal payments; and

- such Floating Rate Note provides for stated interest, compounded or paid at least annually, only at:

    1. one or more qualified floating rates,

    2. a single fixed rate and one or more qualified floating rates,

    3. a single objective rate, or

    4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A Floating Rate Note provides for stated interest at a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which such Floating Rate Note is denominated; or

- the rate is equal to such a rate multiplied by either (x) a fixed multiple that is greater than 0.65 but not more than 1.35 or (y) a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

- the value of the rate on any date during the term of such Floating Rate Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If such Floating Rate Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of such Floating Rate Note, the qualified floating rates together constitute a single qualified floating rate.

A Floating Rate Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of such Floating Rate Note or are not reasonably expected to significantly affect the yield on such Floating Rate Note.

A Floating Rate Note provides for stated interest at a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of CABEI or a related party, and
- the value of the rate on any date during the term of such Floating Rate Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A Floating Rate Note will not provide for stated interest at an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of such Floating Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of such Floating Rate Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate; and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

A Floating Rate Note will also provide for stated interest at a single qualified floating rate or an objective rate if interest on such Floating Rate Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of such Floating Rate Note that do not differ by more than 0.25 percentage points; or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

Commercial Paper Rate Notes, Prime Rate Notes, Treasury Rate Notes, CD Rate Notes, and Federal Funds Rate Notes generally will be treated as VRDIs under these rules. In some circumstances, however, such Notes may be subject to special rules governing "contingent payment debt instruments", in which case the U.S. federal income tax consequences will be described in the applicable Final Terms.

In general, if a Floating Rate Note provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period with interest payable at least annually, all stated interest on such Floating Rate Note is qualified stated interest. Thus, such a Floating Rate Note will generally not be issued with OID unless the Floating Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. The amount of OID on such a Floating Rate Note is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield reasonably expected for such Floating Rate Note.

If a Floating Rate Note constitutes a VRDI but does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, a U.S. Holder generally must determine the interest and OID accruals on such Floating Rate Note by:

- determining a fixed rate substitute for each variable rate provided under such Floating Rate Note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When a U.S. Holder determines the fixed rate substitute for each variable rate provided under a Floating Rate Note, it generally will use the value of each variable rate as of the issue date of such Note or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on such Floating Rate Note.

If a Floating Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate (other than at a single fixed rate for an initial period as described above), a U.S. Holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, a Floating Rate Note will be treated, for purposes of the first three steps of the determination, as if such Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of such Floating Rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

*Short-Term Notes.*

In general, if a U.S. Holder is an individual or other cash basis U.S. Holder of a short-term Note, such U.S. Holder is not required to accrue OID for the purposes of the rules relating to debt obligations with a term of less than one year for U.S. federal income tax purposes unless it elects to do so (although it is possible that it may be required to include any stated interest in income as it receives it). If a U.S. Holder is an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, such U.S. Holder will be required to accrue OID on short-term Notes on either a straight-line basis or under the constant-yield method, based on daily compounding. If a U.S. Holder is not required and does not elect to include OID in income currently, any gain such U.S. Holder realizes on the sale or retirement of its short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless such U.S. Holder makes an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if a U.S. Holder is not required and does not elect to accrue OID on its short-term Notes, such U.S. Holder will be required to defer deductions for interest on borrowings allocable to its short-term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Note are included in the short-term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a short-term Note as if the short-term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the short-term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

*Market Discount*

A U.S. Holder will be treated as if it purchased a Note, other than a short-term Note, at a market discount, and such Note will be a market discount Note if:

- (i) in the case of a Note that is not an Original Issue Discount Note, the Note is purchased for less than its stated redemption price at maturity as determined above under "—Original Discount—General", or (ii) in the case of an Original Issue Discount Note, the Note is purchased for less than its revised issue price (i.e., its issue price increased by the aggregate amount of OID includible in income before the Original Issue Discount Note was acquired by such U.S. Holder and decreased by the aggregate amount of all payments previously made on the Note other than payments of qualified stated interest); and

- the difference between such Note's stated redemption price at maturity or, in the case of an Original Issue Discount Note, its revised issue price, and the price the relevant U.S. Holder paid for such Note is an amount that is equal to or greater than 1/4 of 1 percent of its stated redemption price at maturity or revised issue price multiplied by the number of complete years to maturity remaining after the U.S. Holder acquired the Note.

If this difference is less than such amount, the difference constitutes *de minimis* market discount, and the rules discussed below are not applicable to the relevant U.S. Holder.

A U.S. Holder must treat any gain it recognizes on the maturity or disposition of a market discount Note (including the receipt of any payment on a Note that is not qualified stated interest) as ordinary income to the extent of the accrued market discount on such Note on a straight-line basis or by using a constant-yield method. Alternatively, such U.S. Holder may elect to include market discount in income currently over the life of such Note on a straight-line basis or by using a constant-yield method. If a U.S. Holder makes this election, it will apply to all debt instruments with market discount that a U.S. Holder acquires on or after the first day of the first taxable year to which the election applies. A U.S. Holder may not revoke this election without the consent of the IRS. If a U.S. Holder owns a market discount Note and does not make this election, it will generally be required to defer deductions for interest on borrowings allocable to such Note in an amount not exceeding the accrued market discount on such Note until the maturity or taxable disposition of such Note.

A U.S. Holder will accrue market discount on its market discount Note on a straight-line basis unless it elects to accrue market discount using a constant-yield method. If a U.S. Holder makes this election, such election will apply only to the Note with respect to which it is made and the U.S. Holder may not revoke it.

With respect to a Foreign Currency Note, market discount is determined in the applicable foreign currency. In the case of a U.S. Holder who does not elect current inclusion, accrued market discount is translated into U.S. dollars at the spot rate on the date of disposition. No part of such accrued market discount is treated as exchange gain or loss. In the case of a U.S. Holder who elects current inclusion, the amount currently includible in income for a taxable year is the U.S. dollar value of the market discount that has accrued during such accrual period (or portion thereof within the U.S. Holder's taxable year), determined by translating such market discount at the average rate of exchange for the period or periods during which it accrued. Such an electing U.S. Holder will recognize exchange gain or loss with respect to accrued market discount under the same rules as apply to accrued interest on a Foreign Currency Note received by a Holder on the accrual basis. See "—Payments of Interest—Accrual Basis Taxpayer" as applicable to Notes that are not Original Issue Discount Notes.

*Notes Purchased at a Premium*

If a U.S. Holder purchases a Note for an amount in excess of its principal amount, the U.S. Holder may elect to treat the excess as amortizable bond premium. If the U.S. Holder makes this election, the U.S. Holder will reduce the amount required to be included in its taxable income each year with respect to interest on such Note by the amount of amortizable bond premium allocable to that year, based on such Note's yield to maturity. If such Note is a Foreign Currency Note, the relevant U.S. Holder will compute its amortizable bond premium in units of the foreign currency and its amortizable bond premium will reduce its interest income in units of the foreign currency. Gain or loss recognized that is attributable to changes in exchange rates between the time the relevant U.S. Holder's amortized bond premium offsets interest income and the time of the acquisition of such Note is generally taxable as ordinarily income or loss. If a U.S. Holder makes an election to amortize bond premium, the election will apply to all debt instruments (other than debt instruments the interest on which is excludible from gross income for U.S. federal income tax purposes) that such person holds at the beginning of the first taxable year to which the election applies or that such person thereafter acquires, and such U.S. Holder may not revoke it without the consent of the IRS. See also "—Original Issue Discount—Election to Treat All Interest as Original Issue Discount".

*Purchase, Sale, Exchange and Retirement of the Notes*

A U.S. Holder's tax basis in a Note will generally be the U.S. dollar cost, as defined below, of such Note, adjusted by:

- adding any OID, market discount, *de minimis* OID and *de minimis* market discount previously included in income with respect to such Note, and then

- subtracting any payments on such Note that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on such Note.

If a U.S. Holder purchases a Note with foreign currency, the U.S. dollar cost of such Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if a U.S. Holder is a cash basis taxpayer, or an accrual basis taxpayer if the U.S. Holder so elects, and the Note is traded on an established securities market, as defined in the applicable U.S. Treasury regulations, the U.S. dollar cost of such Note will be the U.S. dollar value of the purchase price on the settlement date in respect of the Note purchased.

A U.S. Holder will generally recognize gain or loss on the sale, exchange, retirement or other taxable disposition of such Note equal to the difference between the amount such U.S. Holder realized on the sale, exchange, retirement or other taxable disposition (other than amounts attributable to accrued but unpaid interest, which will be taxable as interest income) and its tax basis in such Note. If such Note is sold, retired or otherwise disposed of for an amount in foreign currency, the amount the relevant U.S. Holder realizes will be the U.S. dollar value of such amount on:

- the date payment is received, if such U.S. Holder is a cash basis taxpayer and the relevant Notes are not traded on an established securities market, as defined in the applicable U.S. Treasury regulations,

- the date of disposition, if such U.S. Holder is an accrual basis taxpayer, or

- the settlement date for the sale, if it is a cash basis taxpayer, or an accrual basis taxpayer that so elects, and the relevant Notes are traded on an established securities market, as defined in the applicable U.S. Treasury regulations.

A U.S. Holder will recognize capital gain or loss when it sells, retires or otherwise disposes of a Note held by it, except to the extent:

- described above under "—Original Issue Discount—Short-Term Notes" or "—Market Discount",

- the amount realized is attributable to accrued but unpaid interest,

- the rules governing contingent payment debt obligations apply,

- attributable to changes in exchange rates as described below, or

- otherwise specified in the applicable Final Terms.

Any capital gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note will be long-term capital gain or loss if the U.S. Holder's holding period in the Note exceeds one year. Certain non-corporate U.S. Holders (including individuals), under current law, may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code. Pursuant to recently issued U.S. Treasury regulations that apply to foreign income taxes paid or accrued in taxable years beginning on or after December 28, 2021, any such foreign income tax would generally not be eligible for a foreign tax credit unless there is a sufficient nexus between the foreign country imposing the tax and the U.S. Holder's activities. The U.S. Treasury regulations provide for an exception if the U.S. Holder elected benefits under an applicable income tax treaty between the United States and the foreign country imposing the tax. Alternatively, the U.S. Holder may take a deduction for foreign income taxes paid or accrued if the U.S. Holder elects to deduct (rather than credit) all such taxes paid or accrued during the taxable year. Should the tax imposed be creditable, gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Note generally will be treated as derived from U.S. sources for purposes of the U.S. foreign tax credit. Consequently, in the case of a gain from the sale, exchange, retirement or other taxable disposition of a Note that is subject to a foreign income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for the tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances. A U.S. Holder must treat any portion of the gain or loss that it recognizes on the sale, exchange, retirement or other taxable disposition of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, the amount of any exchange gain or loss to be realized is limited to the amount of the total gain or loss realized on the transaction.

*Exchange of Amounts in Other Than U.S. Dollars*

If a U.S. Holder receives foreign currency as interest on a Note held by it or on sale, retirement or other taxable disposition of a Note held by it, the tax basis of such U.S. Holder in the foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale, retirement or other taxable disposition. If a U.S. Holder purchases foreign currency, it generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of such purchase. If such U.S. Holder sells or disposes of a foreign currency, including if such U.S. Holder uses such foreign currency to purchase Notes or exchange such foreign currency for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

*Reportable Transaction Disclosure Statement*

Pursuant to U.S. Treasury regulations, a U.S. Holder that recognizes a foreign exchange loss on the sale or exchange of the Notes may be required to disclose the transaction as a "reportable transaction" on IRS Form 8886 (or a suitable substitute) in the event the loss equals at least US$50,000 in a single year if the U.S. Holder is an individual or trust, or higher amounts for certain other Holders. Additionally, a U.S. Holder that recognizes a loss on the sale or exchange of the Notes may be required to disclose the transaction as a reportable transaction in the event the loss equals at least US$2,000,000 in any single taxable year (or US$4,000,000 in any combination of taxable years) if the U.S. Holder is an individual, S corporation or a trust, or generally higher amounts if the U.S. Holder is any other type of holder. A U.S. Holder should consult with its tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

*Indexed Notes and Other Notes*

The applicable Final Terms will discuss any special U.S. federal income tax provisions with respect to Notes the payments on which are determined by reference to any index and other Notes that are subject to special U.S. federal income tax rules governing contingent payment debt obligations, as well as with respect to any Notes providing for the periodic payment of principal over the life of the Note.

*Fungible Issue*

CABEI may, without the consent of the Holders of outstanding Notes, issue Additional Notes with identical terms. These Additional Notes, even if treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as separate issue for U.S. federal income tax purposes. In such a case, the Additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the Additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

*Information Reporting and Backup Withholding*

If you are a non-corporate U.S. Holder, information reporting requirements, on IRS Form 1099, generally will apply to:

- payments of principal, interest (including OID, if any) and premium (if any) on a Note within the United States, including payments made by wire transfer from outside the United States to an account you maintain in the United States; and

- the payment of the proceeds from the sale of the Note effected at a U.S. office of a broker.

Additionally, U.S. backup withholding tax will apply to such payments if you are a non-corporate U.S. Holder that:

- fails to provide an accurate taxpayer identification number;

- is notified by the IRS that you have failed to report all interest and dividends required to be shown on your U.S. federal income tax returns; or

- in certain circumstances, fails to comply with applicable certification requirements.

Backup withholding is not additional tax. Amounts withheld may be credited against a U.S. Holder's U.S. federal income tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS in a timely manner. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

In addition, U.S. Holders are subject to reporting requirements with respect to the holding of certain foreign financial assets, including debt of foreign issuers, if the aggregate value of all of such assets exceeds US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year with respect to such assets. U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to our Notes and the application of this rule to their particular situation.

**Member Country Taxation**

In accordance with its Constitutive Agreement, which has been ratified by the legislature in each of the Member Countries, CABEI is exempt from all types of taxes levied by each of the Member Countries on its income, property and other assets, and on operations it carries out pursuant to its Constitutive Agreement and no tax or lien may be levied on any obligation or security issued by CABEI, including any dividend or interest thereon, except as described below with respect to the Republic of Korea.

Payments of principal and interest in respect of the Notes to a non-resident of the Member Countries will therefore not be subject to taxation in any of the Member Countries, nor will any withholding for tax of any of the Member Countries be required on any such payments to any Holder of Notes. In the event of the imposition of withholding taxes by any of the Member Countries, CABEI has undertaken to pay Additional Amounts in respect of any payments subject to such withholding, subject to certain exemptions, as described under Section 10 (Additional Amounts) of the Terms and Conditions of the Notes.

Payments of principal and interest on the Notes to Holders are not subject to taxation in the Member Countries, except the Republic of Korea. Holding a Note will not by itself subject a Holder to any tax in the Member Countries.

The Republic of Korea retains the right to tax with respect to: (a) income of a resident of Korea in respect to any obligation or security issued or guaranteed by CABEI; and (b) salaries and emoluments paid by CABEI to its personnel who are nationals and residents of the Republic of Korea.

Prospective investors should consult their own tax advisors with respect to the corresponding Member Countries tax consequences of the investment. This summary does not discuss the effects of any treaties that may be entered into by, or be effective with respect to, the Member Countries.

## OFFERING AND SALE

Notes may be sold from time to time by CABEI to or through certain financial institutions (the "Agents"). The arrangements under which the Notes may from time to time be agreed to be sold by CABEI to or through the Agents are set out in the Distribution Agreement dated April 2, 2003 (as amended or supplemented from time to time, the "Distribution Agreement") between CABEI and Salomon Smith Barney Inc. (now Citigroup Global Markets Inc.). The Distribution Agreement provides for the resignation or termination of appointment of the Agents and for the appointment of additional or other Agents either generally in respect of the Program or in relation to a particular tranche of Notes. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Agent, the commissions or other agreed deductibles (if any) which are payable or allowable by CABEI in respect of such purchase and the form of any indemnity to the Agent against certain liabilities in connection with the offer and sale of the relevant Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

The Agents have agreed and each further Agent appointed under the Program will be required to agree that, except as permitted by the Distribution Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Fiscal Agent by the relevant Agent, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Agent to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restriction on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Distribution Agreement provides that the Agents may, directly or through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of Notes within the United States in reliance on Rule 144A only to a "qualified institutional buyer", or "QIB", within the meaning of Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of such Notes within the United States by any dealer that is not participating in the offering of such Notes may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Base Prospectus has been prepared by CABEI for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for the resale of the Notes in the United States and for the listing of Notes on the Luxembourg Stock Exchange and/or the London Stock Exchange. CABEI and the Agent reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than a QIB within the meaning of Rule 144A to whom an offer has been made directly by the Agent or an affiliate of the Agent. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorized and any disclosure without the prior written consent of CABEI of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

In connection with an offering of Notes, the Agents may purchase and sell the Notes in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by the Agent in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Notes; and short positions created by the Agent involve the sale by the Agent of a greater number of Notes than it is required to purchase from the Issuer in the offering. The Agent also may impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the securities sold in the offering may be reclaimed by the Agent if such Notes are repurchased by the Agent in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Notes, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time subject to the following paragraph. These transactions may be effected in the over-the-counter market or otherwise.

In connection with the offering of any tranche of the Notes, the Agents (or persons acting on their behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 calendar days after the date on which the Issuer received the proceeds of the relevant Tranche of the issue and 60 calendar days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the Agents (or persons acting on their behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Agents (or persons acting on their behalf).

**United Kingdom**

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2(1) of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a "qualified investor" as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPS Regulation as it forms part of domestic law by virtue of the EUWA (the ''UK PRIIPs Regulation'') for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and the Notes will not be offered or sold or otherwise made available to any retail investor in the UK.

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable":

(i) each Agent has represented and agreed, and each further Agent appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor (as defined above) in the UK; and

(ii) each person in the UK who receives any communication in respect of, or who acquires any Notes under, the offers to the public contemplated in this Base Prospectus, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Agent and CABEI that it and any person on whose behalf it acquires Notes is not a retail investor (as defined above).

in each case, except that an offer of such Notes may be made in the UK:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Agent or Agents nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Agent to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Each Agent has represented and agreed, and each further Agent appointed under the Program will be required to represent and agree, that: (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by CABEI; (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to CABEI; and (iii) it has complied and will comply with all applicable provisions of the FSMA and the Financial Services Act 2012 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This Base Prospectus as completed by the final terms in relation thereto is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Base Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Base Prospectus as completed by the final terms in relation thereto relates is available only to relevant persons and will be engaged in only with relevant persons.

UK MiFIR Product Governance/Target Market - The relevant Final Terms in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the UK MiFIR Product Governance Rules, any Agent subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Agents nor any of their respective affiliates will be a manufacturer for the purposes of the UK MIFIR Product Governance Rules.

Any investor purchasing the notes is solely responsible for ensuring that any offer or resale of Notes it purchases occurs in compliance with applicable laws and regulations.

No action has been or will be taken in any jurisdiction by the Agent or CABEI that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Agent has agreed and each further Agent appointed under the Program will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers Notes or has in its possession or distributes this Base Prospectus, or any part thereof including any Final Terms, or any such other material, in all cases at its own expense. The Agent has agreed and each further Agent appointed under the Program will be required to agree that it will also ensure that no obligations are imposed on CABEI in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of CABEI). CABEI will have no responsibility for, and the Agent has agreed and each further Agent appointed under the Program will be required to agree that it will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Agent is authorized to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Base Prospectus, including the applicable Final Terms, and any other information or document supplied.

Selling restrictions may be modified by the agreement of CABEI and the relevant Agents. Any such modification will be set out in the Final Terms issued in respect of the Notes to which it relates or in a supplement to this Base Prospectus.

CABEI has agreed to indemnify the Agent against certain liabilities, including liabilities under U.S. federal and state securities laws, or to contribute to payments that the Agent may be required to make in respect of any of those liabilities.

The Agent or its affiliates have performed certain investment banking, commercial banking or advisory services for CABEI from time to time for which they have received customary fees and expenses. The Agent or its affiliates may, from time to time, engage in transactions with or perform services for CABEI in the ordinary course of business.

**European Economic Area**

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold or otherwise made available to any retail investors in the European Economic Area ("EEA"). For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a "qualified investor" as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and the Notes will not be offered or sold or otherwise made available to any retail investor in the EEA.

The expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable":

(iii) each Agent has represented and agreed, and each further Agent appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor (as defined above) in the EEA; and

(iv) each person in a Member State of the EEA who receives any communication in respect of, or who acquires any Notes under, the offers to the public contemplated in this Base Prospectus, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Agent and CABEI that it and any person on whose behalf it acquires Notes is not a retail investor (as defined above).

in each case, except that an offer of such Notes may be made in the EEA:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Agent or Agents nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

The relevant Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the MiFID II product governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Agent subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Agents nor any of their respective affiliates will be a manufacturer for the purposes of the MiFID Product Governance Rules.

## NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of Notes.

**Rule 144A Notes**

Each purchaser of the Notes offered and sold in reliance on Rule 144A ("Rule 144A") under the Securities Act and each owner of any beneficial interest therein will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S ("Regulation S") under the Securities Act are used herein as defined therein):

(1) It (i) is a qualified institutional buyer, (ii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A, (iii) is acquiring such Notes for its own account or for the account of a qualified institutional buyer, as the case may be, and (iv) is not acquiring such Notes with a view to any resale or distribution thereof other than in accordance with the restrictions set forth below.

(2) It understands that the Notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (i) so long as the Note is eligible for resale pursuant to Rule 144A, to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act, or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with all applicable securities laws of the states of the United States.

(3) It understands that the Notes will be represented by a Restricted Global Note. Before any interest in a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the fiscal agent with a written certification (in the form provided in the fiscal agency agreement) as to compliance with the transfer restrictions referred to in clause (2)(ii) or (2)(iii) above.

(4) The Notes will bear a legend to the following effect, unless CABEI determines otherwise in compliance with applicable law:

> THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) SO LONG AS THE NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY THE PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.
>
> THIS LEGEND MAY BE REMOVED SOLELY AT THE DISCRETION AND AT THE DIRECTION OF THE ISSUER.

**Regulation S Notes**

Each purchaser of Registered Notes offered outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of CABEI or a person acting on behalf of such affiliate.

(2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.

(3) It understands that such Notes, unless otherwise determined by CABEI in accordance with applicable law, will bear a legend to the following effect:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.
>
> THIS LEGEND MAY BE REMOVED SOLELY AT THE DISCRETION AND AT THE DIRECTION OF THE ISSUER.

(4) The Issuer, the Registrar, the Agent and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(5) It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Note. Prior to the expiration of the distribution compliance period, before any interest in the Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(6) Delivery of the Notes may be made against payment therefor on or about a date which will occur more than three Business Days after the date of pricing of the Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two Business Days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding Business Day will be required, by virtue of the fact that the Notes may initially settle on or about a date which will occur more than two Business Days after the date of pricing of the Notes, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding Business Day should consult their own advisor.

## VALIDITY OF THE NOTES

The validity under New York law of the notes will be passed upon for CABEI by Paul Hastings LLP, New York, New York. Certain legal matters governed by the Constitutive Agreement will be passed on by CABEI's General Legal Counsel.

## INDEPENDENT AUDITORS

THE FINANCIAL STATEMENTS OF CABEI AS OF DECEMBER 31, 2022, 2021 AND 2020, AND FOR THE YEARS THEN ENDED INCLUDED IN THIS BASE PROSPECTUS HAVE BEEN AUDITED BY GALAZ, YAMAZAKI, RUIZ URQUIZA, S.C. (DELOITTE MEXICO), INDEPENDENT AUDITOR, AS STATED IN THEIR REPORTS APPEARING HEREIN.

## GENERAL INFORMATION

1. The Program, the issuance of the Notes and the execution of all documents in connection therewith have been authorized by a resolution of the Board of Directors dated August 27, 2002, as amended by resolutions of the Board of Directors dated June 28, 2006, February 24, 2009, September 25, 2013, March 29, 2016, April 22, 2020 and August 16, 2022.

2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for the Bearer Notes, together with the relevant ISIN Code or CUSIP number for the Registered Notes, will be contained in the Final Terms relating thereto. In addition, CABEI will make an application with respect to any Notes of a Registered Series to be accepted for trading in book-entry form by DTC. Acceptance by DTC of each tranche of a Registered Series will be confirmed in the applicable Final Terms.

3. Except as disclosed or provided herein, there has been no significant adverse change in the financial position or prospects of CABEI since December 31, 2022.

4. CABEI has appointed Deutsche Bank Luxembourg S.A. as Paying Agent and Transfer Agent in Luxembourg. CABEI has appointed Banque Internationale à Luxembourg, Société Anonyme as its Listing Agent in Luxembourg. CABEI has also appointed Deutsche Bank Trust Company Americas as Fiscal Agent, Registrar, Paying Agent and Transfer Agent in The City of New York and Deutsche Bank AG, London Branch as its Paying Agent and Transfer Agent in London. CABEI reserves the right to vary such appointment.

5. CABEI is involved in routine litigation and other proceedings in the ordinary course of business. CABEI does not believe that the proceedings pending against it are likely to have a material adverse effect on its business or results of operations.

6. So long as Notes are outstanding and listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, CABEI will make available copies of its Constitutive Agreement, latest annual report, annual financial statements and any six month interim financial statements, as well as this Base Prospectus and any supplements to this Base Prospectus, each Final Terms and the Fiscal Agency Agreement at the specified office of the Paying Agent in Luxembourg during normal business hours.

7. In connection with the offering, the Agents are not acting for anyone other than CABEI and will not be responsible to anyone other than CABEI for providing the protections afforded to their clients nor for providing advice in relation to the offering.

## THE FOUNDING MEMBERS

*Certain sections of the following information have been extracted from publicly available sources. CABEI believes that the information is accurate but it has not independently verified it. Certain amounts may be rounded.*

### Selected Demographic and Economic Data

The following table presents selected demographic and economic data for the Founding Members for the last ten years.

| CABEI Founding Members | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Disclaimer: the following information has been extracted from: Secretary of the Central American Monetary Council; International Monetary Fund; Human Develoment Index. | | | | | | | | | | | | | | | |
| CABEI Believes the information is accurate but it has not independently verified it | | | | | | | | | | | | | | | |
| **Indicator** | **Country** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| Population, millions | Costa Rica | 4.6 | 4.6 | 4.7 | 4.7 | 4.8 | 4.8 | 4.9 | 4.9 | 5.0 | 5.0 | 5.1 | 5.1 | 5.2 | 5.2 |
| | El Salvador | 6.1 | 6.1 | 6.1 | 6.2 | 6.2 | 6.2 | 6.2 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 |
| | Guatemala | 14.3 | 14.5 | 14.8 | 15.1 | 15.4 | 15.7 | 16.0 | 16.3 | 16.6 | 16.9 | 17.1 | 17.4 | 17.6 | 17.8 |
| | Honduras | 8.3 | 8.5 | 8.6 | 8.8 | 9.0 | 9.1 | 9.3 | 9.5 | 9.6 | 9.8 | 10.0 | 10.1 | 10.3 | 10.4 |
| | Nicaragua | 5.8 | 5.9 | 5.9 | 6.0 | 6.1 | 6.2 | 6.3 | 6.4 | 6.5 | 6.6 | 6.7 | 6.8 | 6.9 | 6.9 |
| Life expectancy | Costa Rica | 78.7 | 78.7 | 79.3 | 79.3 | 79.4 | 78.8 | 79.1 | 79.5 | 79.4 | 79.5 | 79.4 | 79.3 | 77.0 | 77.3 |
| | El Salvador | 71.6 | 71.8 | 71.9 | 71.8 | 71.8 | 71.7 | 71.8 | 72.0 | 72.3 | 72.6 | 72.6 | 71.1 | 70.7 | 71.5 |
| | Guatemala | 70.6 | 70.9 | 71.2 | 71.5 | 71.7 | 72.0 | 72.1 | 72.4 | 72.6 | 72.7 | 73.1 | 71.8 | 69.2 | 68.7 |
| | Honduras | 70.9 | 71.1 | 71.4 | 71.7 | 72.0 | 72.3 | 72.5 | 72.6 | 72.7 | 72.8 | 72.9 | 71.5 | 70.1 | 70.7 |
| | Nicaragua | 71.4 | 72.0 | 72.4 | 72.6 | 72.7 | 72.8 | 73.0 | 73.3 | 73.6 | 73.8 | 74.1 | 71.8 | 73.8 | 74.6 |
| Gross Domestic Product, current US$, billions | Costa Rica | 30.7 | 37.7 | 42.8 | 47.2 | 50.9 | 52.0 | 56.4 | 58.8 | 60.5 | 62.4 | 64.4 | 62.4 | 64.6 | 68.4 |
| | El Salvador | 17.6 | 18.4 | 20.3 | 21.4 | 22.0 | 22.6 | 23.4 | 24.2 | 25.0 | 26.0 | 26.9 | 24.6 | 28.7 | 31.6 |
| | Guatemala | 38.0 | 41.5 | 47.4 | 49.9 | 53.0 | 57.8 | 62.2 | 66.0 | 71.6 | 73.3 | 77.2 | 77.6 | 87.0 | 93.7 |
| | Honduras | 14.6 | 15.8 | 17.7 | 18.5 | 18.5 | 19.8 | 21.0 | 21.7 | 23.1 | 24.1 | 25.1 | 23.7 | 28.3 | 31.5 |
| | Nicaragua | 8.3 | 8.8 | 9.8 | 10.5 | 11.0 | 11.9 | 12.8 | 13.3 | 13.8 | 13.0 | 12.6 | 12.6 | 14.0 | 15.8 |
| Gross Domestic Product, per capita, US$ | Costa Rica | 6,879.3 | 8,268.9 | 9,270.6 | 10,107.5 | 10,764.5 | 10,853.6 | 11,635.2 | 11,986.9 | 12,185.3 | 12,428.9 | 12,691.1 | 12,163.9 | 12,472.8 | 13,077.2 |
| | El Salvador | 2,889.7 | 3,017.3 | 3,305.0 | 3,471.0 | 3,555.2 | 3,638.5 | 3,761.5 | 3,870.3 | 3,986.0 | 4,145.9 | 4,280.3 | 3,903.4 | 4,551.2 | 4,987.9 |
| | Guatemala | 2,654.1 | 2,836.1 | 3,172.1 | 3,267.8 | 3,397.6 | 3,632.1 | 3,825.9 | 3,982.0 | 4,233.0 | 4,247.5 | 4,379.8 | 4,318.6 | 4,743.1 | 5,004.7 |
| | Honduras | 1,789.7 | 1,904.3 | 2,088.3 | 2,144.3 | 2,102.6 | 2,206.1 | 2,302.2 | 2,342.0 | 2,451.9 | 2,506.6 | 2,568.1 | 2,380.0 | 2,796.4 | 3,062.0 |
| | Nicaragua | 1,438.1 | 1,499.1 | 1,652.1 | 1,728.1 | 1,783.6 | 1,909.4 | 2,029.1 | 2,091.5 | 2,147.9 | 2,008.4 | 1,924.5 | 1,937.3 | 2,141.0 | 2,386.8 |
| Goods Exports, US$, millions | Costa Rica | 8,783.7 | 9,448.1 | 10,425.7 | 11,444.6 | 11,635.1 | 11,300.1 | 9,607.4 | 10,379.0 | 11,064.4 | 11,661.3 | 11,972.1 | 12,246.9 | 16,352.2 | 17,446.3 |
| | El Salvador | 3,866.1 | 4,499.2 | 5,308.2 | 5,339.1 | 5,519.3 | 5,301.5 | 5,509.0 | 5,420.2 | 5,760.0 | 5,904.6 | 5,904.8 | 5,044.0 | 6,394.9 | 7,115.1 |
| | Guatemala | 7,213.7 | 8,465.6 | 10,401.1 | 9,978.7 | 10,028.2 | 10,803.5 | 10,674.8 | 10,449.3 | 10,982.4 | 10,969.4 | 11,169.5 | 11,546.1 | 13,619.8 | 15,670.1 |
| | Honduras | 2,362.0 | 2,818.8 | 3,959.8 | 4,391.1 | 3,929.4 | 4,069.7 | 3,921.3 | 3,907.1 | 4,544.8 | 4,272.4 | 4,233.0 | 4,258.6 | 10,182.4 | 12,135.3 |
| | Nicaragua | 2,621.7 | 3,452.2 | 4,360.2 | 4,816.3 | 4,744.3 | 5,142.9 | 4,894.6 | 4,839.2 | 5,186.4 | 5,387.2 | 5,590.8 | 5,321.1 | 6,865.2 | 7,730.8 |
| Goods Imports, US$, millions | Costa Rica | 11,394.7 | 13,569.6 | 16,229.2 | 17,590.6 | 17,961.7 | 17,188.5 | 15,479.6 | 15,944.4 | 16,590.8 | 17,266.1 | 16,832.1 | 15,585.7 | 25,183.2 | 30,087.2 |
| | El Salvador | 7,325.4 | 8,416.2 | 9,964.5 | 10,257.4 | 10,747.5 | 10,514.2 | 10,293.4 | 9,825.8 | 10,571.5 | 11,829.8 | 11,603.8 | 10,326.6 | 14,617.4 | 17,108.0 |
| | Guatemala | 11,531.3 | 13,836.3 | 16,612.7 | 16,994.0 | 17,515.5 | 18,281.8 | 17,640.9 | 17,002.8 | 18,390.2 | 19,674.4 | 19,881.6 | 18,206.2 | 26,607.9 | 32,123.3 |
| | Honduras | 6,223.7 | 7,127.7 | 9,016.2 | 9,385.3 | 9,152.3 | 9,310.8 | 9,424.3 | 8,912.8 | 9,683.0 | 10,505.4 | 10,354.2 | 8,957.7 | 16,603.2 | 19,543.7 |
| | Nicaragua | 4,327.6 | 5,339.2 | 6,694.9 | 7,211.1 | 7,118.9 | 7,369.4 | 7,543.2 | 7,495.5 | 7,736.2 | 10,049.7 | 6,538.2 | 6,255.5 | 8,915.3 | 10,814.4 |
| Net Foreign Reserves from Central Banks, US$, millions | Costa Rica | 4,066.3 | 4,627.2 | 4,755.8 | 6,856.7 | 7,330.9 | 7,211.4 | 7,834.1 | 7,573.8 | 7,149.8 | 7,495.0 | 8,912.3 | 7,224.7 | 6,918.1 | 8,550.0 |
| | El Salvador | 2,983.4 | 2,880.7 | 2,502.0 | 3,172.9 | 2,720.7 | 2,661.2 | 2,670.2 | 2,923.0 | 3,273.2 | 3,353.6 | 3,936.5 | 2,915.2 | 3,342.4 | 2,440.4 |
| | Guatemala | 5,212.6 | 5,953.8 | 6,187.9 | 6,693.8 | 7,272.6 | 7,333.4 | 7,751.2 | 9,160.4 | 11,769.5 | 12,755.6 | 14,789.0 | 18,468.2 | 20,939.6 | 20,019.8 |
| | Honduras | 2,116.3 | 2,719.3 | 2,820.7 | 2,570.9 | 3,055.9 | 3,516.5 | 3,822.3 | 3,887.6 | 4,785.6 | 4,853.1 | 5,808.9 | 8,148.8 | 8,677.6 | 8,421.3 |
| | Nicaragua | 1,422.8 | 1,631.6 | 1,710.5 | 1,718.1 | 1,840.0 | 2,153.7 | 2,401.2 | 2,387.5 | 2,716.2 | 2,038.9 | 2,208.5 | 3,073.5 | 3,954.6 | 4,356.4 |
| Inflation, end of period consumer prices (percent change) | Costa Rica | 4.1 | 5.8 | 4.7 | 4.6 | 3.7 | 5.1 | -0.8 | 0.8 | 2.6 | 2.0 | 1.5 | 0.9 | 3.3 | 7.9 |
| | El Salvador | -0.2 | 2.1 | 5.1 | 0.8 | 0.8 | 0.5 | 1.0 | -0.9 | 2.0 | 0.4 | 0.0 | -0.1 | 6.1 | 7.3 |
| | Guatemala | -0.3 | 5.4 | 6.2 | 3.5 | 4.4 | 3.0 | 3.1 | 4.2 | 5.7 | 2.3 | 3.4 | 4.8 | 3.1 | 9.2 |
| | Honduras | 3.0 | 6.5 | 5.6 | 5.4 | 4.9 | 5.8 | 2.4 | 3.3 | 4.7 | 4.2 | 4.1 | 4.0 | 5.3 | 9.8 |
| | Nicaragua | 0.9 | 9.2 | 8.0 | 6.6 | 5.7 | 6.5 | 3.1 | 3.1 | 5.7 | 3.9 | 6.1 | 2.9 | 7.2 | 11.6 |

Source: Secretary of the Central American Monetary Council; International Monetary Fund; Economic Commission for Latin America and the Caribbean

## INDEX TO FINANCIAL STATEMENTS

## CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI)

CENTRAL AMERICAN BANK
FOR ECONOMIC INTEGRATION

**Financial Statements**

December 31, 2022 and 2021

(With Independent Auditors' Reports Thereon)

CABEI
Central American Bank for Economic Integration

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CABEI
Central American Bank for Economic Integration

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

February 28, 2023

The Management of the Central American Bank for Economic Integration (the Bank) is responsible for establishing and maintaining an effective internal control system over financial reporting. Therefore, Management assessed the Bank's internal control over financial reporting as of December 31st, 2022. This assessment was based on the criteria for effective internal control established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Bank's internal control over financial reporting is a process designed and executed under the supervision its principal executives and financial officers or personnel that performs similar functions, intended to provide reasonable assurance regarding the elaboration of reliable financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Bank's internal control over financial reporting includes those norms and procedures that, (1) pertain to the maintenance of records that, at reasonably detailed level, accurately and fairly reflect the transactions and dispositions of the assets of the entity, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with the authorization of management and those charged with governance and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements. Based on this assessment, Management believes that the Bank's internal control over financial reporting is effective as of December 31st, 2022.

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

However, the Bank has been subject to an integrated audit of its the internal control system and financial statements as of December 31st, 2022 by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte México), an independent registered public accounting firm. Deloitte México has issued an attestation report regarding the effectiveness of the Bank´s internal control over financial reporting, which states that the Bank´s internal control is effective as of that date, based on the criteria established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Ana Valenzuela (Feb 28, 2023 15:56 CST)

Dante Ariel Mossi Reyes
Executive President

Ruben Mendez (Feb 28, 2023 15:31 CST)

Rubén Méndez
Chief Financial Officer

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505, piso 28
Colonia Cuauhtémoc
06500 Ciudad de México
México

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

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Central American Bank for Economic Integration (the "Bank") as of December 31, 2022, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the financial statements as of and for the year ended December 31, 2022 of the Bank, and our report dated February 28, 2023 expressed an unmodified opinion on those financial statements.

**Basis for Opinion**

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for Internal Control over Financial Reporting**

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

**Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting**

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

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In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

**Definition and Inherent Limitations of Internal Control over Financial Reporting**

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

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

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

C.P.C. Erika Regalado García
Mexico City, Mexico

February 28, 2023

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

## Opinion

We have audited the financial statements of Central American Bank for Economic Integration (the "Bank"), which comprise the balance sheet as of December 31, 2022 and 2021, and the related statements of income, comprehensive income, changes in' equity and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Central American Bank for Economic Integration as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Bank's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2023; we expressed an unmodified opinion on the Bank's internal control over financial reporting.

## Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for one year after the date that the financial statements are issued.

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## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

C.P.C. Erika Regalado García
Mexico City, Mexico
February 28, 2023

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Balance Sheets**

As of December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars)

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and demand deposits (note 4) | 34,908 | 42,086 |
| Interest-bearing deposits with banks (note 5) | 3,477,310 | 2,790,462 |
| Securities available for sale (463,568 in 2022 and 582,544 in 2021 under securities lending agreements) (note 6) | 1,997,115 | 2,585,194 |
| Loans, net of deferred origination fees | 9,254,914 | 8,617,638 |
| Less: Allowance for loan losses | (268,302) | (349,843) |
| Net loans (note 7) | 8,986,612 | 8,267,795 |
| Accrued interest receivable (note 8) | 127,825 | 64,466 |
| Property and equipment, net (note 9) | 57,870 | 40,372 |
| Derivative financial instruments (note 19) | 32,971 | 256 |
| Equity investments (note 10) | 11,514 | 28,809 |
| Other assets (note 11) | 75,865 | 135,512 |
| **Total assets** | 14,801,990 | 13,954,952 |
| **Liabilities** | | |
| Loans payable (209,102 in 2022 and 302,282 in 2021 measured at fair value) (note 12) | 1,314,121 | 1,339,743 |
| Bonds payable (4,024,544 in 2022 and 4,523,590 in 2021 measured at fair value) (note 13.a) | 6,689,214 | 6,919,394 |
| Commercial paper programs (note 13.b) | 230,263 | 64,999 |
| Certificates of deposit (note 14) | 2,339,083 | 1,743,867 |
| Certificates of investment | 151 | 185 |
| Accrued interest payable (note 15) | 86,163 | 17,917 |
| Derivative financial instruments (note 19) | 12,455 | 27,773 |
| Other liabilities (note 16) | 75,560 | 47,059 |
| **Total liabilities** | 10,747,010 | 10,160,937 |
| **Equity** | | |
| Subscribed capital | 6,883,100 | 6,883,100 |
| Less callable capital | (5,162,324) | (5,162,324) |
| Less capital payable in cash receivable | (359,973) | (448,468) |
| Paid-in capital (note 17) | 1,360,803 | 1,272,308 |
| General reserve | 2,580,301 | 2,487,795 |
| Retained earnings | 187,781 | 92,506 |
| Accumulated other comprehensive loss (note 22) | (73,905) | (58,594) |
| **Total equity** | 4,054,980 | 3,794,015 |
| **Total liabilities and equity** | 14,801,990 | 13,954,952 |

*See accompanying notes to financial statements.*

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Statements of Income**

For the years ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars)

| | 2022 | 2021 |
|---|---|---|
| **Financial income** | | |
| Public sector loans | 375,499 | 287,990 |
| Private sector loans | 35,458 | 41,400 |
| Marketable securities | 30,447 | 20,658 |
| Due from banks | 49,850 | 4,615 |
| Realized gain on investment funds (note 6) | 0 | 4,461 |
| **Total financial income** | 491,254 | 359,124 |
| **Financial expenses** | | |
| Loans payable | 31,017 | 18,521 |
| Bonds payable | 169,046 | 83,664 |
| Commercial paper programs | 6,432 | 107 |
| Certificates of deposit and investment | 35,838 | 3,065 |
| **Total financial expenses** | 242,333 | 105,357 |
| **Net financial income** | 248,921 | 253,767 |
| (Reversal of) provision for loan losses (note 7) | (66,329) | 62,043 |
| Reversal of provision for losses on contingencies | (378) | (452) |
| **Total (reversal of) provision for credit losses** | (66,707) | 61,591 |
| **Net financial income, after (reversal of) provision for credit losses** | 315,628 | 192,176 |
| **Other operating income (expenses)** | | |
| Financial services and other fees | 969 | 8,674 |
| Monitoring and administration fees | 2,339 | 2,680 |
| Gain (loss) on equity investment, net | 941 | (548) |
| Dividends from equity investments | 23 | 0 |
| Gain on sale of foreclosed assets | 34 | 0 |
| Foreign exchange loss, net | (37) | (315) |
| Other operating income | 3,059 | 1,785 |
| **Total other operating income** | 7,328 | 12,276 |
| **Administrative expenses** | | |
| Salaries and employee benefits | 46,196 | 41,499 |
| Other administrative expenses | 25,737 | 20,621 |
| Depreciation and amortization | 5,705 | 5,489 |
| Other | 481 | 652 |
| **Total administrative expenses** | 78,119 | 68,261 |
| **Income, before special and other contributions and valuation of derivative financial instruments and debt** | 244,837 | 136,191 |
| Special and other contributions (note 23) | (24,603) | (28,690) |
| **Income, before valuation of derivative financial instruments and debt** | 220,234 | 107,501 |
| Valuation of derivative financial instruments and debt | (32,453) | (14,995) |
| **Net income** | 187,781 | 92,506 |

*See accompanying notes to financial statements.*

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Statements of Comprehensive Income**

For the years ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars)

| | 2022 | 2021 |
|---|---|---|
| **Net income** | 187,781 | 92,506 |
| **Other comprehensive loss:** | | |
| Unrealized loss on securities available for sale, net | (96,869) | (35,039) |
| Reclassification adjustments for net realized gains included in earnings | 0 | (4,461) |
| Subtotal - securities available for sale (note 22) | (96,869) | (39,500) |
| Change in credit risk of debt instruments at fair value (note 3(vi)) | 103,693 | (62,158) |
| Reclassification of realized net loss by maturity of debt instruments at fair value (note 22) | 8,910 | 4,740 |
| Subtotal - change in credit risk of debt instruments at fair value (note 22) | 112,603 | (57,418) |
| Retirement plans, pensions and other social benefits: Change in actuarial loss (note 22) | (31,045) | (15,722) |
| **Other comprehensive loss** | (15,311) | (112,640) |
| **Comprehensive income (loss)** | 172,470 | (20,134) |

*See accompanying notes to financial statements.*

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Statements of Changes in Equity**

For the years ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars)

| | Paid-in Capital | General Reserve | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Equity |
|---|---|---|---|---|---|
| **Balances at the beginning of 2021** | 1,146,414 | 2,342,132 | 145,663 | 54,046 | 3,688,255 |
| Net income | 0 | 0 | 92,506 | 0 | 92,506 |
| Other comprehensive loss | 0 | 0 | 0 | (112,640) | (112,640) |
| Comprehensive income (loss) | 0 | 0 | 92,506 | (112,640) | (20,134) |
| Capital contributions, in cash (note 17.c) | 125,894 | 0 | 0 | 0 | 125,894 |
| Transfer to general reserve | 0 | 145,663 | (145,663) | 0 | 0 |
| **Balances as of December 31, 2021** | 1,272,308 | 2,487,795 | 92,506 | (58,594) | 3,794,015 |
| Net income | 0 | 0 | 187,781 | 0 | 187,781 |
| Other comprehensive loss | 0 | 0 | 0 | (15,311) | (15,311) |
| Comprehensive income (loss) | 0 | 0 | 187,781 | (15,311) | 172,470 |
| Capital contributions, in cash (note 17.c) | 88,495 | 0 | 0 | 0 | 88,495 |
| Transfer to general reserve | 0 | 92,506 | (92,506) | 0 | 0 |
| **Balances as of December 31, 2022** | 1,360,803 | 2,580,301 | 187,781 | (73,905) | 4,054,980 |

*See accompanying notes to financial statements.*

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Statements of Cash Flows**

For the years ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars)

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | 187,781 | 92,506 |
| Items to reconcile net income to net cash provided by operating activities: | | |
| (Reversal of) provision for loan losses | (66,707) | 61,591 |
| Valuation of derivative financial instruments and debt | 32,453 | 14,995 |
| Depreciation and amortization | 5,705 | 5,489 |
| Loss on fair value of equity investment, net | 463 | 548 |
| Gain on sale of equity investment | (1,404) | 0 |
| Gain on sale of foreclosed assets | (34) | 0 |
| Foreign exchange losses, net | 37 | 315 |
| Net (increase) decrease in accrued interest receivable | (63,359) | 4,248 |
| Net increase (decrease) in accrued interest payable | 68,246 | (1,669) |
| Net increase in other assets | (20,179) | (91,607) |
| Net decrease increase in other liabilities | (2,169) | (14,989) |
| **Net cash provided by operating activities** | 140,833 | 71,427 |
| **Cash flows from investing activities** | | |
| Net (increase) decrease in interest-bearing deposits with banks | (686,848) | 150,756 |
| Purchases of securities available for sale | (572,542) | (2,700,413) |
| Proceeds from sales and redemptions of securities available for sale | 1,045,905 | 2,292,633 |
| Purchases of property and equipment | (8,344) | (5,215) |
| Net increase in cash collateral for derivative financial instruments | (496,270) | (361,640) |
| Disbursements of loans | (2,166,915) | (2,153,535) |
| Collections of loans | 1,081,822 | 1,539,084 |
| Proceeds from sale of loans | 432,644 | 204,258 |
| Proceeds form sale of equity investment | 9,847 | 0 |
| Proceeds from return on equity investments | 8,388 | 0 |
| **Net cash used in investing activities** | (1,352,313) | (1,034,072) |
| **Cash flows from financing activities** | | |
| Capital contributions | 88,495 | 125,894 |
| Proceeds from loans payable | 273,677 | 251,535 |
| Repayments of loans payable | (228,131) | (203,146) |
| Net increase in commercial paper programs | 230,264 | 1 |
| Proceeds from issuance of bonds payable | 1,259,832 | 1,562,082 |
| Repayments of bonds payable | (1,015,104) | (891,090) |
| Net increase in certificates of deposit | 595,216 | 147,217 |
| Net decrease in certificates of investment | (34) | (44) |
| **Net cash provided by financing activities** | 1,204,215 | 992,449 |
| **Effect of exchange rate fluctuations on held cash** | 87 | (352) |
| Cash and demand deposits at beginning of year | 42,086 | 12,634 |
| Cash and demand deposits at end of year | 34,908 | 42,086 |
| **Net (decrease) increase in cash and cash equivalents** | (7,178) | 29,452 |
| **Supplemental information of cash flows** | | |
| Cash paid for interest | 174,087 | 107,026 |
| Unrealized loss on securities available for sale, net | (96,869) | (39,500) |
| Actuarial loss under the Social Benefits Plan (note 22) | (31,045) | (15,722) |

*See accompanying notes to financial statements.*

## (1) Origin and Nature of the Bank

The Central American Bank for Economic Integration (hereinafter CABEI or the Bank) is a financial institution under public international law, founded by the governments of Guatemala, El Salvador, Honduras and Nicaragua pursuant to the Constitutive Agreement dated December 13, 1960. In addition, on September 23, 1963, the Republic of Costa Rica was included as a founding member. Pursuant to protocol subscribed on September 2, 1989 and effective since 1992, the participation of non-regional members was allowed. The Bank commenced operations on May 31, 1961 and has its headquarters in Tegucigalpa, Honduras.

The Bank's objective is to promote the economic integration and the balanced economic and social development of the Central American region, which includes the founding countries and non-founding regional countries, attending to and aligning itself with the interests of all members.

The activities of the Bank are complemented by the activities carried out by the Technical Cooperation Fund (FONTEC) and by the Social Benefit Fund (SBF). These funds are regulated by their own by-laws and their equities are independent and separate from the Bank, although they are managed by the Bank. These financial statements include, solely, the assets, liabilities and operations of the Bank. The net assets relating to the other funds have been disclosed in notes 20 and 21.

Furthermore, as detailed in note 20, the Bank manages third-party cooperation funds, destined to finance programs agreed with each organization, which are in line with the Bank's policies and strategies.

**Relevant event of the year**

On March 2020, the World Health Organization declared that the spread of coronavirus (COVID-19) had turned into a global pandemic, generating high volatility in global capital markets with an impact on capital investments and market value of securities.

As an immediate response, CABEI has assessed and prioritized its activities that have required financial support to its members and clients, in order to strengthen the capacities of its operations to handle the current situation. The resulting financial impacts have been reasonably estimated at this time, therefore, due to its financial structure, they are not expected to significantly affect the operations of CABEI, and the fulfillment of the intended activities.

**(1) Origin and Nature of the Bank, continued**

Additionally, in this regard, on March 31, 2020, the Bank approved the Emergency Support and Preparedness Program for COVID-19 and Economic Reactivation (the Program) to provide financial resources to the countries of the region that are members of the Central American Integration System (SICA) and other non-regional countries to finance operations for the prevention, detection, and treatment of COVID-19 and mitigation of its economic impact in member countries. The Program is for an amount of 2,260,125 and is made up of seven components, which mainly include: emergency aid, aid for the regional purchase and supply of medicines and medical equipment for early detection of COVID-19, credit to finance operations of the public sector, credit program to support central bank liquidity management, financial sector support facility-MSMEs, support for the Trifinio project and credit facility for the acquisition and application of vaccines. As of December 31, 2022, CABEI has approved and disbursed operations for amounts of 1,403,325 (2021: 1,403,325) and 1,238,329 (2021: 910,327), respectively. The Program is financed with ordinary resources from CABEI and resources from external sources.

In addition, on December 14, 2020, the Bank approved the Central American Resilient Reconstruction Program to provide resources to the countries of the SICA region to finance projects to address and prevent natural disasters in order to adapt to the effects of climate change and implement short, medium and long-term measures. This Program is for an amount of 2,513,000 and consists of six components, including: emergency assistance; creation and capitalization of Technical Assistance and Investment Project Preparation Funds; Public Investment Program; Private Investment Program; issuance of Green, ESG (Environmental, Social and Governance) and Thematic Bonds; and Development and Management of Knowledge on Adaptation to Climate Change. As of December 31, 2022, CABEI has approved and disbursed operations for amounts of 1,548,000 (2021: 738,930) and 346,123 (2021: 181,306), respectively. The Program is financed with ordinary resources from CABEI and resources from external sources.

**(2) Summary of Significant Accounting Policies**

Explanation for translation into English – The accompanying financial statements have been translated from Spanish into English for the convenience of users.

The Bank's accounting policies and financial information are in accordance with accounting principles generally accepted in the United States of America (US GAAP).

A summary of significant accounting policies is as follows:

*(a) Functional and foreign currencies*

The Bank's functional currency is the United States dollar (U.S. dollar). Transactions in currencies other than the U.S. dollar are recorded at the effective exchange rates prevailing on the transaction date. Assets and liabilities denominated in currencies other than the U.S. dollar are expressed in such currency using the prevailing exchange rates at Balance sheet date. Net foreign currency gains and losses resulting from transactions denominated in currencies other than the U.S. dollar are presented as other operating income (expenses) in the statement of income.

**(2) Summary of Significant Accounting Policies, continued**

*(b) Cash and cash equivalents*

For purposes of the statements of cash flows, cash and cash equivalents represent the amounts included in cash and demand deposits, which are due at the Bank's request.

*(c) Fair value measurements*

For fair value measurements, the Bank uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, and for other required disclosures, the Bank considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Bank looks to active and observable markets to price identical assets and liabilities. When identical assets and liabilities are not traded in active markets, the Bank looks to market observable data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to derive a fair value measurement. A financial instrument's level within the fair value hierarchy is based on the input of the highest level in the hierarchy that is significant to the fair value measurement.

When considering the assumptions from market participants in fair value measurements, the hierarchy distinguishes between observable and unobservable assumptions, which are categorized in one of the following levels:

- Level 1 - Assets and liabilities for which there are price quotes in active markets for identical items.
- Level 2 - Assets and liabilities valued based on observable market assumptions for the entire term of the assets and liabilities that include: price quotes for similar instruments in active markets; price quotes for identical or similar instruments in markets that are not active; assumptions other than price quotes that are observable or assumptions that can be corroborated by market information.
- Level 3 - Assets and liabilities for which the relevant assumptions of the valuation are not observable in the market; instruments valued using the best available information to measure the fair value of the asset or liability.

As stated in note 3, the Bank has elected the fair value measurement for certain assets and liabilities which do not require such measurement.

**(2) Summary of Significant Accounting Policies, continued**

*(d) Securities available for sale*

Marketable securities are classified as available for sale and recorded at fair value, with unrealized gains and losses being excluded from net income and reported as a separate component of equity under accumulated other comprehensive loss until they are realized and reclassified to the statement of income.

CABEI shall maintain at least 80% of its total investment securities portfolio in deposits with banks and bonds placed by issuers holding an international rating of “A” or better, and a maximum of 20% in unrated or below “A” (including A-, A, A+) rated securities.

Full impairment (that is, the difference between the security’s amortized cost basis and fair value) on debt securities that the Bank intends to sell or would more-likely-than-not be required to sell, absent of any unforeseen significant changes in circumstances, before the expected recovery of the amortized cost basis is recognized in earnings as other operating expenses.

For debt securities that management has no intent to sell and believes that it more-likely-than-not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the rest of the fair value loss is recognized in accumulated other comprehensive loss. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected using the Bank’s cash flow projections.

A decline in the market value of any security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. To determine whether an impairment is other-than-temporary, the Bank considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimate of cash flows expected to be collected.

Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

The Bank has not experienced other-than-temporary impairment during the years ended December 31, 2022 and 2021.

**(2) Summary of Significant Accounting Policies, continued**

Interest income on securities available for sale is recorded using the accrual method. Gains and losses on the sale of securities are recorded on the settlement date basis, are determined using the specific identification method and are presented as other operating income (expenses). When the Bank realizes gains on investment funds, these are presented under realized gain on investment funds, as part of financial income.

Premiums and discounts are recognized as an adjustment to yield over the contractual term of the security using a method that approximates to the effective interest method. If prepayment occurs on a security, any premium or discount on the value is recognized as an adjustment to yield in the period in which the prepayment occurs.

The Bank engages in securities lending agreements of up to 20% of its securities portfolio. Counterparties provide the same lent titles or other titles with equivalent characteristics, as collateral. The entirety of the securities portfolio in custody by the counterparty is eligible for the program. For this program, CABEI earns a fee which is recorded in other operating income. The Bank's securities custodian guarantees and manages the transactions made under the program and performs daily valuations of the securities lent under the program to ensure there is sufficient collateral to guarantee the securities lent by CABEI.

Securities under lending agreements are reported at fair value. The securities transferred under security lending agreements have not met the accounting criteria for treatment as a sale. The Bank maintains, at all times, the right to sell the securities under lending agreements and to terminate the loans. Therefore, securities transferred under security lending agreements are retained as assets on the Balance sheet.

*(e) Concentration of credit risk*

In compliance with its objective and financial policies, the Bank grants loans and guarantees to entities, both public and private, established in the beneficiary member countries, that meet the financial needs of projects and programs that contribute to the development of the Central American region, which includes the founding countries and regional non-founding countries.

The Bank annually reviews its credit risk concentration policies. The significant parameters applicable to the concentration of credit risk are described as follows:

- The total of its loan portfolio cannot exceed 3.5 times the Bank's equity.
- The Bank's capital adequacy should be maintained at a level not lower than 35%.

**(2) Summary of Significant Accounting Policies, continued**

- The exposure to any of the member countries must not exceed 100% of the Bank's equity. To maintain an optimal level of exposure to each of the member countries, limits have been established that allow generating alerts for the implementation of measures that allow their regularization. A soft limit of exposure to the member countries is established at 26% and a hard limit at 28% on CABEI's total exposure. Total exposure includes the public sector (sovereign and non-sovereign) and the private sector, as well as 50% of loan commitments.

- Exposure to a single private bank or enterprise shall not exceed 6% and 5%, respectively, of the Bank's equity, considering its internal credit risk rating.

- Exposure to a single public sector company or mixed institution with government majority ownership, without a sovereign guarantee, shall not exceed 22% of the Bank's equity, considering its internal credit risk rating.

*(f) Loans and allowance for loan losses*

Loans are stated at the outstanding principal balance less the allowance for loan losses and deferred origination fees on loans. Interest income is recognized on the accrual basis according to the contractual terms of the loans.

The accounting guidance defines a portfolio segment as the level at which an entity develops and documents a systematic methodology to determine the allowance for loan losses. In addition, it defines a class as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for risk evaluation.

The Bank's loan portfolio segments are public sector and private sector. The classes for public and private sector loans represent each country in which the loans are granted to these sectors.

*Public Sector*

Loans to the public sector are granted to the governments of member countries, to local and municipal governments of member countries, to central banks of member countries, to public institutions, to entities, institutions and / or companies whose capital structure has a majority share participation of the State or other public entities, either directly or indirectly, as well as to entities that develop a public interest project, whose economic ownership or control is by the State or in which there are direct and enforceable financial commitments by the State in order to ensure the financial balance of such project.

In accordance with the Policy for the Allowance or Provision for Loans to the Sovereign Public Sector, the allowance must be estimated based on each of the credit operations' net exposure, probability of default and severity of loss of each operation.

**(2) Summary of Significant Accounting Policies, continued**

For the public sector with solidarity sovereign guarantee and loans granted to central banks, the Bank determines the nature and level of exposure to credit risk, according to the risk rating assigned to each country by Credit Rating Agencies (Standard & Poor's, Fitch Ratings and Moody's), the available market information on the probability of default provided by international credit rating agencies, the effective maturity of each operation (average term) and whether or not the operation has a sovereign guarantee.

Given that the Bank holds preferred creditor status for the loans with solidarity sovereign guarantee, this factor is considered to adjust the probabilities of default with respect to market information.

In addition, a methodology is established to determine the adjustment to the probabilities of default of the public sector considering that the preferred creditor status is better determined with the multilateral debt ratio, which measures multilateral debt as a percentage of a country's total external debt, and with the external debt stock as a percentage of gross national income.

On February 2022, the Bank implemented a modification of the loss given default (LGD) component incorporated in the model for the determination of the allowance for sovereign public sector loans. This modification consisted in the calibration of the LGD based on the history of defaults from the Bank's loans, complemented with data provided by Global Emerging Markets. This change was incorporated prospectively and generated a decrease in the allowance for loan losses of 218,838. Until December 31, 2021, to determine the parameters applied for severity of loss, the Bank considered the loss given default percentages recommended in the Basel Capital Accord (Basel II).

For public sector loans without solidarity sovereign guarantee of the State, the allowance is determined based on the Allowance for Losses of Private Sector Loans Policy. This way, the assignment of provisions is consistent with the internal credit risk rating system (Sistema de Calificación de Riesgo – SRC), with probabilities of default from the private sector and the severity of loss according to Basel default.

Management believes that this methodology reasonably reflects the estimated risk embedded in the Bank's public sector lending activities and, consequently, considers the resulting amount of the allowance for public sector loans to be adequate.

**(2) Summary of Significant Accounting Policies, continued**

*Private Sector*

Loans to the private sector are granted mainly to borrowers in the member countries, as well as to entities, institutions and/or companies whose capital structure has a majority share participation of the private sector, either directly or indirectly. In these loans, CABEI obtains the guarantees which deems appropriate, such as mortgages, pledges, cession of cash flows, assets in trust, bank guarantees and credit default swaps.

In accordance with the Policy for the Allowance for Losses of Private Sector Loans, the Bank's management has developed policies and procedures that reflect the credit risk assessment considering all available information to determine whether the reserve for loan losses is adequate.

When appropriate, this assessment includes monitoring qualitative and quantitative trends including changes in levels of arrears, criticized loans, and non-accrual loans.

In developing this assessment, the Bank uses estimates and judgment in order to assess the credit risk based on an internal Credit risk rating system, which has eight levels:

| Rating | Definition |
|---|---|
| From SCR-1 to SCR-4 | Normal |
| SCR-5 | Special Mention |
| SCR-6 | Substandard |
| SCR-7 | Doubtful |
| SCR-8 | Loss |

- Normal: Current loans, whose borrowers have a credit quality level from superior to acceptable.

- Special mention: Loans that have a potential weakness to meet the debt service that deserves management's close attention. If left uncorrected, this potential weakness may result in impairment of the loan or of the Bank's credit position at some future date.

  Substandard: Loans that have a well-defined weakness that jeopardizes collectability of the debt. They are characterized by the distinct possibility that the Bank will incur in loss if such deficiency is not corrected. When it is determined that a loan is impaired, it is measured for impairment under Accounting Standards Codification (ASC) 310-10-35, including the collateral's fair value, if applicable.

**(2) Summary of Significant Accounting Policies, continued**

- Doubtful: Loans whose weaknesses are so severe that the total loan recovery, based on current conditions, is unlikely and questionable. This level includes loans measured individually for impairment under ASC 310-10-35, including the collateral's fair value, if applicable.

- Loss: Loans that are individually measured for impairment under ASC 310-10-35, including the collateral's fair value, if applicable. This level comprises loans deemed uncollectible.

For the determination of the allowance for loan losses, credit risk ratings based on the internal Credit risk rating system and the risk definitions by the Credit Rating Agencies are taken into consideration, so that each of the levels on the internal Credit risk rating system correspond to one or more risk levels established by the Credit Rating Agencies. The probability of default for each of the levels on the SCR is calculated considering the corporate default probabilities from each credit rating agency. Finally, the severity of loss appropriate to the type of debt, whether senior or subordinated, is introduced.

Changes in the allowance for loan losses are estimated based on several factors including, but not limited to, an analytical review of loan loss experience in relation to the outstanding balance of loans, an ongoing review of problematic or non-accrual loans, the overall quality of the loan portfolio and the adequacy of collateral, the evaluation of independent experts, and management's view on the impact of current economic conditions of the country of origin of each loan in the outstanding loan portfolio.

Loan installments are considered in arrears the moment there is a default in their effective date of payment. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due in accordance with the contractual terms of the loan.

Factors considered by management in determining impairment include payment record, collateral value and the probability of collecting scheduled principal and interest payments when due. A loan is also considered impaired if its terms are modified in a troubled-debt restructuring.

The Bank continuously monitors the credit quality of the loan portfolio by making revisions at least twice a year, based on market information such as country risk rating and probabilities of default provided by Credit Rating Agencies.

**(2) Summary of Significant Accounting Policies, continued**

In addition, the Bank assesses the quality of its loan portfolio and the adequacy of the allowance for loan losses through independent third parties.

When the ultimate collectability of the outstanding principal balance of an impaired loan is in doubt, all cash collections are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are recorded as recoveries of any amounts charged off, and then to interest income, to the extent any interest has not been recorded.

*Troubled Debt Restructurings (TDRs)*

Restructured loans are impaired loans for which the original contractual terms have been modified to provide terms that are less than those the Bank would be willing to accept for new loans with similar risks given the deteriorating financial condition of the borrower. The modifications to the contractual terms of the loans could consist of concessions such as interest rate reductions, principal discounts, forbearance of loan installments, extension of loan term, and other modifications in order to minimize possible economic losses.

A restructured loan has generally been in non-accrual status at the time of the modification.

Once the borrower complies with the new terms of the restructured loan for a reasonable period and if the remaining balance of the restructured loan is considered collectible, the restructured loan could return to accrual status.

*Use of Allowance*

Loan losses are written off against the allowance when management confirms partial or full inability to collect the loan balances. Subsequent loan recoveries, if any, increase the allowance for loan losses in the balance sheet.

*(g) Non-interest accrual loans*

In accordance with the Bank’s policies, interest recognition on all loan installments is discontinued when they are 90 days or more in arrears on principal and/or interest based on contractual terms, for private sector loans, and when they are 180 days or more in arrears for public sector loans.

Loans for which the recognition of interest income has been discontinued are designated as non-accruing. All interest accrued but not collected on loans classified as non-accrual is reversed against financial income. Subsequent collections are accounted for on a cash basis, until qualifying to return to accrual status.

**(2) Summary of Significant Accounting Policies, continued**

Interest on non-accrual loans for which the original conditions have been modified, are recorded on a cash basis until the debtor demonstrates for a reasonable period of time, its ability to repay the loan according to the contractual terms of the loan; at which time, the loan is returned to accrual status.

*(h) Property and equipment*

Property and equipment are carried at cost less accumulated depreciation and amortization. Renewals and major improvements are capitalized, while minor replacements, repairs and maintenance which do not improve the asset nor extend its remaining useful life are charged as expenses when incurred.

The Bank depreciates property and equipment, except land, under the straight-line method, estimating the number of years of useful life as follows:

| | Years |
|---|---|
| Buildings | 40 |
| Facilities and improvements | 10 |
| Furniture and equipment | 5 and 10 |
| Vehicles | 4 |
| Hardware and software | 3, 5 and 10 |

*(i) Derivative financial instruments and hedging activities*

The Bank records the derivative financial instruments at their fair value in the balance sheet, regardless of the purpose or intention of their contracting. The accounting for changes in the fair value of derivative financial instruments varies, depending on whether the derivative is considered a hedge for accounting purposes and if the hedging instrument is considered as a fair value or cash flow hedge.

The derivative financial instruments maintained by the Bank, although considered effective hedges from an economic perspective, have not been designated as hedges for accounting purposes. The Bank enters into these derivative instruments for the purpose of hedging the market risks that it maintains in its investment and debt portfolios. Therefore, these derivatives are recognized in the Balance sheet at their fair value and changes in their fair value are recognized in the valuation account of derivative financial instruments and debt in the statement of income simultaneously with the change in fair value of the underlying assets or liabilities. Likewise, the Bank separately presents in other comprehensive loss, the portion of the total change in the fair value of a liability that results from a change in the credit risk of a specific instrument.

The inherent credit risk is the counterparty's possible non-compliance in the delivery of collateral to recover the balance due.

**(2) Summary of Significant Accounting Policies, continued**

The Bank minimizes the credit risk in derivative financial instruments through transactions with highly qualified counterparties with a credit rating of "A" (or equivalent) or better, and the master netting agreements with its derivatives counterparties.

The Bank also enters into derivatives that although being used as economic hedges of risk they do not qualify for hedge accounting in accordance with the guidelines of ASC 815 *"Derivatives and Hedging"*.

It is the Bank's policy to recognize in its balance sheet, the offset amounts of its financial instruments, including derivatives.

CABEI establishes that changes in fair value attributable to the credit risk of a specific financial instrument, when the Fair Value Option has been chosen for financial liabilities, must be recognized separately in other comprehensive loss in the Balance sheet, instead of in the statement of income (note 3 (vi)).

The accounting regulations establish that an entity must present separately in other comprehensive (loss) income, the portion of the total change in the fair value of a liability that results from a change in the credit risk of a specific instrument.

*(j) Equity investments*

Equity investments in other entities have been recognized at cost, less impairment, except those recorded at fair value, whose changes are reported in the income statement under gain (loss) on equity investments, net.

Equity investments that do not have readily determinable fair values are reported at cost. The Bank has determined that it is impractical to estimate the fair value of these investments reported at cost. These investments are evaluated quarterly and when impairment is determined, the balance of the investment is decreased, and the amount of the impairment is recognized as other operating expense. When the impairment in the investment is identified and considered as other than temporary, the investment in participations is written off and the impaired value becomes the new cost base.

*(k) Foreclosed assets in satisfaction of loans*

Foreclosed real estate acquired in satisfaction of loans is held for sale and is initially recorded at fair value less cost to sell of the real estate at the date of foreclosure. Any excess of the recorded investment in the loan over the fair value of the asset is recognized as a loss in the statement of income.

**(2) Summary of Significant Accounting Policies, continued**

After foreclosure, management carries on periodic assessments and these properties are carried at fair value less estimated costs to sell based on recent appraised values. Maintenance expenses associated to holding these properties in portfolio and the changes to the related valuation allowance are recorded as other administrative expenses and other operating expenses, respectively.

*(l) Social Benefit Plan*

The funded status of the Bank's Social Benefit Plan (the Plan) is recognized on the balance sheet. The funded status is measured as the difference between the fair value of Plan assets and the projected benefit obligation. Overfunded benefit plans, where the fair value of Plan assets exceeds the projected benefit obligation, are aggregated and recorded as assets under the Plan while under-funded benefit plans, where the projected benefit obligation exceeds the fair value of Plan assets, are aggregated and recorded as liabilities under the Social Benefit Plan. The Bank recognizes the projected benefit obligation considering future service cost based on an actuarial study performed annually by an independent actuary. Actuarial gains and losses are recognized as a component of accumulated other comprehensive loss, as a separate component of equity.

*(m) Taxes*

According to the Bank's Constitutive Agreement, the Bank's income and related transactions within its member countries are exempt from any payment, withholding or collection of any income or duty tax.

*(n) General reserve and annual net income*

According to the Constitutive Agreement, the general reserve is increased by the total annual net income, when authorized by the Bank's Board of Governors.

The general reserve is reduced through the use of "E" series certificates by the members who are holders of "A" and "B" shares in order to pay, the subscription of new shares of the unsubscribed authorized share capital made available by the Bank.

*(o) Revenue and expense recognition*

Financial income is recognized in accordance with the terms of the loan agreements, when the earnings process is complete, and collectability is assured.

Loan origination fees are deferred and recognized in earnings over the term of the related loans as an adjustment to yield in the accounts of monitoring and administration fess and financial services and other fees classified in other operating income. Fees related to loan syndication are recognized when the Bank has concluded all the required services. Asset management fees, measured by the amount of assets managed at a particular date, are accrued as earned. Fees on endorsements and guarantees granted and other commitments are amortized using a method that approximates the effective interest method over the term of these instruments.

**(2) Summary of Significant Accounting Policies, continued**

Interest expense is recognized under the effective interest method. Fees expense is recognized when the related service is received. Transaction costs are recognized when incurred.

Incremental direct costs associated with originating loans are expensed as incurred as such amounts are immaterial to net earnings.

Issue costs for debt measured at fair value are expensed at the moment of issuance while those related to debt carried at amortized cost are deferred and amortized using a method that approximates to the effective interest method, over the term of the respective debt instrument.

*(p) Donations received and contributions granted*

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

Contributions granted to public and private sector institutions and funds or programs managed by CABEI are recorded as expenses, and at the same time as a liability, once the approving resolution of the Bank's Board of Directors is obtained. These contributions are presented as part of special and other contributions in the statement of income.

*(q) Endorsements, guarantees granted, commitments and contingencies*

The main objective of the endorsements and guarantees granted by the Bank is to support the regional banking systems. In addition, such off-balance sheet arrangements support the development and integration projects of the Central American region to expand and diversify the banking services offered by CABEI so that its customers may have access to a broad range of services and low financial costs in developing their projects.

To achieve its objective, the Bank grants two main types of endorsements and guarantees:

- Those that replace financing: generally long-term arrangements, such as bank endorsements or payment guarantees that support a financial document or credit contract which in itself secures compliance with obligations related to execution of a project. These endorsements and guarantees are granted taking into account the policies on credit risk concentration limits to CABEI's borrowers.

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

**(2) Summary of Significant Accounting Policies, continued**

Bank endorsements and guarantees issued are contingencies to the Bank to guarantee the performance of borrowers to third parties. A guarantee is considered a contingency when the borrower incurs the underlying financial obligation and are called when the borrower defaults and the beneficiary executes the guarantee.

The Bank issues guarantees and can require counterguarantees from debtor. The Bank would be required to perform under its guarantees if the payments guaranteed were not made by the debtor and the guaranteed party called the guarantee by demanding payment from the Bank. In the event that a guarantee of a debtor is called, the Bank has the contractual right to require payment from the debtor that has provided the counterguarantee to the Bank.

Loan commitments represent agreements to disburse loans to borrowers at a future date. Such agreements are recognized as commitments on the date of formalization and until the culmination of disbursements. These commitments have fixed expiration dates and in some cases the commitments expire without disbursing the loans; as such, the total amount committed does not necessarily represent required future cash flows.

The Bank also estimates probable losses related to off-balance sheet commitments such as endorsements and guarantees granted and contractual commitments to disburse loans.

Off-balance sheet commitments are subject to individual credit reviews and are analyzed and segregated by risk according to the internal risk rating system of the Bank. These risk classifications, together with an analysis of current economic conditions, trends in performance and any other relevant information, result in the estimation of the allowance for off-balance sheet commitments (over contingent commitments), which is presented as other liabilities in the Balance sheet.

The credit risk to the Bank in these agreements is essentially the same as the credit risk in loans to borrowers.

Standby and commercial letters of credit represent conditional obligations of the Bank which guarantee the performance of a borrower to a third party.

*(r) Use of estimates*

To prepare its financial statements in conformity with US GAAP, the Bank's management relies on certain estimates and assumptions that have an impact on the amounts of reported assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements, and the amounts reported in income and expenses during the reporting period. Actual results could differ from such estimates.

**(2) Summary of Significant Accounting Policies, continued**

Material estimates that are particularly susceptible to significant change in the near term relate mainly to the determination of the allowance for loan losses, valuation of securities available for sale and derivative financial instruments, valuation of foreclosed assets, valuation of liabilities measured at fair value, valuation of projected benefit obligations, and the status of contingencies.

*(s) Segment reporting*

Management has determined that the Bank has only one operating segment, since it does not internally manage or report the results of operations at levels other than the Bank's financial statements to assess performance or allocate its resources based on the contribution of individual operations to the net income of the Bank.

*(t) Consistency*

The accounting policies as of December 31, 2022 and for the year ended, are consistent with those applied as of December 31, 2021 and for the year ended on that date.

*(u) Recent applicable accounting pronouncements not yet adopted*

In March 2022, the FASB issued ASU 2022-01 which clarifies the guidance in ASC 815 “Derivative Instruments and Hedging Activities” on fair value hedge accounting of interest rate risk for portfolios of financial assets. The ASU amends the guidance in ASU 2017-123 (released in August 2017) that, among other things, established the “last-of-layer” method for making the fair value hedge accounting for these portfolios more accessible. ASU 2022-01 renames that method the "portfolio layer" method and addresses feedback from stakeholders regarding its application. The FASB's objectives in issuing ASU 2017-12 were to better align an entity's financial reporting with the results of its risk management strategy and to improve the hedge accounting model by simplifying it. However, this hedge accounting guidance is not applicable to the Bank, given that the derivative financial instruments maintained by the Bank, although considered effective hedges from an economic perspective, have not been designated as hedges for accounting purposes and do not qualify for hedge accounting in accordance with the guidelines of the ASC 815 "Derivative Instruments and Hedging Activities" regulation (see note 2 (i)).

In March 2022, the FASB issued ASU 2022-02, “Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.” The ASU removes the separate accounting for troubled debt restructuring (TDRs) by creditors, updates the requirements related to accounting for credit losses under Topic 326, and adds enhanced disclosures for creditors with certain loan modifications. The ASU also requires disclosures to the vintage table to include current period gross write-offs by year of origination. The ASU is effective for the Bank for years beginning after December 15, 2022, including interim periods within those years, with early adoption permitted.

**(2) Summary of Significant Accounting Policies, continued**

The Bank is currently evaluating such regulations but does not expect the ASU to have a material impact on its financial statements.

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848). The ASU provides optional expedients and exceptions, for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in this Update will not apply to contract modifications made or other transactions entered after December 31, 2022.

The Bank has followed events and communications from groups and organizations directly involved in the LIBOR transition affecting lending and derivatives markets, including the International Swaps and Derivatives Association (ISDA) and its recently published ISDA 2020 IBOR Fallbacks Protocol, to which the Bank joined in January 2021. In addition, the Bank established a multidisciplinary task force to manage the transition of the LIBOR rate. As part of the evaluation, the Bank has considered operational, legal, accounting, financial, market and risk aspects.

In this regard, the Bank has identified the Term SOFR rate as the reference rate that will replace the LIBOR rate and has begun the loan origination process at said rate. Likewise, the contracting of new financial liabilities will ensure that it is carried out under conditions referenced to said rate or hedged to Term SOFR. For legacy loans referenced to the LIBOR rate and whose maturity occurs after June 2023, the Bank has designed a transition scheme that contemplates measures such as the incorporation of fallback provisions to mitigate any possible impact caused by the replacement of the LIBOR rate. The Bank adopted the standard prospectively and its adoption is not expected to have a significant impact on the financial statements, due to the incorporation of such fallback provisions.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model based on Current Expected Credit Losses (CECL) rather than incurred losses. ASU 2016-13 will consider relevant information about past events, current conditions and reasonable and supportable forecasts. The new impairment model is applicable to the Bank's financial assets, such as: loan portfolio measured at amortized cost, undisbursed loan commitments held off-balance sheet and financial guarantees as well as securities available for sale.

## (2) Summary of Significant Accounting Policies, continued

ASU 2016-13 is effective for the Bank as of January 1, 2023, and the Bank is currently in the final stages of the regulatory and methodological implementation of the model based on current expected credit losses. Once the process is completed, the Bank will determine the impact on its financial statements following the modified-retrospective approach.

## (3) Fair Values and Fair Value Option

Bank's management has established a process for determining fair value. The fair value is primarily based on quoted market prices when available. If market prices or quotations are not available, fair value is determined based on internally developed models that primarily use as input, information independently obtained of market or market parameters, including but not limited to yield curves, interest rates, debt prices, foreign currency exchange rates and credit curves.

However, in situations where there is little or no activity in the market for an asset or liability at the measurement date, the fair value measurement reflects the Bank's own judgments about assumptions that market participants would use in pricing the asset or liability.

The assumptions are developed by the Bank based on the best information available in the circumstances, including expected cash flows, discount rates appropriately adjusted for risk and the availability of observable and unobservable inputs.

Management establishes the policies and methodologies for the valuation of financial instruments. These policies and methodologies are applied to determine, the valuation of derivative financial instruments.

The methods described above can generate fair value estimates that are not indicative of net realizable value or that do not reflect future values. Furthermore, while the Bank believes that its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date.

### (i) Valuation techniques applied

A significant portion of the Bank's financial assets and liabilities are short-term financial instruments, with maturity of less than one year, and/or with floating interest rates.

**(3) Fair Values and Fair Value Option, continued**

These short-term instruments and/or with floating interest rates are considered to have a fair value equivalent to their recorded value as of the date of the financial statements. The foregoing applies to cash and demand deposits, interest-bearing deposits with banks, loans issued at floating interest rates and accrued interest receivable and payable.

For assets and liabilities recognized, on a recurring or non-recurring basis (including those for which the fair value option has been elected), or disclosed at fair value, the Bank uses the following valuation techniques:

Investments in securities: Fair value has been calculated on the basis of the prices as quoted in the market and, in their absence, they have been calculated based on discounted future cash flows using the current yields of similar securities.

Loans, net: The fair values for fixed-rates performing loans are estimated on the basis of an analysis of discounted future cash flows, using the *Commercial Interest Reference Rate* (CIRR) as a reference. CIRR is the official rate applied by Export Credit Agencies, as published by the Export-Import Bank of the United States of America, and is based on the rates accrued on U.S. Treasury bonds.

Equity investments: they are recognized as cost, less impairment, except for those that are reported at fair value. None of the equity investments in other entities in which the Bank has investments are negotiable and, consequently, have no price quotes available in the market. These entities are of special purpose and are entities in which the Bank has no control or significant influence. For those recorded at cost, it is currently impractical to determine the fair value of these investments without incurring an excessive cost, and for those recorded at fair value, the measurement is based on the practical expedient using the net asset value per share (or equivalent) from the investee's financial information, given that the investee's assets and liabilities are recorded at fair value.

Derivative financial instruments: Fair values have been determined on the basis of valuation models that use parameters constructed from market data. Furthermore, the Bank determines CABEI's and its counterparties' credit risk in the valuation of derivative financial instruments (note 19).

Loans and bonds payable: Fair values for loans and bonds payable and with hedge are determined through the use of valuation models based on interest rate yield curves constructed from market data. Those yield curves are adjusted to incorporate the Bank's credit risk spread. This fair value does not represent a current indicator of an exit price. The Bank includes its own credit risk and exchange rate, among other inputs, in the valuation of its debt instruments.

(Expressed in thousands of U.S. dollars)

**(3) Fair Values and Fair Value Option, continued**

The fair values for loans payable at fixed-rates and not hedges, are estimated on the basis of an analysis of discounted cash flows, using the CIRR as a reference.

The fair values for bonds payable issued in U.S. dollars, at fixed-rates and no hedge, are estimated on the basis of an analysis of discounted future cash flows, based on the 10 years swap rate reported by Bloomberg.

The financial liabilities, which are not valued at fair value, are recorded at amortized cost.

Commercial paper programs and certificates of deposit: The fair values are estimated on the basis of an analysis of discounted future cash flows, using as a reference the interest rates of the most recent transactions agreed upon with the Bank prior to each year-end.

Contingent commitments: The fair value of these financial instruments is based on the counterparty credit risk.

As of December 31, 2022 and 2021, the Bank has no recurring fair value measurements categorized within Level 3 of the fair value hierarchy.

**(ii) Recurring Fair Value Measurements**

The following table presents the assets and liabilities measured at their fair value on a recurring basis as of December 31, 2022 and 2021, classified according to the fair value hierarchy:

| | Level 1 | Level 2 | Compensation adjustment[1] | Total 2022 |
|---|---|---|---|---|
| Assets | | | | |
| Securities available for sale | 529,224 | 1,467,891 | 0 | 1,997,115 |
| Derivative financial instruments | 0 | 769,726 | (736,755) | 32,971 |
| Liabilities | | | | |
| Loans payable | 0 | 209,102 | 0 | 209,102 |
| Bonds payable | 0 | 4,024,544 | 0 | 4,024,544 |
| Derivative financial instruments | 0 | 749,144 | (736,689) | 12,455 |

[1]Amounts represent the impact of master netting agreements, the cash effect of collateral received/paid with the same counterparty and the credit risk valuation adjustment of counterparties under netting agreements (see note 19).

(Expressed in thousands of U.S. dollars)

## (3) Fair Values and Fair Value Option, continued

| | Level 1 | Level 2 | Compensation adjustment[2] | Total 2021 |
|---|---|---|---|---|
| Assets | | | | |
| Securities available for sale | 520,861 | 2,064,333 | 0 | 2,585,194 |
| Derivative financial instruments | 0 | 329,774 | (329,518) | 256 |
| Liabilities | | | | |
| Loans payable | 0 | 302,282 | 0 | 302,282 |
| Bonds payable | 0 | 4,523,590 | 0 | 4,523,590 |
| Derivative financial instruments | 0 | 357,270 | (329,497) | 27,773 |

### (iii) Changes in Fair Value Level 3 Category

When an instrument is classified in Level 3, the decision is based on the significance of unobservable assumptions in determining the overall fair value. During the years ended December 31, 2022 and 2021, there were no changes in the Level 3 category.

### (iv) Transfers between Fair Value Level 1 and Level 2 Categories

The Bank's accounting policies include the recognition of transfers between levels of the fair value hierarchy at the date of any event or change in circumstances that caused the transfer. During the years ended December 31, 2022 and 2021, there were no transfers between Levels 1 and 2.

### (v) Non-Recurring Fair Value Measurements

Some assets held by the Bank that are not measured at fair value on a recurring basis are subject to fair value adjustments in certain circumstances. These assets include those assets that are available for sale (at time of initial recognition or further impairment), some loans that are reduced to fair value of collateral, when considering their present impairment, equity investments in other entities recorded at fair value measured using a convenient practice and other long-lived non-financial assets when determined to show impairment.

Fair value for loans is estimated using the discounted future cash flows method, the value of collateral, or the observed market value of the loan, when applicable. This fair value does not represent a current indicator of an exit price. The fair values of foreclosed assets are estimated using the fair value of the foreclosed asset less costs to sell, which does not differ significantly from its maximum and best use. The fair value of equity investment in other entities is estimated based on the value of net assets per share and does not require classification in the fair value hierarchy.

[2] Amounts represent the impact of master netting agreements, the cash effect of collateral received/paid with the same counterparty and the credit risk valuation adjustment of counterparties under netting agreements (see note 19).

(Expressed in thousands of U.S. dollars)

**(3) Fair Values and Fair Value Option, continued**

The following table presents the fair value measurements of assets that are measured at fair value on a nonrecurring basis and the variations in fair value, which has been included in the statement of income for the years ended December 31, 2022 and 2021:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Fair Value** | **Increase (Decrease)** | **Fair Value** | **Decrease** |
| Loans, net | 11,888 | 1,073 | 20,429 | (14,563) |
| Equity investments | 182 | (463) | 4,979 | (548) |
| Foreclosed assets, net | 11,648 | 34 | 11,648 | 0 |
| | 23,718 | 644 | 37,056 | (15,111) |

As of December 31, 2022 and 2021, loans and foreclosed assets included in the table above are categorized within Level 3 of the fair value hierarchy.

**(vi) Fair Value Option**

Guideline of ASC 825-10-25 refers to *"Fair Value Option"* which allows the option to elect measuring at fair value certain financial assets and liabilities that do not require such measurement. Once the option has been elected it becomes irrevocable. The standard also requires that changes to the fair value of these financial assets and liabilities be recorded in the statement of income.

The Bank has elected to measure at fair value the financial liabilities in a currency other than the U.S. dollar for which it has contracted a derivative for fair value hedging of foreign currency or interest rate fluctuations.

The principal purpose for applying ASC 825-10-25 is to reduce the volatility of the Bank's results, considering that both the financial liabilities and the related hedging instruments are generally maintained until maturity.

Changes in the fair value of financial liabilities result from changes in interest rates, foreign exchange rates and the Bank's credit risk spread. The Bank periodically reviews its credit margin in every market in which it operates.

For the years ended December 31, 2022 and 2021, for loans payable at fair value, the Bank recorded gains of 60,357 and 32,372, respectively, in the statement of income. For bonds payable at fair value, for the years ended December 31, 2022 and 2021, the Bank recorded gains of 315,153 and 292,654, respectively, in the statement of income.

These gains are a result of changes in fair values of financial liabilities, for which the fair value option was elected based on the methods stated in section (i) of this note; they are presented as valuation of derivative financial instruments and debt, in the statement of income.

(Expressed in thousands of U.S. dollars)

**(3) Fair Values and Fair Value Option, continued**

Interest and fees generated by these loans and bonds payable were calculated on an accrual basis in accordance with the contractual terms of each transaction and have been recorded as financial expenses in the statement of income.

As of December 31, 2022 and 2021, the difference between the fair value of the instruments elected for application of ASC 825-10-25 and the unpaid principal balances of such instruments is as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Fair value | Amortized cost | Decrease | Fair value | Amortized cost | Increase (Decrease) |
| Loans payable | 209,102 | 270,702 | (61,600) | 302,282 | 292,557 | 9,725 |
| Bonds payable | 4,024,544 | 4,479,769 | (455,225) | 4,523,590 | 4,570,936 | (47,346) |

For the years ended December 31, 2022 and 2021, for changes in the fair value attributable to the credit risk of debt instruments, when the Fair Value Option has been chosen for financial liabilities, the Bank recorded gains of 103,693 and losses of 62,158, respectively, which are presented in accumulated other comprehensive loss, under equity.

**(vii) Fair Value of Financial Instruments**

The Bank's management applies its best judgment to estimate the fair values of its financial instruments. Minor changes in the assumptions used might have a significant impact on the estimates of current values.

As of December 31, 2022 and 2021, the estimated fair values of the Bank's financial instruments are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Assets** | | | | |
| Cash and demand deposits | 34,908 | 34,908 | 42,086 | 42,086 |
| Interest-bearing deposits with banks | 3,477,310 | 3,477,310 | 2,790,462 | 2,790,462 |
| Securities available for sale | 1,997,115 | 1,997,115 | 2,585,194 | 2,585,194 |
| Loans, net | 8,986,612 | 8,887,019 | 8,267,795 | 8,300,717 |
| Accrued interest receivable | 127,825 | 127,825 | 64,466 | 64,466 |
| Derivative financial instruments | 32,971 | 32,971 | 256 | 256 |
| **Liabilities** | | | | |
| Loans payable | 1,314,121 | 1,262,864 | 1,339,743 | 1,328,110 |
| Bonds payable | 6,689,214 | 6,671,152 | 6,919,394 | 6,927,403 |
| Commercial paper programs | 230,263 | 231,718 | 64,999 | 64,902 |
| Certificates of deposit | 2,339,083 | 2,335,321 | 1,743,867 | 1,743,897 |
| Certificates of investment | 151 | 151 | 185 | 185 |
| Accrued interest payable | 86,163 | 86,163 | 17,917 | 17,917 |
| Derivative financial instruments | 12,455 | 12,455 | 27,773 | 27,773 |

As of December 31, 2022 and 2021, loans payable include 1,105,019 and 1,037,461, respectively, which are recognized at amortized cost, whose fair value has been estimated at 1,053,762 and 1,025,828, respectively.

(Expressed in thousands of U.S. dollars)

## (3) Fair Values and Fair Value Option, continued

Likewise, as of the aforementioned dates, bonds payable include 2,664,670 and 2,395,804, respectively, which are recognized at amortized cost, whose fair value has been estimated at 2,646,608 and 2,403,813 respectively. As of December 31, 2022 and 2021, the Bank's financial instruments recognized at amortized cost are categorized within Level 2 of the fair value hierarchy.

## (4) Cash and Demand Deposits

As of December 31, 2022 and 2021, cash and demand deposits are composed by currency, as follows:

| | 2022 | 2021 |
|---|---|---|
| U.S. dollar | 18,485 | 25,434 |
| Currencies of the founding countries | 2,196 | 1,558 |
| Other currencies | 14,227 | 15,094 |
| | 34,908 | 42,086 |

## (5) Interest-bearing Deposits with Banks

Interest bearing deposits usually are time deposits with terms of up to three months, renewable with respect to the term and interest rate; accordingly, face value approximates market value.

As of December 31, 2022 and 2021, their carrying amounts are 3,477,310 and 2,790,462, respectively. All these balances are denominated in United States dollars.

## (6) Securities Available for Sale

The amortized cost of securities available for sale, unrealized gross losses and gains recorded in accumulated other comprehensive loss, the effect of hedging transactions and fair value of securities available for sale, as of December 31, 2022 and 2021 are as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| Securities available for sale[3]: | Amortized cost | Unrealized gross losses | Unrealized gross gains | Effect of hedging transactions | Fair value |
| Sovereigns | 1,353,997 | (59,051) | 0 | (1,855) | 1,293,091 |
| Supranationals | 553,075 | (28,108) | 0 | 0 | 524,967 |
| Investment funds | 193,101 | (14,044) | 0 | 0 | 179,057 |
| | 2,100,173 | (101,203) | 0 | (1,855) | 1,997,115 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| Securities available for sale[3]: | Amortized cost | Unrealized gross losses | Unrealized gross gains | Effect of hedging transactions | Fair Value |
| Sovereigns | 1,952,070 | (9,239) | 6,987 | 15,992 | 1,965,810 |
| Supranationals | 428,365 | (4,333) | 1,115 | 0 | 425,147 |
| Investment funds | 193,101 | 0 | 1,136 | 0 | 194,237 |
| | 2,573,536 | (13,572) | 9,238 | 15,992 | 2,585,194 |

[3] The entirety of securities available for sale is denominated in U.S. dollars.

(Expressed in thousands of U.S. dollars)

**(6) Securities Available for Sale, continued**

The effect of hedging transactions represents the portion of the unrealized gain or loss attributable to the risk covered in those securities by derivatives designated as fair value hedges.

For the year ended December 31, 2022, there were no realized gross gains (losses) on securities available for sale.

For the year ended December 31, 2021, the realized gross gain through the statement of income was 4,461 and there was no realized gross loss.

Gains are realized by considering the unamortized cost of each fund or marketable security sold.

As of December 31, 2022 and 2021, the fair values and unrealized losses on securities available for sale that have been in continuous unrealized loss position are as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | |
| Securities available for sale: | Fair Value | Unrealized gross losses | Fair Value | Unrealized gross losses | Total |
| Sovereigns | 356,763 | (10,944) | 769,497 | (48,107) | (59,051) |
| Supranationals | 48,440 | (1,254) | 327,815 | (26,854) | (28,108) |
| Investment funds | 179,057 | (14,044) | 0 | 0 | (14,044) |
| | 584,260 | (26,242) | 1,097,312 | (74,961) | (101,203) |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or longer | | |
| Securities available for sale: | Fair Value | Unrealized gross losses | Fair Value | Unrealized gross losses | Total |
| Sovereigns | 567,025 | (7,551) | 200,484 | (1,688) | (9,239) |
| Supranationals | 198,442 | (3,346) | 92,156 | (987) | (4,333) |
| | 765,467 | (10,897) | 292,640 | (2,675) | (13,572) |

Bank's management believes that the unrealized losses of such securities as of December 31, 2022, shown in the table above, are substantially related to market interest rate fluctuations and not to deterioration in the creditworthiness of the issuer or guarantor. At that date, the Bank's management has no intention of selling the securities classified as available for sale, and considers it is more-likely-than-not, that the Bank will not have to sell the aforementioned securities before it recovers their cost. Therefore, Bank's management believes that the unrealized gross losses presented in the table above are temporary and no other than temporary impairment has been recorded in the statements of income.

The criteria considered in determining if a loss is other than temporary include: the length of time during which the fair value has been below the amortized cost, the severity of the impairment, the cause of the impairment and the financial condition of the issuer, and CABEI's ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery.

(Expressed in thousands of U.S. dollars)

**(6) Securities Available for Sale, continued**

The review performed by CABEI's management to identify impairment generally consists of identification and assessment of the securities with possible impairment indicators, and individual assessment of securities whose fair value is less than the amortized cost for a security.

A summary of the securities available for sale as of December 31, 2022, in accordance with their contractual maturities, is presented in the following table:

| | Years | | | | |
|---|---|---|---|---|---|
| | **Within 1** | **After 1 but within 5** | **After 5 but within 10** | **After 10** | **Total** |
| Amortized cost | 892,172 | 1,137,615 | 25,056 | 45,330 | 2,100,173 |

The expected maturities may differ from contractual maturities because issuers might have the right to redeem or prepay obligations without penalty in certain cases.

**(7) Loans**

As of December 31, 2022 and 2021, the detail of loans is as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Public sector** | **Private sector** | **Total** | **Public sector** | **Private sector** | **Total** |
| Guatemala | 610,064 | 92,080 | 702,144 | 698,898 | 94,080 | 792,978 |
| El Salvador | 2,287,623 | 145,392 | 2,433,015 | 2,035,570 | 101,880 | 2,137,450 |
| Honduras | 1,744,879 | 209,958 | 1,954,837 | 1,609,603 | 271,790 | 1,881,393 |
| Nicaragua | 1,879,006 | 92,699 | 1,971,705 | 1,579,694 | 141,960 | 1,721,654 |
| Costa Rica | 1,030,973 | 95,206 | 1,126,179 | 879,071 | 88,974 | 968,045 |
| Dominican Republic | 289,085 | 0 | 289,085 | 309,046 | 4,997 | 314,043 |
| Panama | 498,954 | 60,822 | 559,776 | 523,154 | 90,920 | 614,074 |
| Belize | 9,403 | 0 | 9,403 | 10,571 | 0 | 10,571 |
| Colombia | 11,250 | 0 | 11,250 | 23,750 | 0 | 23,750 |
| Mexico | 59,905 | 0 | 59,905 | 74,882 | 0 | 74,882 |
| Argentina | 137,615 | 0 | 137,615 | 78,798 | 0 | 78,798 |
| Subtotal | 8,558,757 | 696,157 | 9,254,914 | 7,823,037 | 794,601 | 8,617,638 |
| Allowance for loan losses | (214,846) | (53,456) | (268,302) | (306,104) | (43,739) | (349,843) |
| Loans, net | 8,343,911 | 642,701 | 8,986,612 | 7,516,933 | 750,862 | 8,267,795 |

Considering the financial policy described in note 2 (e), CABEI complies with its concentration limits of credit risk.

As of December 31, 2022, a detail of loans, by maturity, is as follows:

| | Years | | | | | | |
|---|---|---|---|---|---|---|---|
| **Past due** | **Up to 1** | **After 1 but within 2** | **After 2 but within 3** | **After 3 but within 4** | **After 4 but within 5** | **After 5** | **Total** |
| 0 | 1,045,902 | 788,891 | 1,014,898 | 701,445 | 691,912 | 5,011,866 | 9,254,914 |

(Expressed in thousands of U.S. dollars)

**(7) Loans, continued**

As of December 31, 2022 and 2021, a detail of loans, by economic activity segment is as follows:

| | 2022 | 2021 |
|---|---|---|
| Construction | 2,485,022 | 2,667,760 |
| Supply of electricity, gas, steam, and air conditioning | 1,434,541 | 1,510,048 |
| Other services | 1,306,011 | 808,147 |
| Human health care and social assistance | 980,483 | 890,009 |
| Financial and insurance activities | 724,334 | 710,101 |
| Multi-sector | 663,742 | 527,273 |
| Public administration and social security plans | 380,520 | 341,838 |
| Climate change | 299,290 | 29,253 |
| Water supply; sewage disposal, waste management, and decontamination | 250,971 | 192,781 |
| Education | 245,242 | 229,946 |
| Agriculture, ranching, forestry, and fishing | 152,908 | 355,540 |
| Wholesale and retail | 99,090 | 162,368 |
| Food safety | 49,815 | 0 |
| Arts, entertainment, and recreational activities | 49,163 | 7,505 |
| Information and communication | 34,913 | 48,173 |
| Professional, scientific, and technical activities | 32,107 | 41,799 |
| Transportation and storage | 22,557 | 25,456 |
| Lodging activities and food services | 22,274 | 25,450 |
| Manufacturing industry | 21,919 | 41,272 |
| Administrative services and support activities | 12 | 2,919 |
| | 9,254,914 | 8,617,638 |

As of December 31, 2022 and 2021, a detail of loans, by currency, is as follows:

| | 2022 | 2021 |
|---|---|---|
| U.S. dollar | 9,252,074 | 8,613,723 |
| Currencies from Central American countries | 1,973 | 3,915 |
| Euro | 867 | 0 |
| | 9,254,914 | 8,617,638 |

For the years ended December 31, 2022 and 2021, the weighted average yield on loans, after considering swap contracts when applicable, was 4.72% and 4.02% per annum, respectively.

As of December 31, 2022 and 2021, there are no installments in arrears corresponding to public sector loans.

As of December 31, 2022, there are no installments in arrears corresponding to private sector loans.

As of December 31, 2021, the balance and number of days in arrears of private sector loan installments amounted to 179, integrated by 82 with arrears between 1 and 30 days overdue and 97, more than 90 days overdue, corresponding to a debtor domiciled in the Republic of Nicaragua.

(Expressed in thousands of U.S. dollars)

## (7) Loans, continued

As of December 31, 2022 and 2021, information about impaired private sector loans is presented in the following tables:

| Impaired loans | 2022 Recorded investment | Overdue principal balance | Related allowance | Average recorded investment on impaired loans | Accumulated interest on impaired loans | Interest income recognized on impaired loans |
|---|---|---|---|---|---|---|
| With an allowance for loan losses | | | | | | |
| Nicaragua | 17,071 | 0 | 5,183 | 17,186 | 63 | 395 |
| | 17,071 | 0 | 5,183 | 17,186 | 63 | 395 |
| Impaired loans with accrual status | 17,071 | 0 | 5,183 | 17,186 | 63 | 395 |

| Impaired loans | 2021 Recorded investment | Overdue principal balance | Related allowance | Average recorded investment on impaired loans | Accumulated interest on impaired loans | Interest income recognized on impaired loans |
|---|---|---|---|---|---|---|
| With an allowance for loan losses | | | | | | |
| Honduras | 24,388 | 0 | 13,013 | 23,483 | 33 | 313 |
| Nicaragua | 17,840 | 179 | 8,786 | 17,615 | 42 | 256 |
| | 42,228 | 179 | 21,799 | 41,098 | 75 | 569 |
| Impaired loans with accrual status | 17,143 | 0 | 8,135 | 16,857 | 30 | 219 |
| Impaired loans with non-accrual status | 25,085 | 179 | 13,664 | 24,241 | 45 | 350 |

As of December 31, 2022 and 2021, the Bank does not hold any loans to the public sector considered as individually impaired.

(Expressed in thousands of U.S. dollars)

**(7) Loans, continued**

As of December 31, 2022 and 2021, the credit quality of public sector loans, sovereign and non-sovereign, based on risk ratings assigned by Credit Rating Agencies is as follows:

| Risk Rating | 2022 | 2021 |
|---|---|---|
| BBB+ / BBB / BBB- | 558,859 | 621,786 |
| BB+ / BB / BB- | 910,399 | 1,007,944 |
| B+ / B / B- | 4,654,858 | 4,068,368 |
| CCC+ / CCC / CCC- | 2,434,641 | 2,124,939 |
| | 8,558,757 | 7,823,037 |

As of December 31, 2022 and 2021, the credit quality of private sector loans based on risk ratings described in note 2 (f), is the following:

| Private Sector | 2022 Normal | Special Mention | Substandard | Doubtful | Total |
|---|---|---|---|---|---|
| Guatemala | 92,072 | 0 | 8 | 0 | 92,080 |
| El Salvador | 144,764 | 628 | 0 | 0 | 145,392 |
| Honduras | 209,958 | 0 | 0 | 0 | 209,958 |
| Nicaragua | 71,133 | 4,495 | 0 | 17,071 | 92,699 |
| Costa Rica | 95,206 | 0 | 0 | 0 | 95,206 |
| Panama | 60,822 | 0 | 0 | 0 | 60,822 |
| | 673,955 | 5,123 | 8 | 17,071 | 696,157 |

| Private Sector | 2021 Normal | Special Mention | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|---|---|
| Guatemala | 93,647 | 298 | 135 | 0 | 0 | 94,080 |
| El Salvador | 101,115 | 765 | 0 | 0 | 0 | 101,880 |
| Honduras | 247,385 | 0 | 18 | 24,387 | 0 | 271,790 |
| Nicaragua | 124,120 | 0 | 0 | 17,143 | 697 | 141,960 |
| Costa Rica | 88,944 | 30 | 0 | 0 | 0 | 88,974 |
| Dominican Republic | 4,997 | 0 | 0 | 0 | 0 | 4,997 |
| Panama | 90,920 | 0 | 0 | 0 | 0 | 90,920 |
| | 751,128 | 1,093 | 153 | 41,530 | 697 | 794,601 |

For the years ended December 31, 2022 and 2021, the changes in the allowance for loan losses are as follows:

| | 2022 Sector Public | 2022 Sector Private | 2022 Total | 2021 Sector Public | 2021 Sector Private | 2021 Total |
|---|---|---|---|---|---|---|
| At beginning of year | 306,104 | 43,739 | 349,843 | 220,954 | 64,010 | 284,964 |
| (Reversal of) provision for loan losses | (91,258)[4] | 24,929 | (66,329) | 85,150 | (23,107) | 62,043 |
| Recoveries | 0 | 202 | 202 | 0 | 2,836 | 2,836 |
| Loan write-offs | 0 | (15,414)[5] | (15,414) | 0 | 0 | 0 |
| At end of year | 214,846 | 53,456 | 268,302 | 306,104 | 43,739 | 349,843 |

[4] Includes reversal of 218,838 related to LGD modification for sovereign public sector loans.
[5] Loan write-offs correspond to two private sector loans domiciled in Honduras and Nicaragua.

(Expressed in thousands of U.S. dollars)

## (7) Loans, continued

As of December 31, 2022 and 2021, the balances of allowance for loan losses and recorded investment are presented below:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Public Sector** | **Private Sector** | **Total** | **Public Sector** | **Private Sector** | **Total** |
| **Loans Measured Individually** | | | | | | |
| Specific allowance | 0 | 5,183 | 5,183 | 0 | 21,799 | 21,799 |
| Recorded investment | 0 | 17,071 | 17,071 | 0 | 42,228 | 42,228 |
| **Loans Measured Collectively** | | | | | | |
| Generic allowance | 214,846 | 48,273 | 263,119 | 306,104 | 21,940 | 328,044 |
| Recorded investment | 8,558,757 | 642,097 | 9,200,854 | 7,823,037 | 718,402 | 8,541,439 |
| **Loans Without an Allowance** | | | | | | |
| Recorded investment | 0 | 36,989 | 36,989 | 0 | 33,971 | 33,971 |
| **Total** | | | | | | |
| Allowance | 214,846 | 53,456 | 268,302 | 306,104 | 43,739 | 349,843 |
| Recorded investment | 8,558,757 | 696,157 | 9,254,914 | 7,823,037 | 794,601 | 8,617,638 |

Recorded investment means the loan exposure amount reported on the Bank's balance sheet, net of partial write-offs.

For the years ended December 31, 2022 and 2021, the changes in the balance of troubled debt restructurings are the following:

| | 2022 | 2021 |
|---|---|---|
| At beginning of year | 54,068 | 97,548 |
| Capitalized interest | 502 | 2,096 |
| Loan write-offs | (15,414) | 0 |
| Recoveries | (22,085) | (45,576) |
| At end of year | 17,071 | 54,068 |

For the years ended December 31, 2022 and 2021, no troubled debt restructuring of public or private sector loans has been carried out. The write-offs correspond to private sector in Honduras and Nicaragua.

As of December 31, 2022 and 2021, the number of restructured loans amounted to 1 and 4, respectively.

As of December 31, 2022 and 2021, the amount of past due installments corresponding to restructured loans amounts to 0 and 179, respectively. The installments in arrears are considered in the individual impairment assessment of each restructured loan. At those dates, the Bank has no commitments to make additional disbursements to impaired loans or troubled debt restructurings.

For the year ended December 31, 2022, the Bank recorded three sales of loans for a total amount of 438,330, including principal and interest. No gain or loss on such transactions was recorded.

(Expressed in thousands of U.S. dollars)

## (8) Accrued Interest Receivable

As of December 31, 2022 and 2021, accrued interest receivable is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| On loans | 101,176 | 56,376 |
| On interest-bearing deposits with banks | 19,626 | 804 |
| On securities available for sale | 7,023 | 7,286 |
| | 127,825 | 64,466 |

## (9) Property and Equipment, Net

As of December 31, 2022 and 2021, property and equipment are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Buildings | 42,965 | 33,947 |
| Computer equipment and software | 32,416 | 33,850 |
| Installations | 28,479 | 21,949 |
| Office furniture and equipment | 6,356 | 6,326 |
| Vehicles | 2,642 | 2,540 |
| | 112,858 | 98,612 |
| Less accumulated depreciation and amortization | (61,458) | (62,937) |
| | 51,400 | 35,675 |
| Land | 6,470 | 4,697 |
| | 57,870 | 40,372 |

## (10) Equity Investments

As of December 31, 2022 and 2021, the carrying value of equity investments in shares and equity interests of other entities are as follows:

| Name | Participation | Method | Financial Statements | Equity | 2022 | 2021 |
|---|---|---|---|---|---|---|
| **Shares** | | | | | | |
| Garantías y Servicios, Sociedad de Garantía, S. A. de C. V. | 24.00% | Cost | 11/30/2022 | 8,214 | 1,145 | 1,145 |
| Darby - Pro-Banco Fund II, L. P. | 33.30% | Fair value | 06/30/2022 | 548 | 182 | 4,979 |
| Other | | Cost | | | 24 | 24 |
| Corporación Interamericana para el Financiamiento de Infraestructura, S. A. | | | | | 0 | 5,000 |
| Banco Popular Covelo, S. A. | | | | | 0 | 3,443 |
| Subtotal shares | | | | | 1,351 | 14,591 |
| **Participations** | | | | | | |
| Central American Mezzanine Infrastructure Fund L.P. (CAMIF) | 38.53% | Cost | 09/30/2022 | 26,373 | 10,163 | 14,218 |
| Subtotal participations | | | | | 10,163 | 14,218 |
| | | | | | 11,514 | 28,809 |

During the year ended December 31, 2022, the Bank sold two of its shareholdings for 9,847, generating a gain on sale of equity investment for 1,404.

(Expressed in thousands of U.S. dollars)

## (11) Other Assets

As of December 31, 2022 and 2021, the balance of other assets is detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Advances to suppliers | 45,532 | 39,377 |
| Contributions to the Guarantee Fund | 13,947 | 13,998 |
| Foreclosed assets, net of fair value adjustments | 11,648 | 11,648 |
| Accounts receivable | 3,219 | 4,026 |
| Fees paid in advance | 1,487 | 1,440 |
| Other | 32 | 23 |
| Advanced payment for settlement of commercial paper | 0 | 65,000 |
| | 75,865 | 135,512 |

*Advanced payment for settlement of commercial paper*

As of December 31, 2021, the amount corresponds to the advanced payment for the settlement of the balance of commercial paper for 65,000, due on January 3, 2022 and with payment condition the business day prior to the due date (T-1).

*Contributions to the Guarantee Fund*

On March 31, 2020, the Bank approved the Emergency Support and Preparedness Program for COVID-19 and Economic Reactivation (the Program), the objective of which is to provide fast-disbursing financial resources to SICA member countries and other non-regional countries, for the financing of operations for the prevention, detection, and treatment of COVID-19 and the mitigation of its economic impact in the countries. This Program includes the creation of a facility to support the financial sector for the financing of Micro, Small and Medium Enterprises (MSMEs), through the constitution of the Guarantee Fund (the Fund).

The contributions transferred by CABEI to the Fund will guarantee the credits of the eligible MSMEs before the Intermediary Financial Institutions (IFI) that are borrowers of CABEI. This Fund is managed by CABEI and is kept out of the balance sheet, following the criteria of accounting regulations.

*Foreclosed assets*

As of December 31, 2022 and 2021, the balance of foreclosed assets is 11,648, net of fair value adjustments of 12,316 and 11,762 respectively.

(Expressed in thousands of U.S. dollars)

## (12) Loans Payable

As of December 31, 2022 and 2021, loans payable are as follows:

| | 2022 | 2021 |
|---|---|---|
| Kreditanstalt für Wiederaufbau (KfW) | 305,382 | 281,770 |
| Instituto de Crédito Oficial de España | 235,413 | 230,710 |
| Agence Française de Développement | 180,441 | 258,246 |
| CTBC Bank Co., Ltd. | 149,972 | 0 |
| The International Cooperation and Development Fund (TaiwanICDF) | 132,778 | 138,847 |
| Banco Nacional de Comercio Exterior, S.N.C. (Bancomext) | 117,480 | 132,188 |
| United States International Development Finance Corporation (US DFC) | 99,244 | 99,157 |
| Oesterreichische Entwicklungsbank AG (OeEB) | 27,500 | 30,000 |
| Japan Bank for International Cooperation | 16,409 | 12,729 |
| The Export Import Bank of Korea | 14,986 | 14,985 |
| Nordic Investment Bank | 14,966 | 18,500 |
| Nordea Bank | 10,139 | 14,155 |
| U.S. Agency for International Development (USAID) | 4,120 | 4,737 |
| Fortis Bank SA/NV, Belgium | 2,518 | 5,167 |
| BNP Paribas Fortis | 2,440 | 3,492 |
| Inter-American Development Bank (IDB) | 333 | 570 |
| European Investment Bank | 0 | 94,490 |
| | 1,314,121 | 1,339,743 |

As of December 31, 2022 maturities of loans payable are as follows:

| | Years | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 | After 1 but within 2 | After 2 but within 3 | After 3 but within 4 | After 4 but within 5 | After 5 | Total |
| Balance | 115,183 | 125,452 | 131,379 | 124,425 | 272,643 | 545,039 | 1,314,121 |

For the years ended December 31, 2022 and 2021, the weighted average cost on loans payable, after considering swap contracts when applicable, was 2.55% and 1.43% per annum, respectively.

As of December 31, 2022, loans payable at fixed and variable rates are 576,373 and 737,748, respectively. As of December 31, 2021, loans payable at fixed and variable rates are 696,841 and 642,902, respectively.

(Expressed in thousands of U.S. dollars)

## (13) Bonds Payable and Commercial Paper Programs

a) As of December 31, 2022 and 2021, bonds payable are as follows:

| Currency | 2022 | 2021 |
|---|---|---|
| U.S. Dollars | 2,739,262 | 2,403,318 |
| Swiss francs | 1,348,836 | 1,617,091 |
| Mexican pesos | 847,702 | 1,066,469 |
| Yuan | 291,286 | 322,062 |
| Australian dollars | 290,668 | 112,948 |
| Norwegian kroner | 255,493 | 335,508 |
| Euros | 230,135 | 304,353 |
| Yen | 229,719 | 178,989 |
| Uruguayan pesos | 224,363 | 215,287 |
| Costa Rican colones | 146,412 | 150,950 |
| Colombian pesos | 52,477 | 77,483 |
| Hong Kong dollars | 50,210 | 53,312 |
| New Zealand dollars | 41,176 | 66,743 |
| Swedish kroner | 16,112 | 22,488 |
| | 6,763,851 | 6,927,001 |
| Fair value adjustment | (74,637) | (7,607) |
| | 6,689,214 | 6,919,394 |

As of December 31, 2022 maturities of bonds payable are as follows:

| | Years | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 | After 1 but within 2 | After 2 but within 3 | After 3 but within 4 | After 4 but within 5 | After 5 | Total |
| Balance | 964,984 | 1,308,041 | 1,627,689 | 699,754 | 575,740 | 1,513,006 | 6,689,214 |

For the years ended December 31, 2022 and 2021, the weighted average cost on bonds payable, after considering swap contracts when applicable, was 2.65% and 1.25% per annum, respectively.

b) As of December 31, 2022 and 2021, CABEI has the following commercial paper programs:

| | 2022 | | | |
|---|---|---|---|---|
| | Authorized Program Size | Amount Issued | Annual Average Cost | Contractual Maturity |
| Commercial Paper – Global Program in USD | 500,000 | 230,263 | 2.63% | Up to 3 months |
| Commercial Paper – Regional Program in CRC | 200,000 | 0 | 0.00% | Up to 6 months |
| | 700,000 | 230,263 | | |

(Expressed in thousands of U.S. dollars)

## (13) Bonds Payable and Commercial Paper Programs, continued

| | 2021 | | | |
|---|---|---|---|---|
| | **Authorized Program Size** | **Amount Issued** | **Annual Average Cost** | **Contractual Maturity** |
| Commercial Paper – Global Program in USD | 500,000 | 64,999 | 0.18% | Up to 3 months |
| Commercial Paper – Regional Program in CRC | 200,000 | 0 | 0.00% | Up to 6 months |
| | 700,000 | 64,999 | | |

## (14) Certificates of Deposit

As of December 31, 2022 and 2021, certificates of deposit are as follows:

| | **2022** | **2021** |
|---|---|---|
| Central banks | 1,722,163 | 902,080 |
| Public financial institutions | 301,247 | 302,376 |
| Private financial institutions | 155,164 | 514,416 |
| Multilateral institutions | 125,000 | 0 |
| Other | 35,509 | 24,995 |
| | 2,339,083 | 1,743,867 |

As of December 31, 2022, the contractual maturities are as follows:

| | | | Years | | | | |
|---|---|---|---|---|---|---|---|
| | **Up to 6 months** | **After 6 months but within 1 year** | **After 1 but within 2** | **After 2 but within 3** | **After 3 but within 4** | **After 4 but within 5** | **Total** |
| Balance | 2,060,675 | 256,471 | 3,318 | 5,829 | 2,285 | 10,505 | 2,339,083 |

For the years ended December 31, 2022 and 2021, the weighted average cost on certificates of deposit was 1.83% and 0.18% per annum, respectively.

For the years ended December 31, 2022 and 2021, the weighted average cost on certificates of deposit, by currency, is as follows:

| | **2022** | **2021** |
|---|---|---|
| Deposits in Dollars (USD) | 1.83% | 0.17% |
| Deposits in Costa Rican colones (CRC) | 1.92% | 2.99% |
| Deposits in Lempiras (HNL) | 2.54% | 4.01% |

(Expressed in thousands of U.S. dollars)

## (15) Accrued Interest Payable

As of December 31, 2022 and 2021, accrued interest payable is as follows:

| | 2022 | 2021 |
|---|---|---|
| On bonds payable | 62,260 | 14,788 |
| On certificates of deposit | 16,516 | 522 |
| On loans payable | 7,387 | 2,607 |
| | 86,163 | 17,917 |

## (16) Other Liabilities

As of December 31, 2022 and 2021, other liabilities are detailed below:

| | 2022 | 2021 |
|---|---|---|
| Deficit of assets over actuarial obligations of the employee benefit plan (note 21) | 33,728 | 2,683 |
| Non-refundable financial cooperations to be disbursed | 15,803 | 20,663 |
| Other creditors | 14,125 | 10,103 |
| Bonuses and supplemental compensation | 5,152 | 4,852 |
| Other provisions | 3,771 | 4,071 |
| Provision for technical assistance | 1,877 | 3,454 |
| Transitory deposits | 1,055 | 801 |
| Provision for contingencies (note 18) | 33 | 412 |
| Deferred fees over contingent commitments (note 18) | 16 | 20 |
| | 75,560 | 47,059 |

## (17) Equity

*(a)* Authorized, Subscribed, and Paid-in Capital

The Bank's authorized capital is 7,000,000, divided into 3,570,000 for founding countries and 3,430,000 for non-founding regional countries and non-regional countries. The issuance of shares shall be carried out in accordance with the following parameters: Series "A" shares, which are available only to founding countries, composed of up to 357,000 shares, each with a face value of 10; and Series "B" shares, which are available only to non-founding regional countries and non-regional countries, composed of up to 343,000 shares, each with a face value of 10. The "A" and "B" Series shares will at all times represent the Bank's entire authorized capital.

In addition, there will be a Series "C" shares, issued in favor of the holders of the "A" and "B" Series shares with a face value of zero, which will have the purpose of aligning the equity value of the shares with their nominal value and will be issued as the result of a periodic assignment process, as regulated and approved by the Board of Governors.

The "C" Series shares will be assigned in a proportional manner to the number of "A," "B," and "C" Series shares of each shareholder. The "C" Series shares cannot be used as payment to subscribe "A" or "B" Series shares and will not generate callable capital.

As of December 31, 2022, the founding countries have subscribed 3,570,000 from the total number of shares into equal parts, and the non-founding regional countries and non-regional countries have subscribed 3,313,100; the remaining 116,900 is available for subscription.

(Expressed in thousands of U.S. dollars)

## (17) Equity, continued

The Bank's shares shall not accrue interest or dividends and they may not be pledged or taxed.

Series "E" certificates are issued to "A" and "B" shareholders, each with a face value of 10, to recognize the retained earnings attributable to their capital contributions to the Bank through the passage of time. These certificates do not grant voting rights and may not be transferred. Series "E" certificates may be used by the members who are holders of "A" and "B" shares in order to pay, either fully or partially, the subscription of new shares of the unsubscribed authorized share capital made available by the Bank. Series "E" certificates not used to subscribe for new shares of stock will become part of the Bank's general reserve.

The Bank's authorized capital is divided into shares of callable capital and shares payable in cash. The equivalent to 5,250,000 corresponds to callable capital and the equivalent to 1,750,000 corresponds to capital payable in cash.

As of December 31, 2022, the capital structure of the Bank is detailed as follows:

| | Capital | | | | |
|---|---|---|---|---|---|
| **Subscribed capital** | **Authorized** | **Callable subscribed** | **Subscribed payable in cash** | **Subscribed payable in cash receivable** | **Paid-in** |
| Founding countries | | | | | |
| Guatemala | 714,000 | 535,500 | 178,500 | 38,250 | 140,250 |
| El Salvador | 714,000 | 535,500 | 178,500 | 25,500 | 153,000 |
| Honduras | 714,000 | 535,500 | 178,500 | 31,875 | 146,625 |
| Nicaragua | 714,000 | 535,500 | 178,500 | 31,875 | 146,625 |
| Costa Rica | 714,000 | 535,500 | 178,500 | 38,250 | 140,250 |
| Subtotal founding countries | 3,570,000 | 2,677,500 | 892,500 | 165,750 | 726,750 |
| Non-founding regional countries | | | | | |
| Dominican Republic | 378,400 | 283,800 | 94,600 | 22,950 | 71,650 |
| Panama | 358,400 | 268,800 | 89,600 | 19,200 | 70,400 |
| Belize | 25,000 | 18,750 | 6,250 | 0 | 6,250 |
| Subtotal non-founding regional countries | 761,800 | 571,350 | 190,450 | 42,150 | 148,300 |
| Non-regional countries | | | | | |
| Republic of China (Taiwan) | 776,250 | 582,187 | 194,063 | 51,797 | 142,266 |
| Republic of Korea | 630,000 | 472,500 | 157,500 | 56,250 | 101,250 |
| Mexico | 306,250 | 229,687 | 76,563 | 0 | 76,563 |
| Argentina | 305,800 | 229,350 | 76,450 | 30,150 | 46,300 |
| Spain | 280,000 | 210,000 | 70,000 | 3,000 | 67,000 |
| Colombia | 203,000 | 152,250 | 50,750 | 10,876 | 39,874 |
| Cuba[6] | 50,000 | 37,500 | 12,500 | 0 | 12,500 |
| Subtotal non-regional countries | 2,551,300 | 1,913,474 | 637,826 | 152,073 | 485,753 |
| Subtotal subscribed capital and paid-in capital | 6,883,100 | 5,162,324 | 1,720,776 | 359,973 | 1,360,803 |
| **Unsubscribed capital** | | | | | |
| Non-founding regional and non-regional countries | 116,900 | | | | |
| **Authorized capital** | 7,000,000 | | | | |

[6] The capital payments of the Republic of Cuba are made in euros.

(Expressed in thousands of U.S. dollars)

## (17) Equity, continued

As of December 31, 2021, the capital structure of the Bank is detailed as follows:

| | Capital | | | | |
|---|---|---|---|---|---|
| **Subscribed capital** | **Authorized** | **Callable subscribed** | **Subscribed payable in cash** | **Subscribed payable in cash receivable** | **Paid-in** |
| Founding countries | | | | | |
| Guatemala | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| El Salvador | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| Honduras | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| Nicaragua | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| Costa Rica | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| Subtotal founding countries | 3,570,000 | 2,677,500 | 892,500 | 223,125 | 669,375 |
| Non-founding regional countries | | | | | |
| Dominican Republic | 378,400 | 283,800 | 94,600 | 26,775 | 67,825 |
| Panama | 358,400 | 268,800 | 89,600 | 22,400 | 67,200 |
| Belize | 25,000 | 18,750 | 6,250 | 0 | 6,250 |
| Subtotal non-founding regional countries | 761,800 | 571,350 | 190,450 | 49,175 | 141,275 |
| Non-regional countries | | | | | |
| Republic of China (Taiwan) | 776,250 | 582,187 | 194,063 | 60,430 | 133,633 |
| Republic of Korea | 630,000 | 472,500 | 157,500 | 61,875 | 95,625 |
| Mexico | 306,250 | 229,687 | 76,563 | 0 | 76,563 |
| Argentina | 305,800 | 229,350 | 76,450 | 35,175 | 41,275 |
| Spain | 280,000 | 210,000 | 70,000 | 6,000 | 64,000 |
| Colombia | 203,000 | 152,250 | 50,750 | 12,688 | 38,062 |
| Cuba[7] | 50,000 | 37,500 | 12,500 | 0 | 12,500 |
| Subtotal non-regional countries | 2,551,300 | 1,913,474 | 637,826 | 176,168 | 461,658 |
| Subtotal subscribed capital and paid-in capital | 6,883,100 | 5,162,324 | 1,720,776 | 448,468 | 1,272,308 |
| **Unsubscribed capital** | | | | | |
| Non-founding regional and non-regional countries | 116,900 | | | | |
| **Authorized capital** | 7,000,000 | | | | |

[7] The capital payments of the Republic of Cuba are made in euros.

(Expressed in thousands of U.S. dollars)

**(17) Equity, continued**

*(b)* Capital Subscriptions

During the year ended December 31, 2022

On June 23, 2022, CABEI's Board of Governors approved the request of the Argentine Republic to increase its participation in the Bank's authorized capital in accordance with the provisions of section VI, of the Bank's Capitalization Regulations for 4,000 "B" Series shares, equivalent to 40,000. This capital subscription process will generate capital payments to CABEI for an aggregate amount of 10,000 to be received over the course of 8 years. Currently, steps are being taken to conduct the legislative process that would allow the authorization of the aforementioned subscription.

During the year ended December 31, 2021

On September 3, 2020, CABEI's Board of Governors approved the request of the Argentine Republic to increase its participation in the authorized capital in accordance with section VI, of the Bank's Capitalization Regulations for 4,655 "B" series shares, equivalent to 46,550. This capital subscription process will generate cash capital payments for CABEI for an aggregate amount of 11,638, to be received over the course of 8 years. Consequently, on May 5, 2021, the Argentine Republic made its first cash capital payment of 1,455, with which the capital subscription became effective.

*(c)* Capital Payments

As a result of the new subscription of shares and amendments to the Constitutive Agreement, for the years ended December 31, 2022 and 2021, the member countries made capital payments as follows:

| **Capital Payments** | **2022** | **2021** |
|---|---|---|
| Founding countries | | |
| Guatemala | 6,375 | 6,375 |
| El Salvador | 19,125 | 6,375 |
| Honduras | 12,750 | 6,375 |
| Nicaragua | 12,750 | 6,375 |
| Costa Rica | 6,375 | 6,375 |
| Sub-total | 57,375 | 31,875 |
| Non-founding regional countries | | |
| Dominican Republic | 3,825 | 3,825 |
| Panama | 3,200 | 3,200 |
| Sub-total | 7,025 | 7,025 |
| Non-regional countries | | |
| Republic of China (Taiwan) | 8,633 | 8,633 |
| Republic of Korea | 5,625 | 61,875 |
| Argentina | 5,025 | 5,025 |
| Spain | 3,000 | 4,000 |
| Colombia | 1,812 | 1,812 |
| Cuba[8] | 0 | 5,649 |
| Sub-total | 24,095 | 86,994 |
| | 88,495 | 125,894 |

[8] The capital payments of the Republic of Cuba are made in euros

(Expressed in thousands of U.S. dollars)

## (17) Equity, continued

*(d)* Entry into force of the voting rights of CABEI's VIII General Capital Increase

In accordance with the provisions of CABEI's Capitalization Regulations, in guarantee of 51.0% of the participation of the founding member countries, the right to vote in the capital subscription of CABEI's Eighth General Capital Increase will take effect once the first capital payment of the founding member countries has been received to guarantee the aforementioned proportion, and provided that the period granted to non-founding regional members and non-regional members to make the first capital payment has elapsed. In this sense, with the receipt of the capital payment from the Republic of Honduras, corresponding to the complement of its first installment, the receipt of the first capital payment from the founding member countries that guarantees the 51.0% proportion was completed. Hence, as of December 28, 2021, the voting rights of the capital subscriptions of all the countries that have made the payment of the first capital installments corresponding to the subscriptions made within the framework of CABEI's Eighth General Capital Increase came into effect.

## (18) Contingent Commitments

As of December 31, 2022 and 2021, balances of contingent commitments are as follows:

| | 2022 | 2021 |
|---|---|---|
| Subscribed credit agreements (*) | 5,357,783 | 5,121,547 |
| Endorsements and guarantees granted | 32,165 | 38,376 |
| Letters of credit | 10,925 | 5,925 |
| | 5,400,873 | 5,165,848 |

(*) Includes approved and formalized loan commitments.

The Bank's management has performed an analysis of each commitment assumed, based on current information and events to determine material losses for these commitments.

As of December 31, 2022 the maturities of endorsements and guarantees granted, and letters of credit, are as follows:

| | Years | | |
|---|---|---|---|
| | 2023 | 2029 | Total |
| Endorsements and guarantees granted | 0 | 32,165 | 32,165 |
| Letters of credit | 10,925 | 0 | 10,925 |

As of December 31, 2022 and 2021 the Bank has recognized deferred commissions for contingent commitments for 16 and 20, respectively, which have been recorded as other liabilities in the balance sheet (note 16).

As of December 31, 2022 and 2021, the Bank maintains a provision for possible losses of 33 and 412, respectively, in relation to the guarantees and guarantees granted and letters of credit, which has been recorded as other liabilities in the balance sheet (note 16).

(Expressed in thousands of U.S. dollars)

## (19) Derivative Financial Instruments and Hedging Activities

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

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

The Bank maintains policies for the approval of counterparties and maximum limits per counterparty. To measure the exposure with counterparties, the Bank establishes a maximum limit measured with respect to the counterparty's credit quality. As of December 31, 2022 and 2021, the Bank is in compliance with this policy.

The Bank's derivatives are subject to enforceable master netting agreements with its counterparties. These legally enforceable master netting arrangements oblige the counterparty to deliver securities as collateral and give the Bank the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty.

As of December 31, 2022 and 2021, the face value of derivative financial instruments is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | Face Value | Face Value | Face Value | Face Value |
| **Economic hedges** | | | | |
| Interest rate and other contracts | 549,950 | 1,910,000 | 1,104,330 | 1,019,950 |
| **Other risk management purposes** | | | | |
| Foreign currency contracts | 1,522,760 | 3,039,512 | 2,213,088 | 2,266,885 |
| Total derivative financial instruments, face value | 2,072,710 | 4,949,512 | 3,317,418 | 3,286,835 |

CABEI adopted the accounting policy of offsetting derivative financial instruments, which establishes that the right to offset the positions of assets and liabilities in the balance sheet exists.

This accounting policy is covered under ASC 815-10-45 which indicates that an entity may offset the fair value amounts recognized for derivative financial instruments and the fair value amounts recognized by the obligation to deliver cash collateral (delivered), or the right to claim cash collateral (received), which arises from derivative instruments recognized at fair value with the same counterparty under a master netting agreement.

(Expressed in thousands of U.S. dollars)

## (19) Derivative Financial Instruments and Hedging Activities, continued

The following tables present information about the offsetting of derivative financial instruments as of December 31, 2022 and 2021:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | Fair Value | Fair Value | Fair Value | Fair Value |
| **Fair value hedges** | | | | |
| Interest rate and other contracts | 41,621 | 114,402 | 19,122 | 42,720 |
| **Other risk management purposes** | | | | |
| Foreign currency contracts | 90,666 | 615,952 | 127,273 | 253,550 |
| Subtotal derivative financial instruments | 132,287 | 730,354 | 146,395 | 296,270 |
| Cash collateral paid / received | 637,439 | 18,790 | 183,379 | 61,000 |
| Subtotal derivative financial instruments, by gross amounts | 769,726 | 749,144 | 329,774 | 357,270 |
| Less: Master netting agreements | (114,610) | (114,610) | (97,856) | (97,856) |
| Less: Offsetting cash collateral paid / received | (622,195) | (622,195) | (231,674) | (231,674) |
| Credit risk valuation adjustment for counterparties under netting agreements | 50 | 116 | 12 | 33 |
| Total derivative financial instruments presented in the balance sheet, by offset amounts | 32,971 | 12,455 | 256 | 27,773 |

The income (loss) of derivative instruments used as hedges, under ASC 815, has been recorded together with the income (loss) of the respective financial instruments hedged in the valuation account of derivative financial instruments and debt presented in the statement of income.

(Expressed in thousands of U.S. dollars)

## (19) Derivative Financial Instruments and Hedging Activities, continued

For the years ended December 31, 2022 and 2021, such income (loss) on derivative financial instruments is presented below:

| | 2022 Income (loss) | | |
|---|---|---|---|
| | Derivative instrument | Hedged financial instrument | Total |
| **Fair value hedges** | | | |
| Interest rate and other contracts | (49,184) | 49,184 | 0 |
| **Undesignated economic hedges** | | | |
| Foreign currency contracts[9] | (399,009) | 0 | (399,009) |
| **Credit risk valuation adjustment on derivative financial instruments** | (44) | 0 | (44) |
| **Realized loss, credit risk component on debt at fair value** | (8,910) | 0 | (8,910) |
| | (457,147) | 49,184 | (407,963) |

| | 2021 Income (loss) | | |
|---|---|---|---|
| | Derivative instrument | Hedged financial instrument | Total |
| **Fair value hedges** | | | |
| Interest rate and other contracts | (27,022) | 27,022 | 0 |
| **Undesignated economic hedges** | | | |
| Foreign currency contracts | (335,184) | 0 | (335,184) |
| **Credit risk valuation adjustment on derivative financial instruments** | (97) | 0 | (97) |
| **Realized loss, credit risk component on debt at fair value** | (4,740) | 0 | (4,740) |
| | (367,043) | 27,022 | (340,021) |

(Loss) income recognized in the statement of income is presented as valuation of derivative financial instruments and debt.

[9] These contracts correspond to economic hedges for which the Bank has elected to measure at fair value the financial liabilities denominated in currencies other than the U.S. dollar (note 3 (vi)).

(Expressed in thousands of U.S. dollars)

## (20) Funds and Programs managed by CABEI

In its role as a multilateral financial institution and promoter of both the economic integration and balanced economic and social development of the founding countries, and non-founding regional countries, the Bank manages independent funds and programs which are detailed below as of December 31, 2022 and 2021:

| | Net Assets | |
|---|---|---|
| Fund/Program | 2022 (Unaudited) | 2021 (Unaudited) |
| Honduras - Spain Fund, Phase II | 45,320 | 54,610 |
| Technical Cooperation Fund – FONTEC | 30,186 | 26,321 |
| Investment Trust – Dwelling Mortgage Fund (FIFHV) | 29,566 | 29,103 |
| CABEI Guarantee Fund - Financial Sector Support Facility of the COVID-19 Emergency Program | 18,892 | 14,978 |
| Korea – CABEI Partnership Single Donor Trust Fund (KTF) | 18,027 | 13,570 |
| Taiwan ICDF Facility for Assisting the Economic Empowerment of Women in the Post-Pandemic of COVID-19 | 10,027 | 0 |
| Climate Change Investment Project Preparation Fund (FCC) | 4,501 | 2,500 |
| Program for Development of the Border Areas in Central America | 4,030 | 4,031 |
| Accelerating Fund investments in Renewable Energy in Central America (ARECA) | 2,505 | 2,478 |
| Taiwan-CABEI Partnership Trust Fund (TCPT) | 1,467 | 1,000 |
| Productive Investment Initiative for Adaptation to Climate Change (CAMBIo II) | 812 | 351 |
| UNOPS – GCF – Readiness and Preparatory Support Programme (RPSP) “Strengthening Policies and Structures to Access Climate Finance in the Republic of Nicaragua” | 246 | 415 |
| Korea Development Co-Financing Facility for Central America | 222 | 124 |
| Technical Assistance Fund for Regional Integration Projects (FATPIR) | 189 | 1,580 |
| Development of an Energy Efficiency Market in Lighting, Air Conditioners and Refrigerators in Costa Rica | 150 | 282 |
| Agence Française de Développement (AFD) – Technical Assistance Program | 120 | 176 |
| Trust for Administration, Attention, Rehabilitation, Training, and Prevention of Burnt Children (APROQUEN) | 91 | 96 |
| Bio-CLIMA Integrated Climate Action to Reduce Deforestation and Strengthen Resilience in the Bosawás and Rio San Juan Biosphere Reserves | 0 | 0 |
| UNOPS – GCF – Rapid Passengers Train (RPT) for the Greater Metropolitan Area of San Jose (GAM) | (118) | (118) |
| CABEI’s Social Support Foundation (FAS-BCIE) | (598) | 0 |
| | 165,635 | 151,497 |

(Expressed in thousands of U.S. dollars)

## (21) Social Benefit Fund (SBF)

The Social Benefit Fund's (the Fund or the SBF) objective is to provide the Bank's personnel with benefits for retirement and disability pensions, voluntary retirement, compensation based on years of service, life insurance in the event of disability and death, hospital medical benefits, medium term financing, and other benefits that may be granted in accordance with the financial capacity of the Fund. The SBF is financed by contributions from beneficiaries and the Bank in accordance with the provisions of the Plans. Retirement, pension and life insurance plans are considered as defined benefit plans, whereas the hospital-related medical benefit plan is considered a defined contribution plan.

The SBF exists with the exclusive purpose of granting to the Bank's personnel the benefits set forth in the Charter and supplementary regulations currently existing or to be issued to such effect by the Bank.

It also establishes that the SBF's assets will be held and managed separately from the other assets of the Bank, as a pension fund, and will exclusively be used to pay the benefits and expenses under the various benefit plans granted by the SBF.

The Bank pays a special contribution to SBF as a compensation mechanism or supplement to the yield generated by the Social Benefit Plan's investment securities portfolio in order to reach the established technical interest rate, which is currently 7%.

Although there is a periodic monitoring of SBF's Plan benefits, the date the Bank uses to measure this obligation is December 31 of each year. The following tables show the net periodic benefit cost for the years ended December 31, 2022 and 2021, in compliance with the criteria established by current standards:

| | 2022 | 2021 |
|---|---|---|
| Interest cost | 9,925 | 9,497 |
| Service cost | 2,292 | 2,118 |
| Return on Plan assets | (12,682) | (13,081) |
| Net periodic benefit | (465) | (1,466) |

The following tables show the changes in projected benefit obligation, the changes in Plan assets and the Plan position as they arise from the most recent actuarial appraisal as of December 31, 2022 and 2021 and in conformity with the criteria established by currently applicable standards.

(Expressed in thousands of U.S. dollars)

## (21) Social Benefit Fund (SBF), continued

As of December 31, 2022 and 2021, the changes in projected benefit obligation, the changes in Plan assets and the Plan position are detailed as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | **Retirement and Pension Plan** | **Life Insurance Plan** | **Hospital-related Medical Plan** | **Total** |
| **Changes in benefit obligation:** | | | | |
| Benefit obligation at beginning of year | 148,132 | 20,744 | 26,041 | 194,917 |
| Interest cost | 9,925 | 0 | 0 | 9,925 |
| Service cost | 2,292 | 0 | 0 | 2,292 |
| Paid benefits | (13,748) | (512) | (3,849) | (18,109) |
| Actuarial losses | 5,168 | 1,818 | 2,430 | 9,416 |
| Benefit obligation at end of year | 151,769 | 22,050 | 24,622 | 198,441 |
| **Changes in Plan assets:** | | | | |
| Fair value of Plan assets at beginning of year | 129,311 | 53,026 | 26,041 | 208,378 |
| Return on Plan assets | 8,765 | 2,561 | 1,356 | 12,682 |
| Employer contributions | 3,951 | 720 | 2,866 | 7,537 |
| Plan participants contributions | 1,390 | 24 | 1,487 | 2,901 |
| Paid benefits | (13,748) | (512) | (3,849) | (18,109) |
| Change in fair value of investments | (9,882) | (16,527) | (3,279) | (29,688) |
| Reclassification of reserves due to plan changes | 9,400 | (9,400) | 0 | 0 |
| Other expenses, net | (131) | 0 | 0 | (131) |
| Subtotal | 129,056 | 29,892 | 24,622 | 183,570 |
| Assets assigned to individual savings accounts | (18,857) | 0 | 0 | (18,857) |
| Fair value of Plan assets at end of year | 110,199 | 29,892 | 24,622 | 164,713 |
| Net Plan position | (41,570) | 7,842 | 0 | (33,728) |

| | 2021 | | | |
|---|---|---|---|---|
| | **Retirement and Pension Plan** | **Life Insurance Plan** | **Hospital-related Medical Plan** | **Total** |
| **Changes in benefit obligation:** | | | | |
| Benefit obligation at beginning of year | 141,771 | 18,559 | 25,922 | 186,252 |
| Interest cost | 9,497 | 0 | 0 | 9,497 |
| Service cost | 2,118 | 0 | 0 | 2,118 |
| Paid benefits | (13,079) | (682) | (4,360) | (18,121) |
| Actuarial losses | 7,825 | 2,867 | 4,479 | 15,171 |
| Benefit obligation at end of year | 148,132 | 20,744 | 26,041 | 194,917 |
| **Changes in Plan assets:** | | | | |
| Fair value of Plan assets at beginning of year | 126,817 | 60,663 | 25,922 | 213,402 |
| Return on Plan assets | 7,653 | 3,816 | 1,612 | 13,081 |
| Employer contributions | 3,549 | 657 | 2,613 | 6,819 |
| Plan participants contributions | 1,246 | 26 | 1,409 | 2,681 |
| Paid benefits | (13,079) | (682) | (4,360) | (18,121) |
| Change in fair value of investments | (5,483) | (2,762) | (1,155) | (9,400) |
| Reclassification of reserves due to plan changes | 8,691 | (8,691) | 0 | 0 |
| Other expenses, net | (83) | 0 | 0 | (84) |
| Subtotal | 129,311 | 53,027 | 26,041 | 208,378 |
| Assets assigned to individual savings accounts | (16,144) | 0 | 0 | (16,144) |
| Fair value of Plan assets at end of year | 113,167 | 53,027 | 26,041 | 192,234 |
| Net Plan position | (34,965) | 32,283 | 0 | (2,683) |

(Expressed in thousands of U.S. dollars)

**(21) Social Benefit Fund (SBF), continued**

As of December 31, 2022 and 2021, the SBF's net Plan assets are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Cash | 4,217 | 3,128 |
| Securities available for sale | 165,127 | 190,590 |
| Subtotal | 169,344 | 193,718 |
| Loans | 12,317 | 12,168 |
| Accrued interest receivable | 1,148 | 1,474 |
| Other, net | 761 | 1,018 |
| | 183,570 | 208,378 |
| Less: Assets from individual account balances | (18,857) | (16,144) |
| Net assets | 164,713 | 192,234 |

*Benefits*

Retirement benefits are granted once employees and officials meet the required age and years of service; they are based on a percentage of the compensation of participants in relation to age and years of service. Voluntary retirement benefits are granted once employees and officials are separated from CABEI either voluntarily or by dismissal.

The death coverage benefit or life insurance includes: i) compensation for natural death, ii) compensation for accidental death, iii) compensation for complete and permanent disability, iv) compensation for dismemberment or loss of sight, caused by disease or accident, v) allowance for burial and related expenses and vi) compensation for time served.

Medical benefits include medical, hospital and laboratory attention to active employees and officers, retirees by disability and ordinary retirees.

*Actuarial assumptions*

The actuarial assumptions used are based on financial market interest rates, the established technical interest rate, past experience and management's best estimate of future changes in benefits and economic conditions. Changes in these assumptions may have an impact on the cost of benefits and future obligations. At December 31, 2022 and 2021, weighted averages of the actuarial assumptions used in the estimate of the projected benefit obligation were the following:

| | |
|---|---|
| Discount rate | 7 % |
| Salary increase rate | 5 % |
| Estimated rate of return on assets, considering the special contributions granted by the Bank | 7 % |

Medical benefits have been considered as a defined contribution plan, for which the mathematical reserve is derived from the accumulated balance of the reserves recognized for accounting purposes corresponding to the medical benefit plan.

(Expressed in thousands of U.S. dollars)

## (21) Social Benefit Fund (SBF), continued

The treatment of medical benefits as a defined contribution plan is based on a resolution adopted by the Bank's Board of Directors, pursuant to which the scope of the benefit is limited to the annual availability of funds of the SBF.

*Contributions*

It is expected that the contributions from CABEI to the SBF during fiscal year 2023 will amount approximately to 13,628. All Bank contributions are made in cash.

*Future payments of estimated benefits*

The following table shows the benefits that are expected to be payable in each of the next five years and, in aggregate, for the subsequent five years, based upon the same assumptions that were used to determine the projected benefit obligation as of December 31, 2022:

| Plans | Years | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | **2024** | **2025** | **2026** | **2027** | **2028-2032** |
| Retirement and Pensions | 12,676 | 13,079 | 13,560 | 13,916 | 14,512 | 80,410 |
| Life Insurance | 595 | 651 | 658 | 663 | 668 | 3402 |
| Hospital related medical | 3,571 | 3,692 | 3,728 | 3,761 | 3,789 | 19,281 |
| | 16,842 | 17,422 | 17,946 | 18,340 | 18,969 | 103,093 |

*Plan Assets*

The purpose of the Plan's Asset Allocation Investments Portfolio scheme is to maintain a diversified portfolio of asset classes in order to preserve the assets and generate income, and to achieve an appropriate growth level, based on a return adjusted by the determined risk tolerance, with the intention of attaining the technical rate necessary to meet the Social Benefit Plan's obligations. SBF's investment policies specify the appropriate asset classes for the Plan, asset allocation guides, and the procedures for monitoring investment performance. The Plan's resources must be invested in securities from money and capital markets, in accordance to SBF's Charter, the Bank's Investment Policies and other applicable regulations.

As of December 31, 2022 and 2021, the asset allocation of SBF's investment portfolio is as follows:

| | 2022 | |
|---|---|---|
| | Asset Allocation Objectives | |
| | **Maximum allowed** | **Actual** |
| Short-term investments | 5% | 0% |
| Investment grade fixed income instruments | 85% | 45% |
| US equities | 17% | 34% |
| Other developed markets equities | 8% | 21% |

(Expressed in thousands of U.S. dollars)

## (21) Social Benefit Fund (SBF), continued

| 2021 | | |
|---|---|---|
| **Asset Allocation Objectives** | | |
| | **Maximum allowed** | **Actual** |
| Cash and due from banks | 5% | 0% |
| Investment securities: | | |
| US Treasury bonds and/or bonds issued by US Federal Government Agencies | 100% | 13% |
| Securities issued by CABEI | 100% | 30% |
| Eurobonds CA or CABEI Fund Shares | 20% | 16% |
| Corporate bonds with credit rating "A" or better | 50% | 41% |

Plan assets are recognized at fair value.

The following table presents the assets valued at their fair value on a recurring basis as of December 31, 2022 and 2021, classified according to the fair value hierarchy:

| | **Level 1** | **Level 2** | **Level 3** | **2022** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 4,217 | 0 | 0 | 4,217 |
| Fixed income bonds: | | | | |
| US Treasury bonds | 3,523 | 0 | 0 | 3,523 |
| Corporate bonds | 0 | 42,779 | 0 | 42,779 |
| Securities issued by CABEI | 0 | 47,635 | 0 | 47,635 |
| Investment funds | 0 | 36,336 | 0 | 36,336 |
| Sovereign bonds | 0 | 34,854 | 0 | 34,854 |
| | 7,740 | 161,604 | 0 | 169,344 |

| | **Level 1** | **Level 2** | **Level 3** | **2021** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 3,128 | 0 | 0 | 3,128 |
| Fixed income bonds: | | | | |
| US Treasury bonds | 17,671 | 0 | 0 | 17,671 |
| Securities issued by CABEI | 0 | 56,005 | 0 | 56,005 |
| Corporate bonds | 0 | 74,544 | 0 | 74,544 |
| Sovereign bonds | 0 | 42,370 | 0 | 42,370 |
| | 20,799 | 172,919 | 0 | 193,718 |

(Expressed in thousands of U.S. dollars)

## (22) Accumulated Other Comprehensive Loss

For the years ended December 31, 2022 and 2021, accumulated other comprehensive (loss) income, is as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Securities available for sale | Actuarial losses under the Social Benefit Plan | Change in credit risk of debt instruments at fair value | Accumulated other comprehensive loss |
| At beginning of year | (4,334) | (2,655) | (51,605) | (58,594) |
| Changes for the year | (96,869) | (31,045) | 112,603 | (15,311) |
| At end of year | (101,203) | (33,700) | 60,998 | (73,905) |

| | 2021 | | | |
|---|---|---|---|---|
| | Securities available for sale | Actuarial gains (losses) under the Social Benefit Plan | Change in credit risk of debt instruments at fair value | Accumulated other comprehensive income (loss) |
| At beginning of year | 35,166 | 13,067 | 5,813 | 54,046 |
| Changes for the year | (39,500) | (15,722) | (57,418) | (112,640) |
| At end of year | (4,334) | (2,655) | (51,605) | (58,594) |

For the years ended December 31, 2022 and 2021, reclassifications from accumulated other comprehensive loss income to earnings are as follows:

| | 2022 | 2021 | Line in statement of income affected |
|---|---|---|---|
| Securities available for sale | 0 | 4,461 | Realized gains on investment funds |
| Derivative Financial Instruments and Debt | (8,910) | (4,740) | Valuation of derivative financial instruments and debt |
| | (8,910) | (279) | |

Reclassifications of valuation of derivative financial instruments and debt arise from losses realized due to the effect of credit risk arising from the maturity of debt instruments at fair value.

(Expressed in thousands of U.S. dollars)

## (23) Special and other contributions

For the years ended December 31, 2022 and 2021, special contributions and other are detailed as follows:

| | 2022 | 2021 |
|---|---|---|
| Emergency aid | 6,199 | 6,000 |
| FONTEC special contribution | 5,826 | 10,645 |
| SBF special contribution | 5,102 | 5,582 |
| Non-reimbursable financial cooperations to member countries | 4,674 | 2,000 |
| Contribution to the Social Support Foundation Fund | 1,400 | 1,000 |
| Other contributions | 1,402 | 963 |
| Contribution to the Climate Change Investment Project Readiness Fund | 0 | 2,500 |
| | 24,603 | 28,690 |

The special contributions to the SBF correspond to the supplement to the actuarial technical interest rate of 7% per annum, which are recorded as special contributions (note 21).

## (24) Litigation

The Bank is involved in claims and legal actions derived from its normal course of business. According to the Bank's management's best knowledge, the result of these actions will not originate an adverse material effect on its financial position, results of operations or liquidity.

## (25) Subsequent Events

The Bank has evaluated subsequent events as of the date of the balance sheet up to February 28, 2023, date on which the financial statements were ready for their issuance and the following were identified:

a) On January 13, 2023, the Bank received the advanced payment of the fourth capital installment from the Republic of Nicaragua for 6,375, corresponding to the capital increase approved by Resolution No. AG-15/2019.

b) On January 27, 2023, the Bank received the fourth and final capital payment from the Republic of Korea for 28,125, corresponding to its 45,000 "B" Series shares subscription.

c) During January and February 2023, CABEI issued four Environmental, Social and Governance Bonds (ESG Bonds) in the capital markets for 1,483,111, including the third issuance of a Social Benchmark Bond in 144-A/Reg S for 1,250,000 with a term of 3 years.

d) On February 9, 2023, the Bank received the advanced payment of the remaining capital installments from the Argentine Republic for 40,150, corresponding to the capital increase approved by Resolution No. AG-15/2019, and additional subscriptions for 4,655 and 4,000 "B" Series shares.

# CENTRAL AMERICAN BANK
# FOR ECONOMIC INTEGRATION

**Financial Statements**

December 31, 2021 and 2020

(With Independent Auditors' Reports Thereon)

CABEI
Central American
Bank for
Economic
Integration

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CABEI
Central American Bank for Economic Integration

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

February 28, 2022

The Management of the Central American Bank for Economic Integration (the Bank) is responsible for establishing and maintaining an effective internal control system over financial reporting. Therefore, Management assessed the Bank's internal control over financial reporting as of December 31st, 2021. This assessment was based on the criteria for effective internal control established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Bank's internal control over financial reporting is a process designed and executed under the supervision its principal executives and financial officers or personnel that performs similar functions, intended to provide reasonable assurance regarding the elaboration of reliable financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Bank's internal control over financial reporting includes those norms and procedures that, (1) pertain to the maintenance of records that, at reasonably detailed level, accurately and fairly reflect the transactions and dispositions of the assets of the entity, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with the authorization of management and those charged with governance and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements. Based on this assessment, Management believes that the Bank's internal control over financial reporting is effective as of December 31st, 2021.

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

However, the Bank has been subject to an integrated audit of its the internal control system and financial statements as of December 31, 2021 by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte México), an independent registered public accounting firm. Deloitte México has issued an attestation report regarding the effectiveness of the Bank´s internal control over financial reporting, which states that the Bank´s internal control is effective as of that date, based on the criteria established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

| | |
|---|---|
| Dante Ariel Mossi Reyes<br>Executive President | Hernan Alvarado (Feb 28, 2022 17:55 CST)<br>Hernan Danery Alvarado<br>Chief Financial Officer |

Marcelo Hernandez
Marcelo Hernandez (Feb 28, 2022 19:10 CST)

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505, piso 28
Colonia Cuauhtémoc
06500 Ciudad de México
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# Independent Auditors' Report to the Board of Governors, Board of Directors and Executive President of Central American Bank for Economic Integration

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Central American Bank for Economic Integration (the "Bank") as of December 31, 2021, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the financial statements as of and for the year ended December 31, 2021 of the Bank, and our report dated February 28, 2022 expressed an unmodified opinion on those financial statements.

### Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for Internal Control over Financial Reporting

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

### Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

**Definition and Inherent Limitations of Internal Control over Financial Reporting**

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

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

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

C.P.C. Erika Regalado García
City of Mexico, Mexico

February 28, 2022

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
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# Independent Auditors' Report to the Board of Governors, Board of Directors and Executive President of Central American Bank for Economic Integration

## Opinion

We have audited the financial statements of Central American Bank for Economic Integration (the "Bank"), which comprise the balance sheet as of December 31, 2021 and 2020, and the related statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Central American Bank for Economic Integration as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Bank internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2022; we expressed an unmodified opinion on the Bank internal control over financial reporting.

## Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank ability to continue as a going concern for one year after the date that the financial statements are issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

C.P.C. Erika Regalado García
City of Mexico, Mexico
February 28, 2022

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Balance Sheets**

As of December 31, 2021 and 2020

(Expressed in thousands of U.S. dollars)

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Cash and demand deposits (note 4) | 42,086 | 12,634 |
| Interest-bearing deposits with banks (note 5) | 2,790,462 | 2,941,219 |
| Securities available for sales (582,544 in 2021 and 330,310 in 2020) under securities lending agreements) (note 6) | 2,585,194 | 2,223,660 |
| Loans, net of deferred origination fees | 8,617,638 | 8,203,689 |
| Less: Allowance for loan losses | (349,843) | (284,964) |
| Net loans (note 7) | 8,267,795 | 7,918,725 |
| Accrued interest receivable (note 8) | 64,466 | 70,339 |
| Property and equipment, net (note 9) | 40,372 | 33,737 |
| Derivative financial instruments (note 19) | 256 | 1,697 |
| Equity investments (note 10) | 28,809 | 29,356 |
| Other assets (note 11) | 135,512 | 63,889 |
| **Total assets** | 13,954,952 | 13,295,256 |
| **Liabilities** | | |
| Loans payable (302,282 in 2021 and 308,903 in 2020 measured at fair value) (note 12) | 1,339,743 | 1,310,357 |
| Bonds payable (4,523,590 in 2021 and 4,436,980 in 2020 measured at fair value) (note 13.a) | 6,919,394 | 6,526,759 |
| Commercial paper programs (note 13.b) | 64,999 | 64,998 |
| Certificates of deposit (note 14) | 1,743,867 | 1,596,650 |
| Certificates of investment | 185 | 229 |
| Accrued interest payable (note 15) | 17,917 | 19,586 |
| Derivative financial instruments (note 19) | 27,773 | 28,552 |
| Other liabilities (note 16) | 47,059 | 59,870 |
| **Total liabilities** | 10,160,937 | 9,607,001 |
| **Equity** | | |
| Subscribed capital | 6,883,100 | 6,836,550 |
| Less callable capital | (5,162,324) | (5,127,412) |
| Less capital payable in cash receivable | (448,468) | (562,724) |
| Paid-in capital (note 17) | 1,272,308 | 1,146,414 |
| General reserve | 2,487,795 | 2,342,132 |
| Retained earnings | 92,506 | 145,663 |
| Accumulated other comprehensive (loss) income (note 22) | (58,594) | 54,046 |
| **Total equity** | 3,794,015 | 3,688,255 |
| **Total liabilities and equity** | 13,954,952 | 13,295,256 |

*See accompanying notes to financial statements.*

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Statements of Income**

For the years ended December 31, 2021 and 2020

(Expressed in thousands of U.S. dollars)

| | 2021 | 2020 |
|---|---|---|
| **Financial income** | | |
| Public sector loans | 287,990 | 305,325 |
| Private sector loans | 41,400 | 64,504 |
| Marketable securities | 20,658 | 27,831 |
| Due from banks | 4,615 | 17,559 |
| Realized gain on investment funds | 4,461 | 7,193 |
| **Total financial income** | 359,124 | 422,412 |
| **Financial expenses** | | |
| Loans payable | 18,521 | 24,343 |
| Bonds payable | 83,664 | 127,732 |
| Commercial paper programs | 107 | 762 |
| Certificates of deposit and investment | 3,065 | 14,582 |
| **Total financial expenses** | 105,357 | 167,419 |
| **Net financial income** | 253,767 | 254,993 |
| Provision for loan losses (note 7) | 62,043 | 38,491 |
| (Reversal of) provision for losses on contingencies | (452) | 169 |
| **Total provision for credit losses** | 61,591 | 38,660 |
| **Net financial income, after provision for credit losses** | 192,176 | 216,333 |
| **Other operating income (expenses)** | | |
| Financial services and other fees | 8,674 | 1,468 |
| Monitoring and administration fees | 2,680 | 1,506 |
| (Loss) gain on equity investment, net | (548) | 24 |
| Dividends from equity investments | 0 | 455 |
| Foreign exchange loss, net | (315) | (462) |
| Other operating income | 1,785 | 932 |
| **Total other operating income, net** | 12,276 | 3,923 |
| **Administrative expenses** | | |
| Salaries and employee benefits | 41,499 | 34,545 |
| Other administrative expenses | 20,621 | 17,197 |
| Depreciation and amortization | 5,489 | 5,147 |
| Other | 652 | 642 |
| **Total administrative expenses** | 68,261 | 57,531 |
| **Income, before special and other contributions and valuation of derivative financial instruments and debt** | 136,191 | 162,725 |
| Special and other contributions (note 23) | (28,690) | (29,929) |
| **Income, before valuation of derivative financial instruments and debt** | 107,501 | 132,796 |
| Valuation of derivative financial instruments and debt | (14,995) | 12,867 |
| **Net income** | 92,506 | 145,663 |

*See accompanying notes to financial statements.*

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Statements of Comprehensive Income**

For the years ended December 31, 2021 and 2020

(Expressed in thousands of U.S. dollars)

| | 2021 | 2020 |
|---|---|---|
| **Net income** | 92,506 | 145,663 |
| **Other comprehensive (loss) income:** | | |
| Unrealized (loss) gain on securities available for sale, net | (35,039) | 24,625 |
| Reclassification adjustments for net realized gains included in earnings | (4,461) | (7,193) |
| Subtotal - securities available for sale (note 22) | (39,500) | 17,432 |
| Change in credit risk of debt instruments at fair value (note 3(vi)) | (62,158) | 27,963 |
| Reclassification of net loss realized by maturity of debt in operations at fair value (note 22) | 4,740 | 4,790 |
| Subtotal - change in credit risk of debt instruments at fair value (note 22) | (57,418) | 32,753 |
| Retirement plans, pensions and other social benefits: Change in actuarial (loss) gain (note 22) | (15,722) | 5,056 |
| **Other comprehensive (loss) income** | (112,640) | 55,241 |
| **Comprehensive (loss) income** | (20,134) | 200,904 |

*See accompanying notes to financial statements.*

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Statements of Changes in Equity**

For the years ended December 31, 2021 and 2020

(Expressed in thousands of U.S. dollars)

| | Paid-in Capital | General Reserve | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Total Equity |
|---|---|---|---|---|---|
| **Balances at the beginning of 2020** | 1,102,063 | 2,113,680 | 228,452 | (1,195) | 3,443,000 |
| Net income | 0 | 0 | 145,663 | 0 | 145,663 |
| Other comprehensive income | 0 | 0 | 0 | 55,241 | 55,241 |
| Comprehensive income | 0 | 0 | 145,663 | 55,241 | 200,904 |
| Capital contributions, in cash (note 17.c) | 44,351 | 0 | 0 | 0 | 44,351 |
| Transfer to general reserve | 0 | 228,452 | (228,452) | 0 | 0 |
| **Balances as of December 31, 2020** | 1,146,414 | 2,342,132 | 145,663 | 54,046 | 3,688,255 |
| Net income | 0 | 0 | 92,506 | 0 | 92,506 |
| Other comprehensive loss | 0 | 0 | 0 | (112,640) | (112,640) |
| Comprehensive income (loss) | 0 | 0 | 92,506 | (112,640) | (20,134) |
| Capital contributions, in cash (note 17.c) | 125,894 | 0 | 0 | 0 | 125,894 |
| Transfer to general reserve | 0 | 145,663 | (145,663) | 0 | 0 |
| **Balances as of December 31, 2021** | 1,272,308 | 2,487,795 | 92,506 | (58,594) | 3,794,015 |

*See accompanying notes to financial statements.*

**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

**Statements of Cash Flows**

For the years ended December 31, 2021 and 2020

(Expressed in thousands of U.S. dollars)

| | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | 92,506 | 145,663 |
| Items to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 61,591 | 38,660 |
| Loss (gain) for valuation of derivative financial instruments and debt | 14,995 | (12,867) |
| Depreciation and amortization | 5,489 | 5,147 |
| Loss (gain) on equity investment, net | 548 | (24) |
| Foreign exchange losses, net | 315 | 462 |
| Net decrease in accrued interest receivable | 4,248 | 23,420 |
| Net (decrease) in accrued interest payable | (1,669) | (32,835) |
| Net increase in other assets | (91,607) | (16,990) |
| Net (decrease) increase in other liabilities | (14,989) | 4,618 |
| **Net cash provided by operating activities** | 71,427 | 155,254 |
| **Cash flows from investing activities** | | |
| Net decrease (increase) in interest-bearing deposits with banks | 150,756 | (808,408) |
| Purchases of securities available for sale | (2,700,413) | (3,160,245) |
| Proceeds from sales and redemptions of securities available for sale | 2,292,633 | 2,733,582 |
| Purchases of property and equipment | (5,215) | (4,860) |
| Net (decrease) increase in cash collateral for derivative financial instruments | (361,640) | 443,083 |
| Disbursements of loans receivable | (2,153,535) | (2,540,119) |
| Collections of loans receivable | 1,539,084 | 2,041,188 |
| Proceeds from sale of loans receivable | 204,258 | 0 |
| **Net cash used in investing activities** | (1,034,072) | (1,295,779) |
| **Cash flows from financing activities** | | |
| Capital contributions | 125,894 | 44,351 |
| Proceeds from loans payable | 251,535 | 534,908 |
| Repayments of loans payable | (203,146) | (423,633) |
| Net increase in commercial paper programs | 1 | 5,587 |
| Proceeds from issuance of bonds payable | 1,562,082 | 1,554,845 |
| Repayments of bonds payable | (891,090) | (862,981) |
| Net increase in certificates of deposit | 147,217 | 269,573 |
| Net decrease in certificates of investment | (44) | (53) |
| **Net cash provided by financing activities** | 992,449 | 1,122,597 |
| **Effect of exchange rate fluctuations on cash held** | (352) | (8) |
| Cash and demand deposits at beginning of year | 12,634 | 30,570 |
| Cash and demand deposits at end of year | 42,086 | 12,634 |
| **Net increase (decrease) in cash and cash equivalents** | 29,452 | (17,936) |
| **Supplemental information of cash flows** | | |
| Cash paid for interest | 107,026 | 200,254 |
| Unrealized (loss) gain on securities available for sale, net | (39,500) | 17,432 |
| Actuarial (loss) gain under the Social Benefits Plan (note 22) | (15,722) | 5,056 |

*See accompanying notes to financial statements.*

## (1) Origin and Nature of the Bank

The Central American Bank for Economic Integration (hereinafter CABEI or the Bank) is a financial institution under public international law, founded by the governments of Guatemala, El Salvador, Honduras and Nicaragua pursuant to the Constitutive Agreement dated December 13, 1960. In addition, on September 23, 1963, the Republic of Costa Rica was included as a founding member. Pursuant to protocol subscribed on September 2, 1989 and effective since 1992, the participation of non-regional members was allowed. The Bank commenced operations on May 31, 1961 and has its headquarters in Tegucigalpa, Honduras.

The Bank's objective is to promote the economic integration and the balanced economic and social development of the Central American region, which includes the founding member countries and the non-founding regional member countries.

The activities of the Bank are complemented by the activities carried out by the Technical Cooperation Fund (FONTEC) and by the Social Benefit Fund (SBF). These funds are regulated by their own by-laws and their equities are independent and separate from the Bank, although they are managed by the Bank. These financial statements include, solely, the assets, liabilities and operations of the Bank. The net assets relating to the other funds have been disclosed in notes 20 and 21.

Furthermore, as detailed in note 20, the Bank manages third-party cooperation funds, destined to finance programs agreed with each organization, which are in line with the Bank's policies and strategies.

**Relevant event**

In December 2019, a new strain of coronavirus, called SARS-CoV-2, was reported causing the COVID-19 disease. In January 2020, the coronavirus spread to other countries, including Latin America, and on March 11, 2020, the World Health Organization declared that the spread of COVID-19 had turned into a global pandemic. The spread of COVID-19 has resulted in a global and regional economic slowdown, and efforts to contain the spread of this coronavirus have intensified, including closures ordered by government authorities. The outbreak and the preventive and protective actions that governments have taken regarding the coronavirus have resulted in a period of business interruption and reduction of operations. As an immediate response, CABEI has evaluated and prioritized its activities that have required financial support from its partners and clients, to strengthen the capacities of its operations to handle the current situation. The resulting financial impacts have been reasonably estimated at this time, therefore, due to its financial structure, it is not expected to significantly affect the operations of CABEI, and the fulfillment of the activities intended.

**(1) Origin and Nature of the Bank, continued**

Additionally, in this regard, on March 31, 2020, the Bank approved the Emergency Support and Preparedness Program for COVID-19 and Economic Reactivation (the Program) to provide financial resources to the countries of the region. members of the Central American Integration System (SICA) and other non-regional countries to finance operations for the prevention, detection, and treatment of COVID-19 and mitigation of its economic impact in member countries. The Program is for an amount of 3,060,125 and is made up of seven components, which mainly include: emergency aid, aid for the regional purchase and supply of medicines and medical equipment for early detection of COVID-19, credit to finance operations of the public sector, credit program to support central bank liquidity management, financial sector support facility-MYPIMES, and credit facility for the acquisition and application of vaccines. As of December 31, 2021, CABEI has approved and disbursed operations for amounts of 1,403,325 (2020: 1,138,325) and 910,327 (2020: 581,246), respectively. The program is financed with ordinary resources from CABEI and resources from external sources.

In addition, on December 14, 2020, the Bank approved the Central American Resilient Reconstruction Program to provide resources to the countries of the SICA region to finance projects to address and prevent natural disasters in order to adapt to the effects of climate change and implement short, medium and long-term measures. This Program is for an amount of 2,513,000 and consists of six components, including: emergency assistance; creation and capitalization of Technical Assistance and Investment Project Preparation Funds; Public Investment Program; Private Investment Program; issuance of Green, ESG (Environmental, Social and Governance) and Thematic Bonds; and Development and Management of Knowledge on Adaptation to Climate Change. As of December 31, 2021, CABEI has approved and disbursed operations for amounts of 738,930 (2020: 3,000) and 181,306 (2020: 1,500), respectively. This Program is financed with CABEI regular resources and resources from external sources.

**(2) Summary of Significant Accounting Policies**

Explanation for translation into English – The accompanying financial statements have been translated from Spanish into English for the convenience of users.

The Bank's accounting policies and financial information are in accordance with accounting principles generally accepted in the United States of America (US GAAP).

A summary of significant accounting policies is as follows:

*(a) Functional and foreign currencies*

The Bank's functional currency is the United States dollar (U.S. dollar). Transactions in currencies other than the U.S. dollar are recorded at the effective exchange rates prevailing on the transaction date. Assets and liabilities denominated in currencies other than the U.S. dollar are expressed in such currency using the prevailing exchange rates at Balance sheet date. Net foreign currency gains and losses resulting from transactions denominated in currencies other than the U.S. dollar are presented as other operating income (expenses) in the Statements of income.

**(2) Summary of Significant Accounting Policies, continued**

*(b) Cash and cash equivalents*

For purposes of the Statements of cash flows, cash and cash equivalents represent the amounts included in cash and demand deposits, which are due at the Bank's request.

*(c) Fair value measurements*

For fair value measurements, the Bank uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, and for other required disclosures, the Bank considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Bank looks to active and observable markets to price identical assets and liabilities. When identical assets and liabilities are not traded in active markets, the Bank looks to market observable data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to derive a fair value measurement. A financial instrument's level within the fair value hierarchy is based on the input of the highest level in the hierarchy that is significant to the fair value measurement.

When considering the assumptions from market participants in fair value measurements, the hierarchy distinguishes between observable and unobservable assumptions, which are categorized in one of the following levels:

- Level 1 - Assets and liabilities for which there are price quotes in active markets for identical items.
- Level 2 - Assets and liabilities valued based on observable market assumptions for the entire term of the assets and liabilities that include: price quotes for similar instruments in active markets; price quotes for identical or similar instruments in markets that are not active; assumptions other than price quotes that are observable or assumptions that can be corroborated by market information.
- Level 3 - Assets and liabilities for which the relevant assumptions of the valuation are not observable in the market; instruments valued using the best available information to measure the fair value of the asset or liability.

As stated in note 3, the Bank has elected the fair value measurement for certain assets and liabilities which do not require such measurement.

**(2) Summary of Significant Accounting Policies, continued**

*(d) Securities available for sale*

Marketable securities are classified as available for sale and recorded at fair value, with unrealized gains and losses being excluded from net income and reported as a separate component of equity under accumulated other comprehensive (loss) income until they are realized and reclassified to the Statement of income.

CABEI shall maintain at least 80% of its total investment securities portfolio in deposits with banks and bonds placed by issuers holding an international rating of "A" or better, and a maximum of 20% in unrated or below "A" (including A-, A, A+) rated securities.

Full impairment (that is, the difference between the security's amortized cost basis and fair value) on debt securities that the Bank intends to sell or would more-likely-than-not be required to sell, absent of any unforeseen significant changes in circumstances, before the expected recovery of the amortized cost basis is recognized in earnings as other operating expenses.

For debt securities that management has no intent to sell and believes that it more likely-than-not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the rest of the fair value loss is recognized in accumulated other comprehensive (loss) income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected using the Bank's cash flow projections.

A decline in the market value of any security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. To determine whether an impairment is other-than-temporary, the Bank considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimate of cash flows expected to be collected.

Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

The Bank has not experienced other-than-temporary impairment during the years ended December 31, 2021 and 2020.

**(2) Summary of Significant Accounting Policies, continued**

Interest income on securities available for sale is recorded using the accrual method. Gains and losses on the sale of securities are recorded on the settlement date basis, are determined using the specific identification method and are presented as other operating income (expenses). When the Bank realized gains on investment funds are presented under realized gain on investment funds, as part of financial income.

Premiums and discounts are recognized as an adjustment to yield over the contractual term of the security using a method that approximates to the effective interest method. If prepayment occurs on a security, any premium or discount on the value is recognized as an adjustment to yield in the period in which the prepayment occurs.

The Bank engages in securities lending agreements of up to 20% of its securities portfolio. Counterparties provide the same lent titles or other titles with equivalent characteristics, as collateral. The entirety of the securities portfolio in custody by the counterparty is eligible for the program. For this program, CABEI earns a fee which is recorded in other operating income. The Bank's securities custodian guarantees and manages the transactions made under the program and performs daily valuations of the securities lent under the program to ensure there is sufficient collateral to guarantee the securities lent by CABEI.

Securities under lending agreements are reported at fair value. The securities transferred under security lending agreements have not met the accounting criteria for treatment as a sale. The Bank maintains, at all times, the right to sell the securities under lending agreements and to terminate the loans. Therefore, securities transferred under security lending agreements are retained as assets on the Balance sheet.

*(e) Concentration of credit risk*

In compliance with its objective and financial policies, the Bank grants loans and guarantees to entities, both public and private, established in the beneficiary member countries, that meet the financial needs of projects and programs that contribute to the development of the Central American region, which includes the founding countries and regional non-founding countries.

The Bank annually reviews its credit risk concentration policies. The significant parameters applicable to the concentration of credit risk are described as follows:

- The total of its loan portfolio cannot exceed 3.5 times the Bank's equity.
- The Bank's equity adequacy should be maintained at a level not lower than 35%.

**(2) Summary of Significant Accounting Policies, continued**

- The risk weighted exposure in any of the founding countries must not exceed 100% of the Bank's equity or 30% of the Bank's total accumulated exposure. Exposure is defined as the aggregate risk weighted assets which the Bank concentrates in a single borrower, whether such borrower is a country, a public or mixed institution, an individual or a legal entity of the private sector.

- Exposure to a single enterprise or private bank shall not exceed 5% of the Bank's equity.

- Exposure to a single public sector company or mixed institution with government majority ownership, without a sovereign guarantee, shall not exceed 20% of the Bank's equity.

*(f) Loans and allowance for loan losses*

Loans are stated at the outstanding principal balance less the allowance for loan losses and deferred origination fees on loans. Interest income is recognized on the accrual basis according to the contractual terms of the loans.

The accounting guidance defines a portfolio segment as the level at which an entity develops and documents a systematic methodology to determine the allowance for loan losses. In addition, it defines a class as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for risk evaluation.

The Bank's loan portfolio segments are public sector and private sector. The classes for public and private sector loans represent each country in which the loans are granted to these sectors.

*Public Sector*

Loans to the public sector are granted to the governments of member countries, to local and municipal governments of member countries, to central banks of member countries, to public institutions, to entities, institutions and / or companies whose capital structure has a majority share participation of the State or other public entities, either directly or indirectly, as well as to entities that develop a public interest project, whose economic ownership or control is by the State or in which there are direct and enforceable financial commitments by the State in order to ensure the financial balance of such project.

In accordance with the Policy for the Allowance or Provision for Loans to the Sovereign Public Sector, the allowance must be estimated based on each of the credit operations net exposure, probability of default and severity of loss of each operation.

**(2) Summary of Significant Accounting Policies, continued**

For the public sector with solidarity sovereign guarantee and loans granted to central banks, the Bank determines the nature and level of exposure to credit risk, according to the risk rating assigned to each country by Credit Rating Agencies (Standard & Poor's, Fitch Ratings and Moody's), the available market information on the probability of default provided by international credit rating agencies, the effective maturity of each operation (average term) and whether or not the operation has a sovereign guarantee.

Given that the Bank holds preferred creditor status for the loans with solidarity sovereign guarantee, this factor is considered to adjust the probabilities of default with respect to market information. To determine the parameters applied for severity of loss, the Bank considers the loss given default under Basel recommendations; these parameters are reviewed annually to determine their reasonableness.

In addition, a methodology is established to determine the adjustment to the probabilities of default of the public sector considering that the preferred creditor status is better determined with the multilateral debt ratio, which measures multilateral debt as a percentage of a country's total external debt, and with the external debt stock as a percentage of gross national income.

For public sector loans without solidarity sovereign guarantee of the State, the allowance is determined based on the Policy for the Allowance or Provision for Loans to the Non-Sovereign Public and Private Sector. This way, the assignment of provisions is consistent with the internal credit risk rating system (Sistema de Calificación de Riesgo – SRC), with probabilities of default from the private sector and the severity of loss according to Basel default.

Management believes that this methodology reasonably reflects the estimated risk embedded in the Bank's public sector lending activities and, consequently, considers the resulting amount of the allowance for public sector loans to be adequate.

*Private Sector*

Loans to the private sector are granted mainly to borrowers in the member countries, as well as to entities, institutions and / or companies whose capital structure has a majority share participation of the private sector, either directly or indirectly. In these loans, CABEI obtains the guarantees which deems appropriate, such as mortgages, pledges, cession of cash flows, assets in trust, bank guarantees and credit default swaps.

**(2) Summary of Significant Accounting Policies, continued**

In accordance with the Policy for the Allowance or Provision for Loans to the Public Non-Sovereign and Private Sector, the Bank's management has developed policies and procedures that reflect the credit risk assessment considering all available information to determine whether the reserve for loan losses is adequate.

When appropriate, this assessment includes monitoring qualitative and quantitative trends including changes in levels of arrears, criticized loans, and non-accrual loans.

In developing this assessment, the Bank uses estimates and judgment in order to assess the credit risk based on an internal Credit risk rating system, which has eight levels:

| Rating | Definition |
|---|---|
| From SCR-1 to SCR-4 | Normal |
| SCR-5 | Special Mention |
| SCR-6 | Substandard |
| SCR-7 | Doubtful |
| SCR-8 | Loss |

- Normal: Current loans, whose borrowers have a credit quality level from superior to acceptable.

- Special mention: Loans that have a potential weakness to meet the debt service that deserves management's close attention. If left uncorrected, this potential weakness may result in impairment of the loan or of the Bank's credit position at some future date.

- Substandard: Loans that have a well-defined weakness that jeopardizes collectability of the debt. They are characterized by the distinct possibility that the Bank will incur in loss if such deficiency is not corrected. When it is determined that a loan is impaired, it is measured for impairment under Accounting Standards Codification (ASC) 310-10-35, including the collateral's fair value, if applicable.

- Doubtful: Loans whose weaknesses are so severe that the total loan recovery, based on current conditions, is unlikely and questionable. This level includes loans measured individually for impairment under ASC 310-10-35, including the collateral's fair value, if applicable.

- Loss: Loans that are individually measured for impairment under ASC 310-10-35, including the collateral's fair value, if applicable. This level comprises loans deemed uncollectible.

**(2) Summary of Significant Accounting Policies, continued**

For the determination of the allowance for loan losses, credit risk ratings based on the internal Credit risk rating system and the risk definitions by the Credit Rating Agencies are taken into consideration, so that each of the levels on the internal Credit risk rating system correspond to one or more risk levels established by the Credit Rating Agencies. The probability of default for each of the levels on the SCR is calculated considering the corporate default probabilities from each credit rating agency. Finally, the severity of loss appropriate to the type of debt, whether senior or subordinate, is introduced.

Changes in the allowance for loan losses are estimated based on several factors including, but not limited to, an analytical review of loan loss experience in relation to the outstanding balance of loans, an ongoing review of problematic or non-accrual loans, the overall quality of the loan portfolio and the adequacy of collateral, the evaluation of independent experts, and management's view on the impact of current economic conditions of the country of origin of each loan in the outstanding loan portfolio.

Loan installments are considered in arrears the moment there is a default in their effective date of payment. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due in accordance with the contractual terms of the loan.

Factors considered by management in determining impairment include payment record, collateral value and the probability of collecting scheduled principal and interest payments when due. A loan is also considered impaired if its terms are modified in a troubled-debt restructuring.

The Bank continuously monitors the credit quality of the loan portfolio by making revisions at least twice a year, based on market information such as country risk rating and probabilities of default provided by Credit Rating Agencies.

In addition, the Bank assesses the quality of its loan portfolio and the adequacy of the allowance for loan losses through independent third parties.

When the ultimate collectability of the outstanding principal balance of an impaired loan is in doubt, all cash collections are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are recorded as recoveries of any amounts charged off, and then to interest income, to the extent any interest has not been recorded.

**(2) Summary of Significant Accounting Policies, continued**

*Troubled Debt Restructurings (TDRs)*

Restructured loans are impaired loans for which the original contractual terms have been modified to provide terms that are less than those the Bank would be willing to accept for new loans with similar risks given the deteriorating financial condition of the borrower. The modifications to the contractual terms of the loans could consist of concessions such as interest rate reductions, principal discounts, forbearance of loan installments, extension of loan term, and other modifications in order to minimize possible economic losses.

A restructured loan has generally been in non-accrual status at the time of the modification.

Once the borrower complies with the new terms of the restructured loan for a reasonable period and if the remaining balance of the restructured loan is considered collectible, the restructured loan could return to accrual status.

*Use of Allowance*

Loan losses are written off against the allowance when management confirms partial or full inability to collect the loan balances. Subsequent loan recoveries, if any, increase the allowance for loan losses in the Balance sheet.

*(g) Non-interest accrual loans*

In accordance with the Bank's policies, interest recognition on all loan installments is discontinued when they are 90 days or more in arrears on principal and/or interest based on contractual terms, for private sector loans, and when they are 180 days or more in arrears for public sector loans.

Loans for which the recognition of interest income has been discontinued are designated as non-accruing. All interest accrued but not collected on loans classified as non-accrual is reversed against financial income. Subsequent collections are accounted for on a cash basis, until qualifying to return to accrual status.

Interest on non-accrual loans for which the original conditions have been modified, are recorded on a cash basis until the debtor demonstrates for a reasonable period of time, its ability to repay the loan according to the contractual terms of the loan; at which time, the loan is returned to accrual status.

**(2) Summary of Significant Accounting Policies, continued**

*(h) Property and equipment*

Property and equipment are carried at cost less accumulated depreciation and amortization. Renewals and major improvements are capitalized, while minor replacements, repairs and maintenance which do not improve the asset nor extend its remaining useful life are charged as expenses when incurred.

The Bank depreciates property and equipment, except land, under the straight-line method, estimating the number of years of useful life as follows:

| | **Years** |
|---|---|
| Buildings | 40 |
| Facilities and improvements | 10 |
| Furniture and equipment | 5 and 10 |
| Vehicles | 4 |
| Hardware and software | 3, 5 and 10 |

*(i) Derivative financial instruments and hedging activities*

The Bank records the derivative financial instruments at their fair value in the Balance sheet, regardless of the purpose or intention of their contracting. The accounting for changes in the fair value of derivative financial instruments varies, depending on whether the derivative is considered a hedge for accounting purposes and if the hedging instrument is considered as a fair value or cash flow hedge.

The derivative financial instruments maintained by the Bank, although considered effective hedges from an economic perspective, have not been designated as hedges for accounting purposes. The Bank enters into these derivative instruments for the purpose of hedging the market risks that it maintains in its investment and debt portfolios. Therefore, these derivatives are recognized in the Balance sheet at their fair value and changes in their fair value are recognized in the valuation account of derivative financial instruments and debt in the Income statement simultaneously with the change in fair value. of the underlying assets or liabilities. Likewise, the Bank separately presents in other comprehensive (loss) income, the portion of the total change in the fair value of a liability that results from a change in the credit risk of a specific instrument.

The inherent credit risk is the counterparty’s possible non-compliance in the delivery of collateral to recover the balance due.

The Bank minimizes the credit risk in derivative financial instruments through transactions with highly qualified counterparties with a credit rating of “A” (or equivalent) or better, and the master netting agreements with its derivatives counterparties.

**(2) Summary of Significant Accounting Policies, continued**

The Bank also enters into derivatives that although being used as economic hedges of risk they do not qualify for hedge accounting in accordance with the guidelines of ASC 815 *"Derivatives and Hedging"*.

It is the Bank's policy to recognize in its Balance sheet, the offset amounts of its financial instruments, including derivatives.

CABEI establishes that changes in fair value attributable to the credit risk of a specific financial instrument, when the Fair Value Option has been chosen for financial liabilities, must be recognized separately in other comprehensive (loss) income in the Balance sheet, instead of in the statement of income (note 3 (vi)).

The accounting regulations establish that an entity must present separately in other comprehensive (loss) income, the portion of the total change in the fair value of a liability that results from a change in the credit risk of a specific instrument.

*(j) Equity investments*

Equity investments in other entities have been recognized at cost, less impairment, except those recorded at fair value, whose changes are reported in the Income statement under gain (loss) on equity investments.

Equity investments that do not have readily determinable fair values are reported at cost. The Bank has determined that it is impractical to estimate the fair value of these investments reported at cost. These investments are evaluated quarterly and when impairment is determined, the balance of the investment is decreased, and the amount of the impairment is recognized as other operating expense. When the impartment in the investment is identified and considered as other than temporary, the investment in participations is written off and the impaired value becomes the new cost base.

*(k) Foreclosed assets in satisfaction of loans*

Foreclosed real estate acquired in satisfaction of loans is held for sale and is initially recorded at fair value less cost to sell of the real estate at the date of foreclosure. Any excess of the recorded investment in the loan over the fair value of the asset is recognized as a loss in the Statements of income.

After foreclosure, management carries on periodic assessments and these properties are carried at fair value less estimated costs to sell based on recent appraised values. Maintenance expenses associated to holding these properties in portfolio and the changes to the related valuation allowance are recorded as other administrative expenses and other operating expenses, respectively.

**(2) Summary of Significant Accounting Policies, continued**

*(l) Social Benefit Plan*

The funded status of the Bank's Social Benefit Plan (the Plan) is recognized on the Balance sheet. The funded status is measured as the difference between the fair value of Plan assets and the projected benefit obligation. Overfunded benefit plans, where the fair value of Plan assets exceeds the projected benefit obligation, are aggregated and recorded as assets under the Plan while under-funded benefit plans, where the projected benefit obligation exceeds the fair value of Plan assets, are aggregated and recorded as liabilities under the Social Benefit Plan. The Bank recognizes the projected benefit obligation considering future service cost based on an actuarial study performed annually by an independent actuary. Actuarial gains and losses are recognized as a component of accumulated other comprehensive (loss) income, as a separate component of equity.

*(m) Taxes*

According to the Bank's Constitutive Agreement, the Bank's income and related transactions within its member countries are exempt from any payment, withholding or collection of any income or duty tax.

*(n) General reserve and annual net income*

According to the Constitutive Agreement, the general reserve is increased by the total annual net income, when authorized by the Bank's Board of Governors.

The general reserve is reduced through the use of "E" series certificates by the members who are holders of "A" and "B" shares in order to pay, the subscription of new shares of the unsubscribed authorized share capital made available by the Bank.

*(o) Revenue and expense recognition*

Financial income is recognized in accordance with the terms of the loan agreements, when the earnings process is complete, and collectability is assured.

Loan origination fees are deferred and recognized in earnings over the term of the related loans as an adjustment to yield in the accounts of monitoring and administration fess and financial services and other fees classified in other operating income. Fees related to loan syndication are recognized when the Bank has concluded all the required services. Asset management fees, measured by the amount of assets managed at a particular date, are accrued as earned. Fees on endorsements and guarantees granted and other commitments are amortized using a method that approximates the effective interest method over the term of these instruments.

**(2) Summary of Significant Accounting Policies, continued**

Interest expense is recognized under the effective interest method. Fees expense is recognized when the related service is received. Transaction costs are recognized when incurred.

Incremental direct costs associated with originating loans are expensed as incurred as such amounts are immaterial to net earnings.

Issue costs for debt measured at fair value are expensed at the moment of issuance while those related to debt carried at amortized cost are deferred and amortized using a method that approximates to the effective interest method, over the term of the respective debt instrument.

*(p) Donations received and contributions granted*

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

Contributions granted to public and private sector institutions and funds or programs managed by CABEI are recorded as expenses, and at the same time as a liability once the approving resolution of the Bank's Board of Directors is obtained. These contributions are presented as part of special and other contributions in the statement of income.

*(q) Endorsements, guarantees granted, commitments and contingencies*

The main objective of the endorsements and guarantees granted by the Bank is to support the regional banking systems. In addition, such off-balance sheet arrangements support the development and integration projects of the Central American region to expand and diversify the banking services offered by CABEI so that its customers may have access to a broad range of services and low financial costs in developing their projects.

To achieve its objective, the Bank grants two main types of endorsements and guarantees:

- Those that replace financing: generally long-term arrangements, such as bank endorsements or payment guarantees that support a financial document or credit contract which in itself secures compliance with obligations related to execution of a project. These endorsements and guarantees are granted taking into account the policies on credit risk concentration limits to CABEI's borrowers.

**(2) Summary of Significant Accounting Policies, continued**

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

Bank endorsements and guarantees issued are contingencies to the Bank to guarantee the performance of borrowers to third parties. A guarantee is considered a contingency when the borrower incurs the underlying financial obligation and are called when the borrower defaults and the beneficiary executes the guarantee.

The Bank issues guarantees and can require counterguarantees from debtor. The Bank would be required to perform under its guarantees if the payments guaranteed were not made by the debtor and the guaranteed party called the guarantee by demanding payment from the Bank. In the event that a guarantee of a debtor is called, the Bank has the contractual right to require payment from the debtor that has provided the counterguarantee to the Bank.

Loan commitments represent agreements to disburse loans to borrowers at a future date. Such commitments are recognized on the date a loan is disbursed. These commitments have fixed expiration dates and in some cases the commitments expire without disbursing the loans; as such, the total amount committed does not necessarily represent required future cash flows.

The Bank also estimates probable losses related to off-balance sheet commitments such as endorsements and guarantees granted and contractual commitments to disburse loans.

Off-balance sheet commitments are subject to individual credit reviews and are analyzed and segregated by risk according to the internal risk rating system of the Bank. These risk classifications, together with an analysis of current economic conditions, trends in performance and any other relevant information, result in the estimation of the allowance for off-balance sheet commitments (over contingent commitments), which is presented as other liabilities in the Balance sheet.

The credit risk to the Bank in these agreements is essentially the same as the credit risk in loans to borrowers.

Standby and commercial letters of credit represent conditional obligations of the Bank which guarantee the performance of a borrower to a third party.

**(2) Summary of Significant Accounting Policies, continued**

*(r) Use of estimates*

To prepare its financial statements in conformity with US GAAP, the Bank's management relies on certain estimates and assumptions that have an impact on the amounts of reported assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements, and the amounts reported in income and expenses during the reporting period. Actual results could differ from such estimates.

Material estimates that are particularly susceptible to significant change in the near term relate mainly to the determination of the allowance for loan losses, valuation of securities available for sale and derivative financial instruments, valuation of foreclosed assets, valuation of liabilities measured at fair value, valuation of projected benefit obligations, and the status of contingencies.

*(s) Segment reporting*

Management has determined that the Bank has only one operating segment, since it does not internally manage or report the results of operations at levels other than the Bank's financial statements to assess performance or allocate its resources based on the contribution of individual operations to the net income of the Bank.

*(t) Consistency*

The accounting policies as of December 31, 2021 and for the year ended, are consistent with those applied as of December 31, 2020 and for the year ended on that date.

*(u) Recent applicable accounting pronouncements not yet adopted*

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model based on Current Expected Credit Losses (CECL) rather than incurred losses. ASU 2016-13 will consider relevant information about past events, current conditions and reasonable and supportable forecasts. The new impairment model is applicable to the Bank's financial assets, such as: loan portfolio measured at amortized cost, undisbursed loan commitments held off-balance sheet and financial guarantees. ASU 2016-13 is effective for the Bank as of January 1, 2023, and the Bank is currently evaluating the implications of adopting the new standard, upon completion of the process, the impact on the Bank's financial statements as of the date of adoption will be determined.

**(2) Summary of Significant Accounting Policies, continued**

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848). The ASU provides optional expedients and exceptions, for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in this Update will not apply to contract modifications made or other transactions entered after December 31, 2022.

The Bank has followed events and communications from groups and organizations directly involved in the LIBOR transition affecting lending and derivatives markets, including the International Swaps and Derivatives Association (ISDA) and its recently published ISDA 2020 IBOR Fallbacks Protocol, to which the Bank joined in January 2021. In addition, the Bank established a multidisciplinary task force to manage the transition of the LIBOR rate. As part of the evaluation, the Bank has considered operational, legal, accounting, financial, market and risk aspect.

Currently, the Bank is implementing an orderly change from the LIBOR rate to the new replacement rates, including Secured Overnight Financing Rate Term (SOFR), and adopting measures such as the incorporation of fallback provisions in loans to mitigate any possible impact caused by the replacement of the LIBOR rate. The Bank will adopt the standard prospectively and its adoption is not expected to have a significant impact on the financial statements, due to the incorporation of such fallback provisions.

The Bank continues monitoring the new recommendations by the authorities in the process of replacing the Libor USD rate and other reference rates in the Bank´s contracts and other transactions.

**(3) Fair Values and Fair Value Option**

Bank’s management has established a process for determining fair value. The fair value is primarily based on quoted market prices when available. If market prices or quotations are not available, fair value is determined based on internally developed models that primarily use as input, information independently obtained of market or market parameters, including but not limited to yield curves, interest rates, debt prices, foreign currency exchange rates and credit curves.

However, in situations where there is little or no activity in the market for an asset or liability at the measurement date, the fair value measurement reflects the Bank's own judgments about assumptions that market participants would use in pricing the asset or liability.

**(3) Fair Values and Fair Value Option, continued**

The assumptions are developed by the Bank based on the best information available in the circumstances, including expected cash flows, discount rates appropriately adjusted for risk and the availability of observable and unobservable inputs.

Management establishes the policies and methodologies for the valuation of financial instruments. These policies and methodologies are applied to determine, the valuation of derivative financial instruments.

The methods described above can generate fair value estimates that are not indicative of net realizable value or that do not reflect future values. Furthermore, while the Bank believes that its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date.

**(i) Valuation techniques applied**

A significant portion of the Bank's financial assets and liabilities are short-term financial instruments, with maturity of less than one year, and/or with floating interest rates.

These short-term instruments and/or with floating interest rates are considered to have a fair value equivalent to their recorded value as of the date of the financial statements. The foregoing applies to cash and demand deposits, interest-bearing deposits with banks, loans receivable issued at floating interest rates and accrued interest receivable and payable.

For assets and liabilities recognized, on a recurring or non-recurring basis (including those for which the fair value option has been elected), or disclosed at fair value, the Bank uses the following valuation techniques:

- Investments in securities: Fair value has been calculated on the basis of the prices as quoted in the market and, in their absence, they have been calculated based on discounted future cash flows using the current yields of similar securities.

- Loans, net: The fair values for fixed-rates performing loans are estimated on the basis of an analysis of discounted future cash flows, using the *Commercial Interest Reference Rate* (CIRR) as a reference. CIRR is the official rate applied by Export Credit Agencies, as published by the Export-Import Bank of the United States of America and is based on the rates accrued on U.S. Treasury bonds.

**(3) Fair Values and Fair Value Option, continued**

- Equity investments: they are recognized as cost, less impairment, except for those that are reported at fair value. None of the equity investments in other entities in which the Bank has investments are negotiable and, consequently, have no price quotes available in the market. These entities are of special purpose and are entities in which the Bank has no control or significant influence. For those recorded at cost, it is currently impractical to determine the fair value of these investments without incurring an excessive cost, and for those recorded at fair value, the measurement is based on the practical expedient using the net asset value per share (or equivalent) from the investee´s financial information, given that the investee´s assets and liabilities are registered at fair value.

- Derivative financial instruments: Fair values have been determined on the basis of valuation models that use parameters constructed from market data. Furthermore, the Bank determines CABEI's and its counterparties' credit risk in the valuation of derivative financial instruments (note 19).

- Loans and bonds payable: Fair values for loans and bonds payable and with hedge are determined through the use of valuation models based on interest rate yield curves constructed from market data. Those yield curves are adjusted to incorporate the Bank's credit risk spread. This fair value does not represent a current indicator of an exit price. The Bank includes its own credit risk and exchange rate, among other inputs, in the valuation of its debt instruments.

  The fair values for loans payable at fixed-rates and not hedges, are estimated on the basis of an analysis of discounted cash flows, using the CIRR as a reference.

  The fair values for bonds payable issued in U.S. dollars, at fixed-rates and no hedge, are estimated on the basis of an analysis of discounted future cash flows, based on the 10 years swap rate reported by Bloomberg.

  The financial liabilities, which are not valued at fair value, are recorded at amortized cost.

- Commercial paper programs and certificates of deposit: The fair values are estimated on the basis of an analysis of discounted future cash flows, using as a reference the interest rates of the most recent transactions agreed upon with the Bank prior to each year-end.

- Contingent commitments: The fair value of these financial instruments is based on the counterparty credit risk.

As of December 31, 2021 and 2020, the Bank has not recurring fair value measurements categorized within Level 3 of the fair value hierarchy.

(Expressed in thousands of U.S. dollars)

## (3) Fair Values and Fair Value Option, continued

### (ii) Recurring Fair Value Measurements

The following table presents the assets and liabilities valued at their fair value on a recurring basis as of December 31, 2021 and 2020, classified according to the fair value hierarchy:

| | Level 1 | Level 2 | Compensation adjustment[1] | Total 2021 |
|---|---|---|---|---|
| Assets | | | | |
| Securities available for sale | 520,861 | 2,064,333 | 0 | 2,585,194 |
| Derivative financial instruments | 0 | 329,774 | (329,518) | 256 |
| Liabilities | | | | |
| Loans payable | 0 | 302,282 | 0 | 302,282 |
| Bonds payable | 0 | 4,523,590 | 0 | 4,523,590 |
| Derivative financial instruments | 0 | 357,270 | (329,497) | 27,773 |

| | Level 1 | Level 2 | Compensation adjustment[1] | Total 2020 |
|---|---|---|---|---|
| Assets | | | | |
| Securities available for sale | 343,840 | 1,879,820 | 0 | 2,223,660 |
| Derivative financial instruments | 0 | 413,642 | (411,945) | 1,697 |
| Liabilities | | | | |
| Loans payable | 0 | 308,903 | 0 | 308,903 |
| Bonds payable | 0 | 4,436,980 | 0 | 4,436,980 |
| Derivative financial instruments | 0 | 440,572 | (412,020) | 28,552 |

### (iii) Changes in Fair Value Level 3 Category

When an instrument is classified in Level 3, the decision is based on the significance of unobservable assumptions in determining the overall fair value. During the years ended December 31, 2021 and 2020, there were no changes in the Level 3 category.

### (iv) Transfers between Fair Value Level 1 and Level 2 Categories

The Bank's accounting policies include the recognition of transfers between levels of the fair value hierarchy at the date of any event or change in circumstances that caused the transfer. During the years ended December 31, 2021 and 2020, there were no transfers between Levels 1 and 2.

### (v) Non-Recurring Fair Value Measurements

Some assets held by the Bank that are not measured at fair value on a recurring basis are subject to fair value adjustments in certain circumstances. These assets include those assets that are available for sale (at time of initial recognition or further impairment), some loans that are reduced to fair value of collateral, when considering their present impairment equity investments in other entities registered at fair value measured using a convenient practice and other long-lived non-financial assets when determined to show impairment.

[1] Amounts represent the impact of master netting agreements, the cash effect of collateral received/paid with the same counterparty and the credit risk valuation adjustment of counterparties under netting agreements (see note 19).

(Expressed in thousands of U.S. dollars)

**(3) Fair Values and Fair Value Option, continued**

Fair value for loans is estimated using the discounted future cash flows method, the value of collateral, or the observed market value of the loan, when applicable. This fair value does not represent a current indicator of an exit price. The fair values of foreclosed assets are estimated using the fair value of the foreclosed asset less costs to sell, which does not differ significantly from its maximum and best use. The fair value of equity investment in other entities is estimated based on the value of net assets per share and does not require classification in the fair value hierarchy.

The following table presents the fair value measurements of assets that are measured at fair value on a nonrecurring basis and the increase in fair value, which has been included in the statement of income for the years ended December 31, 2021 and 2020:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Fair Value** | **(Decrease)** | **Fair Value** | **(Decrease) / Increase** |
| Loans, net | 20,429 | (14,563) | 34,992 | (9,556) |
| Equity investment | 4,979 | (548) | 5,525 | 24 |
| Foreclosed assets, net | 11,648 | 0 | 11,648 | 0 |
| | 37,056 | (15,111) | 52,165 | (9,532) |

As of December 31, 2021 and 2020, loans receivable and foreclosed assets included in the table above are categorized within Level 3 of the fair value hierarchy.

**(vi) Fair Value Option**

Guideline of ASC 825-10-25 refers to *"Fair Value Option"* which allows the option to elect measuring at fair value certain financial assets and liabilities that do not require such measurement. Once the option has been elected it becomes irrevocable. The standard also requires that changes to the fair value of these financial assets and liabilities be recorded in the statement of income.

The Bank has elected to measure at fair value the financial liabilities in a currency other than the U.S. dollar for which it has contracted a derivative for fair value hedging of foreign currency or interest rate fluctuations.

The principal purpose for applying ASC 825-10-25 is to reduce the volatility of the Bank's, considering that both the financial liabilities and the related hedging instruments are generally maintained until maturity.

Changes in the fair value of financial liabilities result from changes in interest rates, foreign exchange rates and the Bank's credit risk spread. The Bank periodically reviews its credit margin in every market in which it operates.

(Expressed in thousands of U.S. dollars)

**(3) Fair Values and Fair Value Option, continued**

For the years ended December 31, 2021 and 2020, for loans payable at fair value, the Bank recorded gains and losses of 32,372 and 36,611, respectively, in the statement of income. For bonds payable at fair value, for the years ended December 31, 2021 and 2020, the Bank recorded gains and losses of 292,654 and 320,490, respectively, in the statement of income.

These gains and losses are a result of changes in fair values of financial liabilities, for which the fair value option was elected based on the methods stated in section (i) of this note; they are presented as valuation of derivative financial instruments and debt, in the statement of income.

Interest and fees generated by these loans and bonds payable were calculated on an accrual basis in accordance with the contractual terms of each transaction and have been recorded as financial expenses in the statement of income.

As of December 31, 2021 and 2020, the difference between the fair value of the instruments elected for application of ASC 825-10-25 and the unpaid principal balances of such instruments is as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Fair value | Amortized cost | Increase/ Decrease | Fair value | Amortized cost | Increase |
| Loans payable | 302,282 | 292,557 | 9,725 | 308,903 | 280,455 | 28,448 |
| Bonds payable | 4,523,590 | 4,570,936 | (47,346) | 4,436,980 | 4,240,183 | 196,797 |

For the years ended December 31, 2021 and 2020, for changes in the fair value attributable to the credit risk of debt instruments, when the Fair Value Option has been chosen for financial liabilities, the Bank recorded losses of 62,158 and gains of 27,963, respectively, which are presented in other comprehensive (loss) income.

**(vii) Fair Value of Financial Instruments**

The Bank's management applies its best judgment to estimate the fair values of its financial instruments. Minor changes in the assumptions used might have a significant impact on the estimates of current values.

(Expressed in thousands of U.S. dollars)

## (3) Fair Values and Fair Value Option, continued

As of December 31, 2021 and 2020, the estimated fair values of the Bank's financial instruments are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Assets** | | | | |
| Cash and demand deposits | 42,086 | 42,086 | 12,634 | 12,634 |
| Interest-bearing deposits with banks | 2,790,462 | 2,790,462 | 2,941,219 | 2,941,219 |
| Securities available for sale | 2,585,194 | 2,585,194 | 2,223,660 | 2,223,660 |
| Loans, net | 8,267,795 | 8,300,717 | 7,918,725 | 7,999,029 |
| Accrued interest receivable | 64,466 | 64,466 | 70,339 | 70,339 |
| Derivative financial instruments | 256 | 256 | 1,697 | 1,697 |
| **Liabilities** | | | | |
| Loans payable | 1,339,743 | 1,328,110 | 1,310,357 | 1,314,577 |
| Bonds payable | 6,919,394 | 6,927,403 | 6,526,759 | 6,549,281 |
| Commercial paper programs | 64,999 | 64,902 | 64,998 | 64,934 |
| Certificates of deposit | 1,743,867 | 1,743,897 | 1,596,650 | 1,596,500 |
| Certificates of investment | 185 | 185 | 229 | 229 |
| Accrued interest payable | 17,917 | 17,917 | 19,586 | 19,586 |
| Derivative financial instruments | 27,773 | 27,773 | 28,552 | 28,552 |

As of December 31, 2021 and 2020, loans payable include 1,037,461 and 1,001,454, respectively, which are recognized at amortized cost, whose fair value has been estimated at 1,025,828 and 1,005,674, respectively. Likewise, as of the dates, bonds payable include 2,395,804 and 2,089,779, respectively, which are recognized at amortized cost, whose fair value has been estimated at 2,403,813 and 2,112,301, respectively. As of December 31, 2021 and 2020, the Bank's financial instruments recognized at amortized cost are categorized within Level 2 of the fair value hierarchy.

## (4) Cash and Demand Deposits

As of December 31, 2021 and 2020, cash and demand deposits are composed by currency, as follows:

| | 2021 | 2020 |
|---|---|---|
| U.S. dollar | 25,434 | 3,346 |
| Currencies of the founding countries | 1,558 | 661 |
| Other currencies | 15,094 | 8,627 |
| | 42,086 | 12,634 |

## (5) Interest-bearing Deposits with Banks

Interest bearing deposits usually are time deposits with terms of up to three months, renewable with respect to the term and interest rate; accordingly, face value approximates market value.

As of December 31, 2021 and 2020, their carrying amounts are 2,790,462 and 2,941,219, respectively. All these balances are denominated in United States dollars.

(Expressed in thousands of U.S. dollars)

## (6) Securities Available for Sale

The amortized cost of securities available for sale, unrealized gross losses and gains recognized in accumulated other comprehensive (loss) income, the effect of hedging transactions and fair value of securities available for sale, as of December 31, 2021 and 2020 are as follows:

| | 2021 | | | | |
|---|---|---|---|---|---|
| **Securities available for sale[2]:** | **Amortized cost** | **Unrealized gross losses** | **Unrealized gross gains** | **Effect of hedging transactions** | **Fair value** |
| Sovereign | 1,952,070 | (9,239) | 6,987 | 15,992 | 1,965,810 |
| Supranational | 428,365 | (4,333) | 1,115 | 0 | 425,147 |
| Investment funds | 193,101 | 0 | 1,136 | 0 | 194,237 |
| | 2,573,536 | (13,572) | 9,238 | 15,992 | 2,585,194 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| **Securities available for sale[2]:** | **Amortized cost** | **Unrealized gross losses** | **Unrealized gross gains** | **Effect of hedging transactions** | **Fair Value** |
| Sovereign | 1,628,163 | 0 | 20,200 | 22,737 | 1,671,100 |
| Supranational | 343,866 | 0 | 3,743 | 0 | 347,609 |
| Investment funds | 188,743 | 0 | 11,223 | 0 | 199,966 |
| Corporate | 4,985 | 0 | 0 | 0 | 4,985 |
| | 2,165,757 | 0 | 35,166 | 22,737 | 2,223,660 |

The effect of hedging transactions represents the portion of the unrealized gain or loss attributable to the risk covered in those securities by derivatives designated as fair value hedges.

For the years ended December 31, 2021 and 2020, the realized gross gain through the statement of income was 4,461 and 7,193, respectively. During the years ended December 31, 2021 and 2020, there were no realized gross loss.

The gains were realized by considering the unamortized cost of each fund or marketable security sold.

[2] The entirety of securities available for sale is denominated in U.S. dollars.

(Expressed in thousands of U.S. dollars)

**(6) Securities Available for Sale, continued**

As of December 31, 2021, the fair values and unrealized losses on securities available for sale that have been in continuous unrealized loss position are as follows:

| | Less than 12 months | | 12 months or longer | | |
|---|---|---|---|---|---|
| **Securities available for sale:** | **Fair Value** | **Unrealized gross losses** | **Fair value** | **Unrealized gross losses** | **Total** |
| Sovereign | 567,025 | (7,551) | 200,484 | (1,688) | (9,239) |
| Supranational | 198,442 | (3,346) | 92,156 | (987) | (4,333) |
| | 765,467 | (10,897) | 292,640 | (2,675) | (13,572) |

As of December 31, 2020, the Bank was no unrealized losses on securities available for sale.

Bank's management believes that the unrealized losses of such securities as of December 31, 2021, shown in the table above, are substantially related to market interest rate fluctuations and not to deterioration in the creditworthiness of the issuer or guarantor. At that date, the Bank's management has no intention of selling the securities classified as available for sale, and considers it is more likely than not, that the Bank will not have to sell the aforementioned securities before it recovers their cost. Therefore, Bank's management believes that the unrealized gross losses presented in the table above are temporary and no other than temporary impairment has been recorded in the Statements of income.

The criteria considered in determining if a loss is other than temporary include: the length of time during which the fair value has been below the amortized cost, the severity of the impairment, the cause of the impairment and the financial condition of the issuer, and CABEI´s ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery.

The review performed by CABEI management to identify impairment generally consists of: identification and assessment of the securities with possible impairment indicators, and individual assessment of securities whose fair value is less than the amortized cost for a security.

A summary of the securities available for sale as of December 31, 2021, in accordance with the contractual maturities, is presented in the following table:

| | Years | | | | |
|---|---|---|---|---|---|
| | **Within 1** | **After 1 but within 5** | **After 5 but within 10** | **After 10** | **Total** |
| Amortized cost | 1,144,557 | 1,358,548 | 0 | 70,431 | 2,573,536 |

The expected maturities may differ from contractual maturities because issuers might have the right to redeem or prepay obligations without penalty in certain cases.

(Expressed in thousands of U.S. dollars)

## (7) Loans

As of December 31, 2021 and 2020, the loans receivable is as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Public sector | Private sector | Total | Public sector | Private sector | Total |
| Guatemala | 698,898 | 94,080 | 792,978 | 771,068 | 145,030 | 916,098 |
| El Salvador | 2,035,570 | 101,880 | 2,137,450 | 1,174,755 | 104,865 | 1,279,620 |
| Honduras | 1,609,603 | 271,790 | 1,881,393 | 1,569,887 | 338,422 | 1,908,309 |
| Nicaragua | 1,579,694 | 141,960 | 1,721,654 | 1,314,883 | 189,736 | 1,504,619 |
| Costa Rica | 879,071 | 88,974 | 968,045 | 1,095,660 | 181,038 | 1,276,698 |
| Dominican Republic | 309,046 | 4,997 | 314,043 | 306,375 | 44,966 | 351,341 |
| Panama | 523,154 | 90,920 | 614,074 | 540,354 | 152,768 | 693,122 |
| Belize | 10,571 | 0 | 10,571 | 11,448 | 0 | 11,448 |
| Colombia | 23,750 | 0 | 23,750 | 170,050 | 0 | 170,050 |
| Mexico | 74,882 | 0 | 74,882 | 89,858 | 0 | 89,858 |
| Argentina | 78,798 | 0 | 78,798 | 2,526 | 0 | 2,526 |
| Subtotal | 7,823,037 | 794,601 | 8,617,638 | 7,046,864 | 1,156,825 | 8,203,689 |
| Allowance for loan losses | (306,104) | (43,739) | (349,843) | (220,954) | (64,010) | (284,964) |
| Loans, net | 7,516,933 | 750,862 | 8,267,795 | 6,825,910 | 1,092,815 | 7,918,725 |

Considering the financial policy described in note 2 (e), CABEI complies with its concentration limits of credit risk.

As of December 31, 2021, a detail of loans, by maturity, is as follows:

| | Years | | | | | | |
|---|---|---|---|---|---|---|---|
| Past due | Up to 1 | After 1 but within 2 | After 2 but within 3 | After 3 but within 4 | After 4 but within 5 | After 5 | Total |
| 179 | 1,035,150 | 951,711 | 715,476 | 925,312 | 581,726 | 4,408,084 | 8,617,638 |

(Expressed in thousands of U.S. dollars)

## (7) Loans, continued

As of December 31, 2021 and 2020, a detail of loans, by economic activity segment is as follows:

| | 2021 | 2020 |
|---|---|---|
| Construction | 2,667,760 | 2,938,889 |
| Supply of electricity, gas, steam, and air conditioning | 1,510,048 | 1,779,561 |
| Human health care and social assistance | 890,009 | 578,511 |
| Other services | 808,147 | 263,351 |
| Financial and insurance activities | 710,101 | 745,229 |
| Multi-sector | 527,273 | 606,306 |
| Agriculture, ranching, forestry, and fishing | 355,540 | 395,220 |
| Public administration and social security plans | 341,838 | 21,069 |
| Education | 229,946 | 28,944 |
| Water supply; sewage disposal, waste management, and decontamination | 192,781 | 160,184 |
| Wholesale and retail | 162,368 | 348,856 |
| Information and communication | 48,173 | 46,212 |
| Professional, scientific and technical activities | 41,799 | 140,120 |
| Manufacturing industry | 41,272 | 46,665 |
| Climate Change | 29,253 | 0 |
| Transportation and storage | 25,456 | 35,054 |
| Lodging activities and food services | 25,450 | 36,753 |
| Arts, entertainment and recreational activities | 7,505 | 8,414 |
| Administrative services and support activities | 2,919 | 3,766 |
| Real estate | 0 | 20,585 |
| | 8,617,638 | 8,203,689 |

As of December 31, 2021 and 2020, a detail of loans, by currency, is as follows:

| | 2021 | 2020 |
|---|---|---|
| U.S. dollar | 8,613,723 | 8,194,804 |
| Currencies from Central American countries | 3,915 | 8,197 |
| Euro | 0 | 688 |
| | 8,617,638 | 8,203,689 |

For the years ended December 31, 2021 and 2020, the weighted average yield on loans, after considering swap contracts when applicable, was 4.02% and 4.78% per annum, respectively.

As of December 31, 2021, there are no quotas in arrears corresponding to public sector loans.

As of December 31, 2020, the balance and the number of days past due on public sector loan installments amounted to 349 and 6 days overdue, corresponding to a debtor domiciled in the Republic of El Salvador.

(Expressed in thousands of U.S. dollars)

## (7) Loans, continued

As of December 31, 2021 and 2020, the balance and the number of days in arrears of non-performing loan installments of the private sector are detailed as follows:

| | 2021 | | | | | 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1-30 days | 31-60 days | 61-90 days | More than of 90 days | Total | 1-30 days | 31-60 days | 61-90 days | More than of 90 days | Total |
| Nicaragua | 82 | 0 | 0 | 97 | 179 | 0 | 0 | 0 | 0 | 0 |
| Costa Rica | 0 | 0 | 0 | 0 | 0 | 149 | 0 | 0 | 0 | 149 |
| | 82 | 0 | 0 | 97 | 179 | 149 | 0 | 0 | 0 | 149 |

As of December 31, 2021 and 2020, information about impaired private sector loans is presented in the following tables:

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| Impaired loans | Recorded investment | Overdue principal balance | Related allowance | Average recorded investment on impaired loans | Accumulated interest on impaired loans | Interest income recognized on impaired loans |
| With an allowance for loan losses | | | | | | |
| Honduras | 24,388 | 0 | 13,013 | 23,483 | 33 | 313 |
| Nicaragua | 17,840 | 179 | 8,786 | 17,615 | 42 | 256 |
| | 42,228 | 179 | 21,799 | 41,098 | 75 | 569 |
| Impaired loans with accrual status | 17,143 | 0 | 8,135 | 16,857 | 30 | 219 |
| Impaired loans with non-accrual status | 25,085 | 179 | 13,664 | 24,241 | 45 | 350 |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| Impaired loans | Recorded investment | Overdue principal balance | Related allowance | Average recorded investment on impaired loans | Accumulated interest on impaired loans | Interest income recognized on impaired loans |
| With an allowance for loan losses | | | | | | |
| Honduras | 23,107 | 0 | 9,124 | 23,149 | 31 | 1,575 |
| Nicaragua | 17,551 | 0 | 9,610 | 19,163 | 37 | 659 |
| Costa Rica | 139 | 0 | 90 | 244 | 0 | 12 |
| Panama | 21,099 | 0 | 8,080 | 21,386 | 51 | 1,246 |
| | 61,896 | 0 | 26,904 | 63,942 | 119 | 3,492 |
| Impaired loans with accrual status | 61,116 | 0 | 23,166 | 64,134 | 116 | 3,451 |
| Impaired loans with non-accrual status | 780 | 0 | 746 | 808 | 3 | 41 |

As of December 31, 2021 and 2020, the Bank does not hold any loans considered individually impaired pertaining to the public sector.

(Expressed in thousands of U.S. dollars)

## (7) Loans, continued

As of December 31, 2021 and 2020, the credit quality of public sector loans, sovereign and non-sovereign, based on risk ratings assigned by Credit Rating Agencies is as follows:

| Risk Rating | 2021 | 2020 |
|---|---|---|
| BBB+ / BBB / BBB- | 621,786 | 800,262 |
| BB+ / BB / BB- | 1,007,944 | 1,077,443 |
| B+ / B / B- | 4,068,368 | 5,155,185 |
| CCC+ / CCC / CCC- | 2,124,939 | 13,974 |
| | 7,823,037 | 7,046,864 |

As of December 31, 2021 and 2020, the credit quality of private sector loans based on risk ratings described in note 2 (f), is the following:

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| Private Sector | Normal | Special Mention | Substandard | Doubtful | Loss | Total |
| Guatemala | 93,647 | 298 | 135 | 0 | 0 | 94,080 |
| El Salvador | 101,115 | 765 | 0 | 0 | 0 | 101,880 |
| Honduras | 247,385 | 0 | 18 | 24,387 | 0 | 271,790 |
| Nicaragua | 124,120 | 0 | 0 | 17,143 | 697 | 141,960 |
| Costa Rica | 88,944 | 30 | 0 | 0 | 0 | 88,974 |
| Dominican Republic | 4,997 | 0 | 0 | 0 | 0 | 4,997 |
| Panama | 90,920 | 0 | 0 | 0 | 0 | 90,920 |
| | 751,128 | 1093 | 153 | 41,530 | 697 | 794,601 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| Private Sector | Normal | Special Mention | Substandard | Doubtful | Total |
| Guatemala | 144,177 | 853 | 0 | 0 | 145,030 |
| El Salvador | 103,931 | 934 | 0 | 0 | 104,865 |
| Honduras | 271,693 | 13,381 | 53,348 | 0 | 338,422 |
| Nicaragua | 157,119 | 15,066 | 0 | 17,551 | 189,736 |
| Costa Rica | 160,225 | 89 | 20,724 | 0 | 181,038 |
| Dominican Republic | 44,966 | 0 | 0 | 0 | 44,966 |
| Panama | 131,669 | 0 | 21,099 | 0 | 152,768 |
| | 1,013,780 | 30,323 | 95,171 | 17,551 | 1,156,825 |

For the years ended December 31, 2021 and 2020, the movement in the provision for loan losses are as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Sector | | | Sector | | |
| | Public | Private | Total | Public | Private | Total |
| At beginning of year | 220,954 | 64,010 | 284,964 | 189,011 | 57,618 | 246,629 |
| Provision for (reversal of) loan losses | 85,150 | (23,107) | 62,043 | 31,943 | 6,548 | 38,491 |
| Recoveries | 0 | 2,836 | 2,836 | 0 | 0 | 0 |
| Loan write-offs | 0 | 0 | 0 | 0 | (156) | (156) |
| At end of year | 306,104 | 43,739 | 349,843 | 220,954 | 64,010 | 284,964 |

(Expressed in thousands of U.S. dollars)

## 7. Loans, continued

As of December 31, 2021 and 2020, the balances of provision and recorded investment are presented below:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Public Sector | Private Sector | Total | Public Sector | Private Sector | Total |
| **Loans Measured Individually** | | | | | | |
| Specific allowance | 0 | 21,799 | 21,799 | 0 | 26,904 | 26,904 |
| Recorded investment | 0 | 42,228 | 42,228 | 0 | 61,896 | 61,896 |
| **Loans Measured Collectively** | | | | | | |
| Generic allowance | 306,104 | 21,940 | 328,044 | 220,954 | 37,106 | 258,060 |
| Recorded investment | 7,823,037 | 718,402 | 8,541,439 | 7,046,864 | 1,062,050 | 8,108,914 |
| **Loans Without an Allowance** | | | | | | |
| Recorded investment | 0 | 33,971 | 33,971 | 0 | 32,879 | 32,879 |
| **Total** | | | | | | |
| Allowance | 306,104 | 43,739 | 349,843 | 220,954 | 64,010 | 284,964 |
| Recorded investment | 7,823,037 | 794,601 | 8,617,638 | 7,046,864 | 1,156,825 | 8,203,689 |

Recorded investment means the loan exposure amount reported on the Bank's Balance sheet, net of partial write-offs.

For the years ended December 31, 2021 and 2020, the movement in the balance of restructured loans are the following:

| | 2021 | 2020 |
|---|---|---|
| At beginning of year | 97,548 | 104,810 |
| Troubled debt restructurings, due to modification of term and interest rate | 0 | 825 |
| Capitalized interest | 2,096 | 518 |
| Recoveries | (45,576) | (8,605) |
| At end of year | 54,068 | 97,548 |

Restructured loan balances for the years ended December 31, 2021 and 2020, relate to private sector loans. During the years ended December 31, 2021 and 2020, the balance of loans before restructuring was 0 and 825, respectively. As of December 31, 2021 and 2020, the number of restructured loans amounted to 4 and 7, respectively.

As of December 31, 2021 and 2020, the amount of past due installments corresponding to restructured loans amount to 179 and 149, respectively. The installments in arrears are considered in the individual impairment assessment of each restructured loan. At those dates, the Bank are no commitments to make additional disbursements for impaired loans or troubled debt restructurings.

On December 28, 2021, the Bank recorded a sale of loans for an amount of 202,635. No gain or loss on such transaction was recorded.

(Expressed in thousands of U.S. dollars)

## (8) Accrued Interest Receivable

As of December 31, 2021 and 2020, accrued interest receivable is detailed as follows:

| | 2021 | 2020 |
|---|---|---|
| On loans | 56,376 | 62,491 |
| On securities available for sale | 7,286 | 6,908 |
| On interest-bearing deposits with banks | 804 | 940 |
| | 64,466 | 70,339 |

## (9) Property and Equipment, Net

As of December 31, 2021 and 2020, property and equipment are detailed as follows:

| | 2021 | 2020 |
|---|---|---|
| Buildings | 33,947 | 29,992 |
| Computer equipment and software | 33,850 | 29,427 |
| Installations | 21,949 | 19,705 |
| Office furniture and equipment | 6,326 | 5,928 |
| Vehicles | 2,540 | 2,826 |
| | 98,612 | 87,878 |
| Less accumulated depreciation and amortization | (62,937) | (58,838) |
| | 35,675 | 29,040 |
| Land | 4,697 | 4,697 |
| | 40,372 | 33,737 |

## (10) Equity Investments

As of December 31, 2021 and 2020, the carrying value of equity investments in shares and equity interests of other entities are as follows:

| Name | Participation | Method | Financial Statements | Equity | 2021 | 2020 |
|---|---|---|---|---|---|---|
| **Shares** | | | | | | |
| Corporación Interamericana para el Financiamiento de Infraestructura, S. A. | 12.17% | Cost | 09/30/2021 | 103,342 | 5,000 | 5,000 |
| Darby - Pro-Banco Fund II, L. P. | 33.30% | Fair value | 09/30/2021 | 14,948 | 4,979 | 5,525 |
| Garantías y Servicios, Sociedad de Garantía, S. A. de C. V. | 24.00% | Cost | 11/30/2021 | 8,750 | 1,145 | 1,145 |
| Banco Popular Covelo, S. A. | 19.54% | Cost | 12/31/2021 | 31,967 | 3,443 | 3,443 |
| Other | | Cost | | | 24 | 25 |
| Subtotal shares | | | | | 14,591 | 15,138 |
| **Participations** | | | | | | |
| Central American Mezzanine Infrastructure Fund L.P. (CAMIF) | 38.53% | Cost | 09/30/2021 | 90,524 | 14,218 | 14,218 |
| Subtotal participations | | | | | 14,218 | 14,218 |
| | | | | | 28,809 | 29,356 |

(Expressed in thousands of U.S. dollars)

## (11) Other Assets

As of December 31, 2021 and 2020, the balance of other assets is detailed as follows:

| | 2021 | 2020 |
|---|---|---|
| Advance payment for settlement of commercial paper | 65,000 | 0 |
| Advances to suppliers | 39,377 | 21,221 |
| Contributions to the Guarantee Fund | 13,998 | 13,999 |
| Foreclosed assets, net of fair value adjustments | 11,648 | 11,648 |
| Accounts receivable | 4,026 | 3,098 |
| Fees paid in advance | 1,440 | 857 |
| Other | 23 | 26 |
| Surplus of assets over actuarial liabilities of Social Benefit Fund (note 21) | 0 | 13,040 |
| | 135,512 | 63,889 |

*Advance payment for settlement of commercial paper*

As of December 31, 2021, the amount corresponds to the advance payment for the settlement of the balance of commercial paper for 65,000, due on January 3, 2022 and with payment condition the business day prior to the due date (T-1).

*Contributions to the Guarantee Fund*

On March 31, 2020, the Bank approved the Emergency Support and Preparedness Program for COVID-19 and Economic Reactivation (the Program), the objective of which is to provide fast-disbursing financial resources to member countries of the SICA and other countries extraregional, for the financing of operations for the prevention, detection, and treatment of COVID-19 and mitigation of its economic impact in the countries. This Program includes the creation of a facility to support the financial sector for the financing of Micro, Small and Medium Enterprises (MIPYMES, in Spanish), through the constitution of the Guarantee Fund (the Fund).

The contributions transferred for the CABEI to the Fund will guarantee the credits of the eligible MIPYMES before the Intermediary Financial Institutions (IFI, in Spanish) that are borrowers of CABEI. This Fund is managed by CABEI and is kept out of the balance sheet, following the criteria of accounting regulations.

*Foreclosed assets*

As of December 31, 2021 and 2020, the balance of foreclosed assets is 11,648, net of fair value adjustments of 11,762 and 11,792, respectively.

(Expressed in thousands of U.S. dollars)

## (12) Loans Payable

As of December 31, 2021 and 2020, loans payable are as follows:

| | 2021 | 2020 |
|---|---|---|
| Kreditanstalt für Wiederaufbau (KfW) | 281,770 | 292,992 |
| Agence Française de Développement | 258,246 | 251,279 |
| Instituto de Crédito Oficial de España | 230,710 | 203,743 |
| The International Cooperation and Development Fund (TaiwanICDF) | 138,847 | 139,917 |
| Banco Nacional de Comercio Exterior, S.N.C. (Bancomext) | 132,188 | 146,896 |
| United States International Development Finance Corporation (US DFC) | 99,157 | 0 |
| European Investment Bank | 94,490 | 168,495 |
| Oesterreichische Entwicklungsbank AG (OeEB) | 30,000 | 30,000 |
| Nordic Investment Bank | 18,500 | 21,654 |
| The Export Import Bank of Korea | 14,985 | 0 |
| Nordea Bank | 14,155 | 18,170 |
| Japan Bank for International Cooperation | 12,729 | 18,705 |
| Fortis Bank SA/NV, Belgica | 5,167 | 7,815 |
| U.S. Agency for International Development (USAID) | 4,737 | 5,335 |
| BNP Paribas Fortis | 3,492 | 4,477 |
| Inter-American Development Bank (IDB) | 570 | 879 |
| | 1,339,743 | 1,310,357 |

As of December 31, 2021 maturities of loans payable are as follows:

| | Years | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 | After 1 but within 2 | After 2 but within 3 | After 3 but within 4 | After 4 but within 5 | After 5 | Total |
| Balance | 125,032 | 134,710 | 136,918 | 143,199 | 131,609 | 668,275 | 1,339,743 |

For the years ended December 31, 2021 and 2020, the weighted average cost on loans payable, after considering swap contracts when applicable, was 1.43% and 2.16% per annum, respectively.

As of December 31, 2021, loans payable at fixed and variable rates are 696,841 and 642,902, respectively. As of December 31, 2020, loans payable at fixed and variable rates are 610,836 and 699,521, respectively.

(Expressed in thousands of U.S. dollars)

## (13) Bonds Payable and Commercial Paper Program

a) As of December 31, 2021 and 2020, bonds payable are as follows:

| Currency | 2021 | 2020 |
|---|---|---|
| United States of America Dollars | 2,403,318 | 2,063,043 |
| Swiss francs | 1,617,091 | 1,639,577 |
| Mexican pesos | 1,066,469 | 786,659 |
| Norwegian kroner | 335,508 | 182,999 |
| Yuan | 322,062 | 473,975 |
| Euros | 304,353 | 326,516 |
| Uruguayan pesos | 215,287 | 228,693 |
| Yen | 178,989 | 202,341 |
| Costa Rican colones | 150,950 | 115,057 |
| Australian dollars | 112,948 | 156,071 |
| Colombian pesos | 77,483 | 106,776 |
| New Zealand dollars | 66,743 | 74,258 |
| Hong Kong dollars | 53,312 | 54,617 |
| Swedish kroner | 22,488 | 25,316 |
| South African rands | 0 | 22,818 |
| Bahts | 0 | 41,436 |
| | 6,927,001 | 6,500,152 |
| Fair value adjustment | (7,607) | 26,607 |
| | 6,919,394 | 6,526,759 |

As of December 31, 2021 maturities of bonds payable are as follows:

| | Years | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 | After 1 but within 2 | After 2 but within 3 | After 3 but within 4 | After 4 but within 5 | After 5 | Total |
| Balance | 1,008,342 | 1,017,695 | 1,242,632 | 1,462,612 | 598,024 | 1,590,089 | 6,919,394 |

For the years ended December 31, 2021 and 2020, the weighted average cost on bonds payable, after considering swap contracts when applicable, was 1.25% and 2.17% per annum, respectively.

b) As of December 31, 2021 and 2020, CABEI has the following commercial paper programs:

| | 2021 | | | |
|---|---|---|---|---|
| | Authorized Program Size | Amount Issued | Annual Average Cost | Contractual Maturity |
| Commercial Paper – Global Program in USD | 500,000 | 64,999 | 0.18% | Up to 3 months |
| Commercial Paper – Regional Program in CRC | 200,000 | 0 | 0.00% | Up to 6 months |
| | 700,000 | 64,999 | | |

(Expressed in thousands of U.S. dollars)

## (13) Bonds Payable and Commercial Paper Program, continued

| | 2020 | | | |
|---|---|---|---|---|
| | Authorized Program Size | Amount Issued | Annual Average Cost | Contractual Maturity |
| Commercial Paper – Global Program in USD | 500,000 | 64,998 | 1.05% | Up to 3 months |
| Commercial Paper – Regional Program in CRC | 200,000 | 0 | 0.00% | Up to 6 months |
| | 700,000 | 64,998 | | |

## (14) Certificates of Deposit

As of December 31, 2021 and 2020, certificates of deposit are as follows:

| | 2021 | 2020 |
|---|---|---|
| Central banks | 902,080 | 885,940 |
| Private financial institutions | 514,416 | 454,210 |
| Public financial institutions | 302,376 | 183,897 |
| Other | 24,995 | 22,603 |
| Multilateral institutions | 0 | 50,000 |
| | 1,743,867 | 1,596,650 |

As of December 31, 2021, the contractual maturities are as follows:

| | | | Years | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 6 months | After 6 months but within 1 year | After 1 but within 2 | After 2 but within 3 | After 3 but within 4 | After 4 but within 5 | Total |
| Balance | 1,580,206 | 142,992 | 4,705 | 3,368 | 7,086 | 5,510 | 1,743,867 |

For the years ended December 31, 2021 and 2020, the weighted average cost on certificates of deposit was 0.18% and 0.98% per annum, respectively.

For the years ended December 31, 2021 and 2020, the weighted average cost on certificates of deposit, by currency, is as follows:

| | 2021 | 2020 |
|---|---|---|
| Deposits in Dollars (USD) | 0.17% | 0.76% |
| Deposits in Costa Rica colones (CRC) | 2.99% | 6.35% |
| Deposits in Lempiras (HNL) | 4.01% | 6.61% |

(Expressed in thousands of U.S. dollars)

## (15) Accrued Interest Payable

As of December 31, 2021 and 2020, accrued interest payable is as follows:

| | 2021 | 2020 |
|---|---|---|
| On bonds payable | 14,788 | 16,260 |
| On loans payable | 2,607 | 2,707 |
| On certificates of deposit | 522 | 619 |
| | 17,917 | 19,586 |

## (16) Other Liabilities

As of December 31, 2021 and 2020, the other liabilities are detailed below:

| | 2021 | 2020 |
|---|---|---|
| Non-refundable financial cooperation's to be disbursed | 20,663 | 31,893 |
| Other creditors | 10,103 | 14,758 |
| Bonuses and supplemental compensation | 4,852 | 4,241 |
| Other provisions | 4,072 | 4,689 |
| Provision technical assistance | 3,454 | 3,163 |
| Deficit of assets over actuarial obligations of the employee benefit plan (note 21) | 2,682 | 0 |
| Transitory deposits | 801 | 263 |
| Provision for contingencies (note 18) | 412 | 863 |
| Deferred fees over contingent commitments (note 18) | 20 | 0 |
| | 47,059 | 59,870 |

## (17) Equity

*(a)* Authorized, Subscribed, and Paid-in Capital

The Bank's authorized capital is 7,000,000, divided into 3,570,000 for founding countries and 3,430,000 for non-founding regional countries and non-regional countries. The issuance of shares shall be carried out in accordance to the following parameters: Series "A" shares, which are available only to founding countries, composed of up to 357,000 shares, each with a face value of 10; and Series "B" shares, which are available only to non-founding regional countries and non-regional countries, composed of up to 343,000 shares, each with a face value of 10. The "A" and "B" Series shares will at all times represent the Bank's entire authorized capital.

In addition, there will be a Series "C" shares, issued in favor of the holders of the "A" and "B" Series shares with a face value of zero, which will have the purpose of aligning the equity value of the shares with their nominal value and will be issued as the result of a periodic assignment process, as regulated and approved by the Board of Governors.

The "C" Series shares will be assigned in a proportional manner to the number of "A," "B," and "C" Series shares of each shareholder. The "C" Series shares cannot be used as payment to subscribe "A" or "B" Series shares and will not generate callable capital.

**(17) Equity, continued**

As of December 31, 2021, the founding countries have subscribed 3,570,000 from the total number of shares into equal parts, and the non-founding regional countries and non-regional countries have subscribed 3,313,100; the remaining 116,900 is available for subscription.

The Bank's shares shall not accrue interest or dividends and they may not be pledged or taxed.

Series "E" certificates are issued to "A" and "B" shareholders, each with a face value of 10, to recognize the retained earnings attributable to their capital contributions to the Bank through the passage of time. These certificates do not grant voting rights and may not be transferred. Series "E" certificates may be used by the members who are holders of "A" and "B" shares in order to pay, either fully or partially, the subscription of new shares of the unsubscribed authorized share capital made available by the Bank. Series "E" certificates not used to subscribe for new shares of stock will become part of the Bank's general reserve.

The Bank's authorized capital is divided into shares of callable capital and shares payable in cash. The equivalent to 5,250,000 corresponds to callable capital and the equivalent to 1,750,000 corresponds to capital payable in cash.

(Expressed in thousands of U.S. dollars)

## (17) Equity, continued

As of December 31, 2021, the capital structure of the Bank is detailed as follows:

| | | | | Capital | |
|---|---|---|---|---|---|
| **Subscribed capital** | **Authorized** | **Callable subscribed** | **Subscribed payable in cash** | **Subscribed payable in cash receivable** | **Paid-in** |
| Founding countries | | | | | |
| Guatemala | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| El Salvador | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| Honduras | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| Nicaragua | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| Costa Rica | 714,000 | 535,500 | 178,500 | 44,625 | 133,875 |
| Subtotal founding countries | 3,570,000 | 2,677,500 | 892,500 | 223,125 | 669,375 |
| Non-founding regional countries | | | | | |
| Dominican Republic | 378,400 | 283,800 | 94,600 | 26,775 | 67,825 |
| Panama | 358,400 | 268,800 | 89,600 | 22,400 | 67,200 |
| Belize | 25,000 | 18,750 | 6,250 | 0 | 6,250 |
| Subtotal non-founding regional countries | 761,800 | 571,350 | 190,450 | 49,175 | 141,275 |
| Non-regional countries | | | | | |
| Republic of China (Taiwan) | 776,250 | 582,187 | 194,063 | 60,430 | 133,633 |
| Republic of Korea | 630,000 | 472,500 | 157,500 | 61,875 | 95,625 |
| Mexico | 306,250 | 229,687 | 76,563 | 0 | 76,563 |
| Spain | 280,000 | 210,000 | 70,000 | 6,000 | 64,000 |
| Argentina | 305,800 | 229,350 | 76,450 | 35,175 | 41,275 |
| Colombia | 203,000 | 152,250 | 50,750 | 12,688 | 38,062 |
| Cuba[3] | 50,000 | 37,500 | 12,500 | 0 | 12,500 |
| Subtotal non-regional countries | 2,551,300 | 1,913,474 | 637,826 | 176,168 | 461,658 |
| Subtotal subscribed capital and paid-in capital | 6,883,100 | 5,162,324 | 1,720,776 | 448,468 | 1,272,308 |
| **Unsubscribed capital** | | | | | |
| Non-regional countries and regional non-founding countries | 116,900 | | | | |
| **Authorized capital** | 7,000,000 | | | | |

[3] The capital payments of the Republic of Cuba are made in euros.

(Expressed in thousands of U.S. dollars)

## (17) Equity, continued

As of December 31, 2020, the capital structure of the Bank is detailed as follows:

| | Capital | | | | |
|---|---|---|---|---|---|
| **Subscribed capital** | **Authorized** | **Callable subscribed** | **Subscribed payable in cash** | **Subscribed payable in cash receivable** | **Paid-in** |
| Founding countries | | | | | |
| Guatemala | 714,000 | 535,500 | 178,500 | 51,000 | 127,500 |
| El Salvador | 714,000 | 535,500 | 178,500 | 51,000 | 127,500 |
| Honduras | 714,000 | 535,500 | 178,500 | 51,000 | 127,500 |
| Nicaragua | 714,000 | 535,500 | 178,500 | 51,000 | 127,500 |
| Costa Rica | 714,000 | 535,500 | 178,500 | 51,000 | 127,500 |
| Subtotal founding countries | 3,570,000 | 2,677,500 | 892,500 | 255,000 | 637,500 |
| Non-founding regional countries | | | | | |
| Dominican Republic | 378,400 | 283,800 | 94,600 | 30,600 | 64,000 |
| Panama | 358,400 | 268,800 | 89,600 | 25,600 | 64,000 |
| Belize | 25,000 | 18,750 | 6,250 | 0 | 6,250 |
| Subtotal non-founding regional countries | 761,800 | 571,350 | 190,450 | 56,200 | 134,250 |
| Non-regional countries | | | | | |
| Republic of China (Taiwan) | 776,250 | 582,187 | 194,063 | 69,063 | 125,000 |
| Republic of Korea | 630,000 | 472,500 | 157,500 | 123,750 | 33,750 |
| Mexico | 306,250 | 229,687 | 76,563 | 0 | 76,563 |
| Spain | 280,000 | 210,000 | 70,000 | 10,000 | 60,000 |
| Argentina | 259,250 | 194,438 | 64,812 | 28,562 | 36,250 |
| Colombia | 203,000 | 152,250 | 50,750 | 14,500 | 36,250 |
| Cuba[3] | 50,000 | 37,500 | 12,500 | 5,649 | 6,851 |
| Subtotal non-regional countries | 2,504,750 | 1,878,562 | 626,188 | 251,524 | 374,664 |
| Subtotal subscribed capital and paid-in capital | 6,836,550 | 5,127,412 | 1,709,138 | 562,724 | 1,146,414 |
| **Unsubscribed capital** | | | | | |
| Non-regional countries and regional non-founding countries | 163,450 | | | | |
| **Authorized capital** | 7,000,000 | | | | |

[3] The capital payments of the Republic of Cuba are made in euros.

(Expressed in thousands of U.S. dollars)

**(17) Equity, continued**

*(b)* Subscriptions capital

During the year ended December 31, 2021

On September 3, 2020, CABEI´s Board of Governors approved the request of the Republic of Argentina to increase the participation in the share capital in accordance with de section VI, of the Bank´s Capitalization Regulations for 46,550. This capital subscription process will generate cash capital payments for CABEI for an aggregate amount of 11,638 to be received over the course of 8 years. Consequently, on May 5, 2021, the Republic of Argentina made its first cash capital payment for 1,455, with which the subscribed capital became effective.

During the year ended December 31, 2020

On April 20, 2020, once the subscription of shares by the founding countries was formalized, the increase in the Bank's authorized capital by 2,000,000 came into effect, taking the authorized capital from 5,000,000 to 7,000,000, of which the founding countries subscribed the equivalent to 51%, through Series “A” shares, an amount that amounts to 1,020,000 (204,000 for each founding countries), with the remaining 49% being available to non-founding regional countries and non-regional countries, through Series “B” shares, for 980,000.

On June 2, 2020, non-founding regional countries and non-regional countries subscribed Series “B” shares for 780,800, receiving responses from the republics of Panama, the Dominican Republic, China (Taiwan), Korea, Spain, Argentina and Colombia, who subscribed capital additional as follows:

| Subscribed capital | Subscribed Capital | Callable subscribed capital | Subscribed payable in cash capital |
|---|---|---|---|
| Non-founding regional countries | | | |
| Dominican Republic | 102,400 | 76,800 | 25,600 |
| Panama | 102,400 | 76,800 | 25,600 |
| Sub-total of non-founding regional countries | 204,800 | 153,600 | 51,200 |
| Non-regional countries | | | |
| Republic of China (Taiwan) | 200,000 | 150,000 | 50,000 |
| Republic of Korea | 180,000 | 135,000 | 45,000 |
| Spain | 80,000 | 60,000 | 20,000 |
| Argentina | 58,000 | 43,500 | 14,500 |
| Colombia | 58,000 | 43,500 | 14,500 |
| Sub-total of non-regional countries | 576,000 | 432,000 | 144,000 |
| Total Subscribed capital | 780,800 | 585,600 | 195,200 |

(Expressed in thousands of U.S. dollars)

**(17) Equity, continued**

On July 31, 2020, according to the availability of shares to be subscribed, the Dominican Republic, the Republic of China (Taiwan) and Argentina subscribed Series "B" shares for 152,500. The foregoing based on CABEI's Capitalization Regulations. The subscription by country is detailed below:

| Subscribed capital | Subscribed Capital | Callable subscribed capital | Subscribed payable in cash capital |
|---|---|---|---|
| Non-founding regional countries | | | |
| Dominican Republic | 20,000 | 15,000 | 5,000 |
| Sub-total of non-founding regional countries | 20,000 | 15,000 | 5,000 |
| Non-regional countries | | | |
| Republic of China (Taiwan) | 76,250 | 57,187 | 19,063 |
| Argentina | 56,250 | 42,187 | 14,063 |
| Sub-total of non-regional countries | 132,500 | 99,374 | 33,126 |
| Total Subscribed capital | 152,500 | 114,374 | 38,126 |

*(c)* Capital Payments

As a result of the new subscription of shares and amendments to the Constitutive Agreement, for the years ended December 31, 2021 and 2020, the member countries made capital payments as follows:

| Capital Payments | 2021 | 2020 |
|---|---|---|
| Founding regional countries | | |
| Guatemala | 6,375 | 0 |
| El Salvador | 6,375 | 0 |
| Honduras | 6,375 | 0 |
| Nicaragua | 6,375 | 0 |
| Costa Rica | 6,375 | 0 |
| Sub-total | 31,875 | 0 |
| Non-founding regional countries | | |
| Dominican Republic | 3,825 | 0 |
| Panama | 3,200 | 0 |
| Sub-total | 7,025 | 0 |
| Non-regional countries | | |
| Republic of China (Taiwan) | 8,633 | 0 |
| Republic of Korea | 61,875 | 33,750 |
| Spain | 4,000 | 10,000 |
| Argentina | 5,025 | 0 |
| Colombia | 1,812 | 0 |
| Cuba[4] | 5,649 | 601 |
| Sub-total | 86,994 | 44,351 |
| | 125,894 | 44,351 |

[4] The capital payments of the Republic of Cuba are made in euros.

(Expressed in thousands of U.S. dollars)

## (17) Equity, continued

*(d)* Entry into effect of the voting force of CABEI's VIII General Capital Increase

In accordance with the provisions of CABEI's Capitalization Regulations, in guarantee of 51.0% of the participation of the founding member countries, the right to vote in the capital subscription of CABEI's VIII General Capital Increase will take effect once the first capital payment of the founding member countries has been received to guarantee the aforementioned proportion, and provided that the period granted to non-founding regional members and extra-regional members to make the first capital payment has elapsed. In this sense, with the receipt of the capital payment from the Republic of Honduras, corresponding to the complement of its first installment, the receipt of the first capital payment from the founding member countries that guarantees the 51.0% proportion was completed, and based on the above, as of December 28, 2021, the voting rights of the capital subscriptions of all the countries that have made the payment of the first capital installments corresponding to the subscriptions made within the framework of CABEI's VIII General Capital Increase came into effect.

## (18) Contingent Commitments

As of December 31, 2021 and 2020, balances of contingent commitments are as follows:

| | 2021 | 2020 |
|---|---|---|
| Subscribed credit agreements (*) | 5,121,547 | 4,506,337 |
| Endorsements and guarantees granted | 38,376 | 43,327 |
| Letters of credit | 5,925 | 29,925 |
| | 5,165,848 | 4,579,589 |

(*) Includes loans written

The Bank's management has performed an analysis of each commitment assumed, based on current information and events to determine material losses for these commitments.

As of December 31, 2021 the maturities of endorsements and guarantees granted, and letters of credit, are as follows:

| | Years | | |
|---|---|---|---|
| | 2022 | 2029 | Total |
| Endorsements and guarantees granted | 1,263 | 37,114 | 38,376 |
| Letters of credit | 5,925 | 0 | 5,925 |

As of December 31, 2021, the Bank has recognized deferred commissions for contingent commitments for 20, which have been recorded as other liabilities in the balance sheet (note 16). As of December 31, 2020, the Bank does not maintain deferred commission balances for contingent commitments.

As of December 31, 2021 and 2020, the Bank maintains a provision for possible losses of 412 and 863, respectively, in relation to the guarantees and guarantees granted and letters of credit, which has been recorded as other liabilities in the Balance sheet (note 16).

(Expressed in thousands of U.S. dollars)

## (19) Derivative Financial Instruments and Hedging Activities

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

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

The Bank maintains policies for the approval of counterparties and maximum limits per counterparty. To measure the exposure with counterparties, the Bank establishes a maximum limit measured with respect to the counterparty's credit quality. As of December 31, 2021 and 2020, the Bank is in compliance with this policy.

The Bank's derivatives are subject to enforceable master netting agreements with its counterparties. These legally enforceable master netting arrangements oblige the counterparty to deliver securities as collateral and give the Bank the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty.

As of December 31, 2021 and 2020, the face value of derivative financial instruments is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | Face Value | Face Value | Face Value | Face Value |
| **Economic hedges** | | | | |
| Interest rate and other contracts | 1,104,330 | 1,019,950 | 1,347,998 | 457,784 |
| **Other risk management purposes** | | | | |
| Foreign currency contracts | 2,213,088 | 2,266,885 | 3,195,142 | 1,139,882 |
| Total derivative financial instruments, face value | 3,317,418 | 3,286,835 | 4,543,140 | 1,597,666 |

CABEI adopted the accounting policy of offsetting derivative financial instruments, which establishes that the right to offset the positions of assets and liabilities in the Balance sheet exists.

This accounting policy is covered under ASC 815-10-45 which indicates that an entity may offset the fair value amounts recognized for derivative financial instruments and the fair value amounts recognized by the obligation to deliver cash collateral (delivered), or the right to claim cash collateral (received), which arises from derivative instruments recognized at fair value with the same counterparty under a master netting agreement.

(Expressed in thousands of U.S. dollars)

## (19) Derivative Financial Instruments and Hedging Activities, continued

The following tables present information about the offsetting of derivative financial instruments as of December 31, 2021 and 2020:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | Fair Value | Fair Value | Fair Value | Fair Value |
| **Fair value hedges** | | | | |
| Interest rate and other contracts | 19,122 | 42,720 | 35,001 | 31,578 |
| **Other risk management purposes** | | | | |
| Foreign currency contracts | 127,273 | 253,550 | 338,292 | 129,384 |
| Subtotal derivative financial instruments | 146,395 | 296,270 | 373,293 | 160,962 |
| Cash collateral paid / received | 183,379 | 61,000 | 40,349 | 279,610 |
| Subtotal derivative financial instruments, by gross amounts | 329,774 | 357,270 | 413,642 | 440,572 |
| Less: Master netting agreements | (97,856) | (97,856) | (118,729) | (118,729) |
| Less: Offsetting cash collateral paid / received | (231,674) | (231,674) | (293,295) | (293,295) |
| Credit risk valuation adjustment for counterparties under netting agreements | 12 | 33 | 79 | 4 |
| Total derivative financial instruments presented in the balance sheet, by offset amounts | 256 | 27,773 | 1,697 | 28,552 |

The income (loss) of derivative instruments used as hedges, under ASC 815, has been recorded together with the income (loss) of the respective financial instruments hedged in the valuation account of derivative financial instruments and debt presented in the statement of income.

(Expressed in thousands of U.S. dollars)

## (19) Derivative Financial Instruments and Hedging Activities, continued

For the years ended December 31, 2021 and 2020, such income (loss) on derivative financial instruments are presented below:

| | 2021 | | |
|---|---|---|---|
| | Income (loss) | | |
| | Derivative instrument | Hedged financial instrument | Total |
| **Fair value hedges** | | | |
| Interest rate and other contracts | (27,022) | 27,022 | 0 |
| **Undesignated economic hedges** | | | |
| Foreign currency contracts[5] | (335,184) | 0 | (335,184) |
| **Credit risk valuation adjustment on derivative financial instruments** | (97) | 0 | (97) |
| **Realized loss, credit risk component on debt at fair value** | (4,740) | 0 | (4,740) |
| | (367,043) | 27,022 | (340,021) |

| | 2020 | | |
|---|---|---|---|
| | Income (loss) | | |
| | Derivative instrument | Hedged financial instrument | Total |
| **Fair value hedges** | | | |
| Interest rate and other contracts | (21,551) | 21,551 | 0 |
| **Undesignated economic hedges** | | | |
| Foreign currency contracts[5] | 374,640 | 0 | 374,640 |
| **Credit risk valuation adjustment on derivative financial instruments** | 118 | 0 | 118 |
| **Realized loss, credit risk component on debt at fair value** | (4,790) | 0 | (4,790) |
| | 348,417 | 21,551 | 369,968 |

(Loss) income recognized in the Statement of income is presented as valuation of derivative financial instruments and debt.

[5] These contracts correspond to economic hedges for which the Bank has elected to measure at fair value the financial liabilities denominated in currencies other than the U.S. dollar (note 3 (vi)).

(Expressed in thousands of U.S. dollars)

## (20) Funds and Programs managed by CABEI

In its role as a multilateral financial institution and promoter of both the economic integration and balanced economic and social development of the founding countries, and non-founding regional countries, the Bank manages independent funds and programs which are detailed below as of December 31, 2021 and 2020:

| Fund/Program | Net Assets 2021 (Unaudited) | Net Assets 2020 (Audited) |
|---|---|---|
| Honduras - Spain Fund, Phase II | 54,610 | 66,931 |
| Investment Trust – Dwelling Mortgage Fund (FIFHV) | 29,103 | 27,551 |
| Technical Cooperation Fund – FONTEC | 26,437 | 19,630 |
| CABEI Guarantee Fund - Financial Sector Support Facility of the COVID-19 Emergency Program | 14,978 | 14,000 |
| Korea – CABEI Partnership Single Donor Trust Fund (KTF) | 9,982 | 9,551 |
| Program for Development of the Border Areas in Central America | 4,031 | 4,033 |
| Climate Change Investment Project Preparation Fund (FCC) | 2,500 | 0 |
| Accelerating Fund investments in Renewable Energy in Central America (ARECA) | 2,478 | 2,489 |
| Technical Assistance Fund for Regional Integration Projects (FATPIR) | 1,580 | 2,290 |
| Taiwan-CABEI Partnership Trust Fund (TCPT) | 1,000 | 0 |
| UNOPS – GCF – Readiness and Preparatory Support Programme (RPSP) “Strengthening Policies and Structures to Access Climate Finance in the Republic of Nicaragua” | 415 | 0 |
| Productive Investment Initiative for Adaptation to Climate Change (CAMBIo II) | 351 | 395 |
| Development of an Energy Efficiency Market in Lighting, Air Conditioners and Refrigerators in Costa Rica | 282 | 116 |
| Agence Française de Développement (AFD) – Programa de Asistencia Técnica | 201 | 0 |
| Korea Development Co-Financing Facility for Central America | 124 | 54 |
| Trust for Administration, Attention, Rehabilitation, Training, and Prevention of Burnt Children | 96 | 86 |
| UNOPS – GCF – Rapid Passengers Train (RPT) for the Greater Metropolitan Area of San Jose (GAM) | (118) | (19) |
| | 148,050 | 147,107 |

(Expressed in thousands of U.S. dollars)

## (21) Social Benefit Fund (SBF)

The Social Benefit Fund's (the Fund or the SBF) objective is to provide the Bank's personnel with benefits for retirement and disability pensions, voluntary retirement, compensation based on years of service, life insurance in the event of disability and death, hospital medical benefits, medium term financing, and other benefits that may be granted in accordance with the financial capacity of the Fund. The SBF is financed by contributions from beneficiaries and the Bank in accordance with the provisions of the Plans. Retirement, pension and life insurance plans are considered as defined benefit plans, whereas the hospital-related medical benefit plan is considered a defined contribution plan.

The SBF exists with the exclusive purpose of granting to the Bank's personnel the benefits set forth in the Charter and supplementary regulations currently existing or to be issued to such effect by the Bank.

It also establishes that the SBF's assets will be held and managed separately from the other assets of the Bank, as a pension fund, and will exclusively be used to pay the benefits and expenses under the various benefit plans granted by the SBF.

The Bank pays a special contribution to SBF as a compensation mechanism or supplement to the yield generated by the Social Benefit Plan's investment securities portfolio in order to reach the established technical interest rate, which is currently 7%.

Although there is a periodic monitoring of SBF's Plan benefits, the date the Bank uses to measure this obligation is December 31 of each year. For the years ended December 31, 2021 and 2020, the following table shows the net periodic benefit cost in conformity with the criteria established by currently applicable standards:

| | 2021 | 2020 |
|---|---|---|
| **Components of the periodic benefit net of costs** | | |
| Interest cost | 9,497 | 9,176 |
| Service cost | 2,118 | 1,944 |
| Return on plan assets | (13,081) | (13,261) |
| Periodic profit net of costs | (1,466) | (2,141) |

The following tables show the changes in projected benefit obligation, the changes in Plan assets and the Plan position as they arise from the most recent actuarial appraisal as of December 31, 2021 and 2020 and in conformity with the criteria established by currently applicable standards.

(Expressed in thousands of U.S. dollars)

## (21) Social Benefit Fund (SBF), continued

As of December 31, 2021 and 2020, the changes in projected benefit obligation, the changes in Plan assets and the Plan position are detailed as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | **Retirement and Pension Plan** | **Life Insurance Plan** | **Hospital-related Medical Plan** | **Total** |
| **Changes in benefit obligation:** | | | | |
| Benefit obligation at beginning of year | 141,771 | 18,559 | 25,922 | 186,252 |
| Interest cost | 9,497 | 0 | 0 | 9,497 |
| Service cost | 2,118 | 0 | 0 | 2,118 |
| Paid benefits | (13,079) | (682) | (4,360) | (18,121) |
| Actuarial losses | 7,825 | 2,867 | 4,479 | 15,171 |
| Benefit obligation at end of year | 148,132 | 20,744 | 26,041 | 194,917 |
| **Changes in Plan assets:** | | | | |
| Fair value of Plan assets at beginning of year | 126,817 | 60,663 | 25,922 | 213,402 |
| Return on Plan assets | 7,653 | 3,816 | 1,612 | 13,081 |
| Employer contributions | 3,549 | 657 | 2,613 | 6,819 |
| Plan participants contributions | 1,246 | 26 | 1,409 | 2,681 |
| Paid benefits | (13,079) | (682) | (4,360) | (18,121) |
| Change in fair value of investments | (5,483) | (2,762) | (1,155) | (9,400) |
| Reclassification of reserves due to plan changes | 8,691 | (8,691) | 0 | 0 |
| Other expenses, net | (83) | 0 | 0 | (84) |
| Subtotal | 129,311 | 53,027 | 26,041 | 208,378 |
| Assets assigned to individual savings accounts | (16,144) | 0 | 0 | (16,144) |
| Fair value of Plan assets at end of year | 113,167 | 53,027 | 26,041 | 192,234 |
| Net Plan position | (34,965) | 32,283 | 0 | (2,683) |

| | 2020 | | | |
|---|---|---|---|---|
| | **Retirement and Pension Plan** | **Life Insurance Plan** | **Hospital-related Medical Plan** | **Total** |
| **Changes in benefit obligation:** | | | | |
| Benefit obligation at beginning of year | 138,228 | 17,291 | 22,490 | 178,009 |
| Interest cost | 9,176 | 0 | 0 | 9,176 |
| Service cost | 1,944 | 0 | 0 | 1,944 |
| Paid benefits | (12,177) | (580) | (2,797) | (15,554) |
| Actuarial losses | 4,600 | 1,849 | 6,229 | 12,678 |
| Benefit obligation at end of year | 141,771 | 18,560 | 25,922 | 186,253 |
| **Changes in Plan assets:** | | | | |
| Fair value of Plan assets at beginning of year | 121,535 | 53,814 | 22,490 | 197,839 |
| Return on Plan assets | 7,757 | 3,880 | 1,624 | 13,261 |
| Employer contributions | 2,854 | 536 | 2,131 | 5,521 |
| Plan participants contributions | 1,014 | 14 | 1,285 | 2,313 |
| Paid benefits | (12,177) | (580) | (2,797) | (15,554) |
| Change in fair value of investments | 6,078 | 2,837 | 1,189 | 10,104 |
| Other income | (81) | 0 | 0 | (81) |
| Subtotal | 126,980 | 60,501 | 25,922 | 213,403 |
| Assets assigned to individual savings accounts | (14,110) | 0 | 0 | (14,110) |
| Fair value of Plan assets at end of year | 112,870 | 60,501 | 25,922 | 199,293 |
| Net Plan position | (28,901) | 41,941 | 0 | 13,040 |

(Expressed in thousands of U.S. dollars)

**(21) Social Benefit Fund (SBF), continued**

As of December 31, 2021 and 2020, the SBF's net Plan assets are detailed as follows:

| | 2021 | 2020 |
|---|---|---|
| Cash | 3,128 | 3,166 |
| Securities available for sale | 190,590 | 196,376 |
| Subtotal | 193,718 | 199,542 |
| Loans | 12,168 | 12,393 |
| Accrued interest receivable | 1,474 | 1,481 |
| Other, net | 1,018 | (14) |
| | 208,378 | 213,402 |
| Less: Assets from individual account balances | (16,144) | (14,110) |
| Net assets | 192,234 | 199,292 |

*Benefits*

Retirement benefits are granted once employees and officials meet the required age and years of service; they are based on a percentage of the compensation of participants in relation to age and years of service. Voluntary retirement benefits are granted once employees and officials are separated from CABEI either voluntarily or by dismissal.

The death coverage benefit or life insurance includes: i) compensation for natural death, ii) compensation for accidental death, iii) compensation for complete and permanent disability, iv) compensation for dismemberment or loss of sight, caused by disease or accident, v) allowance for burial and related expenses and vi) compensation for time served.

Medical benefits include medical, hospital and laboratory attention to active employees and officers, retirees by disability and ordinary retirees.

*Actuarial assumptions*

The actuarial assumptions used are based on financial market interest rates, the established technical interest rate, past experience and management's best estimate of future changes in benefits and economic conditions. Changes in these assumptions may have an impact on the cost of benefits and future obligations. At December 31, 2021 and 2020, weighted averages of the actuarial assumptions used in the estimate of the projected benefit obligation were the following:

| | |
|---|---|
| Discount rate | 7 % |
| Salary increase rate | 5 % |
| Estimated rate of return on assets, considering the special contributions granted by the Bank | 7 % |

Medical benefits have been considered as a defined contribution plan, for which the mathematical reserve is derived from the accumulated balance of the reserves recognized for accounting purposes corresponding to the medical benefit plan.

(Expressed in thousands of U.S. dollars)

**(21) Social Benefit Fund (SBF), continued**

The treatment of medical benefits as a defined contribution plan is based on a resolution adopted by the Bank's Board of Directors, pursuant to which the scope of the benefit is limited to the annual availability of funds of the SBF.

*Contributions*

It is expected that the contributions from CABEI to the SBF during fiscal year 2022 will equal approximately 12,693. All Bank contributions are made in cash.

*Future payments of estimated benefits*

The following table shows the benefits that are expected to be payable based upon the same assumptions that were used to determine the projected benefit obligation as of December 31, 2021:

| Plans | Years | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025-2029 |
| Retirement and Pensions | 13,430 | 13,791 | 14,321 | 14,804 | 15,328 | 81,549 |
| Life Insurance | 735 | 739 | 760 | 780 | 800 | 4,304 |
| Hospital related medical | 4,278 | 4,896 | 5,514 | 6,133 | 6,751 | 28,499 |
| | 18,443 | 19,426 | 20,595 | 21,717 | 22,879 | 114,352 |

*Plan Assets*

The purpose of the Plan's Asset Allocation Investments Portfolio scheme is to maintain a diversified portfolio of asset classes in order to preserve the assets and generate income, and to achieve an appropriate growth level, based on a return adjusted by the determined risk tolerance, with the intention of attaining the technical rate necessary to meet the Social Benefit Plan's obligations. SBF's investment policies specify the appropriate asset classes for the Plan, asset allocation guides, and the procedures for monitoring investment performance. The Plan's resources must be invested in securities from money and capital markets, in accordance to SBF's Charter, the Bank's Investment Policies and other applicable regulations.

(Expressed in thousands of U.S. dollars)

## (21) Social Benefit Fund (SBF), continued

As of December 31, 2021 and 2020, the asset allocation of SBF's investment portfolio is as follows:

| Asset Allocation Objectives | Maximum allowed | 2021 | 2020 |
|---|---|---|---|
| Cash and due from banks | 5% | 0.0% | 0.0% |
| Investment securities: | | | |
| US Treasury bonds and/or bonds issued by US Federal Government Agencies | 100% | 13% | 9% |
| Securities issued by CABEI | 100% | 30% | 30% |
| Eurobonds CA or CABEI Fund Shares | 20% | 16% | 17% |
| Corporate bonds with credit rating "A" or better | 50% | 41% | 44% |

Plan assets are recognized at fair value.

The following table presents the assets valued at their fair value on a recurring basis as of December 31, 2021 and 2020, classified according to the fair value hierarchy:

| | Level 1 | Level 2 | Level 3 | 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 3,128 | 0 | 0 | 3,128 |
| Fixed income bonds: | | | | |
| US Treasury bonds | 17,671 | 0 | 0 | 17,671 |
| Securities issued by CABEI | 0 | 56,005 | 0 | 56,005 |
| Corporate bonds | 0 | 74,544 | 0 | 74,544 |
| Sovereign bonds | 0 | 42,370 | 0 | 42,370 |
| | 20,799 | 172,919 | 0 | 193,718 |

| | Level 1 | Level 2 | Level 3 | 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 3,166 | 0 | 0 | 3,166 |
| Fixed income bonds: | | | | |
| US Treasury bonds | 18,071 | 0 | 0 | 18,071 |
| Securities issued by CABEI | 0 | 59,370 | 0 | 59,370 |
| Corporate bonds | 0 | 80,430 | 0 | 80,430 |
| Sovereign bonds | 0 | 38,505 | 0 | 38,505 |
| | 21,237 | 178,305 | 0 | 199,542 |

(Expressed in thousands of U.S. dollars)

## (22) Accumulated Other Comprehensive (Loss) Income

For the years ended December 31, 2021 and 2020, accumulated other comprehensive (loss) income, is as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | **Securities available for sale** | **Actuarial gains (losses) under the Social Benefit Plan** | **Change in credit risk of debt instruments at fair value** | **Accumulated other comprehensive income (loss)** |
| At beginning of year | 35,166 | 13,067 | 5,813 | 54,046 |
| Changes for the year | (39,500) | (15,722) | (57,418) | (112,640) |
| At end of year | (4,334) | (2,655) | (51,605) | (58,594) |

| | 2020 | | | |
|---|---|---|---|---|
| | **Securities available for sale** | **Actuarial gains under the Social Benefit Plan** | **Change in credit risk of debt instruments at fair value** | **Accumulated other comprehensive (loss) income** |
| At beginning of year | 17,734 | 8,011 | (26,940) | (1,195) |
| Changes for the year | 17,432 | 5,056 | 32,753 | 55,241 |
| At end of year | 35,166 | 13,067 | 5,813 | 54,046 |

For the years ended December 31, 2021 and 2020, reclassifications from accumulated other comprehensive (loss) income to earnings are as follows:

| | **2021** | **2020** | **Line in statement of income affected** |
|---|---|---|---|
| Securities available for sale | 4,461 | 7,193 | Realized gains on investment funds |
| Derivative Financial Instruments and Debt | (4,740) | (4,790) | Valuation of derivative financial instruments and debt |
| | 279 | 2,403 | |

Reclassifications of valuation of derivative financial instruments and debt arise from losses realized due to the effect of credit risk arising from the maturity of debt instruments at fair value.

## (23) Special and other contributions

For the years ended December 31, 2021 and 2020, special contributions and other are detailed as follows:

| | **2021** | **2020** |
|---|---|---|
| FONTEC special contribution | 10,645 | 1,500 |
| Emergency aid | 6,000 | 22,246 |
| SBF special contribution | 5,582 | 5,317 |
| Contribution to the Climate Change Investment Project Readiness Fund | 2,500 | 0 |
| Non-reimbursable financial cooperation to member countries | 2,000 | 0 |
| Contribution to the Social Support Foundation Fund | 1,000 | 0 |
| Other contributions | 963 | 866 |
| | 28,690 | 29,929 |

**(23) Special and other contributions, continued**

For the year ended December 31, 2021, the Bank has made contributions to the Technical Cooperation Fund (FONTEC) of 10,645 for the granting of technical cooperation.

For the year ended December 31, 2020, emergency aid corresponds to non-reimbursable cooperation approved to SICA countries and other member countries to address the COVID-19 pandemic emergency for 14,500 and the purchase of tests for early detection of the coronavirus (COVID-19) and COVID-19 extraction kits for 4,246, for a total of 22,246, and emergency assistance for damages caused by hurricanes Iota and Eta for 3,500. The COVID-19 pandemic emergency aid is part of the Emergency COVID-19 Support and Preparedness and Economic Reactivation Program.

The special contributions to the SBF correspond to the supplement to the actuarial technical interest rate of 7% per annum, which are recorded as special contributions (note 21).

**(24) Litigation**

The Bank is involved in claims and legal actions derived from its normal course of business. According to the Bank's management's best knowledge, the result of these actions will not originate an adverse material effect on its financial position, results of operations or liquidity.

**(25) Subsequent Events**

The Bank has evaluated subsequent events as of the date of the balance sheet up to February 28, 2022, date on which the financial statements were ready for their issuance and the following were identified:

a) On January 14, 2022, the Bank received a capital payment from the Republic of Nicaragua for 6,375, corresponding to the capital increase approved by Resolution No. AG-15/2019.

b) On February 9, 2022, the rating agency Fitch Ratings revised the long-term international rating of the Republic of El Salvador from B- to CCC. This downgrade is considered prospectively in the model for the determination of the allowance for loan losses in February 2022, and it results in an increase of allowance for loan losses.

c) In February 2022, the Bank implemented a modification of the loss given default (LGD) incorporated in the model for the determination of the allowance for sovereign public sector loans. This change will be incorporated prospectively and will result in a decrease of allowance for loan losses.

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# Central American Bank for Economic Integration

# Medium-Term Note Program

**BASE PROSPECTUS**

**May 30, 2023**