CABEI

U.S. $6,000,000,000

Central American Bank for Economic Integration

U.S.$ 375,000,000 Floating Rate Notes due 2024 (Green Bonds)
(the "Notes" or the "Green Bonds")
under the

Medium-Term Note Program

Issue Price: 100 per cent.

Issue Date: November 15, 2019

This information package includes: (i) the base prospectus dated July 10, 2019 (the "**Base Prospectus**") and (ii) the Final Terms dated October 31, 2019 relating to the Notes (the "**Final Terms**", together with the Base Prospectus and this document, the "**Information Package**").

The Notes will be issued by Central American Bank for Economic Integration ("**Issuer**").

The Notes have been recognized by the Taipei Exchange (the "**TPEx**") as green bonds on October 28, 2019 (Ref.: Cheng-Kuei-Chai-Zi No. 1080011878) according to Article 8 of Taipei Exchange Operational Directions for Green Bonds (the "**Operational Directions**"). Sustainalytics, a certification institute as defined under the Operational Directions, has issued its opinion regarding the Notes issued by the Issuer on September 24, 2019.

Application will be made by the Issuer (or on its behalf) for the Notes to be listed TPEx in the Republic of China (the "**ROC**").

The Notes will be traded on the TPEx pursuant to the applicable rules of the TPEx. The effective date of listing and trading of the Notes is on or about November 15, 2019.

TPEx is not responsible for the content of the Information Package and any supplement or amendment thereto and no representation is made by TPEx to the accuracy or completeness of the Information Package and any supplement or amendment thereto. TPEx expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Information Package and any supplement or amendment thereto. The listing and trading of the Notes on the TPEx shall not be taken as an indication of the merits of the Issuer or the Notes.

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

Lead Manager, Green Bond Structuring Advisors and Joint Bookrunners

Standard Chartered Bank (Taiwan) Limited

Manager, Green Bond Structuring Advisors and Joint Bookrunners

Crédit Agricole Corporate and Investment Bank Taipei Branch

Co-Managers

Capital Securities Corporation,
Cathay United Bank Co., Ltd.,
CTBC Bank Co., Ltd.,
E. SUN Commercial Bank, Ltd.,
Fubon Securities Co., Ltd.,
KGI Bank Co., Ltd.,
KGI Securities Co. Ltd.,
Mega International Commercial Bank Co., Ltd.,
President Securities Corporation,
SinoPac Securities Corporation,
Yuanta Securities Co., Ltd.

Final Terms No. 97

Final Terms dated October 31, 2019

CABEI

U.S. $6,000,000,000

Central American Bank for Economic Integration

U.S.$ 375,000,000 Floating Rate Notes due 2024 (Green Bonds)
(the "Notes" or the "Green Bonds")
under the

Medium-Term Note Program

This Final Terms supplements the Base Prospectus, dated July 10, 2019, 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. To the extent any information in these Final Terms is different from any information in the Base Prospectus, you should rely on the information in these Final Terms. 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.

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 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 "Certain Provisions Relating to the Forms of the Notes", "Offering and Sale" and "Notice to Investors" in the Base Prospectus.

Green Bond Structuring Advisors
Joint Bookrunners

Crédit Agricole Corporate & Investment Bank Taipei Branch   Standard Chartered Bank (Taiwan) Limited

PART A – CONTRACTUAL TERMS

1. Series number:	97
	CABEI, may in its discretion, sell additional Notes from time to time in one or more offerings subsequent to the issuance of the Notes offered hereby (the "Additional Notes"). Subject to the receipt of all necessary regulatory and listing approvals from applicable authorities in the ROC (as defined below), including but not limited to the Taipei Exchange ("TPEx") and the Taiwan Securities Association, 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 Numbers as, the Notes.
2. (a) Aggregate principal amount:	U.S.$ 375,000,000
(b) Stated Maturity:	November 15, 2024
3. (a) Issue date:	November 15, 2019
(b) Issue price:	100.00% of aggregate principal amount
(c) Trade date:	October 31, 2019
(d) Settlement date:	November 15, 2019 (T+10)
4. Authorized denomination(s):	U.S.$ 200,000 and integral multiples of U.S.$ 1,000 in excess thereof
5. Specified Currency:	United States Dollars ("U.S.$")
6. Interest/payment basis:	Floating Rate Notes
7. The Notes	
(a) Applicable Margin:	Plus 0.850% per annum
(b) Benchmark Reference Rate:	3-month USD LIBOR
(c) Interest Commencement Date:	Issue date
(d) Interest Rate for each Interest Period:	Benchmark Reference Rate plus Applicable Margin
(e) Interest Payment Date(s):	February 15, May 15, August 15 and November 15 of each year, beginning February 15, 2020, up to and including the Stated Maturity
(f) Daycount Fraction	Actual/360, Adjusted
	The interest on the Notes shall be computed from the Issue date, and the calculation to determine the rate and the amount of interest payable on each Interest Payment Date shall include the actual calendar days of the relevant Interest Period.
(g) Business Day Convention:	Modified Following

		If the first day of any interest period or any date for any payment is not a Business Day, such first day or date for payment shall occur on the following Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day.
	(h) Interest Determination Dates:	For the initial Interest Period, two (2) London Business Days prior to the Issue date. For each subsequent Interest Period, two (2) London Business Days prior to the start of the relevant Interest Period.
	(i) Regular Record Dates:	The date 15 calendar days prior to each Interest Payment Date, whether or not such date shall be a Business Day.
	(j) Interest Periods:	Three-month periods that begin with (and include) the Issue date and end on (but exclude) the first Interest Payment Date, and each successive period that starts with (and includes) the previous Interest Payment Date and ends on (but excludes) the following Interest Payment Date. The last Interest Period will end on but exclude the Stated Maturity, no interest period shall occur after the Stated Maturity.
	(k) Interest Reset Dates:	11:00 a.m. (London time) on each Interest Determination Date.
	(l) Floating Rate Notes:	*See Annex A for further information on the Notes.*
8.	Additional selling restrictions:	**Republic of China**

Republic of China

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China (“ROC”). Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

Hong Kong

Each Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made under that Ordinance.

Singapore

These Final Terms have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes have not been offered or sold nor have any Notes been caused to be made the subject of an invitation for subscription or purchase and the Notes will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and neither these Final Terms nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, has been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities- based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(8) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; or (4) as specified in Section 276(7) of the SFA.

Singapore Securities and Futures Act Product Classification

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), we have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the S Notice FAA-N16: Notice on Recommendations on Investment Products).

European Economic Area

In relation to each Member State of the European Economic Area, each Manager has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by these Final Terms to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) to any legal entity which is a qualified investor as defined in Regulation (EU) 2017/1129 of the European Parliament and of the council of June 14, 2017 (the "Prospectus Regulation");

(b) 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 Manager or Managers nominated by CABEI for any such offer; or

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

provided that no such offer of Notes shall require CABEI or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

United Kingdom

Each of the Managers has represented and agreed that: (1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (2) 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 the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the

		FSMA does not apply to CABEI. These Final Terms are for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the FMSA (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. There are no manufacturers for the purposes of Directive 2014/65/EU (as amended, "MiFID II"). Any person offering, selling or recommending the Notes (a "distributor") should consider (i) the target market for the Notes to be eligible counterparties and professional clients only, each as defined in MiFID II, and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients to be appropriate. 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 target market) and determining appropriate distribution channels.
9.	Issue Ratings	Aa3 by Moody's and AA by Standard and Poor's
10.	Use of Proceeds:	See Part B attached hereto for the Use of Proceeds and a description of our Green Financing Strategy.
11.	Ranking of the Notes:	*Pari passu* in right of payment with all other senior unsubordinated and unsecured indebtedness of CABEI.
12.	Applicable definition of Business Day (if different from that set out in the Terms and Conditions):	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London, New York, Hong Kong and Taipei are obligated or authorized by law to close.
13.	ISIN number:	XS2045838039
	Common Code:	204583803
	LEI code of the Issuer:	549300OLDAMXBPSHIC05
14.	Admission to trading and listing:	Application will be made for the Notes to be admitted for listing on the Luxembourg Stock Exchange for trading on the Euro MTF market and the TPEx in the ROC.

		The Notes will be traded on the TPEx pursuant to the applicable rules of the TPEx. The effective listing and trading date of the Notes is on or about November 15, 2019. TPEx is not responsible for the content of these Final Terms, the Base Prospectus, or any supplement or amendment thereto, and no representation is made by TPEx to the accuracy or completeness of these Final Terms, the Base Prospectus, or any supplement or amendment thereto. TPEx expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of these Final Terms, the Base Prospectus, or any supplement or amendment thereto. The listing and trading of the Notes on the TPEx shall not be an indication of the merits of CABEI or the Notes.
15.	Form of Notes:	Registered Global Note
16.	Common Depositary:	Deutsche Bank AG, London Branch
17.	Net proceeds:	U.S.$ 375,000,000
18.	Method of distribution:	Syndicated
19.	Managers:	Standard Chartered Bank (Taiwan) Limited ("Lead Manager") Crédit Agricole Corporate and Investment Bank Taipei Branch ("Manager")
20.	Co-Managers:	Capital Securities Corporation, Cathay United Bank Co., Ltd., CTBC Bank Co., Ltd., E. SUN Commercial Bank, Ltd., Fubon Securities Co., Ltd., KGI Bank Co., Ltd., KGI Securities Co. Ltd., Mega International Commercial Bank Co., Ltd., President Securities Corporation, SinoPac Securities Corporation, Yuanta Securities Co., Ltd.
21.	Liquidity Provider:	SinoPac Securities Corporation
22.	Paying Agent:	Deutsche Bank AG, London Branch
23.	Issuing Agent:	Deutsche Bank AG, London Branch
24.	Calculation Agent:	Deutsche Bank AG, London Branch
25.	Governing law:	The laws of the State of New York, United States of America
26.	Clearing:	Euroclear System Bank S.A./N.V. / Clearstream Banking S.A.
27.	Other Terms:	The additional information and terms and conditions in Part B, attached hereto, form a part of the Final Terms of the Notes.

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.

Central American Bank for Economic Integration

By: ______________________
Name: Dr. Dante Mossi
Title: Executive President

JAS

PART B – ADDITIONAL TERMS

Use of Proceeds

The net proceeds of this offering of green bonds (the “Green Bonds”), after the deduction of expenses and the Managers’ discount associated with the offering, are expected to be approximately U.S.$ 373.6 million, and will be used to finance and/or refinance Eligible Green Projects (as described below), in alignment with the four core components of the Green Bond Principles, 2018 published by the International Capital Market Association (the “Green Bond Principles”). CABEI intends to disburse the net proceeds from this offering to Eligible Green Projects within three years of the consummation of this offering.

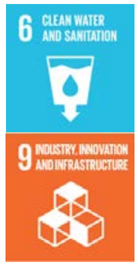
Projects related to (a) the production of fossil fuels and (b) supporting infrastructure and power generation with more that 15% of fossil fuel backup or hybrid will not be considered Eligible Green Projects and thus excluded from the use of proceeds from this offering.

“Eligible Green Projects” are defined as:

Eligible Green Projects Categories	Sub-categories	Definition of Eligibility criteria	Environmental benefits	Alignment with the UN SDGs
Sustainable Land Use	**Forestry**	▪ **Forest plantations:** Investments to finance acquisition, maintenance and sustainable management of certified forests certified by third-party certifications such as Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification systems (PEFC) or equivalent ▪ **Forest regeneration**: Expenditures related to the restoration and conservation of existing native forests, forest plantations, and preservation and extension of indigenous resource rights	▪ GHG emission reduction ▪ Air pollution reduction ▪ Biodiversity protection	15 LIFE ON LAND
	Agriculture	▪ The financing of sustainable agriculture projects that uphold soil health through management practices including sustainable water, nutrient and vegetation application techniques and a compatibility with low-carbon agriculture practices (no tillage, diverse cover crops, no or minimal pesticides or synthetic fertilizers, and multiple crop rotation and managed grazing). Eligible projects may include: ▪ **Sustainable farming:** Technical assistance,	▪ GHG emission reduction ▪ Air pollution reduction ▪ Biodiversity Protection ▪ Soil Health	2 ZERO HUNGER

		incentives, grants and loans provided to sustainable farms certified by third-party such as UTZ, Rainforest Alliance, and GLOBALG.A.P. ▪ **Protected Agriculture: Agroforestry & Agroecology:** Technical assistance, incentives, grants and loans for sustainable projects maintaining biodiversity for example, utilizing alley cropping, cover crops. Accepted third-party certifications for Agroforestry are: Forest Stewardship Council (FSC) and Rainforest Alliance; while accepted third-party certifications for Agroecology are: BSC-OEKO, BIOLATINA, Rainforest Alliance and Intercultural Federation of Organic Agriculture Movements (IFOAM) ▪ **Integrated Production Systems:** Improved moisture retention, biota of soil approach which combines crop-forestry-livestock, excluding beef and palm oil production. NAMA Projects: Grants and loans that support the expansion of Nationally Appropriate Mitigation Action (NAMA) projects aimed at coffee and cocoa farmers and mill operators that adopt low-carbon technologies and practices.		
Renewable Energy	**Wind energy** **Solar energy**	Investments in renewable energy production including equipment, development, manufacturing, construction, operation, distribution and maintenance from sources including: ▪ Onshore and offshore wind energy ▪ Solar energy[1]	▪ GHG emission reduction ▪ Climate Change adaptation ▪ Energy security	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

[1] Wind and solar facilities shall not have more than 15% of electricity generated from non-renewable sources (CBI certification requirements)

	Geothermal energy **Bioenergy** **Hydropower**	▪ Geothermal energy producing direct emissions <100g CO2/kWh ▪ Bioenergy with 80% GHG emission reduction compared to fossil fuels, and sourced from sustainable feedstock[2] ▪ Small run-of-river hydro plants (under 25 MW), as well as the maintenance, refurbishment or repowering of existing hydro facilities Investments into new transmission lines with >85% of energy dedicated in the distribution and transmission of renewable energy		
Sustainable Water Management	**Flood defences**	▪ Flood defences systems protecting against inundations and construction of reservoirs for the control of water flows	▪ Climate change adaptation ▪ Pollution reduction	
	Water distribution[3]	▪ Installation or upgrade of water efficient irrigation systems ▪ Construction or upgrade of sustainable infrastructure for drinking water		
	Water treatment	▪ Construction of desalination plants and other water treatment facilities to provide inhabitants with drinkable water[4] ▪ Construction and upgrade of sewerage systems to improve wastewater management		
Clean Transport	**Clean transport**	▪ Investment in clean vehicles, infrastructure and services, including: **Private Transport:** ▪ Electric vehicles ▪ Hybrid and fuel cell vehicles with CO_2 emission threshold of <75gCO_2/p-km **Public Transport:** ▪ Train: rolling stock and vehicles for electrified public transport, such as electrified rail, trams, and trolleybuses ▪ Buses with no direct emissions (electric or hydrogen). Hybrid and fuel cell buses with CO_2	▪ GHG emission reduction ▪ Pollution reduction	

2 CABEI ensures that bioenergy inputs are from sources that do not deplete existing terrestrial carbon pools. In addition, projects must protect biodiversity and should not involve the burning of peat. The projects will produce bioenergy from agricultural residues or forestry residues and will not compete with food production.

3 Investments in water management projects which lead to quantifiable improvements to water quality, water savings or energy saving

4 Investments in seawater desalination plants will be powered using eligible renewable energy projects

		emission threshold of $<75gCO_2$/p-km ▪ Transportation infrastructure such as charging station for electric vehicles, expansion of metro/train network, station upgrades ▪ Multimodal infrastructure supporting clean public transportation including: system monitoring and control, passenger safety and security infrastructure and bicycle paths		

Process for Project Evaluation and Selection

CABEI intends to establish a Multidisciplinary Green Bond Working Group (the "Green Bond Working Group") which will be responsible for the evaluation and selection of the Eligible Green Projects to be financed through the proceeds from this offering. CABEI intends to rely on the hard and soft skills of the analysis carried out by its Green Bond Working Group, whose responsibilities include:

- Verification of compliance of the Eligible Green Projects with CABEI Social and Environmental Policy;
- Selection of the Eligible Green Projects in line with the eligibility criteria stated herein;
- Monitoring of the pool of Eligible Green Projects and replacing projects that no longer satisfy the eligibility criteria (i.e. divestment, cancellation, ineligibility) with new Eligible Green Projects if needed; and
- Validation of the annual report relating to the Green Bonds.

The Green Bond Working Group will meet at least on an annual basis and will be composed of relevant parties including members from the Finance Department, Environmental and Social Sustainability Office, and the public and private sectors.

Management of Proceeds

The net proceeds of this offering will be managed within CABEI's treasury liquidity portfolio, in cash or other liquidity instruments, until the total amount of the net proceeds at least equals the total amount of selected Eligible Green Projects. CABEI will take specific measures to track the invested amounts used and the loans granted in order to finance the selected Eligible Green Projects.

Reporting

CABEI intends to provide investors with both a reporting on the allocation of proceeds (*allocation reporting*) and the impact of Eligible Green Projects (*impact reporting*) on a yearly basis for so long as any Green Bonds are outstanding. The Finance Department of CABEI will coordinate the collection of data and consolidating of the allocation reports and the impact reports.

These reports will be made publicly available to all stakeholders on CABEI's website [https://www.bcie.org/en/investor-relations/green-bank/]. The reports will focus on the projects carried by CABEI in all member countries. The first report will be published within one year from the consummation of this offering. **Any information contained in, or accessible through, our website is not incorporated by reference, and does**

not constitute part of, these Final Terms.

Allocation reporting

Annually, until full allocation of proceeds from this offering is completed, CABEI will provide information on the allocation of the proceeds that should include (i) the total amount of proceeds allocated to Eligible Green Projects per category; (ii) the share of financing and refinancing; (iii) the total amount of unallocated proceeds; and (iv) a brief description of selected Eligible Green Projects.

Impact reporting

As long as the Green Bonds issued hereby are outstanding, and where feasible, an annual impact report will be provided. The impact report will rely on both output and impact metrics as illustrated below, subject to data availability. CABEI intends to rely on its already existing Development Impact Evaluation System, which identifies the effects/ impacts on the development of the financed operations.

Examples of indicators and metrics are as described in the following table.

Eligible Green Projects Categories	Sub-categories	Examples of output indicators	Examples of impact indicators
Sustainable Land Use	• Sustainable management of forests	• Surface of FSC and/or PEFC certified forests (in ha) • Area of native forest restored (in ha)	• Approximate sequestrated and/or avoided GHG emissions (in t.CO_{2e}/year)
	• Agriculture	• Area covered by sustainable agriculture (km2)	• Approximate sequestrated and/or avoided GHG emissions (in t.CO2e/year)
Renewable Energy	• Wind energy • Solar energy • Geothermal • Bioenergy • Hydropower	• Installed capacity (GW or MW) • Power Energy production (MWh)	• Reduced and/or avoided GHG emissions (in t. CO_{2e} /year)
Water Management	• Supply management • Water treatment	• Volume of water treated • Number of facilities built	• Reduction in water usage (%) • Increase in water reuse (in m3/ year)
Clean Transport	• Clean transport	• Number of clean transportation systems financed by type • Number of kilometres of rail constructed or maintained	• Reduced and/or avoided GHG emissions (in t. CO_{2e} /year)

External Review

Second-Party Opinion

CABEI has received a Second-Party Opinion from Sustainalytics to its Green Bond Framework on September 24, 2019. The Second-Party Opinion ensures the Green Bond Framework follows the highest standards as defined by the Green Bond Principles and the best market practices. Second-Party Opinion documents are available on CABEI's website [https://www.bcie.org/en/investor-relations/green-bank/]. **Any information contained in, or**

accessible through, our website is not incorporated by reference, and does not constitute part of, these Final Terms.

Annual Review

In order to provide the best information possible about the reporting of the funds from the Green Bond, CABEI intends to engage a Second-Party Opinion provider to provide annual assessment on the alignment of the allocation of funds with Green Bond Framework's criteria and themes. This review will be conducted on an annual basis until full allocation.

OUR GREEN FINANCING STRATEGY

Overview

Since its creation in 1960 and throughout its 59 years of existence, CABEI has been committed to helping the Central American Region and its member countries to fight against the adverse effects of climate change. Through Agreement No. ACDI-29/2015, settled on December 18, 2015, the Board of Directors expressed its satisfaction with the agreements of the XXI Conference of the Parties on Climate Change (COP 21) of the United Nations Framework Convention on Climate Change (UNFCCC). In addition, the Board of Directors reiterated the Bank's commitment to support projects aimed at reducing greenhouse gas emissions, mainly in terms of generation of clean energy, low-carbon transport, urban development and food production.

Additionally on April 28, 2016, the Board of Governors issued a Declaration of Commitment to Promote and Support Actions to Finance Adaptation and Mitigation to Climate Change. This declaration reiterated CABEI's commitment to support its member countries to achieve the goals established at the XXI Conference of the Parties on Climate Change (COP 21), as a fundamental step to combat climate change and promote measures and investments for a future that is low in carbon emissions, resilient and sustainable. This statement reiterates the commitment of CABEI to promote and support the financing of activities aimed at the adaptation and mitigation to climate change, with an approach that includes the development of sustainable cities, promotion of resilient infrastructure in vulnerable communities, advancement of food safety and nutrition, and the sustainable management of natural resources from the perspective of the social inclusion and gender equality.

On April 26, 2019, the Board of Governors issued an update to the Declaration of Commitment to Promote and Support Actions to Finance Adaptation and Mitigation to Climate Change, which includes CABEI's commitment to the adoption of specific measures to support the mitigation of and adaptation to climate change, refraining from financing projects related to: the exploration and extraction of coal and generation of energy from coal.

CABEI is aware of the impact of its operation and of the projects it finances and therefore maintains constant communication with its stakeholders to increase operational efficiency and the value creation. In order to keep these commitments at the center of all its projects, CABEI has defined an "Environmental and Social Policy" with three general principles: Adoption of Best International Practices; Financing for Sustainable Development and Transparency; and Consultation and Citizen Participation. The Policy is executed through:

- *CABEI's Environmental and Social Strategy*: For its implementation, CABEI classifies its approvals and disbursements according to whether they contribute to the mitigation or adaptation to climate change, according to the CABEI's strategic classification. Additionally, as a member of the International Development Finance Club ("IDFC"), CABEI's operations are also classified using the IDFC's green finance tracking methodology; and

- *CABEI's Environmental and Social Risk Management System*: This system is composed of (i) a System for Identification, Evaluation and Mitigation of Environmental and Social Risks (SIEMAS for its acronym in Spanish), aligned with the Performance Standards of the International Finance Corporation (IFC), the Equator Principles and the Guides of the World Bank Group on Environment, Health and Safety (MASS) to guarantee the application of best international practices. SIEMAS aims to categorize, analyze and mitigate the environmental and social risks associated with operations financed with CABEI resources; and (ii) an Environmental and Social Corporate Responsibility System (SASC for its acronym in Spanish) that is led by an internal multidisciplinary committee and whose main objective is to establish practices that reduce the environmental and social impacts of CABEI's own activities.

Relevant Initiatives and Accreditations

- *United Nations Framework Convention on Climate Change (UNFCCC)*: CABEI was accredited as Permanent Observer of the UNFCCC in the framework of the COP22, held in Marrakech, Morocco in November 2016.

- *Adaptation Fund (AF)*: In 2015, CABEI was accredited as a Regional Implementing Entity by the Climate Change Adaptation Fund. CABEI's accreditation provides access to resources to execute programs and projects that contribute to combat and cope with the effects of climate change in the countries of the region.

- *Green Climate Fund (GCF)*: In 2016, CABEI became the first Central American entity to be formally accredited with direct access to the Green Climate Fund (GCF). This implies that CABEI has the capacity to carry out large-scale projects as well as to obtain GCF funding for micro, small, medium and large projects. This allows CABEI to strengthen support for its member countries in order to meet the commitments and goals agreed upon in the different climate change conventions and to implement Nationally Determined Contributions (NDC) through the execution of regional and national projects and programs that contribute to increase the resilience of communities to climate change.

- *International Development Finance Club (IDFC)*: Created in 2011, the IDFC is a global association of development finance institutions with a focus on the financing of environmentally and socially impactful infrastructure and initiatives. The IDFC continuously improves its green finance tracking methodology and works to further develop international best practice standards. IDFC is committed to help enhance its members' capacity to track and report on their green finance flows.

Project Examples

CABEI approved 35% of its resources (totaling US$857.0 million) to finance climate change operations during the 2015-2018 period, with a special focus on energy and rural development and the environment.

The following are examples of some of the green projects CABEI finances:

Project Name	Type (e.g. solar, wind, electric, etc.)	Location	Year	CABEI investment approved as of October 31, 2019
Bosforo Solar PV Project	Renewable Energy	El Salvador	2017	$112,000,000(1)
PAACUME	Water Management	Costa Rica	2018	$425,000,000
Rapid Passenger Train	Transportation	Costa Rica	2019	$550,000,000
Nationally Appropriate Mitigation Action (NAMA) project for coffee in Honduras	Agriculture	Honduras	2019	N/A

(1) This amount reflects the total amount of an A/B syndicated loan in which CABEI was the lender of record and for which CABEI approved an exposure to be acquired by CABEI of U.S.$ 28,000,000.

RISK FACTORS

Risks Relating to the Notes

The Notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that you will be able to sell your Notes in the future.

No public market exists for the Notes. Application will be made for the listing of the Notes on the Luxembourg Stock Exchange for trading on the Euro MTF market and the TPEx. No assurances can be given as to whether the Notes will be, or will remain, listed on either the Luxembourg Stock Exchange for trading on the Euro MTF market or the TPEx. If the Notes fail to or cease to be listed on either the Luxembourg Stock Exchange for trading on the Euro MTF market or the TPEx, certain investors may not invest in, or continue to hold or invest in, the Notes.

The use of proceeds of the Notes may not meet investor expectations.

CABEI will exercise its judgment and sole discretion in determining the Eligible Green Projects that will be financed or refinanced by the proceeds of the Notes. Eligible Green Projects may not meet the criteria and expectations of investors regarding environmental impact and sustainability performance. There is no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and operation of the Eligible Green Projects.

If the use of the proceeds of the Notes is a factor in your decision to invest in the Notes, you should consider CABEI's discussion in "Use of Proceeds" and consult with your advisors before making an investment in the Notes. Furthermore, there is no contractual obligation to allocate the proceeds of the Notes to finance or refinance Eligible Green Projects or to provide annual updates, reports or assurances as described in "Use of Proceeds." CABEI's failure to so allocate, update or report, or the failure to provide any third party assurances, will not constitute an event of default with respect to the Notes and may affect the value of the Notes and/or have adverse consequences for certain investors with portfolio mandates to invest in green assets. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in these Final Terms regarding the use of proceeds of the Notes.

In addition, it should be noted that there is currently no single definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social", "sustainable" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social", "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such "green", "social", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by us) which may be made available in connection with the issue of any Notes and in particular with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria.

For the avoidance of doubt, any such opinion or certification (i) is not, nor shall be deemed to be, incorporated in and/or form part of these Final Terms, (ii) is not, nor should be deemed to be, a recommendation by us, the managers or any other person to buy, sell or hold any such Notes and (iii) would only be current as of the date that it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

Uncertainty about the future of USD LIBOR and the potential discontinuance of USD LIBOR could adversely affect the market value of the Notes denominated in U.S. dollars and/or limit your ability to resell them.

The chief executive of the United Kingdom Financial Conduct Authority, or the "FCA", which regulates USD LIBOR, announced in July 2017 that the FCA intends to stop compelling banks to submit rates for the calculation of USD LIBOR after 2021. It is unknown whether any banks will continue to voluntarily submit rates for the calculation of USD LIBOR after 2021 or whether USD LIBOR will continue to be published by its administrator based on these submissions or on any basis. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United States, United Kingdom or elsewhere. The resulting uncertainly could adversely affect the market value of Notes and/or limit your ability to resell them.

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

As described in detail in Annex A (the "Notes"), if during the term of the Notes, CABEI (or our Designee) determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to USD LIBOR, 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 USD LIBOR or that any Benchmark Replacement will produce the economic equivalent of USD LIBOR.

The Secured Overnight Financing Rate ("SOFR") is a relatively new market index and as the related market continues to develop, there may be an adverse effect on the return on or value of the Notes.

If a Benchmark Transition Event and its related Benchmark Replacement Date occur, then the rate of interest on the Notes will be determined using SOFR (unless a Benchmark Transition Event and its related Benchmark Replacement Date also occur with respect to the Benchmark Replacements that are linked to SOFR, in which case the rate of interest will be based on the next-available Benchmark Replacement). In the following discussion of SOFR, when we refer to SOFR-linked Notes or debt securities, we mean the Notes at any time when the rate of interest on those Notes or debt securities is or will be determined based on SOFR.

The Benchmark Replacements specified in the benchmark transition provisions include Term SOFR, a forward-looking term rate which will be based on the Secured Overnight Financing Rate. Term SOFR is currently being developed under the sponsorship of the Federal Reserve Bank of New York (the "NY Federal Reserve"), and there is no assurance that the development of Term SOFR will be completed. If a Benchmark Transition Event and its related Benchmark Replacement Date occur with respect to USD LIBOR and, at that time, a form of Term SOFR has not been selected or recommended by the Federal Reserve Board, the NY Federal Reserve, a committee thereof or successor thereto, then the next-available Benchmark Replacement under the benchmark transition provisions will be used to determine the amount of interest payable on the Notes for the next applicable interest period and all subsequent interest periods (unless a Benchmark Transition Event and its related Benchmark Replacement Date occur with respect to that next-available Benchmark Replacement).
These replacement rates and adjustments may be selected or formulated by (i) the Relevant Governmental Body (as defined in the benchmark transition provisions) (such as the Alternative Reference Rates Committee of the NY Federal Reserve), (ii) the International Swaps and Derivatives Association, Inc., or (iii) in certain circumstances, CABEI (or our Designee). In addition, the benchmark transition provisions expressly authorize CABEI (or our Designee) to make Benchmark Replacement Conforming Changes with respect to, among other things, the determination of interest periods 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 Notes, which could adversely affect the return on, value of and market for the Notes. Further, there is no assurance that the characteristics of any Benchmark Replacement will be similar to the then-current Benchmark that it is replacing, or that any Benchmark Replacement will produce the economic equivalent of the then-current Benchmark that it is replacing.

The NY Federal Reserve began to publish SOFR in April 2018. Although the NY Federal Reserve has also begun publishing historical indicative SOFR going back to 2014, such prepublication historical data inherently involves assumptions, estimates and approximations. You should not rely 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. As a result, the return on and value of SOFR-linked debt securities may fluctuate more than Floating Rate debt securities that are linked to less volatile rates.

Also, since SOFR is a relatively new market index, SOFR-linked debt securities likely will have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the Notes may be lower than those of later-issued SOFR-linked debt securities as a result. Similarly, if SOFR does not prove to be widely used in securities like the Notes, the trading price of those securities may be lower than those of debt securities linked to rates that are more widely used. Debt securities indexed to SOFR may not be able to be sold or may not be able to be sold at prices that will provide a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The NY Federal Reserve notes on its publication page for SOFR that use of SOFR is subject to important limitations, indemnification obligations and disclaimers, including that the NY Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to you as a holder of Notes. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in their trading prices.

IMPORTANT TAX CONSIDERATIONS

The following summary of certain taxation provisions under ROC law is based on current law and practice and that the Notes will be issued, offered, sold and re-sold only to professional investors as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Notes.

Interest on the Notes

We are not a ROC statutory tax withholder, and consequently, there is no ROC withholding tax on the interests or deemed interests paid on the Notes.

Payments of any interest or deemed interest under the Notes to a ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC sourced income. However, such holder must include the interest or deemed interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax ("AMT"), unless the sum of the interest or deemed interest and other non-ROC sourced income received by such holder and the person(s) who is (are) required to jointly file the tax return in a calendar year is below $1 million New Taiwan Dollars ("NT$"). If the amount of the AMT exceeds the regular income tax calculated pursuant to the ROC Alternative Minimum Tax Act (also known as "the AMT Act"), the excess becomes such holder's AMT payable.

ROC corporate holders must include the interest or deemed interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 20% (unless the total taxable income for a fiscal year is under NT$500,000), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to a 0.1% securities transaction tax ("STT") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act of the ROC prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from January 1, 2010 to December 31, 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before December 31, 2026. Beginning on January 1, 2027, any sale of the Notes will be subject to STT at 0.1 percent of the transaction price, unless otherwise provided by the tax laws that may be in effect at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC individual or corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the regular income tax calculated pursuant to the AMT Act, the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over five years to offset against capital gains of same category of income for the purposes of calculating their AMT.

<u>ROC SETTLEMENT AND TRADING</u>

We have not entered into any settlement agreement with Taiwan Depository & Clearing Corporation ("TDCC") and have no intention to do so.

In the future, if we enter into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Notes through the account of TDCC with Euroclear System Bank S.A./N.V. ("Euroclear") or Clearstream Banking S.A. ("Clearstream") if it applies to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCCs receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

ANNEX A – FLOATING RATE NOTES

Floating Rate Notes

The Notes will bear interest at the interest rates calculated with reference to USD LIBOR and the Spread specified in such Floating Rate Note and these Final Terms, and will be payable on the dates specified on the face of such Floating Rate Note and in these Final Terms.

USD LIBOR will be determined on the basis of the rates appearing on the Reuters Screen LIBO Page (as defined below). USD LIBOR with respect to any Interest Reset Date will be determined by the Calculation Agent in accordance with the following provisions:

(a) On the relevant LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rates for deposits in U.S. dollars having the specified Index Maturity, commencing on the second Market Day immediately following such LIBOR Interest Determination Date, that appear as of 11:00 A.M., London time, on such LIBOR Interest Determination Date on (A) the Reuters Screen LIBO Page ("LIBOR Reuters") or (B) Telerate Page 3750 ("LIBOR Telerate"), as applicable. If these Final Terms specifies LIBOR Reuters and if at least two offered rates appear on the Reuters Screen LIBO Page, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of the offered rates as determined by the Calculation Agent. If fewer than two offered rates appear on the Reuters Screen LIBO Page or if no rate appears on Telerate Page 3750, then LIBOR with respect to such Interest Reset Date will be determined as described in (b) below. "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks). "Telerate Page 3750" means the display designated as page "3750" on the Dow Jones Telerate Service (or such other page as may replace the "3750" page on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

(b) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates for the applicable Index Maturity appear on the Reuters Screen LIBO Page or no rate for the applicable Index Maturity appears on the Telerate Screen Page 3750, as applicable and as described in (a) above, LIBOR will be determined on the basis of the rates at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date at which deposits in U.S. dollars having the specified Index Maturity are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Calculation Agent commencing on the second Market Day immediately following such LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than $1,000,000 that in the Calculation Agent's judgment is representative for a single transaction in such market at such time (a "Representative Amount"). CABEI will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on such LIBOR Interest Determination Date by three major banks in The City of New York, selected by the Calculation Agent, for loans in U.S. dollars to leading European banks having the specified Index Maturity commencing on the second Market Day immediately following such LIBOR Interest Determination Date and in a Representative Amount; provided that if fewer than three banks selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, LIBOR with respect to such Interest Reset Date will be the LIBOR in effect on such LIBOR Interest Determination Date.

(c) Notwithstanding (a) and (b) above, if CABEI or our Designee determines on or prior to the relevant interest determination date that a Benchmark Transition Event and its related Benchmark Replacement Date (each, as defined herein) have occurred with respect to USD LIBOR, then the provisions set forth below under "Effect of Benchmark Transition Event", which is referred to as the benchmark transition provisions, will thereafter apply to all determinations of the rate of interest payable on the Notes. In accordance with the benchmark transition provisions, after a Benchmark Transition Event and its related Benchmark

Replacement Date have occurred, the amount of interest that will be payable for each interest period will be an annual rate equal to the sum of the Benchmark Replacement (as defined herein) and the margin specified in these Final Terms.

Effect of Benchmark Transition Event

Benchmark Replacement. If CABEI or our Designee (as defined below) 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 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 this Section titled "Effect of Benchmark Transition Event," 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 our Designee's) sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

Certain Defined Terms. As used in this Section titled "*Effect of Benchmark Transition Event*":

"***Benchmark***" means, initially, three-month USD LIBOR; *provided* that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to three-month USD LIBOR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"***Benchmark Replacement***" means the Interpolated Benchmark; *provided* that if CABEI (or our Designee) cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then "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) Term SOFR and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment;

(3) 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 for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

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

(5) 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 for the applicable Corresponding Tenor 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 (including changes to the definition of "Interest Period", timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) 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 our Designee) decides that adoption of any portion of such market practice is not administratively feasible or if CABEI (or our Designee) determines that no market practice for use of the Benchmark Replacement exists, in such other manner as CABEI (or our 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.

"***Compounded SOFR***" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate (which will be compounded in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period), and conventions for this rate being established by CABEI (or our Designee) in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; *provided* that:

(2) if, and to the extent that, CABEI (or our Designee) determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by CABEI (or our Designee) giving due consideration to any industry-accepted market practice for U.S. dollar denominated Floating Rate Notes at such time.

For the avoidance of doubt, the calculation of Compounded SOFR shall exclude the Benchmark Replacement Adjustment and the margin specified in these Final Terms.

"***Corresponding Tenor***" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"***Designee***" means the Calculation Agent, a successor calculation agent, or such other designee of CABEI.

"***Federal Reserve Bank of New York's Website***" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

"***Interpolated Benchmark***" with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

"***ISDA Definitions***" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, 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.

"***Reference Time***" with respect to any determination of the Benchmark means (1) if the Benchmark is three-month USD LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such determination, and (2) if the Benchmark is not three-month USD LIBOR, 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 Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"***SOFR***" with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator), on the Federal Reserve Bank of New York's Website.

"***Term SOFR***" means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

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

BASE PROSPECTUS

US$6,000,000,000
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$6,000,000,000 (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 "Investment Considerations" beginning on page 11 of this Base Prospectus for a discussion of certain factors to be considered in connection with an investment in the Notes.

Application has been made to list the Notes issued under the Program on the Luxembourg Stock Exchange for trading on the Euro MTF market. 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 July 2, 2018. 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 5(4) of the Prospectus Directive 2003/71/EC (as amended). Pursuant to Article 1(2)(b) of the Prospectus Directive, no offer of the Notes will be subject to the prospectus requirements of the Prospectus Directive as a result of CABEI's status as a Multilateral Financial Institution of which one or more Member States of the European Economic 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".

July 10, 2019

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 UNITED KINGDOM

Each Agent has represented, warranted and agreed, and each further Agent appointed under the Program will be required to represent, warrant 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 agent) for the purposes of their business or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their business where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA"); (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 with respect to anything done by it in relation to such 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.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

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 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"); or (ii) a customer within the meaning of Directive 2002/92/EC, 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 Directive 2003/71/EC (as amended, the "Prospectus Directive"). 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 therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Each Dealer has represented and agreed that:

(a) 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 the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of the Offered Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offered Notes in, from or otherwise involving the United Kingdom.

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 and interim 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, except for future filings, may be obtained free of charge at the offices of the Luxembourg listing and paying agent and are also available through the Luxembourg Stock Exchange's website at http://www.bourse.lu. CABEI's audited financial statements as of December 31, 2018 and December 31, 2017 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.

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$6,000,000,000 (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 on March 8, 2007, April 15, 2009, October 17, 2013 and April 5, 2016 (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.
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.
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 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 Founding Members, as provided in the Notes, except as otherwise required by law. 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".
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, without interest coupons ("Registered Notes" or a "Registered Note"), or in bearer form, with or without interest coupons ("Bearer Notes" or a "Bearer Note").

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".

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 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 DTC for Registered Notes; or any other clearing system as may be specified in the relevant Final Terms.
Listing	Application has been made to list the Notes issued under the Program on the Luxembourg Stock Exchange for trading on the Euro MTF market. Notes issued under the Program may be listed on one or more stock exchanges or may be unlisted as specified in the relevant Final Terms. 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.

INVESTMENT CONSIDERATIONS

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.

CABEI could be adversely affected by exchange controls or currency devaluations.

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.

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

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, such as the Mexican peso devaluation in 1994, 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 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.

Uncertainty about the future of LIBOR and the potential discontinuance of LIBOR could adversely affect the market value of the Notes denominated in U.S. dollars and/or limit your ability to resell them.

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. It is unknown whether any banks will continue to voluntarily submit rates for the calculation of LIBOR after 2021 or whether LIBOR will continue to be published by its administrator based on these submissions or on any basis. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United States, United Kingdom or elsewhere. The resulting uncertainly could adversely affect the market value of Notes and/or limit your ability to resell them.

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 country offices in each of the Founding Members and in the Republic of Panama.

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.

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.

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.

CAPITALIZATION

The following table sets forth the capitalization of CABEI at December 31, 2018. Except as disclosed herein, 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 included in this Base Prospectus.

	December 31, 2018
	(in thousands of U.S. dollars)
Debt	
Loans payable	1,321,411
Commercial paper programs	24,961
Bonds payable	4,893,452
Total debt[(1)]	6,239,824
Equity	
Paid-in capital[(2)]	1,074,263
General reserve	1,819,667
Retained earnings	294,127
Accumulated other comprehensive income	10,205
Total equity	3,198,262
Total[(1)]	9,438,086

(1) Excludes certificates of deposit and certificates of investment totaling approximately US$1,298.899 million as of December 31, 2018.

(2) When amendments to CABEI's Constitutive Agreement came into effect, special capital contributions made by non-founding regional countries and non-regional countries in order to obtain the status of Non-Founding Regional Members were transformed to "B" series shares of CABEI's authorized capital. Therefore, the corresponding paid-in portion of the special contributions which amounted to US$7.25 million are now reflected as paid-in capital.

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, 2018, these five countries (collectively, the "Founding Members" or the "Central American countries") owned 51% of the authorized capital of CABEI and 59.34% of its Paid-in Capital. The balance of CABEI's subscribed and Paid in Capital amounted to US$4,433.3 million and US$1,074.3 million, respectively, at December 31, 2018, 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, and the Republic of Cuba (collectively, the "Non-Regional Members").

CABEI's authorized capital is US$5,000 million, of which US$2,550.0 million is held by the Founding Members and US$2,450.0 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 255,000 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 245,000 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, 2018, the Founding Members have subscribed for US$2,550.0 million from the total amount of shares into equal parts, and the Non-Founding Regional Members and Non-Regional Members have subscribed for US$1,883.250 million; the remaining US$566.750 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; consequently, on the same date, CABEI made official communication to all of its members. The aforementioned amendments became effective on June 9, 2016, three months after the date of such official communication.

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 will generate new capital paid in cash to CABEI for an aggregate amount of US$98.2 million, to be received over a four-year term. As of December 31, 2018, CABEI had received US$73.7 million, or 75%, of the US$98.2 million to be received as a result of the aforementioned capital subscriptions.

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.

The following table sets forth CABEI's capital structure as of December 31, 2018.

Capital of CABEI

	December 31, 2018			
	Subscribed/ Unsubscribed Capital	**Callable Subscribed Capital**	**Subscribed Payable[(1)]**	**Paid-in Capital**
	(in thousands of U.S. dollars)			
Subscribed Capital				
Founding Members:				
Guatemala	510,000	382,500	127,500	127,500
El Salvador	510,000	382,500	127,500	127,500
Honduras	510,000	382,500	127,500	127,500
Nicaragua	510,000	382,500	127,500	127,500
Costa Rica	510,000	382,500	127,500	127,500
Subtotal	2,550,000	1,912,500	637,500	637,500
Non-Regional Members and Non-Founding Regional Members:				
Non-Regional Members:				
Republic of China (Taiwan)	500,000	375,000	125,000	125,000
Mexico	306,250	229,687	76,563	76,563
Spain	200,000	150,000	50,000	50,000
Argentina	145,000	108,750	36,250	36,250
Colombia	145,000	108,750	36,250	36,250
Cuba	50,000	37,500	12,500	3,125
Subtotal	1,346,250	1,009,687	336,563	327,188
Non-Founding Regional Members:				
Dominican Republic	256,000	192,000	64,000	51,662
Panama	256,000	192,000	64,000	51,662
Belize	25,000	18,750	6,250	6,250
Subtotal	537,000	402,750	134,250	109,574
Non-Regional Members and Non-Founding Regional Members Subtotal	1,883,250	1,412,437	470,813	436,762
Subscribed capital and paid-in capital, subtotal	4,433,250	3,324,937	1,108,313	1,074,263

Unsubscribed Capital

Non-Regional Members and Non-Founding Regional Members	566,750
	5,000,000

(1) Includes paid and unpaid capital installments.

As a result of the new subscription of shares, for the year ended December 31, 2018, the following Non-Founding Regional Members and Non-Regional Members made the following capital payments:

	December 31, 2018 (in thousands of U.S. dollars)		
Capital Payments	**Cash**	**Series "E" Certificates**	**Total**
Non-founding regional countries			
Dominican Republic	12,271	66	12,337
Panama	12,290	47	12,337
Subtotal	24,561	113	24,675
Non-regional countries			
Cuba	3,125	0	3,125
Subtotal	3,125	0	3,125
	27,687	113	27,800

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 June 13, 2019, 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 rating.

	Moody's	**S&P's**	**Fitch's**
Founding Members:			
Guatemala	Ba1	BB-	BB
El Salvador..	B3	B-	B-
Honduras...	B1	BB-	NR
Nicaragua..	B2	B-	B-
Costa Rica...	B1	B+	B+
Non-Regional Members:			
Mexico	A3	BBB+	BBB+
Republic of China (Taiwan)...............................	Aa3	AA-	AA-
Argentina	B2	B	B
Colombia...	Baa2	BBB-	BBB
Spain	Baa1	A-	A-
Cuba…...	Caa2	N/A	N/A
Non-Founding Regional Members:			
Dominican Republic	Ba3	BB-	BB-
Panama..	Baa1	BBB+	BBB
Belize…………………………………………….	B3	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 and the Republic of Cuba. In addition, CABEI's Non-Founding Regional Members as of the date hereof are the Dominican Republic, the Republic of Panama and Belize.

Additionally, 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 Series "B" Shares). The incorporation is currently under approval of the Republic of Korea National Assembly, with its first capital installment expected for the third quarter of 2019 at which point the Republic of Korea will officially become 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, 2018, 2017 and 2016 ("Fiscal 2018", "Fiscal 2017", and "Fiscal 2016", 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" and other financial data included in this Base Prospectus.

Total income statement and balance sheet data for the fiscal years ended December 31, 2018, 2017 and 2016 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,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars)		
Financial income			
Public sector loans	327,598	283,608	260,891
Private sector loans	77,003	69,534	69,722
Marketable securities [(1)]	30,915	23,011	18,443
Due from banks	36,453	25,335	10,958
Total financial income	471,969	401,488	360,014
Financial expenses			
Loans payable [(2)]	37,206	29,301	24,195

	Fiscal year ended December 31,		
	2018	**2017**	**2016**
Bonds payable	165,246	118,392	95,742
Commercial paper programs	619	1,258	732
Certificates of deposit and investment	27,159	13,960	7,678
Total financial expenses	230,230	162,911	128,347
Net financial income	241,739	238,577	231,667
(Reversal of) provision for loan losses	(44,903)	98,747	26,858
Provision for (reversal of) losses on contingencies	750	(1,374)	1,129
Total (reversal of) provisions for credit losses	(44,153)	97,373	27,987
Net financial income after (reversal of) provisions for credit losses	285,892	141,204	203,680
Other operating income (expenses)			
Financial services and other fees	1,518	7,760	1,862
Monitoring and administration fees	1,091	975	1,011
Dividends from equity investments	485	0	118
Realized gain on securities available for sale	0	0	13
Gain on equity investments, net	658	316	1,478
Loss on foreclosed assets, net	0	0	(1,727)
Foreign exchange (loss) gain, net	(1,475)	170	(557)
Other operating income	1,220	1,209	3,078
Total other operating income, net	3,497	10,430	5,276
Administrative expenses			
Salaries and employee benefits	30,724	28,222	28,006
Other administrative expenses (3)	14,909	14,421	14,027
Depreciation and amortization	3,665	3,353	3,732
Total administrative expenses	49,298	45,996	45,765
Income, before special and other contributions and valuation of derivative financial instruments and debt	240,091	105,638	163,191
Special and other contributions (4)	(9,231)	(10,119)	(11,724)
Income, before valuation of derivative financial instruments and debt	230,860	95,519	151,467
Valuation of derivative financial instruments and debt (5)	(7,343)	(11,729)	(18,423)
Net income	223,517	83,790	133,044

(1) Includes realized gains on investment funds.

(2) CABEI may obtain loans and credit facilities from international commercial banks and other development banks. As of December 31, 2018, CABEI had available long- and short-term committed and non-committed lines of credit from international commercial banks, development banks and institutions totaling US$1,472 million, of which approximately US$1.379 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.

(4) Special contributions are amounts granted to private and public sector institutions and are recorded as expenses in the period made.

(5) As of December 31, 2017, CABEI adopted the accounting policy set forth in Accounting Standards Update (ASU) No. 2016-01, "Financial Instruments - General: Recognition and Measurement of Financial Assets and Financial Liabilities", which 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 in the income statement. The comparative financial statements as of December 31, 2016 have been adjusted to retrospectively apply the change in accounting policy.

Balance sheet data

	At December 31,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars)		
Assets			
Cash and demand deposits	38,078	3,692	1,373
Interest-bearing deposits with banks	1,693,961	1,824,056	1,505,008
Securities available for sale	1,667,147	1,159,546	1,223,344
Loans, net of deferred origination fees	7,487,365	6,834,829	6,473,121
Less allowance for loan losses [1]	(248,863)	(292,261)	(194,150)
Net loans	7,238,502	6,542,568	6,278,971
Accrued interest receivable	96,619	82,811	74,125
Property and equipment, net	33,804	32,128	32,702
Derivative financial instruments [2]	25,451	24,066	30,724
Equity investments	31,056	30,510	31,479
Other assets	25,738	21,382	16,528
Total assets	10,850,356	9,720,759	9,194,254
Liabilities			
Loans payable	1,321,411	1,255,209	1,334,733
Bonds payable	4,893,452	4,472,414	3,954,654
Commercial paper programs	24,961	40,833	129,960
Certificates of deposit	1,298,428	1,047,698	983,592
Certificates of investment	471	560	607
Accrued interest payable	59,763	41,035	35,235
Derivative financial instruments [2]	268	5,796	6,545
Other liabilities	53,340	26,606	25,993
Total liabilities	7,652,094	6,890,151	6,471,319
Equity			
Paid-in capital (Authorized capital US$5,000 million)	1,074,263	1,046,463	1,001,638
General reserve [3]	1,819,667	1,718,400	1,609,918
Retained earnings	294,127	101,380	133,044
Accumulated other comprehensive income (loss) [4]	10,205	(35,635)	(21,665)
Total equity	3,198,262	2,830,608	2,722,935
Total liabilities and equity	10,850,356	9,720,759	9,194,254

(1) The allowance for loan losses to private sector borrowers was US$57.792 million, US$56.180 million and US$59.583 million at December 31, 2018, December 31, 2017 and December 31, 2016, respectively. The allowance for loan losses to public sector borrowers was US$191.071 million, US$236.081 million and US$134.567 million at December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

(2) As of December 31, 2016, CABEI adopted the policy of offsetting derivative financial instruments based on ASC 210-20-45.

(3) Reflects accumulated net earnings.

(4) As of December 31, 2017, CABEI adopted the accounting policy related to Accounting Standards Update (ASU) No. 2016-01, "Financial Instruments - General: Recognition and Measurement of Financial Assets and Financial Liabilities", which 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 income (loss) in the balance sheet, instead of in the statement of income. The comparative financial statements as of December 31, 2016 have been adjusted to retrospectively apply the change in accounting policy.

Operating Data

	Fiscal year ended December 31,		
	2018	2017	2016
	(expressed as a percentage)		
Profitability			
Return on average assets(1)	2.17	0.89	1.51
Return on average equity(2)	7.41	3.02	5.02
Asset Quality			
Overdue loans/loans	0.00	0.00	0.00
Liquidity			
Loans /total assets	69.01	70.31	70.40
Loans/total liabilities	97.85	99.20	100.03
Capital adequacy			
Equity/total assets	29.48	29.12	29.62
Equity/total liabilities	41.80	41.08	42.08
Equity/total risk-weighted assets (plus swaps)(3)	40.76	40.60	40.07
Operational efficiency(4)	0.49	0.50	0.53

(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$7,487.365 million at December 31, 2018, approximately 82% (US$6,158.142 million) represented loans to public sector borrowers and approximately 18% (US$1,329.223 million) represented loans to private sector borrowers compared to approximately 77% (US$4,127.863 million) and 23% (US$1,267.513 million), respectively, of CABEI's loans of US$5,395.376 million at December 31, 2013. 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, 2014 through December 31, 2018, CABEI's loans grew at a compound annual rate of approximately 7.00%. During the period, CABEI's public sector loans grew at a compound annual rate of approximately 9.42%, while private sector loans decreased at a compound annual rate of -1.60%.

During Fiscal 2018, 2017 and 2016, 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, 2018 and December 31, 2017

Financial income. CABEI's total financial income increased by US$70.481 million (17.6%) to US$471.969 million for Fiscal 2018 from US$401.488 million for Fiscal 2017 as a result of an increase of income from public sector loans of US$43.990 million (15.5%) to US$327.598 million for Fiscal 2018 from US$283.608 million for Fiscal 2017. In addition, income from private sector loans increased by US$7.469 million (10.7%) to US$77.003 million for Fiscal 2018 from US$69.534 million for Fiscal 2017. The increase in public and private sector loans was mainly attributable to higher market interest rates and public and private sector loan portfolio growth.

CABEI's total financial income also increased as a result of an increase of US$21.683 million (50.6%) in income from marketable securities and due from banks to US$64.572 million for Fiscal 2018 from US$42.889 million for Fiscal 2017. This increase is attributable to (i) an increase in market interest rates and (ii) an aggregate increase in the securities available for sale and interest-bearing deposits with banks of US$377.506 million (12.7%) to US$3,361.108 million for Fiscal 2018 from US$2,983.602 million for Fiscal 2017.

Financial expenses. CABEI's total financial expenses increased by US$67.319 million (41.3%) to US$230.230 million in Fiscal 2018 from US$162.911 million in Fiscal 2017. This was primarily attributable to an increase in interest expense on bonds payable of US$46.854 million (39.6%) to US$165.246 million in Fiscal 2018 from US$118.392 million in Fiscal 2017, which was due to (i) an increase in market interest rates and (ii) an increase in bonds payable of US$421.038 million (9.4%) to US$4,893.452 million for Fiscal 2018 from US$4,472.414 million for Fiscal 2017. This increase was also due to an increase in interest expense on certificates of deposit and investment of US$13.199 million (94.5%) to US$27.159 million for Fiscal 2018 from US$13.960 million for Fiscal 2017.

(Reversal of) provision for loan losses. During Fiscal 2018, CABEI recorded a reversal of loan losses of US$44.903 million as compared to a provision for loan losses of US$98.747 million during Fiscal 2017. This change was primarily led by a decrease of US$45.010 million in the provision for public sector loans, due mainly to a reversal of provisions originated by an upgrade of the international debt rating of the Republic of El Salvador recorded in February 2018, whose impact amounted to US$101.300 million, partially offset by additional provisions originated by downgrades of the international debt ratings of the Republics of Costa Rica and Nicaragua, recorded during the year 2018, in the amounts of US$23.600 million and US$15.300 million, respectively.

This decrease was partially offset by the increase in the provision for private sector loans increased by US$1.612 million, consisting of an increase of US$1.868 million in the specific provision and a decrease of US$0.200 million in the generic provision.

Provision for (reversal of) losses on contingencies. During Fiscal 2018, CABEI recorded a provision for losses on contingencies of US$0.750 million as compared to a reversal of losses on contingencies of US$1.374 million during Fiscal 2017. This change was primarily led by an increase was attributable to an increase on contingent commitments of US$38.088 million to US$134.522 million in Fiscal 2018 from US$96.434 million in Fiscal 2017.

Other operating income (expenses). CABEI's other operating income (expenses), which includes financial services and other fees, monitoring and administration fees, dividends from equity investments, gain on equity investments, net, foreign exchange (loss) gain, net, and other operating income decreased by US$6.933 million (66.5%) leading to an income of US$3.497 million in Fiscal 2018 from an income of US$10.430 million in Fiscal 2017. The aggregate decrease in other operating income (expenses) is the result of (i) a decrease in income from financial services and other fees by US$6.242 million to US$1.518 million in Fiscal 2018 from US$7.760 million in Fiscal 2017 (ii) a reversal in our foreign exchange (loss) gain by US$1.645 million to a loss in Fiscal 2018 of US$1.475 million from a gain in Fiscal 2017 of US$0.17 million. This decrease was partially offset by an aggregate increase in (i) monitoring and administration fees, (ii) dividends from equity investments, (iii) gain on equity investments, net, and (iv) other operating income, of US$0.954 million to an income of US$3.454 million in Fiscal 2018 from US$2.500 million in Fiscal 2017.

Administrative expenses. CABEI's administrative expenses increased by US$3.302 million to US$49.298 million in Fiscal 2018 from US$45.996 million in Fiscal 2017. This increase is primarily due to an increase in salaries and employee benefits.

Special and other contributions. CABEI's special and other contributions decreased by US$0.888 million (8.8%) to US$9.231 million in Fiscal 2018 from US$10.119 million in Fiscal 2017. This result was primarily attributable to CABEI decreasing its special contributions for emergency aid.

Valuation of derivative financial instruments and debt. CABEI's loss from changes in valuation of derivative financial instruments and debt decreased by US$4.386 million to US$7.343 million in Fiscal 2018 from US$11.729 million in Fiscal 2017. This decrease was primarily attributable to changes in the mark-to-market valuation of CABEI's cash flow hedges, cross-currency swaps, interest rate swaps and credit risk valuation adjustment for counterparties under netting agreements in the amount of US$0.0 million, US$21.935 million, US$0.0 million and (US$0.167) million, respectively. All of CABEI's derivative financial instruments are held to maturity.

As of December 31, 2017, CABEI adopted the accounting policy set forth in the Accounting Standards Update (ASU) No. 2016-01, "Financial Instruments - General: Recognition and Measurement of Financial Assets and Financial Liabilities", which 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. CABEI's net income increased by US$139.727 million to US$223.517 million in Fiscal 2018 from US$83.790 million in Fiscal 2017.

Fiscal years ended December 31, 2017 and December 31, 2016

Financial income. CABEI's total financial income increased by US$41.474 million (11.5%) to US$401.488 million for Fiscal 2017 from US$360.014 million for Fiscal 2016 as a result of an increase of income from public sector loans of US$22.717 million (8.7%) to US$283.608 million for Fiscal 2017 from US$260.891 million for Fiscal 2016, which was mainly attributable to higher market interest rates and public sector loan portfolio growth. Income from private sector loans decreased US$0.188 million (0.3%) to US$69.534 million for Fiscal 2017 from US$69.722 million for Fiscal 2016 mainly due to a US$122.241 million (9.8%) net decrease in the private sector loan portfolio.

CABEI's total financial income also increased as a result of an increase of US$15.999 million (59.5%) in income from marketable securities and due from banks to US$42.889 million for Fiscal 2017 from US$26.890 million for Fiscal 2016. This increase is attributable to (i) an increase in market interest rates and (ii) an aggregate increase in the securities available for sale and interest-bearing deposits with banks of US$255.250 million (9.4%) to US$2,983.602 million for Fiscal 2017 from US$2,728.352 million for Fiscal 2016.

Financial expenses. CABEI's total financial expenses increased by US$34.564 million (26.9%) to US$162.911 million in Fiscal 2017 from US$128.347 million in Fiscal 2016. This was primarily attributable to an increase in interest expense on bonds payable of US$22.650 million (23.7%) to US$118.392 million in Fiscal 2017 from US$95.742 million in Fiscal 2016, which was due to (i) an increase in market interest rates and (ii) an increase in bonds payable of US$517.760 million (13.1%) to US$4,472.414 million for Fiscal 2017 from US$3,954.654 million for Fiscal 2016. This increase was also due to an increase in interest expense on certificates of deposit and investment of US$6.282 million (81.8%) to US$13.960 million for Fiscal 2017 from US$7.678 million for Fiscal 2016.

Provision for loan losses. CABEI's provision for loan losses increased by US$71.889 million to US$98.747 million in Fiscal 2017 from US$26.858 million in Fiscal 2016. This increase is composed of a US$84.797 million provision for public sector loans, partially offset by a US$12.908 million reversal of provision for private sector loans. The increase in the provisions for public sector loans is primarily attributable to (i) additional provisions of US$77.3 million resulting from the downgrade in April 2017 of the international debt ratings of El Salvador, which in turn was partially offset by the upgrade of such ratings in October 2017, and (ii) the growth of our public sector loan portfolio growth of US$483.949 million to US$5,704.696 million for Fiscal 2017 from US$5,220.747 million for Fiscal 2016. This increase was partially offset by a US$3.239 million reversal of provisions due to an upgrade of the international debt ratings of Honduras.

The decrease in the provisions for private sector loans is mainly attributable to a decrease in the private sector loan portfolio of US$122.241 million (9.8%) to US$1,130.133 million in Fiscal 2017 from US$1,252.374 million in Fiscal 2016. This decrease is primarily attributable to CABEI shifting its loan disbursement activity to the public sector, while decreasing its disbursement of loans to the private sector.

Provision for losses on contingencies and pre-investment studies. CABEI's allowance for losses on contingencies and pre-investment studies decreased by US$2.503 million to US$(1.374) million in Fiscal 2017 from US$1.129 million in Fiscal 2016. This decrease was attributable to a decrease on contingent commitments of US$208.679 million to US$96.434 million in Fiscal 2017 from US$305.113 million in Fiscal 2016.

Other operating income (expenses). CABEI's other operating income (expenses), which includes financial services and other fees, monitoring and administration fees, dividends from equity investments, realized gain on securities available for sale, gain on equity investments, net, loss on foreclosed assets, net, foreign exchange gain (loss), net, and other operating income increased by US$5.154 million (97.7%), leading to an income of US$10.430 million in Fiscal 2017 from an income of US$5.276 million in Fiscal 2016. The aggregate increase in other operating income (expenses) is the result of (i) an increase in income from financial services and other fees, (ii) a decrease in the loss on foreclosed assets, net, and (iii) an increase in foreign exchange gain, net of US$8.352 million to an income of US$7.930 million in Fiscal 2017 from an expense of US$0.422 million in Fiscal 2016. This increase was partially offset by an aggregate decrease in (i) other operating income, (ii) gain on equity investments, net, (iii) dividends from equity investments, (iv) monitoring and administration fees, and (v) the realized gain on securities available for sale, of US$3.198 million to an income of US$2.500 million in Fiscal 2017 from an income of US$5.698 million in Fiscal 2016.

Administrative expenses. CABEI's administrative expenses increased by US$0.231 million to US$45.996 million in Fiscal 2017 from US$45.765 million in Fiscal 2016. This increase is primarily due to an increase in maintenance fees and other expenses.

Special and other contributions. CABEI's special and other contributions decreased by US$1.605 million (13.7%) to US$10.119 million in Fiscal 2017 from US$11.724 million in Fiscal 2016. This result was primarily attributable to CABEI decreasing its special contributions to the Technical Cooperation Fund (FONTEC) during Fiscal 2017 by US$1.5 million to US$1.5 million in Fiscal 2017 from US$3.0 million in Fiscal 2016.

Valuation of derivative financial instruments and debt. CABEI's loss from changes in valuation of derivative financial instruments and debt decreased by US$6.694 million to US$11.729 million in Fiscal 2017 from US$18.423 million in Fiscal 2016. This decrease was primarily attributable to changes in the mark-to-market valuation of CABEI's cash flow hedges, cross-currency swaps, interest rate swaps, and credit risk valuation adjustment for counterparties under netting agreements in the amount of US$0.066 million, US$6.046 million, US$0.0 million, and US$0.582 million, respectively. All of CABEI's derivative financial instruments are held to maturity.

As of December 31, 2017, CABEI adopted the accounting policy set forth in the Accounting Standards Update (ASU) No. 2016-01, "Financial Instruments - General: Recognition and Measurement of Financial Assets and Financial Liabilities", which 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. The comparative financial statements as of December 31, 2016 have been restated to retroactively apply this change in accounting policy. This change in accounting policy represented an increase in income in valuation of derivative financial instruments and debt of US$14.461 million and US$17.590 million for Fiscal 2017 and Fiscal 2016, respectively.

Net income. CABEI's net income decreased by US$49.254 million to US$83.790 million in Fiscal 2017 from US$133.044 million in Fiscal 2016.

Balance sheet

At December 31, 2018, CABEI's total assets, total liabilities and equity were US$10.850 billion, US$7.652 billion and US$3.198 billion, respectively, compared to US$9.721 billion, US$6.890 billion and US$2.831 billion, respectively, at December 31, 2017, compared to US$9.194 billion, US$6.471 billion and US$2.723 billion, respectively, at December 31, 2016.

Asset quality

Overdue loans

At December 31, 2018, the total amount of CABEI's overdue loan installments (including overdue principal installments of non-accrual loans) was US$0.009 million. At December 31, 2017, there were no overdue loan installments (including overdue principal installments of non-accrual loans) compared to US$0.238 million at December 31, 2016. All overdue loans in Fiscal 2018 and Fiscal 2016 were loans granted to private sector borrowers.

See "Business—Asset quality".

Non-accrual loans

At December 31, 2018 and 2017, there were no loans on non-accrual status, compared to US$3.084 million, or 0.05% of CABEI's loans receivable, at December 31, 2016. All non-accrual loans in Fiscal 2016 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 2018, 2017 and 2016, CABEI wrote off US$0.002 million, US$1.465 million and US$11.068 million, respectively, all of which were made to private sector borrowers. For Fiscal 2018, CABEI recorded a reversal in provision of US$44,903 million and for 2017, and 2016, CABEI recorded provisions in the amount of US$(44.903), US$98.747 million and US$26.858 million, respectively.

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, 2018, 95% of CABEI liquid assets were invested in investment grade obligations rated A- or better, compared to 95% at December 31, 2017, and compared to 94% at December 31, 2016.

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, 2018, the average duration of the securities included in CABEI's investment portfolio was approximately 1.06 years.

Operating activities

CABEI's cash provided by operating activities increased by US$11.796 million (6.3%) to US$200.231 million for Fiscal 2018 from US$188.435 million for Fiscal 2017. This increase was primarily due to (i) an increase in net income (ii) an increase in accrued interest payable, (iii) an increase in other liabilities, (iv) a decrease in negative figures of the item, net increase in other assets and (v) foreign exchange losses (gains), net, all which led to an aggregate increase in cash inflows of US$162.243 million to US$250.897 million for Fiscal 2018 from US$88.342 million for Fiscal 2017. This increase was partially offset by (i) a decrease in our provision for loan losses and (ii) a net decrease in valuation of derivative financial instruments and debt, all which led to an aggregate decrease in case inflows of US$150.417 million to US$50.666 million for Fiscal 2018 from US$100.093 million for Fiscal 2017.

CABEI's cash provided by operating activities increased by US$11.837 million (6.7%) to US$188.435 million for Fiscal 2017 from US$176.598 million for Fiscal 2016. This increase was primarily due to an aggregate increase in (i) the provisions for credit losses and (ii) the provision for other liabilities of US$82.734 million to US$97.802 million for Fiscal 2017 from US$15.068 million for Fiscal 2016. This increase was partially offset by (i) a decrease in net income, (ii) a net decrease in accrued interest payable, (iii) a decrease in the loss on the valuation of financial instruments and debt, (iv) a net increase in other assets and (v) a decrease in the loss on foreclosed assets, net of US$70.286 million to US$96.459 million for Fiscal 2017 from US$166.745 million for Fiscal 2016.

Investing activities

CABEI's cash used in investing activities increased by US$704.462 million (183.4%) to US$1,088.501 million for Fiscal 2018 from US$384.039 million for Fiscal 2017 primarily due to (i) purchases of securities available for sale, (ii) a reversal in our results in margin calls and other derivative financial instruments from a decrease in Fiscal 2017 to an increase in Fiscal 2018, (iii) disbursements of loans receivable and (iv) an increase in purchase of property and equipment, all of which led to an aggregate increase in cash outflows of US$1,393.675 million to US$3,446.041 million for Fiscal 2018 from US$2,051.193 million for Fiscal 2017. This increase was partially offset by (i) a net decrease (increase) in interest-bearing deposits with banks, (ii) an increase in collections of loans receivable and (iii) an increase in proceeds from sales and redemptions of securities available for sale, all of which led to an aggregate increase in cash flows US$690.386 million to US$2,357.540 million for Fiscal 2018 from US$1,667.154 million for Fiscal 2017.

CABEI's cash used in investing activities decreased by US$584.342 million (60.3%) to US$384.039 million for Fiscal 2017 from US$968.381 million for Fiscal 2016 primarily due to (i) an increase in proceeds from sales and redemptions of securities available for sale and (ii) a net decrease in margin calls and other of US$677.332 million to US$1,134.055 million for Fiscal 2017 from US$456.723 million for Fiscal 2016. This decrease was partially offset by (i) an increase in purchases of securities available for sale and (ii) a decrease in collections of loans receivable of US$192.240 million to US$251.121 million for Fiscal 2017 from US$443.361 million for Fiscal 2016.

Financing activities

CABEI's cash provided by financing activities increased by US$722.942 million (365.2%) to US$920.881 million for Fiscal 2018 from US$197.939 million for Fiscal 2017. This increase was primarily attributable to (i) an increase in proceeds from issuance of bonds payable, (ii) an increase in certificates of deposit, (iii) an increase in funds provided by commercial paper programs of US$910.003 million to US$1,437.470 for Fiscal 2018 from US$527.467 million for Fiscal 2017. This increase was partially offset by an increase in repayment of bonds payable, all which led to an aggregate increase in case outflows of US$176.854 million to US$544.187 million for Fiscal 2018 from US$367.333 million for Fiscal 2017.

CABEI's cash provided by financing activities decreased by US$562.061 million (74.0%) to US$197.939

million for Fiscal 2017 from US$760.000 million for Fiscal 2016. This decrease was primarily attributable to (i) a decrease in proceeds from issuances of bonds payable, (ii) a net decrease in cash provided by certificates of deposit, (iii) an increase in repayment of loans payable and (iv) a decrease in proceeds from loans payable of US$799.233 million (56.4%) to US$616.594 million for Fiscal 2017 from US$1,415.827 million for Fiscal 2016. This decrease was partially offset by a decrease in repayment of bonds payable of US$256.469 million (41.1%) to US$367.333 million for Fiscal 2017 from US$623.802 million for Fiscal 2016.

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, 2018, approximately 87% of CABEI's loans were priced on the basis of the London Interbank Offered Rate (LIBOR) 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, 2018, CABEI was a party to swap agreements with an aggregate notional amount of US$4,730 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, 2018, the weighted average life of CABEI's loan portfolio was 5.3 years and the weighted average life of its financial liabilities was 4.0 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, 2018, approximately 98.7% of CABEI's assets and 39.3% 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 krones, Japanese ¥, and currencies of Founding Members and others, which were generally swapped into U.S. dollars. After giving effect to swaps, approximately 98.6% 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 a pressing need. In addition, CABEI targets projects that emphasize environmentally sustainable development.

The following table sets forth the amount of income derived from those sources for the fiscal years ended December 31, 2018, 2017 and 2016.

Principal sources of CABEI's income

	Fiscal year ended December 31,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars)		
Loans	404,601	353,142	330,613
Marketable securities and deposits with banks	67,368	48,346	29,401
Total	471,969	401,488	360,014

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$7,487.365 million at December 31, 2018, approximately 82% (US$6,158.142 million) represented loans to public sector borrowers and approximately 18% (US$1,329.223 million) represented loans to private sector borrowers compared to approximately 76% (US$4,127.863 million) and 23% (US$1,267.513 million), respectively, of CABEI's loans of US$5,395.376 million at December 31, 2013.

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 2018, CABEI wrote off US$0.002 million in private sector loans deemed to be uncollectible. CABEI's 2018 loan portfolio includes a greater share of public sector loans compared against its portfolio in 2017 and CABEI expects its loan portfolio to continue to consist predominantly of loans to public sector borrowers.

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, 2018, 2017 and 2016.

Financial income from public sector and private sector loans

	Fiscal year ended December 31,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars)		
Public sector	327,598	283,608	260,891
Private sector	77,003	69,534	69,722
Total	404,601	353,142	330,613308,811

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 Member Countries cannot exceed 30% of CABEI's total public sector exposure.

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 limited to 20% of CABEI´s equity. Loans to state-owned financial institutions without sovereign guarantee must not exceed 12% of CABEI´s equity.

November 30, 2018 was the effective date for the integration of the Special Fund for the Social Transformation of Central America (FETS) 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 the Bank'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, 2018, 2017 and 2016, approximately 93%, 81% and 77%, respectively, of CABEI's private sector loans were disbursed to private intermediary financial institutions for lending, where 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, other than project finance, CABEI will generally provide up to 60% of the total cost of the project investment, *provided* that at least 30% of such cost is provided in the form of equity by the borrower.

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 sector client must not exceed 5% of CABEI's equity and 10% of CABEI's total private sector loan portfolio. Furthermore, CABEI's exposure in the five largest exposures must not exceed 30% of CABEI's total private sector 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 and support from the public sector, CABEI's maximum exposure must not exceed 6.5% of its equity. If the project has investment grade sponsors, or support from the public sector, CABEI limits its exposure to 5% of its equity. CABEI's participation in project finance private sector loans must not exceed 40% of the total project investment. Should the project have a total investment of up to US$25.0 million, or public sector interest, CABEI's participation may increase to 60% of the total project investment. The shareholder equity contribution of the project should not be less than 30% of the total project investment, and the composition of the equity contribution depends on the project credit quality.

Loans

The following table sets forth CABEI's loans by country of borrower at December 31, 2018, 2017 and 2016.

Loan/s by country of borrower

	December 31,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars)		
Guatemala	1,065,958	1,101,382	1,206,355
El Salvador	1,167,185	1,160,683	1,051,559
Honduras	1,414,260	1,360,654	1,318,937
Nicaragua	1,253,429	965,341	880,228
Costa Rica	1,338,687	1,370,266	1,438,555
Panama	476,702	308,851	163,076
Dominican Republic	451,965	236,183	219,509
Belize	13,204	10,687	11,569
Colombia	183,655	183,494	183,333
Mexico	119,811	134,787	0
Argentina	2,509	2,501	0
	7,487,365	6,834,829	6,473,121
Allowance for loan losses	(248,863)	(292,261)	(194,150)
Total	7,238,502	6,542,568	6,278,971

The following table sets forth CABEI's public sector loans by country of borrower at December 31, 2018, 2017 and 2016.

Public sector loans by country of borrower

	December 31,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars)		
Guatemala	956,028	1,012,599	1,082,578
El Salvador	1,091,406	1,080,642	949,334
Honduras	1,093,629	1,074,731	1,014,216
Nicaragua	1,001,443	703,945	603,142
Costa Rica	1,166,353	1,165,127	1,157,066
Panama	184,500	100,000	0
Dominican Republic	345,605	236,183	219,509
Belize	13,204	10,687	11,569
Colombia	183,655	183,494	183,333
Mexico	119,811	134,787	0
Argentina	2,509	2,501	0
	6,158,142	5,704,696	5,220,747
Allowance for loan losses	(191,071)	(236,081)	(134,567)
Total	5,967,071	5,468,615	5,086,180

The following table sets forth CABEI's private sector loans by country of borrower at December 31, 2018, 2017 and 2016.

Private sector loans by country of borrower

	December 31,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars)		
Guatemala	109,930	88,783	123,777
El Salvador	75,779	80,041	102,225
Honduras	320,631	285,923	304,721
Nicaragua	251,987	261,396	277,086
Costa Rica	172,334	205,139	281,489
Panama	292,202	208,851	163,076
Dominican Republic	106,360	0	0
	1,329,223	1,130,133	1,252,374
Allowance for loan losses	(57,792)	(56,180)	(59,583)
Total	1,271,431	1,073,953	1,192,791

The following table sets forth CABEI's loans by economic sector in which the ultimate borrower is engaged at December 31, 2018, 2017 and 2016.

Loans by economic sector of ultimate borrower

	December 31,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars)		
Construction	2,605,266	2,463,427	2,405,998
Supply of electricity, gas, steam, and air conditioning	1,859,895	1,938,671	1,710,607
Multi-sector	808,402	870,695	921,727
Financial and insurance activities	639,145	353,685	390,822
Wholesale and retail	504,032	297,694	127,241
Agriculture, ranching, forestry and fishing	252,284	134,381	113,439
Human health care and social assistance	229,078	212,657	205,366
Water supply; sewage disposal, waste management and decontamination	172,053	173,621	150,121
Manufacturing industry	117,532	75,455	99,199
Professional, scientific and technical activities	80,540	76,322	73,396
Information and communication	71,212	84,731	104,444
Transportation and storage	35,965	41,082	43,576
Lodging activities and food services	33,644	38,393	43,735
Education	24,834	25,667	26,103
Real estate	23,289	24,436	30,287
Public administration and social security plans	12,352	2,571	0
Arts, entertainment and recreational activities	11,214	13,634	16,115
Administrative services and support activities	6,628	7,707	10,936
Other services	0	0	9
Total	7,487,365	6,834,829	6,473,121

The following table sets forth the approximate amount at December 31, 2018 of CABEI's loans maturing during the indicated fiscal years.

Maturities of loans

	2019	2020	2021	2022	2023 and thereafter	Total
			(in thousands of U.S. dollars)			
Principal payable in ..	1,363,974	744,671	720,598	686,301	3,971,821	7,487,365

The following table sets forth CABEI's loans by currency after giving effect to related swap transactions at December 31, 2018, 2017 and 2016.

Loans by currency

	December 31,		
	2018	2017	2016
	(in thousands of U.S. dollars)		
US$..	7,357,269	6,802,098	6,426,862
Currencies of Founding Members......................	128,173	30,056	43,028
Euro..	1,923	2,675	3,231
	7,487,365	6,834,829	6,473,121
Allowance for loan losses...................................	(248,863)	(292,261)	(194,150)
Total..	7,238,502	6,542,568	6,278,971

The following table sets forth CABEI's 20 largest borrowers at December 31, 2018. At that date, loans to these borrowers represented 78.7% of CABEI's loans of approximately US$7,487,365 million.

20 Largest borrowers

	At December 31, 2018 aggregate exposure
	(in thousands of U.S. dollars)
Republic of Honduras (HND) …………………………………………………………	1,084,466
Republic of Guatemala (GTM) …………………………………………………….	941,553
Republic of Nicaragua (NIC)……………………………………………………….	784,484
Instituto Costarricense de Electricidad (CRI)…………………………………………	514,591
Republic of El Salvador (SLV)……………………………………………………..	381,295
Comisión Ejecutiva Hidroeléctrica del Río Lempa (SLV) ……………………………	366,974
Government of the Dominican Republic (DOM) ……………………………………..	248,841
Banco Central de Nicaragua (NIC) …………………………………………………	219,160
Banco Popular y de Desarrollo Comunal (CRI)……………………………………….	160,274
Banco Latinoamericano de Comercio Exterior (BLADEX) (PAN) …………………..	150,000
Concesión Alto Magdalena S.A.S. (COL)…………………………………………….	136,000
Gas Natural Atlántico, S. de R.L. (GANA) & Costa Norte LNG Terminal, S. de R.L. (CONO) (PAN)………………………………………………………………..	126,498
Comisión Federal de Electricidad (MEX) ……………………………………………	120,000
Consejo Nacional de Viabilidad (CONAVI) (CRI)……………………………………	118,279

Banco Central de Reserva de El Salvador (SLV)………………………………………	102,500
Banco Popular Dominicano (DOM) ……………………………………………….	100,000
Banco de Reservas de la República Dominicana (DOM)…………………………...	99,000
Republic of Costa Rica (CRI)……………………………………………………….	82,307
Banco Financiera Comercial Hondureña S.A. (FICOHSA) (HND)………………….	77,566
Banco de Desarrollo de El Salvador (SLV)…………………………………………	75,390
Total	5,889,178

The following table shows CABEI's five largest private sector borrowers in each Founding Member at December 31, 2018.

Largest Private Sector Borrowers

	At December 31, 2018 aggregate exposure (in thousands of U.S. dollars)
Guatemala:	
Banco de Desarrollo Rural	40,000
Hidroeléctrica Xacbal, S.A..	28,126
Banco Industrial, S.A.	26,074
Fundación para el Desarrollo Integral	4,985
Banco G&T Continental S.A.	4,765
Subtotal	103,950
El Salvador:	
Federación de Cajas de Crédito..	24,082
Bósforo, LTDA. DE C.V..…………………...………………..........................	11,990
Multi Inversiones Banco Cooperativo de Los Trabajadores	7,866
Banco Promérica, S. A.	4,787
Caja de Crédito Santiago Nonualco	3,847
Subtotal	52,572
Honduras:	
Banco FICOHSA, S.A.	77,566
Energía Eólica de Honduras, S.A..	52,477
Participaciones Choluteca Dos, S.A...	34,368

Banco del País, S.A.	26,964
Honduran Green Power Corporation, S.A. de C.V.	25,018
Subtotal	216,393

Nicaragua:

Banco LAFISE BANCENTRO	64,490
Consorcio Eólico Amayo S.A	32,141
Banco de América Central S.A.	26,611
Banco de la Producción, S.A.	21,774
Sightfull y Marina de Guacalito	20,377
Subtotal	165,393

Costa Rica:

Fideicomiso PROVIDHAS-CR.	50,000
Compañía Inversionista Las Brisas, S.A.	25,878
Grupo Mutual Alajuela-La Vivienda de Ahorro y Préstamo	20,014
Banco Promérica, S.A.	13,163
Banco Improsa, S.A.	10,035
Subtotal	119,090

Panama:

Gas Natural y Atlántico Costa Norte, S.A.	126,498
Global Bank Corporation	39,500
Banco Aliado, S.A.	32,333
Banco la Hipotecaria, S.A.	29,714
UEP Penonome II, S.A.	25,800
Subtotal	253,845

Dominican Republic:

Banco Popular Dominicano S.A.	100,000
AES Andrés DR, S.A.	7,000
Subtotal	107,000
Total	1,018,243

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, 2018, 2017 and 2016.

Sources of financial debt

	December 31,		
	2018	2017	2016
	(in thousands of U.S. dollars)		
Loans payable[1]	1,321,411	1,255,209	1,334,733
Commercial paper programs	24,961	40,833	129,960
Bonds payable	4,893,452	4,472,414	3,954,654
Certificates of deposit and investment	1,298,899	1,048,258	984,199
Total	7,538,723	6,816,714	6,403,546

(1) CABEI may obtain loans and credit facilities from international commercial banks and other development banks. As of December 31, 2018, CABEI had available long- and short-term committed and non-committed lines of credit from international commercial banks, development banks and institutions totaling US$1,472 million, of which approximately US$1,379 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, 2018, 2017 and 2016.

Breakdown of financial debt

	December 31,		
	2018	2017	2016
Loans payable	18%	18%	21%
Commercial paper programs	0%	1%	2%
Bonds payable	65%	66%	62%
Certificates of deposit and investment	17%	15%	15%
Total	100%	100%	100%

The following table sets forth the sources of CABEI's loans payable at December 31, 2018.

Sources of loans payable

Source	December 31, 2018 (in thousands of U.S. dollars)
Government sponsored lenders and export credit agencies	
Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)	176,313
Agence Francaise de Développement	166,133
Kreditanstalt Für Wiederaufbau (K. f. W.)	140,283
The Export Import Bank of Korea	79,841
Instituto de Crédito Oficial de España (ICO)	78,594
Japan Bank for International Cooperation (JBIC)	31,175
Oesterreichische Entwicklungsbank AG (OeEB)	30,000
The International Cooperation and Development Fund (Taiwan ICDF)	14,913
US Agency for International Development (USAID)	6,480
Loans guaranteed by USAID	0
Subtotal	723,732
Commercial banks	
Citibank, N.A.	150,000
Mizuho Bank, Ltd.	106,000
Wells Fargo	49,000
Nordea Bank	26,201
Fortis Bank SA/NV, Belgium	13,112
BNP Paribas Fortis	5,418
Mizuho Bank, Ltd, New York Branch	0
Subtotal	349,731
Multilateral development banks	
European Investment Bank	205,442
Nordic Investment Bank	36,413
The OPEC Fund for International Development	4,597
Inter-American Development Bank (IDB)	1,496
Subtotal	247,948
Total loans payable	1,321,411

The following table sets forth the types of CABEI's bonds payable at December 31, 2018.

Types of Bonds Payable at December 31, 2018

Type	**Amount**	**Outstanding amount as of December 31, 2018 (in millions of U.S. dollars)**	**Maturity**	**Coupon**
THB Bonds. Fourth Issuance	THB 1,235 million	40.241	February 2021	4.88%
COP Bonds. Third issuance	COP 100 billion	31.016	March 2019	10.69%
MXN MTN Series 16	MXN 350 million	27.001	August 2020	4.44%
US$ MTN Series 20	US$ 25 million	25.115	June 2019	6.8%
MXN MTN Series 23	MXN 700 million	35.966	August 2020	28-days MXN-TIIE-65 bps
US$ MTN Series 25	US$ 25 million	25.294	December 2020	4.15%
JPY MTN Series 28	JPY 10 billion	99.181	July 2023	2.41%
US$ MTN Series 34	US$ 25 million	24.114	April 2027	4.290%
EUR MTN Series 36	EUR 21.5 million	29.962	August 2032	4.00%
US$ MTN Series 37	US$ 50 million	59.884	August 2042	Zero-Coupon
US$ MTN Series 38	US$ 50 million	47.956	November 2027	4.00%
CHF MTN Series 39	CHF 150 million	155.766	February 2020	1.50%
US$ MTN Series 40	US$ 20 million	20.965	April 2038	4.50%
EUR MTN Series 42	EUR 50 million	64.410	April 2033	3.25%
CHF MTN Series 46	CHF 145 million	150.259	December 2019	1.50%
EUR MTN Series 47	EUR 75 million	91.012	February 2034	2.769%
CHF MTN Series 48	CHF 180 million	194.093	February 2022	1.875%
EUR SNV	EUR 35 million	44.462	May 2029	3.00%
EUR MTN Series 49	EUR 35 million	42.499	August 2039	3.00%
CNH MTN Series 51	CNH 500 million	72.4605.791	October 2019	3.850%
CHF MTN Series 52 (II)	CHF 115 million	121.926	February 2023	1.125%
CHF MTN Series 55	CHF 200 million	204.954	November 2021	0.194%

Type	Amount	Outstanding amount as of December 31, 2018 (in millions of U.S. dollars)	Maturity	Coupon
MXN MTN Series 57	MXN 3,200 million	162.798	July 2019	MXN-TIIE -5pbs
TRY MTN Series 58	TRY 145.3 million	25.758	September 2019	10.55%
MXN MTN Series 59	MXN 1,741 million	88.587	January 2020	MXN-TIIE -3pbs
JPY Samurai 5yr	JPY 5,500 million	50.410	December 2020	0.66%
JPY Samurai 10 yr	JPY 4,500 million	41.717	December 2025	0.96%
CRC MTN Series 60	CRC 14,526 million	22.627	December 2020	7.20%
CHF MTN Series 61	CHF 55 million	56.362	November 2021	0.194%
CHF MTN Series 62	CHF 200 million	205.895	August 2022	0.37%
US$ MTN Series 63 20 yrs	US$ 25 million	24.622	April 2036	4.40%
US$ MTN Series 63 30 yrs	US$ 25 million	25.072	April 2046	4.55%
US$ MTN Series 64	US$ 135 million	135.161	April 2021	3ML+ 150 bps
NOK MTN Series 65 12 yrs	NOK 500 million	57.410	May 2028	2.898%
NOK MTN Series 65 15 yrs	NOK 500 million	56.990	May 2031	3.035%
MXN MTN Series 66	MXN 2,097.1 million	106.798	February 2020	TIIE 28d +8 bps
ZAR MTN Series 67	ZAR 1,032 million	72.847	August 2020	8.40%
CNH MTN Series 68	CNH 700 million	101.563	September 2019	3.95%
EUR MTN Series 69	EUR 52.6 million	60.303	September 2019	0.19%
CNH MTN Series 70	CNH 1,000 million	144.152	September 2021	4.20%
AUD Australian MTN Series 1	AUD 75 million	53.983	November 2026	4.42%
CHF MTN Series 71	CHF 125 million	127.742	November 2021	0.10%
NOK MTN Series 72	NOK 500 million	57.701	January 2029	3.00%
HKD MTN Series 73	HKD 400 million	50.288	February 2024	3.27 %
AUD Australian MTN Series 1 (Reopening)	AUD 65 million	46.785	November 2026	4.42%
UYU MTN Series 74	UYU 1,846 million	64.164	February 2027	13.90%
US$ MTN Series 75	US$ 167 million	167.208	April 2022	L3M + 100 bps
UYU MTN Series 76	UYU 2,851.8 million	97.531	April 2027	0.14%
ZAR MTN Series 77	ZAR 328.7 million	22.582	August 2021	0.07%
AUD MTN Series 78	AUD 36.7 million	25.021	August 2021	0.02%
MXN MTN Series 79	MXN 2,000 million	101.708	October 2020	TIE 28d – 1 bps
JPY MTN Series 80	JPY 5.6 billion	51.038	February 2023	0.426%
CHF MTN Series 81	CHF 200 million	202.960	September 2024	0.314%

Since December 31, 2018, CABEI has issued the following bonds payable:

Type	Amount	Outstanding amount as of March 31, 2019 (in millions of U.S. dollars)	Maturity	Coupon
UYU MTN Serie 91	UYU 1,631.8 million	48.612	February 2024	3.15%
CHF MTN Serie 92	CHF 200 million	200.883	March 2024	0.200
MXN MTN Series 93	MXN 5,000 million	N/A	May 2022	TIE 28d – 7 bps
SEK MTN Series 94	SEK 200 million	N/A	June 2029	1.460%
UYU MTN Series 95	UYU 1,758.8 million	N/A	July 2024	10.90%

The following table sets forth the principal categories of holders of CABEI's certificates of deposit at December 31, 2018.

Sources of certificates of deposit and investment

Source	At December 31, 2018 (in thousands of U.S. dollars)
Central Banks	649,304
Public financial institutions	305,091
Multilateral institutions	186,000
Private financial institutions	138,332
Other	20,172
Total	1,298,899

The following table sets forth the approximate principal amount at December 31, 2018 of each type of CABEI's financial debt maturing during the indicated fiscal years.

Principal maturities of financial debt

	Fiscal year ended December 31,					
	2019	2020	2021	2022	2023 and thereafter	Total
	(in thousands of U.S. dollars)					
Loans payable	205,231	300,977	113,926	105,937	595,340	1,321,411
Commercial paper programs (Global and Regional)	24,961	0	0	0	0	24,961
Bonds payable	629,272	687,003	857,860	599,051	2,120,266	4,893,452
Certificates of deposit and investment(1)	1,283,267	4,833	2,426	3,384	4,989	1,298,899
Total	2,142,731	992,813	974,212	708,372	2,720,595	7,538,723

(1) No certificates of deposit mature after 2022.

Financial Policies

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

Liquidity: CABEI's policy is to have 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. In addition, the dynamic cumulative liquidity gap must be positive for each defined bucket for a period of one year. 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 criterial established in the Basel III framework (LCR-Liquidity Coverage Ratio and NSFR-Net Stable Funding Ratio), as well as those applied by rating agencies through their respective methodologies, to assess a multilateral development bank's liquidity position.

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 Institutional 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.

Market Risk: CABEI manages the risk of its Fixed Income Portfolio with a daily VaR measure. The VaR limit is approved by the Board of Directors and monitored by CABEI's Institutional 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. CABEI requires a minimum risk-adjusted return on capital for each counterparty.

Allowance for loan losses: CABEI's internal policy for the allowance for loan losses of public and private sector loans establishes that the allowance must be estimated based on net exposure, probability of default and loss given default. The probability of default for each public sovereign counterparty will be determined by the sovereign risk rating and sovereign probability of default (provided by international credit rating agencies). 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 and 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). In accordance with CABEI's policy on the allowance for loan losses of public non-sovereign and private sector loans, CABEI's management has developed procedures that reflect the credit risk assessment by considering all available information to determine whether the reserve for loan losses is adequate.

CABEI maintains an allowance for public non-sovereign and private sector loan 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 such loan is impaired (specific allowance).

The allowance for loan losses is estimated by CABEI's management through a provision for loan losses charged to earnings. Allowance for loan losses are written off against the outstanding balance when CABEI's management believes and confirms its uncollectibility. 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. 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, as well as the criteria applied by rating agencies through their respective methodologies, to assess a multilateral development bank's capital position.

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 movement of market interest rates.

Portfolio Management and Exposure: CABEI's loan portfolio may not exceed 3.5 times CABEI's equity. Its net risk weighted exposure from any single Founding Member country may not exceed either CABEI's equity or 30% of CABEI's total exposure. CABEI also limits the projected future exposure considering undisbursed loans and collections for 12-month periods.

In addition, CABEI's net exposure from any single public sector borrower is limited to 30% of CABEI's total public sector exposure. Its net exposure from public sector banks without sovereign guarantee may not exceed 12% of CABEI's equity and CABEI's net exposure to state-owned companies or partially state-owned companies without sovereign guarantee may not exceed 20% of CABEI's equity. Additionally, its net exposure from any single 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 Institutional 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:

<u>Financial intermediaries</u>: 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.

<u>Direct loans</u>: 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 country offices in each of the five Founding Members, one in Panama 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 Sectors and Countries Division Manager for his approval, and then relayed to the Credit Committee, which is comprised of the following voting members: (i) the Executive Vice President (chair); (ii) the Sectors and Countries Division Manager; (iii) the Credit Division Manager; (iv) the Chief Financial Officer; and (v) the Institutional Risk Division Manager. The Head of the Legal Affairs Office is a member of the Credit Committee and can participate in discussions but has no vote. The Credit Committee has a Secretary appointed by CABEI's Executive Vice 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. 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 risk rating system consists of an eight-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, 2018, the total amount of CABEI's overdue loan installments (including overdue principal installments of non-accrual loans) was US$0.009 million, or 0.00% of CABEI's loans at that date, compared to US$0.000 million, or 0.00% of CABEI's loans at December 31, 2017 and US$0.238 million, or 0.00% of CABEI's loans at December 31, 2016. All overdue loans in Fiscal 2018, 2017 and 2016 were loans granted to private sector borrowers.

At December 31, 2018 and 2017, there were no loans on non-accrual status, compared to US$3.084 million, or 0.05% of CABEI's loans at December 31, 2016. All non-accrual loans in Fiscal 2016 were loans granted to private sector borrowers.

In Fiscal 2018 and 2017, there was no overdue interest or other charges in respect of non-accrual loans excluded from CABEI's interest income, compared to US$0.128 million for Fiscal 2016. In Fiscal 2018, CABEI wrote-off US$0.002 million of loans compared to US$1.465 million in Fiscal 2017 and US$11,068 million in Fiscal 2016. 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, 2018, 2017 and 2016.

Loans, non-accrual loans and others

	Fiscal year ended December 31,		
	2018	**2017**	**2016**
	(in thousands of U.S. dollars except percentages)		
Loans	7,487,365	6,834,829	6,473,121
Total amount of overdue loan installments	9	0	238
Non-accrual loans	0	0	3,084
Loans written off (net)	2	1,465	11,068
Allowance for loan losses	248,863	292,261	194,150
Overdue loan principal as a percentage of loans	0.00%	0.00%	0.00%
Non-accrual loans as a percentage of loans	0.00%	0.00%	0.05%
Loans written off (net) as a percentage of loans	0.00%	0.02%	0.17%
Allowance for loan losses as a percentage of loans	0.00%	4.28%	3.00%

The following table shows the changes of CABEI's allowance for loan losses for the fiscal years ended December 31, 2018, 2017 and 2016.

	Fiscal year ended December 31,								
	2018			**2017**			**2016**		
				(in thousands of U.S. dollars)					
	Sector			Sector			Sector		
	Private	**Public**	**Total**	**Private**	**Public**	**Total**	**Private**	**Public**	**Total**
				(in thousands of U.S. dollars)					
At beginning of fiscal year	56,180	236,081	292,261	59,583	134,567	194,150	58,737	117,850	176,587
Loans written off, net	(2)	0	(2)	(1,465)	0	(1,465)	(11,068)	0	(11,068)
Recoveries	147	0	147	829	0	829	1,773	0	1,773
FETS Integration effect	0	1,360	1,360	0	0	0	0	0	0
(Reversal of) provision for losses	1,467	(46,370)	(44,903)	(2,767)	101,514	98,747	10,141	16,717	26,858
At fiscal year end	57,792	191,071	248,863	56,180	236,081	292,261	59,583	134,567	194,150

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, 2018, this ratio stood at 40.8% compared to 40.6% at December 31, 2017 and 40.1% at December 31, 2016. Like most other multilateral institutions and pursuant to its Constitutive Agreement, CABEI does not pay dividends.

CABEI's equity at December 31, 2018 was US$3,198.3, or 29.5% of total assets, compared to US$2,830.6 million at December 31, 2017, or 29.1% of total assets and US$2,722.9 million at December 31, 2016, or 29.6% of total assets.

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, 2017, 2016 and 2015.

Employees and Independent Contractors

	December 31,		
	2018	**2017**	**2016**
Employees	320	306	307
Independent contractors	27	22	13

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: Víctor Alejandro Martínez	Minister of Public Finance
	Alternate: Acisclo Valladares Urruela	Minister of Economy
El Salvador	Governor: Nelson E. Fuentes Menjívar	Minister of Treasury
	Alternate: Oscar Edmundo Anaya Sánchez	Vice-Minister of Treasury
Honduras	Governor: Rocío Izabel Tábora Morales	Secretary of Finance
	Alternate: Wilfredo Rafael Cerrato Rodríguez	President of the Central Bank of Honduras
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: María del Rocío Aguilar Montoya	Minister of Treasury
	Alternate: Rodrigo Cubero Brealey	President of the Central Bank of Costa Rica
Mexico	Governor: Carlos Manuel Urzúa Macías	Secretary of Treasury and Public Credit
	Alternate: Arturo Herrera Gutiérrez	Under-Secretary of Treasury and Public Credit
Republic of China (Taiwan)	Governor: Jain Rong Su	Minister of Finance
	Alternate: Nan-Kuang Chen	Vice-Governor of the Central Bank of the Republic of China
Argentina	Governor: Nicolás Dujovne	Minister of Treasury
	Alternate: Guido Martín Sandleris	President of the Central Bank of Argentina
Colombia	Governor: Alberto Carrasquillla Barrera	Minister of Treasury and Public Credit
	Alternate: Luis Alberto Rodríguez Ospino	Technical Vice-Minister of the Ministry of Treasury and Public Credit
Spain	Governor: Nadia Calviño Santamaría	Minister of Economy
	Alternate: Ana de la Cueva Fernández	Secretary of Economy and Business Support
The Dominican Republic	Governor: Donald Guerrero Ortiz	Secretary of Treasury
	Alternate: Héctor Valdez Albizu	Governor of the Central Bank of The Dominican Republic
Panama	Governor: Rolando Julio de León de Alba	General Manager of the National Bank of Panamá

Appointed by	Name and Title	Position in Nominating Country
	Alternate: Gustavo A. Valderrama	Vice-Minister of Economy
Belize	Governor: Erwin Rafael Contreras	Minister of Economic Development, Petroleum, Investment, Exchange and Commerce
	Alternate: Santiago Santino Castillo	Alternate Governor
Republic of Cuba	Governor: Irma M. Martínez Castrillón	President of the Central Bank of Cuba
	Alternate: Katerine Aliño Carballo	Vice-President of the Central Bank of Cuba

The Board of Governors has elected Mr. Nicolás Dujovne to serve as President of the Board of Governors from April 2019 until the next Board of Governors' ordinary meeting which is expected to take place during the first half of 2020.

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 for 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	José Carlos Castañeda y Castañeda
El Salvador	Vacant
Honduras	Catherine Yamileth Chang Castillo
Nicaragua	Armando Enrique Navarrete Mena
Costa Rica	Ottón Solís Fallas
Mexico	Jorge Saggiante García
Panama	Héctor René Chinchilla García
Republic of China (Taiwan)	Wei-Sheng Chiu
Spain	Enrique Manzanares Carbonell
Argentina and Colombia (Director)	Ángel Custodio Cabrera Báez
Argentina and Colombia (Alternate Director)	Carlos Sanguinetti Barros
Dominican Republic	Clara Quiñones de Longo

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 five 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:

- Financial Division;
- Sectors and Countries Division;
- Credit Division;
- Institutional Risk Division; and
- Operations and Technology Division.

CABEI's country offices in the Member Countries report through the Manager of the Sectors and Countries Division to the Executive President, while the Legal Affairs Office, the Strategic Planning and Programming Office, the Integrity and Compliance Office, the Social Benefit Fund, the Institutional Relations Office and the Human Resources Office report directly to the Executive President.

In addition to the divisions and departments described above, CABEI also has an Internal Auditing Department that reports directly to the Board of Directors and a Comptroller who reports directly to the Board of Governors.

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
Alejandro Rodríguez Zamora	Executive Vice President
Hernán Danery Alvarado	Chief Financial Officer
Francisco Cornejo Párraga	Operations and Technology Manager
Juan Jorge Mourra Carías	Institutional Risk Division Manager
Julio Eduardo Martínez Bichara	Head of the Legal Affairs Office
Javier Rodriguez Renovato	Sectors and Countries Division Manager, a.i.
Luis Enrique Navarro Barahona	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.

Alejandro Rodríguez Zamora was appointed as Executive Vice President on January 18, 2010. He received his graduate degree in law from the University of Costa Rica and a master of law in common law studies (LLM) from Georgetown University Law Center. As of June 4, 2012, Mr. Rodríguez was also appointed as the Countries and Projects Division Manager *a.i.* Prior to joining CABEI, Mr. Rodríguez worked as General Legal Counsel of the Costa Rican Stock Exchange. Prior to his appointment as Executive Vice President, Mr. Rodríguez was CABEI's General Legal Counsel. Since 1999, Mr. Rodríguez has been a member of the Board of Directors of the CABEI Central American Fund, a limited liability open-end investment company incorporated in Ireland. In addition, since 2004, Mr. Rodríguez has been a member of the Board of Directors of the North American Income Fund, a limited liability open-end investment company incorporated in Ireland.

Hernán Danery Alvarado was appointed as Chief Financial Officer of CABEI on February 1, 2009. He received his bachelor's degree in accounting from the Universidad Nacional Autónoma de Honduras and a master's degree in Business Administration from the Universidad Católica de Honduras. Prior to become Chief Financial Officer, Mr. Alvarado was Chief of Asset and Liability Management of the Financial Division of CABEI. Prior to his appointment as Chief Financial Officer, Mr. Alvarado was CABEI's Acting Chief Financial Officer.

Francisco Cornejo Párraga was appointed as Operations and Technology 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 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 Head of CABEI's Legal Affairs Office 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 Head of the Legal Affairs Office, Mr. Martínez was appointed as Legal Counsel for CABEI's Country 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).

Javier Rodriguez Renovato, was appointed temporary as Sector and Countries Division Manager, on June 25, 2019. He received his bachelor´s degree in Economics and holds a Specialization Diploma in formulation, Evaluation and management of Development Projects and in Public Investment Projects. Mr. Rodriguez has more than 26 years of banking and finance experience, working in the Mexican Public Sector and in many positions at CABEI, were he has been working since 1997. He has constantly been a part in the achievement of strategic and operative goals of the institution, participating in different process at the board of directors' level and superior management level, with an emphasis in Business and Credit areas.

Luis Enrique Navarro was appointed as Credit Division Manager on September 16, 2015. He holds a bachelor's degree in economics from the University of Costa Rica and a master's degree in business administration from INCAE Business School. Prior to his appointment as Credit Division Manager, he served in several positions at CABEI such as Acting Comptroller, Acting Country Manager, Head of the Stock Market Unit, Head of the Productive and Commercial Sectors Unit and Credit Analyst.

RECENT DEVELOPMENTS

On July 4, 2019, CABEI and Ernst & Young Mexico ("EY") mutually agreed to terminate the contract of EY as CABEI's external auditors. The contract was in year 2 of the original 5-year term. The early termination was not the result of any disagreement regarding CABEI's financial statements or internal controls over financial reporting. CABEI is in the process of appointing new external auditors.

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 on March 8, 2007, April 15, 2009, October 17, 2013 and April 5, 2016 (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, Corporate Trust & Agency Services, 60 Wall Street, MS# NYC03-0914, New York, New York 10005 (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$6,000,000,000 (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, LIBOR, 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 without interest coupons ("Registered Notes" or a "Registered Note") or in bearer form, with or without interest coupons ("Bearer Notes" or a "Bearer Note") 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.

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) LIBOR, in which case such Note will be a LIBOR 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 LIBOR 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 LIBOR Note (the "LIBOR Interest Determination Date"), (iv) a CD Rate Note (the "CD Rate Interest Determination Date") and (v) a Federal Funds Rate Note (the "Federal Funds Rate Interest Determination Date") will be the second Market Day preceding such Interest Reset Date. 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:

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

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.

LIBOR Notes

Each LIBOR Note will bear interest at the interest rates calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any, specified in such LIBOR Note and the applicable Final Terms, and will be payable on the dates specified on the face of such LIBOR Note and in the applicable Final Terms, unless otherwise specified.

The applicable Final Terms will specify whether LIBOR will be determined on the basis of the rates appearing on the Reuters Screen LIBO Page or Telerate Page 3750 (each as defined below) or another method. If neither LIBOR Reuters (as defined below) nor another method is specified in the applicable Final Terms, LIBOR will be determined as if LIBOR Telerate (as defined below) had been specified. LIBOR with respect to any Interest Reset Date will be determined by the Calculation Agent in accordance with the following provisions:

(a) On the relevant LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rates for deposits in U.S. dollars having the specified Index Maturity, commencing on the second Market Day immediately following such LIBOR Interest Determination Date, that appear as of 11:00 A.M., London time, on such LIBOR Interest Determination Date on (A) the Reuters Screen LIBO Page ("LIBOR Reuters") or (B) Telerate Page 3750 ("LIBOR Telerate"), as applicable. If the applicable Final Terms specifies LIBOR Reuters and if at least two offered rates appear on the Reuters Screen LIBO Page, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of the offered rates as determined by the Calculation Agent. If fewer than two offered rates appear on the Reuters Screen LIBO Page or if no rate appears on Telerate Page 3750, then LIBOR with respect to such Interest Reset Date will be determined as described in (b) below. "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks). "Telerate Page 3750" means the display designated as page "3750" on the Dow Jones Telerate Service (or such other page as may replace the "3750" page on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

(b) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates for the applicable Index Maturity appear on the Reuters Screen LIBO Page or no rate for the applicable Index Maturity appears on the Telerate Screen Page 3750, as applicable and as described in (a) above, LIBOR will be determined on the basis of the rates at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date at which deposits in U.S. dollars having the specified Index Maturity are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Calculation Agent commencing on the second Market Day immediately following such LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than $1,000,000 that in the Calculation Agent's judgment is representative for a single transaction in such market at such time (a "Representative Amount"). CABEI will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on such LIBOR Interest Determination Date by three major banks in The City of New York, selected by the Calculation Agent, for loans in U.S. dollars to leading European banks having the specified Index Maturity commencing on the second Market Day immediately following such LIBOR Interest Determination Date and in a Representative Amount; *provided* that if fewer than three banks selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, LIBOR with respect to such Interest Reset Date will be the LIBOR in effect on such LIBOR Interest Determination Date.

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) Payment of Principal and Interest

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.

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

Payment of U.S. Dollar Equivalent

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$10 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 that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;

(h) 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;

(i) 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

(j) 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$10,000,000 (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$10,000,000 (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*. 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 Founding 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 []

CABEI

US$6,000,000,000
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 [____________], 201__, 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/LIBOR/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 LIBOR Notes, Relevant Screen Page:	[Reuters Screen LIBO Page/Telerate Screen Page 3750/Other]
	(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):	[ ]
	(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):	[ ]
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.	Notes to be listed on the Luxembourg Stock Exchange:	[Yes/No]

20.	Notes to be traded on the Euro MTF market:	[Yes/No]
21.	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]
22.	Depositary:	[DTC/Common Depositary]
23.	Net proceeds	[ ]
24.	Intended use of proceeds of the Notes (if other than general purposes):	[ ]
25.	Method of distribution (syndicated/non-syndicated):	[ ]
26.	Name(s) of the Agent(s) or syndicates of dealer(s) that are to offer and sell the Notes to be issued:	[ ]

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

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 Internal Revenue Code of 1986, as amended (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 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. 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 person required to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognized on an "applicable financial statement" within the meaning of Section 451 of the Code,
- a partnership (or any entity or arrangement treated as a partnership) for U.S. federal income tax purposes, or
- a taxpayer liable for the alternative minimum tax.

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. 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, LIBOR 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 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 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. 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. Alternatively, the U.S. Holder may take a deduction for such tax if the U.S. Holder elects to deduct (rather than credit) all foreign income taxes paid or accrued during the taxable year. 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 should be aware that recently enacted legislation imposes new 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. U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to our Notes and the application of the recently enacted legislation 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.

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.

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.

Payments of principal and interest on the Notes to Holders are not subject to taxation in the Member Countries. Holding a Note will not by itself subject a Holder to any tax in 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 (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.

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 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 Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Notes and 60 days after the date of allotment of the relevant notes. Any stabilization action or over-allotment must be conducted by the Agents (or persons acting on their behalf) in accordance with applicable laws and rules.

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. 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.

United Kingdom

Each Agent has represented, warranted and agreed, and each further Agent appointed under the Program will be required to represent, warrant 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 agent) for the purposes of their business or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their business where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA"); (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 with respect to anything done by it in relation to such 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.

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

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area, will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Member State of Notes which are the subject of the offering contemplated in this Base Prospectus as completed by a Final Terms may only do so in circumstances in which no obligation arises for CABEI or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and CABEI has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither CABEI nor any Agent have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for CABEI or any Agent to publish or supplement a prospectus for such offer.

In relation to each Member State, each Agent has represented and agreed, and each further Agent appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive was implemented in that Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and CABEI has consented in writing to its use for the purpose of that Non-exempt Offer;

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

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

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require CABEI or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Member State means 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 the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC as amended, and includes any relevant implementing measure in the Member State concerned.

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 three 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 three 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 Shearman & Sterling LLP, New York, New York. Certain legal matters governed by the Constitutive Agreement will be passed on by the Head of CABEI's Legal Affairs Office.

INDEPENDENT AUDITORS

THE FINANCIAL STATEMENTS OF CABEI AS OF DECEMBER 31, 2018, AND FOR THE YEAR THEN ENDED INCLUDED IN THIS BASE PROSPECTUS AND THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AS OF DECEMBER 31, 2018 HAVE BEEN AUDITED BY ERNST & YOUNG MEXICO (MANCERA S.C.), INDEPENDENT AUDITORS, AS STATED IN THEIR REPORTS APPEARING HEREIN.

THE FINANCIAL STATEMENTS OF CABEI AS OF DECEMBER 31, 2017 AND 2016 AND FOR THE YEARS THEN ENDED INCLUDED IN THIS BASE PROSPECTUS AND THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AS OF DECEMBER 31, 2017 HAVE BEEN AUDITED BY KPMG, INDEPENDENT AUDITORS, 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 and March 29, 2016.

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 of CABEI since December 31, 2018.

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.

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 BMI Research datatool.

CABEI believes that the information is accurate but it has not independently verified it.

Indicator Name (unit)	Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Population, mn	Costa Rica	4.4	4.5	4.6	4.6	4.7	4.7	4.8	4.8	4.9	4.9	5.0
	El Salvador	6.1	6.1	6.2	6.2	6.2	6.3	6.3	6.3	6.3	6.4	6.4
	Guatemala	14.0	14.3	14.6	15.0	15.3	15.6	15.9	16.3	16.6	16.9	17.3
	Honduras	7.9	8.0	8.2	8.4	8.5	8.7	8.8	9.0	9.1	9.3	9.4
	Nicaragua	5.6	5.7	5.7	5.8	5.9	6.0	6.0	6.1	6.2	6.2	6.3
Life expectancy at birth, average, years	Costa Rica	78.5	78.6	78.8	78.9	79.1	79.3	79.4	79.6	79.8	80.0	80.2
	El Salvador	71.3	71.6	71.9	72.2	72.5	72.8	73.0	73.3	73.5	73.8	74.0
	Guatemala	70.8	71.1	71.5	71.9	72.2	72.6	72.9	73.2	73.4	73.7	73.9
	Honduras	72.1	72.3	72.4	72.6	72.8	73.0	73.2	73.4	73.6	73.8	74.0
	Nicaragua	73.0	73.4	73.7	74.0	74.3	74.6	74.9	75.1	75.4	75.7	75.9
Nominal GDP, USDbn	Costa Rica	30.6	30.6	37.3	42.3	46.5	49.7	50.5	54.7	57.1	57.7	59.2
	El Salvador	18.0	17.6	18.4	20.3	21.4	22.0	22.6	23.2	23.9	24.8	25.7
	Guatemala	39.0	37.8	41.3	47.6	50.4	53.8	58.7	63.7	68.6	75.6	79.1
	Honduras	13.9	14.6	15.8	17.7	18.7	18.7	20.2	21.1	21.7	23.1	24.0
	Nicaragua	8.5	8.3	8.8	9.8	10.5	11.0	11.9	12.8	13.3	13.9	13.1
GDP per capita, USD	Costa Rica	6,904	6,810	8,204	9,185	9,982	10,561	10,622	11,369	11,748	11,762	11,941
	El Salvador	2,943	2,867	2,992	3,275	3,437	3,515	3,595	3,669	3,768	3,889	4,012
	Guatemala	2,785	2,641	2,824	3,187	3,299	3,451	3,686	3,922	4,138	4,468	4,584
	Honduras	1,763	1,815	1,932	2,123	2,198	2,163	2,295	2,351	2,383	2,493	2,545
	Nicaragua	1,518	1,464	1,526	1,683	1,792	1,847	1,975	2,097	2,163	2,227	2,081
Goods exports, USDbn	Costa Rica	7.5	6.6	9.5	8.3	8.9	8.9	9.5	9.4	10.2	10.9	11.2
	El Salvador	3.3	2.9	3.5	4.2	4.2	4.3	4.3	4.4	4.3	4.7	4.8
	Guatemala	7.8	7.3	8.5	10.5	10.1	10.2	11.0	10.8	10.6	11.1	11.6
	Honduras	6.2	4.8	6.3	8.0	8.4	7.8	8.1	8.2	8.0	8.6	8.7
	Nicaragua	2.2	2.1	2.7	3.4	3.9	3.9	4.2	3.9	3.8	4.1	4.2
Goods imports, USDbn	Costa Rica	12.7	9.2	11.0	13.3	14.3	14.4	14.8	14.1	14.6	15.2	16.5
	El Salvador	8.4	6.4	7.5	9.0	9.2	9.6	9.6	9.4	9.0	9.5	10.4
	Guatemala	13.4	10.6	12.8	15.5	15.8	16.4	17.1	16.4	15.8	17.1	18.1
	Honduras	10.5	7.4	8.9	11.1	11.4	11.0	11.1	11.2	10.6	11.3	12.2
	Nicaragua	4.5	3.7	4.5	5.7	6.2	6.1	6.3	6.4	6.3	6.5	5.8
Foreign reserves ex gold, USDbn	Costa Rica	3.8	4.1	4.6	4.8	6.9	7.3	7.2	7.8	7.6	7.1	7.5
	El Salvador	2.4	3.0	2.9	2.5	3.2	2.7	2.7	2.7	2.9	3.3	3.5
	Guatemala	4.5	5.0	6.0	6.2	6.7	7.3	7.3	7.8	9.2	11.7	13.3
	Honduras	2.5	2.1	2.7	2.8	2.6	3.1	3.5	3.8	3.8	4.7	5.0
	Nicaragua	1.1	1.6	1.8	1.9	1.9	2.0	2.3	2.5	2.4	2.8	2.3
Consumer price inflation, y-oy, eop	Costa Rica	13.9	4.0	5.8	4.7	4.6	3.7	5.1	-0.8	0.8	2.6	2.0
	El Salvador	5.5	-0.2	2.1	5.1	0.8	0.8	0.5	1.0	-0.9	2.0	0.4
	Guatemala	9.4	-0.3	5.4	6.2	3.4	4.4	2.9	3.1	4.2	5.7	2.3
	Honduras	10.8	3.0	6.5	5.6	5.4	4.9	5.8	2.4	3.3	4.7	4.2
	Nicaragua	13.8	0.9	9.2	6.9	7.0	5.7	6.5	3.1	3.1	5.7	3.9

Source: Business Monitor International Ltd. as of April 17, 2019

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CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
(CABEI)

Audited Financial Statements	**Page**

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Central American Bank for Economic Integration

Medium-Term Note Program

CABEI

BASE PROSPECTUS

July 10, 2019

CABEI

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Reports Thereon)

Table of Contents

CABEI

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

March 13, 2019

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, 2018. 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, 2018.

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, 2018 by the firm Mancera, S.C., Member of Ernst & Young Global Limited (EY Mexico), an independent registered public accounting firm. EY Mexico has issued an attestation report regarding the effectiveness of the Bank´s internal control over financial reporting, which states that the Bank´s internal control is effective as of that date, based on the criteria established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Dante Ariel Mossi Reyes
Executive President

Hernan Danery Alvarado
Chief Financial Officer

Construyendo un mejor entorno de negocios

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REPORT OF INDEPENDENT AUDITORS

To Mrs. Executive President, Directors and Board of Governors of
Banco Centroamericano de Integración Económica

Scope

We have examined management's assertion (the Assertion) that Banco Centroamericano de Integración Económica (BCIE or the Bank) identified, designed, implemented, operated, and monitored (together, maintained), in all material respects, effective controls over its reporting of financial information as of 31 December 2018 based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO criteria"). Our examination does not address other criteria beyond the COSO criteria.

Management's Responsibilities

BCIE's management is responsible for the Assertion and is also responsible for identifying, designing, implementing, operating, and monitoring effective controls, identifying its control objectives and the risks that would threaten the achievement of the BCIE´s control objectives.

Our responsibilities

Our responsibility is to express an opinion on the internal controls over its reporting of financial information, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether BCIE, maintained, in all material respects, effective controls over its reporting of financial information as of 31 December 2018, based on the COSO criteria. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement, whether due to fraud or error.

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

Limitations

Our report solely addresses that the Bank maintained, in all material respects, effective controls over its reporting of financial information as of 31 December 2018

Because of their nature and inherent limitations, controls may not prevent, or detect and correct, all misstatements that may be considered relevant. Furthermore, the projection of any evaluations of effectiveness to future periods, or conclusions about the suitability of the design of the controls to achieve the related control objectives, is subject to the risk that controls may become inadequate because of changes in conditions, that the degree of compliance with such controls may deteriorate, or that changes made to the system or controls, or the failure to make needed changes to the system or controls, may alter the validity of such evaluations.

Opinion

In our opinion, Banco Centroamericano de Integración Económica maintained effective control over its reporting of financial information as of 31 December 2018, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, in all material respects.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Banco Centroamericano de Integración Económica, which comprise the balance sheet as of December 31, 2018, and the related statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and our report dated March 13, 2019 expressed an unqualified opinion thereon.

Ernst + Young

Mexico City,
March 13, 2019

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REPORT OF INDEPENDENT AUDITORS

To Mrs. Executive President, Directors and Board of Governors of
Banco Centroamericano de Integración Económica

We have audited the accompanying financial statements of Banco Centroamericano de Integración Económica (the Bank), which comprise the balance sheet as of December 31, 2018, and the related statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Centroamericano de Integración Económica at December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards general accepted in the United States of America, Banco Centroamericano de Integración Económica's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 13, 2019 expressed an unqualified opinion thereon.

Ernst & Young

Mexico City,
March 13, 2019

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Balance Sheets

As of December 31, 2018 and 2017

(Expressed in thousands of U.S. dollars)

	2018	2017
Assets		
Cash and demand deposits (note 4)	38,078	3,692
Interest-bearing deposits with banks (note 5)	1,693,961	1,824,056
Securities available for sale (307,773 in 2018 and 127,417 in 2017, under securities lending agreements) (note 6)	1,667,147	1,159,546
Loans, net of deferred origination fees	7,487,365	6,834,829
Less: Allowance for loan losses	(248,863)	(292,261)
Net loans (note 7)	7,238,502	6,542,568
Accrued interest receivable (note 8)	96,619	82,811
Property and equipment, net (note 9)	33,804	32,128
Derivative financial instruments (note 19)	25,451	24,066
Equity investments (note |0)	31,056	30,510
Other assets (note 11)	25,738	21,382
Total assets	10,850,356	9,720,759
Liabilities		
Loans payable (237,269 in 2018 and 236,209 in 2017, measured at fair value) (note 12)	1,321,411	1,255,209
Bonds payable (4,223,197 in 2018 and 3,852,882 in 2017, measured at fair value) (note 13.a)	4,893,452	4,472,414
Commercial paper programs (note 13.b)	24,961	40,833
Certificates of deposit (note 14)	1,298,428	1,047,698
Certificates of investment	471	560
Accrued interest payable (note 15)	59,763	41,035
Derivative financial instruments (note 19)	268	5,796
Other liabilities (note 16)	53,340	26,606
Total liabilities	7,652,094	6,890,151
Equity		
Paid-in capital (note 17)	1,074,263	1,046,463
General reserve	1,819,667	1,718,400
Retained earnings	294,127	101,380
Accumulated other comprehensive income (loss) (note 22)	10,205	(35,635)
Total equity	3,198,262	2,830,608
Total liabilities and equity	10,850,356	9,720,759

See accompanying notes to financial statements.

Statements of Income

For the years ended December 31, 2018 and 2017

(Expressed in thousands of U.S. dollars)

CABEI

	December 31	
	2018	**2017**
Financial income		
Public sector loans	327,598	283,608
Private sector loans	77,003	69,534
Marketable securities	28,119	17,554
Due from banks	36,453	25,335
Realized gain on investment funds	2,796	5,457
Total financial income	471,969	401,488
Financial expenses		
Loans payable	37,206	29,301
Bonds payable	165,246	118,392
Commercial paper programs	619	1,258
Certificates of deposit and investment	27,159	13,960
Total financial expenses	230,230	162,911
Net financial income	241,739	238,577
(Reversal of) provision for loan losses (note 7)	(44,903)	98,747
Provision for (reversal of) losses on contingencies	750	(1,374)
Total (reversal of) provisions for credit losses	(44,153)	97,373
Net financial income, after (reversal of) provisions for credit losses	285,892	141,204
Other operating income (expenses)		
Financial services and other fees	1,518	7,760
Monitoring and administration fees	1,091	975
Dividends from equity investments	485	0
Gain on equity investments, net	658	316
Foreign exchange (loss) gain, net	(1,475)	170
Other operating income	1,220	1,209
Total other operating income, net	3,497	10,430
Administrative expenses		
Salaries and employee benefits	30,724	28,222
Other administrative expenses	14,352	13,930
Depreciation and amortization	3,665	3,353
Other	557	491
Total administrative expenses	49,298	45,996
Income, before special and other contributions and valuation of derivative financial instruments and debt	240,091	105,638
Special and other contributions (note 23)	(9,231)	(10,119)
Income, before valuation of derivative financial instruments and debt	230,860	95,519
Valuation of derivative financial instruments and debt	(7,343)	(11,729)
Net income	223,517	83,790

See accompanying notes to financial statements.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in thousands of U.S. dollars)

CABEI

	December 31	
	2018	**2017**
Net income	223,517	83,790
Other comprehensive income (loss):		
Unrealized (loss) gain on securities available for sale, net	(2,151)	6,129
Reclassification adjustments for net realized gains included in earnings (note 22)	(2,796)	(5,457)
Subtotal - securities available for sale	(4,947)	672
Change in credit risk of debt instruments at fair value (note 2.t)	43,254	(14,461)
Reclassification of net loss realized by maturity of debt in operations at fair value (note 22)	337	0
Subtotal - change in credit risk of debt instruments at fair value (note 2.t)	43,591	(14,461)
Retirement plans, pensions and other social benefits:		
Change in actuarial loss (note 22)	7,196	(181)
Other comprehensive income (loss)	45,840	(13,970)
Comprehensive income	269,357	69,820

See accompanying notes to financial statements.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in thousands of U.S. dollars)

	Paid-in Capital	General Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance as of December 31, 2016	1,001,638	1,609,918	133,044	(21,665)	2,722,935
Net income	0	0	83,790	0	83,790
Other comprehensive loss	0	0	0	(13,970)	(13,970)
Comprehensive income (loss)	0	0	83,790	(13,970)	69,820
Capital contributions, in cash (note 17.b)	37,853	0	0	0	37,853
Capital payments through series "E" certificates (note 17.b)	6,972	(6,972)	0	0	0
Transfer to general reserve	0	115,454	(115,454)	0	0
Balance as of December 31, 2017	1,046,463	1,718,400	101,380	(35,635)	2,830,608
Net income	0	0	223,517	0	223,517
Other comprehensive income	0	0	0	45,840	45,840
Comprehensive income	0	0	223,517	45,840	269,357
Capital contributions, in cash (note 17.b)	27,687	0	0	0	27,687
Capital payments through series "E" certificates (note 17.b)	113	(113)	0	0	0
Effect generated by integration of the FETS into the Ordinary Capital of the Bank (note 2.u)	0	0	70,610	0	70,610
Transfer to general reserve	0	101,380	(101,380)	0	0
Balance as of December 31, 2018	1,074,263	1,819,667	294,127	10,205	3,198,262

See accompanying notes to financial statements.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in thousands of U.S. dollars)

CABEI

	December 31	
	2018	**2017**
Cash flows from operating activities		
Net income	223,517	83,790
Items to reconcile net income to net cash provided by operating activities:		
(Reversal of) provision for loan losses	(44,153)	97,373
Gain on equity investments, net	(658)	(316)
Foreign exchange losses (gains), net	1,475	(170)
Depreciation and amortization	3,665	3,353
Valuation of derivative financial instruments and debt	7,343	11,729
Net increase in accrued interest receivable	(13,198)	(8,693)
Net increase in accrued interest payable	18,713	5,799
Net increase in other assets	(1,139)	(4,859)
Net increase in other liabilities	4,666	429
Net cash provided by operating activities	200,231	188,435
Cash flows from investing activities		
Net decrease (increase) in interest-bearing deposits with banks	191,798	(319,044)
Purchases of securities available for sale	(1,437,367)	(835,104)
Proceeds from sales and redemptions of securities available for sale	921,467	899,973
Purchases of property and equipment	(5,341)	(2,780)
Net (increase) decrease in margin calls and other on derivative financial instruments	(140,534)	234,082
Disbursements of loans receivable	(1,862,911)	(1,448,676)
Collections of loans receivable	1,244,275	1,086,225
Capital returns to equity investments, net of contributions	112	1,285
Net cash used in investing activities	(1,088,501)	(384,039)
Cash flows from financing activities		
Capital contributions (note 17.b)	27,687	37,853
Proceeds from loans payable	379,677	297,091
Repayments of loans payable	(311,952)	(404,494)
Net decrease in commercial paper programs	(15,872)	(89,127)
Proceeds from issuance of bonds payable	1,134,887	659,891
Repayments of bonds payable	(544,187)	(367,333)
Net increase in certificates of deposit	250,730	64,106
Net decrease in certificates of investment	(89)	(48)
Net cash provided by financing activities	920,881	197,939
Effect of exchange rate fluctuations on cash held	(366)	(16)
Cash generated by the FETS integration process (note 2.u)	2,141	0
Cash and demand deposits at beginning of year	3,692	1,373
Cash and demand deposits at end of year	38,078	3,393
Net increase in cash and cash equivalents	34,386	2,319
Supplemental information of cash flows		
Cash paid for interest	211,502	157,111
Net unrealized changes in securities available for sale	(4,947)	672
Changes in actuarial loss under the Social Benefits Plan (note 22)	7,196	(181)

See accompanying notes to financial statements.

(1) Origin and Nature of the Bank

The Central American Bank for Economic Integration ("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 (Fondo de Cooperación Técnica – 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.

(2) Summary of Significant Accounting Policies

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.

(b) *Cash and 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.

(2) Summary of Significant Accounting Policies, continued

(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 lowest level of any input 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 the identical item is traded on an active exchange.
- Level 2 - Assets and liabilities valued based on observable market assumptions for similar instruments, price quotations from markets that are not active or other assumptions that are observable and can be corroborated by information available on the market for substantially the full term of the assets or liabilities.
- Level 3 - Assets and liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally-developed, and consider risk premiums that a market participant would require.

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 income (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 a realized loss.

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 income (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, 2018 and 2017.

(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 trade date basis, are determined using the specific identification method and are presented as other operating income (expenses). Realized gains on investment funds are presented 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 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 internal policy for the Allowance or Provision for Loans to the Public Sector, the allowance must be estimated based on each of the credit operations net exposure, probability of default and severity of loss.

(2) Summary of Significant Accounting Policies, continued

For the public sector with solidarity sovereign guarantee, the Bank determines the nature and level of exposure to credit risk, according to the risk rating assigned to each country by international 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 reasonability.

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 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 Basel severity of loss in case of 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 internal 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 (SCR), 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

- 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 or with a value too low to warrant being in the Bank’s books.

(2) Summary of Significant Accounting Policies, continued

For the determination of the allowance for loan losses, credit risk ratings based on the SCR and the risk definitions by the credit rating agencies are taken into consideration, so that each of the levels on the SCR 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 international 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-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. The Bank charges off loans when they are deemed as uncollectible.

(2) Summary of Significant Accounting Policies, continued

(h) Property and equipment

Property and equipment are carried at cost less accumulated depreciation. 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

All derivative financial instruments are recognized as assets and liabilities at fair value and are classified as assets or liabilities depending on fair value of each derivative (debit or credit).

The Bank considers derivative financial instruments with hedging purposes only. The derivative financial instruments have inherent market and credit risks. The inherent market risk on a financial instrument is the potential fluctuation in the interest rate, currency exchange rate or other factors, and it is a function of the type of product, the volume of the transactions, the tenor and other terms of each contract and the underlying volatility.

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.

Some derivative instruments acquired by the Bank are designated as: (a) hedge of the exposure to changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment (fair value hedge); (b) hedge of the exposure to variability of cash flows of a recognized asset or liability, or forecasted transaction (cash flow hedge), or (c) hedge of foreign currency fair value or cash flows (foreign currency hedge).

(2) Summary of Significant Accounting Policies, continued

For all hedging transactions, the Bank formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness.

This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

The Bank also monitors, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items, or to specific firm commitments or forecasted transactions, as applicable.

Changes in fair value of a derivative instrument that has been designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded as valuation of derivative financial instruments and debt in the statement of income.

Changes in fair value of a derivative instrument that is highly effective and which has been designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

Changes in fair value of a derivative instrument that is highly effective and has been designated and qualifies as a foreign-currency hedge are recorded in either income or other comprehensive income (loss), depending on whether the hedge transaction is a fair value hedge or a cash flow hedge, respectively.

The ineffective portion of the change in the fair value of a derivative instrument that qualifies as either a fair value hedge or a cash flow hedge is reported in the statement of income.

(2) Summary of Significant Accounting Policies, continued

The Bank discontinues hedge accounting when it is determined that the derivative instrument is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; the derivative expires, is sold, terminated, or exercised; the hedged asset or liability expires, is sold, terminated, or exercised; the derivative is not designated as a hedging instrument because it is unlikely that a forecasted transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair value hedge, the Bank continues to carry the derivative on the balance sheet at its fair value and ceases to adjust the hedged asset or liability for changes in fair value of the hedged risk. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability.

When hedge accounting is discontinued for cash flow hedges, any changes in fair value of the derivative remain in accumulated other comprehensive income (loss) and are included in earnings of future periods when the hedged cash flows impact earnings.

When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Bank continues to carry the derivative on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet, and recognizes any gain or loss in the statement of income.

When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Bank continues to carry the derivative on the balance sheet at its fair value with subsequent changes in fair value included in the statement of income, and gains and losses that were accumulated in other comprehensive income (loss) are immediately recognized in the statement of income.

In all other situations in which hedge accounting is discontinued, the Bank continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in the statement of income.

In addition, 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”*.

(2) Summary of Significant Accounting Policies, continued

Changes to the fair values of these derivatives are recorded as valuation of derivative financial instruments and debt in the statement of income.

The Bank may also enter into derivatives to manage its credit exposure, which includes selling hedges in circumstances in which the Bank may decide to incur additional exposure in a given country.

It is the Bank's policy to recognize in its balance sheet, the offset amounts of its financial instruments, including derivatives.

(j) Equity investments

Non-marketable investments in equity of other entities have been mainly recorded at cost. When the Bank has significant influence but not a controlling financial interest in another entity, the investment is accounted for under the equity method and the pro rata share in the entity's income (loss) is included in other operating income (expenses). When an investment is considered impaired, the investment balance is reduced, and the amount of the impairment is recognized as other operating expenses.

(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. Income and expenses associated to holding these properties in portfolio and the changes to the related valuation allowance are recorded as other operating income (expenses).

(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 Social Benefit 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 income (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

Revenue is recognized 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. 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 the straight-line method over the term of these instruments.

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.

(2) Summary of Significant Accounting Policies, continued

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 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 for the period in which the Bank's Board of Directors authorizes the contributions and the related contracts are signed. 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 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 or exporters.

(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 reportable segment since it does not manage or report internally its operations to evaluate performance or allocate resources based on a determination of the contributions to net income of individual operations.

(t) Accounting policy changes

As of December 31, 2017, CABEI adopted the accounting policy related to Accounting Standards Update (ASU) No. 2016-01, "Financial Instruments - General: Recognition and Measurement of Financial Assets and Financial Liabilities ", which 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 income (loss) in the balance sheet, instead of in the statement of income.

The accounting regulations establish that the entity must present separately in other comprehensive income (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 entity may consider the portion of the total change in fair value that excludes the amount resulting from a change in a market risk basis, such as a risk-free rate or a benchmark interest rate, that results in a change in the credit risk of a specific instrument. The entity must apply the method consistently for financial liabilities.

If the liability is settled before its maturity, the accumulated gains and losses due to these changes will be reclassified from other comprehensive income (loss) to the statement of income.

(Expressed in thousands of U.S. dollars)

(2) Summary of Significant Accounting Policies, continued

The following items in the balance sheets as of December 31, 2017 and income statement for the year ended December 31, 2017, were affected by the change:

	Presentation of Change in Credit Risk of Debt Instruments at Fair Value		
	Without change in Accounting Policy	**With change in Accounting Policy**	**Effect of Change in Accounting Policy**
Balance Sheets As of December 31, 2017			
Equity			
Retained earnings	86,919	101,380	14,461
Accumulated other comprehensive income (loss)	(21,174)	(35,635)	(14,461)
Statements of Income For the year ended December 31, 2017			
Income			
Valuation of derivative financial instruments and debt	(26,190)	(11,729)	(14,461)
Net income	69,329	83,790	14,461

(u) Integration of the Special Fund for the Social Transformation of Central America (FETS) into the Ordinary Capital of the Bank

Due to the economic-financial situation of the eligible countries under the Heavily Indebted Poor Countries Initiative (HIPC) has improved and, as a result, the applicable external financing policies have been modified, the purpose for which FETS was created has been fulfilled. Consequently, through Resolution No. AG-10/2018 of April 26, 2018, the Bank's Governors Board approved the proposal to integrate FETS into the Bank's ordinary capital.

The Resolution came into effect on August 22, 2018, once the amendment to Article 6 of the CABEI Constitutive Agreement, which established that the FETS existed within the Bank as an independent patrimony and separated from the general bank's patrimony and used to create a special window to finance, in concessional terms, programs and projects that are framed within the efforts of social transformation of the Central American region, destined to the founding countries that developed programs declared eligible by the Bank for this purpose.

In this way, the effective integration date of FETS into the Bank's ordinary capital is November 30, 2018, with which, as of that date, the FETS's financial figures became part of the Bank's balance sheet.

(Expressed in thousands of U.S. dollars)

(2) Summary of Significant Accounting Policies, continued

As of November 30, 2018, a summary of the financial figures of the FETS transferred to the Bank's financial statements is presented below:

Balance Sheets
As of November 30, 2018

Assets	
Cash and demand deposits	2,141
Interest-bearing deposits with banks	61,703
Net loans	42,103
Accrued interest receivable	687
Other assets	4
Total assets	106,638
Liabilities	
Loans payable	10,835
Accrued interest payable	14
Other liabilities	25,179
Total liabilities	36,028
Equity	
Retained earnings	70,610
Total equity	70,610
Total liabilities and equity	**106,638**

(v) Uniformity

The accounting policies as of December 31, 2018, are consistent with those applied as of December 31, 2017 and for the year ended on that date.

(w) Relevant accounting standards recently issued

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, "Revenue from contracts with customer" (Topic 606). The new standards define Contracts with Customers as transferring goods, services or non-financial assets unless the contracts are already covered by other standards such as leases or insurance contracts. ASU 2014-09 become effective on January 1, 2019, however, due to the Bank's operations, the accounting standard will not have impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), which requires us as the lessee to recognize most leases on the balance sheet, resulting in the recognition of right of use assets and lease obligations for those leases currently classified as operating leases. ASU 2016-02 become effective for us on January 1, 2020, however, we consider that will not have a significant impact on Banks's financial statements.

(2) Summary of Significant Accounting Policies, continued

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. ASU 2016-13 become effective for us on January 1, 2020, and the Bank currently is evaluating the implications resulting from the adoption of the new standard, once completed the process, the Bank will determine the impact on our financial statements at the date of adoption.

(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, at least quarterly, the valuation of financial instruments. Such valuation and its changes are reviewed with the same frequency.

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.

(3) Fair Values and Fair Value Option, continued

(i) Valuation techniques applied

A significant portion of the Bank's 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.

- Equity investments: The Bank's equity investments in other entities are non-marketable; hence, they do not have available market price quotations. Most of these entities are special purpose entities or entities in which the Bank has no control or significant influence. Currently, it is impracticable to determine the fair value of these investments without incurring in excessive cost.

- 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).

(Expressed in thousands of U.S. dollars)

(3) Fair Values and Fair Value Option, continued

- Loans and bonds payable: Fair values 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 no hedge, 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 year 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, 2018 and 2017, the Bank does not maintain assets and liabilities classified within Level 3 of the fair value hierarchy.

(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, 2018 and 2017, classified according to the fair value hierarchy:

	Level 1	Level 2	Total 2018
Assets			
Securities available for sale	234,195	1,432,952	1,667,147
Derivative financial instruments	0	25,451	25,451
Liabilities			
Loans payable	0	237,269	237,269
Bonds payable	0	4,223,197	4,223,197
Derivative financial instruments	0	268	268

(Expressed in thousands of U.S. dollars)

(3) Fair Values and Fair Value Option, continued

	Level 1	Level 2	Total 2017
Assets			
Securities available for sale	144,075	1,015,471	1,159,546
Derivative financial instruments	0	24,066	24,066
Liabilities			
Loans payable	0	236,209	236,209
Bonds payable	0	3,852,882	3,852,882
Derivative financial instruments	0	5,796	5,796

(iii) Changes in Fair Value Level 3 Category

When an instrument is classified in Level 3, the decision is based on the importance of unobservable assumptions in determining the overall fair value.

Level 3 instruments usually include, in addition to unobservable or Level 3 components, observable components (i.e., components that are actively traded and can be validated in external sources); therefore, gains and losses in the tables below include changes in fair value caused in part by observable factors that are part of the valuation methodology.

For the years ended December 31, 2018 and 2017, the Bank does not present movements of financial assets and liabilities categorized within Level 3.

The effect in net income is presented as realized gain on securities available for sale.

(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, 2018 and 2017, there were no transfers between Levels 1 and 2.

(v) Non-Recurring Fair Value Measurements

The Bank holds non-financial assets that are measured at fair value. Some non-financial assets 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; and other non-financial long-lived assets when determined to be impaired.

(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 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, 2018 and 2017:

	2018		2017	
Level 3	**Fair Value**	**Increase**	**Fair Value**	**Increase**
Loans, net	41,242	1,868	23,772	860
Foreclosed assets, net	12,152	0	12,152	0
	53,394	1,868	35,924	860

(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. For such liabilities, up to December 31, 2007 the Bank had used hedge accounting.

The principal purpose for applying ASC 825-10-25 is to reduce the volatility of the Bank's earnings generated by the use of hedge accounting, considering that both the financial liabilities and the related hedging instruments are generally maintained until maturity. Consequently, the Bank has discontinued hedge accounting for these transactions. The Bank has elected not to apply the option to measure at fair value other financial liabilities, as they do not produce volatility in the statement of income.

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, 2018 and 2017, for loans payable at fair value, the Bank recorded gains and losses of 160,061 and 26,367, respectively, in the statement of income. For the years ended December 31, 2018 and 2017, for bonds payable at fair value, the Bank recorded losses of 454 and 230,984, 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, 2018 and 2017, 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:

	2018			2017		
	Fair value	Amortized cost	Decrease	Fair value	Amortized cost	Decrease
Loans payable	237,269	245,580	(8,311)	236,209	238,934	(2,725)
Bonds payable	4,223,197	4,536,223	(313,026)	3,852,882	3,968,633	(115,751)

(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, 2018 and 2017, the estimated fair values of the Bank's financial instruments are as follows:

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and demand deposits	38,078	38,078	3,692	3,692
Interest-bearing deposits with banks	1,693,961	1,693,961	1,824,056	1,824,056
Securities available for sale	1,667,147	1,667,147	1,159,546	1,159,546
Loans, net	7,238,502	7,225,081	6,542,568	6,564,017
Accrued interest receivable	96,619	96,619	82,811	82,811
Derivative financial instruments	25,451	25,451	24,066	24,066
Liabilities				
Loans payable	1,321,411	1,294,210	1,255,209	1,236,737
Bonds payable	4,893,452	4,898,592	4,472,414	4,473,685
Commercial paper programs	24,961	24,937	40,833	41,082
Certificates of deposit	1,298,428	1,300,103	1,047,698	1,048,089
Certificates of investment	471	471	560	560
Accrued interest payable	59,763	59,763	41,035	41,035
Derivative financial instruments	268	268	5,796	5,796

As of December 31, 2018 and 2017, loans payable include 1,084,142 and 1,019,000, respectively, which are recognized at amortized cost, whose fair value has been estimated at 1,056,941 and 1,000,528, respectively. Likewise, as of the aforementioned dates, bonds payable include 670,255 and 619,532, respectively, which are recognized at amortized cost, whose fair value has been estimated at 675,395 and 620,803, respectively.

(4) Cash and Demand Deposits

As of December 31, 2018 and 2017, cash and demand deposits are composed by currency, as follows:

	2018	2017
U.S. dollar	33,631	3,345
Currencies of the founding countries	834	260
Other currencies	3,613	87
	38,078	3,692

(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, 2018 and 2017, their carrying amounts are 1,693,961 and 1,824,056, respectively. These carrying amounts are set in currencies other than those of the founding countries.

(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 income (loss), the effect of hedging transactions and fair value of securities available for sale, as of December 31, 2018 and 2017 are as follows:

Securities available for sale[1]:	Amortized cost	Unrealized gross losses	Unrealized gross gains	Effect of hedging transactions	Fair value
	2018				
Sovereign	1,019,909	(3,228)	1,675	7,200	1,025,556
Supranational	347,084	(2,380)	350	0	345,054
Corporate	153,878	0	0	0	153,878
Investment funds	143,769	(1,110)	0	0	142,659
	1,664,640	(6,718)	2,025	7,200	1,667,147

Securities available for sale[1]:	Amortized cost	Unrealized gross losses	Unrealized gross gains	Effect of hedging transactions	Fair Value
	2017				
Sovereign	563,911	(3,215)	39	10,552	571,287
Supranational	369,550	(1,993)	87	0	367,644
Corporate	73,982	(274)	0	0	73,708
Investment funds	141,297	0	5,610	0	146,907
	1,148,740	(5,482)	5,736	10,552	1,159,546

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. This effect is recognized in earnings.

For the years ended December 31, 2018 and 2017, the realized gross gain was 2,796 and 5,457, respectively. There was no realized gross loss during the years ended December 31, 2018 and 2017.

The gains were realized by considering the unamortized cost of each fund or marketable security sold.

As of December 31, 2018 and 2017, the fair values and unrealized losses on securities available for sale that have been in continuous unrealized loss position are as follows:

	2018				
	Less than 12 months		12 months or longer		
Securities available for sale:	Fair value	Unrealized gross losses	Fair value	Unrealized gross losses	Total
Sovereign	38,219	(146)	398,577	(3,082)	(3,228)
Supranational	29,654	(315)	207,652	(2,065)	(2,380)
Investment funds	142,659	(1,110)	0	0	(1,110)
	210,532	(1,571)	606,229	(5,147)	(6,718)

[1] The entirety of securities available for sale as of December 31, 2018 and 2017 is denominated in U.S. dollars.

(Expressed in thousands of U.S. dollars)

(6) Securities Available for Sale, continued

	2017				
	Less than 12 months		12 months or longer		
Securities available for sale:	**Fair value**	**Unrealized gross losses**	**Fair value**	**Unrealized gross losses**	**Total**
Sovereign	176,793	(964)	305,925	(2,251)	(3,215)
Supranational	161,054	(1,083)	83,812	(910)	(1,993)
Corporate	0	0	23,765	(274)	(274)
	337,847	(2,047)	413,502	(3,435)	(5,482)

Bank's management believes that the unrealized losses of such securities are substantially related to market interest rate fluctuations and not to deterioration in the creditworthiness of the issuer or guarantor. As of December 31, 2018, the Bank's management has no intention of selling the securities classified as available for sale, described in the previous table, 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 the impairments 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.

CABEI's review for 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, 2018, 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	997,101	595,984	0	70,566	1,663,651

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

Considering the financial policy described in note 2 (e), CABEI complies with its concentration limits of credit risk. A detail of loans, as of December 31, 2018 and 2017, is as follows:

	2018			2017		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Guatemala	956,028	109,930	1,065,958	1,012,599	88,783	1,101,382
El Salvador	1,091,406	75,779	1,167,185	1,080,642	80,041	1,160,683
Honduras	1,093,629	320,631	1,414,260	1,074,731	285,923	1,360,654
Nicaragua	1,001,443	251,987	1,253,430	703,945	261,396	965,341
Costa Rica	1,166,353	172,334	1,338,687	1,165,127	205,139	1,370,266
Dominican Republic	345,605	106,360	451,965	236,183	0	236,183
Panama	184,500	292,202	476,702	100,000	208,851	308,851
Belize	13,204	0	13,204	10,687	0	10,687
Colombia	183,655	0	183,655	183,494	0	183,494
Mexico	119,810	0	119,810	134,787	0	134,787
Argentina	2,509	0	2,509	2,501	0	2,501
Subtotal	6,158,142	1,329,223	7,487,365	5,704,696	1,130,133	6,834,829
Allowance for loan losses	(191,071)	(57,792)	(248,863)	(236,081)	(56,180)	(292,261)
Loans, net	5,967,071	1,271,431	7,238,502	5,468,615	1,073,953	6,542,568

As of December 31, 2018, 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
9	1,363,965	744,671	720,598	686,301	662,993	3,308,828	7,487,365

As of December 31, 2018 and 2017, a detail of loans, by economic activity segment is as follows:

	2018	2017
Construction	2,605,266	2,463,427
Supply of electricity, gas, steam, and air conditioning	1,859,895	1,938,671
Multi-sector	808,402	870,695
Financial and insurance activities	639,145	353,685
Wholesale and retail	504,032	297,694
Agriculture, ranching, forestry, and fishing	252,284	134,381
Human health care and social assistance	229,078	212,657
Water supply; sewage disposal, waste management, and decontamination	172,053	173,621
Manufacturing industry	117,532	75,455
Professional, scientific and technical activities	80,540	76,322
Information and communication	71,212	84,731
Transportation and storage	35,965	41,082
Lodging activities and food services	33,644	38,393
Education	24,834	25,667
Real estate	23,289	24,436
Public administration and social security plans	12,352	2,571
Arts, entertainment and recreational activities	11,214	13,634
Administrative services and support activities	6,628	7,707
	7,487,365	6,834,829

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

As of December 31, 2018 and 2017, a detail of loans, by currency, is as follows:

	2018	2017
U.S. dollar	7,357,269	6,802,098
Currencies from Central American countries	128,173	30,056
Euro	1,923	2,675
	7,487,365	6,834,829

For the years ended December 31, 2018 and 2017, the weighted average yield on loans, after considering swap contracts when applicable, was 5.71% and 5.46% per annum, respectively.

As of December 31, 2018, the balance and the number of days in arrears of non-performing loan installments of the private sector amount to 9, between 1 and 30 days, corresponding to a client domiciled in the Republic of El Salvador.

As of December 31, 2018, there are no installments from loans the public sector in arrears.

As of December 31, 2017, there are no installments from loans the public or private sector in arrears.

As of December 31, 2018 and 2017, the following tables present impaired loans to the private sector:

2018						
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	24,778	0	5,685	26,007	534	1,100
Nicaragua	1,013	0	506	1,269	7	13
Costa Rica	766	0	254	975	1	58
Panama	23,490	0	2,358	24,387	76	1,856
	50,047	0	8,803	52,638	618	3,027
Impaired loans with accrual status	50,047	0	8,803	52,638	618	3,027

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

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
			2017			
With an allowance for loan losses						
Guatemala	2,451	0	37	5,662	1	444
Costa Rica	1,184	0	399	1,473	1	105
Panama	25,041	0	4,468	25,437	77	669
	28,676	0	4,904	32,572	79	1,218
Impaired loans with accrual status	28,676	0	4,904	32,572	79	1,218

As of December 31, 2018 and 2017, there were no impaired loans with non-accrual status.

As of December 31, 2018 and 2017, under ASC 310, there were no individually impaired loans to public sector.

As of December 31, 2018 and 2017, the credit quality of public sector loans, sovereign and non-sovereign, based on risk ratings assigned by credit rating agencies is as follows:

	2018	2017
BBB+ / BBB / BBB-	487,965	418,281
BB+ / BB / BB-	1,301,633	2,413,909
B+ / B / B-	4,368,544	1,791,864
CCC+ / CCC / CCC-	0	1,080,642
	6,158,142	5,704,696

As of December 31, 2018 and 2017, the credit quality of private sector loans based on risk ratings described in note 2 (f), is the following:

Private Sector	Normal	Special Mention	Substandard	Total
		2018		
Guatemala	107,921	2,009	0	109,930
El Salvador	74,445	1,334	0	75,779
Honduras	260,703	35,150	24,778	320,631
Nicaragua	209,360	41,614	1,013	251,987
Costa Rica	148,047	232	24,055	172,334
Dominican Republic	106,360	0	0	106,360
Panama	243,255	25,457	23,490	292,202
	1,150,091	105,796	73,336	1,329,223

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

Private Sector	2017 Normal	Special Mention	Substandard	Total
Guatemala	79,143	7,189	2,451	88,783
El Salvador	78,427	1,614	0	80,041
Honduras	218,825	67,098	0	285,923
Nicaragua	237,277	24,119	0	261,396
Costa Rica	179,167	352	25,620	205,139
Panama	156,932	26,878	25,041	208,851
	949,771	127,250	53,112	1,130,133

As of December 31, 2018 and 2017, there are no loans from the private sector in doubtful category or loss.

For the years ended December 31, 2018 and 2017, the movement in the provision for loan losses are as follows:

	2018			2017		
	Sector			Sector		
	Public	Private	Total	Public	Private	Total
At beginning of year	236,081	56,180	292,261	134,567	59,583	194,150
(Reversal of) provision for losses	(46,370)	1,467	(44,903)	101,514	(2,767)	98,747
Recoveries	0	147	147	0	829	829
Loan write-offs	0	(2)	(2)	0	(1,465)	(1,465)
FETS Integration effect	1,360	0	1,360	0	0	0
At end of year	191,071	57,792	248,863	236,081	56,180	292,261

As December 31, 2018 and 2017, the balances of provision and recorded investment are presented below:

	2018			2017		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Loans Measured Individually						
Specific allowance	0	8,803	8,803	0	4,904	4,904
Recorded investment	0	50,047	50,047	0	28,676	28,676
Loans Measured Collectively						
Generic allowance	191,071	48,989	240,060	236,081	51,276	287,357
Recorded investment	6,158,142	1,245,750	7,403,892	5,704,696	1,068,510	6,773,206
Loans Without an Allowance						
Recorded investment	0	33,426	33,426	0	32,947	32,947
Total						
Allowance	191,071	57,792	248,863	236,081	56,180	292,261
Recorded investment	6,158,142	1,329,223	7,487,365	5,704,696	1,130,133	6,834,829

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

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, 2018 and 2017, the movement in the balance of restructured loans are the following:

	2018	2017
At beginning of year	75,131	83,935
Troubled debt restructurings, due to modification of term and interest rate	0	1,253
Interest capitalization	0	494
Recoveries	(7,485)	(10,551)
At end of year	67,646	75,131

The balances of restructured loans and write-offs for the aforementioned periods fully correspond to loans to the private sector. As of December 31, 2018 and 2017, the number of restructured loans is 4 and 5, respectively. During the year ended December 31, 2018, there were no restructured loans. For the year ended December 31, 2017, the balance of the loans prior to their restructuring was 26,571.

As of December 31, 2018 and 2017, there are no arrears of restructured loans. The installments in arrears are considered in the individual impairment assessment of each restructured loan. At those dates, there are no commitments to make additional disbursements for impaired loans or troubled debt restructurings.

(8) Accrued Interest Receivable

As of December 31, 2018 and 2017, accrued interest receivable is detailed as follows:

	2018	2017
On loans	84,671	71,273
On securities available for sale	6,465	6,548
On interest-bearing deposits with banks	5,483	4,990
	96,619	82,811

(9) Property and Equipment, Net

As of December 31, 2018 and 2017, property and equipment are detailed as follows:

	2018	2017
Buildings	29,994	29,992
Computer equipment and software	25,648	22,408
Installations	18,402	17,479
Office furniture and equipment	5,812	5,696
Vehicles	2,752	2,563
	82,608	78,138
Less accumulated depreciation and amortization	(53,501)	(50,707)
	29,107	27,431
Land	4,697	4,697
	33,804	32,128

(Expressed in thousands of U.S. dollars)

(10) Equity Investments

Equity investments as of December 31, 2018 and 2017 which do not have a market value are as follows:

Name	Participation	Financial Statements	Equity	2018	2017
Shares					
Corporación Interamericana para el Financiamiento de Infraestructura, S. A.	11.34%	30/09/2018	92,237	5,000	5,000
Darby - Pro-Banco Fund II, L. P.	33.30%	30/09/2018	20,804	6,929	6,270
Garantías y Servicios, Sociedad de Garantía, S. A. de C. V.	24.03%	30/09/2018	7,935	1,144	1,145
Banco Popular Covelo, S. A.	19.56%	31/10/2018	24,762	3,484	3,595
Other				25	26
Subtotal shares				16,582	16,036
Participations					
Central American Mezzanine Infrastructure Fund L.P. (CAMIF)[2]	38.53%	30/09/2018	70,522	14,218	14,218
Central American Renewable Energy and Cleaner Production Facility (CAREC)[2]	41.67%	30/09/2018	3,965	256	256
Subtotal participations				14,474	14,474
				31,056	30,510

(11) Other Assets

As of December 31, 2018 and 2017, the balance of other assets is detailed as follows:

	2018	2017
Foreclosed assets, net of fair value adjustments	12,152	12,152
Accounts receivable	9,270	8,380
Surplus of assets over actuarial liabilities of Social Benefit Fund (note 21)	3,330	0
Fees paid in advance	966	835
Other	20	15
	25,738	21,382

As of December 31, 2018 and 2017, the balance of foreclosed assets is 12,152 for both periods, net of fair value adjustments of 10,693 for both periods.

[2] CAMIF and CAREC are carried at amortized cost since the Bank has no significant influence over these entities.

(Expressed in thousands of U.S. dollars)

(12) Loans Payable

As of December 31, 2018 and 2017, loans payable are as follows:

	2018	2017
European Investment Bank	205,442	219,272
Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)	176,313	191,021
Agence Française de Développement	166,133	115,928
Citibank, N.A.	150,000	150,000
Kreditanstalt für Wiederaufbau (KfW)	140,283	145,432
Mizuho Bank, Ltd.	106,000	61,000
The Export Import Bank of Korea	79,841	89,821
Instituto de Crédito Oficial de España	78,594	31,378
Wells Fargo	49,000	24,000
Nordic Investment Bank	36,413	37,238
Japan Bank for International Cooperation	31,175	37,410
Oesterreichische Entwicklungsbank AG (OeEB)	30,000	36,330
Nordea Bank	26,201	30,216
The International Cooperation and Development Fund (TaiwanICDF)	14,913	5,519
Fortis Bank SA/NV, Belgium	13,112	6,377
U.S. Agency for International Development (USAID)	6,480	7,358
BNP Paribas Fortis	5,418	15,761
The OPEC Fund for International Development	4,597	7,661
Inter-American Development Bank (IDB)	1,496	2,875
Mizuho Bank, Ltd., New York Branch	0	40,000
Loans guaranteed by USAID	0	612
	1,321,411	1,255,209

Maturities of loans payable as of December 31, 2018 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	205,231	300,977	113,926	105,937	96,068	499,272	1,321,411

For the years ended December 31, 2018 and 2017, the weighted average cost on loans payable, after considering swap contracts when applicable, was 3.25% and 2.39% per annum, respectively.

As of December 31, 2018, loans payable at fixed and variable rates are 524,816 and 796,595, respectively. As of December 31, 2017, loans payable at fixed and variable rates are 494,975 and 760,234, respectively.

(Expressed in thousands of U.S. dollars)

(13) Bonds Payable and Commercial Paper Program

a) As of December 31, 2018 and 2017, bonds payable are as follows:

Currency	2018	2017
Swiss francs	1,419,957	1,346,229
Mexican pesos	667,154	636,355
U.S. dollars	658,966	601,535
Yuan	610,750	456,193
Euros	332,648	354,960
Yen	242,346	187,755
Norwegian kroner	172,101	186,145
Uruguayan pesos	161,695	196,213
Colombian pesos	134,377	35,428
Australian dollars	125,789	139,464
Costa Rican colones	125,298	24,540
South African rands	95,429	111,556
Hong Kong dollars	50,288	51,450
Bahts	40,214	40,979
Turkish lira	25,758	37,276
New Zealand dollars	19,612	0
Nuevos soles	0	47,803
	4,882,382	4,453,881
Fair value adjustment	11,070	18,533
	4,893,452	4,472,414

Maturities of bonds payable as of December 31, 2018 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	629,272	687,003	857,860	599,051	769,763	1,350,503	4,893,452

For the years ended December 31, 2018 and 2017, the weighted average cost on bonds payable, after considering swap contracts when applicable, was 3.49% and 2.72% per annum, respectively.

b) As of December 31, 2018 and 2017, CABEI has the following commercial paper programs:

	2018			
	Authorized Program Size	Amount Issued	Annual Average Cost	Contractual Maturity
Commercial Paper – Global Program in USD	500,000	24,961	2.37%	Up to 3 months
Commercial Paper – Regional Program in Costa Rican colones (CRC)	200,000	0	0.00%	Up to 6 months
	700,000	24,961		

(Expressed in thousands of U.S. dollars)

(13) Bonds Payable and Commercial Paper Program

	2017			
	Authorized Program Size	Amount Issued	Annual Average Cost	Contractual Maturity
Commercial Paper – Global Program in USD	500,000	24,943	1.01%	Up to 3 months
Commercial Paper – Regional Program in Costa Rican colones (CRC)	200,000	15,890	5.56%	Up to 6 months
	700,000	40,833		

(14) Certificates of Deposit

As of December 31, 2018 and 2017, certificates of deposit are as follows:

	2018	2017
Central Banks	649,304	682,775
Public financial institutions	305,091	140,000
Multilateral institutions	186,000	105,000
Private financial institutions	138,332	102,041
Other	19,701	17,882
	1,298,428	1,047,698

As of December 31, 2018, 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	1,119,696	163,520	4,671	2,379	3,344	4,818	1,298,428

For the years ended December 31, 2018 and 2017, the weighted average cost on certificates of deposit was 2.29% and 1.34% per annum, respectively.

For the years ended December 31, 2018 and 2017, the weighted average cost on certificates of deposit, by currency, is as follows:

	2018	2017
Deposits in U.S. dollars	2.08%	1.33%
Deposits in Costa Rican colones	6.01%	3.34%
Deposits in quetzales	2.49%	3.55%
Deposits in lempiras	7.00%	0.00%

(Expressed in thousands of U.S. dollars)

(15) Accrued Interest Payable

As of December 31, 2018 and 2017, accrued interest payable is as follows:

	2018	2017
On bonds payable	48,182	32,574
On certificates of deposit	6,139	4,203
On loans payable	5,442	3,833
On commercial paper	0	425
	59,763	41,035

(16) Other Liabilities

As of December 31, 2018 and 2017, the other liabilities are detailed below:

	2018	2017
Other creditors	37,396	6,844
Financial cooperation to founding countries	5,636	5,166
Bonuses and supplemental compensation	3,593	3,382
Technical assistance	2,791	3,125
Provision for contingencies (note 18)	1,964	1,214
Transitory deposits	304	1,195
Deferred fees over contingent commitments (note 18)	21	64
Deficit of assets over actuarial liabilities of Social Benefit Fund (note 21)	0	3,866
Other provisions	1,635	1,750
	53,340	26,606

(17) Equity

(a) Authorized, Subscribed, and Paid-in Capital

The Bank's authorized capital is 5,000,000, divided into 2,550,000 for founding countries and 2,450,000 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 255,000 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 245,000 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, 2018, the founding countries have subscribed 2,550,000 from the total number of shares into equal parts, and the non-founding regional countries and non-regional countries have subscribed 1,883,250; the remaining 566,750 is available for subscription.

The Bank's shares will 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 3,750,000 corresponds to callable capital and the equivalent to 1,250,000 corresponds to capital payable in cash.

(Expressed in thousands of U.S. dollars)

(17) Equity, continued

As of December 31, 2018, the capital structure of the Bank is detailed as follows:

	2018			
	Capital			
Subscribed capital	**Subscribed/ Unsubscribed**	**Callable subscribed**	**Subscribed payable in cash**	**Paid-in**
Founding countries				
Guatemala	510,000	382,500	127,500	127,500
El Salvador	510,000	382,500	127,500	127,500
Honduras	510,000	382,500	127,500	127,500
Nicaragua	510,000	382,500	127,500	127,500
Costa Rica	510,000	382,500	127,500	127,500
Subtotal founding countries	2,550,000	1,912,500	637,500	637,500
Non-founding regional countries				
Dominican Republic	256,000	192,000	64,000	51,662
Panama	256,000	192,000	64,000	51,662
Belize	25,000	18,750	6,250	6,250
Subtotal non-founding regional countries	537,000	402,750	134,250	109,574
Non-regional countries				
Republic of China, Taiwan	500,000	375,000	125,000	125,000
Mexico	306,250	229,687	76,563	76,563
Spain	200,000	150,000	50,000	50,000
Argentina	145,000	108,750	36,250	36,250
Colombia	145,000	108,750	36,250	36,250
Cuba	50,000	37,500	12,500	3,125
Subtotal non-regional countries	1,346,250	1,009,687	336,563	327,188
Subtotal subscribed capital and paid-in capital	4,433,250	3,324,937	1,108,313	1,074,263
Unsubscribed capital				
Non-regional countries and regional non-founding countries	566,750			
	5,000,000			

(Expressed in thousands of U.S. dollars)

(17) Equity, continued

As of December 31, 2017, the capital structure of the Bank is detailed as follows:

	2017 Capital			
Subscribed capital	**Subscribed/ Unsubscribed**	**Callable subscribed**	**Subscribed payable in cash**	**Paid-in**
Founding countries				
Guatemala	510,000	382,500	127,500	127,500
El Salvador	510,000	382,500	127,500	127,500
Honduras	510,000	382,500	127,500	127,500
Nicaragua	510,000	382,500	127,500	127,500
Costa Rica	510,000	382,500	127,500	127,500
Subtotal founding countries	2,550,000	1,912,500	637,500	637,500
Non-founding regional countries				
Dominican Republic	256,000	192,000	64,000	39,325
Panama	256,000	192,000	64,000	39,325
Belize	25,000	18,750	6,250	6,250
Subtotal non-founding regional countries	537,000	402,750	134,250	84,900
Non-regional countries				
Republic of China, Taiwan	500,000	375,000	125,000	125,000
Mexico	306,250	229,687	76,563	76,563
Spain	200,000	150,000	50,000	50,000
Argentina	145,000	108,750	36,250	36,250
Colombia	145,000	108,750	36,250	36,250
Subtotal non-regional countries	1,296,250	972,187	324,063	324,063
Subtotal subscribed capital and paid-in capital	4,383,250	3,287,437	1,095,813	1,046,463
Unsubscribed capital				
Non-regional countries and regional non-founding countries	616,750			
	5,000,000			

(Expressed in thousands of U.S. dollars)

(17) Equity, continued

(b) Capital Payments

As a result of the new subscription of shares and amendments to the Constitutive Agreement, during the years ended December 31, 2018 and 2017, the member countries made capital payments as follows:

	2018			2017		
Capital Payments	**Cash**	**Series "E" Certificates**	**Total**	**Cash**	**Series "E" Certificates**	**Total**
Non-founding Regional Countries						
Dominican Republic	12,271	66	12,337	24,542	133	24,675
Panama	12,290	47	12,337	12,290	48	12,338
Sub-total	24,561	113	24,675	36,832	181	37,013
Non-regional Countries						
Republic of China, Taiwan	0	0	0	1,021	6,791	7,812
Cuba	3,125	0	3,125	0	0	0
Sub-total	3,125	0	3,125	1,021	6,791	7,812
	27,687	113	27,800	37,853	6,972	44,825

(c) Capital Subscription

On July 11, 2018, the Republic of Cuba acquired the status of an extra-regional partner, once it complied with the terms and conditions established in the "Capitalization Regulations" and the "Regulations for the Admission of Extra-Regional Members of the BCIE". On that date, the Republic of Cuba made the payment corresponding to the first installment of capital for 3,125. Consequently, as of this date, the Republic of Cuba has a participation of 5,000 Series "B" shares, with a nominal value of 10 each, making a total of 50,000, of which 12,500 corresponds to a capital payable and 37,500 corresponds to capital required.

(18) Contingent Commitments

As of December 31, 2018 and 2017, balances of contingent commitments are as follows:

	2018	2017
Subscribed credit agreements (*)	3,238,566	2,438,903
Endorsements and guarantees granted	61,959	73,587
Letters of credit	72,563	22,847
	3,373,088	2,535,337

(*) Includes approved and deeded agreements

The Bank's management has analyzed each commitment assumed on a case-by-case basis, based on current information and events in order to determine significant losses from these commitments.

(Expressed in thousands of U.S. dollars)

(18) Contingent Commitments, continued

The maturities of endorsements and guarantees granted, and letters of credit as of December 31, 2018, are as follows:

	Years			
	2019	**2020**	**2029**	**Total**
Endorsements and guarantees granted	530	9,470	51,959	61,959
Letters of credit	72,563	0	0	72,563

As of December 31, 2018 and 2017, the Bank maintains balances of deferred fees over contingent commitments for 21 and 64, respectively, which have been recorded as other liabilities in the balance sheet (note 16).

As of December 31, 2018 and 2017, the Bank maintains a provision for possible losses of 1,964 and 1,214, respectively, related to endorsements and guarantees issued (note 16).

(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, 2018 and 2017, 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.

(Expressed in thousands of U.S. dollars)

(19) Derivative Financial Instruments and Hedging Activities, continued

As of December 31, 2018 and 2017, the face value of derivative financial instruments is as follows:

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	Face Value	Face Value	Face Value	Face Value
Fair value hedges				
Interest rate and other contracts	494,214	179,090	519,215	160,727
Other risk management purposes				
Foreign currency contracts	658,616	3,398,391	1,511,571	2,430,152
Total derivative financial instruments, face value	1,152,830	3,577,481	2,030,786	2,590,879

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, 2018 and 2017.

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	Fair Value	Fair Value	Fair Value	Fair Value
Fair value hedges				
Interest rate and other contracts	26,318	23,656	33,418	27,281
Other risk management purposes				
Foreign currency contracts	20,158	379,533	89,843	282,824
Subtotal derivative financial instruments	46,476	403,189	123,261	310,105
Cash collateral paid / received	382,070	0	258,160	53,090
Subtotal derivative financial instruments, by gross amounts	428,546	403,189	381,421	363,195
Less: Master netting agreements	(46,476)	(46,476)	(72,030)	(72,030)
Less: Offsetting cash collateral paid / received	(356,627)	(356,627)	(285,457)	(285,457)
Credit risk valuation adjustment for counterparties under netting agreements	8	182	132	88
Total derivative financial instruments presented in the balance sheet, by offset amounts	25,451	268	24,066	5,796

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, 2018 and 2017, such income (loss) and other comprehensive income (loss) of derivative financial instruments are, is presented as follow:

	2018			
	Income (loss)			
	Derivative instrument	Hedged financial instrument	Total	Other comprehensive income (loss)
Fair value hedges				
Interest rate and other contracts	(13,971)	13,971	0	0
Undesignated economic hedges				
Foreign currency contracts[3]	(166,395)	0	(166,395)	0
Credit risk valuation adjustment on derivative financial instruments	(219)	0	(219)	0
Realized loss, credit risk component on debt at fair value	(337)	0	(337)	0
	(180,922)	13,971	(166,951)	0

	2017			
	Income (loss)			
	Derivative instrument	Hedged financial instrument	Total	Other comprehensive income (loss)
Fair value hedges				
Interest rate and other contracts	8,624	(8,624)	0	0
Undesignated economic hedges				
Foreign currency contracts[3]	245,738	0	245,738	0
Credit risk valuation adjustment on derivative financial instruments	(52)	0	(52)	0
Realized loss, credit risk component on debt at fair value	(64)	0	(64)	0
	254,246	(8,624)	245,622	0

Income (loss) recognized in the statement of income is presented as valuation of derivative financial instruments and debt.

[3] 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, 2018 and 2017:

	Net Assets	
Fund/Program	**2018 (Unaudited)**	**2017 (Audited)**
Honduras - Spain Fund, Phase II	63,325	54,599
Investment Trust – Dwelling Mortgage Fund	24,872	24,822
Technical Cooperation Fund – FONTEC	21,752	20,862
Debt-Conversion Fund (Honduras-Spain)	8,054	11,724
Program for Development of the Border Areas in Central America (former FOEXCA)	4,033	4,033
Accelerating Fund investments in Renewable Energy in Central America (ARECA)	2,644	2,734
Partial credit guarantees - Finland Resources	2,438	2,384
Trust for Administration, Attention, Rehabilitation, Training, and Prevention of Burnt Children	126	248
Taiwan ICDF - Technical Assistance Fund, Credit Program for Education	45	63
Taiwan International Cooperation and Development Fund (ICDF) - Fund for Consulting Service	23	23
Special Fund for the Social Transformation of Central America – FETS	0	103,233
	127,312	224,725

(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.

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

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 table shows the net periodic benefit cost for the years ended December 31, 2018 and 2017 in conformity with the criteria established by currently applicable standards:

	2018	2017
Net periodic benefit cost components		
Interest cost	11,332	12,166
Service cost	2,356	5,357
Return on Plan assets	(10,896)	(11,502)
Net periodic benefit cost	2,792	6,021

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, 2018 and in conformity with the criteria established by currently applicable standards.

As of December 31, 2018 and 2017, the changes in projected benefit obligation, the changes in Plan assets and the Plan position are detailed as follows:

	2018			
	Retirement and Pension Plan	Life Insurance Plan	Hospital-related Medical Plan	Total
Changes in benefit obligation:				
Benefit obligation at beginning of year	148,425	11,103	18,988	178,516
Interest cost	10,548	784	0	11,332
Service cost	2,267	89	0	2,356
Paid benefits	(12,053)	(1,042)	(4,014)	(17,109)
Actuarial losses (gains)	(16,861)	5,368	4,326	(7,167)
Benefit obligation at end of year	132,326	16,302	19,300	167,928
Changes in Plan assets:				
Fair value of Plan assets at beginning of year	118,490	42,719	18,988	180,197
Return on Plan assets	8,105	3,023	1,300	12,428
Employer contributions	2,566	469	1,863	4,898
Plan participants contributions	906	12	1,163	2,081
Paid benefits	(12,054)	(1,042)	(4,014)	(17,110)
Other expenses, net	(57)	0	0	(57)
Pensions revaluation	(817)	817	0	0
Subtotal	117,139	45,998	19,300	182,437
Assets assigned to individual savings accounts	(11,179)	0	0	(11,179)
Fair value of Plan assets at end of year	105,960	45,998	19,300	171,258
Net Plan position	(26,366)	29,696	0	3,330

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

	2017			
	Retirement and Pension Plan	Life Insurance Plan	Hospital-related Medical Plan	Total
Changes in benefit obligation:				
Benefit obligation at beginning of year	145,504	10,585	17,710	173,799
Interest cost	10,185	741	1,240	12,166
Service cost	2,393	91	2,873	5,357
Paid benefits	(10,658)	(359)	(2,835)	(13,852)
Actuarial losses	1,001	45	0	1,046
Benefit obligation at end of year	148,425	11,103	18,988	178,516
Changes in Plan assets:				
Fair value of Plan assets at beginning of year	113,664	38,741	17,710	170,115
Return on Plan assets	7,482	2,766	1,254	11,502
Employer contributions	1,319	438	1,741	3,498
Plan participants contributions	713	10	1,118	1,841
Paid benefits	(10,296)	(359)	(2,835)	(13,490)
Other expenses, net	(92)	0	0	(92)
Pensions revaluation	(1,122)	1,122	0	0
Change in fair value of securities	1,276	0	0	1,276
Fair value of Plan assets at end of year	112,944	42,718	18,988	174,650
Net Plan position	(35,481)	31,615	0	(3,866)

As of December 31, 2018 and 2017, the SBF's net Plan assets are detailed as follows:

	2018	2016
Cash and due from banks	2,647	3,853
Securities available for sale	163,426	165,693
Subtotal	166,073	169,546
Loans	13,265	13,987
Accrued interest receivable	1,496	1,147
Other, net	853	32
	181,687	184,712
Less: Assets from individual account balances	(11,179)	(10,062)
Net assets	170,508	174,650

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.

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

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, 2018 and 2017, weighted averages of the actuarial assumptions used in the estimate of the projected benefit obligation were the following:

	2018	2017
Discount rate	7 %	7 %
Salary increase rate	5 %	5 %
Estimated rate of return on assets, considering the special contributions granted by the Bank	7 %	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.

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 2019 will equal approximately 11,114 (2018: 10,051). All contributions will be paid in cash.

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

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, 2018:

Plans	Years					
	2019	**2020**	**2021**	**2022**	**2023**	**2024-2028**
Retirement and Pensions	14,803	14,923	13,658	13,446	16,666	66,663
Life Insurance	1,037	994	967	989	1,386	5,544
Hospital related medical	3,028	3,099	3,170	3,217	4,215	16,860
	18,868	19,016	17,795	17,652	22,267	89,067

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, 2018 and 2017, the asset allocation of SBF's investment portfolio is as follows:

Asset Allocation Objectives			
	Maximum allowed	**2018**	**2017**
Cash and due from banks	5%	0.1%	2%
Investment securities:			
US Treasury bonds and/or bonds issued by US Federal Government Agencies	100%	11%	5%
Securities issued by CABEI	100%	31%	64%
Eurobonds CA or CABEI Fund Shares	20%	17%	
Corporate bonds with credit rating "A" or better	50%	41%	29%

Plan assets are recognized at fair value.

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

The following table presents the assets valued at their fair value on a recurring basis as of December 31, 2018 and 2017, classified according to the fair value hierarchy:

	Level 1	Level 2	Level 3	2018
Assets				
Cash and due from banks	2,647	0	0	2,647
Fixed income bonds:				
US Treasury bonds	13,668	0	0	13,668
Securities issued by CABEI	0	50,585	0	50,585
Corporate bonds	0	67,868	0	67,868
Sovereign bonds	0	31,305	0	31,305
	16,315	149,758	0	166,073

	Level 1	Level 2	Level 3	2017
Assets				
Cash and due from banks	3,853	0	0	3,853
Fixed income bonds:				
US Treasury bonds	8,666	0	0	8,666
Securities issued by CABEI	0	108,909	0	108,909
Corporate bonds	0	48,118	0	48,118
	12,519	157,027	0	169,546

(22) Accumulated Other Comprehensive Income (Loss)

For the years ended December 31, 2018 and 2017, accumulated other comprehensive income (loss), is as follows:

	2018			
	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	254	(3,838)	(32,051)	(35,635)
Changes for the year	(4,947)	7,196	43,591	45,840
At end of year	(4,693)	3,358	11,540	10,205

	2017			
	Securities available for sale	Actuarial gains under the Social Benefit Plan	Change in credit risk of debt instruments at fair value	Accumulated other comprehensive income (loss)
At beginning of year	(418)	(3,657)	(17,590)	(21,665)
Changes for the year	672	(181)	(14,461)	(13,970)
At end of year	254	(3,838)	(32,051)	(35,635)

(Expressed in thousands of U.S. dollars)

(22) Accumulated Other Comprehensive Income (Loss), continued

For the years ended December 31, 2018 and 2017, reclassifications from accumulated other comprehensive income (loss) to earnings are as follows:

	2018	2017	Line in statement of income affected
Securities available for sale	(2,796)	(5,457)	Realized gains on investment funds
Derivative Financial Instruments and Debt	337	0	Valuation of derivative financial instruments and debt
	(2,459)	(5,457)	

(23) Special and other contributions

For the years ended December 31, 2018 and 2017, special contributions and other are detailed as follows:

	2018	2017
SBF special contribution	5,161	5,087
FONTEC special contribution	1,500	1,500
Financial cooperation and other	2,570	3,532
	9,231	10,119

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 March 13, 2019, date on which the financial statements were ready for their issuance, and the following was identified:

On March 8, 2019, the rating agency Standard & Poor's, increased the long-term international risk rating of the Central American Bank for Economic Integration from A + to AA on two (2) scales; with a stable perspective.

CABEI

CENTRAL AMERICAN BANK
FOR ECONOMIC INTEGRATION

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Reports Thereon)

CABEI

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CABEI

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

March 04, 2018

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. In consequence, Management has assessed the Bank's internal control over financial reporting as of December 31st, 2017. 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 internal control over financial reporting is a process designed and executed under the supervision of, the Bank's principal executives and financial officers, or persons performing 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. An entity'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 performed, Management believes that the Bank's internal control over financial reporting is effective as of December 31st, 2017.

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 in respect to 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.

KPMG Panama, an independent registered public accounting firm, has performed an integrated audit of the internal control over financial reporting in conjunction with an audit of the financial statements as of December 31st, 2017. KPMG Panama 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).

Dr. Nick Rischbieth Executive President	Hernan Danery Alvarado Chief Financial Officer

KPMG
Apartado Postal 816-1089
Panamá 5, República de Panamá

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INDEPENDENT AUDITOR´S REPORT

The Executive President, Directors and Board of Governors
Central American Bank for Economic Integration
Tegucigalpa Honduras

We have audited the effectiveness of Central American Bank for Economic Integration's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for Internal Control over Financial Reporting

Central American Bank for Economic Integration's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report Regarding the Effectiveness of Internal Control over Financial Reporting.

Auditors' Responsibility

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

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

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Opinion

In our opinion, Central American Bank for Economic Integration maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control- Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of Central American Bank for Economic Integration as of December 31, 2017 and 2016, and the related statements of income, comprehensive income, changes in equity and cash flows for the years then ended and our report dated March 4, 2018, expressed an unqualified opinion on those financial statements.

KPMG

Panama, Republic of Panama
March 4, 2018

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INDEPENDENT AUDITOR´S REPORT

The Executive President, Directors and Board of Governors
Central American Bank for Economic Integration
Tegucigalpa Honduras

We have audited the accompanying financial statements of Central American Bank for Economic Integration (the "Bank"), which comprise the balance sheets as of December 31, 2017 and 2016, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central American Bank for Economic Integration as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

We also have audited in accordance with in accordance with auditing standards generally accepted in the United States of America, the Bank's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 4, 2018, expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG

Panama, Republic of Panama
March 4, 2018

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Balance Sheets

As of December 31, 2017 and 2016

(Expressed in thousands of U.S. dollars)

	2017	2016
Assets		
Cash and demand deposits (note 4)	3,692	1,373
Interest-bearing deposits with banks (note 5)	1,824,056	1,505,008
Securities available for sale (127,417 in 2017 and 131,351 in 2016, under securities lending agreements) (note 6)	1,159,546	1,223,344
Loans, net of deferred origination fees	6,834,829	6,473,121
Less: Allowance for loan losses	(292,261)	(194,150)
Net loans (note 7)	6,542,568	6,278,971
Accrued interest receivable (note 8)	82,811	74,125
Property and equipment, net (note 9)	32,128	32,702
Derivative financial instruments (note 19)	24,066	30,724
Equity investments (note 10)	30,510	31,479
Other assets (note 11)	21,382	16,528
Total assets	9,720,759	9,194,254
Liabilities		
Loans payable (236,209 in 2017 and 198,454 in 2016, measured at fair value) (note 12)	1,255,209	1,334,733
Bonds payable (3,852,882 in 2017 and 3,212,420 in 2016, measured at fair value) (note 13.a)	4,472,414	3,954,654
Commercial paper programs (note 13.b)	40,833	129,960
Certificates of deposit (note 14)	1,047,698	983,592
Certificates of investment	560	607
Accrued interest payable (note 15)	41,035	35,235
Derivative financial instruments (note 19)	5,796	6,545
Other liabilities (note 16)	26,606	25,993
Total liabilities	6,890,151	6,471,319
Equity		
Paid-in capital (note 17.a)	1,046,463	1,001,638
General reserve	1,718,400	1,609,918
Retained earnings	101,380	133,044
Accumulated other comprehensive loss (note 22)	(35,635)	(21,665)
Total equity	2,830,608	2,722,935
Total liabilities and equity	9,720,759	9,194,254

See accompanying notes to financial statements.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Income

For the years ended December 31, 2017 and 2016

(Expressed in thousands of U.S. dollars)

CABEI

	December 31	
	2017	**2016**
Financial income		
Public sector loans	283,608	260,891
Private sector loans	69,534	69,722
Marketable securities	17,554	15,932
Due from banks	25,335	10,958
Realized gains on investment funds	5,457	2,511
Total financial income	401,488	360,014
Financial expenses		
Loans payable	29,301	24,195
Bonds payable	118,392	95,742
Commercial paper programs	1,258	732
Certificates of deposit and investment	13,960	7,678
Total financial expenses	162,911	128,347
Net financial income	238,577	231,667
Provision for loan losses (note 7)	98,747	26,858
(Reversal of) provision for losses on contingencies and preinvestment studies	(1,374)	1,129
Total provisions for credit losses	97,373	27,987
Net financial income, after provisions for credit losses	141,204	203,680
Other operating income (expenses)		
Financial services and other fees	7,760	1,862
Monitoring and administration fees	975	1,011
Dividends from equity investments	0	118
Realized gain on securities available for sale	0	13
Gain on equity investments, net	316	1,478
Loss on foreclosed assets, net	0	(1,727)
Foreign exchange gain (loss), net	170	(557)
Other operating income	1,209	3,078
Total other operating income, net	10,430	5,276
Administrative expenses		
Salaries and employee benefits	28,222	28,006
Other administrative expenses	13,930	12,922
Depreciation and amortization	3,353	3,732
Other	491	1,105
Total administrative expenses	45,996	45,765
Income, before special and other contributions and valuation of derivative financial instruments and debt	105,638	163,191
Special and other contributions (note 23)	(10,119)	(11,724)
Income, before valuation of derivative financial instruments and debt	95,519	151,467
Valuation of derivative financial instruments and debt	(11,729)	(18,423)
Net income	83,790	133,044

See accompanying notes financial statements.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in thousands of U.S. dollars)

	December 31	
	2017	**2016**
Net income	83,790	133,044
Other comprehensive income:		
Unrealized gain on securities available for sale, net	6,129	7,371
Reclassification adjustments for net realized gains included in earnings (note 22)	(5,457)	(2,524)
Subtotal - securities available for sale	672	4,847
Change in credit risk of debt instruments at fair value (note 2-t)	(14,461)	(17,590)
Retirement plans, pensions and other social benefits:		
Change in actuarial loss (note 22)	(181)	(1,494)
Other comprehensive loss	(13,970)	(14,237)
Comprehensive income	69,820	118,807

See accompanying notes financial statements.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in thousands of U.S. dollars)

CABEI

	Paid-in Capital	Special Capital Contributions	General Reserve	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance as of December 31, 2015	865,391	7,250	1,548,487	159,519	(7,428)	2,573,219
Net income	0	0	0	133,044	0	133,044
Other comprehensive loss	0	0	0	0	(14,237)	(14,237)
Comprehensive income (loss)	0	0	0	133,044	(14,237)	118,807
Capital contributions, in cash (note 17.a)	30,909	0	0	0	0	30,909
Capital payments through series "E" certificates (note 17.a)	98,088	0	(98,088)	0	0	0
Transfer of special capital contributions to general reserve (note 17.b)	7,250	(7,250)	0	0	0	0
Transfer to general reserve	0	0	159,519	(159,519)	0	0
Balance as of December 31, 2016	1,001,638	0	1,609,918	133,044	(21,665)	2,722,935
Net income	0	0	0	83,790	0	83,790
Other comprehensive loss	0	0	0	0	(13,970)	(13,970)
Comprehensive income (loss)	0	0	0	83,790	(13,970)	69,820
Capital contributions, in cash (note 17.a)	37,853	0	0	0	0	37,853
Capital payments through series "E" certificates (note 17.a)	6,972	0	(6,972)	0	0	0
Transfer to general reserve	0	0	115,454	(115,454)	0	0
Balance as of December 31, 2017	1,046,463	0	1,718,400	101,380	(35,635)	2,830,608

See accompanying notes financial statements.

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in thousands of U.S. dollars)

	December 31	
	2017	**2016**
Cash flows from operating activities		
Net income	83,790	133,044
Items to reconcile net income to net cash provided by operating activities:		
Provisions for credit losses	97,373	27,987
Gain on equity investments, net	(316)	(1,478)
Loss on foreclosed assets, net	0	1,727
Foreign exchange (gains) losses, net	(170)	557
Depreciation and amortization	3,353	3,732
Valuation of derivative financial instruments and debt	11,729	18,423
Net increase in accrued interest receivable	(8,693)	(8,026)
Net increase in accrued interest payable	5,799	13,002
Net (increase) decrease in other assets	(4,859)	549
Net increase (decrease) in other liabilities	429	(12,919)
Net cash provided by operating activities	188,435	176,598
Cash flows from investing activities		
Net increase in interest-bearing deposits with banks	(319,044)	(337,356)
Purchases of securities available for sale	(835,104)	(679,338)
Proceeds from sales and redemptions of securities available for sale	899,973	629,560
Purchase of property and equipment	(2,780)	(3,711)
Net decrease (increase) in margin calls and other	234,082	(172,837)
Disbursements of loans receivable	(1,448,676)	(1,527,254)
Collections of loans receivable	1,086,225	1,122,699
Capital contributions to equity investments, net of returns	1,285	(144)
Net cash used in investing activities	(384,039)	(968,381)
Cash flows from financing activities		
Capital contributions	37,853	30,909
Proceeds from loans payable	297,091	338,832
Repayments of loans payable	(404,494)	(339,145)
Net decrease in commercial paper programs	(89,127)	(62,874)
Proceeds from issuance of bonds payable	659,891	1,181,427
Repayment of bonds payable	(367,333)	(623,802)
Net increase in certificates of deposit	64,106	234,713
Decrease in certificates of investment	(48)	(60)
Net cash provided by financing activities	197,939	760,000
Effect of exchange rate fluctuations on cash held	(16)	366
Cash and demand deposits at beginning of year	1,373	32,790
Cash and demand deposits at end of year	3,692	1,373
Net increase (decrease) in cash and cash equivalents	2,319	(31,417)
Supplemental information		
Cash paid for interest during the year	157,111	115,345
Net unrealized changes in securities available for sale	672	4,847
Changes in actuarial loss under the Social Benefits Plan (note 22)	(181)	(1,494)

See accompanying notes financial statements.

(1) Origin and Nature of the Bank

The Central American Bank for Economic Integration (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 integration and 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 (Fondo de Cooperación Técnica – FONTEC), by the Special Fund for the Social Transformation of Central America (Fondo Especial para la Transformación Social en Centroamérica – FETS) 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.

(2) Summary of Significant Accounting Policies

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.

(b) Cash and 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.

(2) Summary of Significant Accounting Policies, continued

(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 lowest level of any input 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 the identical item is traded on an active exchange.
- Level 2 - Assets and liabilities valued based on observable market assumptions for similar instruments, price quotations from markets that are not active or other assumptions that are observable and can be corroborated by information available on the market for substantially the full term of the assets or liabilities.
- Level 3 - Assets and liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally-developed, and consider risk premiums that a market participant would require.

As stated in note 3, the Bank has elected the fair value measurement for certain assets and liabilities which do not require such measurement.

(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.

(2) Summary of Significant Accounting Policies, continued

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 a realized loss.

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, 2017 and 2016.

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 trade date basis, are determined using the specific identification method and are presented as other operating income (expenses). Realized gains on investment funds are presented 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.

(2) Summary of Significant Accounting Policies, continued

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%.
- 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.

(2) Summary of Significant Accounting Policies, continued

(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 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 internal policy for the Allowance or Provision for Loans to the Public Sector, the allowance must be estimated based on each of the credit operations net exposure, probability of default and severity of loss.

For the public sector with solidarity sovereign guarantee, the Bank determines the nature and level of exposure to credit risk, according to the risk rating assigned to each country by international 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 reasonability.

(2) Summary of Significant Accounting Policies, continued

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 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 Basel severity of loss in case of 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.

In accordance with the internal 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 (SCR), 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

(2) Summary of Significant Accounting Policies, continued

- 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 or with a value too low to warrant being in the Bank's books.

For the determination of the allowance for loan losses, credit risk ratings based on the SCR and the risk definitions by the credit rating agencies are taken into consideration, so each of the levels on the SCR 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.

(2) Summary of Significant Accounting Policies, continued

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 international 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.

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.

(2) Summary of Significant Accounting Policies, continued

(g) Non-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. The Bank charges off loans when they are deemed as uncollectible.

(h) Property and equipment

Property and equipment are carried at cost less accumulated depreciation. 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

All derivative financial instruments are recognized as assets and liabilities at fair value and are classified as assets or liabilities depending on fair value of each derivative (debit or credit).

The Bank considers derivative financial instruments with hedging purposes only. The derivative financial instruments have inherent market and credit risks. The inherent market risk on a financial instrument is the potential fluctuation in the interest rate, currency exchange rate or other factors, and it is a function of the type of product, the volume of the transactions, the tenor and other terms of each contract and the underlying volatility.

(2) Summary of Significant Accounting Policies, continued

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.

Some derivative instruments acquired by the Bank are designated as: (a) hedge of the exposure to changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment (fair value hedge); (b) hedge of the exposure to variability of cash flows of a recognized asset or liability, or forecasted transaction (cash flow hedge), or (c) hedge of foreign currency fair value or cash flows (foreign currency hedge).

For all hedging transactions, the Bank formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness.

This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

The Bank also monitors, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items, or to specific firm commitments or forecasted transactions, as applicable.

Changes in fair value of a derivative instrument that has been designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded as valuation of derivative financial instruments and debt in the statement of income.

Changes in fair value of a derivative instrument that is highly effective and which has been designated and qualifies as a cash flow hedge are recorded in other comprehensive loss to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

(2) Summary of Significant Accounting Policies, continued

Changes in fair value of a derivative instrument that is highly effective and has been designated and qualifies as a foreign-currency hedge are recorded in either income or other comprehensive loss, depending on whether the hedge transaction is a fair value hedge or a cash flow hedge, respectively.

The ineffective portion of the change in the fair value of a derivative instrument that qualifies as either a fair value hedge or a cash flow hedge is reported in the statement of income.

The Bank discontinues hedge accounting when it is determined that the derivative instrument is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; the derivative expires, is sold, terminated, or exercised; the hedged asset or liability expires, is sold, terminated, or exercised; the derivative is not designated as a hedging instrument because it is unlikely that a forecasted transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair value hedge, the Bank continues to carry the derivative on the balance sheet at its fair value and ceases to adjust the hedged asset or liability for changes in fair value of the hedged risk. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability.

When hedge accounting is discontinued for cash flow hedges, any changes in fair value of the derivative remain in accumulated other comprehensive loss and are included in earnings of future periods when the hedged cash flows impact earnings.

When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Bank continues to carry the derivative on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet, and recognizes any gain or loss in the statement of income.

When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Bank continues to carry the derivative on the balance sheet at its fair value with subsequent changes in fair value included in the statement of income, and gains and losses that were accumulated in other comprehensive loss are immediately recognized in the statement of income.

(2) Summary of Significant Accounting Policies, continued

In all other situations in which hedge accounting is discontinued, the Bank continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in the statement of income.

In addition, 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"*.

Changes to the fair values of these derivatives are recorded as valuation of derivative financial instruments and debt in the statement of income.

The Bank may also enter into derivatives to manage its credit exposure, which includes selling hedges in circumstances in which the Bank may decide to incur additional exposure in a given country.

It is the Bank's policy to recognize in its balance sheet, the offset amounts of its financial instruments, including derivatives.

(j) Equity investments

Non-marketable investments in equity of other entities have been mainly recorded at cost. When the Bank has significant influence but not a controlling financial interest in another entity, the investment is accounted for under the equity method and the pro rata share in the entity's income (loss) is included in other operating income (expenses). When an investment is considered impaired, the investment balance is reduced and the amount of the impairment is recognized as other operating expenses.

(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. Income and expenses associated to holding these properties in portfolio and the changes to the related valuation allowance are recorded as other operating income (expenses).

(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 Social Benefit 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

Revenue is recognized 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. 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 the straight-line method over the term of these instruments.

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.

(2) Summary of Significant Accounting Policies, continued

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 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 for the period in which the Bank's Board of Directors authorizes the contributions and the related contracts are signed. 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 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 or exporters.

(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.

(Expressed in thousands of U.S. dollars)

(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 reportable segment since it does not manage or report internally its operations to evaluate performance or allocate resources based on a determination of the contributions to net income of individual operations.

(t) Accounting policy changes

1) As of December 31, 2016, CABEI adopted the policy of offsetting derivative financial instruments based on ASC 210-20-45, which establishes that the right to offset the positions of assets and liabilities in the balance sheet exists, when each and all of the following conditions are met:

- Each of two parties owes the other determinable amounts.
- The reporting party has the right to set off the amount owed with the amount owed by the other party.
- The reporting party intends to set off.
- The right of setoff is enforceable at law.

In addition, this new 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.

As of December 31, 2016, the following items in the balance sheets were affected by the change in the accounting policy.

	Presentation of Derivative Financial Instruments by their		
	Offset Amounts (Offsetting)	**Gross Amounts (No Offseting)**	**Effect of Change in Accounting Policy**
Assets:			
Derivative financial instruments	30,724	503,568	472,844
Liabilities:			
Derivative financial instruments	6,545	479,389	472,844

(Expressed in thousands of U.S. dollars)

(2) Summary of Significant Accounting Policies, continued

2) As of December 31, 2017, CABEI adopted the accounting policy related to Accounting Standards Update (ASU) No. 2016-01, "Financial Instruments - General: Recognition and Measurement of Financial Assets and Financial Liabilities ", which 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 income (loss) in the balance sheet, instead of in the statement of income.

The accounting regulations establish that the entity must present separately in other comprehensive income (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 entity may consider the portion of the total change in fair value that excludes the amount resulting from a change in a market risk basis, such as a risk-free rate or a benchmark interest rate, that results in a change in the credit risk of a specific instrument. The entity must apply the method consistently for financial liabilities.

If the liability is settled before its maturity, the accumulated gains and losses due to these changes will be reclassified from other comprehensive income (loss) to the statement of income.

The comparative financial statements as of December 31, 2016 have been adjusted to apply retrospectively the change in accounting policy. The following items in the balance sheets and income statements as of December 31, 2017 and 2016 were affected by the change:

Balance Sheets

	Presentation of Change in credit risk of debt instruments at fair value		
	Without change in Accounting Policy	**With change in Accounting Policy**	**Effect of Change in Accounting Policy**
As of December 31, 2017			
Equity			
Retained earnings	86,919	101,380	14,461
Accumulated other comprehensive loss	(21,174)	(35,635)	(14,461)
As of December 31, 2016			
Equity			
Retained earnings	115,454	133,044	17,590
Accumulated other comprehensive loss	(4,075)	(21,665)	(17,590)

(Expressed in thousands of U.S. dollars)

(2) Summary of Significant Accounting Policies, continued

Statements of Income

	Presentation of Change in credit risk of debt instruments at fair value		
	Without change in Accounting Policy	**With change in Accounting Policy**	**Effect of Change in Accounting Policy**
As of December 31, 2017			
Income			
Valuation of derivative financial instruments and debt	(26,190)	(11,729)	(14,461)
Net income	69,329	83,790	14,461
As of December 31, 2016			
Income			
Valuation of derivative financial instruments and debt	(36,013)	(18,423)	(17,590)
Net income	115,454	133,044	17,590

(u) Uniformity

The figures for retained earnings and accumulated other comprehensive loss for 2016, presented in the equity section of the balance sheet and the figures for valuation of derivative financial instruments and debt and net income for 2016, presented in the statement of income, were modified for comparative purposes with the figures of 2017.

(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.

(3) Fair Values and Fair Value Option, continued

Management establishes the policies and methodologies for the valuation of financial instruments. These policies and methodologies are applied to determine, at least quarterly, the valuation of financial instruments. Such valuation and its changes are reviewed with the same frequency.

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 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 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-rate 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: The Bank's equity investments in other entities are non-marketable; hence, they do not have available market price quotations. Most of these entities are special purpose entities or entities in which the Bank has no control or significant influence (note 10). Currently, it is impracticable to determine the fair value of these investments without incurring in excessive cost.

- 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 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 are estimated on the basis of an analysis of discounted cash flows, using the CIRR as a reference.

  The fair values for bonds payable are estimated on the basis of an analysis of discounted future cash flows, based on the 10 year swap rate reported by Bloomberg.

- 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 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.

(Expressed in thousands of U.S. dollars)

(3) Fair Values and Fair Value Option, continued

The following tables present the valuation techniques and significant unobservable components used to determine the fair value of recurring and non-recurring assets and liabilities in the balance sheets classified as Level 3 as of December 31, 2016; the sensitivity of such inputs in the measurement, is not considered of relative importance.

	2016			
Securities available for sale	**Fair value**	**Valuation technique**	**Unobservable assumptions**	**Range**
Corporate	100	Discounted cash flows	Basis points spread (bp)	50 bp

As of December 31, 2017, the Bank does not maintain assets and liabilities classified within Level 3 of the fair value hierarchy.

(ii) Recurring Fair Value Measurements

The following tables present the assets and liabilities valued at their fair value on a recurring basis as of December 31, 2017 and 2016, classified according to the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 2017
Assets				
Securities available for sale	144,075	1,015,471	0	1,159,546
Derivative financial instruments	0	24,066	0	24,066
Liabilities				
Loans payable	0	236,209	0	236,209
Bonds payable	0	3,852,882	0	3,852,882
Derivative financial instruments	0	5,796	0	5,796

	Level 1	Level 2	Level 3	Total 2016
Assets				
Securities available for sale	184,689	1,038,555	100	1,223,344
Derivative financial instruments	0	30,724	0	30,724
Liabilities				
Loans payable	0	198,454	0	198,454
Bonds payable	0	3,212,420	0	3,212,420
Derivative financial instruments	0	6,545	0	6,545

(iii) Changes in Fair Value Level 3 Category

The following table presents a roll-forward for years ended December 31, 2017 and 2016 (including changes in fair value) of financial instruments classified by the Bank within Level 3 of the fair value hierarchy. When an instrument is classified in Level 3, the decision is based on the importance of unobservable assumptions in determining the overall fair value.

(Expressed in thousands of U.S. dollars)

(3) Fair Values and Fair Value Option, continued

Level 3 instruments usually include, in addition to unobservable or Level 3 components, observable components (i.e., components that are actively traded and can be validated in external sources); therefore, gains and losses in the tables below include changes in fair value caused in part by observable factors that are part of the valuation methodology.

Changes in fair values of the instruments classified in Level 3 that occurred during the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Balance at beginning of year	100	296
Gains (losses) included in:		
Net income	0	0
Other comprehensive loss	0	4
Amortizations	(100)	(200)
Transfers in and/or out of Level 3	0	0
Balance at end of year	0	100

The effect in net income is presented as realized gain on securities available for sale.

(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, 2017 and 2016, there were no transfers between Levels 1 and 2.

(v) Non-Recurring Fair Value Measurements

The Bank holds non-financial assets that are measured at fair value. Some non-financial assets 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; and other non-financial long-lived assets when determined to be impaired.

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.

(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 increase or decrease in fair value, which has been included in the statement of income for the years ended December 31, 2017 and 2016:

	2017		2016	
Level 3	**Fair Value**	**Increase**	**Fair Value**	**Decrease**
Loans	23,772	860	29,175	(7,890)
Foreclosed assets	12,152	0	12,152	(1,727)
	35,924	860	41,327	(9,617)

(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. For such liabilities, up to December 31, 2007 the Bank had used hedge accounting.

The principal purpose for applying ASC 825-10-25 is to reduce the volatility of the Bank's earnings generated by the use of hedge accounting, considering that both the financial liabilities and the related hedging instruments are generally maintained until maturity. Consequently, the Bank has discontinued hedge accounting for these transactions. The Bank has elected not to apply the option to measure at fair value other financial liabilities, as they do not produce volatility in the statement of income.

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, 2017 and 2016, for loans payable at fair value, the Bank recorded losses and gains of 26,367 and 4,543, respectively, in the statement of income. For the years ended December 31, 2017 and 2016, for bonds payable at fair value, the Bank recorded losses and gains of 230,984 and 48,538, 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.

(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.

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 as of December 31, 2017 and 2016 is as follows:

	2017			2016		
	Fair value	Amortized cost	Decrease	Fair value	Amortized cost	Decrease
Loans payable	236,209	238,934	(2,725)	198,454	232,697	(34,243)
Bonds payable	3,852,882	3,968,633	(115,751)	3,212,420	3,568,529	(356,109)

(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.

The estimated fair values of the Bank's financial instruments as of December 31, 2017 and 2016 are as follows:

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and demand deposits	3,692	3,692	1,373	1,373
Interest-bearing deposits with banks	1,824,056	1,824,056	1,505,008	1,505,008
Securities available for sale	1,159,546	1,159,546	1,223,344	1,223,344
Loans, net	6,542,568	6,564,017	6,278,971	6,319,464
Accrued interest receivable	82,811	82,811	74,125	74,125
Derivative financial instruments	24,066	24,066	30,724	30,724
Liabilities				
Loans payable	1,255,209	1,236,737	1,334,733	1,319,042
Bonds payable	4,472,414	4,473,685	3,954,654	3,958,562
Commercial paper programs	40,833	41,082	129,960	130,282
Certificates of deposit	1,047,698	1,048,089	983,592	984,675
Certificates of investment	560	560	607	607
Accrued interest payable	41,035	41,035	35,235	35,235
Derivative financial instruments	5,796	5,796	6,545	6,545

As of December 31, 2017 and 2016, loans payable include 1,019,000 and 1,136,279, respectively, which are recognized at amortized cost, whose fair value has been estimated at 1,000,528 and 1,120,588, respectively. Likewise, as of the aforementioned dates, bonds payable include 619,532 and 742,234 respectively, which are recognized at amortized cost, whose fair value has been estimated at 620,803 and 746,142, respectively.

(Expressed in thousands of U.S. dollars)

(4) Cash and Demand Deposits

As of December 31, 2017 and 2016, cash and demand deposits are composed by currency, as follows:

	2017	2016
U.S. dollar	3,345	1,163
Currencies of the founding countries	260	168
Other currencies	87	42
	3,692	1,373

(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, 2017 and 2016, their carrying amounts are 1,824,056 and 1,505,008, respectively. These carrying amounts are set in currencies other than those of the founding countries.

(6) Securities Available for Sale

The amortized cost of securities available for sale, unrealized gross losses and gains recognized in accumulated other comprehensive loss, the effect of hedging transactions and fair value of securities available for sale, as of December 31, 2017 and 2016 are as follows:

	2017				
Securities available for sale[1]:	Amortized cost	Unrealized gross losses	Unrealized gross gains	Effect of hedging transactions	Fair value
Sovereign	563,911	(3,215)	39	10,552	571,287
Supranational	369,550	(1,993)	87	0	367,644
Corporate	73,982	(274)	0	0	73,708
Investment funds	141,297	0	5,610	0	146,907
	1,148,740	(5,482)	5,736	10,552	1,159,546

	2016				
Securities available for sale[1]:	Amortized cost	Unrealized gross losses	Unrealized gross gains	Effect of hedging transactions	Fair Value
Sovereign	823,010	(2,200)	250	10,155	831,215
Supranational	121,784	(881)	71	0	120,974
Corporate	132,997	(44)	11	0	132,964
Investment funds	135,816	0	2,375	0	138,191
	1,213,607	(3,125)	2,707	10,155	1,223,344

[1] The entirety of securities available for sale as of December 31, 2017 and 2016 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. This effect is recognized in earnings.

For the years ended December 31, 2017 and 2016, the realized gross gain was 5,457 and 2,524, respectively. There was no realized gross loss during the years ended December 31, 2017 and 2016.

The gains were realized by considering the unamortized cost of each fund or marketable security sold.

As of December 31, 2017 and 2016, the fair values and unrealized losses on securities available for sale that have been in continuous unrealized loss position are as follows:

	2017				
	Less than 12 months		12 months or longer		
Securities available for sale:	**Fair value**	**Unrealized gross losses**	**Fair value**	**Unrealized gross losses**	**Total**
Sovereign	176,793	(964)	305,925	(2,251)	(3,215)
Supranational	161,054	(1,083)	83,812	(910)	(1,993)
Corporate	0	0	23,765	(274)	(274)
	337,847	(2,047)	413,502	(3,435)	(5,482)

	2016				
	Less than 12 months		12 months or longer		
Securities available for sale:	**Fair value**	**Unrealized gross losses**	**Fair value**	**Unrealized gross losses**	**Total**
Sovereign	226,748	(1,950)	215,086	(250)	(2,200)
Supranational	74,093	(876)	13,999	(5)	(881)
Corporate	0	0	72,354	(44)	(44)
	300,841	(2,826)	301,439	(299)	(3,125)

Bank's management believes that the unrealized losses of such securities are substantially related to market interest rate fluctuations and not to deterioration in the creditworthiness of the issuer or guarantor. As of December 31, 2017, the Bank's management has no intention of selling the securities classified as available for sale, described in the previous table, 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 the impairments 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

CABEI's review for 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.

As of December 31, 2017, investment securities are classified by contractual maturities in the following table. The expected maturities may differ from contractual maturities because issuers might have the right to redeem or prepay obligations without penalty in certain cases.

	Years				
	Within 1	After 1 but within 5	After 5 but within 10	After 10	Total
Amortized cost	433,573	644,554	0	70,613	1,148,740

(7) Loans

Considering the financial policy described in note 2 (e), CABEI complies with its concentration limits of credit risk. A detail of loans, as of December 31, 2017 and 2016, is as follows:

	2017			2016		
	Public sector	Private sector	Total	Public sector	Private sector	Total
Guatemala	1,012,599	88,783	1,101,382	1,082,578	123,777	1,206,355
El Salvador	1,080,642	80,041	1,160,683	949,334	102,225	1,051,559
Honduras	1,074,731	285,923	1,360,654	1,014,216	304,721	1,318,937
Nicaragua	703,945	261,396	965,341	603,142	277,086	880,228
Costa Rica	1,165,127	205,139	1,370,266	1,157,066	281,489	1,438,555
Dominican Republic	236,183	0	236,183	219,509	0	219,509
Panama	100,000	208,851	308,851	0	163,076	163,076
Belize	10,687	0	10,687	11,569	0	11,569
Colombia	183,494	0	183,494	183,333	0	183,333
Mexico	134,787	0	134,787	0	0	0
Argentina	2,501	0	2,501	0	0	0
Subtotal	5,704,696	1,130,133	6,834,829	5,220,747	1,252,374	6,473,121
Allowance for loan losses	(236,081)	(56,180)	(292,261)	(134,567)	(59,583)	(194,150)
Loans, net	5,468,615	1,073,953	6,542,568	5,086,180	1,192,791	6,278,971

A detail of loans, by maturity, as of December 31, 2017, is 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
1,109,494	652,592	617,881	554,839	532,637	3,367,386	6,834,829

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

A detail of loans, by economic activity segment, as of December 31, 2017 and 2016, is as follows:

	2017	2016
Construction	2,463,427	2,405,998
Supply of electricity, gas, steam, and air conditioning	1,938,671	1,710,607
Multi-sector	870,695	921,727
Financial and insurance activities	353,685	390,822
Wholesale and retail	297,694	127,241
Human health care and social assistance	212,657	205,366
Water supply; sewage disposal, waste management, and decontamination	173,621	150,121
Agriculture, ranching, forestry, and fishing	134,381	113,439
Information and communication	84,731	104,444
Professional, scientific and technical activities	76,322	73,396
Manufacturing industry	75,455	99,199
Transportation and storage	41,082	43,576
Lodging activities and food services	38,393	43,735
Real estate	24,436	30,287
Education	25,667	26,103
Arts, entertainment and recreational activities	13,634	16,115
Administrative services and support activities	7,707	10,936
Public administration and social security plans	2,571	0
Other services	0	9
	6,834,829	6,473,121

A detail of loans, by currency, as of December 31, 2017 and 2016, is as follows:

	2017	2016
U.S. dollar	6,802,098	6,426,862
Currencies from Central American countries	30,056	43,028
Euro	2,675	3,231
	6,834,829	6,473,121

For the years ended December 31, 2017 and 2016, the weighted average yield on loans, after considering swap contracts when applicable, was 5.46% and 5.34% per annum, respectively.

As of December 31, 2017, there are no installments from loans to the private sector in arrears.

As of December 31, 2016, the aging analysis, in days, of the installment balances in arrears from loans to the private sector is as follows:

	2016				
	01-30	31-60	61-90	More than 90	Total
Costa Rica	24	46	3	165	238

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

As of December 31, 2017 and 2016, there are no installments from loans to the public sector in arrears.

The following tables present impaired loans to the private sector as of December 31, 2017 and 2016:

2017

Impaired loans	Recorded investment	Overdue principal balance	Related allowance	Average recorded investment	Accumulated interest on impaired loans	Interest income recognized
With an allowance for loan losses						
Guatemala	2,451	0	37	5,662	1	444
Costa Rica	1,184	0	399	1,473	1	105
Panamá	25,041	0	4,468	25,437	77	669
	28,676	0	4,904	32,572	79	1,218
Impaired loans with accrual status	28,676	0	4,904	32,572	79	1,218

2016

Impaired loans	Recorded investment	Overdue principal balance	Related allowance	Average recorded investment	Accumulated interest on impaired loans	Interest income recognized
With an allowance for loan losses						
Guatemala	9,517	0	161	14,976	16	1,122
Honduras	143	0	143	221	3	34
Costa Rica	1,405	238	914	1,448	118	42
Panamá	25,310	0	5,981	24,791	45	0
	36,375	238	7,199	41,436	182	1,198
Impaired loans with accrual status	33,291	0	5,981	38,078	54	966
Impaired loans with non-accrual status	3,084	238	1,218	3,358	128	232

As of December 31, 2017, there were no Impaired loans with non-accrual status.

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

As of December 31, 2017 and 2016, under ASC 310, there were no individually impaired public sector loans.

The credit quality of public sector loans, sovereign and non-sovereign, based on risk ratings assigned by credit rating agencies as of December 31, 2017 and 2016 is as follows:

	2017	2016
BBB+ / BBB / BBB-	418,281	183,333
BB+ / BB / BB-	2,413,909	2,459,153
B+ / B / B-	1,791,864	2,566,692
CCC+ / CCC / CCC-	1,080,642	11,569
	5,704,696	5,220,747

The credit quality of private sector loans based on risk ratings described in note 2 (f), as of December 31, 2017 and 2016 is the following:

	2017					
Private Sector	**Normal**	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
Guatemala	79,143	7,189	2,451	0	0	88,783
El Salvador	78,427	1,614	0	0	0	80,041
Honduras	218,825	67,098	0	0	0	285,923
Nicaragua	237,277	24,119	0	0	0	261,396
Costa Rica	179,167	352	25,620	0	0	205,139
Panama	156,932	26,878	25,041	0	0	208,851
	949,771	127,250	53,112	0	0	1,130,133

	2016					
Private Sector	**Normal**	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
Guatemala	110,366	3,894	9,517	0	0	123,777
El Salvador	100,294	1,868	64	0	0	102,226
Honduras	256,869	6,016	41,693	0	143	304,721
Nicaragua	250,907	2,800	23,379	0	0	277,086
Costa Rica	251,599	2,756	25,729	1,405	0	281,489
Panama	137,765	0	25,310	0	0	163,075
	1,107,800	17,334	125,692	1,405	143	1,252,374

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

Changes in the allowance for loan losses for years ended December 31, 2017 and 2016 are as follows:

	2017			2016		
	Sector			Sector		
	Public	Private	Total	Public	Private	Total
At beginning of year	134,567	59,583	194,150	117,850	58,737	176,587
Provision (reversal of)	101,514	(2,767)	98,747	16,717	10,141	26,858
Recoveries	0	829	829	0	1,773	1,773
Loan write-offs	0	(1,465)	(1,465)	0	(11,068)	(11,068)
At end of year	236,081	56,180	292,261	134,567	59,583	194,150

The following table presents the allowance and recorded investment, as December 31, 2017 and 2016:

	2017			2016		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Loans Measured Individually						
Specific allowance	0	4,904	4,904	0	7,199	7,199
Recorded investment	0	28,676	28,676	0	36,374	36,374
Loans Measured Collectively						
Generic allowance	236,081	51,276	287,357	134,567	52,384	186,951
Recorded investment	5,704,696	1,068,510	6,773,206	5,220,747	1,182,129	6,402,876
Loans Without an Allowance						
Recorded investment	0	32,947	32,947	0	33,871	33,871
Total						
Allowance	236,081	56,180	292,261	134,567	59,583	194,150
Recorded investment	5,704,696	1,130,133	6,834,829	5,220,747	1,252,374	6,473,121

Recorded investment means the loan exposure amount reported on the Bank's balance sheet, net of partial write-offs.

Changes in the balance of restructured loans for the years ended December 31, 2017 and 2016 are the following:

	2017	2016
At beginning of year	83,935	70,772
Troubled debt restructurings, due to modification of term and interest rate	1,253	24,624
Interest capitalization	494	665
Partial write-offs	0	(1,500)
Recoveries	(10,551)	(10,626)
At end of year	75,131	83,935

(Expressed in thousands of U.S. dollars)

(7) Loans, continued

The balances of restructured loans and write-offs for the aforementioned years fully correspond to loans to the private sector. As of December 31, 2017 and 2016, the number of restructured loans is 5 for both periods. For the years ended December 31, 2017 and 2016, the balance of the loans prior to their restructuring was 26,571 and 24,103, respectively.

As of December 31, 2017 and 2016, there are no arrears of restructured loans. The installments in arrears are considered in the individual impairment assessment of each restructured loan. At those dates, there are no commitments to make additional disbursements for impaired loans or troubled debt restructurings.

(8) Accrued Interest Receivable

Accrued interest receivable as of December 31, 2017 and 2016 is detailed as follows:

	2017	2016
On loans	71,273	66,296
On interest-bearing deposits with banks	6,548	2,493
On securities available for sale	4,990	5,336
	82,811	74,125

(9) Property and Equipment, Net

Property and equipment as of December 31, 2017 and 2016 are detailed as follows:

	2017	2016
Buildings	29,992	29,057
Computer equipment and software	22,408	23,033
Installations	17,479	16,947
Office furniture and equipment	5,696	5,580
Vehicles	2,563	2,356
	78,138	76,973
Less accumulated depreciation and amortization	(50,707)	(48,968)
	27,431	28,005
Land	4,697	4,697
	32,128	32,702

(Expressed in thousands of U.S. dollars)

(10) Equity Investments

Equity investments as of December 31, 2017 and 2016 which do not have a market value are as follows:

Name	Equity Participation	Financial Statements	Equity	2017	2016
Shares					
Corporación Interamericana para el Financiamiento de Infraestructura, S. A.	11.34%	09/30/2017	93,582	5,000	5,000
Darby - Pro-Banco Fund II, L. P.	33.30%	09/30/2017	18,828	6,270	5,954
Garantías y Servicios, Sociedad de Garantía, S. A. de C. V.	24.03%	09/30/2017	7,987	1,145	1,145
Banco Popular Covelo, S. A.	19.68%	09/30/2017	22,538	3,595	3,464
Other				26	25
Subtotal shares				16,036	15,588

Name	Equity Participation	Financial Statements	Equity	2017	2016
Participations					
Central American Mezzanine Infrastructure Fund L.P. (CAMIF)[2]	38.53%	09/30/2017	72,933	14,218	14,218
Central American Renewable Energy and Cleaner Production Facility (CAREC)[2]	41.67%	09/30/2017	3,993	256	1,673
Subtotal participations				14,474	15,891
				30,510	31,479

(11) Other Assets

Other assets as of December 31, 2017 and 2016 are detailed as follows:

	2017	2016
Foreclosed assets, net of fair value adjustments	12,152	12,152
Accounts receivable	8,380	3,830
Fees paid in advance	835	524
Other	15	22
	21,382	16,528

As of December 31, 2017 and 2016, the balance of foreclosed assets is 12,152 for both periods, net of fair value adjustments of 10,693 for both periods.

[2] CAMIF and CAREC are carried at amortized cost since the Bank has no significant influence over these entities.

(Expressed in thousands of U.S. dollars)

(12) Loans Payable

Loans payable as of December 31, 2017 and 2016 are as follows:

	2017	2016
European Investment Bank	219,272	230,869
Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)	191,021	205,729
Kreditanstalt für Wiederaufbau (KfW)	145,432	148,190
Citibank, N.A.	150,000	149,390
Agence Française de Développement	115,928	98,810
The Export Import Bank of Korea	89,821	32,652
Mizuho Bank, Ltd.	61,000	108,750
Mizuho Bank, Ltd., New York Branch	40,000	40,000
Japan Bank for International Cooperation	37,410	43,645
Nordic Investment Bank	37,238	46,047
Oesterreichische Entwicklungsbank AG (OeEB)	36,330	32,056
Instituto de Crédito Oficial de España	31,378	25,528
Nordea Bank	30,216	34,232
Wells Fargo	24,000	0
BNP Paribas Fortis	15,761	18,409
The OPEC Fund for International Development	7,661	10,726
U.S. Agency for International Development (USAID)	7,358	8,536
Fortis Bank SA/NV, Belgium	6,377	6,118
The International Cooperation and Development Fund (TaiwanICDF)	5,519	7,342
Inter-American Development Bank (IDB)	2,875	10,875
Loans guaranteed by USAID	612	1,829
Other financial institutions	0	75,000
	1,255,209	1,334,733

Maturities of loans payable as of December 31, 2017 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	301,778	204,260	97,174	96,981	86,741	468,275	1,255,209

For the years ended December 31, 2017 and 2016, the weighted average cost on loans payable, after considering swap contracts when applicable, was 2.39% and 1.98% per annum, respectively.

As of December 31, 2017, loans payable at fixed and variable rates are 494,975 and 760,234, respectively. As of December 31, 2016, loans payable at fixed and variable rates are 507,428 and 827,305, respectively.

(Expressed in thousands of U.S. dollars)

(13) Bonds Payable and Commercial Paper Program

a) Bonds payable as of December 31, 2017 and 2016, are as follows:

Currency	2017	2016
Swiss francs	1,346,229	1,298,913
Mexican pesos	636,355	502,868
U.S. dollars	601,535	734,367
Yuan	456,193	406,262
Euros	354,960	304,694
Uruguayan pesos	196,213	0
Yen	187,755	181,769
Norwegian kroner	186,145	114,651
Australian dollars	139,464	52,872
South African rands	111,556	72,507
Hong Kong dollars	51,450	0
Nuevos soles	47,803	45,370
Thailand bahts	40,979	106,175
Turkish lira	37,276	40,174
Colombian pesos	35,428	36,593
Costa Rican colones	24,540	46,762
	4,453,881	3,943,977
Fair value adjustment	18,533	10,677
	4,472,414	3,954,654

Maturities of bonds payable as of December 31, 2017 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	443,768	660,531	703,975	774,955	576,779	1,312,406	4,472,414

For the years ended December 31, 2017 and 2016, the weighted average cost on bonds payable, after considering swap contracts when applicable, was 2.72% and 2.43% per annum, respectively.

b) As of December 31, 2017 and 2016, CABEI has the following commercial paper programs:

	2017			
	Authorized Program Size	Amount Issued	Annual Average Cost	Contractual Maturity
Commercial Paper – Global Program in USD	1,000,000	24,943	1.01%	Up to 3 months
Commercial Paper - Regional Program in Costa Rican colones (CRC)	200,000	15,890	5.56%	Up to 6 months
	1,200,000	40,833		

(Expressed in thousands of U.S. dollars)

(13) Bonds Payable and Commercial Paper Program, continued

	2016			
	Authorized Program Size	Amount Issued	Annual Average Cost	Contractual Maturity
Commercial Paper – Global Program in USD	1,000,000	129,960	0.66%	Up to 3 months
Commercial Paper - Regional Program in Costa Rican colones (CRC)	200,000	0	0.00%	Up to 6 months
	1,200,000	129,960		

(14) Certificates of Deposit

Certificates of deposit as of December 31, 2017 and 2016, are as follows:

	2017	2016
Central Banks	682,775	639,940
Public financial institutions	140,000	210,553
Multilateral institutions	105,000	6,537
Private financial institutions	102,041	109,360
Other	17,882	17,202
	1,047,698	983,592

As of December 31, 2017, 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	891,133	141,172	3,018	5,877	3,093	3,405	1,047,698

For the years ended December 31, 2017 and 2016, the weighted average cost on certificates of deposit was 1.34% and 0.90% per annum, respectively.

For the years ended December 31, 2017 and 2016, the weighted average cost on certificates of deposit, by currency, is as follows:

	2017	2016
Deposits in U.S. dollars	1.33%	0.75%
Deposits in Costa Rican colones	3.34%	5.53%
Deposits in quetzales	3.55%	3.65%

(Expressed in thousands of U.S. dollars)

(15) Accrued Interest Payable

Accrued interest payable as of December 31, 2017 and 2016 is as follows:

	2017	2016
On bonds payable	32,574	28,404
On certificates of deposit	4,203	2,710
On loans payable	3,833	4,121
On commercial paper	425	0
	41,035	35,235

(16) Other Liabilities

Other liabilities as of December 31, 2017 and 2016 are as follows:

	2017	2016
Other creditors	6,844	6,697
Financial cooperation to founding countries	5,166	4,260
Deficit of assets over actuarial liabilities of Social Benefit Fund (note 21)	3,866	3,684
Bonuses and supplemental compensation	3,382	3,290
Technical assistance	3,125	3,014
Provision for contingencies (note 18)	1,214	2,587
Transitory deposits	1,195	541
Deferred fees over contingent commitments (note 18)	64	55
Other provisions	1,750	1,865
	26,606	25,993

(17) Equity

(a) Authorized, Subscribed, and Paid-in Capital

The Bank's authorized capital is 5,000,000, divided into 2,550,000 for founding countries and 2,450,000 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 255,000 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 245,000 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, 2017, the founding countries have subscribed 2,550,000 from the total number of shares into equal parts, and the non-founding regional countries and non-regional countries have subscribed 1,833,250; the remaining 616,750 is available for subscription.

(Expressed in thousands of U.S. dollars)

CABEI

(17) Equity, continued

The Bank's shares will 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 3,750,000 corresponds to callable capital and the equivalent to 1,250,000 corresponds to capital payable in cash.

As of December 31, 2017, the capital structure is detailed as follows:

	2017			
	Capital			
Subscribed capital	**Subscribed/ Unsubscribed**	**Callable subscribed**	**Subscribed payable in cash**	**Paid-in**
Founding countries				
Guatemala	510,000	382,500	127,500	127,500
El Salvador	510,000	382,500	127,500	127,500
Honduras	510,000	382,500	127,500	127,500
Nicaragua	510,000	382,500	127,500	127,500
Costa Rica	510,000	382,500	127,500	127,500
Subtotal founding countries	2,550,000	1,912,500	637,500	637,500
Non-founding regional countries				
Dominican Republic	256,000	192,000	64,000	39,325
Panama	256,000	192,000	64,000	39,325
Belize	25,000	18,750	6,250	6,250
Subtotal non-founding regional countries	537,000	402,750	134,250	84,900
Non-regional countries				
Republic of China, Taiwan	500,000	375,000	125,000	125,000
Mexico	306,250	229,687	76,563	76,563
Spain	200,000	150,000	50,000	50,000
Argentina	145,000	108,750	36,250	36,250
Colombia	145,000	108,750	36,250	36,250
Subtotal non-regional countries	1,296,250	972,187	324,063	324,063
Subtotal subscribed capital and paid-in capital	4,383,250	3,287,437	1,095,813	1,046,463
Unsubscribed capital				
Non-regional countries and regional non-founding countries	616,750			
	5,000,000			

(Expressed in thousands of U.S. dollars)

(17) Equity, continued

As of December 31, 2016, the capital structure is detailed as follows:

	2016			
	Capital			
Subscribed capital	**Subscribed/ Unsubscribed**	**Callable subscribed**	**Subscribed payable in cash**	**Paid-in**
Founding countries				
Guatemala	510,000	382,500	127,500	127,500
El Salvador	510,000	382,500	127,500	127,500
Honduras	510,000	382,500	127,500	127,500
Nicaragua	510,000	382,500	127,500	127,500
Costa Rica	510,000	382,500	127,500	127,500
Subtotal founding countries	2,550,000	1,912,500	637,500	637,500
Non-founding regional countries				
Dominican Republic	58,600	43,950	14,650	14,650
Panama	256,000	192,000	64,000	26,987
Belize	25,000	18,750	6,250	6,250
Subtotal non-founding regional countries	339,600	254,700	84,900	47,887
Non-regional countries				
Republic of China, Taiwan	500,000	375,000	125,000	117,188
Mexico	306,250	229,687	76,563	76,563
Spain	200,000	150,000	50,000	50,000
Argentina	145,000	108,750	36,250	36,250
Colombia	145,000	108,750	36,250	36,250
Subtotal non-regional countries	1,296,250	972,187	324,063	316,251
Subtotal subscribed capital and paid-in capital	4,185,850	3,139,387	1,046,463	1,001,638
Unsubscribed capital				
Non-regional countries and regional non-founding countries	814,150			
	5,000,000			

(Expressed in thousands of U.S. dollars)

(17) Equity, continued

As a result of the new subscription of shares and amendments to the Constitutive Agreement, during the years ended December 31, 2017 and 2016, the member countries made capital payments as follows:

	2017			2016			
Capital Payments	**Cash**	**Series "E" Certificates**	**Total**	**Cash**	**Series "E" Certificates**	**Special Capital Contributions[3]**	**Total**
Founding countries							
Guatemala	0	0	0	2,500	15,625	0	18,125
El Salvador	0	0	0	5,000	31,250	0	36,250
Costa Rica	0	0	0	2,500	15,625	0	18,125
Sub-total	0	0	0	10,000	62,500	0	72,500
Non-founding regional countries							
Dominican Republic	24,542	133	24,675	0	0	250	250
Panama	12,290	48	12,338	12,289	48	250	12,587
Belize	0	0	0	0	0	6,250	6,250
Sub-total	36,832	181	37,013	12,289	48	6,750	19,087
Non-regional countries							
Republic of China, Taiwan	1,021	6,791	7,812	2,860	19,015	0	21,875
Mexico	0	0	0	1,502	9,983	0	11,485
Argentina	0	0	0	1,695	3,705	250	5,650
Colombia	0	0	0	2,563	2,837	250	5,650
Sub-total	1,021	6,791	7,812	8,620	35,540	500	44,660
	37,853	6,972	44,825	30,909	98,088	7,250	136,247

(b) Additional matters

Amendments to the Constitutive Agreement and related regulations

On February 12, 2015, CABEI's Board of Governors adopted certain amendments to the Bank's Constitutive Agreement and related regulations, in order to consolidate the preferred creditor status, members' support to the Bank, as well as to continue strengthening the capital base, promote a 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 in force, 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; consequently, on the same date, the Bank made official communication to all its members. The aforementioned amendments came into effect on June 9, 2016, three months after the date of such official communication.

[3] When amendments to the Bank's Constitutive Agreement came into effect, special capital contributions made by non-founding regional countries and non-regional countries in order to obtain the status of beneficiary country were substituted by "B" series shares of the Bank's authorized capital.

(Expressed in thousands of U.S. dollars)

(17) Equity, continued

Capital subscription

In response to the aforementioned amendments, on February 12, 2016, CABEI's Board of Governors approved the requests made by the Republic of Panama and the Dominican Republic, to increase their participation in the share capital of the Bank by 197,400 each, amounting to a total subscription of 255,000 for each country. This capital subscription process generates cash payments for CABEI for an aggregate amount of 98,243 to be received over the course of 4 years. Consequently, the Republic of Panama and the Dominican Republic began making their capital payments in cash in September 2016 and May 2017, respectively, with whish the capital subscribed by both countries becomes effective.

On November 9, 2016, the Bank 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 10 each, amounting to 25,000, of which 6,250 corresponds to capital payable in cash and 18,750 corresponds to callable capital.

(18) Contingent Commitments

As of December 31, 2017 and 2016, balances of contingent commitments are as follows:

	2017	2016
Subscribed credit agreements (*)	2,438,903	2,718,767
Endorsements and guarantees granted	73,587	275,903
Letters of credit	22,847	29,210
	2,535,337	3,023,880

(*) Includes approved and deeded agreements

The Bank's management has analyzed each commitment assumed on a case-by-case basis, based on current information and events in order to determine significant losses from these commitments.

The maturities of endorsements and guarantees granted, and letters of credit as of December 31, 2017, are as follows:

	Years			
	2018	2020	2029	Total
Endorsements and guarantees granted	0	14,205	59,382	73,587
Letters of credit	22,847	0	0	22,847

(18) Contingent Commitments, continued

As of December 31, 2017 and 2016, the Bank has recorded deferred fees over contingent commitments for 64 and 55, respectively, which have been recorded as other liabilities in the balance sheet (note 16).

As of December 31, 2017 and 2016, the Bank has recorded a provision for possible losses of 1,214 and 2,587, respectively, related to endorsements and guarantees issued (note 16).

(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, 2017 and 2016, 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.

(Expressed in thousands of U.S. dollars)

(19) Derivative Financial Instruments and Hedging Activities, continued

As of December 31, 2017 and 2016, the face value of derivative financial instruments is as follows:

	2017		2016	
	Assets Face Value	Liabilities Face Value	Assets Face Value	Liabilities Face Value
Fair value hedges				
Interest rate and other contracts	519,215	160,727	202,685	363,153
Other risk management purposes				
Foreign currency contracts	1,511,571	2,430,152	161,615	3,175,017
Total derivative financial instruments, face value	2,030,786	2,590,879	364,300	3,538,170

The following tables present information about the offsetting of derivative financial instruments as of December 31, 2017 and 2016, when CABEI adopted the policy of offsetting derivative assets and liabilities with each counterparty in the balance sheet.

	2017		2016	
	Assets Fair Value	Liabilities Fair Value	Assets Fair Value	Liabilities Fair Value
Fair value hedges				
Interest rate and other contracts	33,418	27,281	33,369	35,857
Other risk management purposes				
Foreign currency contracts	89,843	282,824	4,707	443,427
Subtotal derivative financial instruments	123,261	310,105	38,076	479,284
Cash collateral paid / received	258,160	53,090	465,290	0
Subtotal derivative financial instruments, by gross amounts	381,421	363,195	503,366	479,284
Less: Master netting agreements	(72,030)	(72,030)	(38,076)	(38,076)
Less: Offsetting cash collateral paid / received	(285,457)	(285,457)	(434,768)	(434,768)
Credit risk valuation adjustment for counterparties under netting agreements	132	88	202	105
Total derivative financial instruments presented in the balance sheet, by offset amounts	24,066	5,796	30,724	6,545

(Expressed in thousands of U.S. dollars)

(19) Derivative Financial Instruments and Hedging Activities, continued

Income (loss) from derivative instruments used as hedges under ASC 815 has been recorded together with the income (loss) of the respective hedged financial instruments under valuation of derivative financial instruments and debt.

Such income (loss) and other comprehensive loss for the years ended December 31, 2017 and 2016, is presented as follow:

	2017			
	Income (loss)			
	Derivative instrument	Hedged financial instrument	Total	Other comprehensive loss
Fair value hedges				
Interest rate and other contracts	8,624	(8,624)	0	0
Undesignated economic hedges				
Foreign currency contracts[4]	245,738	0	245,738	0
Credit risk valuation adjustment	(52)	0	(52)	0
Realized loss, credit risk component	(64)	0	(64)	0
	254,246	(8,624)	245,622	0

	2016			
	Income (loss)			
	Derivative instrument	Hedged financial instrument	Total	Other comprehensive loss
Fair value hedges				
Interest rate and other contracts	(7,035)	7,035	0	0
Undesignated economic hedges				
Foreign currency contracts[4]	(70,870)	0	(70,870)	0
Credit risk valuation adjustment	(634)	0	(634)	0
	(78,539)	7,035	(71,504)	0

(Loss) income recognized in the statement of income is presented as valuation of derivative financial instruments and debt.

[4] 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, the Bank manages independent funds and programs which are detailed below as of December 31, 2017 and 2016:

Fund/Program	Net Assets 2017 (Unaudited)	Net Assets 2016 (Audited)
Special Fund for the Social Transformation of Central America – FETS	103,233	107,236
Honduras - Spain Fund, Phase II	54,599	44,431
Investment Trust – Dwelling Mortgage Fund	24,824	22,807
Technical Cooperation Fund – FONTEC	20,862	22,913
Debt-Conversion Fund (Honduras-Spain)	11,724	22,161
Program for Development of the Border Areas in Central America (former FOEXCA)	4,033	4,033
Accelerating Fund investments in Renewable Energy in Central America (ARECA)	2,707	3,066
Partial credit guarantees - Finland Resources	2,384	2,348
Trust for Administration, Attention, Rehabilitation, Training, and Prevention of Burnt Children	248	290
Taiwan ICDF - Technical Assistance Fund, Credit Program for Education	74	108
Taiwan International Cooperation and Development Fund (ICDF) - Fund for Consulting Service	23	509
Regional Project Fund of Central American Markets for the Biodiversity-(CAMBio)	0	30
	224,711	229,932

(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.

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

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 table shows the net periodic benefit cost for the years ended December 31, 2017 and 2016 in conformity with the criteria established by currently applicable standards:

	2017	2016
Net periodic benefit cost components		
Interest cost	12,166	11,759
Service cost	5,357	5,189
Return on Plan assets	(11,502)	(11,281)
Net periodic benefit cost	6,021	5,667

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, 2017 and in conformity with the criteria established by currently applicable standards.

As of December 31, 2017 and 2016, the changes in projected benefit obligation, the changes in Plan assets and the Plan position are detailed as follows:

	2017			
	Retirement and Pension Plan	Life Insurance Plan	Hospital-related Medical Plan	Total
Changes in benefit obligation:				
Benefit obligation at beginning of year	145,504	10,585	17,710	173,799
Interest cost	10,185	741	1,240	12,166
Service cost	2,393	91	2,873	5,357
Paid benefits	(10,658)	(359)	(2,835)	(13,852)
Actuarial losses	1,001	45	0	1,046
Benefit obligation at end of year	148,425	11,103	18,988	178,516
Changes in Plan assets:				
Fair value of Plan assets at beginning of year	113,664	38,741	17,710	170,115
Return on Plan assets	7,482	2,766	1,254	11,502
Employer contributions	1,319	438	1,741	3,498
Plan participants contributions	713	10	1,118	1,841
Paid benefits	(10,296)	(359)	(2,835)	(13,490)
Other expenses, net	(92)	0	0	(92)
Pensions revaluation	(1,122)	1,122	0	0
Change in fair value of securities	1,276	0	0	1,276
Fair value of Plan assets at end of year	112,944	42,718	18,988	174,650
Net Plan position	(35,481)	31,615	0	(3,866)

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

	2016			
	Retirement and Pension Plan	**Life Insurance Plan**	**Hospital-related Medical Plan**	**Total**
Changes in benefit obligation:				
Benefit obligation at beginning of year	141,546	10,033	16,409	167,988
Interest cost	9,908	702	1,149	11,759
Service cost	2,314	87	2,788	5,189
Paid benefits	(10,121)	(273)	(2,636)	(13,030)
Actuarial losses	1,857	36	0	1,893
Benefit obligation at end of year	145,504	10,585	17,710	173,799
Changes in Plan assets:				
Fair value of Plan assets at beginning of year	114,063	35,325	16,409	165,797
Return on Plan assets	7,599	2,515	1,167	11,281
Employer contributions	1,537	428	1,701	3,666
Plan participants contributions	518	12	1,069	1,599
Paid benefits	(10,046)	(273)	(2,636)	(12,955)
Other income, net	(20)	0	0	(20)
Pensions revaluation	(734)	734	0	0
Change in fair value of securities	747	0	0	747
Fair value of Plan assets at end of year	113,664	38,741	17,710	170,115
Net Plan position	(31,840)	28,156	0	(3,684)

As of December 31, 2017 and 2016, the SBF's net Plan assets are detailed as follows:

	2017	**2016**
Cash and due from banks	3,853	2,179
Securities available for sale	165,693	161,848
Subtotal	169,546	164,027
Loans	13,987	13,740
Accrued interest receivable	1,147	1,062
Other, net	32	(60)
	184,712	178,769
Less: Assets from individual account balances	(10,062)	(8,654)
Net assets	174,650	170,115

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.

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

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, 2017 and 2016, weighted averages of the actuarial assumptions used in the estimate of the projected benefit obligation were the following:

	2017	2016
Discount rate	7 %	7 %
Salary increase rate	5 %	5 %
Estimated rate of return on assets, considering the special contributions granted by the Bank	7 %	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.

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 2018 will equal approximately 10,051 (2017: 9,525). All contributions will be paid 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, 2017:

Plans	Years					
	2018	2019	2020	2021	2022	2023-2027
Retirement and Pensions	11,281	13,927	14,040	12,850	12,650	62,718
Life Insurance	72	976	935	910	930	5,216
Hospital related medical	2,808	2,849	2,916	2,982	3,027	15,862
	14,161	17,752	17,891	16,742	16,607	83,796

(Expressed in thousands of U.S. dollars)

(21) Social Benefit Fund (SBF), continued

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, 2017 and 2016, the asset allocation of SBF's investment portfolio is as follows:

Asset Allocation Objectives

	Maximum allowed	2017	2016
Cash and due from banks	5%	2%	1%
Investment securities:			
US Treasury bonds and/or bonds issued by US Federal Government Agencies	100%	5%	5%
Securities issued by CABEI	100%	64%	67%
Corporate bonds with credit rating "A" or better	50%	29%	27%

Plan assets are recognized at fair value (note 3).

The following table presents the assets valued at their fair value on a recurring basis as of December 31, 2017 and 2016, classified according to the fair value hierarchy:

	Level 1	Level 2	Level 3	2017
Assets				
Cash and due from banks	3,853	0	0	3,853
Fixed income bonds:				
US Treasury bonds	8,666	0	0	8,666
Securities issued by CABEI	0	108,909	0	108,909
Corporate bonds	0	48,118	0	48,118
	12,519	157,027	0	169,546

	Level 1	Level 2	Level 3	2016
Assets				
Cash and due from banks	2,179	0	0	2,179
Fixed income bonds:				
US Treasury bonds	8,742	0	0	8,742
Securities issued by CABEI	0	108,818	0	108,818
Corporate bonds	0	44,288	0	44,288
	10,921	153,106	0	164,027

(Expressed in thousands of U.S. dollars)

(22) Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss during the years ended December 31, 2017 and 2016, is as follows:

	2017			
	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
At beginning of year	(418)	(3,657)	(17,590)	(21,665)
Changes for the year	672	(181)	(14,461)	(13,970)
At end of year	254	(3,838)	(32,051)	(35,635)

	2016			
	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
At beginning of year	(5,265)	(2,163)	0	(7,428)
Changes for the year	4,847	(1,494)	(17,590)	(14,237)
At end of year	(418)	(3,657)	(17,590)	(21,665)

Reclassifications from accumulated other comprehensive loss to earnings during years ended December 31, 2017 and 2016, are as follows:

	2017	2016	Line in statement of income affected
Securities available for sale	(5,457)	(2,511)	Realized gains on investment funds
Securities available for sale	0	(13)	Realized income on securities available for sale
	(5,457)	(2,524)	

(23) Special and other contributions

Special contributions and other for the years ended December 31, 2017 and 2016 are detailed as follows:

	2017	2016
SBF special contribution	5,087	5,092
FONTEC special contribution	1,500	3,000
Financial cooperation and other	3,532	3,632
	10,119	11,724

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).

(23) 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.

(24) Subsequent Events

The Bank has evaluated subsequent events as of the date of the balance sheet up to March 4, 2018, date on which the financial statements were ready for their issuance, and the following were identified:

a) On February 28, 2018, the Board of Governors accepted the Republic of Korea as a non-regional member, with a subscription of 45,000 series "B" shares equivalent to 450,000. At the moment, steps are being taken to carry out its incorporation in compliance with the terms and conditions set forth in the regulations of CABEI.

b) After December 31, 2017, international credit rating agency Moody's upgraded the long-term debt risk rating of the Republic of El Salvador, to B3 from Caa1. This upgrade was considered prospectively in the model for the determination of the allowance for loan losses at February 28, 2018, and it resulted in an income due to the reversal of provisions of 101,297.