

1. Scope of Environmental and Social Review

The environmental and social (“E&S”) assessment of the proposed transaction consisted in reviewing the documentation and holding discussions with Borrowers’ Management. Banco La Hipotecaria is an existing client of IDB Invest.

2. Environmental and Social Categorization and Rationale

The proposed transaction is classified as an FI-3 under IDB Invest’s Environmental and Social Sustainability Policy. The potential risk of the subprojects to be supported is low, that is say, the subloans to be granted by the Borrowers are expected to include housing loans exclusively, which mostly have very low E&S impacts.

Banco La Hipotecaria operates in Panama, specifically in Panama City; it has about 20,000 customers and it also operates through its subsidiaries in the City of San Salvador, El Salvador, with 5,000 customers, and in several cities of Colombia with 3,500 customers. This transaction is focused on the El Salvador and Panama operations. However, credit risk policies, including E&S, are applicable to the three entities of the group.

The Borrowers’ loans are focused on two products: mortgage loans for homes and personal loans only for customers with mortgage loans. In Panama and El Salvador, loans are granted for up to US\$200,000 with a maximum maturity of 30 years. In Panama, the average mortgage and personal loans amount to US\$32,000 and US\$7,000, respectively. In El Salvador, the average mortgage and personal loans stand at US\$40,000 and US\$8,000, respectively.

IDB Invest’s resources may not be used by the Borrowers to finance any category A subprojects (high risk) based on IDB Invest’s definition or activities in the sectors included in the IDB Invest Exclusion List.

3. E&S Risks and Impacts

The E&S risks of this transaction relate to the Borrowers’ ability to assess and manage any risks related to their investments.

The Borrowers’ analyze the E&S risk as part of their credit policies including the Manual of Credit Policies and the Manual of Securities and Project Policies compliant with local laws and establishing that an initial inspection and subsequently an annual inspection of the mortgaged property should be carried out. The Borrowers’ Initial Inspection and Supervision Form includes environmental, social and occupational health and safety information, as well as reference to local regulatory requirements. The assessment of compliance with national legal regulations is assigned to the bank agents.

4. Mitigation Measures

The financing to be granted by the Borrowers should meet the provisions in IDB Invest’s Exclusion List, as well as applicable E&S local and national laws. For the Borrowers to understand better IDB Invest’s requirements, the personnel in charge of supervising and implementing business and credit policies should take IDB Invest’s online course for financial intermediaries [\[1\]](#). The online course “Environmental and Social Management Systems” will help the Borrowers’ personnel to incorporate E&S practices into their risk management.

5. Environmental and Social Action Plan (“ESAP”): N/A.

6. Contact Information

For questions on the projects, including E&S issues related to IDB Invest's transactions, please contact the client (see the **Investment Summary** tab) or IDB Invest by e-mail: requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.

[1] <https://cursos.iadb.org/es/indes/sistema-de-gesti-n-ambiental-y-social-una-oportunidad-de-negocio>