Deloitte.

Corporación Andina de Fomento (CAF)

Financial Statements

As of and for the years ended
December 31, 2019 and 2018

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Contents

DEVELOPMENT BANK OF LATIN AMERICA

Management's Report on the Effectiveness of Internal Control over Financial Reporting

Corporación Andina de Fomento ("CAF") 's internal control over financial reporting is a process effected by those in charge of governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United Stated of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

The Management of CAF is responsible for designing, implementing and maintaining effective internal control over financial reporting. Management has assessed the effectiveness of CAF's internal control over financial reporting as of December 31, 2019, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that assessment, CAF's Management concluded that CAF's internal control over financial reporting is effective as of December 31, 2019.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. 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.

CAF's financial statements as of December 31, 2019, have been audited by an independent accounting firm, which has also issued an independent auditors' report on CAF´s internal control over financial reporting. The Independent Auditor´s Report on Internal Control over Financial Reporting, which is included in this document, expresses an unmodified opinion on CAF's internal control over financial reporting as of December 31, 2019.

Luis Carranza Ugarte Executive President	Renny Alberto López Vice-President of Risk
Elvira Lupo de Velarde Vice-President of Administration	Franca Capobianco Acting Accounting Director

February 3, 2020.

Deloitte.

Lara Marambio & Asociados
RIF.: J-00327665-0
Torre B.O.D., Piso 21
Av. Blandín, La Castellana
Caracas 1060 - Venezuela

Telf.: +58(212) 206 8501
Fax: +58(212) 206 8870
www.deloitte.com/ve

Independent Auditors' Report on Internal Control over Financial Reporting

To the Board of Directors and Stockholders of
Corporación Andina de Fomento (CAF)

We have audited the internal control over financial reporting of **Corporación Andina de Fomento (CAF)** as of December 31, 2019, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's Responsibility for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on the Effectiveness of Internal Control over Financial Reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on the CAF'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 auditor's 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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. 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, **CAF** maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on Financial Statements

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of CAF as of and for the years ended December 31, 2019 and 2018, and our report dated February 3, 2020 expressed an unmodified opinion on those financial statements.

Deloitte.

February 3, 2020

Caracas - Venezuela

Deloitte.

Lara Marambio & Asociados
RIF.: J-00327665-0
Torre B.O.D., Piso 21
Av. Blandín, La Castellana
Caracas 1060 - Venezuela

Telf.: +58(212) 206 8501
Fax: +58(212) 206 8870
www.deloitte.com/ve

Independent Auditors' Report on Financial Statements

To the Board of Directors and Stockholders of
Corporación Andina de Fomento (CAF)

We have audited the accompanying financial statements of **Corporación Andina de Fomento (CAF)**, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of comprehensive income, stockholders' 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 accounting principles generally accepted in the United States of America; 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 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 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 **CAF** as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the CAF's internal control over financial reporting as of December 31, 2019, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 3, 2020 expressed an unmodified opinion on the CAF's internal control over financial reporting.

Deloitte.

February 3, 2020

Caracas - Venezuela

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Balance Sheets
As of December 31, 2019 and 2018
(In thousands of U.S. dollars)

	NOTES	2019	2018
ASSETS			
Cash and due from banks		103,593	127,355
Deposits with banks		2,417,476	2,594,312
Cash and due from banks and deposits with banks	**3**	2,521,069	2,721,667
Marketable securities:			
Trading	**4 and 19**	10,357,805	9,654,956
Other investments	**5**	996,917	658,750
Loans (US$ 139,768 and US$ 74,402 at fair value as of December 31, 2019 and 2018 respectively)	**6 and 19**	26,520,618	25,111,387
Less loan commissions, net of origination costs		110,706	102,823
Less allowance for loan losses	**6**	91,642	64,848
Loans, net		26,318,270	24,943,716
Accrued interest and commissions receivable		531,793	523,098
Equity investments	**7**	463,825	459,667
Derivative financial instruments	**18 and 19**	426,260	184,805
Property and equipment, net	**8**	112,318	106,046
Other assets	**9**	565,377	761,542
TOTAL		42,293,634	40,014,247
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits (US$ 60,594 and US$ 0 at fair value as of December 31, 2019 and 2018 respectively), net	**10 and 19**	2,672,925	3,210,545
Commercial paper	**11**	908,133	641,295
Borrowings from other financial institutions (US$ 403,912 and US$ 470,220 at fair value as of December 31, 2019 and 2018 respectively), net	**12 and 19**	1,390,218	1,284,269
Bonds (US$ 22,998,554 and US$ 21,461,610 at fair value as of December 31, 2019 and 2018 respectively), net	**13 and 19**	23,161,362	21,620,093
Accrued interest payable		403,560	394,233
Derivative financial instruments	**18 and 19**	642,725	876,784
Accrued expenses and other liabilities	**14**	317,983	123,628
Total liabilities		29,496,906	28,150,847
STOCKHOLDERS' EQUITY:	**16**		
Subscribed capital		8,095,260	7,989,620
Less callable capital portion		1,589,660	1,589,660
Less capital subscriptions receivable		1,124,885	1,233,240
Paid-in capital		5,380,715	5,166,720
Additional paid-in capital		3,988,884	3,595,133
Reserves		3,101,547	2,877,970
Retained earnings		325,582	223,577
Total stockholders' equity		12,796,728	11,863,400
TOTAL		42,293,634	40,014,247

See accompanying notes to financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(In thousands of U.S. dollars)

	NOTES	2019	2018
Interest income:			
Loans	**2 (f)**	1,157,279	1,028,928
Investments and deposits with banks	**2 (e), 3 and 4**	413,260	239,909
Loan commissions	**2 (f)**	41,252	41,337
Total interest income		1,611,791	1,310,174
Interest expense:			
Bonds		825,821	715,186
Deposits		49,547	47,538
Commercial paper		21,207	15,535
Borrowings from other financial institutions		44,734	43,302
Commissions		9,768	9,594
Total interest expense		951,077	831,155
Net interest income		660,714	479,019
Provision for loan losses	**6**	52,395	13,192
Net interest income, after provision for loan losses		608,319	465,827
Non-interest income:			
Other commissions		2,823	2,581
Dividends and equity in earnings of investees	**7**	1,624	8,922
Unrealized changes in fair value related to equity investment, net	**7**	8,000	13,691
Other income		2,045	4,698
Total non-interest income		14,492	29,892
Non-interest expenses:			
Administrative expenses	**22**	154,807	158,288
Other expenses		7,923	26,528
Total non-interest expenses		162,730	184,816
Income before unrealized changes in fair value related to other financial instruments and contributions to Stockholders' Special Funds		460,081	310,903
Unrealized changes in fair value related to other financial instruments	**20**	(5,273)	504
Income before contributions to Stockholders' Special Funds, net		454,808	311,407
Contributions to Stockholders' Special Funds	**23**	129,226	87,830
Net income and total comprehensive income		325,582	223,577

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Stockholders' Equity
For the years ended December 31, 2019 and 2018
(In thousands of U.S. dollars)

	NOTES	Paid-in capital	Additional paid-in capital	Reserves: General reserve	Reserves: Article N° 42 of the Constitutive Agreement	Reserves: Total reserves	Retained earnings	Total stockholders' equity
BALANCES AT DECEMBER 31, 2017		4,984,295	3,259,471	2,316,071	485,500	2,801,571	76,399	11,121,736
Capital increase	**16**	182,425	335,662	-	-	-	-	518,087
Net income and total comprehensive income	**16**	-	-	-	-	-	223,577	223,577
Appropriated for general reserve	**16**	-	-	68,699	-	68,699	(68,699)	-
Appropriated for reserve pursuant to Article N° 42 of the Constitutive Agreement	**16**	-	-	-	7,700	7,700	(7,700)	-
BALANCES AT DECEMBER 31, 2018		5,166,720	3,595,133	2,384,770	493,200	2,877,970	223,577	11,863,400
Capital increase	**16**	213,995	393,751	-	-	-	-	607,746
Net income and total comprehensive income	**16**	-	-	-	-	-	325,582	325,582
Appropriated for general reserve	**16**	-	-	201,177	-	201,177	(201,177)	-
Appropriated for reserve pursuant to Article N° 42 of the Constitutive Agreement	**16**	-	-	-	22,400	22,400	(22,400)	-
BALANCES AT DECEMBER 31, 2019		5,380,715	3,988,884	2,585,947	515,600	3,101,547	325,582	12,796,728

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(In thousands of U.S. dollars)

	NOTES	2019	2018
OPERATING ACTIVITIES:			
Net income and total comprehensive income		325,582	223,577
Adjustments to reconcile net income to net cash used in operating activities:			
Unrealized gain on trading securities	4	(51,964)	(1,750)
Amortization of loan commissions, net of origination costs		(14,544)	(16,406)
Provision for loan losses	6	52,395	13,192
Impairment charge for equity investments	7	2,874	21,991
Unrealized changes in fair value related to equity investment	7	(8,000)	(13,691)
Equity in earnings of investees	7	3,225	(3,436)
Amortization of deferred charges		3,119	6,120
Depreciation of property and equipment	8	7,030	6,005
Provision for employees’ severance benefits		13,020	13,080
Provision for employees’ savings plan		932	1,121
Unrealized changes in fair value related to other financial instruments		5,273	(504)
Net changes in operating assets and liabilities:			
Trading securities, net		(651,729)	(445,068)
Accrued interest and commissions receivable		(8,695)	(95,399)
Other assets		(9,585)	3,265
Accrued interest payable		9,327	79,572
Severance benefits paid or advanced		(11,345)	(12,124)
Employees’ savings plan paid or advanced		(3,730)	(3,769)
Accrued expenses and other liabilities		177,234	(148)
Total adjustments and net changes in operating assets and liabilities		(485,163)	(447,949)
Net cash used in operating activities		(159,581)	(224,372)
INVESTING ACTIVITIES:			
Purchases of other investments	5	(4,824,185)	(2,315,421)
Maturities of other investments	5	4,486,018	3,110,541
Loan origination and principal collections, net	6	(1,407,006)	(1,475,133)
Equity investments, net	7	(2,257)	(31,506)
Property and equipment,net	8	(13,302)	(21,636)
Net cash used in investing activities		(1,760,732)	(733,155)
FINANCING ACTIVITIES:			
Net (decreases) increase in deposits	10	(537,620)	260,402
Proceeds from commercial paper	11	7,446,271	2,629,208
Repayment of commercial paper	11	(7,179,433)	(3,758,589)
Net decrease (increase) in derivative-related collateral		215,256	(457,805)
Proceeds from issuance of bonds	13	3,370,171	4,900,589
Repayment of bonds	13	(2,296,329)	(2,355,306)
Proceeds from borrowings from other financial institutions		333,582	169,699
Repayment of borrowings from other financial institutions		(239,928)	(290,151)
Proceeds from issuance of shares	16	607,746	518,087
Net cash provided by financing activities		1,719,715	1,616,134
NET (DECREASE) INCREASE IN CASH AND DUE FROM BANKS AND DEPOSITS WITH BANKS		(200,598)	658,607
CASH AND DUE FROM BANKS AND DEPOSITS WITH BANKS AT BEGINNING OF THE YEAR		2,721,667	2,063,060
CASH AND DUE FROM BANKS AND DEPOSITS WITH BANKS AT END OF THE YEAR		2,521,069	2,721,667
SUPPLEMENTAL DISCLOSURE:			
Interest paid during the year		920,093	727,661
NONCASH FINANCING ACTIVITIES:			
Loan origination	6	(500,000)	-
Principal collections	6	500,000	-
Change in derivative instruments assets		241,455	347,863
Change in derivative instruments liabilities		(234,059)	323,190

See accompanying notes to the financial statements

1. ORIGIN

Business description **–** Corporación Andina de Fomento (CAF) began its operations on June 8, 1970, and was established under public international law which abides by the provisions set forth in its Constitutive Agreement. Series "A" and "B" stockholder countries are: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. Series "C" stockholder countries are: Barbados, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal and Spain. In addition, there are 13 banks which are Series "B" stockholders. CAF is headquartered in Caracas, Venezuela and has offices in Asuncion, Paraguay; Bogota, Colombia; Brasilia, Brazil; Buenos Aires, Argentina; Mexico City, Mexico; Panama City, Panama; La Paz, Bolivia; Lima, Peru; Madrid, Spain; Montevideo, Uruguay; Port of Spain, Trinidad and Tobago and Quito, Ecuador.

CAF promotes a sustainable development model through credit operations, non-reimbursable resources, and support in the technical and financial structuring of projects in the public and private sectors of Latin America.

CAF offers financial and related services to the governments of its stockholder countries, as well as their public and private institutions, corporations and joint ventures. CAF's principal activity is to provide short, medium and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities in stockholder countries. Furthermore, CAF manages and supervises third-party cooperation funds owned and sponsored by other countries and organizations, destined to finance programs agreed upon with donor countries and organizations which are in line with CAF's policies and strategies.

CAF raises funds to finance its operations from sources both within and outside its stockholder countries.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. ***Financial statement presentation*** **–** The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles with the U.S. dollar as the functional currency.

b. ***Use of estimates*** **–** The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet, as well as the amounts reported as revenues and expenses during the corresponding reporting period. The most important estimates related to the preparation of the accompanying financial statements refer to estimating the allowance for loan losses and valuation and classification at fair values of financial instruments, among others. Management believes these estimates are adequate. Actual results could differ from those estimates.

c. ***Transactions denominated in other currencies*** **–** Transactions denominated in currencies other than U.S. dollars are converted into U.S. dollars at exchange rates prevailing in international markets on the dates of the transactions. Currency balances other than U.S. dollars are converted into U.S. dollars at year-end exchange rates. Any foreign exchange gains or losses, including related hedge effects, are included in the statements of comprehensive income.

d. ***Cash and deposits with banks*** **–** Cash and deposits with banks comprised of cash, due from banks and short-term deposits with banks with an original maturity of three months or less.

e. ***Marketable securities*** **–** CAF classifies its investments, according to management intention, as trading marketable securities, which are recorded on the trade date. Trading marketable securities are mainly bought and held with the purpose of selling them in the short term. Trading marketable securities are recorded at fair value. Gains and losses from sales of trading marketable securities and changes in the fair value of trading marketable securities are included in interest income of investments and deposits with banks in the statements of comprehensive income.

f. ***Loans*** **–** CAF grants short, medium and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities, both to public and private entities, for development and integration programs and projects in stockholder countries.

For credit risk purposes, CAF classifies its loan portfolio as follow:

(i) *Sovereign loans* **–** Include loans granted to national, regional or local governments or decentralized institutions and other loans fully guaranteed by national governments.

(ii) *Non-sovereign loans* **–** Include loans granted to corporate and financial sectors (public and private sectors), among others, which are not guaranteed by national governments.

Loans are carried at their outstanding principal balances less: (i) write-offs, (ii) the allowance for loan losses, and (iii) loan commission fees received upon origination net of certain direct origination costs. Interest income is accrued on the unpaid principal balance. Loan commission fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method and are presented as interest income - loan commissions in the statements of comprehensive income.

The accrual for interest on loans is discontinued at the time a private sector loan is 90 days delinquent or a public sector loan is 180 days delinquent unless the loan is well-secured and in process of collection.

Interest accrued but not collected for loans that are placed on non-accrual status is reversed against interest income. The interest on non-accrual loans is accounted for on a cash-basis, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Non-accrual loans are considered impaired loans. Factors considered by management in determining impaired loans are payment status and the probability of collecting scheduled principal and interest payments when due.

Loan losses, partial or total, are written off against the allowance for loan losses when management confirms the uncollectability of a loan balance. Subsequent recoveries on written off loans, if any, will be credited to the allowance for loan losses.

CAF maintains risk exposure policies to avoid concentrating its loan portfolio in any one country or economic group, which might be affected by market situations or other circumstances. For this purpose, CAF uses certain measurement parameters, such as: CAF's stockholders' equity, total loan portfolio, exposure to economic groups from public and private sectors, among others. CAF reviews, on a semi-annual basis, the credit risk rating of its loans and classifies the risk into the following categories:

(i) *Satisfactory-excellent* – Extremely strong capacity to meet financial commitments.

(ii) *Satisfactory-very good* – Strong capacity to meet financial commitments, not significantly vulnerable to adverse economic conditions.

(iii) *Satisfactory-adequate* – Adequate capacity to meet financial commitments, but more vulnerable to adverse economic conditions.

(iv) *Watch* – Acceptable payment capacity however some indicators and elements require special attention otherwise they could result in impairment.

(v) *Special mention* – More vulnerable to adverse economic conditions but currently has the capacity to meet financial commitments.

(vi) *Sub-standard* – Currently vulnerable and dependent on favorable economic conditions to meet financial commitments.

(vii) *Doubtful* – Currently highly vulnerable.

(viii) *Loss* – Payment default on financial commitments.

g. ***Troubled debt restructuring* –** A restructuring of a loan constitutes a troubled debt restructuring if CAF, for economic or legal reasons related to the borrower´s financial difficulties, grants a concession to the borrower that it would not otherwise consider.

The concession granted by CAF may include the modifications or renegotiation to the contractual terms of the loans such as interest rate reductions, frequency of payment, extension of loan terms, and other modifications in order to minimize possible economic losses.

Loans whose terms are modified in a troubled debt restructuring, generally, are identified as impaired. CAF's management evaluates the compliance with the new terms of the restructured loan for a reasonable period to calculate specific allowances for loan losses and if the remaining balance of the restructured loan is considered collectible, the restructured loan could return to accrual status.

h. ***Allowance for loan losses –*** The allowance for loan losses is maintained at a level CAF believes to be adequate to absorb losses inherent in the loan portfolio at the date of the financial statements.

For purposes of determining the allowance for loan losses, CAF management classifies its portfolio for credit risk purposes into sovereign and non-sovereign. The allowance for loan losses is estimated considering the credit risk exposure, default probability and loss given default, based on external data provided by risk rating agencies, recognizing such effects in profit or loss for the period.

The allowance for loan losses on sovereign loans is collectively evaluated and established by CAF based on the individual long-term foreign currency debt rating applicable to the borrower countries, which is determined using the average rating of three recognized international credit rating agencies at the date of each of the balance sheet presented. The long-term foreign currency debt rating considers a default probability. Given CAF's status as a de facto preferred creditor and the immunities and privileges conferred by its stockholder countries, which are established in CAF's Constitutive Agreement and other similar agreements, adjustments are made to reflect a lower default probability – usually equivalent to three levels to the average rating referred above.

For the non-sovereign loans, the allowance for loan losses is individually evaluated and calculated by considering CAF's internal rating of each borrower, using the probability of default corresponding to the average rating of the equivalent categories of the international risk-rating agencies.

For those cases where the category equivalent to the rating of a given borrower determined in accordance with any of the international risk-rating agencies is higher than the risk rating in local currency of the country corresponding to such borrower, or if for any reason there is no risk rating, the risk rating in local currency of such country determined by international credit rating agencies will be used.

A specific allowance for loan losses is individually evaluated and established by CAF for impaired loans. A loan is considered as impaired when, based on currently available information and events, it is probable that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the original loan's effective interest rate.

i. ***Equity investments –*** CAF invests in equity securities of companies and funds in strategic sectors, with the objective of promoting the development of such companies and funds and their participation in the securities markets and to serve as a catalyst in attracting resources to stockholder countries.

If CAF has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist when CAF holds an ownership interest in the voting stock of an investee between 20% and 50%, the equity investments are accounted for using the equity method. Under the equity method, the carrying amount of the equity investment is adjusted to reflect CAF's proportionate share of earnings or losses, dividends received and certain transactions of the investee Company.

During the years ended December 31, 2019 and 2018, CAF recorded investments in equity securities without readily determinable fair value, as follows:

(i) Direct investments in equity securities of companies – These investments, which, do not have readily determinable fair value and do not qualify for the net asset value practical expedient to estimate fair value, are accounted for at cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer.

(ii) Equity investments in funds – These investments, which do not have readily determinable fair value, is carried at fair value using the net asset value practical expedient to estimate fair value.

The dividends received from equity investments accounted for at fair value, are recognized as income.

j. ***Property and equipment, net –*** Property and equipment are stated at cost less accumulated depreciation. Maintenance and repair expenses are charged directly to the statements of comprehensive income for the year as incurred, while improvements and renewals are capitalized. Depreciation is calculated using the straight-line method, and charged to the statements of comprehensive income over the estimated useful life of assets.

The estimated useful life for assets is as follows:

Buildings	30 years
Building improvements	15 years
Leasing building improvements	Term of leasing contract
Furniture and equipment	2 to 10 years
Vehicles	5 years

k. ***Other assets –*** Other assets mainly include the following:

(i) *Derivative-related collateral* **–** CAF receives or posts collateral from or to individual swap and futures counterparties in the form of cash to mitigate its credit exposure to these counterparties. It is the policy of CAF to restrict and invest collateral received from swap and futures counterparties for fulfilling its obligations under the collateral agreement. CAF records cash collateral received in other assets with a corresponding obligation to return the cash collateral received recorded in accrued expenses and other liabilities. Cash collateral posted to swap and futures counterparties, under the collateral agreement, are recorded in other assets.

(ii) *Intangible assets* **–** Include software investments which are reported at cost less accumulated amortization. The amortization is calculated with the straight-line method over the useful life estimated by CAF. The estimated useful life of these assets is between 2 and 5 years.

l. ***Impairment of investment accounted for under the equity method –*** An investment accounted for under the equity method is considered impaired and an impairment loss is recognized only if there are circumstances that indicate impairment as a result of one or more events (“loss events”) that have occurred after recognition of such investment.

An impairment charge is recorded whenever a decline in value of an investment below its carrying amount is determined to be other-than-temporary. In determining if a decline is other-than-temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered.

m. ***Deposits –*** Deposits denominated in US$ are recorded at amortized cost. Deposits denominated in currencies other than the US$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these deposits are recognized in the statements of comprehensive income when they occur.

n. ***Commercial paper –*** Commercial paper are recorded at amortized cost.

o. ***Borrowings from other financial institutions –*** The borrowings from other financial institutions account includes those obligations to local or foreign financial institutions and commercial banks, which are recorded at amortized cost, except for some borrowings that are designated a fair value hedge or as an economic hedge. The up-front costs and fees related to the issuance of borrowings recorded at amortized cost are deferred and reported in the balance sheets as a direct deduction from the face amount of borrowings and amortized during the term of the borrowings as interest expense. The up-front cost and fees related to borrowings that are designated a fair value hedge or as an economic hedge, are recognized in the statements of comprehensive income when they occur.

p. ***Bonds –*** Medium and long-term bond issuances, whose objective is to provide the financial resources required to finance CAF’s operations, are recorded as follows:

(i) Bonds denominated in currencies other than the US$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these bonds, as well as the related bond’s up-front costs and fees, are recognized in the statements of comprehensive income when they occur. CAF enters into cross-currency and interest rate swaps to economically hedge the interest rate and foreign exchange risks related with these bonds.

(ii) Bond denominated in US$ are recognized at fair value. The interest rate risk on US$ denominated bonds is hedged using interest rate swaps, and such interest rate swaps are designated as part of fair value hedge accounting relationships assuming no hedge ineffectiveness (the “shortcut method”). The related bond’s up-front costs and fees are deferred and reported in the balance sheets as a direct deduction from the face amount of the bonds, and amortized during the term of the bonds as interest expense.

Partial repurchases of bond issuances result in derecognition of the corresponding liabilities. The difference between the repurchase price and the bond's carrying amount is recognized as income/loss for the year.

q. ***Employees' severance benefits –*** Accrual for severance benefits comprises all the liabilities related to the workers' vested rights according to CAF's employee policies and the applicable labor law of the member countries. The accrual for employee severance benefits is presented as part of "labor benefits" account under "Accrued expenses and other liabilities" caption.

Under CAF's employee policies, employees earn a severance benefit equal to five days of salary per month, up to a total of 60 days per year of service. From the second year of service, employees earn an additional two day salary for each year of service (or fraction of a year greater than six months), cumulative up to a maximum of 30 days of salary per year. Severance benefits are recorded in the accounting records of CAF as they are incurred and interest on the amounts owed to employees are paid annually as a result of employees' rights to receive severance benefits accrued in the year in which earned.

In the case of unjustified dismissal or involuntary termination, employees have the right to an additional severance benefit of one month of salary per year of service.

r. ***Pension plan –*** CAF has established a defined benefit plan (the Plan), which is mandatory for all employees hired on or after the establishment of the Plan and voluntary for all other employees. The Plan's benefits are calculated based on years of service and the average salary of the three consecutive years in which the employee received the highest salary. CAF periodically updates the benefit obligations considering actuarial assumptions.

s. ***Derivative financial instruments and hedging activities –*** CAF records all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them.

CAF's policy is not to enter into derivative financial instruments for speculative purposes. CAF also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items.

Derivative financial instruments that are considered to be hedges from an accounting perspective are recognized in the balance sheet at fair value with changes in fair value either: (1) offset by changes in fair value of the hedged assets, liabilities or firm commitments through earnings within "Derivative financial instruments assets" or "Derivative financial instruments liabilities" if the derivative is designated as a fair value hedge, or (2) recognized in other comprehensive income until the hedged item is recognized in earnings if the derivative is designated as a cash flow hedge. The ineffective portion of the change in fair value for a hedged derivative is immediately recognized in earnings as a component of "Unrealized changes in fair value related to financial instruments", regardless of whether the hedged derivative is designated as a cash flow or fair value hedge. In all situations in which hedge accounting is discontinued, CAF, recognizes any changes in its fair value in the statements of comprehensive income.

CAF discontinues hedge accounting prospectively upon determining that the derivative financial instrument is no longer effective in offsetting changes in the fair value of the hedged item; the derivative expires or is sold, terminated or exercised; the derivative is de-designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur, a hedged firm commitment no longer meets the definition of a firm commitment, or management determines that the designation of the derivative financial instrument as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative financial instrument no longer qualifies as an effective fair value hedge, CAF continues to carry the derivative financial instrument on the balance sheets at its fair value, but no longer adjusts the hedged asset or liability for changes in fair value.

Certain derivative financial instruments, although considered to be an effective hedge from an economic perspective (economic hedge), have not been designated as a hedge for accounting purposes. The changes in the fair value of such derivative financial instruments are recognized in the statements of comprehensive income, concurrently with the change in fair value of the underlying assets and liabilities.

t. ***Fair value of financial instruments and fair value measurements* –** An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

*Level 3 – A*pplies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

u. ***Guarantees* –** CAF provides guarantees on loans originated by third parties to support projects located within a stockholder country that are undertaken by public and private entities. CAF may offer guarantees of private credit agreements or it may offer public guarantees of obligations of the securities of third party issuers. CAF generally offers partial credit guarantees with the intention of sharing the risk with private lenders or holders of securities. CAF's responsibility is limited to paying up to the amount of the guarantee upon default by the client. The guarantee fee income received is deferred and recognized over the period covered by the guarantee.

v. ***Provision for guarantees losses –*** Provision for guarantees is maintained at a level CAF believes adequate to absorb probable losses inherent to the guaranteed loans originated by third parties as of the date of the financial statements. Guaranteed loans are classified as either sovereign or non-sovereign. Provision for guarantees is estimated by CAF considering the credit risk exposure, default probability and loss given default. Provision for sovereign guarantees losses is based on the individual long-term foreign currency debt rating of the guarantor countries ("country risk rating") considering the weighted average rating of three recognized international risk rating agencies at the date of the financial statements preparation. These country risk ratings have associated default probability. Given CAF's status as a de facto preferred creditor, arising from its status as a multilateral financial institution and from the interest of its borrowers in maintaining their credit standing with CAF, and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF's Constitutive Agreement and other similar agreements, a factor that reflects a lower default probability – usually equivalent to three levels up in this weighted average rating is used. For non-sovereign guarantees, the provision is determined by considering the CAF internal rating of each client and the weighted average rating of the aforementioned agencies.

The provision for guarantees losses, are reported as other liabilities.

w. ***Recent accounting pronouncements applicable not yet adopted –***

ASU 2016-13, Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13. Financial Instruments – Credit Losses, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The ASU eliminates the probable initial recognition threshold in current guidance and, instead, requires an entity to reflect its current estimate of all expected credit losses. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. CAF will adopt this ASU, along with several other subsequent codification updates related to accounting for credit losses, on January 1, 2020. CAF will follow the modified-retrospective approach and record a cumulative effect adjustment to the 2020 opening retained earnings upon adoption. CAF is currently finalizing the execution of our implementation controls and processes of ECL models (Expected Credit Loss), and the tests and evaluations of the controls of the new systems and processes are being completed. CAF does not expect these ASUs will have a material impact on its financial statements.

(In thousands of U.S. dollars)

3. CASH AND DUE FROM BANKS AND DEPOSITS WITH BANKS

Cash and deposits with banks with original maturity of three months or less include the following:

	December 31, 2019	December 31, 2018
Cash and due from banks	103,593	127,355
Deposits with banks:		
U.S. dollars	2,417,476	2,594,312
	2,521,069	2,721,667

4. MARKETABLE SECURITIES

Trading

A summary of trading securities follows:

	December 31, 2019		December 31, 2018	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	2,010,025	1.91	1,799,690	1.86
Non-U.S. governments and government entities bonds	350,440	0.97	243,581	1.31
Financial institutions and corporate securities:				
Commercial paper	3,100,115	0.08	3,371,479	0.13
Certificates of deposits[1]	2,201,939	0.22	1,707,010	0.19
Bonds	2,045,486	2.51	1,856,325	2.52
Collateralized mortgage obligation	343,745	4.32	352,643	4.03
Liquidity funds[2]	306,055	1.00	324,228	1.00
	7,997,340	0.96	7,611,685	0.91
Trading	10,357,805	1.14	9,654,956	1.08

(1) Each certificate of deposit bears a maturity date and specified fixed interest rate. It also is held through The Depository Trust Company (DTC) and has a CUSIP number, which is a code that identifies a financial security and facilitates trading.

(In thousands of U.S. dollars)

(2) The liquidity funds are comprised of short-term (less than one year) securities representing high-quality liquid debt and monetary instruments.

The fair value of trading securities include net unrealized gain of US$ 51,964 and US$ 1,750, at December 31, 2019 and 2018, respectively.

Net realized gains from trading securities of US$ 202,667 and US$ 34,498 for the years ended December 31, 2019 and 2018, respectively, are included in the statements of comprehensive income as part of Investments and deposits with banks.

CAF places its short-term investments mainly in high grade financial institutions and corporate securities. CAF has conservative investment guidelines that limit the amount of credit risk exposure, considering among other factors, limits as to credit ratings, limits as to duration exposure, specific allocations by type of investment instruments and limits across sector and currency allocation. At December 31, 2019 and 2018, CAF does not have any significant concentrations of credit risk according to its investment guidelines. Non-US dollar-denominated securities included in marketable securities amounted to the equivalent of US$ 164,597 and US$ 12,480 at December 31, 2019 and 2018, respectively.

Maturity of marketable securities are as follows:

	December 31, 2019	**December 31, 2018**
Remaining maturities:		
Less than one year	6,355,563	6,032,574
Between one and two years	2,340,124	1,964,737
Between two and three years	795,067	649,114
Between three and four years	382,925	568,404
Between four and five years	188,364	305,809
Over five years	295,762	134,318
	10,357,805	9,654,956

5. OTHER INVESTMENTS

Deposits with banks due with more than 90 days (original maturity) are as follows:

	December 31, 2019	**December 31, 2018**
U.S. dollars	996,917	658,165
Other currencies	-	585
	996,917	658,750

The interest rates on these deposits ranged from 1.94% to 3.23% at December 31, 2019 and from 1.88% to 3.25% at December 31, 2018.

(In thousands of U.S. dollars)

6. LOANS

Loans include short, medium and long-term loans to finance projects, working capital and trade activities. The majority of the loans are to Series "A" and "B" stockholder countries, or to private institutions or companies of these countries.

Loans by country are summarized as follows:

	December 31, 2019	**December 31, 2018**
Argentina	3,743,346	3,577,715
Barbados	75,387	84,014
Bolivia	2,715,821	2,562,869
Brazil	2,228,617	1,694,502
Chile	472,914	425,000
Colombia	2,857,926	2,840,345
Costa Rica	81,681	88,795
Dominican Republic	174,667	206,515
Ecuador	3,727,546	3,586,804
Mexico	500,000	530,000
Panama	2,031,635	1,900,354
Paraguay	512,842	466,200
Peru	1,987,713	2,039,674
Trinidad & Tobago	788,889	600,000
Uruguay	945,050	994,685
Venezuela	3,671,802	3,514,102
Total	26,515,836	25,111,574
Fair value adjustments	4,782	(187)
Loans	26,520,618	25,111,387

Fair value adjustments of loans represent mainly adjustments to the amount of loans for which the fair value option is elected.

At December 31, 2019 and 2018, loans denominated in currencies other than U.S. dollar were granted for an equivalent of US$ 51,435 and US$ 30,155, respectively, principally in Colombian pesos, Peruvian nuevos soles, Uruguayan pesos and Bolivian bolivianos. At December 31, 2019 and 2018, fixed interest rate loans amounted to US$ 165,000 and US$ 134,104, respectively.

(In thousands of U.S. dollars)

Loans classified by sector borrowers and the weighted average yield of the loan portfolio is shown below:

	December 31, 2019		December 31, 2018	
	Amount	**Weighted Average yield (%)**	**Amount**	**Weighted average yield (%)**
Public sector	22,594,948	3.82	21,571,079	4.43
Private sector	3,920,888	3.42	3,540,495	4.41
	26,515,836	3.76	25,111,574	4.43

Loans by industry segments are as follows:

	December 31, 2019		December 31, 2018	
	Amount	**%**	**Amount**	**%**
Transport, warehousing and communications	7,951,318	30	7,288,024	29
Social and other infrastructure programs	7,347,552	28	6,473,592	26
Electricity, gas and water supply	7,022,165	26	7,853,261	31
Financial services - Commercial banks	2,822,922	11	2,141,810	9
Financial services - Development banks	1,091,215	5	999,466	4
Agriculture, hunting and forestry	98,386	-	151,551	1
Manufacturing industry	82,036	-	91,413	-
Others	100,242	-	112,457	-
	26,515,836	100	25,111,574	100

Loans mature as follows:

	December 31, 2019	**December 31, 2018**
Less than one year	6,222,318	5,327,009
Between one and two years	2,576,004	2,638,910
Between two and three years	2,583,181	2,399,462
Between three and four years	2,457,519	2,416,173
Between four and five years	2,443,410	2,169,924
Over five years	10,233,404	10,160,096
	26,515,836	25,111,574

(In thousands of U.S. dollars)

The loan portfolio classified based on the type of credit risk is as follows:

	December 31, 2019	December 31, 2018
Sovereign guaranteed	21,739,579	20,737,233
Non-sovereign guaranteed	4,776,257	4,374,341
	26,515,836	25,111,574

CAF maintains an internal risk rating system to evaluate the quality of the non-sovereign guaranteed loan portfolio, which identifies, through a standardized rating and review parameters, those risks related to credit transactions. At December 31, 2019 and 2018, the sovereign guaranteed loan portfolio is classified by CAF as satisfactory - very good. For purpose of determining the allowance for loan losses, rating assigned by external agencies are used (Note 2h).

The credit quality of the non-sovereign guaranteed loan portfolio is presented by internal risk rating classification as follow:

	December 31, 2019	December 31, 2018
Satisfactory - excellent	615,000	475,000
Satisfactory - very good	1,690,977	1,816,725
Satisfactory - adequate	1,683,448	1,271,575
Watch	579,635	590,259
Special mention	33,321	108,087
Sub-standard	104,091	-
Doubtful	69,785	112,695
	4,776,257	4,374,341

Loan portfolio quality

The loan portfolio quality indicators and the related amounts are presented below:

	December 31, 2019	December 31, 2018
During the year CAF recorded the following transactions:		
Loans written-off	38,000	22,000
Purchases of loan portfolio	0	0
Sales of loan portfolio	42,250	16,167

(In thousands of U.S. dollars)

	December 31, 2019	**December 31, 2018**
CAF presented the following amounts and quality indicators as of the end of the year:		
Non-accrual loans	69,785	112,695
Impaired loans	69,785	112,695
Troubled debt restructured	0	0
Overdue loans	129,087	124,286
Allowance for loan losses as a percentage of loan portfolio	0.35%	0.26%
Non-accrual loans as a percentage of loan portfolio	0.26%	0.45%
Overdue loan principal as a percentage of loan portfolio	0.49%	0.49%

As of December 31, 2019, balances with Venezuela include past-due installments for US$ 183,033 corresponding to principal for US$ 129,087 and interests and commissions for US$ 53,946 that became due in December 2019. During the year ended December 31, 2019, CAF granted loans for US$ 500,000 to the Central Bank of Venezuela (BCV). Venezuela has reiterated its commitment with CAF and its intention to comply with the payments of balances owed, and CAF expects to recover past-due amounts, including interests.

At December 31, 2018, there are outstanding overdue amounts from Venezuela totaling US$ 182,776, comprising, US$ 124,286 of principal and US$ 58,490 of interest and commissions. Those amounts were originally due between December 7, 2018 and December 28, 2018. In April and January 2019, CAF received payments for the total amount of outstanding overdue loans, interest and commissions at December 31, 2018.

A/B Loans

CAF administers loan-participations sold, and only assumes the credit risk for the portion of the loan owned by CAF. At December 31, 2019 and 2018, CAF had loans of this nature amounting to US$ 275,436 and US$ 366,048, respectively; whereas other financial institutions provided funds for US$ 160,257 and US$ 208,761, respectively.

(In thousands of U.S. dollars)

Allowance for Loan Losses

Changes in the allowance and the balance for loan losses over the outstanding amounts, individually and collectively evaluated, are presented below:

	For the year ended December 31,					
	2019			2018		
	Credit risk			Credit risk		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Balances at beginning of period	36,715	28,133	64,848	35,239	31,986	67,225
Provision for loan losses	10,760	41,635	52,395	1,476	11,716	13,192
Loans written-off	-	(38,000)	(38,000)	-	(22,000)	(22,000)
Recoveries	-	12,399	12,399	-	6,431	6,431
Balances at end of period	47,475	44,167	91,642	36,715	28,133	64,848

	December 31, 2019			December 31, 2018		
	Sector			Sector		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Allowance:						
Individually evaluated for loan losses	-	44,167	44,167	-	28,133	28,133
Collectively evaluated for loan losses	47,475	-	47,475	36,715	-	36,715
	47,475	44,167	91,642	36,715	28,133	64,848

	December 31, 2019			December 31, 2018		
	Sector			Sector		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Loans:						
Allowance:						
Individually evaluated for loan losses	-	4,776,257	4,776,257	-	4,374,341	4,374,341
Collectively evaluated for loan losses	21,739,579	-	21,739,579	20,737,233	-	20,737,233
	21,739,579	4,776,257	26,515,836	20,737,233	4,374,341	25,111,574

(In thousands of U.S. dollars)

7. EQUITY INVESTMENTS

Equity investments, which have no readily determinable fair value, are as follows:

	December 31, 2019	**December 31, 2018**
Investments - Equity securities	363,680	394,638
Investments - Equity method	100,145	65,029
	463,825	459,667

CAF recognized the following in the statements of comprehensive income related to equity securities:

	December 31, 2019	**December 31, 2018**
Dividends	4,849	5,486
Changes in fair value measurements	8,000	13,691
Impairment in equity securities	2,874	21,991

During the years ended December 31, 2019 and 2018, CAF recognized gains of US$ 8,000 and US$ 13,691, respectively, corresponding to the net increase in the fair value of investments in equity instruments.

During the years ended December 31, 2019 and 2018, CAF recognized losses and gains of its equity in earnings of the investees for US$ 3,225 and US$ 3,436, respectively, for investments under the equity method, which are recorded in the statements of comprehensive income.

8. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment, net follows:

	December 31, 2019	**December 31, 2018**
Land	29,756	27,029
Buildings	85,584	40,134
Buildings improvements	21,205	21,056
Leasing building improvements	8,743	8,839
Furniture and equipment	36,801	30,215
Vehicles	1,079	1,079
	183,168	128,352
Less accumulated depreciation	73,480	67,363
Projects in progress	2,630	45,057
	112,318	106,046

(In thousands of U.S. dollars)

Depreciation expenses of US$ 7,030 and US$ 6,005 for property and equipment for years ended December 31, 2019 and 2018, respectively, are included in the statements of comprehensive income as part of administrative expenses.

9. OTHER ASSETS

A summary of other assets follows:

	December 31, 2019	December 31, 2018
Derivative-related collateral	520,699	735,955
Intangible assets, net of accumulated amortization of US$ 6,494 and US$ 12,403	14,354	10,169
Receivable from investment securities sold	12,625	-
Other assets	17,699	15,418
	565,377	761,542

10. DEPOSITS

A summary of deposits follows:

	December 31, 2019	December 31, 2018
Demand deposits	74,494	72,007
Time deposits:		
Less than one year	2,598,431	3,138,538
	2,672,925	3,210,545

At December 31, 2019 and 2018, the weighted average interest rate was 2.30% and 1.91%, respectively. Deposits are issued for amounts equal to or more than US$ 100. Total deposits denominated in currencies other than the U.S. dollar to an equivalent of US$ 60,099 and US$ 457,848 at December 31, 2019 and 2018, respectively.

11. COMMERCIAL PAPER

At December 31, 2019 and 2018, the outstanding amount of commercial paper issued by CAF, amounts to US$ 908,133 and US$ 641,295, respectively, of which matures in 2020 and 2019, respectively. At December 31, 2019 and 2018, the weighted average interest rate was 2.47% and 1.94%, respectively.

(In thousands of U.S. dollars)

12. BORROWINGS FROM OTHER FINANCIAL INSTITUTIONS

A summary of borrowings from other financial institutions by currency follows:

	December 31, 2019	**December 31, 2018**
U.S. dollars	1,244,480	1,158,009
Euros	94,083	106,628
Peruvian nuevos soles	23,512	22,828
Colombian Pesos	21,006	-
Others	-	2,039
	1,383,081	1,289,504
Fair value adjustments	7,880	(4,415)
Less debt issuance costs	743	820
Carrying value of borrowings from other financial institutions	1,390,218	1,284,269

At December 31, 2019 and 2018, the fixed interest-bearing borrowings amounted to US$ 472,575 and US$ 467,169, respectively. At December 31, 2019 and 2018, the weighted average interest rate after considering the impact of interest rate swaps was 3.56% and 3.14%, respectively.

Borrowings from other financial institutions, by remaining maturities, are summarized below:

	December 31, 2019	**December 31, 2018**
Less than one year	406,198	181,505
Between one and two years	206,686	392,356
Between two and three years	146,097	155,327
Between three and four years	112,574	130,031
Between four and five years	161,538	122,532
Over five years	349,988	307,753
	1,383,081	1,289,504

Some borrowing from other financial institutions agreements contains covenants requiring the use of the proceeds for specific purposes or projects.

At December 31, 2019 and 2018, there were unused term credit facilities amounting to US$ 1,234,403 and US$ 782,691, respectively.

(In thousands of U.S. dollars)

13. BONDS

An analysis of outstanding bonds follows:

	December 31, 2019			December 31, 2018		
	At original exchange rate	**At spot exchange rate**	**Weighted average cost, after swaps (%) (year-end)**	**At original exchange rate**	**At spot exchange rate**	**Weighted average cost, after swaps (%) (year-end)**
U.S. dollars	8,589,113	8,589,113	4.04	9,235,275	9,235,275	6.71
Euro	8,630,557	8,117,818	3.25	6,952,140	6,574,568	1.81
Swiss francs	2,465,597	2,425,181	2.58	2,465,629	2,388,454	2.60
Australian dollars	1,049,646	927,957	3.52	1,041,899	925,405	3.63
Hong Kong dollars	757,307	754,748	1.94	757,299	750,575	1.90
Norwegian kroner	622,500	476,536	3.31	622,500	481,895	3.26
Mexican pesos	306,312	278,897	3.30	254,725	219,228	3.64
Colombian pesos	266,562	231,219	3.14	283,283	241,991	2.38
Japanese yen	235,206	220,548	3.73	347,422	308,250	4.20
Uruguayan pesos	106,835	101,775	2.64	-	-	-
Indonesian Rupee	75,000	74,262	2.59	75,000	70,984	2.02
Brazilian Real	68,701	54,839	2.36	68,701	56,805	2.38
Turkish lira	64,483	32,279	2.62	64,467	36,425	3.63
Peruvian nuevos soles	53,378	53,353	2.25	53,378	52,476	4.44
South African rand	37,780	41,787	2.38	37,773	40,881	2.79
Indian Rupee	31,891	29,980	2.52	31,891	30,572	2.59
Canadian dollars	30,395	30,628	3.00	30,395	29,295	3.19
	23,391,263	22,440,920		22,321,777	21,443,079	
Fair value adjustments		734,512			195,441	
Less debt issuance costs		14,070			18,427	
Carrying value of bonds		23,161,362			21,620,093	

(In thousands of U.S. dollars)

A summary of the bonds issued, by remaining maturities at original exchange rate, follows:

	December 31, 2019	December 31, 2018
Less than one year	3,900,936	2,291,645
Between one and two years	3,134,707	3,906,435
Between two and three years	3,938,814	3,154,929
Between three and four years	3,255,194	2,685,947
Between four and five years	1,604,255	3,202,716
Over five years	7,557,357	7,080,105
	23,391,263	22,321,777

At December 31, 2019 and 2018, fixed interest rate bonds amounted to US$ 23,306,226 and US$ 22,229,968, respectively, of which US$ 14,815,856 and US$ 13,095,772, respectively, are denominated in currencies other than U.S. dollar.

There were no bonds repurchased during the years ended December 31, 2019 and 2018.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31, 2019	December 31, 2018
Derivative-related collateral	143,256	-
Employees' severance benefits and savings plan	89,078	82,273
Contributions to Stockholders´ Special Funds	53,577	36,872
Payable for investment securities purchased	18,244	-
Provision for contingencies	3,791	1,414
Other liabilities	10,037	3,069
	317,983	123,628

15. PENSION PLAN

At December 31, 2019 and 2018, the plan has 631 and 576 participants and active employees, respectively. The date used to determine pension plan benefit obligation is December 31, of each year.

(In thousands of U.S. dollars)

For the years ended December 31, 2019 and 2018, a reconciliation of beginning and ending balances of the benefit obligation follows:

	2019	**2018**
Change in benefit obligation:		
Benefit obligation at beginning of year	23,792	21,526
Service cost	2,729	2,518
Interest cost	945	850
Plan participants' contributions	1,985	1,812
Actuarial (gain) loss	(470)	(443)
Benefit paid	(1,642)	(2,471)
Benefit obligation at the end of year	27,339	23,792

For the years ended December 31, 2019 and 2018, a reconciliation of beginning and ending balances of the fair value of plan assets follows:

	2019	**2018**
Change in plan assets:		
Fair value of plan assets at beginning of year	24,154	21,509
Actual return on plan assets	1,035	987
Contributions	4,262	4,129
Benefit paid	(1,642)	(2,471)
Fair value of plan assets at end of year	27,809	24,154

Plan assets are as follows:

	December 31,	
	2019	**2018**
Plan assets:		
Marketable securities	27,809	24,154

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2019 and 2018:

	2019	**2018**
Service cost	2,729	2,518
Interest cost	945	850
Expected return on plan assets	(959)	(860)
	2,715	2,508

(In thousands of U.S. dollars)

A summary of the net projected cost for the year ending December 31, 2019 follows:

Service cost	
Contribution to the plan	2,102
Guaranteed benefit	830
	2,932
Interest cost	1,090
Expected return on plan assets	(1,109)
	2,913

A summary of the benefits that are expected to be paid for the next five years follows:

2020	161
2021	358
2022	468
2023	898
2024	899

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2019 and 2018 follows:

	2019	**2018**
Discount rate	4.00%	4.00%
Expected long-term nominal rate return on Plan assets	4.00%	4.00%
Salary increase rate	3.00%	3.00%

16. STOCKHOLDERS' EQUITY

Authorized capital

The authorized capital of CAF at December 31, 2019 and 2018 amounts to US$ 15,000,000, of which US$ 10,000,000 is ordinary capital shares and US$ 5,000,000 is callable capital shares, distributed among Series “A”, “B” and “C” shares.

Additional paid-in capital

The additional paid-in capital is the amount paid by Series “B” and Series “C” stockholders in excess of the par value. The additional paid-in capital of CAF at December 31, 2019 and 2018 amounts to US$ 3,988,884 and US$ 3,595,133, respectively.

(In thousands of U.S. dollars)

Subscribed callable capital

The payment of subscribed callable capital will be as required, with prior resolution of the Board of Directors, in order to meet financial obligations of CAF, when internal resources are inadequate.

Shares

CAF's shares are classified as follows:

(i) Series “A” shares: Subscribed by the governments or public-sector institutions, semipublic or private entities with social or public objectives of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. Series “A” shares grant the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the above countries. These shares have a par value of US$ 1,200.

(ii) Series “B” shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. Each of these shares grants the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the following countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. In addition, the commercial banks that currently hold Series “B” shares of CAF are entitled, as a group, to elect one principal director and one alternate director on the Board of Directors. Series “B” shares have a par value of US$ 5.

(iii) Series “C” shares: Subscribed by legal entities or individuals belonging to countries other than Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. These shares confer the right of representation on CAF´s Board of Directors to two principal directors and their respective alternates, who are elected by the holders of these shares. Series “C” shares have a par value of US$ 5.

A summary of the changes in subscribed and paid-in capital for the years ended December 31, 2019 and 2018 follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
At December 31, 2017	11	913,494	80,725	13,200	4,567,470	403,625	4,984,295
Issued for cash	-	32,717	3,768	-	163,585	18,840	182,425
At December 31, 2018	11	946,211	84,493	13,200	4,731,055	422,465	5,166,720
Issued for cash	-	31,804	10,995	-	159,020	54,975	213,995
At December 31, 2019	11	978,015	95,488	13,200	4,890,075	477,440	5,380,715

(In thousands of U.S. dollars)

Subscribed and paid-in capital at December 31, 2019 is as follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Stockholder:							
Argentina	1	106,629	-	1,200	533,145	-	534,345
Bolivia	1	57,492	-	1,200	287,460	-	288,660
Brazil	1	89,270	-	1,200	446,350	-	447,550
Colombia	1	183,421	-	1,200	917,105	-	918,305
Ecuador	1	57,813	-	1,200	289,065	-	290,265
Panama	1	32,925	-	1,200	164,625	-	165,825
Paraguay	1	32,445	-	1,200	162,225	-	163,425
Peru	1	189,820	-	1,200	949,100	-	950,300
Trinidad & Tobago	1	24,867	-	1,200	124,335	-	125,535
Uruguay	1	34,158	-	1,200	170,790	-	171,990
Venezuela	1	168,678	-	1,200	843,390	-	844,590
Barbados	-	-	3,522	-	-	17,610	17,610
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	11,038	-	-	55,190	55,190
Dominican Republic	-	-	9,675	-	-	48,375	48,375
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	15,367	-	-	76,835	76,835
Portugal	-	-	1,920	-	-	9,600	9,600
Spain	-	-	48,243	-	-	241,215	241,215
Commercial banks	-	497	-	-	2,485	-	2,485
	11	978,015	95,488	13,200	4,890,075	477,440	5,380,715

At December 31, 2019, the detail of unpaid subscribed capital and subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal Amount	Number of shares	Nomina l Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount
Stockholder:								
Argentina	24,895	124,475	-	-	25,200	126,000	-	-
Bolivia	7,302	36,510	-	-	14,400	72,000	-	-
Brazil	38,873	194,365	-	-	25,200	126,000	-	-
Colombia	32,980	164,900	-	-	50,400	252,000	-	-
Ecuador	7,302	36,510	-	-	14,400	72,000	-	-
Panama	7,302	36,510	-	-	7,200	36,000	-	-
Paraguay	7,302	36,510	-	-	7,200	36,000	-	-
Peru	27,015	135,075	-	-	50,400	252,000	-	-
Trinidad y Tobago	11,971	59,855	-	-	7,200	36,000	-	-
Uruguay	7,302	36,510	-	-	7,200	36,000	-	-
Venezuela	48,156	240,780	-	-	50,400	252,000	-	-
Barbados	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	881	4,405	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	3,696	18,480	-	-	40,000	200,000
Commercial banks	-	-	-	-	-	-	-	-
	220,400	1,102,000	4,577	22,885	259,200	1,296,000	58,732	293,660

(In thousands of U.S. dollars)

Subscribed and paid-in capital at December 31, 2018 is as follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Stockholder:							
Argentina	1	100,404	-	1,200	502,020	-	503,220
Bolivia	1	55,058	-	1,200	275,290	-	276,490
Brazil	1	89,270	-	1,200	446,350	-	447,550
Colombia	1	176,825	-	1,200	884,125	-	885,325
Ecuador	1	55,379	-	1,200	276,895	-	278,095
Panama	1	30,491	-	1,200	152,455	-	153,655
Paraguay	1	30,011	-	1,200	150,055	-	151,255
Peru	1	184,417	-	1,200	922,085	-	923,285
Trinidad & Tobago	1	23,457	-	1,200	117,285	-	118,485
Uruguay	1	31,724	-	1,200	158,620	-	159,820
Venezuela	1	168,678	-	1,200	843,390	-	844,590
Barbados	-	-	3,522	-	-	17,610	17,610
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	8,795	-	-	43,975	43,975
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	15,367	-	-	76,835	76,835
Portugal	-	-	1,770	-	-	8,850	8,850
Spain	-	-	46,025	-	-	230,125	230,125
Commercial banks	-	497	-	-	2,485	-	2,485
	11	946,211	84,493	13,200	4,731,055	422,465	5,166,720

At December 31, 2018, the detail of unpaid subscribed capital and of subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount
Stockholder:								
Argentina	31,120	155,600	-	-	25,200	126,000	-	-
Bolivia	9,736	48,680	-	-	14,400	72,000	-	-
Brazil	38,873	194,365	-	-	25,200	126,000	-	-
Colombia	39,576	197,880	-	-	50,400	252,000	-	-
Ecuador	9,736	48,680	-	-	14,400	72,000	-	-
Panama	9,736	48,680	-	-	7,200	36,000	-	-
Paraguay	9,736	48,680	-	-	7,200	36,000	-	-
Peru	32,418	162,090	-	-	50,400	252,000	-	-
Trinidad y Tobago	-	-	-	-	7,200	36,000	-	-
Uruguay	9,736	48,680	-	-	7,200	36,000	-	-
Venezuela	48,156	240,780	-	-	50,400	252,000	-	-
Barbados	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	1,761	8,805	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	150	750	-	-	16,332	81,660
Spain	-	-	5,914	29,570	-	-	40,000	200,000
Commercial banks	-	-	-	-	-	-	-	-
	238,823	1,194,115	7,825	39,125	259,200	1,296,000	58,732	293,660

General Reserve

CAF maintains a general reserve approved by the Stockholders' Assembly, which is considered an equity reserve. Stockholders approved the increase in the general reserve by US$ 201,177 and US$ 68,699 during the years ended December 31, 2019 and 2018, through appropriations from net income for the years ended December 31, 2018 and 2017, respectively.

Reserve Pursuant to Article N° 42 of the Constitutive Agreement

CAF's Constitutive Agreement states that at least 10% of annual net income should be appropriated into a reserve fund until that reserve fund amounts to 50% of the subscribed capital. That reserve fund is considered an equity reserve. Additional appropriation may be approved by the stockholders. The Stockholders' Assembly held in March 2019 and 2018, authorized an increase in the reserve fund for US$ 22,400 and US$ 7,700, through an appropriation from net income for the years ended December 31, 2018 and 2017, respectively.

17. TAX EXEMPTIONS

Pursuant to its Constitutive Agreement CAF is exempt, in all of its Member Countries, from all taxes on income, properties and other assets as well as from any liability related to the payment, withholding or collection of any taxes. The term "Member Country" is defined in Article 3 of CAF's General Regulations as any shareholder country holding at least one Series "A" share that, either is a signatory to the Constitutive Agreement or, being of Latin America or the Caribbean, has adhered to it. At December 2019, the Member Countries are Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

CAF has entered into bilateral agreements with its other shareholder countries providing for tax exemptions substantially similar to those granted to it by the Member Countries.

18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

CAF utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. CAF does not hold or issue derivative financial instruments for trading or speculative purposes.

The market risk associated with interest rate and foreign currency is managed by swapping marketable securities - trading, loans, borrowings from other financial institutions and bonds, subject to fixed interest rates and denominated in currency other than the U.S. dollar into floating interest rate instruments denominated in U.S. dollars. CAF enters into derivative financial instruments to offset the economic changes in value of specifically identified marketable securities – trading, loans, borrowings from other financial institutions and bonds.

Derivative financial instruments held by CAF consist of interest rate swaps designated as fair value hedges of specifically identified loans, bonds or borrowings from other financial institutions with fixed interest rates and denominated in U.S. dollars. Also, CAF enters into cross-currency and interest rate swaps as an economic hedge (derivative that is entered into to manage a risk but is not accounted as a hedge) for interest rate and foreign exchange risks related with marketable securities – trading, bonds, borrowings or loans denominated in currencies other than the U.S. dollar where CAF's management elected to measure those liabilities and assets at fair value under the fair value option guidance.

(In thousands of U.S. dollars)

When the fair value of a derivative financial instrument is positive, the counterparty owes CAF, creating credit risk for CAF. When the fair value of a derivative financial instrument is negative, CAF owes the counterparty and, therefore, it does not have credit risk. CAF minimizes the credit risk in derivative financial instruments by entering into transactions with high-quality counterparties whose credit rating is "A" or higher.

In order to reduce the credit risk in derivative financial instruments, CAF enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap contracts are regularly marked-to-market, and the party being the net obligor is required to post collateral when net mark to-market exposure exceeds certain predetermined thresholds. This collateral is in the form of cash.

CAF does not offset for each counterparty, the fair value amount recognized for derivative financial instruments with the fair value amount recognized for the collateral, whether posted or received, under master netting arrangements executed with the same counterparty. CAF reports separately the cumulative gross amounts for the receivable from and payable to for derivative financial instruments.

CAF also utilizes futures derivatives instruments to reduce exposure to price risk. These are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities. CAF generally closes out open positions prior to maturity. Therefore, cash receipts or payments are limited to the change in fair value of the future contracts. Additionally, CAF utilizes forward contracts to reduce exposure to foreign currency risk.

The balance sheet details related to CAF's derivative financial instruments are as follows:

	Derivative assets		**Derivative liabilities**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Cross-currency swap	297,080	152,018	625,962	733,232
Interest rate swap	127,020	31,978	15,642	134,624
U.S Treasury futures	2,156	657	84	8,696
Cross-currency forward contracts	4	152	1,037	232
	426,260	184,805	642,725	876,784

(In thousands of U.S. dollars)

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items:

	Notional amount		**Fair value**	
	Interest rate swap	**Cross-currency swap**	**Derivative assets**	**Derivative liabilities**
At December 31, 2019:				
Loans	134,189	-	589	5,317
Loans	-	863	94	-
Deposits	-	59,000	1,041	19
Borrowings from other financial institutions	-	94,083	-	1,580
Borrowings from other financial institutions	303,542	-	7,339	530
Bonds	-	14,809,015	295,945	624,363
Bonds	8,405,370	-	119,092	9,795
	8,843,101	14,962,961	424,100	641,604

	Notional amount		**Fair value**	
	Interest rate swap	**Cross-currency swap**	**Derivative assets**	**Derivative Liabilities**
At December 31, 2018:				
Loans	68,752	-	826	411
Loans	-	6,333	620	-
Borrowings from other financial institutions	-	108,097	89	-
Borrowings from other financial institutions	366,538	-	1,467	6,183
Bonds	-	13,095,772	151,309	733,232
Bonds	9,049,096	-	29,685	128,030
	9,484,386	13,210,202	183,996	867,856

(In thousands of U.S. dollars)

The following table presents the notional amount and fair values of U.S. treasury futures and cross-currency forward contracts:

At December 31, 2019

	Start Date	Termination date	Contract Currency	Notional amount	Fair value Derivative assets
Forward contracts	Various	Until March 2020	Various	8,576	4
Futures short	Various	Until March 2020	USD	1,428,200	2,156

	Start date	Termination date	Contract Currency	Notional amount	Fair value Derivative liabilities
Forward contracts	Various	Until March 2020	USD	81,269	(1,037)
Futures long	Various	Until March 2020	EUR	152,600	(84)

At December 31, 2018

	Start date	Termination date	Contract Currency	Notional amount	Fair value Derivative assets
Forward contracts	Various	Until March 2019	Various	15,603	152
Futures short	Various	Until March 2019	Various	103,600	657

	Start date	Termination date	Contract Currency	Notional amount	Fair value Derivative liabilities
Forward contracts	Various	Various	Various	24,572	(232)
Futures long	Various	Until March 2019	Various	1,336,600	(8,696)

The amounts of collateral posted related to futures at December 31, 2019 and 2018, was US$ 7,072 and US$ 13,690, respectively. At December 31, 2019 and 2018, the amount of collateral received related to futures was US$ 16 and US$ 0, respectively.

(In thousands of U.S. dollars)

CAF enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting arrangements with substantially all of its derivative counterparties. These legally enforceable master netting arrangements give CAF the right to take cash or liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty. The following tables present information about the effect of offsetting of derivative financial instruments, although CAF has elected not to offset any derivative financial instruments by counterparty in the balance sheet:

At December 31, 2019

Derivative assets

		Gross amounts not offset in the balance sheet		
Description	**Gross amounts of recognized assets**	**Financial instruments**	**Cash and securities collateral received**	**Net amount**
Swaps	424,100	(272,815)	(143,240)	8,045

Derivative liabilities

		Gross amounts not offset in the balance sheet		
Description	**Gross amounts of recognized liabilities**	**Financial instruments**	**Cash and securities collateral pledged**	**Net amount**
Swaps	(641,604)	272,815	513,627	144,838

At December 31, 2018

Derivative assets

		Gross amounts not offset in the balance sheet		
Description	**Gross amounts of recognized assets**	**Financial instruments**	**Cash and securities collateral received**	**Net amount**
Swaps	183,996	(183,974)	-	22

Derivative liabilities

		Gross amounts not offset in the balance sheet		
Description	**Gross amounts of recognized liabilities**	**Financial instruments**	**Cash and securities collateral pledged**	**Net amount**
Swaps	(867,856)	183,974	722,265	38,383

19. FAIR VALUE MEASUREMENTS

The following section describes the valuation methodologies used by CAF to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each financial instrument is classified. Where appropriate, the description includes details of the valuation methodologies and the key inputs to those methodologies.

When available, CAF generally uses quoted prices in active markets to determine fair value.

If quoted market prices in active markets are not available, fair value is based upon internally developed valuation methodologies that use, where possible, current market-based or independently sourced market inputs, such as interest rates, currency rates, etc.

Where available, CAF may also make use of quoted prices in active markets for recent trading activity in positions with the same or similar characteristics to the financial instrument being valued. The frequency and size of trading activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed quoted prices from those markets.

The following valuation methodologies are used to estimate the fair value and determine the classification in the fair value hierarchy of CAF's financial instruments:

- *Marketable securities:* CAF uses quoted prices in active markets to determine the fair value of trading securities. These securities are classified in Level 1 of the fair value hierarchy.

- *Loans:* The fair value of fixed rate loans, is determined using a discounted cash flow technique using the current variable interest rate for similar loans. These loans are classified in Level 2 of the fair value hierarchy.

- *Derivative assets and liabilities:* Derivative financial instruments transactions contracted and designated by CAF as hedges of risks related to interest rates, currency rates or both, for transactions recorded as financial assets or liabilities are also presented at fair value. In those cases the fair value is calculated using market prices provided by an independent financial information services company, which are determined based on discounted cash flows using observable inputs. Derivative assets and liabilities are classified in Level 2 of the fair value hierarchy.

- *Bonds, borrowings from other financial institutions and deposits:* For CAF's bonds issued and medium and long term borrowings, fair value is determined by using a discounted cash flow technique, taking into consideration benchmark interest yield curves at the end of the reporting period to discount the expected cash flows for the applicable maturity, thus reflecting market fluctuations of key variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Bonds, borrowings from other financial institutions and deposits are generally classified in Level 2 of the fair value hierarchy based on the observability of significant inputs to the discounted cash flow technique.

During the years ended December 31, 2019 and 2018, there were no transfers between levels 1, 2 and 3.

(In thousands of U.S. dollars)

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair value hierarchy levels CAF's financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2019 and 2018:

At December 31, 2019

	Level 1	Level 2	Level 3	Total
Assets:				
Marketable Securities:				
U.S. Treasury Notes	2,010,025	-	-	2,010,025
Non-U.S. governments and government entities bonds	350,440	-	-	350,440
Financial institutions and corporate securities:				
Commercial paper	3,100,115	-	-	3,100,115
Certificate of deposits	2,201,939	-	-	2,201,939
Bonds	2,045,486	-	-	2,045,486
Collateralized mortgage obligation	343,745	-	-	343,745
Liquidity funds	306,055	-	-	306,055
	7,997,340	-	-	7,997,340
Sub-total financial assets at fair value	10,357,805	-	-	10,357,805
Loans	-	139,768	-	139,768
Derivative instruments:				
Cross-currency swap	-	297,080	-	297,080
Interest rate swap	-	127,020	-	127,020
U.S Treasury futures	-	2,156	-	2,156
Cross-currency forward contracts	-	4	-	4
	-	426,260	-	426,260
Total financial assets at fair value	10,357,805	566,028	-	10,923,833
Liabilities:				
Deposits	-	60,594	-	60,594
Borrowings from other financial institutions	-	403,912	-	403,912
Bonds	-	22,998,554	-	22,998,554
Derivative instruments:				
Cross-currency swap	-	625,962	-	625,962
Interest rate swap	-	15,642	-	15,642
U.S Treasury futures	-	84	-	84
Cross-currency forward contracts	-	1,037	-	1,037
	-	642,725	-	642,725
Total financial liabilities at fair value	-	24,105,785	-	24,105,785

(In thousands of U.S. dollars)

At December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,799,690	-	-	1,799,690
Non-U.S. governments and government entities bonds	243,581	-	-	243,581
Financial institutions and corporate securities:				
Commercial paper	3,371,479	-	-	3,371,479
Certificate of deposits	1,707,010	-	-	1,707,010
Bonds	1,856,325	-	-	1,856,325
Collateralized mortgage obligation	352,643	-	-	352,643
Liquidity funds	324,228	-	-	324,228
	7,611,685	-	-	7,611,685
Sub-total financial assets at fair value	9,654,956	-	-	9,654,956
Loans	-	74,402	-	74,402
Derivative instruments:				
Cross-currency swap	-	152,018	-	152,018
Interest rate swap	-	31,978	-	31,978
U.S Treasury futures	-	657	-	657
Cross-currency forward contracts	-	152	-	152
	-	184,805	-	184,805
Total financial assets at fair value	9,654,956	259,207	-	9,914,163
Liabilities:				
Borrowings from other financial institutions	-	470,220	-	470,220
Bonds	-	21,461,610	-	21,461,610
Derivative instruments:				
Cross-currency swap	-	733,232	-	733,232
Interest rate swap	-	134,624	-	134,624
U.S Treasury futures	-	8,696	-	8,696
Cross-currency forward contracts	-	232	-	232
	-	876,784	-	876,784
Total financial liabilities at fair value	-	22,808,614	-	22,808,614

(In thousands of U.S. dollars)

Items that are not measured at fair value

The carrying amount and estimated fair values of CAF's financial instruments that are not recognized in the balance sheets at fair value are as follows:

		December 31, 2019		December 31, 2018	
	Hierarchy Levels	**Carrying amount**	**Estimated fair value**	**Carrying amount**	**Estimated fair value**
Financial assets:					
Cash and due from banks	1	103,593	103,593	127,355	127,355
Deposits with banks	1	2,417,476	2,417,476	2,594,312	2,594,312
Other investments	1	996,917	996,917	658,750	658,750
Loans, net	2	26,178,502	26,201,605	24,869,314	24,871,974
Accrued interest and commissions receivable	2	531,793	531,793	523,098	523,098
Derivate related collateral	1	520,699	520,699	735,955	735,955
Receivable from investment securities sold	1	12,625	12,625	-	-
Financial liabilities:					
Deposits	2	2,537,837	2,537,837	3,210,545	3,210,545
Commercial paper	2	908,133	908,133	641,295	641,295
Borrowings from other financial institutions, net	2	986,306	996,925	814,049	817,727
Bonds, net	2	162,808	174,925	158,483	159,131
Accrued interest payable	2	403,560	403,560	394,233	394,233
Derivate related collateral	1	143,256	143,256	-	-
Payable for investment securities purchased	1	18,244	18,244	-	-

The following methods and assumptions were used to estimate the fair value of those financial instruments not accounted for at fair value:

- *Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits, commercial paper, accrued interest payable, derivate related collateral, receivable from investment securities sold and payable for investment securities purchased:* The carrying amounts approximate fair value because of the short maturity of these instruments.

- *Loans:* CAF is one of the few institutions that grant loans for development projects in the stockholder countries. A secondary market does not exist for the type of loans granted by CAF. As rates on variable rate loans are reset on a semiannual basis, the carrying value, adjusted for credit risk, was determined to be the best estimate of fair value. The fair value of fixed rate loans is determined by using the current variable interest rate for similar loans. The fair value of impaired loans is estimated on the basis of discounted cash flows.

- *Equity investments:* The direct investments in equity securities of companies without a readily determinable fair value are measured at cost, less impairment plus or minus observable price changes of an identical or similar instrument of the same issuer. At December 2019 and 2018, the carrying amount of those investments amounted to US$ 72,821 and US$ 57,983, respectively, and the effects of impairment and the changes in observable prices for year ended December 31, 2019 amounted to US$ 2,874. For the year ended December 31, 2018, there were of impairment. In addition, at December 2019 and 2018, investments in funds without a readily determinable fair value, with carrying amount of US$ 363,680 and US$ 378,174, respectively, are accounted for at fair value applying the practical expedient, using the net asset value per share.

(In thousands of U.S. dollars)

- *Bonds and borrowings from other financial institutions:* For CAF's bonds issued and medium and long term borrowings, fair value is determined using a discounted cash flow technique, taking into consideration yield curves to discount the expected cash flows for the applicable maturity, thus reflecting the fluctuation of variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Those financial instrument are generally classified in Level 2 of the fair value hierarchy based on the observability of significant inputs to the valuation methodology.

During the years ended December 31, 2019 and 2018, there were no transfers between levels 1, 2 and 3.

20. (LOSSES) GAIN ON CHANGES IN FAIR VALUE RELATED TO FINANCIAL INSTRUMENTS

The (losses) gain on changes in fair value of marketable securities - trading, cross-currency swaps and financial liabilities carried at fair value under the fair value option are as follows:

	Year ended December 31, 2019		
	Gain (loss) on derivatives	**Gain (loss) on hedged item**	**Net Gain (loss)**
Cross-currency swaps:			
Bonds	253,505	(259,786)	(6,281)
Deposits	1,022	(1,594)	(572)
Loans	(525)	256	(269)
Borrowings from other financial institutions	(1,669)	824	(845)
	252,333	(260,300)	(7,967)

	Year ended December 31, 2018		
	Gain (loss) on derivatives	**Gain (loss) on hedged item**	**Net Gain (loss)**
Cross-currency swaps:			
Marketable securities - trading	268	(664)	(396)
Bonds	(610,626)	609,740	(886)
Loans	826	2,503	3,329
Borrowings from other financial institutions	(8,800)	7,165	(1,635)
	(618,332)	618,744	412

In addition, during the year ended December 31, 2019 and 2018, CAF recorded net gains of US$ 2,694 and US$ 92, respectively, related to changes in fair value of futures and forwards and changes in fair value of the U.S. Treasury Notes.

(In thousands of U.S. dollars)

21. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31, 2019	**December 31, 2018**
Loan commitments subscribed – eligible	5,606,684	4,884,248
Lines of credit	2,579,633	4,014,161
Loan commitments subscribed – non eligible	2,362,122	1,822,170
Guarantees	150,148	165,294
Equity investments agreements subscribed	110,215	133,582
Letters of credit	-	1,168

These commitments and contingencies arose from the normal course of CAF's business and are related principally to loans that have been approved or committed for disbursement.

In the ordinary course of business, CAF has entered into commitments to extend loans; such loan commitments are reported in the above table upon signing the corresponding loan agreement and are reported as loans in the balance sheets when disbursements are made. Loan commitments that have fulfilled the necessary requirements for disbursement are classified as eligible.

The commitments to extend loans have fixed expiration dates and in some cases expire without a loan being disbursed. Therefore, the amounts of total commitment to extend loans do not necessarily represent future cash requirements. Also, based on experience, portions of the loan commitments are disbursed on average two years after the signing of the loan agreement.

The lines of credit are extended to financial and corporate institutions as a facility to grant short term loans basically to finance working capital and international trade activities.

Guarantees mature as follows:

	December 31, 2019	**December 31, 2018**
Less than one year	6,524	21,670
Between one and five years	34,649	34,649
Over five years	108,975	108,975
	150,148	165,294

To the best knowledge of CAF’s management, CAF is not involved in any litigation that is material to CAF’s business or that is likely to have any impact on its business, financial condition or results of operations.

(In thousands of U.S. dollars)

22. ADMINISTRATIVE EXPENSES

For year ended December 31, 2019 and 2018, the details of administrative expenses are as follows:

	2019	2018
Salaries and employee benefits	102,119	106,405
Professional fees, seminars and other expenses	19,934	20,394
Logistics and infrastructure	18,040	17,423
Telecommunications and technology	14,714	14,066
	154,807	158,288

23. SPECIAL FUNDS AND OTHER FUNDS UNDER MANAGEMENT

CAF, as a multilateral financial institution, acts as administrator of several funds owned by third-parties and CAF's stockholders' special funds, created to promote technical and financial cooperation, sustainable human development, and management of poverty relief funds in stockholder countries.

The stockholders' special funds contribute to regional integration and sustainable development through capacity building, increased domestic and international exchanges, generation and use of knowledge, as well as training human resources and fortifying institutions. The stockholders' special funds are governed by the provisions of the Constitutive Agreement and any other provisions that may be established by the Board of Directors.

The Stockholders' Assembly of CAF approves a maximum amount to be contributed to stockholders' special funds during the fiscal year and to recognize these contributions as expenses. The Executive President by delegation of the Stockholders' Assembly of CAF may authorize, up to the maximum approved amount, the amounts that will be contributed during the current period, based on the analysis of the new commitments contracted or the resources required by the stockholders' special funds.

The resources of the stockholders' special funds, that come from a contribution by CAF, are completely independent from the resources of CAF and are thus so maintained, accounted for, presented, utilized, invested, committed and otherwise disposed of. With regard to the use of the stockholders' special funds, the financial responsibility of CAF, as administrator, is limited to the net assets of each of the constituted stockholders' special funds. CAF has no residual interest in the net assets of the stockholders' special funds.

In March 2019, the Stockholders' Assembly of CAF approved the contribution up to a maximum amount of US$ 130,000 to some stockholders' special funds for 2019. Subsequently, during the year ended December 31, 2019, the Executive President directly or by delegation, based on the analysis of the new commitments contracted or the resources required by the stockholders´ special funds, authorized the contributions of US$ 100,000 and US$ 29,226 to Compensatory Financial Fund (FFC) and Technical Cooperation Fund (FCT), respectively. For the year ended December 31, 2019, CAF recognized US$ 129,226 as an expense and, at December 31, 2019 recognized an unconditional obligation (accounts payable) for US$ 53,577 which was paid in January 2020.

(In thousands of U.S. dollars)

In March 2018, the Stockholders' Assembly of CAF approved the contribution up to a maximum amount of US$ 92,000 to some stockholders’ special funds for the year ended December 31, 2018. Subsequently, during the year ended December 31, 2018, the Executive President directly or by delegation, based on the analysis of the new commitments contracted or the resources required by the stockholders´ special funds, authorized the contributions of US$ 70,000, US$ 16,743, and US$ 1,087 to FFC, FCT, and Human Development Fund (FONDESHU), respectively. For the year ended December 31, 2018, CAF recognized US$ 87,830 as an expense and, at December 31, 2018 recognized an unconditional obligation (accounts payable) for US$ 36,872 which was paid in January 2019.

At December 31, 2019 and 2018, managed funds assets are US$ 483,271 and US$ 428,787, respectively. The balances of these funds are as follows:

	December 31, 2019	December 31, 2018
FFC[1]	284,198	255,999
Fund for the Development of Small and Medium Enterprises (FIDE)	64,495	61,430
FCT	69,148	48,248
FONDESHU	7,827	8,875
Others non related with stockholders' special funds	57,603	54,235
	483,271	428,787

(1) FFC was created by CAF’s stockholders for the purpose of compensating a portion of the interest costs of certain loans granted by CAF to finance economic and social infrastructure projects. For year ended December 31, 2019 and 2018, FFC compensated interest amounting to US$ 78,155 and US$ 83,932, respectively, which amounts are included in interest income – loans in the statements of comprehensive income.

24. SEGMENT REPORTING

Management has determined that CAF has only one operating and reportable segment since it does not manage its operations by allocating resources based on a determination of the contributions to net income of individual operations. CAF does not differentiate on the basis of the nature of the products or services provided the preparation process, or the method for providing services among individual countries.

(In thousands of U.S. dollars)

For year ended December 31, 2019 and 2018, loans made to or guaranteed by five countries individually generated in excess, of 10% of interest income on loans, as follows:

	2019	**2018**
Argentina	175,759	150,099
Ecuador	168,032	149,204
Venezuela	165,565	146,693
Bolivia	124,678	112,655
Colombia	121,240	-
	755,274	558,651

25. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2020, the date of issue of these financial statements. As a result of this evaluation, management has determined that there are no subsequent events that require a disclosure in these financial statements for year ended December 31, 2019, except for:

- On January 2, 2020, CAF issued bonds for UYU 20.74 million, 3.76% due 2039, under its Uruguay Local Debt Programme.

- On January 2, 2020, CAF issued bonds for US$ 120 million, 2.00% due 2023, under its Medium Term Notes Programme.

- On January 30, 2020, CAF issued bonds for UYU 6.55 million, 3.78% due 2038, under its Uruguay Local Debt Programme.

www.deloitte.com.ve

Lara Marambio & Asociados
J-00327665-0
Torre B.O.D., Piso 21
Avenida Blandín, La Castellana
Caracas
Miranda - 1060
Venezuela

Telf.:+58(212) 206 8501
Fax: +58(212) 206 8540
www.deloitte.com/ve

Member of Deloitte Touche Tomaht