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Corporación Andina de Fomento (CAF)

Financial Statements
As of and for the years ended
December 31, 2013 and 2012

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Contents

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

The Management of Corporación Andina de Fomento (CAF) is responsible for establishing and maintaining effective internal control over financial reporting in CAF. Management has evaluated CAF's internal control over financial reporting as of December 31, 2013, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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

Management has assessed the effectiveness of CAF's internal control over financial reporting as of December 31, 2013. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2013.

There are inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the deception or overriding of controls. Accordingly, even an effective internal control can provide only reasonable assurance with respect to financial statement preparation. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

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CAF's financial statements as of December 31, 2013, have been audited by an independent accounting firm, which has also issued an attestation report on management's assertion on the effectiveness of CAF's internal control over financial reporting. The attestation report, which is included in this document, expresses an unmodified opinion on management's assertion on the effectiveness of CAF's internal control over financial reporting as of December 31, 2013.

L. Enrique García
Executive President
and Chief Executive Officer

Hugo Sarmiento K.
Corporate Vice President,
Chief Financial Officer

Marcos Subía G.
Director, Accounting and Budget

January 31, 2014

Lara Marambio & Asociados
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Independent Auditors' Report on Management's Assertion on Effectiveness of Internal Control over Financial Reporting

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

We have audited management's assertion, included in the accompanying *Management's Report on the Effectiveness of Internal Control Over Financial Reporting*, that **Corporación Andina de Fomento (CAF)** maintained effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO*). CAF's management is responsible for maintaining effective internal control over financial reporting and for its assertion of the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on the Effectiveness of Internal Control Over Financial Reporting.* Our responsibility is to express an opinion on management's assertion based on our audit.

We conducted our audit in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected and corrected on a timely basis. Also, projections of any evaluation of effectiveness of the internal control over financial reporting 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.

In our opinion, management's assertion that CAF maintained effective internal control over financial reporting as of December 31, 2013 is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements as of and for the year ended December 31, 2013 of CAF and our report dated January 31, 2014 expressed an unmodified opinion on those financial statements.

Deloitte.

January 31, 2014

Caracas - Venezuela

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Independent Auditors' Report

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, 2013 and 2012, 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 **Corporación Andina de Fomento (CAF)** as of December 31, 2013 and 2012, 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 Management's Assertion on Effectiveness of Internal Control over Financial Reporting

We have also audited, in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion that CAF maintained effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and our report dated January 31, 2014 expressed an unmodified opinion on the Management's assertion on effectiveness of internal control over financial reporting.

Deloitte.

January 31, 2014

Caracas - Venezuela

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Balance Sheets
December 31, 2013 and 2012
(In thousands of U.S. dollars)

	NOTES	2013	2012
ASSETS			
Cash and due from banks	**2**	230,051	141,720
Deposits with banks	**2**	1,462,208	1,490,049
Cash and deposits with banks		1,692,259	1,631,769
Marketable securities:			
Trading	**4 and 19**	5,831,244	5,453,137
Other investments	**3**	781,219	100,910
Loans (US$ 48,358 and US$ 72,354 at fair value as of December 31, 2013 and 2012)	**5 and 19**	18,003,271	16,355,410
Less loan commissions, net of origination costs		80,373	76,837
Less allowance for loan losses	**5**	38,336	125,799
Loans, net		17,884,562	16,152,774
Accrued interest and commissions receivable		242,153	216,323
Equity investments	**6**	228,385	146,811
Derivative financial instruments	**18 and 19**	417,658	772,448
Property and equipment, net	**7**	66,909	62,667
Other assets	**8**	273,931	281,496
TOTAL		27,418,320	24,818,335
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits	**9**	3,263,674	3,121,843
Commercial paper	**10**	2,936,496	3,174,927
Borrowings (US$ 495,947 and US$ 341,553 at fair value as of December 31, 2013 and 2012)	**11 and 19**	1,628,863	1,391,093
Bonds (US$ 10,659,931 and US$ 9,595,784 at fair value as of December 31, 2013 and 2012)	**12 and 19**	11,192,501	9,742,852
Accrued interest payable		200,013	180,597
Derivative financial instruments	**18 and 19**	182,824	60,067
Accrued expenses and other liabilities	**13**	197,400	281,894
Total liabilities		19,601,771	17,953,273
STOCKHOLDERS' EQUITY:	**15**		
Subscribed and paid-in capital (authorized capital US$10,000 million)		3,941,380	3,636,715
Additional paid-in capital		1,342,903	782,523
Reserves		2,325,826	2,285,655
Other comprehensive income		(317)	-
Retained earnings		206,757	160,169
Total stockholders' equity		7,816,549	6,865,062
TOTAL		27,418,320	24,818,335

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Comprehensive Income
Years ended December 31, 2013 and 2012
(In thousands of U.S. dollars)

	NOTES	2013	2012
Interest income:			
Investments and deposits with banks	**1(f), 2 and 3**	22,364	52,315
Loans	**1(g)**	446,609	440,957
Loan commissions	**1(g)**	39,274	26,867
Total interest income		508,247	520,139
Interest expense:			
Deposits		16,607	23,027
Commercial papers		18,096	12,183
Borrowings		18,856	17,354
Bonds		227,479	214,976
Commissions		16,255	14,148
Total interest expense		297,293	281,688
Net interest income		210,954	238,451
Credit to allowance for loan losses	**5**	(83,417)	(4,865)
Net interest income, after credit to allowance for loan losses		294,371	243,316
Non-interest income:			
Other commissions		7,415	6,150
Dividends and equity in earnings of investees	**6**	4,801	2,649
Other income		3,687	482
Total non-interest income		15,903	9,281
Non-interest expenses:			
Administrative expenses	**23**	103,997	90,988
Other expenses		1,649	863
Total non-interest expenses		105,646	91,851
Net income before unrealized changes in fair value related to financial instruments		204,628	160,746
Unrealized changes in fair value related to financial instruments	**21**	2,129	(577)
Net income		206,757	160,169
Other comprehensive income			
Unrecognized actuarial loss	**14**	(317)	-
Total comprehensive income		206,440	160,169

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Stockholders' Equity
Years ended December 31, 2013 and 2012
(In thousands of U.S. dollars)

	NOTES	Subscribed and paid-in capital	Additional paid-in capital	Reserves: General reserve	Reserves: Article N° 42 of by-laws	Reserves: Total reserves	Other comprehensive income	Retained earnings	Total stockholders' equity
BALANCES AT DECEMBER 31, 2011		3,229,365	739,733	1,830,742	398,834	2,229,576	-	152,579	6,351,253
Capital increase	15	159,030	291,110	-	-	-	-	-	450,140
Capitalization of Additional paid - in capital	15	248,320	(248,320)	-	-	-	-	-	-
Net income	15	-	-	-	-	-	-	160,169	160,169
Appropriated for general reserve	15	-	-	40,779	-	40,779	-	(40,779)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	15	-	-	-	15,300	15,300	-	(15,300)	-
Distributions to stockholders' special funds	16	-	-	-	-	-	-	(96,500)	(96,500)
BALANCES AT DECEMBER 31, 2012		3,636,715	782,523	1,871,521	414,134	2,285,655	-	160,169	6,865,062
Capital increase	15	304,665	560,380	-	-	-	-	-	865,045
Net income	15	-	-	-	-	-	-	206,757	206,757
Appropriated for general reserve	15	-	-	24,071	-	24,071	-	(24,071)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	15	-	-	-	16,100	16,100	-	(16,100)	-
Other comprehensive income	14	-	-	-	-	-	(317)	-	(317)
Distributions to stockholders' special funds	16	-	-	-	-	-	-	(119,998)	(119,998)
BALANCES AT DECEMBER 31, 2013		3,941,380	1,342,903	1,895,592	430,234	2,325,826	(317)	206,757	7,816,549

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows
Years ended December 31, 2013 and 2012
(In thousands of U.S. dollars)

	NOTES	2013	2012
OPERATING ACTIVITIES:			
Net income		206,757	160,169
Adjustments to reconcile net income to net cash used in operating activities:			
Unrealized gain on trading securities	**4**	(5,025)	(11,320)
Amortization of loan commissions, net of origination costs		(12,413)	(10,677)
Credit to allowance for loan losses	**5**	(83,417)	(4,865)
Equity in earnings of investees		244	1,067
Amortization of deferred charges		2,900	2,799
Depreciation of property and equipment	**7**	5,554	3,924
Provision for employees' severance indemnities and benefits		8,339	7,745
Provision for employees' savings plan		1,281	1,286
Unrealized changes in fair value related to financial instruments		(2,129)	577
Net changes in operating assets and liabilities:			
Severance indemnities paid or advanced		(4,869)	(5,013)
Employees' savings plan paid or advanced		(113)	(379)
Trading securities, net	**4**	(373,082)	(1,681,492)
Interest and commissions receivable		(25,830)	(20,007)
Other assets		4,421	(33,824)
Accrued interest payable		19,416	17,036
Accrued expenses and other liabilities		(89,449)	8,894
Total adjustments and net changes in operating assets and liabilities		(554,172)	(1,724,249)
Net cash used in operating activities		(347,415)	(1,564,080)
INVESTING ACTIVITIES:			
Purchases of other investments	**3**	(1,132,019)	(236,168)
Maturities of other investments	**3**	451,710	230,469
Loan origination and principal collections, net	**5**	(1,638,784)	(1,364,921)
Equity investments, net	**6**	(81,818)	(35,989)
Purchases of property and equipment	**7**	(9,796)	(19,889)
Net cash used in investing activities		(2,410,707)	(1,426,498)
Carried forward,		(2,758,122)	(2,990,578)

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows
Years ended December 31, 2013 and 2012
(In thousands of U.S. dollars)

	NOTES	2013	2012
Brought forward,		(2,758,122)	(2,990,578)
FINANCING ACTIVITIES:			
Net increase (decrease) in deposits		141,831	(550,220)
Net (decrease) increase in commercial paper		(238,431)	1,197,877
Proceeds from issuance of bonds	**12**	2,716,572	2,337,449
Repayment of bonds	**12**	(796,450)	(768,355)
Proceeds from borrowings	**11**	376,961	384,795
Repayment of borrowings	**11**	(126,918)	(133,521)
Distributions to stockholders' special funds	**16**	(119,998)	(96,500)
Proceeds from issuance of shares	**15**	865,045	450,140
Net cash provided by financing activities		2,818,612	2,821,665
NET INCREASE (DECREASE) IN CASH AND DEPOSITS WITH BANKS		60,490	(168,913)
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF YEAR		1,631,769	1,800,682
CASH AND DEPOSITS WITH BANKS AT END OF YEAR		1,692,259	1,631,769
Supplemental disclosure:			
Interest paid during the year		269,543	239,221
NONCASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		(354,790)	69,184
Changes in derivative financial instruments liabilities		122,757	(33,802)

See accompanying notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

a. ***Description of Business* –** 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 by-laws. Series “A” and “B” stockholder countries are: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Series “C” stockholder countries are: Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal, Spain and Trinidad and Tobago. In addition, there are 14 banks which are Series “B” stockholders. CAF is headquartered in Caracas and has offices in Asuncion, Bogota, Brasilia, Buenos Aires, Ciudad de Mexico, Ciudad de Panama, La Paz, Lima, Madrid, Montevideo, Puerto Principe and Quito.

CAF’s objective is to support sustainable development and economic integration within Latin America and the Caribbean by helping stockholder countries diversify their economies, and become more competitive and responsive to social needs.

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 of other countries and organizations, destined to finance programs agreed upon with donor organizations which are in line with CAF policies and strategies.

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

b. ***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.

Certain amounts in the 2012 financial statements have been reclassified to conform to the current year´s presentation.

c. ***Use of estimates* –** The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of 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 with the preparation of CAF’s financial statements refer to revenue recognition, valuation and classification at fair values of financial instruments, and estimating the allowance for loan losses, among others. Management believes these estimates are adequate. Actual results could differ from those estimates.

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

e. ***Cash and Cash Equivalents*** **–** Cash and cash equivalents are defined as cash, due from banks and short-term deposits with an original maturity of three months or less.

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

g. ***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 portfolio into sovereign and non-sovereign.

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

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

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 loan commissions in the statement of comprehensive income.

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

Interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income. The interest on these 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 payments 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 confirmed the uncollectibility 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 one country or specific economic group, which might be affected by market situations or other circumstances. For this reason, CAF uses certain measurement parameters, such as: CAF's stockholders' equity, total loan portfolio, economic groups from public and private sectors, among others. CAF reviews, on semi- annual basis, the credit risk rating of its loans and classifies the risk into the following categories:

Satisfactory-excellent – Extremely strong capacity to meet financial commitments.

Satisfactory-very good – Strong capacity to meet financial commitments, not significant vulnerable to adverse economic conditions.

Satisfactory appropriate – Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.

Watch – Less vulnerable in the near-term but faces major ongoing uncertainties to adverse economic conditions.

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

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

Doubtful – Currently highly vulnerable.

Loss – Payment default on financial commitments.

h. ***Allowance for Loan Losses –*** Allowance for loan losses is maintained at a level CAF believes to be adequate to absorb probable losses inherent in the loan portfolio as of 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, beginning December 31, 2013, loss given default, based on external data provided by risk rating agencies, recognizing such effects in profit or loss for the period.

Allowance for loan losses of sovereign loan is established by CAF based on the individual long-term foreign currency debt rating of the borrower countries considering the average rating of three recognized international risk rating agencies as of the date of the financial statements preparation. The country risk rating considers a default probability. Given CAF's status as a preferred creditor and taking into account the immunities and privileges conferred by its shareholder countries, which are established in CAF's by-laws and other similar agreements, a factor reflecting a lower default probability – usually equivalent to three levels above its risk rating– is used.

Regarding the non-sovereign loan portfolio, the allowance for loan losses is based on the individual local currency debt rating of the borrower countries considering the average rating of the aforementioned agencies. As of December 31, 2013, by virtue of the change in the determination of the allowance for loan losses, the allowance for loan losses is calculated by considering the internal rating of each borrower, using the probability of default corresponding to the average of the equivalent categories of the risk rating agencies.

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

A specific allowance for loan losses is established by CAF for impaired loans. A loan is considered as impaired when, based on currently available information and events, there exists the probability 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. The allowance for loan losses is reported as a deduction from loans.

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 their participation in the securities markets and to serve as a catalytic agent in attracting resources to stockholder countries.

Equity investments are accounted for using the equity method or at cost. 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 the Company's 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.

Investments representing less than 20% of the voting rights of the investee are recorded using the cost method, recognizing any dividends received as income. A decline in the value of any equity investment accounted at cost that is not deemed to be temporary, results in a reduction in the carrying amount to fair value. These investments are evaluated, any impairment is charged to income and a new cost basis for the investment is established.

The equity investments do not have readily determinable fair values.

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 assets in conformity with their estimated useful life are as follows:

Buildings	30 years
Buildings 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 include deferred charges, intangible assets and collateral.

Deferred costs capital investment – Include projects which are in progress. Once they are completed and in place, the total amount invested is capitalized. The depreciation or amortization starts applying the current policy applicable for each asset category.

Deferred costs finance – Include up-front costs and fees related to bonds and borrowings denominated in US$ that are deferred and amortized during their life time.

Intangible assets – Which are reported at cost less accumulated amortization, are also included. 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.

Collateral – CAF requires or posts collateral from or to individual swap counterparties in the form of approved liquid securities or cash to mitigate its credit exposure to these counterparties. It is the policy of CAF to restrict and invest collateral received from swap counterparties for fulfilling its obligations under the collateral agreement. CAF records the restricted and invested cash in other assets with a corresponding obligation to return the cash in accrued expenses and other liabilities. Collateral posted to swap counterparties, under the collateral agreement, is recorded in other assets.

l. ***Impairment –*** A financial asset 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 the asset.

m. ***Deposits and Commercial Papers –*** Deposits and commercial papers are recorded at amortized cost.

n. ***Borrowings –*** The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are commonly recorded at amortized cost, except for some borrowings that are hedged using interest rate swaps as an economic hedge.

o. ***Bonds –*** Medium and long-term debt issuances, whose objective is to provide the financial resources required to finance CAF's operations, are registered as follows:

- Bonds denominated in other 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 up-front costs and fees are recognized in the statement of comprehensive income, when they occur. CAF enters into cross-currency and interest rate swaps as an economic hedge for interest rate and foreign exchange risks related with these bonds.

- Bonds denominated in US$ are hedged for interest rate risk using interest rate swaps, and are designated as part of fair value hedge accounting relationships assuming no hedge ineffectiveness (the "shortcut method"). The related up-front costs and fees are deferred and amortized during their life time.

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

p. ***Employees' Severance Indemnities –*** Accrual for severance benefits comprises all the liabilities related to the workers' vested rights according to CAF's employee policies and the Labor Law of the member countries, when applicable. The accrual for employee severance indemnities is presented as part of "labor benefits" account under "other liabilities" caption.

Under CAF's employee policies, employees earn a severance indemnity 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 and interest on the amounts owed to employees are paid.

In the case of unjustified dismissal or involuntary termination, employees have the right to an additional indemnity of one-month salary per year of service up to a maximum of 150 days.

q. ***Pension Plan –*** In March 2005, CAF established a pension plan (the Plan), which is mandatory for all new employees as of the date of implementation 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.

r. ***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. On the date the derivative contract is entered into, for which hedge accounting should apply, CAF designates the derivative financial instrument as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"). CAF formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking the derivative financial instrument that are designated as fair-value to specific assets and liabilities on the balance sheet, or to specific firm commitments or forecasted transactions, 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.

Changes in the fair value of a highly effective derivate financial instrument designated and qualified as a fair-value hedge, along with the loss or gain on the hedged asset or liability, or unrecognized firm commitment of the hedged item attributable to the hedged risk, are recorded in comprehensive income statement.

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 sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, CAF continues to carry the derivative financial instrument on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet and recognizes any gain or loss in income. In all situations in which hedge accounting is discontinued, CAF continues to carry the derivative financial instrument at its fair value on the balance sheet, and recognizes any changes in its fair value in comprehensive income statement.

s. ***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.

t. ***Guarantees*** **–** CAF provides guarantees for 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.

u. ***Provision for guarantees losses –*** Provision for guarantees is maintained at a level CAF believes adequate to absorb probable losses inherent to the guarantees portfolio as of the date of the financial statements, classifying them into sovereign and non-sovereign. Provision for guarantees is estimated by CAF considering the credit risk exposure, default probability and, effective December 31, 2013, loss given default. Provision for sovereign guarantees losses is based on the individual long-term foreign currency debt rating of the guarantor countries considering the weighted average rating of three recognized international risk rating agencies as of the date of the financial statements preparation. These country risk ratings have associated default probability. Given CAF's status as a preferred creditor and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF's by-laws and other similar agreements, a factor that reflects a lower default probability – usually equivalent to three levels up in this average rating –. For non- sovereign guarantees, effective December 31, 2013, the provision is determined by considering the internal rating of each client and the average rating of the aforementioned agencies.

The provision for credit risks on contingent accounts, such as stand-by letters of credit and guarantees, are reported as other liabilities.

v. ***Recently adopted accounting pronouncements –***

In December 2011, the FASB issued ASU 2011-11, Balance Sheet: Disclosures about Offsetting Assets and Liabilities. This ASU requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards ("IFRS"). The amended guidance is effective for annual reporting periods beginning on or after January 1, 2013, without significant impacts on financial statements.

Subsequently, in January 2013, the FASB issued the ASU 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments clarify that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amended guidance is effective for annual reporting periods beginning on or after January 1, 2013, and the entity should provide the required disclosures retrospectively for all comparative periods presented.

w. ***Recent Accounting Pronouncements Applicable –***

ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in this Update supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 (issued in June 2011) and 2011-12 (issued in December 2011) for all public and private organizations. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amended guidance is effective prospectively for reporting periods beginning after December 15, 2013. This ASU will be adopted in 2014 fiscal year, if applicable.

ASU 2013-04, Liabilities (Topic 405): Obligations Arising from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date

In February 2013, the FASB issued ASU 2013-04, Liabilities (Topic 405): Obligations Arising from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. The amendments in this ASU require an entity to measure joint and several obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The amendments in this guidance are effective for fiscal years beginning after December 15, 2014. CAF is currently evaluating the effects of adopting this ASU.

ASU 2013-12, Definition of a Public Business: An addition to the Master Glossary

In February 2013, the FASB issued ASU 2013-12, Definition of a Public Business: An addition to the Master Glossary. The primary purposes of this update are to Amend the Master Glossary of the FASB Accounting Standards Codification to include one definition of public business entity for future use in U.S. GAAP. The amendment does not affect existing requirements. In addition, identify the types of business entities that are excluded from the scope of the Guide. However, even if an entity is within the scope of the Guide, that entity may not necessarily be eligible to apply all financial accounting and reporting alternatives within U.S. GAAP that are made available to private companies. There is no actual effective date for the amendments in this Update.

(In thousands of U.S. dollars)

ASU 2014-03, Derivatives and Hedging (Topic 815): Accounting for Certain Receive – Variable, Pay- Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach

In January 2014, the FASB issued ASU 2014-03, Derivatives and Hedging (Topic 815): Accounting for Certain Receive- Variable, Pay- Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach. The amendments in this update allow the use of simplified hedge accounting approach to account for swaps that are entered into for the purpose of economically converting a variable- rate borrowing into a fixed- rate borrowing. In addition, this hedge accounting alternative, acts as a practical expedient to qualify for cash flow hedge accounting under Topic 815 if certain conditions are met. Under this approach an entity may assume no ineffectiveness for qualifying swaps designated in a hedging relationship under Topic 815 and a private company has the option to measure the designated swap at settlement value instead of fair value. The amended guidance is effective prospectively for reporting periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015 with early adoption permitted.

2. CASH AND DEPOSITS WITH BANKS

Bank deposits with original maturity of three months or less include the following:

	December 31,	
	2013	**2012**
Cash and due from banks	230,051	141,720
Deposits with banks:		
U.S. dollars	1,460,678	1,374,559
Other currencies	1,530	115,490
	1,462,208	1,490,049
	1,692,259	1,631,769

3. OTHER INVESTMENTS

Deposits due in 90 days or more (original maturity) as follows:

	December 31,	
	2013	**2012**
U.S. dollars	779,936	99,427
Other currencies	1,283	1,483
	781,219	100,910

(In thousands of U.S. dollars)

4. MARKETABLE SECURITIES

Trading Securities

A summary of trading securities follows:

	December 31,			
	2013		2012	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	674,749	2.62	944,773	2.47
Non-U.S. governments and government entities bonds	130,390	0.98	178,846	2.49
Financial institutions and corporate securities:				
Commercial papers	1,982,228	-	1,899,734	-
Certificates of deposit	1,454,325	-	344,044	-
Bonds	1,165,255	-	1,723,496	-
Others	424,297	-	362,244	-
	5,026,105	0.94	4,329,518	1.21
	5,831,244	1.14	5,453,137	1.47

Trading securities include net unrealized gains of US$ 5,025 and US$ 11,320 at December 31, 2013 and 2012, respectively.

Net realized losses and gains from trading securities of US$ 12,083 and of US$ $ 6,968 at December 31, 2013 and 2012, respectively, are included in the statement of comprehensive income in the line Investment and deposits with banks.

CAF places its short-term investments mainly in high grade financial institutions and corporate securities. CAF has very conservative investment guidelines that limit the amount of credit risk exposure, considering among other factors, limits in credit ratings, limits in duration exposure, specific allocations by type of investment instruments and limits across sector and currency allocation. As of December 31, 2013 and 2012, CAF does not have any significant concentrations of credit risk. In other currencies, total marketable securities include the equivalent of US$ 165,652, at December 31, 2012.

(In thousands of U.S. dollars)

Maturity of debt securities follows:

	December 31, 2013	December 31, 2012
Remaining maturities:		
Less than one year	4,081,566	3,514,566
Between one and two years	858,003	678,267
Between two and three years	523,424	742,432
Between three and four years	184,152	98,917
Between four and five years	88,289	212,467
Over five years	95,810	206,488
	5,831,244	5,453,137

5. 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 with private institutions or companies of these countries.

Loans by country are summarized as follows:

	December 31, 2013	December 31, 2012
Stockholder country:		
Argentina	2,457,474	2,114,725
Bolivia	1,752,611	1,598,808
Brazil	1,654,751	1,252,829
Colombia	1,806,317	1,832,312
Costa Rica	120,928	126,698
Dominican Republic	177,576	176,047
Ecuador	2,735,716	2,648,222
Jamaica	6,129	6,590
Mexico	194,475	18,026
Panama	886,651	586,944
Paraguay	189,731	134,501
Peru	2,478,138	2,660,320
Spain	200,000	50,000
Uruguay	378,510	331,820
Venezuela	2,961,658	2,816,083
Loans	18,000,665	16,353,925
Fair value adjustments	2,606	1,485
Carrying value of loans	18,003,271	16,355,410

(In thousands of U.S. dollars)

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

At December 31, 2013 and 2012, loans in other currencies were granted for an equivalent of US$ 60,038 and US$ 57,317, respectively, principally in Bolivian bolivianos, Peruvian nuevos soles, Paraguayan guarani, Mexican pesos and Colombian pesos. At December 31, 2013 and 2012, fixed interest rate loans amounted to US$ 99,372 and US$ 88,552, respectively.

Loans classified by public sector and private sector borrowers, are as follows:

	December 31,	
	2013	**2012**
Public sector	14,974,563	13,823,556
Private sector	3,026,102	2,530,369
	18,000,665	16,353,925

The average yield of the loan portfolio is shown below:

	December 31,			
	2013		**2012**	
	Amount	**Average yield (%)**	**Amount**	**Average yield (%)**
Loans	18,000,665	2.57	16,353,925	2.69

Loans by industry segments are as follows:

	December 31,			
	2013	**%**	**2012**	**%**
Agriculture, hunting and forestry	64,907	-	62,651	-
Manufacturing industry	314,443	2	205,789	1
Electricity, gas and water supply	6,146,592	34	5,530,511	34
communications	6,340,756	35	5,825,822	36
Commercial banks	1,410,267	8	1,144,172	7
Development banks	586,198	3	496,262	3
Social and other infrastructure programs	2,995,347	17	3,033,455	19
Others	142,155	1	55,263	-
	18,000,665	100	16,353,925	100

(In thousands of U.S. dollars)

Loans mature as follows:

	December 31,	
	2013	**2012**
Remaining maturities:		
Less than one year	2,547,989	2,683,514
Between one and two years	1,773,139	1,481,612
Between two and three years	2,072,016	1,598,393
Between three and four years	1,663,606	1,530,782
Between four and five years	1,463,564	1,274,371
Over five years	8,480,351	7,785,253
	18,000,665	16,353,925

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

	December 31,	
	2013	**2012**
Sovereign guaranteed	14,313,620	13,228,048
Non-sovereign guaranteed	3,687,045	3,125,877
	18,000,665	16,353,925

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. The sovereign guaranteed loan portfolio is classified by CAF as satisfactory-excellent. For purpose of determining the allowance for loan losses, rating assigned by external agencies are used (Note 1h).

The credit quality of the non-sovereign guaranteed loan portfolio as of December 31, 2013 and 2012, is presented by internal credit risk type and classification, as follows:

	December 31,	
	2013	**2012**
Risk classification:		
Satisfactory-very good	1,464,326	953,873
Satisfactory appropriate	1,315,509	1,305,317
Watch	903,085	847,186
Special Mention	-	11,650
Sub-standard	4,125	-
Doubtful	-	7,851
	3,687,045	3,125,877

(In thousands of U.S. dollars)

Loan portfolio quality

The loan portfolio quality indicators are presented below:

	December 31,	
	2013	**2012**
Overdue loans	0	0
Non-accrual loans	0	7,851
Impaired Loans	0	7,851
Loans written-off	4,125	0
Overdue loan principal as a percentage of loan portfolio	0,00%	0,00%
Nonaccrual loans as a percentage of loan portfolio	0,00%	0,05%
Allowance for losses as a percentage of loan portfolio	0,21%	0,77%

At December 31, 2012, all loans were performing except for loans to a private client for US$ 7,851 which were classified as impaired and were in nonaccrual status, which was restructured in 2013. At December 31, 2013, CAF did not classify any loan as impaired.

Purchase of loan portfolio

During 2013 and 2012, CAF did not purchase any loan portfolio.

Sale of loan portfolio

During 2013 and 2012, CAF sold loans to commercial banks for US$ 51,250 and US$ 76,900, respectively, without recourse.

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, 2013 and 2012, CAF had loans of this nature amounting to US$ 1,480,369 and US$ 1,820,980, respectively; whereby other financial institutions provided funds for US$ 1,065,707 and US$ 1,325,996, respectively.

Troubled debt restructurings (TDR)

During 2013, CAF has TDR of US$ 8,250. During 2012, there were no TDRs.

(In thousands of U.S. dollars)

Allowance for Loan Losses

Changes in the allowance for loan losses are presented below:

	December 31,					
	2013			2012		
	Sector			Sector		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Balances at beginning of year	95,872	29,927	125,799	99,414	31,222	130,636
Credit to results of operations, net	(84,974)	1,557	(83,417)	(3,542)	(1,323)	(4,865)
Loans written-off	-	(4,125)	(4,125)	-	-	-
Recoveries	-	79	79	-	28	28
Balances at end of year	10,898	27,438	38,336	95,872	29,927	125,799

At December 31, 2013, as a result of the improvement in the determination of the allowance for loan losses on the loan portfolio, the provision for loan losses decreased by US$ 84,886, recognizing the effect in the statement of comprehensive income.

6. EQUITY INVESTMENTS

Equity investments, which have no market value, are as follows:

	December 31,	
	2013	2012
Direct investments in companies accounted under equity method	8,435	8,111
Investment funds accounted under equity method	27,078	15,389
Direct investments in companies at cost	40,636	30,411
Investment funds at cost	152,236	92,900
	228,385	146,811

(In thousands of U.S. dollars)

Equity investments by country are summarized as follow:

	Equity participation (%)	December 31, 2013	December 31, 2012
Investment Funds:			
Bolivia	20	1,416	802
Brazil	Between 8 and 12	26,029	5,241
Colombia	Between 10 and 19	34,228	12,746
Mexico	Between 6 and 20	13,797	10,628
Peru	Between 6 and 9	14,790	12,027
Regional	Between 1 and 33	89,054	66,845
		179,314	108,289
Direct Investments in companies:			
Argentina	17	2,000	2,000
Bolivia	20	8,435	8,111
Colombia	10	5,023	3,969
Ecuador	Between 5 and 10	5,490	490
Peru	1	8,263	4,182
Regional	Between 10 and 20	19,860	19,770
		49,071	38,522

Details of equity investments under equity method are as follows:

	Equity participation	Financial statements	December 31, 2013	December 31, 2012
Companies:				
Banco de Desarrollo de la Producción	20%	09/30/2013	8,435	8,111
Funds:				
Darby Latinoamerican Mezzanine Fund II	20%	09/30/2013	10,709	6,386
Emerging Energy Latinoamerican Fund	20%	09/30/2013	163	114
Fondo de Fondos México II	20%	06/30/2013	3,454	-
Microfinance Growth Fund	20%	09/30/2013	6,353	5,577
Produbanco Darby-Probanco Fund II	33%	09/30/2013	4,983	2,510
Próspero Microfinanzas Fund	20%	09/30/2013	1,416	802
			27,078	15,389

(In thousands of U.S. dollars)

Dividends received of US$ 5,044 and US$ 3,716 from investments under cost method at December 31, 2013 and 2012, respectively, are included in the statements of comprehensive income.

At December 31, 2013 and 2012, CAF did not recognize any impairment.

7. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment follows:

	December 31,	
	2013	**2012**
Land	27,012	18,704
Buildings	23,662	23,662
Buildings improvements	18,375	21,420
Leased building improvements	4,882	1,206
Furniture and equipment	22,805	19,245
Vehicles	877	854
	97,613	85,091
Less accumulated depreciation	51,083	45,865
Projects in progress	20,379	23,441
	66,909	62,667

The depreciation expenses of US$ 5,554 and of US$ 3,924 for property and equipment for the year ended December 31, 2013 and 2012, respectively, are included in the statement of comprehensive income.

8. OTHER ASSETS

A summary of other assets follows:

	December 31,	
	2013	**2012**
Intangible assets, net	10,957	11,244
Deferred charges, net	40,507	44,913
Derivative related collateral	192,394	214,624
Other assets	30,073	10,715
	273,931	281,496

(In thousands of U.S. dollars)

9. DEPOSITS

A summary of deposits follows:

	December 31, 2013	December 31, 2012
Demand deposits	69,850	68,555
Time deposits:		
Less than one year	3,193,824	3,053,288
	3,263,674	3,121,843

At December 31, 2013 and 2012, the interest rates on deposits ranged from 0.02% to 1.597% and from 0.04% to 1.809%, respectively. Deposits are issued for amounts equal to or more than US$ 100. Total deposits in other currencies include US$ 2,424 and US$ 283,004, at December 31, 2013 and 2012, respectively.

10. COMMERCIAL PAPER

CAF's commercial paper of US$ 2,936,496 at December 31, 2013 will mature in 2014 (US$ 3,174,927 at December 31, 2012 - matured in 2013). At December 31, 2013 and 2012, the interest rates on commercial paper ranged from 0.09% to 0.69% and from 0.08% to 1.07%, respectively.

11. BORROWINGS

A summary of borrowings follows:

	December 31, 2013	December 31, 2012
U.S. dollars	1,575,019	1,344,860
Peruvian nuevos soles	21,599	6,857
Venezuelan bolivars	17,460	16,279
Other currencies	8,838	4,877
	1,622,916	1,372,873
Fair value adjustments	5,947	18,220
Carrying value of borrowings	1,628,863	1,391,093

At December 31, 2013 and 2012, there are fixed interest-bearing borrowings in the amount of US$ 407,082 and US$ 169,892, respectively.

(In thousands of U.S. dollars)

Borrowings, by remaining maturities, are summarized below:

	December 31, 2013	December 31, 2012
Remaining maturities:		
Less than one year	467,837	103,038
Between one and two years	252,882	468,797
Between two and three years	226,765	234,823
Between three and four years	95,912	191,591
Between four and five years	165,224	66,965
Over five years	414,296	307,659
	1,622,916	1,372,873

Some borrowing agreements contain covenants requiring the use of the proceeds for specific purposes or projects.

At December 31, 2013 and 2012 there were unused term credit facilities amounting to US$ 609,859 and US$ 722,685, respectively.

12. BONDS

An analysis of outstanding bonds follows:

	December 31, 2013			December 31, 2012		
	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	5,115,006	5,115,006	2,35	5,208,530	5,208,530	2,54
Euro	2,119,345	2,196,752	1,95	1,190,396	1,177,262	2,55
Japanese yen	671,631	524,109	2,10	622,024	581,583	2,30
Colombian pesos	156,949	173,202	2,95	205,352	273,709	3,34
Australian dollars	524,464	514,224	1,31	-	-	-
Swiss francs	1,871,550	1,981,810	1,98	1,421,295	1,491,640	2,44
Mexican pesos	98,108	100,476	2,71	98,108	101,908	2,90
Peruvian nuevos soles	94,736	103,875	1,13	107,141	129,950	1,40
Chinese renminbi	96,618	99,092	1,37	96,618	96,288	1,55
Hong Kong dollars	223,982	224,139	2,03	102,803	102,953	2,62
	10,972,389	11,032,685		9,052,267	9,163,823	
Fair value adjustments		159,816			579,029	
Carrying value of bonds		11,192,501			9,742,852	

(In thousands of U.S. dollars)

A summary of the bonds issued, by remaining maturities, follows:

	December 31, 2013	December 31, 2012
Remaining maturities:		
Less than one year	942,400	763,729
Between one and two years	1,265,305	944,354
Between two and three years	1,561,340	1,066,805
Between three and four years	887,692	1,148,506
Between four and five years	1,316,246	888,469
Over five years	4,999,406	4,240,404
	10,972,389	9,052,267

At December 31, 2013 and 2012, fixed interest rate bonds amounted to US$ 10,539,306 and US$ 8,703,859, respectively, of which US$ 6,043,466 and US$ 3,719,349, respectively, are denominated in Japanese yen, Euro, Swiss francs, Australian Dollars, Colombian pesos, Mexican pesos, Hong Kong dollars, Chinese renminbi and Peruvian nuevos soles.

There were no bonds repurchased during the years ended December 31, 2013 and 2012.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31, 2013	December 31, 2012
Employees' severance indemnities, benefits and savings plan	64.780	55.553
Derivatives related collateral	121.501	214.624
Provision contingencies	3.643	2.639
Other liabilities	7.476	9.078
	197.400	281.894

(In thousands of U.S. dollars)

14. PENSION PLAN

At December 31, 2013 the Plan has 377 participants and not retired employees. The measurement date used to determine pension plan benefits is December 31.

As of December 31, 2013 and 2012, a reconciliation of beginning and ending balances of the benefit obligation are as follows:

	December 31,	
	2013	**2012**
Change in benefit obligation:		
Benefit obligation at beginning of year	6,875	4,871
Service cost	1,084	911
Interest cost	297	213
Plan participants´contributions	1,050	882
Actuarial loss	333	230
Benefit paid	(81)	(232)
Benefit obligation at end of year	9,558	6,875

As of December 31, 2013 and 2012, a reconciliation of beginning and ending balances of the fair value of plan assets are as follows:

	December 31,	
	2013	**2012**
Change in plan assets:		
Fair value of plan assets at beginning of year	6,359	4,494
Actual return on plan assets	110	80
Contributions	2,695	2,004
Actuarial loss	16	13
Benefit paid	(82)	(232)
Fair value of plan assets at year of year	9,098	6,359

As of December 31, 2013 and 2012, the plan assets are as follows:

	December 31,	
	2013	**2012**
Plan assets:		
Deposits with banks	9,098	6,359

(In thousands of U.S. dollars)

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2013 and 2012:

	December 31,	
	2013	**2012**
Service cost	1,084	911
Interest cost	297	213
Expected return on plan assets	(110)	(80)
	1,271	1,044

A summary of the net projected cost for the year 2014 follows:

Service cost:	
Contributions to the plan	1,110
Guaranteed benefit	96
	1,206
Interest cost	406
Expected return on plan assets	(136)
	1,476

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2013 and 2012 follows:

Discount rate	4%
Expected long-term rate return on Plan assets	1.5%
Salary increase rate	3%

15. STOCKHOLDERS' EQUITY

Authorized Capital

The authorized capital of CAF at December 31, 2013 and 2012, amounts to US$ 10,000,000, distributed among Series "A", "B" and "C" shares.

Subscribed Callable Capital

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

(In thousands of U.S. dollars)

Shares

CAF's shares are classified as follows:

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, Uruguay and Venezuela. Series "A" shares grants the right of representation on CAF's Board of Directors to one principal director and one alternate director. These shares have a par value of US$ 1,200.

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, 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. Also, 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.

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, 2013 and 2012, follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
At December 31, 2011	10	600,016	43,457	12,000	3,000,080	217,285	3,229,365
Capitalization of additional paid- in capital	-	46,325	3,339	-	231,625	16,695	248,320
Issued for cash	-	16,827	14,979	-	84,135	74,895	159,030
At December 31, 2012	10	663,168	61,775	12,000	3,315,840	308,875	3,636,715
Issued for cash	-	43,268	17,665	-	216,340	88,325	304,665
At December 31, 2013	10	706,436	79,440	12,000	3,532,180	397,200	3,941,380

(In thousands of U.S. dollars)

Subscribed and paid-in capital at December 31, 2013 is presented as follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Stockholder:							
Argentina	1	69,308	-	1,200	346,540	-	347,740
Bolivia	1	41,653	-	1,200	208,265	-	209,465
Brazil	1	60,142	-	1,200	300,710	-	301,910
Colombia	1	145,733	-	1,200	728,665	-	729,865
Ecuador	1	41,957	-	1,200	209,785	-	210,985
Panama	1	17,816	-	1,200	89,080	-	90,280
Paraguay	1	13,646	-	1,200	68,230	-	69,430
Peru	1	149,160	-	1,200	745,800	-	747,000
Uruguay	1	20,432	-	1,200	102,160	-	103,360
Venezuela	1	146,166	-	1,200	730,830	-	732,030
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,197	-	-	30,985	30,985
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	35,135	-	-	175,675	175,675
Trinidad & Tobago	-	-	15,867	-	-	79,335	79,335
Commercial banks	-	423	-	-	2,115	-	2,115
	10	706,436	79,440	12,000	3,532,180	397,200	3,941,380

At December 31, 2013, 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	21,931	109,655	-	-	25,200	126,000	-	-
Bolivia	9,760	48,800	-	-	14,400	72,000	-	-
Brazil	27,716	138,580	-	-	25,200	126,000	-	-
Colombia	30,383	151,915	-	-	50,400	252,000	-	-
Ecuador	9,760	48,800	-	-	14,400	72,000	-	-
Panama	9,030	45,150	-	-	7,200	36,000	-	-
Paraguay	6,280	31,400	-	-	7,200	36,000	-	-
Peru	27,390	136,950	-	-	50,400	252,000	-	-
Uruguay	7,647	38,235	-	-	7,200	36,000	-	-
Venezuela	30,383	151,915	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	838	4,190	-	-	16,332	81,660
Spain	-	-	4,604	23,020	-	-	40,000	200,000
Trinidad & Tobago	-	-	7,590	37,950	-	-	-	-
Commercial banks	7	35	-	-	-	-	-	-
	180,287	901,435	13,032	65,160	252,000	1,260,000	58,732	293,660

(In thousands of U.S. dollars)

Subscribed and paid-in capital at December 31, 2012 is presented as follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Stockholder:							
Argentina	1	63,523	-	1,200	317,615	-	318,815
Bolivia	1	38,987	-	1,200	194,935	-	196,135
Brazil	1	58,372	-	1,200	291,860	-	293,060
Colombia	1	138,188	-	1,200	690,940	-	692,140
Ecuador	1	39,291	-	1,200	196,455	-	197,655
Panama	1	14,975	-	1,200	74,875	-	76,075
Paraguay	1	12,447	-	1,200	62,235	-	63,435
Peru	1	140,030	-	1,200	700,150	-	701,350
Uruguay	1	18,329	-	1,200	91,645	-	92,845
Venezuela	1	138,621	-	1,200	693,105	-	694,305
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	5,838	-	-	29,190	29,190
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,109	-	-	5,545	5,545
Spain	-	-	25,923	-	-	129,615	129,615
Trinidad & Tobago	-	-	8,134	-	-	40,670	40,670
Commercial banks	-	405	-	-	2,025	-	2,025
	10	663,168	61,775	12,000	3,315,840	308,875	3,636,715

At December 31, 2012, 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	11,620	58,100	-	-	25,200	126,000	-	-
Bolivia	12,426	62,130	-	-	14,400	72,000	-	-
Brazil	29,486	147,430	-	-	25,200	126,000	-	-
Colombia	37,928	189,640	-	-	50,400	252,000	-	-
Ecuador	12,426	62,130	-	-	14,400	72,000	-	-
Panama	11,871	59,355	-	-	7,200	36,000	-	-
Paraguay	7,479	37,395	-	-	7,200	36,000	-	-
Peru	20,424	102,120	-	-	50,400	252,000	-	-
Uruguay	9,750	48,750	-	-	7,200	36,000	-	-
Venezuela	37,928	189,640	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	346	1,730	-	-	15,688	78,439
Spain	-	-	13,816	69,080	-	-	40,000	200,000
Trinidad & Tobago	-	-	15,323	76,615	-	-	-	-
Commercial banks	18	90	-	-	-	-	-	-
	191,356	956,780	29,485	147,425	252,000	1,260,000	58,088	290,439

General Reserve

CAF maintains a general reserve approved by the stockholders' Assembly, which is considered an equity reserve. Stockholders approved the increase in the reserve by US$ 24,071 and US$ 40,779 during the years ended December 31, 2013 and 2012, through appropriations from net income for the years ended December 31, 2012 and 2011, respectively.

Reserve Pursuant to Article N° 42 of the By-laws

CAF's by-laws requires that at least 10% of annual net income is to be appropriated to a reserve fund until that fund amounts to 50% of the subscribed capital, which is considered an equity reserve. Additional appropriation may be approved by the stockholders. At the stockholders' Assembly in March 2013 and 2012, it was authorized to increase the reserve by US$ 16,100 and US$ 15,300, through an appropriation from net income for the years ended December 31, 2012 and 2011, respectively.

Capitalization of additional paid- in capital

At the stockholders' Assembly in March 2012, it was authorized to capitalize through dividends in shares by US$ 248,320, from additional paid- in capital. At December 2013, CAF did not conduct this type of operations.

16. DISTRIBUTIONS TO STOCKHOLDERS' SPECIAL FUNDS

Stockholders' Assembly may distribute a portion of retained earnings to special funds, created to promote technical and financial cooperation, sustainable human development, and management of poverty relief funds in stockholder countries. CAF has no residual interest in these funds.

In March 2013 and 2012, stockholders' Assembly approved the distribution of US$ 119,998 and US$ 96,500, from retained earnings at December 31, 2012 and 2011, respectively, to the stockholders' special funds (See note 24).

17. TAX EXEMPTIONS

CAF is exempt from all taxes on income, properties and other assets. It is also exempt from liability related to the payment, withholding or collection of any tax or other levy.

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.

By using derivative financial instruments to hedge exposure to changes in interest rate and foreign exchange rates, CAF exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes CAF, creating credit risk for CAF. When the fair value of a derivative contract is negative, CAF owes the counterparty and, therefore, it does not possess 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 thousands of U.S. dollars)

The market risk associated with interest rate and currency risk is managed by swapping loans and borrowings, subject to fixed interest rates and denominated in other currency into floating interest rate instruments denominated in U.S. dollars. CAF enters into derivative financial instruments with market risk characteristics that are expected to change in a manner that will offset the economic change in value of specifically identified loans, bonds or borrowings and other obligations. Derivative contracts held by CAF consist of interest rate and cross-currency swaps and are designated as fair value hedges of specifically identified loans, bonds or borrowings and other obligations with fixed interest rates or non U.S. currency exposure.

CAF also utilizes futures derivatives instruments to reduce exposure to risk. There 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 market value of the future contracts. As of 31 December 2013, there was payment on future contracts of US$ 244.

CAF monitors the credit risk associated with derivative transactions. Credit risk is managed by establishing exposure limits based on the credit rating and size of the individual counterparty, among other factors. To further reduce the credit risk in derivatives, CAF enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap transactions are regularly mark-to-market, and the party being the net obligor is requested to post collateral when net mark to-market exposure exceeds certain predetermined thresholds, which decrease as the counterparty's credit rating deteriorates. This collateral is in the form of cash or highly rated and liquid government securities. CAF offsets, for each counterparty, the fair value amount recognized for derivative instruments and, the fair value amount recognized for the collateral, whether posted or received, under master netting arrangements executed with the same counterparty.

The amount recognized for the right to receive collateral that have been offset at year-end 2013 and 2012, was US$ 121,501 and US$ 214,624, respectively. The amount recognized for the obligation to post collateral that have been offset at year-end 2013, was US$ 70,893.

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items at December 31, 2013 and 2012:

	Notional amount		Fair value	
	Interest rate swap	**Cross-currency swap**	**Derivative assets**	**Derivative liabilities**
At December 31, 2013:				
Loans	-	30,586	1,014	2,560
Loans	14,965	-	-	176
Borrowings	490,000	-	5,947	-
Bonds	4,560,840	-	90,693	6,759
Bonds	-	5,878,979	319,760	173,329
	5,065,805	5,909,565	417,414	182,824

(In thousands of U.S. dollars)

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2012:				
Loans	-	42,820	-	6,506
Loans	23,900	-	617	-
Borrowings	323,333	-	18,220	-
Bonds	5,049,510	-	357,504	4,705
Bonds	-	3,855,689	396,107	48,856
	5,396,743	3,898,509	772,448	60,067

The following table presents the notional amount and fair values of futures the underlying hedged items at December 31, 2013:

	Notional amount	Fair value Derivative assets
At December 31, 2013:		
Marketable securities	56,900	244

For the years ended December 31, 2013 and 2012, all of CAFs' derivatives which had been designated as hedging relationship were considered fair value hedges. The change in the fair value of such derivative instruments and the change in fair value of hedged items attributable to risk being hedged are included in the statement of comprehensive income.

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 instrument is classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models, as well as any significant assumptions.

When available, CAF generally uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is not available, CAF makes use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Where available, CAF may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to the one being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2. If prices are not available, other valuation techniques would be used and the item would be classified as Level 3.

The following methods are used to estimate the fair-value hierarchy of CAF's financial instruments:

- *Marketable securities:* CAF uses quoted market prices to determine the fair value of trading securities and these financial assets are classified in Level 1 of the fair-value hierarchy.

- *Loans:* The fair value of fixed rate loans, which are hedged using derivative transactions, is determined 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 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 given by the counterparties. Derivative transactions are classified in Level 2 of the fair value hierarchy.

- *Bonds and borrowings:* For CAF´s bonds issued and medium and long term borrowings, fair value is determined using an internal valuation 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 transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

During 2013, 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 assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013 and 2012:

	Level 1	Level 2	Level 3	Net balance
At December 31, 2013:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	674,749	-	-	674,749
Bonds of non-U.S. governments and government entities	130,390	-	-	130,390
Financial institutions and corporate securities:				
Commercial papers	1,982,228	-	-	1,982,228
Certificate of deposits	1,454,325	-	-	1,454,325
Bonds	1,165,255	-	-	1,165,255
Others	424,297	-	-	424,297
	5,026,105	-	-	5,026,105
	5,831,244	-	-	5,831,244
Loans	-	48,358	-	48,358
Derivative instruments:				
Futures	-	244	-	244
Interest rate swap	-	96,640	-	96,640
Cross-currency swap	-	320,774	-	320,774
	-	417,658	-	417,658
	5,831,244	466,016	-	6,297,260
Liabilities:				
Borrowings	-	495,947	-	495,947
Bonds	-	10,659,931	-	10,659,931
Derivative instruments:				
Interest rate swap	-	6,935	-	6,935
Cross-currency swap	-	175,889	-	175,889
	-	182,824	-	182,824
	-	11,338,702	-	11,338,702

(In thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Net balance
At December 31, 2012:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	944,773	-	-	944,773
Bonds of non-U.S. governments and government entities	178,846	-	-	178,846
Financial institutions and corporate securities:				
Commercial papers	1,899,734	-	-	1,899,734
Certificate of deposits	344,044	-	-	344,044
Bonds	1,723,496	-	-	1,723,496
Others	362,244	-	-	362,244
	4,329,518	-	-	4,329,518
	5,453,137	-	-	5,453,137
Loans	-	72,354	-	72,354
Derivative instruments:				
Interest rate swap	-	376,341	-	376,341
Cross-currency swap	-	396,107	-	396,107
	-	772,448	-	772,448
	5,453,137	844,802	-	6,297,939
Liabilities:				
Borrowings	-	341,553	-	341,553
Bonds	-	9,595,784	-	9,595,784
Derivative instruments:				
Interest rate swap	-	4,705	-	4,705
Cross-currency swap	-	55,362	-	55,362
	-	60,067	-	60,067
	-	9,997,404	-	9,997,404

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

CAF estimated the fair value of all financial instruments in CAF's balance sheet, including those financial instruments carried at cost, as presented in the table below at December 31, 2013 and 2012:

		December 31,			
		2013		2012	
	Hierarchy Levels	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	230,051	230,051	141,720	141,720
Deposits with banks	1	1,462,208	1,462,208	1,490,049	1,490,049
Other investments	1	781,219	781,219	100,910	100,910
Loans, net	2	17,954,913	17,957,220	16,283,056	16,283,792
Equity investments (Cost method)	2	192,872	192,872	123,311	123,311
Acrrued interest and commissions receivable	2	242,153	242,153	216,323	216,323

(In thousands of U.S. dollars)

		December 31,			
		2013		2012	
	Hierarchy Levels	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial liabilities:					
Deposits	2	3,263,674	3,263,674	3,121,843	3,121,843
Commercial paper	2	2,936,496	2,936,496	3,174,927	3,174,927
Borrowings	2	1,132,916	1,134,194	1,049,540	1,049,681
Bonds	2	532,570	534,326	147,068	149,043
Accrued interest payable	2	200,013	200,013	180,597	180,597

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 and accrued interest payable:* 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 and loan commitments 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 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:* CAF´s equity investments in other entities do not have available market price quotations.The fair value of equity investments is determined based on a financial analysis of the investees and any losses are recognized immediately in the statement of comprehensive income.

- *Bonds and borrowings:* For CAF´s bonds issued and medium and long term borrowings, fair value is determined using an internal valuation 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 transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

During 2013, there were no transfers between levels 1, 2 and 3.

21. FAIR VALUE OPTION

CAF’s management decided to measure at fair value those financial assets and liabilities denominated in currencies other than US dollars for which it has contracted a derivative as an economic hedge for other currency and interest rate risks.

(In thousands of U.S. dollars)

The results recorded in the statement of comprehensive income resulting from the periodic cash flows and unrealized changes in fair value as of December 31, 2013 and 2012 for instruments that fair value option was chosen, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31,	
	2013	**2012**
Bond related swaps	787	(779)
Loan related swaps	1,342	202
	2,129	(577)

22. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31,	
	2013	**2012**
Credit agreements subscribed - eligibles	4,583,475	3,706,207
Credit agreements subscribed - non eligibles	1,965,410	2,531,805
Lines of credit	4,782,126	3,578,581
Letters of credit	58,641	27,991
Equity investments agreements subscribed	254,687	185,799
Guarantees	375,533	331,630

These commitments and contingencies result 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 credits; such financial instruments are recorded as commitments upon signing the corresponding contract and are reported in the financial statements when disbursements are made. Commitments that have fulfilled the necessary requirements for disbursement are classified as eligibles.

The contracts to extend credit have fixed expiration dates and in some cases expire without making disbursements. Also, based on experience, parts of the disbursements are made up to two years after the signing of the contract. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

Guarantees mature as follows:

	December 31,	
	2013	**2012**
Remaining maturities:		
Less than one year	98,707	81,822
Between four and five years	52,924	-
Over five years	223,902	249,808
	375,533	331,630

(In thousands of U.S. dollars)

To the best knowledge of CAF's management, CAF is not engaged 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.

23. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2013 and 2012, CAF recorded administrative expenses as follows:

	December 31,	
	2013	**2012**
Salaries and employee benefits	67,388	57,696
Professional fees, seminars and other expenses	14,492	11,630
Logistics and infrastructure	13,066	13,797
Telecommunications and technology	9,051	7,865
	103,997	90,988

24. 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.

The special funds have the purpose and functions which 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, and CAF is responsible for their administration. The special funds are governed by the provisions of the Constitutive Agreement and any other ones which, in each case, may be established by the Board of Directors. The resources of the special funds are completely independent from the resources of CAF and are thus so maintained, accounted for, presented, utilized, invested, committed and otherwise disposed of. In regards to the use of the special funds, the financial responsibility of CAF, as administrator, is limited to the net assets and reserves of each of the constituted special funds. CAF has no residual interest in the net assets of the special funds.

As of December 31, 2013 and 2012, managed funds net assets are US$ 537,651 and US$ 498,048, respectively. The balances of main managed funds are as follows:

	December 31,	
	2013	**2012**
Compensatory Financing Fund (FFC) (1)	350,010	324,270
Fund for the Development of Small and Medium Enterprises (FIDE)	56,879	43,567
Fund for the Promotion of Sustainable Infrastructure Projects (PROINFRA)	25,440	24,480
Technical Assistance Fund (FAT)	25,826	22,917

(In thousands of U.S. dollars)

	December 31, 2013	December 31, 2012
Human Development Fund (FONDESHU)	17,610	16,884
Latin American Carbon, Clean Alternative Energies Program (PLAC)	7,158	7,696
Cross-Border Cooperation and Integration (COPIF)	3,724	3,487
Others	51,004	54,747
	537,651	498,048

(1) This fund was created by CAF's stockholders for the purpose of compensating a portion of interest costs of certain loans granted by CAF to finance economic and social infrastructure projects. For the year ended December 31, 2013 and 2012, this fund compensated interest amounting to US$ 48,239 and US$ 37,489, respectively.

25. SEGMENT REPORTING

Management has determined that CAF has only one 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 between the nature of the products or services provided, the preparation process, or the method for providing the services among individual countries.

For the years ended December 31, 2013 and 2012, loans made to or guaranteed by six countries individually generated an excess, before swaps, of 10 percent of loan income, as follows:

	December 31, 2013	December 31, 2012
Argentina	60,632	61,101
Bolivia	41,959	42,497
Colombia	45,251	54,042
Ecuador	61,951	66,006
Peru	60,346	77,420
Venezuela	73,020	78,464
	343,159	379,530

26. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2014, financial statements issue date. As a result of this evaluation, there are no subsequent events, as defined, that require a disclosure in CAF's financial statements at the year ended December 31, 2013, except for:

- On January 17, 2014 CAF priced bonds under EMTN program for CHF 300,000, 2.00%, due 2024. Effective date February 5, 2014.

- On January 15, 2014 CAF priced bonds under the SCHULDSCHEIN format for EUR 65,000, 3.51%, due 2034. Effective date February 3, 2014.

- On January 23, 2014 CAF priced bonds under the EMTN program for EUR 200,000, 3.50%, due 2039. Effective date February 3, 2014.

- On January 23, 2014 CAF priced bonds under the EMTN program for NOK 1.500.000, 4.29%, due 2026. Effective date February 6, 2014.

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