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Corporación Andina de Fomento (CAF)

Financial Statements

As of and for the years ended
December 31, 2014 and 2013

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, 2014, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework (2013) 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, 2014. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2014.

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.

CAF's financial statements as of December 31, 2014, 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, 2014.

L. Enrique García
Executive President
and Chief Executive Officer

Hugo Sarmiento K.
Corporate Vice President of Finance,
Chief Financial Officer

Marcos Subía G.
Director, Accounting and Budget

January 30, 2015

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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, 2014, based on criteria established in *Internal Control – Integrated Framework (2013) 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, 2014 is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework (2013) 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, 2014 of CAF and our report dated January 30, 2015 expressed an unmodified opinion on those financial statements.

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January 30, 2015

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, 2014 and 2013, 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, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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, 2014, based on criteria established in *Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and our report dated January 30, 2015 expressed an unmodified opinion on the Management's assertion on effectiveness of internal control over financial reporting.

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January 30, 2015

Caracas - Venezuela

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Balance Sheets
December 31, 2014 and 2013
(In thousands of U.S. dollars)

	NOTES	2014	2013
ASSETS			
Cash and due from banks	**3**	141,147	230,051
Deposits with banks	**3**	1,279,267	1,462,208
Cash and deposits with banks		1,420,414	1,692,259
Marketable securities:			
Trading	**5 and 21**	7,130,791	5,831,244
Other investments	**4**	1,596,608	781,219
Loans (US$ 21,954 and US$ 48,358 at fair value as of December 31, 2014 and 2013)	**6 and 21**	19,144,087	18,003,271
Less loan commissions, net of origination costs		89,411	80,373
Less allowance for loan losses	**6**	55,763	38,336
Loans, net		18,998,913	17,884,562
Accrued interest and commissions receivable		292,325	242,153
Equity investments	**7**	292,345	228,385
Derivative financial instruments	**20 and 21**	383,703	417,658
Property and equipment, net	**8**	69,003	66,899
Other assets	**9**	310,538	273,941
TOTAL		30,494,640	27,418,320
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits	**10**	3,696,510	3,263,674
Commercial paper	**11**	1,853,282	2,936,496
Borrowings (US$ 432,617 and US$ 495,947 at fair value as of December 31, 2014 and 2013)	**12 and 21**	1,514,646	1,628,863
Bonds (US$ 13,124,319 and US$ 10,659,931 at fair value as of December 31, 2014 and 2013)	**13 and 21**	13,859,940	11,192,501
Accrued interest payable		239,547	200,013
Derivative financial instruments	**20 and 21**	383,086	182,824
Accrued expenses and other liabilities	**14**	184,393	197,400
Total liabilities		21,731,404	19,601,771
STOCKHOLDERS' EQUITY:	**16 and 18**		
Subscribed and paid-in capital (authorized capital US$10,000 million)		4,250,495	3,941,380
Additional paid-in capital		1,911,487	1,342,903
Reserves		2,463,583	2,325,826
Other comprehensive income		32	(317)
Retained earnings		137,639	206,757
Total stockholders' equity		8,763,236	7,816,549
TOTAL		30,494,640	27,418,320

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Comprehensive Income
Years ended December 31, 2014 and 2013
(In thousands of U.S. dollars)

	NOTES	2014	2013
Interest income:			
Investments and deposits with banks	2(e), 3 and 4	44,211	22,364
Loans	2(f)	481,970	446,609
Loan commissions	2(f)	43,479	39,274
Total interest income		569,660	508,247
Interest expense:			
Deposits		11,377	16,607
Commercial papers		6,459	18,096
Borrowings		21,533	18,856
Bonds		252,258	227,479
Commissions		18,597	16,255
Total interest expense		310,224	297,293
Net interest income		259,436	210,954
Provision (credit) for loan losses	6	21,552	(83,417)
Net interest income, after provision (credit) for loan losses		237,884	294,371
Non-interest income:			
Other commissions		9,070	7,415
Dividends and equity in earnings of investees	7	8,893	4,801
Other income		4,998	3,687
Total non-interest income		22,961	15,903
Non-interest expenses:			
Administrative expenses	24	116,678	103,997
Impairment charge for equity investments	7	7,307	-
Other expenses		696	1,649
Total non-interest expenses		124,681	105,646
Net income before unrealized changes in fair value related to financial instruments		136,164	204,628
Unrealized changes in fair value related to financial instruments	22	1,475	2,129
Net income		137,639	206,757
Other comprehensive income			
Unrecognized changes in assets/ liabilities under benefit pension plan	15 and 18	32	(317)
Amortization of defined benefit pension items	15 and 18	317	-
Total comprehensive income		137,988	206,440

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Stockholders' Equity
Years ended December 31, 2014 and 2013
(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, 2012		3,636,715	782,523	1,871,521	414,134	2,285,655	-	160,169	6,865,062
Capital increase	**16**	304,665	560,380	-	-	-	-	-	865,045
Net income	**16**	-	-	-	-	-	-	206,757	206,757
Appropriated for general reserve	**16**	-	-	24,071	-	24,071	-	(24,071)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	**16**	-	-	-	16,100	16,100	-	(16,100)	-
Other comprehensive income	**18**	-	-	-	-	-	(317)	-	(317)
Distributions to stockholders' special funds	**17**	-	-	-	-	-	-	(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
Capital increase	**16**	309,115	568,584	-	-	-	-	-	877,699
Net income	**16**	-	-	-	-	-	-	137,639	137,639
Appropriated for general reserve	**16**	-	-	116,557	-	116,557	-	(116,557)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	**16**	-	-	-	21,200	21,200	-	(21,200)	-
Other comprehensive income	**18**	-	-	-	-	-	349	-	349
Distributions to stockholders' special funds	**17**	-	-	-	-	-	-	(69,000)	(69,000)
BALANCES AT DECEMBER 31, 2014		4,250,495	1,911,487	2,012,149	451,434	2,463,583	32	137,639	8,763,236

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows
Years ended December 31, 2014 and 2013
(In thousands of U.S. dollars)

	NOTES	2014	2013
OPERATING ACTIVITIES:			
Net income		137,639	206,757
Adjustments to reconcile net income to net cash used in operating activities:			
Unrealized loss (gain) on trading securities	**5**	3,038	(5,025)
Amortization of loan commissions, net of origination costs		(12,085)	(12,413)
Provision (credit) for loan losses	**6**	21,552	(83,417)
Impairment charge for equity investments	**7**	7,307	-
Equity in earnings of investees		127	244
Amortization of deferred charges		3,811	2,900
Depreciation of property and equipment	**8**	5,974	5,554
Provision for employees' severance indemnities and benefits		9,345	8,339
Provision for employees' savings plan		1,335	1,281
Unrealized changes in fair value related to financial instruments		(1,475)	(2,129)
Net changes in operating assets and liabilities:			
Severance indemnities paid or advanced		(6,650)	(4,869)
Employees' savings plan paid or advanced		(955)	(113)
Trading securities, net	**5**	(1,302,585)	(373,082)
Interest and commissions receivable		(50,172)	(25,830)
Other assets		(40,407)	4,411
Accrued interest payable		39,534	19,416
Accrued expenses and other liabilities		(16,082)	(89,449)
Total adjustments and net changes in operating assets and liabilities		(1,338,388)	(554,182)
Net cash used in operating activities		(1,200,749)	(347,425)
INVESTING ACTIVITIES:			
Purchases of other investments	**4**	(3,773,803)	(1,132,019)
Maturities of other investments	**4**	2,958,414	451,710
Loan origination and principal collections, net	**6**	(1,128,961)	(1,638,784)
Equity investments, net	**7**	(71,394)	(81,818)
Purchases of property and equipment	**8**	(8,078)	(9,786)
Net cash used in investing activities		(2,023,822)	(2,410,697)
Carried forward,		(3,224,571)	(2,758,122)

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows
Years ended December 31, 2014 and 2013
(In thousands of U.S. dollars)

	NOTES	2014	2013
Brought forward,		(3,224,571)	(2,758,122)
FINANCING ACTIVITIES:			
Net increase in deposits		432,836	141,831
Net decrease in commercial paper		(1,083,214)	(238,431)
Proceeds from issuance of bonds	**13**	3,855,856	2,716,572
Repayment of bonds	**13**	(939,731)	(796,450)
Proceeds from borrowings	**12**	267,697	376,961
Repayment of borrowings	**12**	(389,417)	(126,918)
Distributions to stockholders' special funds	**17**	(69,000)	(119,998)
Proceeds from issuance of shares	**16**	877,699	865,045
Net cash provided by financing activities		2,952,726	2,818,612
NET (DECREASE) INCREASE IN CASH AND DEPOSITS WITH BANKS		(271,845)	60,490
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF YEAR		1,692,259	1,631,769
CASH AND DEPOSITS WITH BANKS AT END OF YEAR		1,420,414	1,692,259
Supplemental disclosure:			
Interest paid during the year		238,147	269,543
NONCASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		(33,955)	(354,790)
Changes in derivative financial instruments liabilities		200,262	122,757

See accompanying notes to the financial statements

1. ORIGIN

Business description **–** Corporación Andina de Fomento (CAF) began its operations on June 8, 1970, and was established under public international law which abides by the provisions set forth in its 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 13 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Certain amounts in the 2013 financial statements have been reclassified to conform to the current year´s presentation.

b. ***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 to 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.

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

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

e. ***Marketable Securities*** **–** CAF classifies its investments, according to management intention, as trading marketable securities, which are recorded on the trade date. Trading 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.

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

For credit risk purposes, CAF classifies its 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 non-accrual is reversed against interest income. The interest on non-accrual loans is accounted for on a cash-basis, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Non-accrual loans are considered impaired loans. Factors considered by management in determining impaired loans are 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 confirms 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 significantly vulnerable to adverse economic conditions.

Satisfactory adequate – Adequate capacity to meet financial commitments, but more vulnerable to adverse economic conditions.

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

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.

g. ***Allowance for Loan Losses –*** Allowance for loan losses is maintained at a level CAF believes to be adequate to absorb 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.

The allowance for loan losses on sovereign loans is established by CAF based on the individual long-term foreign currency debt rating of the borrower countries, which is determined as the average rating of three recognized international risk rating agencies as of the date of the financial statements. The long-term foreign currency debt rating considers a 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 reflecting a lower default probability – usually equivalent to three levels above its risk rating– is used.

For the non-sovereign loan portfolio, the allowance for loan losses is based on the individual local currency debt rating of the borrower countries, which is determined as the average rating of the aforementioned risk rating 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 CAF's 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 risk rating agencies is higher than the risk rating in local currency of the country corresponding to such borrower, or if for any reason there is no risk rating, the risk rating in local currency of such country determined by 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, it is probable that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the original loan's effective interest rate. The allowance for loan losses is reported as a deduction from loans.

h. ***Equity Investments*** **–** CAF invests in equity securities of companies and funds in strategic sectors, with the objective of promoting the development of such companies and funds and their participation in the securities markets and to serve as a 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 CAF holds an ownership interest in the voting stock of an investee between 20% and 50%, the equity investments are accounted for using the equity method. Under the equity method, the carrying amount of the equity investment is adjusted to reflect CAF's proportionate share of earnings or losses, dividends received and certain transactions of the investee company.

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 or equity method, 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 value for the investment is established.

The equity investments do not have readily determinable fair values.

i. ***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
Building improvements	15 years
Leasing building improvements	Term of leasing contract
Furniture and equipment	2 to 10 years
Vehicles	5 years

j. ***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 finance costs **–** Include up-front costs and fees related to the issuance of bonds and borrowings denominated in US$ that are deferred and amortized during the term of the bonds and borrowings.

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

Collateral **–** CAF requires or posts collateral from or to individual swap counterparties and futures contracts 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 and futures 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 and futures contracts, under the collateral agreement, is recorded in other assets.

k. ***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 financial asset.

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

m. ***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.

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

- Bonds denominated in currencies other than the US$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these bonds, as well as the related 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.

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

Under CAF's employee policies, employees earn a severance benefit equal to five days of salary per month, up to a total of 60 days per year of service. From the second year of service, employees earn an additional two-day salary for each year of service (or fraction of a year greater than six months), cumulative up to a maximum of 30 days of salary per year. Severance benefits are recorded in the accounting records of CAF 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.

p. ***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.

q. ***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. For derivative contracts for which hedge accounting is intended to 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") on the date the derivative contract is entered into. 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 instruments that are designated as fair-value to specific assets and liabilities on the balance sheet, or to specific firm commitments. 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 derivative financial instruments 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 the statement of comprehensive income.

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

When hedge accounting is discontinued because it is determined that the derivative financial instrument no longer qualifies as an effective fair value hedge, CAF continues to carry the derivative financial instrument on the balance 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 the statement of comprehensive income.

r. ***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.

s. ***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.

t. ***Provision for guarantees losses –*** Provision for guarantees is maintained at a level CAF believes adequate to absorb probable losses inherent to the guaranteed loans originated by third parties as of the date of the financial statements. Guaranteed exposures are classified as either sovereign or non-sovereing. 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 CAF 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.

u. ***Recently adopted accounting pronouncement –***

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

(In thousands of U.S. dollars)

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.

Refer to Note 18 for more information regarding the adoption of this guidance.

v. *Recently issued accounting pronouncement pending adoption –*

ASU 2014-09, Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue Recognition (Topic 606) Revenue from Contracts with Customers. This ASU requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service. In addition, the update requires expanded disclosures surrounding the Company's revenue transactions. This ASU will be effective for CAF in 2017.

3. CASH AND DEPOSITS WITH BANKS

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

	December 31,	
	2014	**2013**
Cash and due from banks	141,147	230,051
Deposits with banks:		
U.S. dollars	1,279,267	1,460,678
Other currencies	-	1,530
	1,279,267	1,462,208
	1,420,414	1,692,259

(In thousands of U.S. dollars)

4. OTHER INVESTMENTS

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

	December 31, 2014	December 31, 2013
U.S. dollars	1,589,458	779,936
Other currencies	7,150	1,283
	1,596,608	781,219

As of December 31, 2014 and 2013, the interest rate of the other investments was ranged from 0.2% to 1.21% and from 0.2% to 1.11%, respectively.

5. MARKETABLE SECURITIES

Trading Securities

A summary of trading securities follows:

	December 31, 2014		December 31, 2013	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	1,920,441	1.88	674,749	2.62
Non-U.S. governments and government entities bonds	195,373	0.60	130,390	0.98
Financial institutions and corporate securities:				
Commercial papers	1,075,478	0.32	1,982,228	0.20
Certificates of deposit	2,264,749	0.46	1,454,325	0.38
Bonds	1,183,477	1.64	1,165,255	1.86
Collateralized mortgage obligation	292,214	5.55	220,196	6.46
Liquidity funds	199,059	1.00	193,151	1.00
Others	-	-	10,950	1.00
	5,014,977	1.02	5,026,105	0.94
	7,130,791	1.24	5,831,244	1.14

(In thousands of U.S. dollars)

The certificate of deposit bears a maturity date and specified fixed interest rate. It also is registered with The Depository Trust Company (DTC) and has a CUSIP number, which is a code that identifies a financial security, therefore they can be traded at any moment. The liquidity funds are comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments.

Trading securities include net unrealized losses and gains of US$ 3,038 and US$ 5,025 at December 31, 2014 and 2013, respectively.

Net realized gains and losses from trading securities of US$ 2,003 and of US$ 12,083 at December 31, 2014 and 2013, 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, 2014 and 2013, CAF does not have any significant concentrations of credit risk. In other currencies, total marketable securities include the equivalent of US$ 166,312 and US$ 165,652, at December 31, 2014 and 2013, respectively.

Maturity of debt securities follows:

	December 31,	
	2014	**2013**
Remaining maturities:		
Less than one year	4,653,485	4,081,566
Between one and two years	519,111	858,003
Between two and three years	1,633,819	523,424
Between three and four years	101,639	184,152
Between four and five years	110,121	88,289
Over five years	112,616	95,810
	7,130,791	5,831,244

6. LOANS

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

(In thousands of U.S. dollars)

Loans by country are summarized as follows:

	December 31, 2014	December 31, 2013
Stockholder country:		
Argentina	2,718,009	2,457,474
Bolivia	1,909,509	1,752,611
Brazil	1,932,414	1,654,751
Colombia	1,768,619	1,806,317
Costa Rica	128,627	120,928
Dominican Republic	172,458	177,576
Ecuador	2,824,501	2,735,716
Jamaica	5,628	6,129
Mexico	127,526	194,475
Panama	1,254,545	886,651
Paraguay	249,271	189,731
Peru	2,333,123	2,478,138
Portugal	15,000	-
Spain	191,875	200,000
Uruguay	509,247	378,510
Venezuela	3,001,625	2,961,658
Loans	19,141,977	18,000,665
Fair value adjustments	2,110	2,606
Carrying value of loans	19,144,087	18,003,271

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, 2014 and 2013, loans in other currencies were granted for an equivalent of US$ 41,780 and US$ 60,038, respectively, principally in Bolivian bolivianos, Peruvian nuevos soles, Paraguayan guarani, Mexican pesos and Colombian pesos. At December 31, 2014 and 2013, fixed interest rate loans amounted to US$ 73,164 and US$ 99,372, respectively.

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

	December 31, 2014	December 31, 2013
Public sector	15,564,049	14,974,563
Private sector	3,577,928	3,026,102
	19,141,977	18,000,665

(In thousands of U.S. dollars)

The average yield of the loan portfolio is shown below:

	December 31,			
	2014		2013	
	Amount	Average yield (%)	Amount	Average yield (%)
Loans	19,141,977	2.62	18,000,665	2.57

Loans by industry segments are as follows:

	December 31,			
	2014	%	2013	%
Agriculture, hunting and forestry	63,389	-	64,907	-
Manufacturing industry	399,627	2	314,443	2
Electricity, gas and water supply	6,613,662	35	6,146,592	34
Transport, warehousing and communications	7,091,245	37	6,340,756	35
Commercial banks	1,191,862	6	1,410,267	8
Development banks	571,100	3	586,198	3
Social and other infrastructure programs	3,047,281	16	2,995,347	17
Others	163,811	1	142,155	1
	19,141,977	100	18,000,665	100

Loans mature as follows:

	December 31,	
	2014	2013
Remaining maturities:		
Less than one year	2,717,459	2,547,989
Between one and two years	2,140,348	1,773,139
Between two and three years	1,919,126	2,072,016
Between three and four years	1,713,659	1,663,606
Between four and five years	1,815,106	1,463,564
Over five years	8,836,279	8,480,351
	19,141,977	18,000,665

(In thousands of U.S. dollars)

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

	December 31,	
	2014	**2013**
Sovereign guaranteed	15,318,111	14,313,620
Non-sovereign guaranteed	3,823,866	3,687,045
	19,141,977	18,000,665

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 2g).

The credit quality of the non-sovereign guaranteed loan portfolio as of December 31, 2014 and 2013 is presented by internal credit risk type and classification, as follows:

	December 31,	
	2014	**2013**
Risk classification:		
Satisfactory-very good	1,802,917	1,464,326
Satisfactory appropriate	635,186	1,315,509
Watch	1,275,343	903,085
Sub-standard	93,875	4,125
Doubtful	16,545	-
	3,823,866	3,687,045

Loan portfolio quality

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

	December 31,	
	2014	**2013**
During the year CAF recorded the following transactions:		
Impaired loans	0	0
Loans written-off	4,125	4,125
Purchases of loan portfolio	0	0
Sales of loan portfolio	118,008	51,250
Trouble debt restructured	0	8,250

(In thousands of U.S. dollars)

	December 31, 2014	December 31, 2013
CAF presented the following amounts and quality indicators as of the end of the year:		
Non-accrual loans	16,545	0
Overdue loans	0	0
Allowance for loan losses as a percentage of loan portfolio	0.29%	0.21%
Nonaccrual loans as a percentage of loan portfolio	0.09%	0.00%
Overdue loan principal as a percentage of loan portfolio	0.00%	0.00%

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, 2014 and 2013, CAF had loans of this nature amounting to US$ 1,558,400 and US$ 1,480,369, respectively; whereas other financial institutions provided funds for US$ 1,067,057 and US$ 1,065,707, respectively.

Allowance for Loan Losses

Changes in the allowance for loan losses are presented below:

	December 31,					
	2014			2013		
	Sector			Sector		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Balances at beginning of year	10,898	27,438	38,336	95,872	29,927	125,799
Debit (credit) to results of operations, net	9,343	12,209	21,552	(84,974)	1,557	(83,417)
Loans written-off	-	(4,125)	(4,125)	-	(4,125)	(4,125)
Recoveries	-	-	-	-	79	79
Balances at end of year	20,241	35,522	55,763	10,898	27,438	38,336

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.

(In thousands of U.S. dollars)

7. EQUITY INVESTMENTS

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

	December 31, 2014	December 31, 2013
Direct investments in companies accounted under equity method	9,169	8,435
Investment funds accounted under equity method	33,534	27,078
Direct investments in companies at cost	77,009	40,636
Investment funds at cost	172,633	152,236
	292,345	228,385

Equity investments by country are summarized as follow:

	Equity participation (%)	December 31, 2014	December 31, 2013
Investment Funds:			
Bolivia	20	2,714	1,416
Brazil	Between 1 and 12	32,762	26,029
Colombia	Between 9 and 20	35,256	34,228
Mexico	Between 6 and 20	31,697	13,797
Peru	Between 6 and 16	12,200	14,790
Regional	Between 1 and 33	91,538	89,054
		206,167	179,314
Direct Investments in companies:			
Argentina	17	2,000	2,000
Bolivia	20	9,169	8,435
Brazil	Between 14 and 20	7,000	-
Colombia	Between 10 and 20	26,482	5,023
Ecuador	Between 5 and 10	5,490	5,490
Peru	1	8,263	8,263
Regional	Between 2 and 20	27,774	19,860
		86,178	49,071
		292,345	228,385

Details of equity investments under equity method are as follows:

	Equity participation	Latest Financial statements	December 31, 2014	December 31, 2013
Companies:				
Banco de Desarrollo de la Producción	20%	09/30/2014	9,169	8,435

(In thousands of U.S. dollars)

	Equity participation	Latest Financial statements	December 31, 2014	2013
Funds:				
Darby Latinoamerican Mezzanine Fund II	20%	09/30/2014	9,947	10,709
Emerging Energy Latinoamerican Fund	20%	09/30/2014	2,434	163
Fondo de Fondos México II	20%	06/30/2014	7,759	3,454
Microfinance Growth Fund	20%	09/30/2014	6,167	6,353
Produbanco Darby-Probanco Fund II	33%	09/30/2014	4,513	4,983
Próspero Microfinanzas Fund	20%	09/30/2014	2,714	1,416
			33,534	27,078

During 2014 and 2013, CAF recognized income for US$ 9,020 and US$ 5,044, respectively, due to dividends received from investments under cost method, which are included in the statements of comprehensive income.

At December 31, 2014, CAF recognized impairment for US$ 7,307. At December 31, 2013, CAF did not recognize any impairment.

8. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment follows:

	December 31, 2014	2013
Land	27,012	27,012
Buildings	26,169	23,662
Buildings improvements	19,786	18,375
Leased building improvements	6,770	4,882
Furniture and equipment	21,583	17,707
Vehicles	989	877
	102,309	92,515
Less accumulated depreciation	50,805	45,995
Projects in progress	17,499	20,379
	69,003	66,899

The depreciation expenses of US$ 5,974 and of US$ 5,554 for property and equipment for the year ended December 31, 2014 and 2013, respectively, are included in the statement of comprehensive income.

(In thousands of U.S. dollars)

9. OTHER ASSETS

A summary of other assets follows:

	December 31, 2014	December 31, 2013
Intangible assets, net	10,199	10,957
Deferred charges, net	36,470	40,507
Receivable from investment securities sold	4,551	-
Derivative related collateral	233,746	192,394
Other assets	25,572	30,083
	310,538	273,941

10. DEPOSITS

A summary of deposits follows:

	December 31, 2014	December 31, 2013
Demand deposits	72,479	69,850
Time deposits:		
Less than one year	3,624,031	3,193,824
	3,696,510	3,263,674

At December 31, 2014 and 2013, the interest rates on time deposits ranged from 0.06% to 1.812% and from 0.02% to 1.597%, respectively. Deposits are issued for amounts equal to or more than US$ 100. Total deposits in other currencies include US$ 157,324 and US$ 2,424, at December 31, 2014 and 2013, respectively.

11. COMMERCIAL PAPER

CAF's commercial paper of US$ 1,853,282 at December 31, 2014 will mature in 2015 (US$ 2,936,496 at December 31, 2013 - matured in 2014). At December 31, 2014 and 2013, the interest rates on commercial paper ranged from 0.145% to 0.458% and from 0.09% to 0.69%, respectively.

12. BORROWINGS

A summary of borrowings follows:

	December 31, 2014	December 31, 2013
U.S. dollars	1,443,140	1,575,019
Peruvian nuevos soles	22,044	21,599
Venezuelan bolivars	30,159	17,460
Other currencies	5,853	8,838
	1,501,196	1,622,916
Fair value adjustments	13,450	5,947
Carrying value of borrowings	1,514,646	1,628,863

(In thousands of U.S. dollars)

At December 31, 2014 and 2013, there are fixed interest-bearing borrowings in the amount of US$ 545,171 and US$ 407,082, respectively. At December 31, 2014 and 2013, the interest rates on borrowing ranged from 0.1324% to 12% and from 0.1244% to 12%, respectively.

Borrowings, by remaining maturities, are summarized below:

	December 31,	
	2014	**2013**
Remaining maturities:		
Less than one year	246,009	467,837
Between one and two years	441,506	252,882
Between two and three years	105,614	226,765
Between three and four years	184,241	95,912
Between four and five years	113,625	165,224
Over five years	410,201	414,296
	1,501,196	1,622,916

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

At December 31, 2014 and 2013 there were unused term credit facilities amounting to US$ 569,342 and US$ 609,859, respectively.

13. BONDS

An analysis of outstanding bonds follows:

	December 31,					
	2014			**2013**		
	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	6,109,320	6,109,320	2.03	5,115,006	5,115,006	2.35
Euro	3,571,411	3,230,302	1.62	2,119,345	2,196,752	1.95
Swiss francs	2,054,538	1,950,086	1.71	1,871,550	1,981,810	1.98
Australian dollars	525,233	471,269	1.26	524,464	514,224	1.31
Hong Kong dollars	386,060	386,212	1.69	223,982	224,139	2.03
Norweigan kroner	390,828	323,777	1.43	-	-	-
Japanese yen	418,819	294,807	2.45	671,631	524,109	2.1
Chinese renminbi	96,618	96,660	1.37	96,618	99,092	1.37
Colombian pesos	112,565	92,687	2.64	156,949	173,202	2.95
Mexican pesos	98,108	89,545	2.67	98,108	100,476	2.71
Turkish lira	70,089	67,408	0.34	-	-	-
Peruvian nuevos soles	32,331	35,412	0.73	94,736	103,875	1.13
South African rand	22,594	21,848	0.85	-	-	-
	13,888,514	13,169,333		10,972,389	11,032,685	
Fair value adjustments		690,607			159,816	
Carrying value of bonds		13,859,940			11,192,501	

(In thousands of U.S. dollars)

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

	December 31, 2014	December 31, 2013
Remaining maturities:		
Less than one year	1,264,543	942,400
Between one and two years	1,560,577	1,265,305
Between two and three years	2,086,958	1,561,340
Between three and four years	1,315,182	887,692
Between four and five years	937,189	1,316,246
Over five years	6,724,065	4,999,406
	13,888,514	10,972,389

At December 31, 2014 and 2013, fixed interest rate bonds amounted to US$ 13,059,963 and US$ 10,539,306, respectively, of which US$ 7,667,123 and US$ 6,043,466, respectively, are denominated in Australian Dollars, Chinese renminbi, Colombian pesos, Euro, Hong Kong dollars, Japanese yen, Mexican pesos, Peruvian nuevos soles, Turkish lira, South African rand, Norwegian kroner and Swiss francs.

There were no bonds repurchased during the years ended December 31, 2014 and 2013.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31, 2014	December 31, 2013
Employees' severance indemnities, benefits and savings plan	68,382	64,780
Payable for invesment securities purchased	5,683	-
Derivatives related collateral	99,413	121,501
Provision contingencies	2,474	3,643
Other liabilities	8,441	7,476
	184,393	197,400

15. PENSION PLAN

At December 31, 2014 the Plan has 421 participants and active employees. The measurement date used to determine pension plan benefit obligation is December 31.

(In thousands of U.S. dollars)

For the year ended December 31, 2014 and 2013, a reconciliation of beginning and ending balances of the benefit obligation are as follows:

	December 31,	
	2014	**2013**
Change in benefit obligation:		
Benefit obligation at beginning of year	9,558	6,875
Service cost	1,206	1,084
Interest cost	406	297
Plan participants´contributions	1,170	1,050
Actuarial (gain) loss	(435)	333
Benefit paid	(611)	(81)
Benefit obligation at end of year	11,294	9,558

For the year ended December 31, 2014 and 2013, a reconciliation of beginning and ending balances of the fair value of plan assets are as follows:

	December 31,	
	2014	**2013**
Change in plan assets:		
Fair value of plan assets at beginning of year	9,098	6,359
Actual return on plan assets	183	126
Contributions	2,656	2,695
Benefit paid	(611)	(82)
Fair value of plan assets at year of year	11,326	9,098

As of December 31, 2014 and 2013, the plan assets are as follows:

	December 31,	
	2014	**2013**
Plan assets:		
Deposits with banks	11,326	9,098

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2014 and 2013:

	December 31,	
	2014	**2013**
Service cost	1,206	1,084
Interest cost	406	297
Expected return on plan assets	(136)	(110)
	1,476	1,271

(In thousands of U.S. dollars)

A summary of the net projected cost for the year 2015 follows:

Service cost:	
Contributions to the plan	1,234
Guaranteed benefit	204
	1,438
Interest cost	481
Expected return on plan assets	(170)
	1,749

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2014 and 2013 follows:

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

16. STOCKHOLDERS' EQUITY

Authorized Capital

The authorized capital of CAF at December 31, 2014 and 2013 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.

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 grant the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the above countries. These shares have a par value of US$ 1,200.

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.

(In thousands of U.S. dollars)

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, 2014 and 2013 follows:

	Number of Shares			Nominal Amounts			
	Series “A”	Series “B”	Series “C”	Series “A”	Series “B”	Series “C”	Total
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
Issued for cash	-	49,453	12,370	-	247,265	61,850	309,115
At December 31, 2014	10	755,889	91,810	12,000	3,779,445	459,050	4,250,495

Subscribed and paid-in capital at December 31, 2014 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	75,445	-	1,200	377,225	-	378,425
Bolivia	1	44,319	-	1,200	221,595	-	222,795
Brazil	1	65,927	-	1,200	329,635	-	330,835
Colombia	1	153,278	-	1,200	766,390	-	767,590
Ecuador	1	44,640	-	1,200	223,200	-	224,400
Panama	1	18,747	-	1,200	93,735	-	94,935
Paraguay	1	18,376	-	1,200	91,880	-	93,080
Peru	1	158,290	-	1,200	791,450	-	792,650
Uruguay	1	22,746	-	1,200	113,730	-	114,930
Venezuela	1	153,712	-	1,200	768,560	-	769,760
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,373	-	-	31,865	31,865
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	39,739	-	-	198,695	198,695
Trinidad & Tobago	-	-	23,457	-	-	117,285	117,285
Commercial banks	-	409	-	-	2,045	-	2,045
	10	755,889	91,810	12,000	3,779,445	459,050	4,250,495

(In thousands of U.S. dollars)

At December 31, 2014, 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	15,794	78,970	-	-	25,200	126,000	-	-
Bolivia	7,094	35,470	-	-	14,400	72,000	-	-
Brazil	21,931	109,655	-	-	25,200	126,000	-	-
Colombia	22,838	114,190	-	-	50,400	252,000	-	-
Ecuador	7,094	35,470	-	-	14,400	72,000	-	-
Panama	8,099	40,495	-	-	7,200	36,000	-	-
Paraguay	7,990	39,950	-	-	7,200	36,000	-	-
Peru	18,260	91,300	-	-	50,400	252,000	-	-
Uruguay	5,333	26,665	-	-	7,200	36,000	-	-
Venezuela	22,837	114,185	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	662	3,310	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	-	-	-	-	40,000	200,000
Trinidad y Tobago	-	-	-	-	-	-	-	-
Commercial banks	7	35	-	-	-	-	-	-
	137,277	686,385	662	3,310	252,000	1,260,000	58,732	293,660

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

(In thousands of U.S. dollars)

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
Dominican Repuplic	-	-	838	4,190	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	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

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$ 116,557 and US$ 24,071 during the years ended March 31, 2014 and 2013, through appropriations from net income for the years ended December 31, 2013 and 2012, 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 2014 and 2013, it was authorized to increase the reserve by US$ 21,200 and US$ 16,100, through an appropriation from net income for the years ended December 31, 2013 and 2012, respectively.

17. DISTRIBUTIONS TO STOCKHOLDERS' SPECIAL FUNDS

The 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 thousands of U.S. dollars)

In March 2014 and 2013, the stockholders' Assembly approved the distribution of US$ 69,000 and US$ 119,998, from retained earnings at December 31, 2013 and 2012, respectively, to the stockholders' special funds (Note 25).

Additionally, in March 2014, the stockholders´ Assembly approved, effective 2015, the change in the accounting record of distributions to stockholders' special funds, recognizing them as expenses rather than as a decrease in retained earnings.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income balances as of December 31, 2014 and 2013, and the amounts reclassified out of accumulated other comprehensive income affected net income were as follows:

	December 31,	
	2014	2013
Balances at beginning of the year	(317)	-
Unrecognized changes in assets/ liabilities under benefit pension plan	32	(317)
Amortization of defined benefit pension items (1)	317	-
Balances at end of year	32	(317)

(1) This accumulated other comprehensive income component is included in administrative expenses in the statement of comprehensive income.

19. 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.

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

(In 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 fair value of the future contracts.

CAF monitors the credit risk associated with derivative financial instruments. 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 derivative financial instruments, CAF enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap contracts 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 does not offset, for each counterparty, the fair value amount recognized for derivative financial instruments with the fair value amount recognized for the collateral, whether posted or received, under master netting arrangements executed with the same counterparty. CAF reports separately the cumulative gross amounts for the receivable from and payable to for derivative financial instruments.

At December 31, 2014 and 2013, balance sheet details related to CAF’s derivative financial instruments is as follows:

	Derivative assets		**Derivative liabilities**	
	December 31,		**December 31,**	
	2014	**2013**	**2014**	**2013**
Interest rate swap	183,323	96,640	33,752	6,935
Cross-currency swap	199,790	320,774	349,150	175,889
Futures	-	244	155	-
Forward contracts	590	-	29	-
	383,703	417,658	383,086	182,824

(In thousands of U.S. dollars)

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items at December 31, 2014 and 2013:

	Notional amount		**Fair value**	
	Interest rate swap	**Cross-currency swap**	**Derivative assets**	**Derivative liabilities**
At December 31, 2014:				
Loans	-	18,351	3,151	187
Loans	6,125	-	-	46
Borrowings	419,167	-	13,766	316
Bonds	5,357,840	-	169,557	33,390
Bonds	-	7,803,396	196,639	348,963
	5,783,132	7,821,747	383,113	382,902
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

The amount recognized for the right to receive collateral related with interest rate swaps and cross-currency swaps that have been offset at year-end 2014 and 2013, was US$ 99,413 and US$ 121,501, respectively. The amount recognized for the obligation to post collateral that have been offset at year-end 2014 and 2013, was US$ 132,959 and US$ 70,893, respectively.

The following table presents the notional amount and fair values of futures and the underlying hedged items at December 31, 2014 and 2013:

	Start date	**Termination date**	**Contract Currency**	**Notional amount**	**Fair value Derivative assets**
At December 31, 2014:					
Forward contracts	Various	Untill Sep 2015	Various	560	590

	Start date	**Termination date**	**Contract Currency**	**Notional amount**	**Fair value Derivative liabilities**
At December 31, 2014:					
Futures	Nov/Dec 2014	March 2015	Various	49,900	(81)
Futures	Nov/Dec 2014	March 2015	Various	4,900	(74)
				54,800	(155)
Forward contracts	Various	Untill Sep 2015	Various	(560)	(29)
				54,240	(184)

(In thousands of U.S. dollars)

	Start date	Termination date	Contract Currency	Notional amount	Fair value Derivative assets
At December 31, 2013:					
Futures	Nov/Dec 2013	March 2014	USD	(56,900)	244

The amount recognized for the obligation to post collateral related with futures that have been offset at year-end 2014, was US$ 1,374.

For the years ended December 31, 2014 and 2013, 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.

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

At December 31, 2014

Derivative assets

		Gross amounts not offset in the balance sheet		
Description	**Gross amounts of recognized assets**	**Financial instruments**	**Cash and securities collateral received**	**Net amount**
Swaps	383,113	(201,474)	(99,413)	82,226

Derivative liabilities

		Gross amounts not offset in the balance sheet		
Description	**Gross amounts of recognized liabilities**	**Financial instruments**	**Cash and securities collateral pledged**	**Net amount**
Swaps	(382,901)	201,474	132,959	(48,468)

At December 31, 2013

Derivative assets

		Gross amounts not offset in the balance sheet		
Description	**Gross amounts of recognized assets**	**Financial instruments**	**Cash and securities collateral received**	**Net amount**
Swaps	546,019	(184,757)	(121,501)	239,761

Derivative liabilities

Description	Gross amounts of recognized liabilities	Gross amounts not offset in the balance sheet: Financial instruments	Gross amounts not offset in the balance sheet: Cash and securities collateral pledged	Net amount
Swaps	(311,429)	184,757	70,893	(55,779)

21. 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. If in some cases where a market price is not available, CAF makes use appropriate valuation methodologies that require considerable judgment in developing and interpreting the estimates of 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 developed valuation techniques are classified according to the lowest level input or value driver that is significant to the fair value measurement. 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, 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 provided by the counterparties. Derivative assets and liabilities are classified in Level 2 of the fair value hierarchy.

(In thousands of U.S. dollars)

- *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 benchmark interest yield curves at the end of the reporting period to discount the expected cash flows for the applicable maturity, thus reflecting market fluctuation of key 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 2014 and 2013, there were no transfers between levels 1, 2 and 3.

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, 2014 and 2013:

	Level 1	Level 2	Level 3	Total
At December 31, 2014:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,920,441	-	-	1,920,441
Bonds of non-U.S. governments and government entities	195,373	-	-	195,373
Financial institutions and corporate securities:				
Commercial papers	1,075,478	-	-	1,075,478
Certificate of deposits	2,264,749	-	-	2,264,749
Bonds	1,183,477	-	-	1,183,477
Collateralized mortage obligation	292,214	-	-	292,214
Liquity funds	199,059	-	-	199,059
	5,014,977	-	-	5,014,977
	7,130,791	-	-	7,130,791
Loans	-	21,954	-	21,954
Derivative instruments:				
Interest rate swap	-	183,323	-	183,323
Cross-currency swap	-	199,790	-	199,790
Forward contracts	-	590	-	590
	-	383,703	-	383,703
	7,130,791	405,657	-	7,536,448
Liabilities:				
Borrowings	-	432,617	-	432,617
Bonds	-	13,124,319	-	13,124,319
Derivative instruments:				
Futures	-	155	-	155
Interest rate swap	-	33,752	-	33,752
Cross-currency swap	-	349,150	-	349,150
Forward contracts	-	29	-	29
	-	383,086	-	383,086
	-	13,940,022	-	13,940,022

(In thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
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
Collateralized mortage obligation	220,196	-	-	220,196
Liquity funds	193,151	-	-	193,151
Others	10,950	-	-	10,950
	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

Items that are not measured at fair value

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

		December 31,			
		2014		2013	
	Hierarchy Levels	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	141,147	141,147	230,051	230,051
Deposits with banks	1	1,279,267	1,279,267	1,462,208	1,462,208
Other investments	1	1,596,608	1,596,608	781,219	781,219
Loans, net	2	18,976,959	18,981,432	17,836,204	17,838,511
Equity investments (Cost method)	2	249,642	249,642	192,872	192,872
Acrrued interest and commissions receivable	2	292,325	292,325	242,153	242,153

(In thousands of U.S. dollars)

		December 31,			
		2014		2013	
	Hierarchy Levels	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial liabilities:					
Deposits	2	3,696,510	3,696,510	3,263,674	3,263,674
Commercial paper	2	1,853,282	1,853,282	2,936,496	2,936,496
Borrowings	2	1,082,029	1,083,696	1,132,916	1,134,194
Bonds	2	735,830	737,349	532,570	534,326
Accrued interest payable	2	239,547	239,547	200,013	200,013

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 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 2014 and 2013, there were no transfers between levels 1, 2 and 3.

22. 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, 2014 and 2013 for instruments for which the fair value option was chosen, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31, 2014	December 31, 2013
Bond related swaps	2,165	787
Loan related swaps	(690)	1,342
	1,475	2,129

23. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31, 2014	December 31, 2013
Loan commitments subscribed - eligibles	5,281,911	4,583,475
Loan commitments subscribed - non eligibles	2,836,455	1,965,410
Lines of credit	4,718,975	4,782,126
Letters of credit	16,776	58,641
Equity investments agreements subscribed	286,149	254,687
Guarantees	311,819	375,533

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 loans; such financial instruments are recorded as loan commitments upon signing the corresponding loan agreement and are reported in the financial statements when disbursements are made. Loan commitments that have fulfilled the necessary requirements for disbursement are classified as eligible.

The commitments to extend loans have fixed expiration dates and in some cases expire without 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.

(In thousands of U.S. dollars)

Guarantees mature as follows:

	December 31,	
	2014	**2013**
Remaining maturities:		
Less than one year	45,621	98,707
Between one and two years	12,000	-
Between four and five years	40,254	52,924
Over five years	213,944	223,902
	311,819	375,533

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.

24. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2014 and 2013, CAF recorded administrative expenses as follows:

	December 31,	
	2014	**2013**
Salaries and employee benefits	74,111	67,388
Professional fees, seminars and other expenses	16,486	14,492
Logistics and infrastructure	15,038	13,066
Telecommunications and technology	11,043	9,051
	116,678	103,997

25. 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 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 provisions that 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. With regard 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.

(In thousands of U.S. dollars)

As of December 31, 2014 and 2013, managed funds net assets are US$ 508,638 and US$ 537,651, respectively. The balances of main managed funds are as follows:

	December 31,	
	2014	**2013**
Compensatory Financing Fund (FFC) (1)	330,736	350,010
Fund for the Development of Small and Medium Enterprises (FIDE)	54,810	56,879
Fund for the Promotion of Sustainable Infrastructure Projects (PROINFRA) (2)	-	25,440
Technical Cooperation Fund (FCT) (2)	55,936	25,826
Human Development Fund (FONDESHU)	15,604	17,610
Latin American Carbon, Clean Alternative Energies Program (PLAC)	7,228	7,158
Cross-Border Cooperation and Integration (COPIF)	-	3,724
Special Bolivia Fund (FEB) (2)	-	(767)
Others	44,324	51,771
	508,638	537,651

(1) FFC was created by CAF's stockholders for the purpose of compensating a portion of the interest costs of certain loans granted by CAF to finance economic and social infrastructure projects. For the year ended December 31, 2014 and 2013, FFC compensated interest amounting to US$ 61,261 and US$ 48,239, respectively.

(2) As of March 18, 2014 and according to the decision of the Board, these funds were combined, with the Technical Cooperation Fund (FCT).

26. 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 services among individual countries.

(In thousands of U.S. dollars)

For the years ended December 31, 2014 and 2013, loans made to or guaranteed by six countries individually generated an excess, before swaps, of 10% of loan income, as follows:

	December 31,	
	2014	**2013**
Argentina	71,292	60,632
Bolivia	46,488	41,959
Brazil	44,972	-
Colombia	42,757	45,251
Ecuador	62,249	61,951
Peru	64,459	60,346
Venezuela	71,846	73,020
	404,063	343,159

27. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 30, 2015, the date of issue of these financial statements. As a result of this evaluation, Management has determined that there are no subsequent events, that require a disclosure in CAF's financial statements at the year ended December 31, 2014, except for:

- On January 21, 2015 CAF priced bonds under its U.S. Shelf program for US$ 1,000,000, Floating Rates Notes due 2018. The effective date of the bonds is January 29, 2015.

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