Corporación Andina de Fomento (CAF)

Financial Statements
As of and for the years ended
December 31, 2015 and 2014

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, 2015, 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, 2015. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2015.

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, 2015, 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, 2015.

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 29, 2016

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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, 2015, 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, 2015 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, 2015 of CAF and our report dated January 29, 2016 expressed an unmodified opinion on those financial statements.

Deloitte.

January 29, 2016

Caracas - Venezuela

Deloitte.

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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, 2015 and 2014, 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, 2015 and 2014, 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, 2015, 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 29, 2016 expressed an unmodified opinion on the Management's assertion on effectiveness of internal control over financial reporting.

Deloitte.

January 29, 2016

Caracas - Venezuela

Lara Marambio & Asociados. A member firm of Deloitte Touche Tohmatsu Limited.
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CORPORACIÓN ANDINA DE FOMENTO (CAF)

Balance Sheets
December 31, 2015 and 2014
(In thousands of U.S. dollars)

	NOTES	2015	2014
ASSETS			
Cash and due from banks	**3**	216,078	141,147
Deposits with banks	**3**	2,590,453	1,279,267
Cash and deposits with banks		2,806,531	1,420,414
Marketable securities:			
Trading	**5 and 22**	6,787,875	7,130,791
Other investments	**4**	1,186,286	1,596,608
Loans (US$ 26,108 and US$ 21,954 at fair value as of December 31, 2015 and 2014)	**6 and 22**	20,430,792	19,144,087
Less loan commissions, net of origination costs		94,996	89,411
Less allowance for loan losses	**6**	58,929	55,763
Loans, net		20,276,867	18,998,913
Accrued interest and commissions receivable		303,935	292,325
Equity investments	**7**	328,390	292,345
Derivative financial instruments	**21 and 22**	215,509	383,703
Property and equipment, net	**8**	72,923	69,003
Other assets	**9**	491,379	274,069
TOTAL		32,469,695	30,458,171
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits	**10**	2,700,248	3,696,510
Commercial paper	**11**	2,589,875	1,853,282
Borrowings (US$ 526,807 and US$ 432,617 at fair value as of December 31, 2015 and 2014)	**12 and 22**	1,463,850	1,514,646
Less origination costs		934	1,480
Borrowings, net		1,462,916	1,513,166
Bonds (US$ 14,526,090 and US$ 13,124,319 at fair value as of December 31, 2015 and 2014)	**13 and 22**	15,058,361	13,859,940
Less origination costs		29,763	34,990
Bonds, net		15,028,598	13,824,950
Accrued interest payable		249,534	239,547
Derivative financial instruments	**21 and 22**	808,097	383,086
Accrued expenses and other liabilities	**14**	106,333	184,393
Total liabilities		22,945,601	21,694,934
STOCKHOLDERS' EQUITY:	**16 and 19**		
Subscribed and paid-in capital (authorized capital US$ 15,000 million as of December 31, 2015, and US$ 10,000 million as of December 31, 2014)		4,491,275	4,250,495
Additional paid-in capital		2,354,537	1,911,487
Reserves		2,601,223	2,463,584
Other comprehensive income		(571)	32
Retained earnings		77,630	137,639
Total stockholders' equity		9,524,094	8,763,237
TOTAL		32,469,695	30,458,171

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Comprehensive Income
Years ended December 31, 2015 and 2014
(In thousands of U.S. dollars)

	NOTES	2015	2014
Interest income:			
Investments and deposits with banks	**2 (e), 3 and 4**	53,636	44,211
Loans	**2 (f)**	526,084	481,970
Loan commissions	**2 (f)**	41,539	43,479
Total interest income		621,259	569,660
Interest expense:			
Deposits		8,716	11,377
Commercial paper		8,900	6,459
Borrowings and other obligations		23,828	22,541
Bonds		293,240	258,166
Commissions		10,707	11,681
Total interest expense		345,391	310,224
Net interest income		275,868	259,436
Provision for loan losses	**6**	18,703	21,552
Net interest income, after provision for loan losses		257,165	237,884
Non-interest income:			
Other commissions		9,150	9,070
Dividends and equity in earnings of investees	**7**	3,103	8,893
Other income		4,511	4,998
Total non-interest income		16,764	22,961
Non-interest expenses:			
Administrative expenses	**25**	125,072	116,678
Impairment charge for equity investments	**7**	11,046	7,307
Other expenses		3,045	696
Total non-interest expenses		139,163	124,681
Net income before unrealized changes in fair value related to financial instruments and Contributions to Stockholders' Special Funds		134,766	136,164
Unrealized changes in fair value related to financial instruments	**23**	(3,136)	1,475
Net income before Contributions to Stockholders' Special Funds		131,630	137,639
Contributions to Stockholders' Special Funds	**18**	54,000	-
Net income		77,630	137,639
Other comprehensive income:			
Unrecognized changes in assets/ liabilities under benefit pension plan	**15 and 19**	(603)	32
Amortization of defined benefit pension items	**15 and 19**	-	317
Total comprehensive income		77,027	137,988

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Stockholders' Equity
Years ended December 31, 2015 and 2014
(In thousands of U.S. dollars)

	NOTES	Subscribed and paid-in capital	Additional paid-in capital	Reserves: General reserve	Reserves: Article 42 of by-laws	Reserves: Total reserves	Other comprehensive income	Retained earnings	Total stockholders' equity
BALANCES AT DECEMBER 31, 2013		3,941,380	1,342,903	1,895,592	430,235	2,325,827	(317)	206,757	7,816,550
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	**19**	-	-	-	-	-	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	451,435	2,463,584	32	137,639	8,763,237
Capital increase	**16**	240,780	443,050	-	-	-	-	-	683,830
Net income	**16**	-	-	-	-	-	-	77,630	77,630
Appropriated for general reserve	**16**	-	-	123,874	-	123,874	-	(123,874)	-
Appropriated for reserve pursuant									-
to Article N° 42 of by-laws	**16**	-	-	-	13,765	13,765	-	(13,765)	-
Other comprehensive income	**19**	-	-	-	-	-	(603)	-	(603)
BALANCES AT DECEMBER 31, 2015		4,491,275	2,354,537	2,136,023	465,200	2,601,223	(571)	77,630	9,524,094

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows
Years ended December 31, 2015 and 2014
(In thousands of U.S. dollars)

	NOTES	2015	2014
OPERATING ACTIVITIES:			
Net income		77,630	137,639
Adjustments to reconcile net income to net cash povided by (used in) operating activities:			
Contributions to Stockholders' Special Funds	**18**	16,000	-
Unrealized loss on trading securities	**5**	9,766	3,038
Amortization of loan commissions, net of origination costs		(14,152)	(12,085)
Provision for loan losses	**6**	18,703	21,552
Impairment charge for equity investments	**7**	11,046	7,307
Equity in earnings of investees		(1,060)	127
Amortization of deferred charges		4,206	3,811
Depreciation of property and equipment	**8**	5,725	5,974
Provision for employees' severance benefits		10,317	9,345
Provision for employees' savings plan		1,340	1,335
Unrealized changes in fair value related to financial instruments		3,267	(1,475)
Net changes in operating assets and liabilities:			
Severance benefits paid or advanced		(7,517)	(6,650)
Employees' savings plan paid or advanced		(449)	(955)
Trading securities, net	**5**	334,826	(1,307,136)
Interest and commissions receivable		(11,610)	(50,172)
Other assets		(1,577)	1,458
Accrued interest payable		9,987	39,534
Accrued expenses and other liabilities		899	6,007
Total adjustments and net changes in operating assets and liabilities		389,717	(1,278,985)
Net cash povided by (used in) operating activities		467,347	(1,141,346)
INVESTING ACTIVITIES:			
Purchases of other investments	**4**	(4,003,321)	(3,773,803)
Maturities of other investments	**4**	4,413,643	2,958,414
Loan origination and principal collections, net	**6**	(1,282,438)	(1,128,961)
Equity investments, net	**7**	(46,032)	(71,394)
Purchases of property and equipment	**8**	(9,645)	(8,078)
Net cash used in investing activities		(927,793)	(2,023,822)
Carried forward,		(460,446)	(3,165,168)

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows
Years ended December 31, 2015 and 2014
(In thousands of U.S. dollars)

	NOTES	2015	2014
Brought forward,		(460,446)	(3,165,168)
FINANCING ACTIVITIES:			
Net (decrease) increase in deposits		(996,262)	432,836
Net increase (decrease) in commercial paper		736,593	(1,083,213)
Net increase in derivative related collateral		(320,905)	(63,441)
Proceeds from issuance of bonds	**13**	3,044,137	3,862,490
Repayment of bonds	**13**	(1,255,123)	(943,085)
Proceeds from borrowings	**12**	172,965	267,697
Repayment of borrowings	**12**	(218,672)	(388,660)
Distributions to stockholders' special funds	**17**	-	(69,000)
Proceeds from issuance of shares	**16**	683,830	877,699
Net cash provided by financing activities		1,846,563	2,893,323
NET INCREASE (DECREASE) IN CASH AND DEPOSITS WITH BANKS		1,386,117	(271,845)
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF YEAR		1,420,414	1,692,259
CASH AND DEPOSITS WITH BANKS AT END OF YEAR		2,806,531	1,420,414
Supplemental disclosure:			
Interest paid during the year		328,254	238,147
NONCASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		(168,194)	(33,955)
Changes in derivative financial instruments liabilities		425,011	200,262

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: Barbados, 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, Mexico City, Panama City, La Paz, Lima, Madrid, Montevideo, Port of Spain 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.

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 marketable securities are mainly bought and held with the purpose of selling them in the short term. Trading marketable securities are recorded at fair value. Gains and losses, from sales of trading marketable securities and changes in the fair value of trading marketable securities are included in interest income of investments and deposits with banks in the statements of comprehensive income.

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

For credit risk purposes, CAF classifies its 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 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 each of the balance sheet presented. 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 loans, 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, which 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 mainly include collateral, intangible assets and receivable from investment securities sold (Note 2e).

***Collateral* –** CAF requires or posts collateral from or to individual swap counterparties and futures contracts in the form of cash to mitigate its credit exposure to these counterparties. It is the policy of CAF to restrict and invest collateral received from swap and futures counterparties for fulfilling its obligations under the collateral agreement. CAF records 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.

***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.

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 Paper* –** Deposits and commercial paper are recorded at amortized cost.

m. ***Borrowings* –** The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are recorded at amortized cost, except for some borrowings that are hedged using interest rate swaps as an economic hedge. The up-front costs and fees related to the issuance of borrowings denominated in US$ are deferred and reported in the balance sheet as a direct deduction from the face amount of borrowings and amortized during the term of the borrowings as interest expense (Note 2v).

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 reported in the balance sheet as a direct deduction from the face amount of bonds, and amortized during their life time as interest expense (Note 2v).

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-sovereign. Provision for guarantees is estimated by CAF considering the credit risk exposure, default probability and loss given default. Provision for sovereign guarantees losses is based on the individual long-term foreign currency debt rating of the guarantor countries 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, 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 issued accounting pronouncement pending adoption –***

ASU 2015-14, Revenue from Contracts with Customers

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606). The amendments in this ASU defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. This ASU will be effective for CAF in 2018.

(In thousands of U.S. dollars)

v. *Recently issued accounting pronouncements and early adoption*

ASU 2015-03, Interest-Imputation of Interest

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. This ASU simplify presentation of debt issuance costs, also require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU 2015-03. The amendments require an entity should apply the new guidance on a retrospective basis, These disclosures required the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (that is, debt issuance cost asset and the debt liability). This ASU will be effective for public business entities, for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption of the amendments in this Update is permitted for financial statements that have not been previously issued.

On October 1, 2015, CAF has early adopted ASU 2015-03. In previous years CAF presented the issuance costs as a deferred cost in Other assets in the balance sheet, now with the adoption of this ASU, the amounts are presented as a direct deduction from Bonds and Borrowings.

As of December 31, 2014, CAF reclassified origination costs for US$ 1,480 from Other assets to Borrowings, and US$ 34,990 from Other assets to Bonds. There were no significant changes in the way as CAF presented the amortization of origination costs in the line of Interest Expense in the Statements of Comprehensive Income, just minor reclassifications from Commissions to Borrowings and other obligations and Bonds, in the same line of Interest Expense. Also, a minor reclassification from operating activities to financing activities in the Statements of Cash Flows.

3. CASH AND DEPOSITS WITH BANKS

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

	December 31,	
	2015	**2014**
Cash and due from banks	216,078	141,147
Deposits with banks:		
U.S. dollars	2,590,453	1,279,267
	2,806,531	1,420,414

(In thousands of U.S. dollars)

4. OTHER INVESTMENTS

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

	December 31, 2015	December 31, 2014
U.S. dollars	1,185,463	1,589,458
Other currencies	823	7,150
	1,186,286	1,596,608

As of December 31, 2015 and 2014, the interest rate of the other investments ranged from 0.22% to 1.12% and from 0.20% to 1.21%, respectively.

5. MARKETABLE SECURITIES

Trading Securities

A summary of trading securities follows:

	December 31, 2015		December 31, 2014	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	1,895,996	2.03	1,920,441	1.88
Non-U.S. governments and government entities bonds	85,448	0.99	195,373	0.60
Financial institutions and corporate securities:				
Commercial paper	1,711,389	0.17	1,075,478	0.32
Certificates of deposit	1,176,718	0.48	2,264,749	0.46
Bonds	1,405,333	1.37	1,183,477	1.64
Collateralized mortgage obligation	306,152	4.66	292,214	5.55
Liquidity funds	206,839	1.00	199,059	1.00
	4,806,431	0.91	5,014,977	1.02
	6,787,875	1.23	7,130,791	1.24

(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$ 9,766 and US$ 3,038 at December 31, 2015 and 2014, respectively.

Net realized gains and losses from trading securities of US$ 6,504 and US$ 2,003 at December 31, 2015 and 2014, 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, 2015 and 2014, CAF does not have any significant concentrations of credit risk. In other currencies, total marketable securities include the equivalent of US$ 4,158 and US$ 166,312 at December 31, 2015 and December 31, 2014, respectively.

Maturity of debt securities follows:

	December 31,	
	2015	**2014**
Remaining maturities:		
Less than one year	3,919,518	4,653,485
Between one and two years	2,083,753	519,111
Between two and three years	451,920	1,633,819
Between three and four years	133,526	101,639
Between four and five years	115,925	110,121
Over five years	83,233	112,616
	6,787,875	7,130,791

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,	
	2015	**2014**
Stockholder country:		
Argentina	2,771,280	2,718,009
Barbados	50,000	-
Bolivia	2,027,045	1,909,509
Brazil	2,060,065	1,932,414
Chile	20,000	-
Colombia	2,080,181	1,768,619
Costa Rica	119,587	128,627
Dominican Republic	224,096	172,458
Ecuador	3,044,551	2,824,501
Jamaica	5,085	5,628
Mexico	225,646	127,526
Panama	1,288,004	1,254,545
Paraguay	290,515	249,271
Peru	2,297,980	2,333,123
Portugal	-	15,000
Spain	177,671	191,875
Uruguay	654,827	509,247
Venezuela	3,094,364	3,001,625
Loans	20,430,897	19,141,977
Fair value adjustments	(105)	2,110
Carrying value of loans	20,430,792	19,144,087

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, 2015 and 2014, loans denominated in other currencies were granted for an equivalent of US$ 30,057 and US$ 41,780, respectively, principally in Bolivian bolivianos, Peruvian nuevos soles, Paraguayan guarani, Mexican pesos and Colombian pesos. At December 31, 2015 and 2014, fixed interest rate loans amounted to US$ 100,354 and US$ 73,164, respectively.

(In thousands of U.S. dollars)

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

	December 31, 2015	December 31, 2014
Public sector	16,822,700	15,564,049
Private sector	3,608,197	3,577,928
	20,430,897	19,141,977

The average yield of the loan portfolio is shown below:

	December 31, 2015		December 31, 2014	
	Amount	Average yield (%)	Amount	Average yield (%)
Loans	20,430,897	2.85	19,141,977	2.62

Loans by industry segments are as follows:

	December 31, 2015	%	December 31, 2014	%
Agriculture, hunting and forestry	78,094	-	63,389	-
Manufacturing industry	275,341	1	399,627	2
Electricity, gas and water supply	7,060,091	35	6,613,662	35
Transport, warehousing and communications	7,203,320	36	7,091,245	37
Commercial banks	1,646,223	8	1,191,862	6
Development banks	655,205	3	571,100	3
Social and other infrastructure programs	3,313,958	16	3,047,281	16
Others	198,665	1	163,811	1
	20,430,897	100	19,141,977	100

Loans mature as follows:

	December 31, 2015	December 31, 2014
Remaining maturities:		
Less than one year	3,713,933	2,717,459
Between one and two years	2,069,209	2,140,348
Between two and three years	1,935,815	1,919,126
Between three and four years	2,027,559	1,713,659
Between four and five years	1,789,567	1,815,106
Over five years	8,894,814	8,836,279
	20,430,897	19,141,977

(In thousands of U.S. dollars)

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

	December 31, 2015	December 31, 2014
Sovereign guaranteed	16,482,282	15,318,111
Non-sovereign guaranteed	3,948,615	3,823,866
	20,430,897	19,141,977

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, 2015 and 2014 is presented by internal credit risk type and classification, as follows:

	December 31, 2015	December 31, 2014
Risk classification:		
Satisfactory-very good	2,042,901	1,802,917
Satisfactory appropriate	892,042	635,186
Watch	832,337	1,275,343
Special Mention	57,500	-
Sub-standard	123,835	93,875
Doubtful	-	16,545
	3,948,615	3,823,866

Loan portfolio quality

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

	December 31, 2015	December 31, 2014
During the year CAF recorded the following transactions:		
Impaired loans	0	0
Loans written-off	16,354	4,125
Purchases of loan portfolio	0	0
Sales of loan portfolio	107,110	118,008
Trouble debt restructured	0	0

(In thousands of U.S. dollars)

	December 31, 2015	December 31, 2014
CAF presented the following amounts and quality indicators as of the end of the year:		
Non-accrual loans	0	16,545
Overdue loans	0	0
Allowance for loan losses as a percentage of loan portfolio	0.29%	0.29%
Nonaccrual loans as a percentage of loan portfolio	0.00%	0.09%
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, 2015 and 2014, CAF had loans of this nature amounting to US$ 1,109,267 and US$ 1,558,400, respectively; whereas other financial institutions provided funds for US$ 763,217 and US$ 1,067,057, respectively.

Allowance for Loan Losses

Changes in the allowance for loan losses are presented below:

	December 31,					
	2015			2014		
	Sector			Sector		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Balances at beginning of year	20,241	35,522	55,763	10,898	27,438	38,336
Debit to results of operations, net	6,028	12,675	18,703	9,343	12,209	21,552
Loans written-off	-	(16,354)	(16,354)	-	(4,125)	(4,125)
Recoveries	-	817	817	-	-	-
Balances at end of year	26,269	32,660	58,929	20,241	35,522	55,763

(In thousands of U.S. dollars)

7. EQUITY INVESTMENTS

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

	December 31, 2015	December 31, 2014
Direct investments in companies accounted under equity method	9,979	9,169
Investment funds accounted under equity method	33,369	33,534
Direct investments in companies at cost	84,642	77,009
Investment funds at cost	200,400	172,633
	328,390	292,345

Equity investments by country are summarized as follow:

	Equity participation (%)	December 31, 2015	December 31, 2014
Investment Funds:			
Bolivia	20	3,090	2,714
Brazil	Between 1 and 20	31,377	32,762
Colombia	Between 8 and 20	37,687	35,256
Mexico	Between 5 and 22	48,475	31,697
Peru	Between 6 and 16	10,201	12,200
Regional	Between 1 and 33	102,939	91,538
		233,769	206,167
Direct Investments in companies:			
Argentina	17	2,000	2,000
Bolivia	20	9,979	9,169
Brazil	15	7,000	7,000
Colombia	Between 10 and 20	23,970	26,482
Ecuador	Between 5 and 12	5,623	5,490
Peru	Between 1 and 13	8,263	8,263
Regional	Between 1 and 20	37,786	27,774
		94,621	86,178
		328,390	292,345

(In thousands of U.S. dollars)

Details of equity investments under equity method are as follows:

	Equity participation	Latest financial statements	December 31, 2015	December 31, 2014
Companies:				
Banco de Desarrollo de la Producción	20%	09/30/2015	9,979	9,169
Funds:				
Darby Latinoamerican Mezzanine Fund II	20%	09/30/2015	10,481	9,947
Emerging Energy Latinoamerican Fund	20%	09/30/2015	1,576	2,434
Fondo de Fondos México II	20%	06/30/2015	8,278	7,759
Microfinance Growth Fund	20%	09/30/2015	5,854	6,167
Produbanco Darby-Probanco Fund II	33%	09/30/2015	4,090	4,513
Próspero Microfinanzas Fund	20%	09/30/2015	3,090	2,714
			33,369	33,534

During 2015 and 2014, CAF recognized income for US$ 2,043 and US$ 9,020, respectively, for dividends received from investments under cost method, which are included in the statements of comprehensive income.

At December 31, 2015 and 2014, CAF recognized impairment for US$ 11,046 and US$ 7,307 respectively.

8. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment follows:

	December 31, 2015	December 31, 2014
Land	27,029	27,012
Buildings	38,814	26,169
Buildings improvements	19,773	19,786
Leased building improvements	6,392	6,770
Furniture and equipment	24,066	21,583
Vehicles	1,008	989
	117,082	102,309
Less accumulated depreciation	54,589	50,805
Projects in progress	10,430	17,499
	72,923	69,003

The depreciation expenses of US$ 5,725 and US$ 5,974 for property and equipment for the years ended December 31, 2015 and 2014, 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, 2015	December 31, 2014
Intangible assets, net	13,795	10,199
Receivable from investment securities sold	2,876	4,551
Derivative related collateral	455,361	233,746
Other	19,347	25,573
	491,379	274,069

10. DEPOSITS

A summary of deposits follows:

	December 31, 2015	December 31, 2014
Demand deposits	333,969	72,479
Time deposits:		
Less than one year	2,366,279	3,624,031
	2,700,248	3,696,510

At December 31, 2015 and 2014, the interest rates on time deposits ranged from 0.12% to 1.80% and from 0.06% to 1.81%, respectively. Deposits are issued for amounts equal to or more than US$ 100. Total deposits in other currencies include US$ 1,058 and US$ 157,324 at December 31, 2015 and 2014, respectively.

11. COMMERCIAL PAPER

The outstanding amount of commercial paper issued by CAF amounting to US$ 2,589,875 at December 31, 2015 will mature in 2016 (US$ 1,853,282 at December 31, 2014 matured in 2015). At December 31, 2015 and 2014, the interest rates on commercial paper ranged from 0.20% to 0.98% and from 0.15% to 0.46% respectively.

(In thousands of U.S. dollars)

12. BORROWINGS

A summary of borrowings follows:

	December 31, 2015	December 31, 2014
U.S. dollars	1,280,884	1,443,140
Euros	112,900	-
Peruvian nuevos soles	21,695	22,044
Venezuelan bolivars	34,127	30,159
Other currencies	5,337	5,853
	1,454,943	1,501,196
Fair value adjustments	8,907	13,450
Less origination costs	(934)	(1,480)
Carrying value of borrowings	1,462,916	1,513,166

At December 31, 2015 and 2014, there are fixed interest-bearing borrowings in the amount of US$ 549,413 and US$ 545,171, respectively. At December 31, 2015 and 2014, the weighted average cost after swaps was 1.75% and 1.63%, respectively.

Borrowings, by remaining maturities, are summarized below:

	December 31, 2015	December 31, 2014
Remaining maturities:		
Less than one year	476,242	246,009
Between one and two years	104,872	441,506
Between two and three years	206,041	105,614
Between three and four years	131,757	184,241
Between four and five years	116,757	113,625
Over five years	419,274	410,201
	1,454,943	1,501,196

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

At December 31, 2015 and 2014 there were unused term credit facilities amounting to US$ 511,216 and US$ 569,342, respectively.

(In thousands of U.S. dollars)

13. BONDS

An analysis of outstanding bonds follows:

	December 31,					
	2015			2014		
	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	6,762,371	6,762,371	2.37	6,109,320	6,109,320	2.03
Euro	4,257,096	3,602,169	1.86	3,571,411	3,230,302	1.62
Swiss francs	2,235,639	2,108,434	1.75	2,054,538	1,950,086	1.71
Australian dollars	772,283	658,078	1.57	525,233	471,269	1.26
Hong Kong dollars	386,060	386,437	1.88	386,060	386,212	1.69
Norwegian kroner	622,501	475,964	1.59	390,828	323,777	1.43
Japanese yen	310,578	244,996	2.77	418,819	294,807	2.45
Chinese renminbi	-	-	-	96,618	96,660	1.37
Colombian pesos	112,565	70,408	2.96	112,565	92,687	2.64
Mexican pesos	98,108	16,462	2.87	98,108	89,545	2.67
Turkish lira	70,105	53,808	0.77	70,089	67,408	0.34
Peruvian nuevos soles	22,397	21,532	0.91	32,331	35,412	0.73
South African rand	22,598	16,247	0.80	22,594	21,848	0.85
	15,672,301	14,416,906		13,888,514	13,169,333	
Fair value adjustments		641,455			690,607	
Less origination costs		(29,763)			(34,990)	
Carrying value of bonds		15,028,598			13,824,950	

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

	December 31,	
	2015	2014
Remaining maturities:		
Less than one year	1,561,251	1,264,543
Between one and two years	2,087,629	1,560,577
Between two and three years	2,225,655	2,086,958
Between three and four years	1,074,313	1,315,182
Between four and five years	1,133,701	937,189
Over five years	7,589,752	6,724,065
	15,672,301	13,888,514

(In thousands of U.S. dollars)

At December 31, 2015 and 2014, fixed interest rate bonds amounted to US$ 15,201,393 and US$ 13,059,963, respectively, of which US$ 8,927,226 and US$ 7,667,123, 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, 2015 and 2014.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2015	**2014**
Employees' severance benefits and savings plan	72.995	68.382
Payable for invesment securities purchased	5.488	5.683
Derivatives related collateral	-	99.413
Provision contingencies	4.105	2.474
Contributions to Special Funds	16.000	-
Other liabilities	7.745	8.441
	106.333	184.393

15. PENSION PLAN

At December 31, 2015 and 2014, the Plan has 489 and 421 participants and active employees, respectively. The measurement date used to determine pension plan benefit obligation is December 31.

For the years ended December 31, 2015 and 2014, a reconciliation of beginning and ending balances of the benefit obligation are as follows:

	December 31,	
	2015	**2014**
Change in benefit obligation:		
Benefit obligation at beginning of year	11,294	9,558
Service cost	1,438	1,206
Interest cost	481	406
Plan participants´contributions	1,319	1,170
Actuarial (gain) loss	224	(435)
Benefit paid	(754)	(611)
Benefit obligation at end of year	14,002	11,294

(In thousands of U.S. dollars)

For the years ended December 31, 2015 and 2014, a reconciliation of beginning and ending balances of the fair value of plan assets are as follows:

	December 31, 2015	December 31, 2014
Change in plan assets:		
Fair value of plan assets at beginning of year	11,326	9,098
Actual return on plan assets	221	183
Contributions	2,638	2,656
Benefit paid	(754)	(611)
Fair value of plan assets at year of year	13,431	11,326

As of December 31, 2015 and 2014, the plan assets are as follows:

	December 31, 2015	December 31, 2014
Plan assets:		
Deposits with banks	13,431	11,326

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Service cost	1,438	1,206
Interest cost	481	406
Expected return on plan assets	(170)	(136)
	1,749	1,476

A summary of the net projected cost for the year 2016 follows:

Service cost:	
Contributions to the plan	1,427
Guaranteed benefit	288
	1,715
Interest cost	594
Expected return on plan assets	(201)
	2,108

(In thousands of U.S. dollars)

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2015 and 2014 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, 2015 and 2014 amounts to US$ 15,000,000 and US$ 10,000,000, respectively, distributed among Series "A", "B" and "C" shares.

Additional paid-in capital

The additional paid-in capital of CAF at December 31, 2015 and 2014 amounts to US$ 2,354,537 and US$ 1,911,487, respectively. The additional paid-in capital is the amount paid by Series "B" and Series "C" stockholders in excess of the par value.

Subscribed Callable Capital

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

Shares

CAF's shares are classified as follows:

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, 2015 and 2014 follows:

	Number of Shares			Nominal Amounts			
	Series “A”	Series “B”	Series “C”	Series “A”	Series “B”	Series “C”	Total
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
Issued for cash	-	46,201	1,955	-	231,005	9,775	240,780
At December 31, 2015	10	802,090	93,765	12,000	4,010,450	468,825	4,491,275

Subscribed and paid-in capital at December 31, 2015 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	81,934	-	1,200	409,670	-	410,870
Bolivia	1	46,985	-	1,200	234,925	-	236,125
Brazil	1	69,194	-	1,200	345,970	-	347,170
Colombia	1	159,414	-	1,200	797,070	-	798,270
Ecuador	1	47,306	-	1,200	236,530	-	237,730
Panama	1	21,211	-	1,200	106,055	-	107,255
Paraguay	1	21,192	-	1,200	105,960	-	107,160
Peru	1	167,420	-	1,200	837,100	-	838,300
Uruguay	1	25,060	-	1,200	125,300	-	126,500
Venezuela	1	161,962	-	1,200	809,810	-	811,010
Barbados	-		1,761	-		8,805	8,805
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,567	-	-	32,835	32,835
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	-	412	-	-	2,060	-	2,060
	10	802,090	93,765	12,000	4,010,450	468,825	4,491,275

(In thousands of U.S. dollars)

At December 31, 2015, 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	9,305	46,525	-	-	25,200	126,000	-	-
Bolivia	4,428	22,140	-	-	14,400	72,000	-	-
Brazil	18,664	93,320	-	-	25,200	126,000	-	-
Colombia	16,702	83,510	-	-	50,400	252,000	-	-
Ecuador	4,428	22,140	-	-	14,400	72,000	-	-
Panama	5,635	28,175	-	-	7,200	36,000	-	-
Paraguay	5,174	25,870	-	-	7,200	36,000	-	-
Peru	9,130	45,650	-	-	50,400	252,000	-	-
Uruguay	3,019	15,095	-	-	7,200	36,000	-	-
Venezuela	14,587	72,935	-	-	50,400	252,000	-	-
Barbados	-	-	1,761	8,805	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	468	2,340	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	-	-	-	-	40,000	200,000
Commercial banks	4	20	-	-	-	-	-	-
	91,076	455,380	2,229	11,145	252,000	1,260,000	58,732	293,660

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
Commercial banks	7	35	-	-	-	-	-	-
	137.277	686.385	662	3.310	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$ 123,874 and US$ 116,557 during the years ended December 31, 2015 and 2014, through appropriations from net income for the years ended December 31, 2014 and 2013, 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 2015 and 2014, it was authorized to increase the reserve by US$ 13,765 and US$ 21,200, through an appropriation from net income for the years ended December 31, 2014 and 2013, respectively.

17. DISTRIBUTIONS TO STOCKHOLDERS' SPECIAL FUNDS

The stockholders' Assembly distributed a portion of net income to stockholders' special funds. These stockholders' special funds are 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 stockholders' special funds.

In March 2014, the stockholders' Assembly approved the distribution of US$ 69,000, through an appropriation from net income at December 31, 2013, to the stockholders' special funds (Note 26).

(In thousands of U.S. dollars)

18. CONTRIBUTIONS TO STOCKHOLDERS’ SPECIAL FUNDS

In March 2014, the Stockholders’ Meeting agreed effective 2015, to approve a maximum amount to be contributed to Stockholders’ Special Funds during the fiscal year and to recognize these contributions as expenses. The Executive President by delegation of the Stockholders’ Assembly may authorize, up to the maximum approved amount, the amounts that will be contributed during the current period, based on the analysis of the new commitment contracted or the resources required by the Stockholders’ Special Funds.

In March 2015, the Stockholders' Assembly approved the contribution of up to a maximum amount of US$ 72,000 to some Stockholders’ Special Funds for 2015. Subsequently, the Executive President directly or by delegation authorized the disbursement of US$ 32,000, US$ 20,000 and US$ 2,000 to Compensatory Financing Fund (FFC), Technical Cooperation Fund (FCT) and Human Development Fund (FONDESHU), respectively. As of December 31, 2015, CAF recognized US$ 54,000 as an expense and maintains accounts payable for US$ 16,000, related to the contributions to Stockholders' Special Funds for 2015, which will be paid in 2016.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income balances as of December 31, 2015 and 2014, and the amounts reclassified out of accumulated other comprehensive income affected net income were as follows:

	December 31,	
	2015	**2014**
Balances at beginning of the year	32	(317)
Unrecognized changes in assets/ liabilities under benefit pension plan	(603)	32
Amortization of defined benefit pension items (1)	-	317
Balances at end of year	(571)	32

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

20. 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

The market risk associated with interest rate and 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. 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 with fixed interest rates or non U.S. currency exposure.

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

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

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

CAF also utilizes futures derivatives instruments to reduce exposure to 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.

(In thousands of U.S. dollars)

At December 31, 2015 and 2014, balance sheet details related to CAF's derivative financial instruments is as follows:

	Derivative assets		Derivative liabilities	
	December 31,		December 31,	
	2015	2014	2015	2014
Interest rate swap	123,618	183,323	13,097	33,752
Cross-currency swap	91,603	199,790	794,589	349,150
Cross-currency Futures	271	-	134	155
Cross-currency Forward contracts	17	590	277	29
	215,509	383,703	808,097	383,086

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, 2015 and 2014:

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2015:				
Loans	-	6,117	3,045	-
Loans	22,143	-	179	27
Borrowings	-	112,900	-	4,138
Borrowings	405,000	-	12,581	132
Bonds	-	8,927,226	88,558	790,451
Bonds	6,212,803	-	110,858	12,938
	6,639,946	9,046,243	215,221	807,686
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, 2014, the fair value amount recognized for the collateral received related with interest rate swaps and cross-currency swaps, under the master netting arrangements executed with the same counterparty, was US$ 99,413. At December 31, 2015 it does not have collateral received. The amount recognized for the obligation to post-collateral, at year-end 2015 and 2014, was US$ 451,263 and US$ 132,959, respectively.

(In thousands of U.S. dollars)

The following table presents the notional amount and fair values of cross-currency futures and forwards at December 31, 2015 and 2014:

	Start date	Termination date	Contract Currency	Notional amount	Fair value Derivative assets
At December 31, 2015					
Forward contracts	Various	Until March 2016	Various	21,335	17
Futures	Various	Until March 2016	Various	64,600	271

	Start date	Termination date	Contract Currency	Notional amount	Fair value Derivative liabilities
At December 31, 2015					
Forward contracts	Various	Until March 2016	Various	21,525	(277)
Futures	Various	Until March 2016	Various	(553,200)	(134)

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

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

At December, 31, 2015 and 2014, CAF did not recognize any right to receive any collateral. The amount recognized for the collateral posted related with futures at December 31, 2015 and 2014, was US$ 4,099 and US$ 1,374, respectively.

For the years ended December 31, 2015 and 2014, 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 effect of offsetting of derivative financial instruments, although CAF has elected not to offset any derivative financial instruments by counterparty in the balance sheet:

(In thousands of U.S. dollars)

At December 31, 2015

Derivative assets

Description	Gross amounts of recognized assets	Gross amounts not offset in the balance sheet: Financial instruments	Gross amounts not offset in the balance sheet: Cash and securities collateral received	Net amount
Swaps	215,221	(213,364)	-	1,857

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	(807,686)	213,364	451,263	(143,059)

At December 31, 2014

Derivative assets

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

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	(382,902)	201,474	132,959	(48,469)

22. FAIR VALUE MEASUREMENTS

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

When available, CAF generally uses quoted market prices to determine fair value, and classifies such financial instruments in Level 1. If in some cases where a quoted 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 financial instruments 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. Financial instruments 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, a financial instrument 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 financial instrument being valued. The frequency and size of trading activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed quoted prices from those markets. If relevant and observable quoted prices for recent trading activity are available, those fair value measurement would be classified as Level 2. If quoted prices for recent trading activity are not available, other valuation techniques would be used and the financial instrument would be classified as Level 3.

The following valuation methodologies 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.

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

(In thousands of U.S. dollars)

During 2015 and 2014, 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, 2015 and 2014:

	Level 1	Level 2	Level 3	Total
At December 31, 2015:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,895,996	-	-	1,895,996
Bonds of non-U.S. governments and government entities	85,448	-	-	85,448
Financial institutions and corporate securities:				
Commercial paper	1,711,389	-	-	1,711,389
Certificate of deposits	1,176,718	-	-	1,176,718
Bonds	1,405,333	-	-	1,405,333
Collateralized mortagage obligation	306,152	-	-	306,152
Liquity funds	206,839	-	-	206,839
	4,806,431	-	-	4,806,431
	6,787,875	-	-	6,787,875
Loans	-	26,108	-	26,108
Derivative instruments:				
Interest rate swap	-	123,618	-	123,618
Cross-currency swap	-	91,603	-	91,603
Cross-currency Futures	-	271	-	271
Cross-currency Forward contracts	-	17	-	17
	-	215,509	-	215,509
	6,787,875	241,617	-	7,029,492
Liabilities:				
Borrowings	-	526,807	-	526,807
Bonds	-	14,526,090	-	14,526,090
Derivative instruments:				
Cross-currency swap	-	794,589	-	794,589
Interest rate swap	-	13,097	-	13,097
Cross-currency Forward contracts	-	277	-	277
Cross-currency Futures	-	134	-	134
	-	808,097	-	808,097
	-	15,860,994	-	15,860,994

(In thousands of U.S. dollars)

	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 paper	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
Cross-currency 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:				
Cross-currency swap	-	349,150	-	349,150
Interest rate swap	-	33,752	-	33,752
Cross-currency Forward contracts	-	29	-	29
Cross-currency Futures	-	155	-	155
	-	383,086	-	383,086
	-	13,940,022	-	13,940,022

(In thousands of U.S. dollars)

Items that are not measured at fair value

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

		December 31,			
		2015		2014	
	Hierarchy Levels	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	216,078	216,078	141,147	141,147
Deposits with banks	1	2,590,453	2,590,453	1,279,267	1,279,267
Other investments	1	1,186,286	1,186,286	1,596,608	1,596,608
Loans, net	2	20,250,759	20,253,744	18,976,959	18,981,432
Equity investments (cost method)	3	285,042	285,042	249,642	249,642
Acrrued interest and commissions receivable	2	303,935	303,935	292,325	292,325
Financial liabilities:					
Deposits	2	2,700,248	2,700,248	3,696,510	3,696,510
Commercial paper	2	2,589,875	2,589,875	1,853,282	1,853,282
Borrowings	2	936,108	936,770	1,082,029	1,083,696
Bonds	2	502,509	503,773	735,830	737,349
Accrued interest payable	2	249,534	249,534	239,547	239,547

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.

(In thousands of U.S. dollars)

- *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 that are other than temporary, are recognized 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 internally developed 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 based on the observability of significant inputs to the valuation technique.

During 2015 and 2014, there were no transfers between levels 1, 2 and 3.

23. 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.

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, 2015 and 2014 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,	
	2015	**2014**
Bond related swaps	(2,451)	2,165
Loan related swaps	347	(690)
Borrowings related swaps	(596)	-
Futures and forwards	(436)	-
	(3,136)	1,475

(In thousands of U.S. dollars)

24. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31, 2015	December 31, 2014
Loan commitments subscribed - eligibles	5,387,461	5,281,911
Loan commitments subscribed - non eligibles	2,333,937	2,836,455
Lines of credit	3,951,669	4,718,975
Letters of credit	4,849	16,776
Equity investments agreements subscribed	268,478	286,149
Guarantees	261,650	311,819

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 loan commitments are reported in the above table upon signing the corresponding loan agreement and are reported as loans 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 a loan being disbursed. Also, based on experience, portions of the loan commitments are disbursed two years after the signing of the loan agreement. Therefore, the amounts of total commitment to extend loans do not necessarily represent future cash requirements.

Guarantees mature as follows:

	December 31, 2015	December 31, 2014
Less than one year	20,734	45,621
Between one and two years	59,408	12,000
Between three and five years	1,400	40,254
Over five years	180,108	213,944
	261,650	311,819

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

(In thousands of U.S. dollars)

25. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2015 and 2014, CAF recorded administrative expenses as follows:

	December 31,	
	2015	**2014**
Salaries and employee benefits	80,085	74,111
Professional fees, seminars and other expenses	18,499	16,486
Logistics and infrastructure	14,740	15,038
Telecommunications and technology	11,748	11,043
	125,072	116,678

26. 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 stockholders' special funds contribute to regional integration and sustainable development through capacity building, increased domestic and international exchanges, generation and use of knowledge, as well as training human resources and fortifying institutions. The stockholders' special funds are governed by the provisions of the Constitutive Agreement and any other provisions that may be established by the Board of Directors. The resources of the stockholders' special funds, that come from a contribution by CAF (note 18), are completely independent from the resources of CAF and are thus so maintained, accounted for, presented, utilized, invested, committed and otherwise disposed of. With regard to the use of the stockholders' special funds, the financial responsibility of CAF, as administrator, is limited to the net assets and reserves of each of the constituted stockholders' special funds. CAF has no residual interest in the net assets of the stockholders' special funds.

As of December 31, 2015 and 2014, managed funds net assets are US$ 455,209 and US$ 508,638, respectively. The balances of main managed funds are as follows:

	December 31,	
	2015	**2014**
Compensatory Financing Fund (FFC) (1)	294,590	330,736
Fund for the Development of Small and Medium Enterprises (FIDE)	52,957	54,810
Technical Cooperation Fund (FCT)	50,162	55,936
Human Development Fund (FONDESHU)	13,430	15,604
Latin American Carbon, Clean Alternative Energies Program (PLAC)	6,448	7,228
Others non related with stockholders' special funds	37,622	44,324
	455,209	508,638

(In thousands of U.S. dollars)

(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 years ended December 31, 2015 and 2014, FFC compensated interest amounting to US$ 70,307 and US$ 61,261, respectively.

27. SEGMENT REPORTING

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

For the years ended December 31, 2015 and 2014, loans made to or guaranteed by seven countries individually generated an excess, before swaps, of 10% of loan income, as follows:

	December 31,	
	2015	**2014**
Argentina	82,950	71,292
Bolivia	53,067	46,488
Brazil	57,115	44,972
Colombia	41,867	42,757
Ecuador	75,382	62,249
Peru	64,450	64,459
Venezuela	75,429	71,846
	450,260	404,063

28. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 29, 2016, 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, 2015, except for:

- On January 22, 2016, CAF issue bonds for ZAR 590 million, 9.00% due 2020, under Medium Term Notes Programme in the Uridashi market.

- On January 22, 2016, CAF issue bonds for TRY 192 million, 10.73% due 2020, under Medium Term Notes Programme in the Uridashi market.

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