Corporacion Andina de Fomento (CAF)

Full Rating Report

Ratings

International

Long-Term IDR	AA–
Short-Term IDR	F1+

National

Long-Term Rating	AAA(ven)
Short-Term Rating	F1+(ven)

Outlook

Long-Term IDR	Negative
Long-Term National Rating	Stable

Financial Data

Corporacion Andina de Fomento

	Dec 18	Dec 17
Total assets (USDm)	40,014.2	38,111.6
Equity/assets (%)	30.3	29.6
Average rating of loans & guarantees	B+	B+
Impaired loans ratio (%)	0.5	0.6
5 largest exposures/ total exposure (%)	53.1	53.9
Share of non-sovereign exposure (%)	13.8	13.8
Net income/equity (%)	2.0	0.7
Average rating of key shareholders	BB–	BB–

Related Research

Fitch Affirms Corporacion Andina de Fomento's IDR at 'AA–'; Outlook Revised to Negative (January 2019)

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Key Rating Drivers

Deteriorating Operating Environment: Fitch Ratings' revision of the Outlook on CAF to Negative from Stable reflects increased credit risk and potential for further deterioration due to negative sovereign rating actions and Venezuela's recurring payment delays. CAF's intrinsic credit quality drives its 'AA–' IDR.

CAF's rating reflects the lower of its solvency assessment of 'aa' and liquidity assessment of 'aa+', adjusted down by one notch from the solvency assessment to reflect its high-risk business environment, resulting in an overall intrinsic rating of 'aa–'.

Excellent Capitalisation: CAF's equity/adjusted assets ratio averaged 30.4% from 2015 to end-December 2018, as sustained capital contributions and steady internal capital generation kept pace with growth. Its prudential framework requires a minimum total capital/weighted risks ratio (Basel II since 2007) of 30%. In practice, the reported ratio has been well above this minimum, reaching 41.1% in 2018.

Asset Quality Pressures: Fitch estimates that the weighted average rating of CAF's loan portfolio remained unchanged at 'B+' at end-2018 from end-2017, as the one-notch downgrades of Brazil and Ecuador had no impact on the average last year. However, if downgrades materialise for the four sovereigns on Negative Outlook (Argentina, Ecuador, Mexico and Uruguay) and Venezuela remains 'RD', loans' average rating will decline to 'B'.

Strong Risk Management: CAF's risk management framework is assessed as 'strong' as the bank's operations are consistently well within its self-imposed capital adequacy, lending, borrowing and liquidity policy limits. CAF has limited exposure to market risk due to its extensive use of derivatives to hedge its interest rate and foreign currency risks.

Excellent Liquidity: CAF's liquidity cushion is in line with higher-rated multilateral development banks (MDBs) as liquid assets covered 206% of short-term debt at end-2018. In addition, liquid assets substantially exceed debt service needs and undisbursed loans and equity. Fitch expects CAF's liquidity to remain at similar levels over the medium term. The bank's sound liquidity profile is supported by its excellent access to capital markets.

High-Risk Business Environment: The high-risk business environment primarily reflects the low credit quality and high political risk of in the countries of operation (based on World Bank governance indicators). This is partly offset by the high importance of CAF's public mandate, demonstrated by regular subscription and payment of capital increases by member states and a stellar sovereign repayment record in the MDB's history.

Rating Sensitivities

Credit Risk Deterioration: A stress situation in a member country that significantly affects asset quality, such as Venezuelan arrears reaching 180 days or a decline in the weighted average rating of CAF's loan portfolio, would be negative for creditworthiness.

Weaker Capitalisation: A prolonged and marked decline in capitalisation related to asset losses, fast growth in operations or increase in earnings volatility could also be negative.

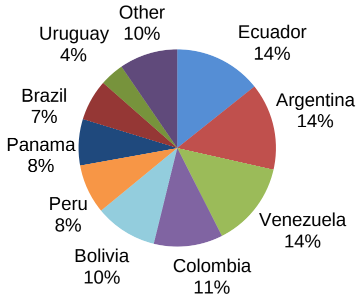
Outlook Revision: Stronger-than-expected capitalisation or improved confidence that Venezuela will continue to honour its debt service obligations on time, and an improvement in the bank's overall credit risk profile could result in the Outlook being revised to Stable.

Intrinsic Rating Assessment

Indicative value	Assessment
Solvency	aa
Liquidity	aa+
Business environment	-1 notch
Intrinsic rating	aa−

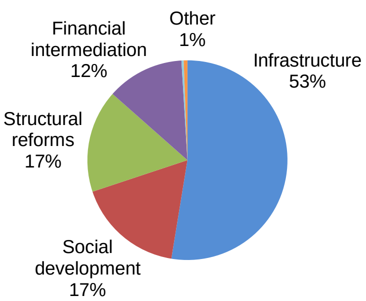
Source: Fitch Ratings

Loan Portfolio by Country
2018



Source: Fitch Ratings, CAF

Loans by Economic Sector
2018



Source: Fitch Ratings, CAF

Related Criteria

Supranationals Rating Criteria (May 2019)

Business Environment

An agreement signed by the founding member countries of Bolivia, Ecuador, Chile, Colombia, Peru and Venezuela established CAF in 1968 as a legal entity under international law. Chile terminated its participation in 1977 but subsequently re-joined as a separate class of shareholder. As part of CAF's strategy to diversify its shareholder base and operations, it increased full member countries from the five founding Andean members to 19 countries in 2016. In addition to its head office in Caracas, Venezuela, CAF has representative offices in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Spain, Trinidad and Uruguay.

CAF's purpose is to foster and promote economic integration, development, trade and investment in its member countries. CAF is classified as a multilateral risk by several central banks globally, which means that banks from these countries are not required to allocate loan loss reserves or provisions against exposures to it.

CAF's main focus is on infrastructure and sustainable development projects undertaken by the public sector. During the 1980s, the MDB focussed mostly on trade finance. Since the 1990s, growth has been focussed on medium- and long-term project lending. Fitch's assessment of the business environment as High Risk results in a downward adjustment of one notch from the solvency assessment.

Business Profile

In Fitch's view, CAF has a Medium Risk business profile, underpinned by the size of its banking portfolio and the proportion of private sector lending.

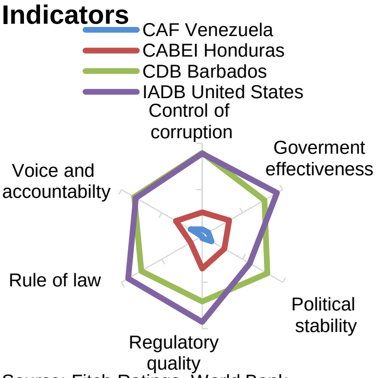
- Fitch assesses the size of CAF's banking portfolio, including outstanding loans, equity participations and guarantees, of USD25.6 billion as of 31 December 2018, as Medium Risk. Increased capital contributions by member states will underpin steady growth over the medium-term.
- In addition to sovereign and sovereign guaranteed loans, the bank extends loans to the private sector, accounting for an average of 18% of its loan portfolio since 2015. At 1.8% of CAF's total banking exposure, equity participations are very low. Fitch views this favourably, as these assets are typically more volatile. For a breakdown of the loan portfolio by sector and geographical zone, see the charts in the left margin.
- CAF's projected growth in lending is in line with expected new capital contributions and internal capital generation, which will maintain the bank's equity to adjusted assets ratio well above the 25% threshold to be assessed as excellent. CAF is also targeting growth outside the founding member countries to gradually reduce loan concentrations and will keep private sector lending at less than 20% of its portfolio.
- Fitch considers CAF's quality of governance as Medium Risk, in line with the standards for other sub-regional MDBs. CAF's board is composed of 19 directors, each of whom must have an alternate. These include one director and their alternate for each Series A shareholder (11 countries in total), one director for each Series B shareholder (five in total), two directors for the series C shareholders, and one director for the series B shareholders comprising 14 commercial banks. CAF established an audit committee in July 1996 (made up of five board directors and the bank's president) and a comptroller's office in April 2003, which reports directly to the president. The bank's president is elected for a five-year term but may be re-elected.

Operating Environment

Fitch assesses CAF's operating environment as High Risk due to the low average credit quality of its countries of operation, and the high political risk and weaker business environment in both its countries of operation and the country of its head office.

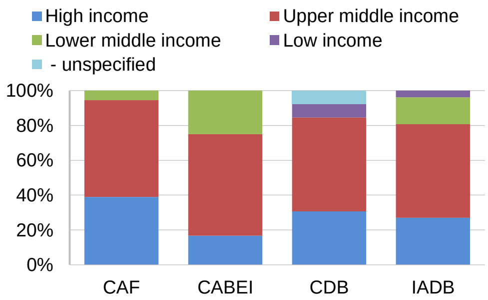
- Fitch views credit quality as High Risk based on the average 'BB' rating of the countries of operation at 31 December 2018.
- Fitch calculates the average income per capita in the 18 countries of CAF's operations at USD11,554. Based on the income classifications published by the World Bank, 95% of the MDB's countries of operations are upper-middle to high income.
- In Fitch's view, the political and business climate in Venezuela, where CAF's head office is based, is High Risk. This is based on Fitch's own assessment of political risk, which is addressed in its sovereign rating reports.
- Fitch also factors in the generally high political risk in the sub-region in which CAF operates.
- The operational support provided by the authorities of CAF's member states is Low Risk. The strength of preferred creditor status, which has been maintained through various financial crises in the region since CAF's inception in 1970, and continuous capital contributions by member states to sustain expansion, supports this view.

Country of Head Office - Worldwide Governance Indicators



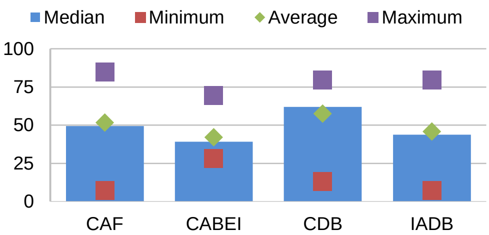
Source: Fitch Ratings, World Bank - Worldwide Governance Indicators

World Bank Income Group - Distribution of Countries of Operation



Source: Fitch Ratings, World Bank - World Development Indicators

Worldwide Gov. Indicators - Distribution across Countries of Operation



Note: Data is based on the average across all 6 governance indicators in each country.
Source: Fitch Ratings, World Bank - Worldwide Governance Indicators

Solvency

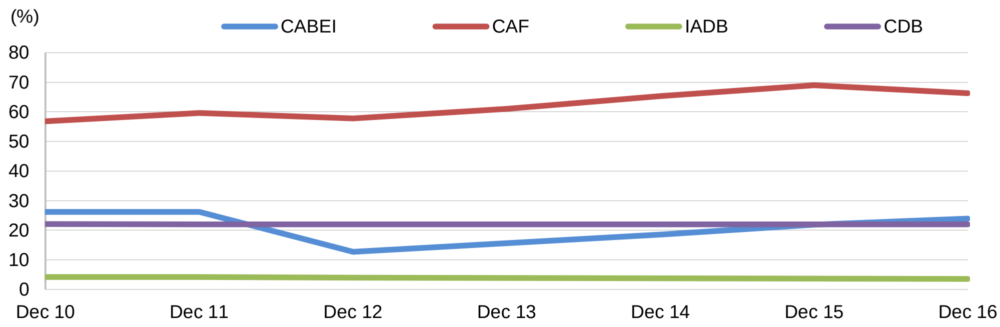
Fitch evaluates CAF's overall solvency as 'aa'. Despite the Moderate assessment of risks, the bank's Excellent level of capitalisation underpins this assessment.

Capitalisation

CAF's capital is Excellent, underpinned by its high equity/adjusted assets ratio. The MDB's equity/adjusted assets ratio averaged 30.1% for the four years ending in 2018, as new capital contributions have kept pace with growth. CAF's total capital/weighted risks ratio according to Basel II was 41.1% at end-2018 (almost entirely Tier I), exceeding the 30% minimum required by the board of directors. Fitch views this level as conservative in light of the bank's strong asset quality and consistent profitability.

At end-December 2018, CAF's paid-in capital/subscribed capital reached 64.7%, the highest among sub-regional development banks. This level will continue to increase over the medium term as future capital increases are paid in. On 27 November 2015 the board of directors approved a new general capital increase programme of USD4.5 billion. A total of USD4.0 billion will be available for subscription for holders of Series A and B shares, and up to USD500 million for holders of Series C shares. The subscription agreements were signed between CAF and the shareholders in 2016, with payments starting in 2017 and ending in 2023.

Paid-in/Subscribed Capital



Source: Fitch Ratings, MDBs and Fitch calculations

All capital contributions except those of Venezuela were paid on time or ahead of schedule despite the low sovereign ratings of its shareholders. Venezuela was not able to comply with its payment schedule of capital contributions under the new general capital increase programme in 2017. It negotiated a new payment schedule for lower contributions with CAF and payments resumed in 2018. The current schedule of paid-in capital contributions following negotiations with Venezuela and internal capital generation indicates that CAF's equity/assets ratio is likely to stabilise at around 30%, as management expects equity growth to keep pace with asset growth over the medium term. Fitch believes this is a reasonable assumption under its projections.

Increased capital contributions will also help keep CAF's leverage, 2.3x equity at end-2018, at a level below that of most of its peers. While CAF's financial policies allow leverage up to 3.5x equity, in practice management has kept and intends to keep leverage well below this limit.

Like other MDBs, CAF is not profit oriented, but it has always achieved its self-imposed performance targets to maximise solvency, with an average return on equity of 1.2% in 2015-2018. CAF's profitability is at the lower end of the range for higher-rated MDBs. Low interest rates and a high-quality liquidity portfolio (97% rated 'A−' and above) reduced CAF's net interest revenue/gross loans and treasury assets ratio to around 1% since 2015. However, with the normalisation of monetary policy in developed economies, a gradual rise in interest rates improved the MDBs' profitability in 2018. Despite inflationary pressures in Venezuela, CAF's cost/income ratio remains in line with its peers'. Nevertheless, escalating inflation could weigh on operating expenses and efficiency in the short term.

Fitch expects credit growth, a gradual increase in interest rates, modest credit costs and contained operating expenditure growth to underpin CAF's profitability in 2019. Nevertheless, CAF's net income to average equity ratio is unlikely to exceed 2% over the medium term.

Peer Comparison: Capital Ratios and Profitability

	CAF (AA−)		CABEI (NR)	IADB (AAA)	CDB (AA+)
	End-2017	Projection[a]	End-2017	End-2017	End-2017
Equity/adjusted assets (%)	29.6	30.5	29.1	26.1	54.2
Net income/average equity	0.7	1.0	3.0	2.1	-0.4

[a] Medium-term projections
CABEI – Central American Bank for Economic Integration; IADB – Inter-American Development Bank; CDB – Caribbean Development Bank
Source: Fitch Ratings, MDBs

Risks

Fitch considers CAF's overall risk exposure as Moderate, given the forecast average rating of loans and guarantees of 'B+' and a moderate level of concentration. The main drivers of this assessment are included below.

Risks Assessment

Indicative value	Risk level
Credit	Moderate
Concentration	Moderate
Equity risk	Very low
Market risks	Very low
Risk mgmt policies	Strong

Source: Fitch Ratings

Liquidity Assessment

Indicative value	Risk level
Liquidity buffer	Excellent
Quality of treasury assets	Strong
Access to cap markets and alternative sources of liquidity	Excellent

Source: Fitch Ratings

- CAF's main risk is its lending portfolio. Fitch estimated the weighted average rating of CAF's loan portfolio was 'B+' at end-December 2018, based on Fitch's ratings where available and CAF's ratings on remaining exposures. The one-notch downgrades of Brazil and Ecuador did not affect the average rating last year. However, if downgrades materialise for the four sovereigns on Negative Outlook (Argentina, Ecuador, Mexico and Uruguay), the average rating will fall to 'B' over the forecast horizon.
- CAF has an excellent track record of keeping impaired loans low, especially in light of the risk profile of the region in which it operates (mainly countries with non-investment-grade ratings). To date, non-accruals have been recorded only in the private-sector portfolio, while all loans to the public sector have been serviced in full. Non-accrual loans have been non-existent to minimal since 2008, while net charge-offs (only for private-sector exposures) have also been low, at USD16 million in 2018 and USD66 million in 2017.
- Venezuela, CAF's second-largest shareholder (16.7% of subscribed capital at 31 December 2018) and largest credit exposure (14.1% of loans and 29.6% of equity), remains rated 'RD'. Venezuela has never defaulted to CAF since the latter's inception. At end-December 2018, Venezuela had outstanding arrears of USD182.5 million (principal and interest) with CAF but these have since been cleared. CAF expects to maintain positive net flows to Venezuela over the forecast horizon, which will continue to support repayment.
- CAF's countercyclical role means that the five largest exposures represented a high 53.1% of total banking exposure at end-2018, compared to 53.9% at end-2017. Concentration decreased slightly due to lower exposures to Ecuador and Brazil. Exposure to Venezuela was 14.0% of the portfolio at end-2018, the same as at end-2017. With the incorporation of new full members and the higher proportion of approvals to these members in recent years, the gradual decline in concentration is likely to continue over the medium term. CAF's portfolio is moderately diversified by country, although by economic sector it is concentrated in infrastructure.
- Fitch assesses CAF's equity risk as Low, given an equity participations/total exposures ratio of 1.8%, a level likely to remain stable over the medium term.
- CAF's market risk is Very Low. CAF's liquid asset portfolio is composed of government and agency obligations, time deposits, commercial paper and bank instruments, according to its credit risk and duration policies. All treasury assets must be of high credit quality and have high liquidity. Derivatives counterparty risk is limited to instruments for financial risk management purposes, while all counterparties are highly rated international banks.
- Fitch views CAF's risk management policies as Strong. Risks are well managed, while CAF's operations are consistently well within its capital adequacy, lending, borrowing and liquidity policy limits.
- In addition to the capitalisation policy limit, CAF's gearing should be less than or equal to 4.5x (consistently below 2.5x since 2010). Its leverage (debt/equity) should be less than 3.5x (consistently below 2.5x since 2010). CAF also abides by its lending exposure limits. The exposure limit to non-founding members is 15% of portfolio loans and 25% for founding members. Liquidity guidelines include a minimum rating requirement, investment and duration limits.

Peer Comparison: Risks

	CAF		CABEI	IADB	CDB
	End-2017	Projection[a]	End-2017	End-2017	End-2017
Estimated average rating of loans & guarantees	B+	B+	B+	BB	B−
Impaired loans/gross loans (%)	0.6	0.5	0.0	0.5	0.5
Five largest exposures/total loans (%)	53.1	52.3	52.5	56.9	56.5
Equity stakes/(loans + equity stakes) (%)	1.8	1.8	0.4	0.0	0.0

[a] Medium-term projections
Source: Fitch Ratings, MDBs

Liquidity

Fitch assesses CAF's liquidity at 'aaa', supported by its Excellent liquidity buffer and access to capital markets.

Liquidity Buffer

- CAF abides by conservative internal liquidity management policies, which require the bank to maintain sufficient liquid assets to cover projected cash flows for the following 12-month period. In practice, CAF has exceeded this minimum by large margins. At end-2018, the bank exceeded this minimum liquidity buffer by 2.7x, underpinning its conservative liquidity approach. At the same date, CAF's total liquidity covered 24 months of net cash requirements.
- At end-2018, CAF's liquid assets to short-term debt ratio was assessed as Excellent, reaching 206%. This ratio averaged 205% from 2015 to 2018. Although it has been volatile due to the timing of maturities and debt issuance, Fitch expects it to remain above 150%, the threshold for being assessed as Excellent. At this same date, liquid assets accounted for 31% of total assets.

Quality of Treasury Assets

- Fitch viewed the overall quality of CAF's liquid assets as Strong, as only 40% of treasury assets were rated 'AA' and above at end-2018. According to CAF, 95% of liquid assets are rated 'A−' or above, with an overall weighted average of 'AA'.

Access to Capital Markets and Alternative Sources of Liquidity

- CAF's access to capital markets is assessed as Excellent. Around 87% of funding is from capital markets. CAF has a diverse investor base, with USD22.3 billion of outstanding bonds issued in 17 different currencies, including the key international markets in the US, Europe, Japan, Hong Kong, Australia and Switzerland, and in local Latin American markets.
- CAF continuously taps markets with benchmark issuances, including a five-year EUR750 million bond issued in January 2019 and a three-year USD1.25 billion bond issued in February 2019. CAF's marginal borrowing spread on new issuances declined by 152 basis points, to 0.55% at in 2018 from 2.10% in 2012.
- CAF also has access to numerous back-up credit lines totalling USD1.1 billion for use as alternative sources of liquidity

Peer Comparison: Liquidity

	CAF		CABEI	IADB	CDB
	End-2017	Projection[a]	End-2017	End-2017	End-2017
Liquid asset/short-term debt (%)	243.1	190.5	164.3	188.0	4,902.2
Share of treasury assets rated AA− & above (%)	40.8	43.0	65.4	88.3	81.1

[a] Medium-term projections
Source: Fitch Ratings, MDBs

Shareholders' Support

CAF's support rating is 'bb−'; however, no credit uplift from support is needed to achieve an overall rating of 'AA−' given CAF's intrinsic rating of 'aa−', as extraordinary support from shareholders is weaker than CAF's intrinsic rating.

Capacity to Provide Extraordinary Support

Outstanding callable capital is insufficient to cover net debt. At end-2018 the average rating of key shareholders remained unchanged at 'BB−'. CAF's key shareholders include Peru (BBB+/Stable), Colombia (BBB/Negative), Venezuela (RD), Argentina (B/Negative) and Brazil (BB−/Stable). Therefore extraordinary support is not considered in Fitch's analysis and CAF's IDR is equivalent to its intrinsic rating. No calls have ever been made on CAF's callable capital since its inception.

Propensity to Provide Extraordinary Support

Propensity to support the MDB is strong, but no notching has been applied for propensity to support.

- CAF has operated without difficulty during successive periods of instability in the region due to its conservative operating policy and the member countries' support. In many cases, CAF is one of the few financing options for its member countries. Member countries have historically accorded preferred creditor status to CAF, even for private-sector loans.
- The size of the bank's approvals in the region relative to other larger MDBs, its non-conditional lending policies and its important role in financing infrastructure all increase the significance of CAF to its shareholders.
- Successive and growing capital contributions from member countries (founding and new members) further underpin the shareholders' propensity to support MDBs.
- Since 1999, CAF's members have subscribed to and disbursed more than USD11.6 billion in general capital increases. Subscribed capital has been increased four times over the past 10 years.
- CAF's paid-in capital is 3.2x its level of callable capital, which in Fitch's view reflects the willingness of key shareholders to provide additional resources to the institution.

Peer Comparison: Shareholder Support

	CAF		CABEI	IADB	CDB
	End-2017	Projection[a]	End-2017	End-2017	End-2017
Coverage of net debt by callable capital	NC	NC	NC	AAA	A+
Average rating of key shareholders	BB−	BB−	B+	A	BBB
Propensity to support	0	0	0	0	0

NC: No Coverage
[a] Medium-term projections
Source: Fitch Ratings, MDBs

Corporacion Andina de Fomento (CAF)
Balance Sheet

	31 Dec 2018		31 Dec 2017		31 Dec 2016		31 Dec 2015	
	Year End USDm Original	As % of Assets Original	Year End USDm Original	As % of Assets Original	Year End USDm Original	As % of Assets Original	Year End USDm Original	As % of Assets Original
A. LOANS								
1. To / Guaranteed by Sovereigns	21,468.0	53.65	20,201.0	53.00	18,028.3	50.54	16,387.2	50.47
2. To / Guaranteed by public institutions	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. To / Guaranteed by Private Sector	3,540.3	8.85	3,329.5	8.74	3,853.1	10.80	3,948.6	12.16
4. Trade Financing Loans (memo)	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other Loans	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Loan Loss Reserves (deducted)	64.8	0.16	67.2	0.18	63.7	0.18	58.9	0.18
TOTAL A	**24,943.5**	**62.34**	**23,463.3**	**61.56**	**21,817.7**	**61.17**	**20,276.9**	**62.45**
B. OTHER EARNING ASSETS								
1. Deposits with Banks	2,594.3	6.48	2,001.8	5.25	1,652.3	4.63	2,590.5	7.98
2. Securities held for Sale & Trading	9,655.0	24.13	9,195.0	24.13	9,268.0	25.98	6,787.9	20.91
3. Investment Debt Securities (incl. other invest.)	658.8	1.65	1,453.9	3.81	996.6	2.79	1,186.3	3.65
4. Equity Investments	459.7	1.15	433.0	1.14	386.0	1.08	328.4	1.01
5. Derivatives (incl. Fair-value of guarantees)	184.8	0.46	532.7	1.40	118.4	0.33	215.5	0.66
TOTAL B	**13,552.6**	**33.87**	**13,616.4**	**35.73**	**12,421.3**	**34.82**	**11,108.6**	**34.21**
C. TOTAL EARNING ASSETS (A+B)	**38,496.1**	**96.21**	**37,079.7**	**97.29**	**34,239.0**	**95.99**	**31,385.5**	**96.66**
D. FIXED ASSETS	**116.3**	**0.29**	**103.5**	**0.27**	**89.3**	**0.25**	**86.7**	**0.27**
E. NON-EARNING ASSETS								
1. Cash and Due from Banks	127.4	0.32	61.3	0.16	72.4	0.20	216.1	0.67
2. Other	1,274.4	3.18	867.1	2.28	1,268.3	3.56	781.4	2.41
F. TOTAL ASSETS	**40,014.2**	**100.00**	**38,111.6**	**100.00**	**35,669.0**	**100.00**	**32,469.7**	**100.00**
G. SHORT-TERM FUNDING								
1. Bank Borrowings (< 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Securities Issues (< 1 Year)	2,932.9	7.33	1,770.7	4.65	2,112.7	5.92	4,151.2	12.78
3. Other (incl. Deposits)	3,392.0	8.48	3,457.7	9.07	3,210.8	9.00	3,176.4	9.78
TOTAL G	**6,324.9**	**15.81**	**5,228.4**	**13.72**	**5,323.5**	**14.92**	**7,327.6**	**22.57**
H. OTHER FUNDING								
1. Bank Borrowings (> 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	20,431.3	51.1	20,628.2	54.1	18,454.8	51.7	14,454.0	44.5
3. Subordinated Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Hybrid Capital	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL H	**20,431.3**	**51.06**	**20,628.2**	**54.13**	**18,454.8**	**51.74**	**14,454.0**	**44.52**
I. OTHER (Non-Int Bearing)								
1.Derivatives (incl. Fair value of guarantees)	876.8	2.19	553.6	1.45	1,021.3	2.86	808.1	2.49
2. Fair value portion of debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	517.8	1.29	579.6	1.52	395.8	1.11	356.0	1.10
TOTAL I	**1,394.6**	**3.49**	**1,133.2**	**2.97**	**1,417.1**	**3.97**	**1,164.1**	**3.59**
J. GENERAL PROVISIONS & RESERVES	**n.a.**	-	**n.a.**	-	**n.a.**	-	**n.a.**	-
L. EQUITY								
1. Preference Shares	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Subscribed Capital	7,989.6	19.97	7,987.4	20.96	7,219.5	20.24	6,511.5	20.05
3. Callable Capital	(1,589.7)	(3.97)	(1,589.7)	(4.17)	(1,589.7)	(4.46)	(1,553.7)	(4.79)
4. Arrears/Advances on Capital	(1,233.2)	(3.08)	(1,413.4)	(3.71)	(846.3)	(2.37)	(466.5)	(1.44)
5. Paid in Capital (memo)	5,166.7	12.91	4,984.3	13.08	4,783.5	13.41	4,491.3	13.83
6. Reserves (incl. Net Income for the year)	6,696.7	16.74	6,137.5	16.10	5,690.1	15.95	5,032.7	15.50
7. Fair-value revaluation reserve	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL L	**11,863.4**	**29.65**	**11,121.8**	**29.18**	**10,473.6**	**29.36**	**9,524.0**	**29.33**
M. TOTAL LIABILITIES & EQUITY	**40,014.2**	**100.00**	**38,111.6**	**100.00**	**35,669.0**	**100.00**	**32,469.7**	**100.00**
Exchange rate	USD1 = USD1		USD1 = USD1		USD1 = USD1		USD1 = USD1	

Corporacion Andina de Fomento (CAF)
Income Statement

	31 Dec 2018		31 Dec 2017		31 Dec 2016		31 Dec 2015	
	Year End USDm Original	As % of Earning Assets	Year End USDm Original	As % of Earning Assets	Year End USDm Original	As % of Earning Assets	Year End USDm Original	As % of Earning Assets
1. Interest Received	1,268.8	3.30	961.2	2.59	774.6	2.26	579.7	1.85
2. Interest Paid	821.5	2.13	609.3	1.64	460.5	1.34	334.6	1.07
3. NET INTEREST REVENUE	**447.3**	**1.16**	**351.9**	**0.95**	**314.1**	**0.92**	**245.1**	**0.78**
4. Other Operating Income	56.9	0.15	41.4	0.11	47.2	0.14	43.1	0.14
5. Other Income	(87.6)	-0.2	(90.2)	-0.2	(36.7)	-0.1	(52.6)	-0.2
6. Personnel Expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Non-Interest Expenses	158.3	0.41	150.1	0.40	141.0	0.41	125.1	0.40
8. Impairment charge	13.2	0.0	69.9	0.2	38.3	0.1	18.7	0.1
9. Other Provisions	22.0	0.1	11.0	0.0	9.2	0.0	11.0	0.0
10.PRE-DERIVATIVE OPERATING PROFIT	**223.1**	**0.58**	**72.1**	**0.19**	**136.1**	**0.40**	**80.8**	**0.26**
11. Net gains / (losses) on non-trading derivative instruments	0.5	0.0	4.3	0.0	(13.4)	0.0	(3.2)	0.0
12. POST-DERIVATIVE OPERATING PROFIT	**223.6**	**0.58**	**76.4**	**0.21**	**122.7**	**0.36**	**77.6**	**0.25**
13. Other income and expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. NET INCOME	**223.6**	**0.58**	**76.4**	**0.21**	**122.7**	**0.36**	**77.6**	**0.25**
15. Fair value revaluations recognised in equity	0.0	0.0	1.6	0.0	(1.0)	0.0	(0.6)	0.0
16. FITCH'S COMPREHENSIVE NET INCOME	**223.6**	**0.58**	**78.0**	**0.21**	**121.7**	**0.36**	**77.0**	**0.25**

Corporacion Andina de Fomento (CAF)
Ratio Analysis

	31 Dec 2018 Year End % Original	31 Dec 2017 Year End % Original	31 Dec 2016 Year End % Original	31 Dec 2015 Year End % Original
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	2.0	0.7	1.2	0.9
2. Net Income/Total Assets (av.)	0.6	0.2	0.4	0.2
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Asse	1.2	1.0	1.0	0.8
4. Cost-Income Ratio	31.4	38.2	39.0	43.4
5. Income from Equity Investment / Equity Investment (av.)	5.1	2.3	4.3	1.0
6. Provisions / Average Total Banking Exposure (excl LCs)	0.1	0.4	0.2	0.2
II. CAPITAL ADEQUACY				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	174.1	170.4	173.4	180.8
2. Equity/Adjusted Total Assets	30.3	29.6	30.2	30.1
3. Equity /Adjusted Total Assets + Guarantees	30.2	29.5	30.1	29.8
4. Paid-in capital / Subscribed capital	64.7	62.4	66.3	69.0
5. Internal Capital Generation after Distributions	2.0	0.7	1.2	0.8
III. LIQUIDITY				
1. Liquid Assets / Short-term debt	206.1	243.1	223.9	147.1
2. Treasury Assets / Total Assets	32.6	33.4	33.6	33.2
3. Treasury Assets IG + eligible non IG / Total Assets	32.6	33.4	33.4	33.2
4. Unimpaired Trade Financing Loans / Total Assets	0.0	0.0	0.0	0.0
5. Liquid Assets / Total Assets	32.6	33.4	33.4	33.2
6. Liquid Assets / Undisbursed Loans & Equity	190.6	179.5	119.8	134.9
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans	0.5	0.6	0.6	0.0
2. Loan Loss Reserves / Gross Loans	0.3	0.3	0.3	0.3
3. Total reserves / Gross Loans, Equity Investment & Guarantees	0.3	0.3	0.3	0.3
4. Loan Loss Reserves/Impaired Loans	57.5	48.5	52.7	n.a.
V. LEVERAGE				
1. Debt/Equity	225.5	232.5	227.0	228.7
2. Debt/Subscribed Capital + Reserves	182.2	183.1	184.2	188.7
3. Debt/Callable Capital	1,683.1	1,626.5	1,495.8	1,401.9
4. Net Income + Interest Paid/Interest Paid	127.2	112.5	126.6	123.2

Corporacion Andina de Fomento (CAF)
Spread Sheet Annex

	31 Dec 2018 USDm Original	31 Dec 2017 USDm Original	31 Dec 2016 USDm Original	31 Dec 2015 USDm Original
1. LENDING OPERATIONS				
1. Loans outstanding	25,008.3	23,530.5	21,881.4	20,335.8
2. Undisbursed Loans	6,840.0	6,092.3	7,179.0	7,721.4
3. Approved Loans	13,623.0	12,220.0	12,348.0	11,537.0
4. Disbursed Loans	10,373.0	10,107.3	8,320.0	5,945.0
5. Loan Repayments	8,889.4	8,434.0	6,754.4	4,405.0
6. Net disbursments	1,483.6	1,673.3	1,565.6	1,540.0
Memo: Loans to Sovereigns	21,468.0	20,201.0	18,028.3	16,387.2
Memo: Loans to Non-Sovereigns	3,540.3	3,329.5	3,853.1	3,948.6
2. OTHER BANKING OPERATIONS				
1. Equity participations	459.7	433.0	386.0	328.4
2. Guarantees (off BS)	165.3	176.6	185.4	261.7
Memo: Guarantees to Sovereigns	165.3	176.6	185.4	261.7
Memo: Guarantees to Non-Sovereigns	n.a.	n.a.	n.a.	n.a.
3. TOTAL BANKING EXPOSURE (BS and off BS)				
1. Total banking exposure (Loans + Equity Participations + Guarantees (off BS))	25,633.3	24,140.1	22,452.8	20,925.9
2. Growth in total banking exposure	6.2	7.5	7.3	6.7
Memo: Non Sovereign Exposure	4,000.0	3,762.5	4,239.1	4,277.0
Memo: LCs and other off BS credit commitments (not incl. in Total Banking Exposure)	1.2	3.8	12.1	4.8
4. SUPPORT				
1. Share of AAA / AA shareholders in callable capital	0.0	0.0	0.0	0.0
2. Share of A / BBB shareholders in callable capital	57.0	51.8	51.8	50.7
3. Share of Speculative Grade shareholders in callable capital	43.0	48.2	48.2	49.3
4. Rating of callable capital ensuring full coverage of net debt	NC	NC	NC	NC
5. Weighted Average Rating of Key Shareholders	BB-	BB-	BB	BB
5. BREAKDOWN OF BANKING PORTFOLIO				
1. Loans to Sovereigns / Total Banking Exposure	83.8	83.7	80.3	78.3
2. Loans to Non Sovereigns / Total Banking Exposure	13.8	13.8	17.2	18.9
3. Equity participation / Total Banking Exposure	1.8	1.8	1.7	1.6
4. Guarantees covering Sovereign risks / Total Banking Exposure	0.6	0.7	0.8	1.3
5. Guarantees covering Non-Sovereign risks / Total Banking Exposure	n.a.	n.a.	n.a.	n.a.
Memo: Non Sovereign Exposure [2.+3.+5.] / Total Banking Exposure	15.6	15.6	18.9	20.4
6. CONCENTRATION MEASURES				
1. Largest exposure	3,410.9	3,285.5	3,320.8	3,094.4
2. Five largest exposures	13,608.0	12,998.7	12,298.7	11,668.5
3. Largest exposure / Equity (%)	28.8	29.5	31.7	32.5
4. Five largest exposures / Equity (%)	114.7	116.9	117.4	122.5
5. Largest exposure / Total Banking Exposure (%)	13.3	13.6	14.8	14.8
6. Five largest exposures / Total Banking Exposure (%)	53.1	53.9	54.8	55.8
7. CREDIT RISK				
1. Average Rating of Loans & Guarantees	B+	B+	BB-	BB-
2. Loans to Investment Grade Borrowers / Gross Loans	26.0	44.6	34.3	15.5
3. Loans to Sub-Investment Grade Borrowers / Gross Loans	73.9	55.8	66.1	67.2
4. Share of Treasury Assets rated AAA-AA	40.2	40.8	41.4	35.0
5. Average rating of treasury assets	AA	AA	AA	AA
8. LIQUIDITY				
1. Treasury Assets	13,035.5	12,712.0	11,989.3	10,780.8
2. Treasury Assets o/w IG + eligible non-IG	13,035.0	12,712.0	11,916.9	10,780.8
3. Unimpaired Short-Term Trade Financing Loans	0.0	0.0	0.0	0.0
4. Unimpaired Short-Term Trade Financing Loans - discounted 40%	0.0	0.0	0.0	0.0
5. Liquid Assets [2. + 4.]	13,035.0	12,712.0	11,916.9	10,780.8

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.