

**Corporación Andina de  
Fomento (CAF)**

**Financial Statements**

As of and for the years ended  
December 31, 2017 and 2016

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

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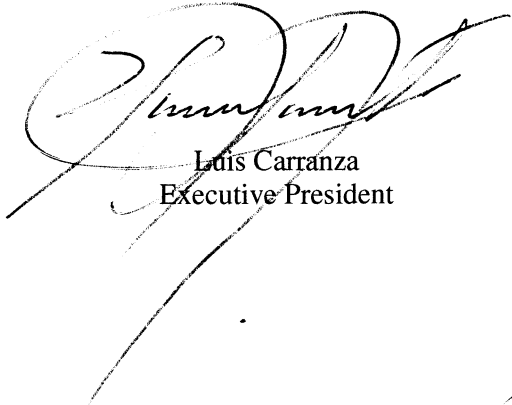
## **Management’s Report on the Effectiveness of Internal Control over Financial Reporting**

Corporación Andina de Fomento (“CAF”)’s internal control over financial reporting is a process effected by those in charge of governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United 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.

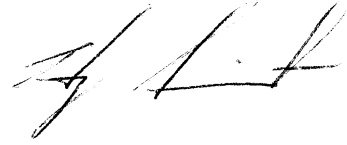
The Management of CAF is responsible for designing, implementing and maintaining effective internal control over financial reporting. Management has assessed the effectiveness of CAF’s internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on that assessment, CAF’s Management concluded that CAF’s internal control over financial reporting is effective as of December 31, 2017.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CAF's financial statements as of December 31, 2017, have been audited by an independent accounting firm, which has also issued an independent auditors' report on CAF's internal control over financial reporting. The audit report, which is included in this document, expresses an unmodified opinion on CAF's internal control over financial reporting as of December 31, 2017.



Luis Carranza  
Executive President



Hugo Sarmiento K.  
Corporate Vice President of Finance



Aureliano Fernández  
Acting Director, Accounting and Budget

January 31, 2018

## **Independent Auditors' Report on Internal Control over Financial Reporting**

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

We have audited the internal control over financial reporting of **Corporación Andina de Fomento (CAF)** as of December 31, 2017, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### **Management's Responsibility for Internal Control over Financial Reporting**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the CAF's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Definition and Inherent Limitations of Internal Control over Financial Reporting**

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

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, **Corporación Andina de Fomento (CAF)** maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### **Report on Financial Statements**

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of CAF as of and for the years ended December 31, 2017 and 2016, and our report dated January 31, 2018, expressed an unmodified opinion on those financial statements.

  
January 31, 2018

Caracas - Venezuela

Lara Marambio & Asociados. A member firm of Deloitte Touche Tohmatsu Limited.

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## **Independent Auditors' Report on Financial Statements**

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

We have audited the accompanying financial statements of **Corporación Andina de Fomento (CAF)**, which comprise the balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Internal Control over Financial Reporting**

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the CAF's internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 31, 2018 expressed an unmodified opinion on the CAF's internal control over financial reporting.

The image shows the Deloitte logo in a cursive script.

January 31, 2018

Caracas - Venezuela

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# CORPORACIÓN ANDINA DE FOMENTO (CAF)

## Balance Sheets As of December 31, 2017 and 2016 (In thousands of U.S. dollars)

	NOTES	2017	2016
<b>ASSETS</b>			
Cash and due from banks		61,294	72,403
Deposits with banks		2,001,766	1,652,367
Cash and deposits with banks	3	2,063,060	1,724,770
Marketable securities:			
Trading	5, 12 and 20	9,194,991	9,267,953
Other investments	4	1,453,869	996,554
Loans (US\$ 49,007 and US\$ 37,196 at fair value as of December 31, 2017 and 2016)	6 and 20	23,628,073	21,977,081
Less loan commissions, net of origination costs		97,530	95,682
Less allowance for loan losses	6	67,225	63,749
Loans, net		23,463,318	21,817,650
Accrued interest and commissions receivable		427,702	345,115
Equity investments	7	433,025	386,051
Derivative financial instruments	19 and 20	532,668	118,353
Property and equipment, net	8	90,415	75,200
Other assets	9	452,518	937,342
<b>TOTAL</b>		<b>38,111,566</b>	<b>35,668,988</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits	10	2,950,143	3,098,883
Commercial paper	11	1,770,676	2,112,717
Borrowings (US\$ 550,563 and US\$ 535,514 at fair value as of December 31, 2017 and 2016), net	12 and 20	1,417,265	1,421,466
Bonds (US\$ 19,559,372 and US\$ 16,738,156 at fair value as of December 31, 2017 and 2016), net	13 and 20	19,718,627	17,145,306
Accrued interest payable		314,660	281,058
Derivative financial instruments	19 and 20	553,594	1,021,292
Accrued expenses and other liabilities	14	264,865	114,622
Total liabilities		26,989,830	25,195,344
<b>STOCKHOLDERS' EQUITY:</b>			
Subscribed capital	16 and 17	7,987,370	7,219,455
Less callable capital portion		1,589,660	1,589,660
Less capital subscriptions receivable		1,413,415	846,250
Paid-in capital		4,984,295	4,783,545
Additional paid-in capital		3,259,471	2,890,091
Reserves		2,801,571	2,678,853
Accumulated other comprehensive income		-	(1,563)
Retained earnings		76,399	122,718
Total stockholders' equity		11,121,736	10,473,644
<b>TOTAL</b>		<b>38,111,566</b>	<b>35,668,988</b>

See accompanying notes to the financial statements

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

## Statements of Comprehensive Income For the years ended December 31, 2017 and 2016 (In thousands of U.S. dollars)

	NOTES	2017	2016
Interest income:			
Loans	2 (f)	798,295	666,548
Investments and deposits with banks	2 (e), 3 and 4	162,908	108,144
Loan commissions	2 (f)	40,822	38,768
Total interest income		1,002,025	813,460
Interest expense:			
Bonds		517,955	397,755
Deposits		34,011	17,057
Commercial paper		25,265	18,366
Borrowings		32,115	27,278
Commissions		12,241	10,591
Total interest expense		621,587	471,047
Net interest income		380,438	342,413
Provision for loan losses	6	69,902	38,270
Net interest income, after provision for loan losses		310,536	304,143
Non-interest income:			
Other commissions		3,264	3,784
Dividends and equity in earnings of investees	7	9,523	15,155
Other income	12	3,171	32,662
Total non-interest income		15,958	51,601
Non-interest expenses:			
Administrative expenses	23	150,135	140,973
Impairment charge for equity investments	7	11,000	9,200
Other expenses		1,197	1,404
Total non-interest expenses		162,332	151,577
Net income before unrealized changes in fair value related to financial instruments and Contributions to Stockholders' Special Funds		164,162	204,167
Unrealized changes in fair value related to financial instruments	21	4,301	(13,449)
Net income before Contributions to Stockholders' Special Funds		168,463	190,718
Contributions to Stockholders' Special Funds	24	92,064	68,000
Net income		76,399	122,718
Other comprehensive income:			
Unrecognized changes in assets/ liabilities under benefit pension plan	15 and 17	-	(1,563)
Amortization of defined benefit pension items	15 and 17	1,563	571
Total comprehensive income		77,962	121,726

See accompanying notes to the financial statements

**CORPORACIÓN ANDINA DE FOMENTO (CAF)**

Statements of Stockholders' Equity  
For the years ended December 31, 2017 and 2016  
(In thousands of U.S. dollars)

NOTE	Paid-in capital	Additional paid-in capital	Reserves			Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
			General reserve	Article N° 42 of the Constitutive Agreement	Total reserves			
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
Capital increase	16 292,270	535,554	-	-	-	-	-	827,824
Net income	16 -	-	-	-	-	-	122,718	122,718
Appropriated for general reserve	16 -	-	69,830	-	69,830	-	(69,830)	-
Appropriated for reserve pursuant to Article N° 42 of the Constitutive Agreement	16 -	-	-	7,800	7,800	-	(7,800)	-
Other comprehensive income	17 -	-	-	-	-	(992)	-	(992)
BALANCES AT DECEMBER 31, 2016	4,783,545	2,890,091	2,205,853	473,000	2,678,853	(1,563)	122,718	10,473,644
Capital increase	16 200,750	369,380	-	-	-	-	-	570,130
Net income	16 -	-	-	-	-	-	76,399	76,399
Appropriated for general reserve	16 -	-	110,218	-	110,218	-	(110,218)	-
Appropriated for reserve pursuant to Article N° 42 of the Constitutive Agreement	16 -	-	-	12,500	12,500	-	(12,500)	-
Other comprehensive income	17 -	-	-	-	-	1,563	-	1,563
BALANCES AT DECEMBER 31, 2017	4,984,295	3,259,471	2,316,071	485,500	2,801,571	-	76,399	11,121,736

See accompanying notes to the financial statements

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

## Statements of Cash Flows For the years ended December 31, 2017 and 2016 (In thousands of U.S. dollars)

	NOTES	2017	2016
<b>OPERATING ACTIVITIES:</b>			
Net income		76,399	122,718
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Unrealized (gain) loss on trading securities	5	(1,332)	4,260
Amortization of loan commissions, net of origination costs		(15,822)	(15,261)
Provision for loan losses	6	69,902	38,270
Impairment charge for equity investments	7	11,000	9,200
Equity in earnings of investees		(4,175)	(4,790)
Exchange difference	12	-	(28,223)
Amortization of deferred charges		5,082	5,360
Depreciation of property and equipment	8	5,767	5,682
Provision for employees' severance benefits		12,645	11,581
Provision for employees' savings plan		1,197	1,367
Unrealized changes in fair value related to financial instruments		(4,301)	13,449
Net changes in operating assets and liabilities:			
Severance benefits paid or advanced		(10,874)	(6,755)
Employees' savings plan paid or advanced		(2,963)	(771)
Trading securities, net		73,409	(2,492,444)
Interest and commissions receivable		(83,018)	(41,180)
Other assets		(7,614)	(4,658)
Accrued interest payable		33,601	31,523
Accrued expenses and other liabilities		12,591	7,177
Total adjustments and net changes in operating assets and liabilities		95,095	(2,466,213)
Net cash provided by (used in) operating activities		171,494	(2,343,495)
<b>INVESTING ACTIVITIES:</b>			
Purchases of other investments	4	(3,667,575)	(3,477,421)
Maturities of other investments	4	3,210,260	3,667,153
Loan origination and principal collections, net	6	(1,703,184)	(1,560,635)
Equity investments, net	7	(53,799)	(62,071)
Purchases of property and equipment, net	8	(20,982)	(7,959)
Net cash used in investing activities		(2,235,280)	(1,440,933)
Carried forward,		(2,063,786)	(3,784,428)

See accompanying notes to the financial statements

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

## Statements of Cash Flows For the years ended December 31, 2017 and 2016 (In thousands of U.S. dollars)

	NOTES	2017	2016
Brought forward,		(2,063,786)	(3,784,428)
FINANCING ACTIVITIES:			
Net (decrease) increase in deposits		(148,740)	398,635
Proceeds from commercial paper		3,864,251	4,925,553
Repayment of commercial paper		(4,206,292)	(5,402,711)
Net decrease (increase) in derivative related collateral		626,566	(449,354)
Proceeds from issuance of bonds	13	3,809,731	3,961,421
Repayment of bonds	13	(2,098,519)	(1,557,104)
Proceeds from borrowings	12	141,804	272,352
Repayment of borrowings	12	(156,855)	(273,949)
Proceeds from issuance of shares	16	570,130	827,824
Net cash provided by financing activities		2,402,076	2,702,667
NET INCREASE (DECREASE) IN CASH AND DEPOSITS WITH BANKS		338,290	(1,081,761)
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF THE YEAR		1,724,770	2,806,531
CASH AND DEPOSITS WITH BANKS AT END OF THE YEAR		2,063,060	1,724,770
SUPPLEMENTAL DISCLOSURE:			
Interest paid during the period		561,366	417,009
NON-CASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		(414,315)	97,156
Changes in derivative financial instruments liabilities		(467,698)	213,195

See accompanying notes to the financial statements

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016  
(In thousands of U.S. dollars)

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## 1. ORIGIN

**Business description** – Corporación Andina de Fomento (CAF) began its operations on June 8, 1970, and was established under public international law which abides by the provisions set forth in its Constitutive Agreement. Series “A” and “B” stockholder countries are: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. Series “C” stockholder countries are: Barbados, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal and Spain. In addition, there are 13 banks which are Series “B” stockholders. CAF is headquartered in Caracas 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 owned and sponsored by other countries and organizations, destined to finance programs agreed upon with donor countries and organizations which are in line with CAF policies and strategies.

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

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

- a. **Financial statement presentation** – The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles with the U.S. dollar as the functional currency.
- b. **Use of estimates** – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet, as well as the amounts reported as revenues and expenses during the corresponding reporting period. The most important estimates related to the preparation of CAF’s financial statements refer to estimating the allowance for loan losses and valuation and classification at fair values of financial instruments, among others. Management believes these estimates are adequate. Actual results could differ from those estimates.
- c. **Transactions denominated in other currencies** – Transactions denominated in currencies other than U.S. dollars are converted into U.S. dollars at exchange rates prevailing in international markets on the dates of the transactions. Currency balances other than U.S. dollars are converted into U.S. dollars at year-end exchange rates. Any foreign exchange gains or losses, including related hedge effects, are included in the statements of comprehensive income.

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016  
(In thousands of U.S. dollars)

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- d. **Cash and deposits with banks** – Cash and deposits with banks comprised of cash, due from banks and short-term deposits with banks with an original maturity of three months or less.
- e. **Marketable securities** – CAF classifies its investments, according to management intention, as trading marketable securities, which are recorded on the trade date. Trading marketable securities are mainly bought and held with the purpose of selling them in the short term. Trading marketable securities are recorded at fair value. Gains and losses from sales of trading marketable securities and changes in the fair value of trading marketable securities are included in interest income of investments and deposits with banks in the statements of comprehensive income.
- f. **Loans** – CAF grants short, medium and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities, both to public and private entities, for development and integration programs and projects in stockholder countries.

For credit risk purposes, CAF classifies its loan portfolio 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 (public and private sectors), among others, which are not guaranteed by national governments.

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

The accrual for interest on loans is discontinued at the time a private sector loans 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 status is reversed against interest income. The interest on non-accrual loans is accounted for on a cash-basis, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Non-accrual loans are considered impaired loans. Factors considered by management in determining impaired loans are 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.

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016  
(In thousands of U.S. dollars)

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

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

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

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

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



# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016  
(In thousands of U.S. dollars)

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

The allowance for loan losses on sovereign loans is collectively evaluated and established by CAF based on the individual long-term foreign currency debt rating applicable to the borrower countries, which is determined using the average rating of three recognized international risk rating agencies at the date of each of the balance sheet presented. The long-term foreign currency debt rating considers a default probability. Given CAF's status as a de facto preferred creditor arising from its status as a multilateral financial institution and from the interest of its borrowers in maintaining their credit standing with CAF, and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF's Constitutive Agreement and other similar agreements, a factor 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 individually evaluated and 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 international risk-rating agencies.

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

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

- i. **Equity investments** – CAF invests in equity securities of companies and funds in strategic sectors, with the objective of promoting the development of such companies and 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.

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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 under cost method do not have available market price quotations and it is impracticable to determine the fair value of these investments without incurring excessive cost.

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

The estimated useful life for assets is as follows:

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

- k. **Other assets** – Other assets mainly include collateral, intangible assets and receivable from investment securities sold (Note 2e).

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

- l. **Impairment** – A financial asset is considered impaired and an impairment loss is recognized only if there are circumstances that indicate impairment as a result of one or more events (“loss events”) that have occurred after recognition of the financial asset.

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- m. **Deposits and commercial paper** – Deposits and commercial paper are recorded at amortized cost.
- n. **Borrowings** – The borrowings account includes those obligations to local or foreign financial institutions and commercial banks, which are recorded at amortized cost, except for some borrowings that are designated as fair value hedge or as an economic hedge. The up-front costs and fees related to the issuance of borrowings recorded at amortized cost are deferred and reported in the balance sheet as a direct deduction from the face amount of borrowings and amortized during the term of the borrowings as interest expense.
- o. **Bonds** – Medium and long-term bond issuances, whose objective is to provide the financial resources required to finance CAF's operations, are recorded as follows:
- Bonds denominated in currencies other than the US\$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these bonds, as well as the related bond's up-front costs and fees, are recognized in the statements of comprehensive income when they occur. CAF enters into cross-currency and interest rate swaps to economically hedge the interest rate and foreign exchange risks related with these bonds.
  - The interest rate risk on US\$ denominated bonds is hedged using interest rate swaps, and such interest rate swaps are designated as part of fair value hedge accounting relationships assuming no hedge ineffectiveness (the "shortcut method"). The related bond's up-front costs and fees are deferred and reported in the balance sheet as a direct deduction from the face amount of the bonds, and amortized during the term of the bonds as interest expense.

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

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

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

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

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- q. ***Pension plan*** – In March 2005, CAF established a pension plan (the Plan), which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The Plan's benefits are calculated based on years of service and the average salary of the three consecutive years in which the employee received the highest salary. CAF periodically updates the benefit obligations considering actuarial assumptions.
- r. ***Derivative financial instruments and hedging activities*** – CAF records all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. For derivative contracts for which hedge accounting is intended to apply, CAF designates the derivative financial instrument as a 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 hedge 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 of the hedged items.

Changes in the fair value of highly effective derivative financial instruments considered to be hedges from an accounting perspective (fair value hedge) are recognized in the balance sheet. The ineffective portion of the change in fair value for a hedged derivative is recognized in the statements of comprehensive income.

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

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. 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 statements of comprehensive income.

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- s. ***Fair value of financial instruments and fair value measurements*** – An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

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

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

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

- t. ***Guarantees*** – CAF provides guarantees on loans originated by third parties to support projects located within a stockholder country that are undertaken by public and private entities. CAF may offer guarantees of private credit agreements or it may offer public guarantees of obligations of the securities of third party issuers. CAF generally offers partial credit guarantees with the intention of sharing the risk with private lenders or holders of securities. CAF’s responsibility is limited to paying up to the amount of the guarantee upon default by the client. The guarantee fee income received is deferred and recognized over the period covered by the guarantee.
- u. ***Provision for guarantees losses*** – Provision for guarantees is maintained at a level CAF believes adequate to absorb probable losses inherent to the guaranteed loans originated by third parties as of the date of the financial statements. Guaranteed loans are classified as either sovereign or non-sovereign. Provision for guarantees is estimated by CAF considering the credit risk exposure, default probability and loss given default. Provision for sovereign guarantees losses is based on the individual long-term foreign currency debt rating of the guarantor countries (“country risk rating”) considering the weighted average rating of three recognized international risk rating agencies at the date of the financial statements preparation. These country risk ratings have associated default probability. Given CAF’s status as a de facto preferred creditor, arising from its status as a multilateral financial institution and from the interest of its borrowers in maintaining their credit standing with CAF, and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF’s Constitutive Agreement and other similar agreements, a factor that reflects a lower default probability – usually equivalent to three levels up in this weighted average rating is used. For non-sovereign guarantees, the provision is determined by considering the CAF internal rating of each client and the weighted average rating of the aforementioned agencies.

The provision for guarantees, are reported as other liabilities.

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v. ***Recent accounting pronouncements applicable –***

***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. CAF is currently evaluating the effects of adopting this ASU.

During 2016, the following complementary updates related to Revenue from Contracts with Customers (Topic 606) were issued:

- ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net).
- ASU 2016-10, Identifying Performance Obligations and Licensing.
- ASU 2016-12, Narrow-Scope Improvements and Practical Expedients.
- ASU 2016-20, Technical Corrections and Improvements.

The modifications of these updates issued during 2016, which affect the Accounting Standards Update Guide N° 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Accounting Standards Update 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of Update 2014-09 by one year.

***ASU 2016-01, Financial Instruments Recognition and Measurement of Financial Assets and Financial Liabilities***

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this ASU require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this ASU also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in this ASU eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. This ASU will be effective for CAF in 2018. CAF is currently evaluating the effects of adopting this ASU.

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## ***ASU 2016-13, Financial Instruments – Credit Losses***

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The ASU eliminates the probable initial recognition threshold in current guidance and, instead, requires an entity to reflect its current estimate of all expected credit losses. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. This ASU will be effective for CAF in 2020.

## ***ASU 2016-18, Restricted Cash – a consensus of the FASB Emerging Issues Task Force***

In November 2016, the FASB issued ASU 2016-18, Restricted Cash – a consensus of the FASB Emerging Issues Task Force. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU will be effective for CAF in 2018. CAF is currently evaluating the effects of adopting this ASU.

## ***ASU 2017-03, Accounting Changes and Error Corrections and Investments - Equity Method and Joint Ventures***

In January 2017, the FASB issued the ASU 2017-03 Accounting Changes and Error Corrections and Investments - Equity Method and Joint Ventures. This ASU applies to the following updates:

- ASU No. 2014-09 “Revenue from Contracts with Customers”.
- ASU No. 2016-02 “Leases”.
- ASU No. 2016-13 “Financial Instruments-Losses of Credit / Measurement of Credit Losses in Financial Instruments”.

It is established that a registrant must evaluate the ASU that have not yet been adopted to determine the adequate disclosure in the financial statements about the possible material effects that these ASU will have on the financial statements, when they are adopted. If a registrant does not know or cannot reasonably estimate the expected impact of the adoption of the aforementioned ASU in the financial statements, then in addition to making a statement to that effect, it should consider including additional qualitative disclosures in the financial statements for help the reader to evaluate the importance of the impact that the rule will have on the financial statements of the registrant when it is adopted.

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The additional qualitative disclosures include a description of the effect of the accounting policies that the registrant expects to apply, if determined, and a comparison with the registrant's current accounting policies. In addition, the registrant must describe the status of their adoption process to the new standards and important implementation issues that have not yet been addressed. This ASU is applicable as of its publication, January 23, 2017.

## ***ASU 2017-07, Compensation—Retirement Benefits***

In March 2017, the FASB issued the ASU 2017-07 Compensation—Retirement Benefits. The amendments in this Update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. This ASU will be effective for CAF in 2018. CAF is currently evaluating the effects of adopting this ASU.

## ***ASU 2017-08, Receivables—Nonrefundable Fees and Other Costs / Premium Amortization on Purchased Callable Debt Securities.***

In March 2017, the FASB issued the ASU 2017-08 Receivables—Nonrefundable Fees and Other Costs / Premium Amortization on Purchased Callable Debt Securities. The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. This ASU will be effective for CAF in 2019.

## ***ASU 2017-12, Derivatives and Hedging / Targeted Improvements to Accounting for Hedging Activities.***

In August 2017, the FASB issued the ASU 2017-12 Derivatives and Hedging / Targeted Improvements to Accounting for Hedging Activities. The amendments in this Update more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The amendments address specific limitations in current GAAP by expanding hedge accounting for both nonfinancial and financial risk components and by refining the measurement of hedge results to better reflect an entity's hedging strategies. Thus, the amendments will enable an entity to report more faithfully the economic results of hedging activities for certain fair value and cash flow hedges and will avoid mismatches in earnings by allowing for greater precision when measuring changes in fair value of the hedged item for certain fair value hedges. This ASU will be effective for CAF in 2019.



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## 3. CASH AND DEPOSITS WITH BANKS

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Cash and due from banks	61,294	72,403
Deposits with banks:		
U.S. dollars	2,001,766	1,652,367
	<u>2,063,060</u>	<u>1,724,770</u>

## 4. OTHER INVESTMENTS

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
U.S. dollars	1,453,145	995,792
Other currencies	724	762
	<u>1,453,869</u>	<u>996,554</u>

At December 31, 2017 and 2016, the interest rate of these deposits ranged from 1.33% to 2.24% and from 0.90% to 1.62%, respectively.

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## 5. MARKETABLE SECURITIES

### *Trading*

A summary of trading securities follows:

	December 31,			
	2017	Average maturity (years)	2016	Average maturity (years)
	Amount		Amount	
U.S. Treasury Notes	1,588,857	4.15	1,867,916	1.82
Non-U.S. governments and government entities bonds	106,812	2.21	236,945	0.66
Financial institutions and corporate securities:				
Commercial paper	3,146,896	0.18	3,005,618	0.20
Certificates of deposits	2,065,830	0.29	2,257,292	0.36
Bonds	1,605,236	2.22	1,233,530	1.51
Collateralized mortgage obligation	375,733	3.86	336,041	4.47
Liquidity funds	305,627	1.00	330,611	1.00
	7,499,322	0.86	7,163,092	0.71
Marketable securities	9,194,991	1.44	9,267,953	0.93

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

The fair value of trading securities include net unrealized gain of US\$ 1,332 and net unrealized losses US\$ 4,260 at December 31, 2017 and 2016, respectively.

Net realized gains and losses from trading securities of US\$ 36,183 and US\$ 25,986 for the years ended December 31, 2017 and 2016, respectively, are included in the statements of comprehensive income as part of Investments and deposits with banks.

CAF places its short-term investments mainly in high grade financial institutions and corporate securities. CAF has conservative investment guidelines that limit the amount of credit risk exposure, considering among other factors, limits as to credit ratings, limits as to duration exposure, specific allocations by type of investment instruments and limits across sector and currency allocation. At December 31, 2017 and 2016, CAF does not have any significant concentrations of credit risk according to its investment guidelines. Non-US dollar-denominated securities included in marketable securities amounted to the equivalent of US\$ 87,819 and US\$ 33,452 at December 31, 2017 and 2016, respectively.

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Maturity of debt securities follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Remaining maturities:		
Less than one year	6,312,305	6,289,696
Between one and two years	518,233	2,249,657
Between two and three years	449,968	424,450
Between three and four years	182,553	126,963
Between four and five years	1,561,551	85,918
Over five years	170,381	91,269
	9,194,991	9,267,953

## 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.

Loans by country are summarized as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Stockholder country:		
Argentina	3,207,732	2,839,947
Barbados	86,650	85,000
Bolivia	2,483,765	2,211,132
Brazil	2,116,352	1,984,105
Chile	305,000	111,000
Colombia	2,516,203	2,339,206
Costa Rica	89,872	113,570
Dominican Republic	251,764	212,064
Ecuador	3,437,558	3,317,875
Jamaica	-	4,496
Mexico	305,000	381,729
Panama	1,503,012	1,464,317
Paraguay	418,669	337,105
Peru	2,279,635	2,274,512
Spain	-	44,203
Trinidad & Tobago	300,000	-
Uruguay	1,044,167	935,256
Venezuela	3,285,490	3,320,841
Sub-total loans	23,630,869	21,976,358
Fair value adjustments	(2,796)	723
Loans	23,628,073	21,977,081

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

At December 31, 2017 and 2016, loans denominated in other currencies were granted for an equivalent of US\$ 45,597 and US\$ 57,212, respectively, principally in Peruvian nuevos soles, Colombian pesos and Bolivian bolivianos. At December 31, 2017 and 2016, fixed interest rate loans amounted to US\$ 117,752 and US\$ 177,070, respectively.

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Public sector	20,201,026	18,773,300
Private sector	3,429,843	3,203,058
	23,630,869	21,976,358

The average yield of the loan portfolio is shown below:

	<b>December 31,</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>Weighted average yield (%)</b>	<b>Amount</b>	<b>Weighted average yield (%)</b>
Loans	23,630,869	3.49	21,976,358	3.41

Loans by industry segments are as follows:

	<b>December 31,</b>			
	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>
Agriculture, hunting and forestry	166,138	1	150,018	1
Manufacturing industry	107,270	-	215,513	1
Electricity, gas and water supply	7,777,829	33	7,314,488	33
Transport, warehousing and communications	7,601,610	32	7,557,849	34
Financial services - commercial banks	2,213,724	9	1,626,136	7
Financial services - development banks	764,751	3	867,899	4
Social and other infrastructure programs	4,858,267	21	4,105,846	19
Others	141,280	1	138,609	1
	23,630,869	100	21,976,358	100

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Loans mature as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Remaining maturities:		
Less than one year	4,873,919	4,174,292
Between one and two years	2,517,977	2,142,039
Between two and three years	2,411,805	2,303,002
Between three and four years	2,159,737	2,061,910
Between four and five years	2,089,476	1,932,948
Over five years	9,577,955	9,362,167
	<b>23,630,869</b>	<b>21,976,358</b>

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Sovereign guaranteed	19,402,360	18,028,341
Non-sovereign guaranteed	4,228,509	3,948,017
	<b>23,630,869</b>	<b>21,976,358</b>

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 - very good. For purpose of determining the allowance for loan losses, rating assigned by external agencies are used (Note 2h).

The credit quality of the non-sovereign guaranteed loan portfolio at December 31, 2017 and 2016 is presented by internal risk rating classification, as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Risk classification:		
Satisfactory-very good	1,788,467	1,671,461
Satisfactory-adequate	1,637,519	1,331,783
Watch	535,731	632,629
Special mention	128,133	173,761
Sub-standard	62,578	-
Doubtful	76,081	138,383
	<b>4,228,509</b>	<b>3,948,017</b>

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

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## *Loan portfolio quality*

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
During the year CAF recorded the following transactions:		
Loans written-off	69,526	33,730
Purchases of loan portfolio	0	0
Sales of loan portfolio	43,376	52,500
CAF presented the following amounts and quality indicators as of the end of the year:		
Impaired loans	138,659	120,841
Non-accrual loans	138,659	120,841
Trouble debt restructured	0	44,203
Overdue loans	94,240	7,513
Allowance for loan losses as a percentage of loan portfolio	0.28%	0.29%
Nonaccrual loans as a percentage of loan portfolio	0.59%	0.55%
Overdue loan principal as a percentage of loan portfolio	0.40%	0.03%

At December 31, 2017, there are outstanding overdue amounts from Venezuela totaling US\$ 136,507 comprising, US\$ 94,240 of principal and US\$ 42,267 of interest. Those amounts were originally due in December 2017 and were received in full in January 2018.

## *A/B Loans*

CAF administers loan-participations sold, and only assumes the credit risk for the portion of the loan owned by CAF. At December 31, 2017 and 2016, CAF had loans of this nature amounting to US\$ 423,536 and US\$ 743,401, respectively; whereas other financial institutions provided funds for US\$ 213,739 and US\$ 455,754, respectively.

## *Troubled Debt Restructuring*

At December 31, 2016, there was a troubled debt restructuring of a non-sovereign guaranteed loan, classified as impaired, with an outstanding balance of US\$ 44,203. As a result of the restructuring performed in December 31, 2016, the principal modifications to the loan agreement consisted in extension of loan term and interest rate reductions resulting in restatement of future cash flows, based on these facts CAF recognized a reduction of allowance for loan losses. During the year ended December 31, 2017, CAF wrote off US\$ 44,203 over those loans.

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## *Allowance for Loan Losses*

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

	December 31,					
	2017			2016		
	Sector			Sector		
	Sovereign	Non- sovereign	Total	Sovereign	Non- sovereign	Total
Balances at beginning of year	21,227	42,522	63,749	26,269	32,660	58,929
Provision for loan losses	14,012	55,890	69,902	(5,042)	43,312	38,270
Loans written-off	-	(69,526)	(69,526)	-	(33,730)	(33,730)
Recoveries	-	3,100	3,100	-	280	280
Balances at end of year	35,239	31,986	67,225	21,227	42,522	63,749
Allowance:						
Individually evaluated for loan losses	-	31,986	31,986	-	42,522	42,522
Collectively evaluated for loan losses	35,239	-	35,239	21,227	-	21,227
	35,239	31,986	67,225	21,227	42,522	63,749
Loans:						
Individually evaluated for loan losses	-	4,228,509	4,228,509	-	3,948,017	3,948,017
Collectively evaluated for loan losses	19,402,360	-	19,402,360	18,028,341	-	18,028,341
	19,402,360	4,228,509	23,630,869	18,028,341	3,948,017	21,976,358

## 7. EQUITY INVESTMENTS

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

	December 31,	
	2017	2016
Direct investment in company accounted under equity method	11,912	10,674
Investment funds accounted under equity method	23,756	27,198
Direct investments in companies at cost	56,203	80,200
Investment funds at cost	341,154	267,979
	433,025	386,051

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Equity investments by country are summarized as follow:

	Equity participation (%)	December 31,	
		2017	2016
Investment funds:			
Bolivia	20	-	2,891
Brazil	Between 7 and 19	37,784	30,990
Colombia	Between 6 and 19	94,218	53,881
Ecuador	10	490	490
Mexico	Between 5 and 23	108,869	89,496
Peru	Between 6 and 13	3,477	6,758
Regional	Between 3 and 33	120,072	110,671
		<u>364,910</u>	<u>295,177</u>
Direct investments in companies:			
Bolivia	20	11,912	10,674
Brazil	13	7,000	7,000
Colombia	8	-	15,000
Peru	Between 1 and 13	8,263	11,740
Regional	Between 1 and 20	40,940	46,460
		<u>68,115</u>	<u>90,874</u>
		<u>433,025</u>	<u>386,051</u>

Investments under the equity method are as follows:

Company:	Equity participation	Latest financial statements	December 31,	
			2017	2016
Banco de Desarrollo de la Producción	20%	9/30/2017	<u>11,912</u>	<u>10,674</u>
Funds:				
Darby Latinoamerican Mezzanine Fund II	20%	9/30/2017	14,964	12,366
Microfinance Growth Fund	19%	9/30/2017	-	5,990
Produbanco Darby-Probanco Fund II	20%	9/30/2017	6,267	5,951
Próspero Microfinanzas Fund	20%	9/30/2017	2,525	2,891
			<u>23,756</u>	<u>27,198</u>

During 2017 and 2016, CAF recognized income of US\$ 912 and US\$ 10,365, respectively, for dividends received from cost-method investments. At December 31, 2017, CAF recognized US\$ 4,436 for gain on sale, which are included in the statements of comprehensive income.

At December 31, 2017 and 2016, CAF recognized impairment related to cost-method investments of US\$ 11,000 and US\$ 9,200, respectively.



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## 8. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment, net follows:

	December 31,	
	2017	2016
Land	27,029	27,029
Buildings	40,134	38,931
Buildings improvements	20,891	20,984
Leasing building improvements	8,962	6,948
Furniture and equipment	27,507	25,956
Vehicles	1,021	1,020
	125,544	120,868
Less accumulated depreciation	64,937	59,677
Projects in progress	29,808	14,009
	90,415	75,200

Depreciation expenses of US\$ 5,767 and US\$ 5,682 for property and equipment for the years ended December 31, 2017 and 2016, respectively, are included in the statements of comprehensive income.

## 9. OTHER ASSETS

A summary of other assets follows:

	December 31,	
	2017	2016
Derivative related collateral	417,547	904,902
Intangible assets, net	13,071	14,052
Others	21,900	18,388
	452,518	937,342

## 10. DEPOSITS

A summary of deposits follows:

	December 31,	
	2017	2016
Demand deposits	71,010	77,321
Time deposits:		
Less than one year	2,879,133	3,021,562
	2,950,143	3,098,883

At December 31, 2017 and 2016, the weighted average cost was 1.11% and 0.61%, respectively. Deposits are issued for amounts equal to or more than US\$ 100. Total deposits denominated in other currencies amount to US\$ 26 and US\$ 914 at December 31, 2017 and 2016, respectively.

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## 11. COMMERCIAL PAPER

The outstanding amount of commercial paper issued by CAF, which amounts to US\$ 1,770,676 at December 31, 2017, will mature in 2018 (US\$ 2,112,717 at December 2016 which matured in 2017). At December 31, 2017 and 2016, the weighted average cost was 1.30% and 0.82%, respectively.

## 12. BORROWINGS

A summary of borrowings by currency follows:

	December 31,	
	2017	2016
U.S. dollars	1,262,823	1,269,296
Euros	112,900	112,900
Peruvian nuevos soles	33,016	35,416
Venezuelan bolivars	287	60
Other currencies	1,119	7,425
	1,410,145	1,425,097
Fair value adjustments	8,129	(2,722)
Less debt issuance costs	1,009	909
Carrying value of borrowings	1,417,265	1,421,466

At December 31, 2017 and 2016, the fixed interest-bearing borrowings amounted to US\$ 546,340 and US\$ 555,514, respectively. At December 31, 2017 and 2016, the weighted average interest rate after considering the impact of interest rate swaps was 2.58% and 2.02%, respectively.

During the year ended December 31, 2016, CAF recognized income for US\$ 28,223, mainly from the change of the exchange regulation which originated an exchange difference in borrowings denominated in Venezuelan bolivars, which are presented in “Non-interest income - Other income”. During the year ended December 31, 2017, there has been no significant changes on the exchange regulation.

Borrowings, by remaining maturities, are summarized below:

	December 31,	
	2017	2016
Remaining maturities:		
Less than one year	507,649	111,936
Between one and two years	173,567	540,411
Between two and three years	151,168	158,231
Between three and four years	139,178	129,841
Between four and five years	118,626	117,841
Over five years	319,957	366,837
	1,410,145	1,425,097

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

At December 31, 2017 and 2016, there were unused term credit facilities amounting to US\$ 851,997 and US\$ 478,995, respectively.

## 13. BONDS

An analysis of outstanding bonds follows:

	December 31,					
	2017			2016		
	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)
U.S. dollars	8,105,090	8,105,090	4.17	7,799,202	7,799,202	2.28
Euro	5,834,571	5,691,902	2.00	4,977,094	4,169,433	2.05
Swiss francs	2,659,698	2,601,868	2.28	2,639,425	2,457,002	2.28
Australian dollars	910,080	889,513	2.77	718,094	643,556	2.43
Hong Kong dollars	757,292	752,217	1.54	548,686	548,972	1.85
Norwegian kroner	622,501	511,627	2.56	622,501	488,361	2.26
Japanese yen	347,680	301,766	3.61	347,939	290,723	3.31
Turkish lira	134,587	92,075	1.83	134,555	98,898	1.39
Colombian pesos	112,565	74,269	3.77	112,565	73,899	3.58
Mexican pesos	98,108	67,003	3.88	98,108	63,701	3.61
Brazilian Real	68,701	66,475	1.62	-	-	-
South African rand	60,372	68,135	1.85	60,362	61,378	1.41
Indian Rupee	31,891	33,473	1.92	-	-	-
Canadian dollars	30,395	31,822	2.42	-	-	-
Peruvian nuevos soles	7,489	7,585	1.85	14,943	14,583	1.60
	<u>19,781,020</u>	<u>19,294,820</u>		<u>18,073,474</u>	<u>16,709,708</u>	
Fair value adjustments		446,762			462,216	
Less debt issuance costs		<u>22,955</u>			<u>26,618</u>	
Carrying value of bonds		<u>19,718,627</u>			<u>17,145,306</u>	

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

	December 31,	
	2017	2016
Remaining maturities:		
Less than one year	2,311,200	2,080,201
Between one and two years	2,336,118	2,290,870
Between two and three years	2,926,163	2,366,440
Between three and four years	2,644,380	1,607,932
Between four and five years	2,685,564	2,537,642
Over five years	6,877,595	7,190,389
	<u>19,781,020</u>	<u>18,073,474</u>

At December 31, 2017 and 2016, fixed interest rate bonds amounted to US\$ 19,683,812 and US\$ 17,801,069, respectively, of which US\$ 11,684,716 and US\$ 10,286,532, respectively, are denominated in other currencies.

There were no bonds repurchased during the years ended December 31, 2017 and 2016.

## 14. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2017	2016
Derivatives related collateral	139,397	187
Employees' severance benefits and savings plan	77,993	82,241
Contributions to Stockholders' Special Funds	36,967	22,500
Provision for contingencies	1,490	2,607
Other	9,018	7,087
	<u>264,865</u>	<u>114,622</u>

## 15. PENSION PLAN

At December 31, 2017 and 2016, the Plan has 584 and 568 participants and active employees, respectively. The measurement date used to determine pension plan benefit obligation is December 31.

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For the years ended December 31, 2017 and 2016, a reconciliation of beginning and ending balances of the benefit obligation follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	18,763	14,002
Service cost	2,225	1,715
Interest cost	794	594
Plan participants' contributions	1,813	1,600
Actuarial (gain) loss	(248)	1,177
Benefit paid	(1,821)	(325)
Benefit obligation at end of year	21,526	18,763

For the years ended December 31, 2017 and 2016, a reconciliation of beginning and ending balances of the fair value of plan assets follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Change in plan assets:		
Fair value of plan assets at beginning of year	17,201	13,431
Actual return on plan assets	440	325
Contributions	5,689	3,770
Benefit paid	(1,821)	(325)
Fair value of plan assets at end of year	21,509	17,201

Plan assets are as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Plan assets:		
Deposits with banks	21,509	17,201

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2017 and 2016:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Service cost	2,225	1,715
Interest cost	794	594
Expected return on plan assets	(258)	(201)
	2,761	2,108

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A summary of the net projected cost for the year ending December 31, 2018 follows:

Service cost:	
Contributions to the plan	1,883
Guaranteed benefit	706
	<hr/>
	2,589
Interest cost	850
Expected return on plan assets	(860)
	<hr/>
	2,579
	<hr/> <hr/>

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

2018	531
2019	453
2020	160
2021	440
2022	420

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2017 and 2016 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, 2017 and 2016 amounts to US\$ 15,000,000, distributed among Series "A", "B" and "C" shares.

### *Additional paid-in capital*

The additional paid-in capital of CAF at December 31, 2017 and 2016 amounts to US\$ 3,259,471 and US\$ 2,890,091, 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.

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## *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, Trinidad and Tobago, Uruguay and Venezuela. Series "A" shares grant the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the above countries. These shares have a par value of US\$ 1,200.

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

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

A summary of the changes in subscribed and paid-in capital for the years ended December 31, 2017 and 2016 follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
At December 31, 2015	10	802,090	93,765	12,000	4,010,450	468,825	4,491,275
Issued for cash	1	56,224	1,990	1,200	281,120	9,950	292,270
Transfer of shares	-	23,457	(23,457)	-	117,285	(117,285)	-
At December 31, 2016	11	881,771	72,298	13,200	4,408,855	361,490	4,783,545
Issued for cash	-	31,723	8,427	-	158,615	42,135	200,750
At December 31, 2017	11	913,494	80,725	13,200	4,567,470	403,625	4,984,295

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Subscribed and paid-in capital at December 31, 2017 is presented as follows:

	Number of Shares			Nominal Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Stockholder:							
Argentina	1	94,179	-	1,200	470,895	-	472,095
Bolivia	1	52,624	-	1,200	263,120	-	264,320
Brazil	1	87,858	-	1,200	439,290	-	440,490
Colombia	1	169,364	-	1,200	846,820	-	848,020
Ecuador	1	52,945	-	1,200	264,725	-	265,925
Panama	1	28,057	-	1,200	140,285	-	141,485
Paraguay	1	27,577	-	1,200	137,885	-	139,085
Peru	1	179,014	-	1,200	895,070	-	896,270
Trinidad & Tobago	1	23,457	-	1,200	117,285	-	118,485
Uruguay	1	29,290	-	1,200	146,450	-	147,650
Venezuela	1	168,678	-	1,200	843,390	-	844,590
Barbados	-	-	3,522	-	-	17,610	17,610
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	7,915	-	-	39,575	39,575
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	15,367	-	-	76,835	76,835
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	43,437	-	-	217,185	217,185
Commercial banks	-	451	-	-	2,255	-	2,255
	<u>11</u>	<u>913,494</u>	<u>80,725</u>	<u>13,200</u>	<u>4,567,470</u>	<u>403,625</u>	<u>4,984,295</u>

At December 31, 2017, 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	37,345	186,725	-	-	25,200	126,000	-	-
Bolivia	12,170	60,850	-	-	14,400	72,000	-	-
Brazil	40,285	201,425	-	-	25,200	126,000	-	-
Colombia	47,037	235,185	-	-	50,400	252,000	-	-
Ecuador	12,170	60,850	-	-	14,400	72,000	-	-
Panama	12,170	60,850	-	-	7,200	36,000	-	-
Paraguay	12,170	60,850	-	-	7,200	36,000	-	-
Peru	37,821	189,105	-	-	50,400	252,000	-	-
Trinidad y Tobago	-	-	-	-	7,200	36,000	-	-
Uruguay	12,170	60,850	-	-	7,200	36,000	-	-
Venezuela	48,156	240,780	-	-	50,400	252,000	-	-
Barbados	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	2,641	13,205	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	8,502	42,510	-	-	40,000	200,000
Commercial banks	46	230	-	-	-	-	-	-
	<u>271,540</u>	<u>1,357,700</u>	<u>11,143</u>	<u>55,715</u>	<u>259,200</u>	<u>1,296,000</u>	<u>58,732</u>	<u>293,660</u>



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Subscribed and paid-in capital at December 31, 2016 is presented as follows:

	Number of Shares			Nominal Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Stockholder:							
Argentina	1	88,423	-	1,200	442,115	-	443,315
Bolivia	1	50,003	-	1,200	250,015	-	251,215
Brazil	1	85,042	-	1,200	425,210	-	426,410
Colombia	1	163,894	-	1,200	819,470	-	820,670
Ecuador	1	50,324	-	1,200	251,620	-	252,820
Panama	1	23,676	-	1,200	118,380	-	119,580
Paraguay	1	23,938	-	1,200	119,690	-	120,890
Peru	1	176,550	-	1,200	882,750	-	883,950
Trinidad & Tobago	1	23,457	-	1,200	117,285	-	118,485
Uruguay	1	27,374	-	1,200	136,870	-	138,070
Venezuela	1	168,678	-	1,200	843,390	-	844,590
Barbados	-	-	3,522	-	-	17,610	17,610
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,796	-	-	33,980	33,980
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
Commercial banks	-	412	-	-	2,060	-	2,060
	11	881,771	72,298	13,200	4,408,855	361,490	4,783,545

At December 31, 2016, 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	2,816	14,080	-	-	25,200	126,000	-	-
Bolivia	14,791	73,955	-	-	14,400	72,000	-	-
Brazil	2,816	14,080	-	-	25,200	126,000	-	-
Colombia	52,507	262,535	-	-	50,400	252,000	-	-
Ecuador	14,791	73,955	-	-	14,400	72,000	-	-
Panama	16,551	82,755	-	-	7,200	36,000	-	-
Paraguay	2,428	12,140	-	-	7,200	36,000	-	-
Peru	-	-	-	-	50,400	252,000	-	-
Trinidad y Tobago	-	-	-	-	7,200	36,000	-	-
Uruguay	14,086	70,430	-	-	7,200	36,000	-	-
Venezuela	48,156	240,780	-	-	50,400	252,000	-	-
Barbados	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	239	1,195	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	-	-	-	-	40,000	200,000
Commercial banks	69	345	-	-	-	-	-	-
	169,011	845,055	239	1,195	259,200	1,296,000	58,732	293,660

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## *General Reserve*

CAF maintains a general reserve approved by the Stockholders' Assembly, which is considered an equity reserve. Stockholders approved the increase in the general reserve by US\$ 110,218 and US\$ 69,830 during the years ended December 31, 2017 and 2016, through appropriations from net income for the years ended December 31, 2016 and 2015, respectively.

## *Reserve Pursuant to Article N° 42 of the Constitutive Agreement*

CAF's Constitutive Agreement requires that at least 10% of annual net income is to be appropriated to a reserve fund until that reserve 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 held in March 2017 and 2016, it authorized an increase in the reserve fund for US\$ 12,500 and US\$ 7,800, respectively, through an appropriation from net income for the years ended December 31, 2016 and 2015, respectively.

## **17. ACCUMULATED OTHER COMPREHENSIVE INCOME**

Accumulated other comprehensive income balances and the amounts reclassified out of accumulated other comprehensive income and into net income were as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Balances at beginning of the year	(1,563)	(571)
Unrecognized changes in assets/ liabilities under benefit pension plan		(1,563)
Amortization of defined benefit pension items (1)	1,563	571
Balances at end of year	<u>-</u>	<u>(1,563)</u>

(1) This other comprehensive income component is included in the statements of comprehensive income.

## **18. TAX EXEMPTIONS**

In all Full Member Shareholder Countries, 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 taxes.

## **19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

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

The market risk associated with interest rate and foreign currency risk is managed by swapping marketable securities - trading, loans, borrowings and bonds, subject to fixed interest rates and denominated in other currency into floating interest rate instruments denominated in U.S. dollars.

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

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

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

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

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

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

	<b>Derivative assets</b>		<b>Derivative liabilities</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Cross-currency swap	495,694	56,238	458,576	942,965
Interest rate swap	31,272	61,657	94,912	78,076
U.S Treasury futures	5,488	318	35	26
Cross-currency forward contracts	214	140	71	225
	<b>532,668</b>	<b>118,353</b>	<b>553,594</b>	<b>1,021,292</b>

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

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

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2017:				
Marketable securities - Trading	-	29,982	438	707
Loans	39,741	-	266	302
Loans	-	12,000	5	210
Borrowings	-	112,900	8,889	-
Borrowings	429,534	-	4,718	4,055
Bonds	-	11,684,716	486,362	457,659
Bonds	7,914,096	-	26,288	90,555
	<u>8,383,371</u>	<u>11,839,598</u>	<u>526,966</u>	<u>553,488</u>
At December 31, 2016:				
Marketable securities - Trading	-	29,982	476	452
Loans	21,495	-	290	8
Loans	-	15,000	-	151
Borrowings	-	112,900	-	7,822
Borrowings	425,336	-	7,115	3,057
Bonds	-	10,286,532	55,762	934,540
Bonds	7,353,173	-	54,252	75,011
	<u>7,800,004</u>	<u>10,444,414</u>	<u>117,895</u>	<u>1,021,041</u>

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

## At December 31, 2017

	Start date	Termination date	Contract Currency	Notional amount	Fair value
					Derivative assets
Forward contracts	Various	Until January 2018	Various	65,915	214
Futures short	Various	Until March 2018	Various	1,184,598	5,488
	Start date	Termination date	Contract Currency	Notional amount	Fair value
					Derivative liabilities
Forward contracts	Various	Until March 2018	Various	65,771	(71)
Futures long	Various	Until March 2018	USD	19,800	(35)

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## At December 31, 2016

	<u>Start date</u>	<u>Termination date</u>	<u>Contract Currency</u>	<u>Notional amount</u>	<u>Fair value Derivative assets</u>
Forward contracts	Various	Until January 2017	Various	43,593	140
Futures short	Various	Until March 2017	Various	1,177,200	318

	<u>Start date</u>	<u>Termination date</u>	<u>Contract Currency</u>	<u>Notional amount</u>	<u>Fair value Derivative liabilities</u>
Forward contracts	Various	Until January 2017	Various	43,680	(225)
Futures long	Various	Until March 2017	Various	21,200	(26)

The amount of collateral posted and received related with futures at December 31, 2017 and December 31, 2016, was US\$ 9,080 and US\$ 20,059 and US\$ 397 and US\$ 187, respectively.

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

## At December 31, 2017

<u>Description</u>	<u>Gross amounts of recognized assets</u>	<u>Gross amounts not offset in the balance sheet</u>		<u>Net amount</u>
		<u>Financial instruments</u>	<u>Cash and securities collateral received</u>	
Swaps	526,966	(331,368)	(139,000)	56,598

<u>Description</u>	<u>Gross amounts of recognized liabilities</u>	<u>Gross amounts not offset in the balance sheet</u>		<u>Net amount</u>
		<u>Financial instruments</u>	<u>Cash and securities collateral pledged</u>	
Swaps	(553,488)	331,368	408,467	186,347

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## At December 31, 2016

### *Derivative assets*

<u>Description</u>	<u>Gross amounts of recognized assets</u>	<u>Gross amounts not offset in the balance sheet</u>		<u>Net amount</u>
		<u>Financial instruments</u>	<u>Cash and securities collateral received</u>	
Swaps	117,895	(117,467)	-	428

### *Derivative liabilities*

<u>Description</u>	<u>Gross amounts of recognized liabilities</u>	<u>Gross amounts not offset in the balance sheet</u>		<u>Net amount</u>
		<u>Financial instruments</u>	<u>Cash and securities collateral pledged</u>	
Swaps	(1,021,041)	117,467	884,843	(18,731)

## 20. FAIR VALUE MEASUREMENTS

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

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

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

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

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

- *Marketable securities:* CAF uses quoted prices in active markets to determine the fair value of trading securities. These securities are classified in Level 1 of the fair value hierarchy.
- *Loans:* The fair value of fixed rate loans, is determined using a discounted cash flow technique the using the current variable interest rate for similar loans. These loans are classified in Level 2 of the fair value hierarchy.

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

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- *Derivative assets and liabilities:* Derivative financial instruments transactions contracted and *designated* by CAF as hedges of risks related to interest rates, currency rates or both, for transactions recorded as financial assets or liabilities are also presented at fair value. In those cases the fair value is calculated using market prices provided by an independent financial information services company, which are determined based on discounted cash flows using observable inputs. Derivative assets and liabilities are classified in Level 2 of the fair value hierarchy.
- *Bonds and borrowings:* For CAF's bonds issued and medium and long term borrowings, fair value is determined by using a discounted cash flow technique, taking into consideration benchmark interest yield curves at the end of the reporting period to discount the expected cash flows for the applicable maturity, thus reflecting market 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 methodologies technique.

During 2017 and 2016, 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, 2017 and 2016:

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## At December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
Marketable Securities:				
U.S. Treasury Notes	1,588,857	-	-	1,588,857
Non-U.S. governments and government entities bonds	106,812	-	-	106,812
Financial institutions and corporate securities:				
Commercial paper	3,146,896	-	-	3,146,896
Certificate of deposits	2,065,830	-	-	2,065,830
Bonds	1,605,236	-	-	1,605,236
Collateralized mortgage obligation	375,733	-	-	375,733
Liquidity funds	305,627	-	-	305,627
	<u>7,499,322</u>	<u>-</u>	<u>-</u>	<u>7,499,322</u>
Sub-total financial assets at fair value	<u>9,194,991</u>	<u>-</u>	<u>-</u>	<u>9,194,991</u>
Loans	-	49,007	-	49,007
Derivative instruments:				
Cross-currency swap	-	495,694	-	495,694
Interest rate swap	-	31,272	-	31,272
U.S Treasury futures	-	5,488	-	5,488
Cross-currency forward contracts	-	214	-	214
	<u>-</u>	<u>532,668</u>	<u>-</u>	<u>532,668</u>
Total financial assets at fair value	<u>9,194,991</u>	<u>581,675</u>	<u>-</u>	<u>9,776,666</u>
<b>Liabilities:</b>				
Borrowings	-	550,563	-	550,563
Bonds	-	19,559,372	-	19,559,372
Derivative instruments:				
Cross-currency swap	-	458,576	-	458,576
Interest rate swap	-	94,912	-	94,912
U.S Treasury futures	-	35	-	35
Cross-currency forward contracts	-	71	-	71
	<u>-</u>	<u>553,594</u>	<u>-</u>	<u>553,594</u>
Total financial liabilities at fair value	<u>-</u>	<u>20,663,529</u>	<u>-</u>	<u>20,663,529</u>



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## At December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,867,916	-	-	1,867,916
Non-U.S. governments and government entities bonds	236,945	-	-	236,945
Financial institutions and corporate securities:				
Commercial paper	3,005,618	-	-	3,005,618
Certificate of deposits	2,257,292	-	-	2,257,292
Bonds	1,233,530	-	-	1,233,530
Collateralized mortgage obligation	336,041	-	-	336,041
Liquidity funds	330,611	-	-	330,611
	<u>7,163,092</u>	<u>-</u>	<u>-</u>	<u>7,163,092</u>
Sub-total financial assets at fair value	9,267,953	-	-	9,267,953
Loans	-	37,196	-	37,196
Derivative instruments:				
Interest rate swap	-	61,657	-	61,657
Cross-currency swap	-	56,238	-	56,238
U.S Treasury futures	-	318	-	318
Cross-currency forward contracts	-	140	-	140
	<u>-</u>	<u>118,353</u>	<u>-</u>	<u>118,353</u>
Total financial assets at fair value	<u>9,267,953</u>	<u>155,549</u>	<u>-</u>	<u>9,423,502</u>
Liabilities:				
Borrowings	-	535,514	-	535,514
Bonds	-	16,738,156	-	16,738,156
Derivative instruments:				
Interest rate swap	-	78,076	-	78,076
Cross-currency swap	-	942,965	-	942,965
U.S Treasury futures	-	26	-	26
Cross-currency forward contracts	-	225	-	225
	<u>-</u>	<u>1,021,292</u>	<u>-</u>	<u>1,021,292</u>
Total financial liabilities at fair value	<u>-</u>	<u>18,294,962</u>	<u>-</u>	<u>18,294,962</u>

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## *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:

	Hierarchy Levels	December 31, 2017		December 31, 2016	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	61,294	61,294	72,403	72,403
Deposits with banks	1	2,001,766	2,001,766	1,652,367	1,652,367
Other investments	1	1,453,869	1,453,869	996,554	996,554
Loans, net	2	23,414,311	23,415,830	21,780,453	21,784,619
Accrued interest and commissions receivable	2	427,702	427,702	345,115	345,115
Derivate related collateral	1	417,547	417,547	904,902	904,902
Financial liabilities:					
Deposits	2	2,950,143	2,950,143	3,098,883	3,098,883
Commercial paper	2	1,770,676	1,770,676	2,112,717	2,112,717
Borrowings, net	2	866,702	867,601	885,952	888,029
Bonds, net	2	159,255	160,037	407,150	408,140
Accrued interest payable	2	314,660	314,660	281,058	281,058
Derivate related collateral	1	139,397	139,397	187	187

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

- *Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits, commercial paper, accrued interest payable, derivate related collateral, receivable from investment securities sold and payable for investment securities purchased:* The carrying amounts approximate fair value because of the short maturity of these instruments.
- *Loans:* CAF is one of the few institutions that grant loans for development projects in the stockholder countries. A secondary market does not exist for the type of loans granted by CAF. As rates on variable rate loans are reset on a semiannual basis, the carrying value, adjusted for credit risk, was determined to be the best estimate of fair value. The fair value of fixed rate loans is determined by using the current variable interest rate for similar loans. The fair value of impaired loans is estimated on the basis of discounted cash flows.
- *Equity investments:* CAF's equity investments in other entities accounted for a cost of US\$ 397,357 and US\$ 348,179 at December 31, 2017 and 2016, respectively, do not have available market price quotations and it is impracticable to determine the fair value of these investments without incurring excessive cost.

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

During 2017 and 2016, there were no transfers between levels 1, 2 and 3.

## 21. FAIR VALUE OPTION

CAF's management elected to measure at fair value those financial assets and liabilities denominated in currencies other than US dollars for which it has contracted derivatives as an economic hedge to mitigate exposure to interest rate risk and foreign currency risk.

The results recorded in the statements of comprehensive income resulting from the periodic cash flows and unrealized changes in fair value at December 31, 2017 and 2016 for instruments for which the fair value option was elected, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31,	
	2017	2016
Marketable securities - trading	(596)	992
Bond related swaps	1,866	(7,956)
Loan related swaps	(3,809)	90
Borrowings related swaps	2,465	(444)
Futures and forwards	4,375	(6,131)
	<u>4,301</u>	<u>(13,449)</u>

## 22. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31,	
	2017	2016
Loan commitments subscribed - eligibles	5,448,998	5,622,081
Lines of credit	3,593,234	4,104,214
Loan commitments subscribed - non eligibles	1,464,000	1,896,500
Equity investments agreements subscribed	167,182	224,185
Guarantees	176,642	185,435
Letters of credit	3,754	12,050

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

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

The commitments to extend loans have fixed expiration dates and in some cases expire without a loan being disbursed. Also, based on experience, portions of the loan commitments are disbursed on average 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.

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

Guarantees mature as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Less than one year	17,391	8,047
Between one and two years	15,000	32,582
Over five years	144,251	144,806
	<u>176,642</u>	<u>185,435</u>

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.

## 23. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2017 and 2016, CAF recorded administrative expenses as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Salaries and employee benefits	101,710	91,763
Professional fees, seminars and other expenses	18,799	21,448
Logistics and infrastructure	17,300	16,389
Telecommunications and technology	12,326	11,373
	<u>150,135</u>	<u>140,973</u>

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## 24. SPECIAL FUNDS AND OTHER FUNDS UNDER MANAGEMENT

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

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

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

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

In March 2017, the Stockholders' Assembly of CAF approved the contribution up to a maximum amount of US\$ 92,064 to some stockholders' special funds for the year ended December 31, 2017. Subsequently, during the year ended December 31, 2017, the Executive President directly or by delegation, based on the analysis of the new commitments contracted or the resources required by the stockholders' special funds, authorized the contributions of US\$ 68,000, US\$ 22,064 and US\$ 2,000 to Compensatory Financing Fund (FFC), Technical Cooperation Fund (FCT), and Human Development Fund (FONDESHU), respectively. For the year ended December 31, 2017, CAF recognized US\$ 92,064 as an expense and, at December 31, 2017 recognized an unconditional obligation (accounts payable) for US\$ 36,967 which was paid in January 2018.

In March 2016, the Stockholders' Assembly of CAF approved the contribution up to a maximum amount of US\$ 72,000 to some stockholders' special funds for the year ended December 31, 2016. Subsequently, the Executive President directly or by delegation based on the analysis of the new commitments contracted or the resources required by the stockholders' special funds authorized the contributions of US\$ 36,000, US\$ 20,000, US\$ 10,000 and US\$ 2,000 to FFC, FCT, FONDESHU, Fund for the Development of Small and Medium Enterprise (FIDE), respectively. For the year ended December 31, 2016, CAF recognized US\$ 68,000 as an expense and at December 31, 2016 recognized an unconditional obligation (accounts payable) for US\$ 22,500 which was paid in January 2017.

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016  
(In thousands of U.S. dollars)

At December 31, 2017 and 2016, managed funds net assets are US\$ 408,258 and US\$ 418,536, respectively. The balances of these funds are as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Compensatory Financing Fund (FFC) (1)	247,259	258,343
Fund for the Development of Small and Medium Enterprises (FIDE)	61,827	62,526
Technical Cooperation Fund (FCT)	45,844	42,839
Human Development Fund (FONDESHU)	9,496	10,186
Latin American Carbon, Clean Alternative Energies Program (PLAC)	-	5,712
Others non related with stockholders' special funds	43,832	38,930
	<b>408,258</b>	<b>418,536</b>

(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, 2017 and 2016, FFC compensated interest amounting to US\$ 82,765 and US\$ 75,460, respectively.

## 25. SEGMENT REPORTING

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

For the years ended December 31, 2017 and 2016, loans made to or guaranteed by five countries individually generated in excess, of 10%, interest income on loans, as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Ecuador	121,071	100,268
Venezuela	115,277	96,861
Argentina	110,364	92,253
Bolivia	86,807	67,749
Colombia	81,499	61,919
	<b>515,018</b>	<b>419,050</b>

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016  
(In thousands of U.S. dollars)

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## 26. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2018, 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 for the year ended December 31, 2017, except for:

- On January 19 2018, CAF issued bonds for AUD 75,000, 4.50%, due 2027, under its Medium Term Notes Programme.

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