



# **Corporación Andina de Fomento (CAF)**

## **Financial Statements**

As of and for the years ended  
December 31, 2020 and 2019

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

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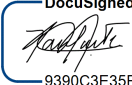
## **Management's Report on the Effectiveness of Internal Control over Financial Reporting**

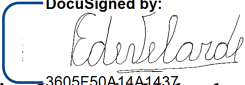
Corporación Andina de Fomento (“CAF”)’s internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting 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.

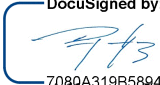
The Management of CAF is responsible for designing, implementing and maintaining effective internal control over financial reporting. Management has assessed the effectiveness of CAF’s internal control over financial reporting as of December 31, 2020, based on the criteria established in Internal Control – 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, 2020.

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, 2020, 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 Independent Auditor's Report on Internal Control over Financial Reporting, which is included in this document, expresses an unmodified opinion on CAF's internal control over financial reporting as of December 31, 2020.

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Luis Carranza Ugarte  
Executive President

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Elvira Lupo de Velarde  
Vice-President of Administration

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Renny Alberto López  
Vice-President of Risk

February 3, 2021

## **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, 2020, 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**

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, CAF maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, 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, 2020 and 2019, and our report dated February 3, 2021 expressed an unmodified opinion on those financial statements.

The image shows the word "Deloitte" written in a stylized, cursive script, which is the signature of the firm.

February 3, 2021

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, 2020 and 2019, 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 **CAF** as of December 31, 2020 and 2019, 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, 2020, 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 February 3, 2021 expressed an unmodified opinion on the CAF's internal control over financial reporting.

The Deloitte logo, featuring the word "Deloitte" in a stylized, cursive script font.

February 3, 2021

Caracas - Venezuela

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# CORPORACIÓN ANDINA DE FOMENTO (CAF)

## Balance Sheets As of December 31, 2020 and 2019 (In thousands of U.S. dollars)

	NOTES	2020	2019
<b>ASSETS</b>			
Cash and due from banks		123,204	103,593
Deposits with banks		2,825,086	2,417,476
Cash and due from banks and deposits with banks	3	2,948,290	2,521,069
Marketable securities:			
Trading	4 and 19	10,961,847	10,357,805
Other investments	5	811,205	996,917
Loans (US\$ 2,088,750 and US\$ 139,768 at fair value as of December 31, 2020 and 2019 respectively)	6 and 19	28,117,867	26,520,618
Less loan commissions, net of origination costs		134,011	110,706
Less allowance for loan losses	6	95,015	91,642
Loans, net		27,888,841	26,318,270
Accrued interest and commissions receivable		386,625	531,793
Equity investments	7	432,600	463,825
Derivative financial instruments	18 and 19	1,766,932	426,260
Property and equipment, net	8	111,734	112,318
Other assets	9	1,537,829	565,377
<b>TOTAL</b>		<b>46,845,903</b>	<b>42,293,634</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits (US\$ 24,101 and US\$ 60,594 at fair value as of December 31, 2020 and 2019 respectively), net	10 and 19	3,337,574	2,672,925
Commercial paper	11	1,598,696	908,133
Borrowings from other financial institutions (US\$ 792,217 and US\$ 403,912 at fair value as of December 31, 2020 and 2019 respectively), net	12 and 19	1,672,301	1,390,218
Bonds (US\$ 24,706,736 and US\$ 22,998,554 at fair value as of December 31, 2020 and 2019 respectively), net	13 and 19	24,882,419	23,161,362
Accrued interest payable		308,986	403,560
Derivative financial instruments	18 and 19	404,842	642,725
Accrued expenses and other liabilities	14	1,646,184	317,983
Total liabilities		33,851,002	29,496,906
<b>STOCKHOLDERS' EQUITY:</b>	16		
Subscribed capital		7,867,755	8,095,260
Less callable capital portion		1,589,660	1,589,660
Less capital subscriptions receivable		912,045	1,124,885
Paid-in capital		5,366,050	5,380,715
Additional paid-in capital		3,961,900	3,988,884
Reserves		3,427,129	3,101,547
Retained earnings		239,822	325,582
Total stockholders' equity		12,994,901	12,796,728
<b>TOTAL</b>		<b>46,845,903</b>	<b>42,293,634</b>

See accompanying notes to financial statements

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

## Statements of Comprehensive Income For the years ended December 31, 2020 and 2019 (In thousands of U.S. dollars)

	NOTES	2020	2019
Interest income:			
Loans	2 (g)	837,815	1,157,279
Investments and deposits with banks	2 (e), 3 and 4	203,211	413,260
Loan commissions	2 (g)	40,139	41,252
Total interest income		1,081,165	1,611,791
Interest expense:			
Bonds		523,480	825,821
Borrowings from other financial institutions		30,768	44,734
Deposits		18,285	49,547
Commercial paper		10,488	21,207
Commissions		12,136	9,768
Total interest expense		595,157	951,077
Net interest income		486,008	660,714
Provision for loan losses	6	2,923	52,395
Net interest income, after provision for loan losses		483,085	608,319
Non-interest income:			
Other commissions		2,327	2,823
Dividends and equity in earnings of investees	7	6,979	1,624
Other income		8,411	10,045
Total non-interest income		17,717	14,492
Non-interest expenses:			
Administrative expenses		149,324	154,807
Other expenses		37,552	7,923
Total non-interest expenses		186,876	162,730
Income before unrealized changes in fair value related to other financial instruments and contributions to Stockholders' Special Funds		313,926	460,081
Unrealized changes in fair value related to other financial instruments	20	(2,089)	(5,273)
Income before contributions to Stockholders' Special Funds, net		311,837	454,808
Contributions to Stockholders' Special Funds	22	72,015	129,226
Net income and total comprehensive income		239,822	325,582

See accompanying notes to the financial statements

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

## Statements of Stockholders' Equity For the years ended December 31, 2020 and 2019 (In thousands of U.S. dollars)

NOTES	Paid-in capital	Additional paid-in capital	Reserves			Retained earnings	Total stockholders' equity
			General reserve	Article N° 42 of the Constitutive Agreement	Total reserves		
BALANCES AT DECEMBER 31, 2018	5,166,720	3,595,133	2,384,770	493,200	2,877,970	223,577	11,863,400
Capital increase	16	213,995	393,751	-	-	-	607,746
Net income and total comprehensive income	16	-	-	-	-	325,582	325,582
Appropriated for general reserve	16	-	201,177	-	201,177	(201,177)	-
Appropriated for reserve pursuant to Article N° 42 of the Constitutive Agreement	16	-	-	22,400	22,400	(22,400)	-
BALANCES AT DECEMBER 31, 2019	5,380,715	3,988,884	2,585,947	515,600	3,101,547	325,582	12,796,728
Capital increase	16	212,840	391,625	-	-	-	604,465
Capital decrease due to shares' repurchase	6	(227,505)	(418,609)	-	-	-	(646,114)
Net income and total comprehensive income	16	-	-	-	-	239,822	239,822
Appropriated for general reserve	16	-	292,982	-	292,982	(292,982)	-
Appropriated for reserve pursuant to Article N° 42 of the Constitutive Agreement	16	-	-	32,600	32,600	(32,600)	-
BALANCES AT DECEMBER 31, 2020	5,366,050	3,961,900	2,878,929	548,200	3,427,129	239,822	12,994,901

See accompanying notes to the financial statements

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

## Statements of Cash Flows For the years ended December 31, 2020 and 2019 (In thousands of U.S. dollars)

	NOTES	2020	2019
<b>OPERATING ACTIVITIES:</b>			
Net income and total comprehensive income		239,822	325,582
Adjustments to reconcile net income to net cash used in operating activities:			
Unrealized gain on trading securities	4	(20,837)	(51,964)
Loan commissions, net of amortization of origination costs		(15,201)	(14,544)
Provision for loan losses	6	2,923	52,395
Impairment charge for equity investments	7	5,977	2,874
Unrealized changes in fair value related to equity investment	7	18,722	(8,000)
Equity in earnings of investees	7	1,533	3,225
Amortization of deferred charges		3,547	3,119
Depreciation of property and equipment	8	8,231	7,030
Provision for employees' severance benefits		12,799	13,020
Provision for employees' savings plan		879	932
Unrealized changes in fair value related to other financial instruments		2,089	5,273
Net changes in operating assets and liabilities:			
Trading securities, net		(579,216)	(651,729)
Accrued interest and commissions receivable		145,168	(8,695)
Other assets		(8,263)	(9,585)
Accrued interest payable		(94,574)	9,327
Severance benefits paid or advanced		(5,632)	(11,345)
Employees' savings plan paid or advanced		233	(3,730)
Accrued expenses and other liabilities		22,996	177,234
Total adjustments and net changes in operating assets and liabilities		(498,626)	(485,163)
Net cash used in operating activities		(258,804)	(159,581)
<b>INVESTING ACTIVITIES:</b>			
Purchases of other investments	5	(3,171,778)	(4,824,185)
Maturities of other investments	5	3,357,490	4,486,018
Loan origination and principal collections, net	6	(2,050,142)	(1,407,006)
Equity investments, net	7	4,993	(2,257)
Property and equipment, net	8	(7,647)	(13,302)
Net cash used in investing activities		(1,867,084)	(1,760,732)
<b>FINANCING ACTIVITIES:</b>			
Net increase (decreases) in deposits	10	665,306	(537,620)
Proceeds from commercial paper	11	18,224,698	7,446,271
Repayment of commercial paper	11	(17,534,135)	(7,179,433)
Net decrease in derivative-related collateral		325,875	215,256
Proceeds from issuance of bonds	13	3,950,027	3,370,170
Repayment of bonds	13	(3,904,211)	(2,296,329)
Proceeds from borrowings from other financial institutions		922,463	333,582
Repayment of borrowings from other financial institutions		(701,379)	(239,928)
Proceeds from issuance of shares	16	604,465	607,746
Net cash provided by financing activities		2,553,109	1,719,715
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS AND DEPOSITS WITH BANKS		427,221	(200,598)
CASH AND DUE FROM BANKS AND DEPOSITS WITH BANKS AT BEGINNING OF THE YEAR		2,521,069	2,721,667
CASH AND DUE FROM BANKS AND DEPOSITS WITH BANKS AT END OF THE YEAR		2,948,290	2,521,069
<b>SUPPLEMENTAL DISCLOSURE:</b>			
Interest paid during the year		668,793	920,093
<b>NONCASH FINANCING ACTIVITIES:</b>			
Principal collections	6	646,114	500,000
Capital decrease	6	(646,114)	-
Loan origination	6	-	(500,000)
Change in derivative instruments assets		(1,340,672)	(241,455)
Change in derivative instruments liabilities		(237,883)	(234,059)

See accompanying notes to the financial statements

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2020 and 2019  
(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, Venezuela and has offices in Asuncion, Paraguay; Bogota, Colombia; Brasilia, Brazil; Buenos Aires, Argentina; Mexico City, Mexico; Panama City, Panama; La Paz, Bolivia; Lima, Peru; Madrid, Spain; Montevideo, Uruguay; Port of Spain, Trinidad and Tobago and Quito, Ecuador.

CAF promotes a sustainable development model through credit, non-refundable resources, and support in the technical and financial structuring of projects in the public and private sectors of Latin America.

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's policies and strategies.

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

### COVID-19

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic, which has generated high volatility in global capital markets with an impact on equity investments and the mark-to-market value of marketable securities, which has recovered and remain stable until February 3, 2021.

To date, CAF has maintained the continuity of its operations, and the demand for loans from our stockholder countries has increased; notwithstanding, decreases or increases have been observed in external risk ratings for most of our borrowers, the most relevant of which include Ecuador and Argentina. During 2020, both countries had successfully reached an agreement with bondholders to restructure some of their respective sovereign external debt, specifically bonds that they have issued in the international capital market. Those sovereign external debt did not pertain to sovereign loans from CAF. COVID-19 has had not material effects on the results of operations, cash flows and financial position of CAF for the year ended December 31, 2020.

## 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.

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2020 and 2019  
(In thousands of U.S. dollars)

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- b. ***Use of estimates*** – The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheets, as well as the amounts reported as revenues and expenses during the corresponding reporting period. The most important estimates related to the preparation of the accompanying 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.
- 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*** – These investments are classified as trading marketable securities, according to management's intention and are recorded on the trade date. Trading marketable securities are securities that are mainly bought and held principally for the purpose of selling them in the near term and therefore held for only a short period of time. 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. ***Security repurchase and reverse repurchase agreements*** - CAF has entered into repurchase and/or reverse repurchase agreements, as part of liquidity management. Under a repurchase agreement, CAF transfers securities to a counterparty in exchange for cash and concurrently agrees to repurchase them at a future date for an amount equal to the cash exchanged plus interests agreed. Under a reverse repurchase agreement, CAF purchases securities with an agreement to resell them to the counterparty on a specific date for a specific price plus interests, with earlier resale permitted. Reverse repurchase agreements are included in the balance sheets under account "Securities purchased under resale agreement" and interests are included in the statements of comprehensive income under "Investments and deposits with banks".

All repurchase and reverse repurchase agreements are carried at face value, which approximate fair value due to their short-term in nature and minimal credit risk. There are no open positions as of December 31, 2020 and 2019.

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements  
For the years ended December 31, 2020 and 2019  
(In thousands of U.S. dollars)

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

For credit risk purposes, CAF classifies its loans as follow:

- (i) *Sovereign loans* – Include loans granted to national, regional or local governments or decentralized institutions and other loans fully guaranteed by national governments.
- (ii) *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 unpaid 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 effective interest method and are presented as interest income - loan commissions in the statements of comprehensive income.

Private sector loans that are 90 days overdue or public sector loans that are 180 days overdue are placed on non-accrual status and, as result, the accrual for interest on loans is discontinued 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 the loans qualify 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.

Factors considered by management in determining non-accrual are payment status and the probability of collecting scheduled principal and interest payments when due.

When a loan is overdue, CAF will immediately suspend any pending disbursement for said loan and for any other loans in which the client is the borrower, beneficiary or guarantor for CAF. CAF charges late payments fees on these overdue loans.

Loan losses, partial or total, are written off against the allowance for loan losses when management confirms the uncollectability of a loan balance. Subsequent recoveries on written off loans, if any, will be credited to the allowance for loan losses.

CAF maintains risk exposure policies to avoid concentrating its loans in any one country or economic group, which might be affected by market situations or other circumstances. For this purpose, CAF uses certain measurement parameters, such as: CAF's stockholders' equity, total loan balance, 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:

- (i) *Satisfactory-excellent* – Extremely strong capacity to meet financial commitments.
- (ii) *Satisfactory-very good* – Strong capacity to meet financial commitments, not significantly vulnerable to adverse economic conditions.

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- (iii) *Satisfactory-adequate* – Adequate capacity to meet financial commitments, but more vulnerable to adverse economic conditions.
  - (iv) *Watch* – Acceptable payment capacity however some indicators and elements require special attention otherwise they could result in impairment.
  - (v) *Special mention* – More vulnerable to adverse economic conditions but currently has the capacity to meet financial commitments.
  - (vi) *Sub-standard* – Currently vulnerable and dependent on favorable economic conditions to meet financial commitments.
  - (vii) *Doubtful* – Currently highly vulnerable.
  - (viii) *Loss* – Payment default on financial commitments.
- h. Troubled debt restructuring** – A restructuring of a loan constitutes a troubled debt restructuring if CAF, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower 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, change in the frequency of payment, 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, are identified as non-accrual status. CAF's management evaluates the compliance with 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.

- i. Allowance for loan losses** – The allowance for expected credit losses is maintained at a level CAF believes to be adequate to absorb losses inherent in the loan portfolio at the balance sheet date.

The allowance for loan losses reflects CAF's current estimate of all expected credit losses based on the information available at the date of the balance sheet, and these information are assessed and updated timely taking into account the market's characteristics, policies and macroeconomic perspectives to adequately reflect the effect of those changes in borrower credit ratings and therefore in expected credit losses.

For purposes of determining the allowance for expected credit losses, CAF management classifies its loans for credit risk purposes into sovereign loans and non-sovereign loans. The allowance for loan losses is estimated considering the credit risk exposure (undiscounted), cumulative default probability for 1 to 5 year tranches and loss given default, based on external data provided by risk rating agencies, recognizing such life time expected effects in profit or loss for the reporting period.



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Sovereign loans within each country exhibit similar risk characteristics, therefore, the allowance for loan losses on sovereign loans is collectively evaluated at country level 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 credit 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 and the immunities and privileges conferred by its stockholder countries, which are established in CAF's Constitutive Agreement and other similar agreements, adjustments are made to reflect a lower default probability – usually equivalent to three levels to the average rating referred above. Historically, none of its sovereign loans has ever been placed in non-accrual status or has been written off. It is not the policy of CAF to restructure its sovereign loans and management does not have any expectation of writing off such loans.

For the non-sovereign loans, the allowance for loan losses is individually evaluated and calculated on a non-discounted cash flow method by considering CAF's internal rating of each borrower, using the probability of default corresponding to the average rating of the equivalent categories of the international risk-rating agencies.

For those cases where the category equivalent to the rating of a particular 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 credit rating agencies will be used.

CAF considers that external data provided by risk rating agencies used to determine the probability of default reflects its expectations about the future economic conditions and there are no other adjustments regarding historical loss information and future conditions that should be considered as significant factor to determining the expected collectability.

CAF assesses and determine the loss given default which considers the CAF's status as a de facto preferred creditor, the immunities and privileges conferred by its stockholder countries, the collateral of each loan, the effect of interest on late payments to avoid the potential impairment derived by the time value of money and the evidence of historical loss data collected for each country through the years. In addition, given the nature of CAF's lending activities as multilateral bank, in case of delay on payments of sovereign loans, the loss given default reflects the expectation to collect the total amount due, including accrued interests and commissions receivable for the period of delay.

A specific allowance for loan losses is individually evaluated and established by CAF for loans in non-accrual status as these loans do not have the same risk characteristics as other loans. A loan is considered in non-accrual status 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 allowance for loan losses 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.

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- j. **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 catalyst in attracting resources to stockholder countries.

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.

During the years ended December 31, 2020 and 2019, CAF recorded investments in equity securities without readily determinable fair value, as follows:

- (i) Direct investments in equity securities of companies – These investments, which, do not have readily determinable fair value and do not qualify for the net asset value practical expedient to estimate fair value, are accounted for at cost minus impairment (if any), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer.
- (ii) Equity investments in funds – These investments, which do not have readily determinable fair value, is carried at fair value using the net asset value practical expedient to estimate fair value.

Dividend income from equity investments is recognized when CAF's right to receive payment has been established.

- k. **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

- l. **Other assets** – Other assets mainly include the following:

- (i) **Derivative-related collateral** – CAF receives or posts cash collateral from or to individual swap and futures counterparties to mitigate its credit exposure to these counterparties. It is the policy of CAF to restrict and invest cash collateral received from swap and futures counterparties for

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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 recorded in accrued expenses and other liabilities. Cash collateral posted to swap and futures counterparties, under the collateral agreement, are recorded in other assets.

(ii) *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.

m. *Impairment of investment accounted for under the equity method* – An investment accounted for under the equity method 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 such investment.

An impairment charge is recorded whenever a decline in value of an investment below its carrying amount is determined to be other-than-temporary. In determining if a decline is other-than-temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered.

n. *Deposits* – Deposits denominated in US\$ are recorded at amortized cost. Deposits denominated in currencies other than the US\$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these deposits are recognized in the statements of comprehensive income when they occur.

o. *Commercial paper* – Commercial paper are recorded at amortized cost.

p. *Borrowings from other financial institutions* – The borrowings from other financial institutions, both local or foreign financial institutions, are recorded at amortized cost, except for some borrowings that are designated a 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 sheets as a direct deduction from the face amount of borrowings and amortized during the term of the borrowings as interest expense. The up-front cost and fees related to borrowings that are designated a fair value hedge or as an economic hedge, are recognized in the statements of comprehensive income when they occur.

q. *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:

(i) 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.

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- (ii) Bond denominated in US\$ are recognized at fair value. 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 sheets 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 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.

- r. ***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 “Employees’ severance benefits and savings plan ” 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 as they are incurred and interest on the amounts owed to employees are paid annually as a result of employees' rights to receive severance benefits accrued in the year in which earned.

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.

- s. ***Pension plan*** – CAF has established a defined benefit plan (the Plan), which is mandatory for all employees hired on or after the establishment 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.
- t. ***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.

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.

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Derivative financial instruments that are considered to be hedges from an accounting perspective are recognized in the balance sheet at fair value with changes in fair value either: (1) offset by changes in fair value of the hedged assets, liabilities or firm commitments through earnings within “Derivative financial instruments assets” or “Derivative financial instruments liabilities” if the derivative is designated as a fair value hedge, or (2) recognized in other comprehensive income until the hedged item is recognized in earnings if the derivative is designated as a cash flow hedge. The ineffective portion of the change in fair value for a hedged derivative is immediately recognized in earnings as a component of “Unrealized changes in fair value related to financial instruments”, regardless of whether the hedged derivative is designated as a cash flow or fair value hedge. In all situations in which hedge accounting is discontinued, CAF, recognizes any changes in its fair value in the statements of comprehensive income.

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

When hedge accounting is discontinued because it is determined that the derivative financial instrument no longer qualifies as an effective fair value hedge, CAF continues to carry the derivative financial instrument on the balance sheets at its fair value, but no longer adjusts the hedged asset or liability for changes in fair value.

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.

- u. *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.

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*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.

- v. **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.
- w. **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 losses, are reported as other liabilities.

x. **Recent accounting pronouncements –**

***Recently adopted accounting pronouncements***

***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. For assets measured at amortized cost, 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

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to receive cash. This ASU was adopted by CAF on January 1, 2020, and as a result of such adoption there was no cumulative-effect adjustment to the 2020 opening retained earnings. CAF has followed the modified-retrospective approach and has not applied any practical expedient during the adoption.

As a result of such adoption, during the year 2020 there were a decrease in allowance for loans losses for sovereign loans and an increase in the provision for off-balance-sheet undisbursed loan commitments and non-sovereign guarantee (provision for contingencies).

## ***Recent accounting pronouncements applicable not yet adopted –***

### ***ASU 2020-04, Reference Rate Reform***

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). The ASU provides optional expedients and exceptions, for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in this ASU will not apply to contract modifications made or other transactions entered after December 31, 2022. The ASU is effective for all entities as of March 12, 2020, and will apply through December 31, 2022.

### **Libor Replacement**

The replacement of the LIBOR rates with a new reference rate or rates can be considered an industry risk due the implications it has on the assets as well as the liabilities of financial institutions. In that regard, CAF has been closely following the recent developments and announcements from groups and organizations that are most closely involved with the phasing out of the LIBOR rate that affect the loan and derivatives markets, including the International Swaps and Derivatives Association (ISDA) and its recent publication of the ISDA 2020 IBOR Fallbacks Protocol which CAF has adhered in January 2021. In addition, CAF has established an interdepartmental task force that is in charge of preparing the institution for the change in reference rate including measures such as the incorporation of fallback provisions on loans in order to mitigate any possible impact the replacement of the LIBOR rate may have.

On the funding side, CAF has ceased issuance of Floating Rate Notes (FRN) linked to LIBOR, and all outstanding LIBOR FRNs will reset before the end of 2021, with the exception of one single issuance that matures on August 1, 2023 for \$100 million.

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## 3. CASH AND DUE FROM BANKS AND DEPOSITS WITH BANKS

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

	December 31, 2020	December 31, 2019
Cash and due from banks	123,204	103,593
Deposits with banks:		
U.S. dollars	2,825,086	2,417,476
	<u>2,948,290</u>	<u>2,521,069</u>

## 4. MARKETABLE SECURITIES

### *Trading*

A summary of trading securities follows:

	December 31, 2020		December 31, 2019	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	<u>2,038,268</u>	1.73	<u>2,010,025</u>	1.91
Non-U.S. governments and government entities bonds	<u>187,446</u>	2.86	<u>350,440</u>	0.97
Financial institutions and corporate securities:				
Commercial paper	2,895,110	0.14	3,100,115	0.08
Certificates of deposits <sup>(1)</sup>	2,912,973	0.22	2,201,939	0.22
Bonds	2,242,321	2.41	2,045,486	2.51
Collateralized mortgage obligation	286,954	4.27	343,745	4.32
Liquidity funds <sup>(2)</sup>	<u>398,775</u>	1.00	<u>306,055</u>	1.00
	<u>8,736,133</u>	0.93	<u>7,997,340</u>	0.96
Trading	<u>10,961,847</u>	1.11	<u>10,357,805</u>	1.14



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- (1) Each certificate of deposit bears a maturity date and specified fixed interest rate. It also is held through The Depository Trust Company (DTC) and has a CUSIP number, which is a code that identifies a financial security and facilitates trading.
- (2) 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\$ 57,188 and US\$ 51,964, at December 31, 2020 and 2019, respectively.

Net realized gains from trading securities of US\$ 92,619 and US\$ 202,667 for the years ended December 31, 2020 and 2019, respectively, are included in the statements of comprehensive income as part of Interest income - Investments and deposits with banks. During the year ended December 31, 2020, the decrease in the net realized gains from trading securities is mainly due to the reduction of benchmark interest rates and the volatility in global capital markets as a result of COVID-19 pandemic.

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, 2020 and 2019, 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\$ 26,294 and US\$ 164,597 at December 31, 2020 and 2019, respectively.

Maturity of marketable securities are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Remaining maturities:		
Less than one year	7,013,042	6,355,563
Between one and two years	2,326,298	2,340,124
Between two and three years	696,239	795,067
Between three and four years	293,262	382,925
Between four and five years	373,908	188,364
Over five years	259,098	295,762
	<u>10,961,847</u>	<u>10,357,805</u>

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## 5. OTHER INVESTMENTS

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

	December 31, 2020	December 31, 2019
U.S. dollars	811,205	996,917
	<u>811,205</u>	<u>996,917</u>

The interest rates on these deposits ranged from 0.21% to 2.00% at December 31, 2020 and from 1.94% to 3.23% at December 31, 2019.

## 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 to private institutions or companies domiciled in those countries. Loans by country are summarized as follows:

Stockholder country:	December 31, 2020	December 31, 2019
Argentina	3,725,343	3,743,346
Barbados	170,267	75,387
Bolivia	2,546,310	2,715,821
Brazil	2,621,465	2,228,617
Chile	459,745	472,914
Colombia	2,795,238	2,857,926
Costa Rica	564,353	81,681
Dominican Republic	145,010	174,667
Ecuador	4,122,246	3,727,546
Mexico	885,000	500,000
Panama	2,076,210	2,031,635
Paraguay	1,086,175	512,842
Peru	1,524,531	1,987,713
Trinidad & Tobago	1,048,889	788,889
Uruguay	990,657	945,050
Venezuela	3,199,717	3,671,802
Total	<u>27,961,156</u>	<u>26,515,836</u>
Fair value adjustments	<u>156,711</u>	<u>4,782</u>
Loans	<u>28,117,867</u>	<u>26,520,618</u>

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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, 2020 and 2019, loans denominated in currencies other than U.S. dollar were granted for an equivalent of US\$ 106,858 and US\$ 51,435, respectively, mainly in Colombian pesos, Peruvian nuevos soles, Uruguayan pesos and Bolivian bolivianos. All these loans are hedged with Borrowings and Bonds issued in the same currency. At December 31, 2020 and 2019, fixed interest rate loans amounted to US\$ 1,898,265 and US\$ 165,000, respectively.

There has been an increase in demand for loans from our stockholder countries as a result of COVID-19 pandemic. In that regard, at December 31, 2020, CAF approved emergency credit lines aggregating up to US\$ 7.3 billion available to CAF stockholder countries, of which disbursement for US\$ 2.1 billion have been made at December 31, 2020. The emergency credit lines are aimed at enhancing a prompt and appropriate response in stockholder countries and mitigating the adverse consequences from the pandemic.

Loans classified by sector borrowers and the weighted average yield of the loan portfolio is shown below:

	December 31, 2020		December 31, 2019	
	Amount	Weighted average yield (%)	Amount	Weighted average yield (%)
Public sector	25,619,424	2.30	22,594,948	3.82
Private sector	2,341,732	2.25	3,920,888	3.42
	27,961,156	2.30	26,515,836	3.76

Loans by industry segments are as follows:

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Social and other infrastructure programs	10,416,802	37	7,347,552	28
Transport, warehousing and communications	8,104,691	29	7,951,318	30
Electricity, gas and water supply	6,482,061	23	7,022,165	26
Financial services - Commercial banks	1,816,919	6	2,822,922	11
Financial services - Development banks	916,277	3	1,091,215	5
Agriculture, hunting and forestry	78,402	1	98,386	-
Manufacturing industry	59,971	-	82,036	-
Others	86,033	1	100,242	-
	27,961,156	100	26,515,836	100

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Loans mature as follows:

	December 31, 2020	December 31, 2019
Remaining maturities:		
Less than one year	4,942,050	6,222,318
Between one and two years	2,782,180	2,576,004
Between two and three years	2,642,696	2,583,181
Between three and four years	2,690,045	2,457,519
Between four and five years	2,663,923	2,443,410
Over five years	12,240,262	10,233,404
	<u>27,961,156</u>	<u>26,515,836</u>

CAF maintains an internal risk rating system to evaluate the quality of the non-sovereign loans, which identifies, through a standardized rating and review parameters, those risks related to credit transactions in order to determine an internal risk rating classification designed by CAF. For purpose of determining the allowance for loan losses of sovereign loans at December 31, 2020 and 2019, rating assigned by external agencies are used.

The credit quality of the sovereign loans of estimating the allowance for credit losses is 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 credit rating agencies. The credit quality by year of origination and taking the Moody's rating as a reference at December 31, 2020 is as follows:

Country	Credit Rating	Year of origination				Total
		2020	2019	2018	Prior	
Argentina	Ca	383,424	-	780,209	2,484,960	3,648,593
Barbados	Caa1	100,000	195	-	70,073	170,268
Bolivia	B2	25,000	202,352	66,312	2,212,018	2,505,682
Brazil	Ba2	7,681	143,114	166,051	1,192,797	1,509,643
Colombia	Baa2	350,000	500,151	300,000	1,136,402	2,286,553
Costa Rica	B2	500,000	-	-	30,648	530,648
Dominican Republic	Ba3	-	-	-	128,430	128,430
Ecuador	Caa3	698,575	522,702	547,563	2,300,058	4,068,898
Mexico	Baa1	800,000	-	-	-	800,000
Panama	Baa1	350,000	325,529	-	1,130,963	1,806,492
Paraguay	Ba1	350,000	56,966	325,075	313,615	1,045,656
Peru	A3	-	250,000	-	761,969	1,011,969
Trinidad & Tobago	Ba1	300,000	200,000	282,222	266,667	1,048,889
Uruguay	Baa2	50,000	-	13,862	741,527	805,389
Venezuela	C	-	500,000	-	2,699,717	3,199,717
		<u>3,914,680</u>	<u>2,701,009</u>	<u>2,481,294</u>	<u>15,469,844</u>	<u>24,566,827</u>

# CORPORACIÓN ANDINA DE FOMENTO (CAF)

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The credit quality of the Non-sovereign loan portfolio by year of origination, as represented by the internal credit risk classification at December 31, 2020 is as follows:

Credit Rating	Year of origination				Total
	2020	2019	2018	Prior	
Satisfactory - outstanding	270,000	-	-	240,000	510,000
Satisfactory - very good	447,224	25,000	-	81,327	553,551
Satisfactory - adequate	1,004,283	78,726	63,798	247,072	1,393,879
Watch	310,935	33,922	88,006	159,107	591,970
Special mention	16,038	19,300	114,183	8,264	157,785
Doubtful	-	-	-	117,573	117,573
Sub-standard	-	-	-	57,020	57,020
Loss	-	-	-	12,551	12,551
	<u>2,048,480</u>	<u>156,948</u>	<u>265,987</u>	<u>922,914</u>	<u>3,394,329</u>

The internal and external ratings have been updated at December 31, 2020.

## Loan portfolio quality

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

	December 31, 2020	December 31, 2019
During the period CAF recorded the following transactions:		
Loans written-off	-	38,000
Purchases of loan portfolio	-	-
Sales of loan portfolio	103,466	42,250
	December 31, 2020	December 31, 2019
CAF presented the following amounts and quality indicators as of the end of the period / year:		
Non-accrual loans	69,066	69,785
Troubled debt restructured	36,485	-
Overdue loans	-	129,087
Allowance for loan losses as a percentage of loan portfolio	0.34%	0.35%
Non-accrual loans as a percentage of loan portfolio	0.25%	0.26%
Overdue loan principal as a percentage of loan portfolio	0.00%	0.49%

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During the year ended December 31, 2020, a non-sovereign loan, classified as non-accrual status, with an outstanding balance of US\$ 36,485 was restructured. The restructuring consisted of an extension of loan term, interest rate reductions and deferment of monthly interest payments until January 2021 resulting in the increase of future cash flows throughout the restructured term of the loan.

At December 31, 2020 and 2019, the total principal amount of non-accrual loans are related to private sector borrowers (non-sovereign loans) which present 1,654 days and 1,289 days overdue, respectively. During the years ended December 31, 2020 and 2019, there were no interest income recognized for non-accrual loans. The allowance of loan losses for loans in non-accrual status amount to US\$ 16,200 at December 31, 2020 and 2019.

At December 31, 2019, the total principal amount of overdue loans was US\$ 129,087 (not including non-accrual loans), representing solely overdue amounts from sovereign loans to Venezuela which was 25 days overdue. At December 31, 2020, there were no overdue loans.

On March 31, 2020, CAF implemented the Support Program for the Liquidity Management in Exceptional Situations (the “Program”) approved by CAF’s Shareholders Assembly on March 3, 2020. The Program allows CAF to repurchase the shares of a stockholder country that fulfills the requirements of the Program and apply the proceeds to that country’s outstanding loans and interest. Pursuant to the Program, during the year ended December 31, 2020, CAF notified Venezuela that it fulfills the requirements and subsequently repurchased a total of 45,501 shares totaling US\$ 646,114 and applied that amount to repay due and overdue amounts of principal and interest and deducting the amount of paid-in capital and additional paid-in capital for US\$ 227,505 and US\$ 418,609, respectively. As a result of the repurchase, as of february 3, 2021, Venezuela is current with its loans with CAF.

At December 31, 2019, balances with Venezuela include past-due installments for US\$ 183,033 corresponding to principal for US\$ 129,087 and interests and commissions for US\$ 53,946. During the year ended December 31, 2019, CAF granted loans for US\$ 500,000 to the Central Bank of Venezuela. Venezuela has reiterated its commitment with CAF and its intention to settle the balances owed.

## ***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, 2020 and 2019, CAF had loans of this nature amounting to US\$ 159,142 and US\$ 275,436, respectively; whereas other financial institutions provided funds for US\$ 92,136 and US\$ 160,257, respectively.

## ***Allowance for Loan Losses***

CAF has adopted the requirements of ASU 2016-13 Financial Instruments – Credit Losses, along with several other subsequent codification updates related to accounting for credit losses, on January 1, 2020 following the modified-retrospective approach. As of December 31, 2020, the applicable Current Expected Credit Losses (CECL) was applied to assets such as loans measured at amortized cost basis, as well as off-balance-sheet undisbursed loan commitments and financial guarantees. As a result of the adoption there was no cumulative-effect adjustment to the 2020 opening retained earnings.

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The current allowance for expected credit 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 and consider available information relevant to assessing the collectability of cash flows including a combination of internal and external information relating to past events, current conditions, and reasonable and supportable forecasts.

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

	For the years ended					
	December 31, 2020			December 31, 2019		
	Credit risk			Credit risk		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Balances at beginning of year	47,475	44,167	91,642	36,715	28,133	64,848
Provision for loan losses	(47,475)	50,398	2,923	10,760	41,635	52,395
Loans written-off	-	-	-	-	(38,000)	(38,000)
Recoveries	-	450	450	-	12,399	12,399
Balances at end of year	-	95,015	95,015	47,475	44,167	91,642

	December 31, 2019		
	Sector		
	Non-sovereign		
	Sovereign	Non-sovereign	Total
Allowance:			
Individually evaluated for loan losses	-	44,167	44,167
Collectively evaluated for loan losses	47,475	-	47,475
	47,475	44,167	91,642

	December 31, 2019		
	Sector		
	Non-sovereign		
	Sovereign	Non-sovereign	Total
Loans:			
Allowance:			
Individually evaluated for loan losses	-	4,776,257	4,776,257
Collectively evaluated for loan losses	21,739,579	-	21,739,579
	21,739,579	4,776,257	26,515,836

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Changes in the provision for contingencies and the off-balance-sheet undisbursed loan commitments and financial guarantees, individually and collectively evaluated, are presented below:

	For the years ended					
	December 31, 2020			December 31, 2019		
	Credit risk			Credit risk		
	Sovereign	Non-sovereign	Total	Sovereign	Non-sovereign	Total
Balances at beginning of year	1	3,790	3,791	1	1,413	1,414
Provision for contingencies	(1)	11,043	11,042	-	2,377	2,377
Balances at end of year	-	14,833	14,833	1	3,790	3,791

	December 31, 2019		
	Sector		
	Sovereign	Non-sovereign	Total
	Sovereign	Non-sovereign	Total
Allowance:			
Individually evaluated for contingencies	-	3,790	3,790
Collectively evaluated for contingencies	1	-	1
	1	3,790	3,791

	December 31, 2019		
	Sector		
	Sovereign	Non-sovereign	Total
	Sovereign	Non-sovereign	Total
Loans:			
Allowance:			
Individually evaluated for contingencies	-	449,056	449,056
Collectively evaluated for contingencies	5,306,252	-	5,306,252
	5,306,252	449,056	5,755,308

Provision for contingencies are included in the statements of comprehensive income as part of other expenses.



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## 7. EQUITY INVESTMENTS

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Investments - Equity securities	378,882	421,662
Investments - Equity method	53,718	42,163
	<u>432,600</u>	<u>463,825</u>

CAF recognized the following in the statements of comprehensive income related to equity securities:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Dividends	8,512	4,849
Changes in fair value measurements	(18,722)	8,000
Impairment in equity securities	(5,977)	(2,874)

During the years ended December 31, 2020 and 2019, CAF recognized losses of US\$ 18,722 and gains of US\$ 8,000, respectively, corresponding to the net decrease and net increase in the fair value of investments in equity instruments, are included in the statements of comprehensive income as part of other expenses and other income, respectively.

During the years ended December 31, 2020 and 2019, CAF recognized losses of its equity in earnings of the investees for US\$ 1,533 and US\$ 3,225, respectively, for investments under the equity method, which are recorded in the statements of comprehensive income.

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## 8. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment, net follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Land	29,756	29,756
Buildings	85,994	85,584
Buildings improvements	21,787	21,205
Leasing building improvements	9,497	8,743
Furniture and equipment	39,816	36,801
Vehicles	1,083	1,079
	<u>187,933</u>	<u>183,168</u>
Less accumulated depreciation	81,248	73,480
Projects in progress	5,049	2,630
	<u>111,734</u>	<u>112,318</u>

Depreciation expenses of US\$ 8,231 and US\$ 7,030 for property and equipment for the years ended December 31, 2020 and 2019, respectively, are included in the statements of comprehensive income as part of administrative expenses.

## 9. OTHER ASSETS

A summary of other assets follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Derivative related collateral	1,495,033	520,699
Intangible assets, net of accumulated amortization of US\$ 7,400 and US\$ 6,494, respectively	18,783	14,354
Receivable from investment securities sold	6,025	12,625
Other	17,988	17,699
	<u>1,537,829</u>	<u>565,377</u>

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## 10. DEPOSITS

A summary of deposits follows:

	December 31, 2020	December 31, 2019
Demand deposits	59,532	74,494
Time deposits:		
Less than one year	3,277,987	2,599,180
	3,337,519	2,673,674
Fair value adjustments	55	(749)
Carrying value of deposits	3,337,574	2,672,925

At December 31, 2020 and 2019, the weighted average interest rate was 0.67% and 2.30%, respectively. Deposits are issued for amounts equal to or more than US\$ 100. Total deposits denominated in currencies other than the U.S. dollar to an equivalent of US\$ 24,201 and US\$ 60,099 at December 31, 2020 and 2019, respectively.

## 11. COMMERCIAL PAPER

At December 31, 2020 and 2019, the outstanding amount of commercial paper issued by CAF, amounts to US\$ 1,598,696 and US\$ 908,133, respectively, of which matures in 2021 and 2020, respectively. At December 31, 2020 and 2019, the weighted average interest rate was 0.86% and 2.47%, respectively.

## 12. BORROWINGS FROM OTHER FINANCIAL INSTITUTIONS

A summary of borrowings from other financial institutions by currency follows:

	December 31, 2020	December 31, 2019
U.S. dollars	1,088,287	1,244,480
Euros	482,794	94,083
Colombian Pesos	27,418	21,006
Peruvian nuevos soles	3,591	23,512
Others	1,985	-
	1,604,075	1,383,081
Fair value adjustments	68,879	7,880
Less debt issuance costs	653	743
Carrying value of borrowings from other financial institutions	1,672,301	1,390,218

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At December 31, 2020 and 2019, the fixed interest-bearing borrowings amounted to US\$ 503,289 and US\$ 472,575, respectively. At December 31, 2020 and 2019, the weighted average interest rate after considering the impact of interest rate swaps was 2.49% and 3.56%, respectively.

Borrowings from other financial institutions, by remaining maturities, are summarized below:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than one year	166,519	406,198
Between one and two years	369,480	206,686
Between two and three years	156,064	146,097
Between three and four years	202,466	112,574
Between four and five years	156,067	161,538
Over five years	553,479	349,988
	<u>1,604,075</u>	<u>1,383,081</u>

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

At December 31, 2020 and 2019, there were unused term credit facilities amounting to US\$ 2,279,096 and US\$ 2,237,833, respectively.

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## 13. BONDS

An analysis of outstanding bonds follows:

	December 31, 2020			December 31, 2019		
	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (period end)	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (year-end)
U.S. dollars	8,281,073	8,281,073	2.02	8,589,113	8,589,113	4.04
Euro	8,143,452	8,370,175	1.70	8,630,557	8,117,818	3.25
Swiss francs	2,582,176	2,777,778	2.29	2,465,597	2,425,181	2.58
Australian dollars	1,070,538	1,042,275	1.76	1,049,646	927,957	3.52
Hong Kong dollars	757,314	758,107	1.87	757,307	754,748	1.94
Japanese yen	727,654	740,777	1.95	235,206	220,548	3.73
Norwegian kroner	622,501	491,492	2.23	622,500	476,536	3.31
Mexican pesos	426,031	402,436	1.89	306,312	278,897	3.30
Colombian pesos	334,472	294,215	1.53	266,562	231,219	3.14
Uruguayan pesos	268,556	251,676	1.34	106,835	101,775	2.64
Indonesian Rupee	75,000	73,601	0.54	75,000	74,262	2.59
Peruvian nuevos soles	53,378	48,892	0.77	53,378	53,353	2.25
Indian Rupee	31,891	29,167	2.71	31,891	29,980	2.52
Canadian dollars	30,395	31,341	2.50	30,395	30,628	3.00
Kazakhstan Tenge	15,082	14,742	1.31	-	-	-
New Zealand Dollar	13,651	15,335	1.76	-	-	-
Brazilian Real	-	-	-	68,701	54,839	2.36
Turkish lira	-	-	-	64,483	32,279	2.62
South African rand	-	-	-	37,780	41,787	2.38
	<u>23,433,164</u>	<u>23,623,082</u>		<u>23,391,263</u>	<u>22,440,920</u>	
Fair value adjustments		1,269,492			734,512	
Less debt issuance costs		10,155			14,070	
Carrying value of bonds		<u>24,882,419</u>			<u>23,161,362</u>	

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

	December 31, 2020	December 31, 2019
Remaining maturities:		
Less than one year	3,215,774	3,900,936
Between one and two years	3,946,477	3,134,707
Between two and three years	4,562,569	3,938,814
Between three and four years	1,591,088	3,255,194
Between four and five years	4,261,471	1,604,255
Over five years	5,855,785	7,557,357
	<u>23,433,164</u>	<u>23,391,263</u>

At December 31, 2020 and 2019, fixed interest rate bonds amounted to US\$ 23,350,889 and US\$ 23,306,226, respectively, of which US\$ 15,165,519 and US\$ 14,815,856, respectively, are denominated in currencies other than U.S. dollar.

There were no bonds repurchased during the years ended December 31, 2020 and 2019.

## 14. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31, 2020	December 31, 2019
Derivative-related collateral	1,443,467	143,256
Employees' severance benefits and savings plan	107,250	89,078
Contributions to Stockholders' Special Funds	55,090	53,577
Payable for investment securities purchased	14,960	18,244
Provision for contingencies	14,833	3,791
Other	10,584	10,037
	<u>1,646,184</u>	<u>317,983</u>

## 15. PENSION PLAN

At December 31, 2020 and 2019, the plan has 636 and 631 participants and active employees, respectively. The date used to determine pension plan benefit obligation is December 31, of each year.

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For the years ended December 31, 2020 and 2019, a reconciliation of beginning and ending balances of the benefit obligation follows:

	<b>2020</b>	<b>2019</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	27,339	23,792
Service cost	2,923	2,729
Interest cost	1,091	945
Plan participants' contributions	2,277	1,985
Actuarial gain	(682)	(470)
Benefit paid	(869)	(1,642)
Benefit obligation at the end of year	<u>32,079</u>	<u>27,339</u>

For the years ended December 31, 2020 and 2019, a reconciliation of beginning and ending balances of the fair value of plan assets follows:

	<b>2020</b>	<b>2019</b>
Change in plan assets:		
Fair value of plan assets at beginning of year	27,809	24,154
Actual return on plan assets	1,145	1,035
Contributions	4,370	4,262
Benefit paid	(869)	(1,642)
Fair value of plan assets at end of year	<u>32,455</u>	<u>27,809</u>

Plan assets are as follows:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Plan assets:		
Marketable securities	<u>32,455</u>	<u>27,809</u>

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Service cost	2,923	2,729
Interest cost	1,091	945
Expected return on plan assets	(1,109)	(959)
	<u>2,905</u>	<u>2,715</u>

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A summary of the net projected cost for the year ending December 31, 2021 follows:

Service cost	
Contribution to the plan	2,187
Guaranteed benefit	798
	<u>2,985</u>
Interest cost	1,275
Expected return on plan assets	(1,290)
	<u>2,970</u>

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

2021	404
2022	520
2023	961
2024	766
2025	938

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Discount rate	4.00%	4.00%
Expected long-term nominal rate return on Plan assets	4.00%	4.00%
Salary increase rate	3.00%	3.00%

## 16. STOCKHOLDERS' EQUITY

### *Authorized capital*

The authorized capital of CAF at December 31, 2020 and 2019 amounts to US\$ 15,000,000, of which US\$ 10,000,000 is ordinary capital shares and US\$ 5,000,000 is callable capital shares, distributed among Series "A", "B" and "C" shares.

### *Additional paid-in capital*

The additional paid-in capital is the amount paid by Series "B" and Series "C" stockholders in excess of the par value. The additional paid-in capital of CAF at December 31, 2020 and 2019 amounts to US\$ 3,961,900 and US\$ 3,988,884, respectively.



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## *Subscribed callable capital*

In addition to our subscribed paid-in and un-paid capital, our shareholders have subscribed to callable capital totaling US\$ 1,589,660 at December 31, 2020 and 2019. Our callable capital (comprised of Series “B” and Series “C” callable capital shares) may be called by the Board of Directors to meet our obligations only to the extent that we are unable to meet such obligations with our own resources.

The Constitutive Agreement provides that the obligation of shareholders to pay for the shares of callable capital, upon demand by the Board of Directors, continues until such callable capital is paid in full. Thus, we consider the obligations of shareholder countries to pay for their respective callable capital subscriptions to be binding obligations backed by the full faith and credit of the respective governments.

## *Shares*

CAF’s Shares are divided into Series “A” Shares, Series “B” Shares and Series “C” Shares.

- (i) Series “A” shares may be owned only by the Member Countries. The term “Member Country” is defined in Article 3 of CAF’s General Regulations as any shareholder country holding at least one Series “A” share that, either is a signatory to the Constitutive Agreement or, being of Latin America or the Caribbean, has adhered to it (as of the date hereof, the Member Countries are the Argentine Republic, the Plurinational State of Bolivia, the Republics of Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, the Federative Republic of Brazil, the Oriental Republic of Uruguay, and the Bolivarian Republic of Venezuela). Each Member Country owns one Series “A” share, which is held by the government, either directly or through a government-designated social or public purpose institution. Each of the Member Countries owning a Series “A” share is entitled to elect one (1) Director and one (1) Alternate Director to our Board of Directors. The nominal value of the Series “A” Shares is US\$ 1,200.
- (ii) Series “B” shares are currently owned by the Member Countries and are held by the governments either directly or through designated governmental entities, except for certain Series “B” shares currently constituting approximately 0.05% of our outstanding shares, which are owned by 13 private sector financial institutions in the Member Countries. As owners of Series “B” shares, the Member Countries collectively are entitled to elect five (5) additional Directors and five (5) additional Alternate Directors through cumulative voting, and the 13 private sector financial institutions collectively are entitled to elect one (1) Director and one (1) Alternate Director. The nominal value of the Series “B” Shares is US\$ 5.
- (iii) Series “C” shares are available for subscription by countries that are not Member Countries to strengthen relationships between these countries and the Member Countries. Series “C” shares are currently owned by eight (8) associated shareholder countries: Barbados, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal and Spain. Holders of Series “C” shares collectively are entitled to elect two (2) Directors and two (2) Alternate Directors, and up to two (2) additional Directors with their respective two (2) Alternate Directors if additional new Series “C” Shares are subscribed and paid beyond certain threshold. In order for an additional director to be elected by the series “C” shareholders,

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the subscription and payment for new series “C” shares must represent an increase of one point five percent (1.5%) of CAF’s subscribed and paid-in capital equity in comparison with the total subscribed and paid-in capital at the end of the most recently completed fiscal year. The nominal value of the Series “B” Shares is US\$ 5.

A summary of the changes in subscribed and paid-in capital for the years ended December 31, 2020 and 2019 follows:

	Number of Shares			Nominal Amounts			Total
	Series “A”	Series “B”	Series “C”	Series “A”	Series “B”	Series “C”	
At December 31, 2018	11	946,211	84,493	13,200	4,731,055	422,465	5,166,720
Issued for cash	-	31,804	10,995	-	159,020	54,975	213,995
At December 31, 2019	11	978,015	95,488	13,200	4,890,075	477,440	5,380,715
Issued for cash	-	39,839	2,729	-	199,195	13,645	212,840
Shares' repurchase	-	(45,501)	-	-	(227,505)	-	(227,505)
At December 31, 2020	11	972,353	98,217	13,200	4,861,765	491,085	5,366,050

Subscribed and paid-in capital at December 31, 2020 is as follows:

	Number of Shares			Nominal Amounts			Total
	Series “A”	Series “B”	Series “C”	Series “A”	Series “B”	Series “C”	
Stockholder:							
Argentina	1	112,854	-	1,200	564,270	-	565,470
Bolivia	1	59,926	-	1,200	299,630	-	300,830
Brazil	1	92,438	-	1,200	462,190	-	463,390
Colombia	1	190,017	-	1,200	950,085	-	951,285
Ecuador	1	65,115	-	1,200	325,575	-	326,775
Panama	1	35,359	-	1,200	176,795	-	177,995
Paraguay	1	34,879	-	1,200	174,395	-	175,595
Peru	1	195,223	-	1,200	976,115	-	977,315
Trinidad & Tobago	1	26,276	-	1,200	131,380	-	132,580
Uruguay	1	36,592	-	1,200	182,960	-	184,160
Venezuela	1	123,177	-	1,200	615,885	-	617,085
Barbados	-	-	3,522	-	-	17,610	17,610
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	11,038	-	-	55,190	55,190
Dominican Republic	-	-	10,556	-	-	52,780	52,780
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	15,367	-	-	76,835	76,835
Portugal	-	-	1,920	-	-	9,600	9,600
Spain	-	-	50,091	-	-	250,455	250,455
Commercial banks	-	497	-	-	2,485	-	2,485
	11	972,353	98,217	13,200	4,861,765	491,085	5,366,050

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At December 31, 2020, the detail of unpaid subscribed capital and 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	18,670	93,350	-	-	25,200	126,000	-	-
Bolivia	4,868	24,340	-	-	14,400	72,000	-	-
Brazil	35,705	178,525	-	-	25,200	126,000	-	-
Colombia	26,384	131,920	-	-	50,400	252,000	-	-
Ecuador	-	-	-	-	14,400	72,000	-	-
Panama	4,868	24,340	-	-	7,200	36,000	-	-
Paraguay	4,868	24,340	-	-	7,200	36,000	-	-
Peru	21,612	108,060	-	-	50,400	252,000	-	-
Trinidad y Tobago	10,562	52,810	-	-	7,200	36,000	-	-
Uruguay	4,868	24,340	-	-	7,200	36,000	-	-
Venezuela	48,156	240,780	-	-	50,400	252,000	-	-
Barbados	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	1,848	9,240	-	-	40,000	200,000
Commercial banks	-	-	-	-	-	-	-	-
	180,561	902,805	1,848	9,240	259,200	1,296,000	58,732	293,660

Subscribed and paid-in capital at December 31, 2019 is as follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Stockholder:							
Argentina	1	106,629	-	1,200	533,145	-	534,345
Bolivia	1	57,492	-	1,200	287,460	-	288,660
Brazil	1	89,270	-	1,200	446,350	-	447,550
Colombia	1	183,421	-	1,200	917,105	-	918,305
Ecuador	1	57,813	-	1,200	289,065	-	290,265
Panama	1	32,925	-	1,200	164,625	-	165,825
Paraguay	1	32,445	-	1,200	162,225	-	163,425
Peru	1	189,820	-	1,200	949,100	-	950,300
Trinidad & Tobago	1	24,867	-	1,200	124,335	-	125,535
Uruguay	1	34,158	-	1,200	170,790	-	171,990
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	-	-	11,038	-	-	55,190	55,190
Dominican Republic	-	-	9,675	-	-	48,375	48,375
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	15,367	-	-	76,835	76,835
Portugal	-	-	1,920	-	-	9,600	9,600
Spain	-	-	48,243	-	-	241,215	241,215
Commercial banks	-	497	-	-	2,485	-	2,485
	11	978,015	95,488	13,200	4,890,075	477,440	5,380,715

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At December 31, 2019, 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	24,895	124,475	-	-	25,200	126,000	-	-
Bolivia	7,302	36,510	-	-	14,400	72,000	-	-
Brazil	38,873	194,365	-	-	25,200	126,000	-	-
Colombia	32,980	164,900	-	-	50,400	252,000	-	-
Ecuador	7,302	36,510	-	-	14,400	72,000	-	-
Panama	7,302	36,510	-	-	7,200	36,000	-	-
Paraguay	7,302	36,510	-	-	7,200	36,000	-	-
Peru	27,015	135,075	-	-	50,400	252,000	-	-
Trinidad y Tobago	11,971	59,855	-	-	7,200	36,000	-	-
Uruguay	7,302	36,510	-	-	7,200	36,000	-	-
Venezuela	48,156	240,780	-	-	50,400	252,000	-	-
Barbados	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican	-	-	881	4,405	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	3,696	18,480	-	-	40,000	200,000
Commercial banks	-	-	-	-	-	-	-	-
	<u>220,400</u>	<u>1,102,000</u>	<u>4,577</u>	<u>22,885</u>	<u>259,200</u>	<u>1,296,000</u>	<u>58,732</u>	<u>293,660</u>

## 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\$ 292,982 and US\$ 201,177 during the years ended December 31, 2020 and 2019, through appropriations from net income for the years ended December 31, 2019 and 2018, respectively.

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

CAF's Constitutive Agreement states that at least 10% of annual net income should be appropriated into a reserve fund until that reserve fund amounts to 50% of the subscribed capital. That reserve fund is considered an equity reserve. Additional appropriation may be approved by the stockholders. The Stockholders' Assembly held in March 2020 and 2019, authorized an increase in the reserve fund for US\$ 32,600 and US\$ 22,400, through an appropriation from net income for the years ended December 31, 2019 and 2018, respectively.

## 17. TAX EXEMPTIONS

Pursuant to its Constitutive Agreement, CAF is exempt, in all of its Member Countries, from all taxes and tariffs on income, properties or assets, and from any liability involving payment, withholding or collection of any taxes.

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In addition, CAF has entered into agreements with each of the associated shareholder countries. Pursuant to these agreements, each country that is a shareholder but do not qualify as a Member Country has agreed to extend to CAF, with respect to its activities in and concerning that country, immunities and privileges similar to those than have been granted to CAF in the Member Countries.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

The market risk associated with interest rate and foreign currency is managed by swapping marketable securities - trading, loans, borrowings from other financial institutions and bonds, subject to fixed interest rates and denominated in currency other than the U.S. dollar into floating interest rate instruments denominated in U.S. dollars. CAF enters into derivative financial instruments to offset the economic changes in value of specifically identified marketable securities – trading, loans, borrowings from other financial institutions and bonds.

Derivative financial instruments held by CAF consist of interest rate swaps designated as fair value hedges of specifically identified loans, bonds or borrowings from other financial institutions 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 deposits, 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

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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:

	Derivative assets		Derivative liabilities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cross-currency swap	1,483,935	297,080	251,676	625,962
Interest rate swap	282,821	127,020	151,507	15,642
U.S Treasury futures	134	2,156	1,364	84
Cross-currency forward contracts	42	4	295	1,037
	<u>1,766,932</u>	<u>426,260</u>	<u>404,842</u>	<u>642,725</u>

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, 2020:				
Loans	1,875,442	-	-	150,365
Loans	-	(54,327)	1,447	574
Deposits	-	24,758	-	702
Borrowings from other financial institutions	-	482,794	28,036	-
Borrowings from other financial institutions	240,544	-	14,659	-
Bonds	-	15,146,956	1,454,452	250,400
Bonds	8,100,370	-	268,162	1,142
	<u>10,216,356</u>	<u>15,600,181</u>	<u>1,766,756</u>	<u>403,183</u>

	Notional amount		Fair value	
	Interest rate swap	Cross- currency swap	Derivative assets	Derivative Liabilities
At December 31, 2019:				
Loans	134,189	-	589	5,317
Loans	-	863	94	-
Deposits	-	59,000	1,041	19
Borrowings from other financial institutions	-	94,083	-	1,580
Borrowings from other financial institutions	303,542	-	7,339	530
Bonds	-	14,809,015	295,945	624,363
Bonds	8,405,370	-	119,092	9,795
	<u>8,843,101</u>	<u>14,962,961</u>	<u>424,100</u>	<u>641,604</u>

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

## At December 31, 2020

	<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 2021	Various	12,408	42
Futures long	Various	Until March 2021	USD	148,600	133
Futures short	2/12/2020	Until March 2021	EUR	1,967	1

	<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	Various	Various	31,940	(295)
Futures long	23/11/2020	Until March 2021	USD	800	(1)
Futures short	Various	Until March 2021	Various	1,372,396	(1,363)

## At December 31, 2019

	<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 Mar 2020	Various	8,576	4
Futures short	Various	Until Mar 2020	USD	1,428,200	2,156

	<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 Mar 2020	USD	81,269	(1,037)
Futures long	Various	Until Mar 2020	EUR	152,600	(84)

The amounts of collateral posted related to futures at December 31, 2020 and 2019, was US\$ 5,947 and US\$ 7,072, respectively. At December 31, 2020 and 2019, the amount of collateral received related to futures was US\$ 0 and US\$ 16, respectively.

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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, 2020

<i>Derivative assets</i>		Gross amounts not offset in the balance sheet		
Description	Gross amounts of recognized assets	Financial instruments	Cash and securities collateral received	Net amount
Swaps	1,766,756	(331,499)	(1,443,467)	(8,210)
<i>Derivative liabilities</i>		Gross amounts not offset in the balance sheet		
Description	Gross amounts of recognized liabilities	Financial instruments	Cash and securities collateral pledged	Net amount
Swaps	(403,183)	331,499	1,489,086	1,417,402

## At December 31, 2019

<i>Derivative assets</i>		Gross amounts not offset in the balance sheet		
Description	Gross amounts of recognized assets	Financial instruments	Cash and securities collateral received	Net amount
Swaps	424,100	(272,815)	(143,240)	8,045
<i>Derivative liabilities</i>		Gross amounts not offset in the balance sheet		
Description	Gross amounts of recognized liabilities	Financial instruments	Cash and securities collateral pledged	Net amount
Swaps	(641,604)	272,815	513,627	144,838



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## 19. FAIR VALUE MEASUREMENTS

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

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 using the current variable interest rate for similar loans. These loans are classified in Level 2 of the fair value hierarchy.
- *Derivative assets and liabilities:* Derivative 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 using discounted cash flow valuation technique using observable inputs. Derivative assets and liabilities are classified in Level 2 of the fair value hierarchy.
- *Bonds, borrowings from other financial institutions and deposits:* For CAF's bonds issued and medium and long term borrowings from other financial institutions and deposits, 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 fluctuations of key variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Bonds, borrowings from other financial institutions and deposits are generally classified in Level 2 of the fair value hierarchy based on the observability of significant inputs to the discounted cash flow technique.

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## *Items Measured at Fair Value on a Recurring Basis*

The following tables present for each of the fair value hierarchy levels CAF's financial assets and liabilities that are measured at fair value on a recurring basis:

### **At December 31, 2020**

	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Assets:				
Marketable Securities:				
U.S. Treasury Notes	<u>2,038,158</u>	<u>110</u>	<u>-</u>	<u>2,038,268</u>
Non-U.S. governments and government entities bonds	<u>152,550</u>	<u>34,896</u>	<u>-</u>	<u>187,446</u>
Financial institutions and corporate securities:				
Commercial paper	-	2,895,110	-	2,895,110
Certificate of deposits	2,912,973	-	-	2,912,973
Bonds	2,242,321	-	-	2,242,321
Collateralized mortgage obligation	272,028	14,926	-	286,954
Liquidity funds	<u>398,775</u>	<u>-</u>	<u>-</u>	<u>398,775</u>
	<u>5,826,097</u>	<u>2,910,036</u>	<u>-</u>	<u>8,736,133</u>
Sub-total financial assets at fair value	<u>8,016,805</u>	<u>2,945,042</u>	<u>-</u>	<u>10,961,847</u>
Loans	<u>-</u>	<u>2,088,750</u>	<u>-</u>	<u>2,088,750</u>
Derivative instruments:				
Cross-currency swap	-	1,483,935	-	1,483,935
Interest rate swap	-	282,821	-	282,821
U.S Treasury futures	-	134	-	134
Cross-currency forward contracts	<u>-</u>	<u>42</u>	<u>-</u>	<u>42</u>
	<u>-</u>	<u>1,766,932</u>	<u>-</u>	<u>1,766,932</u>
Total financial assets at fair value	<u>8,016,805</u>	<u>6,800,724</u>	<u>-</u>	<u>14,817,529</u>
Liabilities:				
Deposits	<u>-</u>	<u>24,101</u>	<u>-</u>	<u>24,101</u>
Borrowings from other financial institutions	<u>-</u>	<u>792,217</u>	<u>-</u>	<u>792,217</u>
Bonds	<u>-</u>	<u>24,706,736</u>	<u>-</u>	<u>24,706,736</u>
Derivative instruments:				
Cross-currency swap	-	251,676	-	251,676
Interest rate swap	-	151,507	-	151,507
U.S Treasury futures	-	1,364	-	1,364
Cross-currency forward contracts	<u>-</u>	<u>295</u>	<u>-</u>	<u>295</u>
	<u>-</u>	<u>404,842</u>	<u>-</u>	<u>404,842</u>
Total financial liabilities at fair value	<u>-</u>	<u>25,927,896</u>	<u>-</u>	<u>25,927,896</u>

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## At December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Marketable Securities:				
U.S. Treasury Notes	<u>2,010,025</u>	<u>-</u>	<u>-</u>	<u>2,010,025</u>
Non-U.S. governments and government entities bonds	<u>291,382</u>	<u>59,058</u>	<u>-</u>	<u>350,440</u>
Financial institutions and corporate securities:				
Commercial paper	2,227,971	872,144	-	3,100,115
Certificate of deposits	2,201,939	-	-	2,201,939
Bonds	2,045,486	-	-	2,045,486
Collateralized mortgage obligation	343,745	-	-	343,745
Liquidity funds	<u>306,055</u>	<u>-</u>	<u>-</u>	<u>306,055</u>
	<u>7,125,196</u>	<u>872,144</u>	<u>-</u>	<u>7,997,340</u>
Sub-total financial assets at fair value	<u>9,426,603</u>	<u>931,202</u> <sup>(1)</sup>	<u>-</u>	<u>10,357,805</u>
Loans	<u>-</u>	<u>139,768</u>	<u>-</u>	<u>139,768</u>
Derivative instruments:				
Cross-currency swap	-	297,080	-	297,080
Interest rate swap	-	127,020	-	127,020
U.S Treasury futures	-	2,156	-	2,156
Cross-currency forward contracts	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
	<u>-</u>	<u>426,260</u>	<u>-</u>	<u>426,260</u>
Total financial assets at fair value	<u>9,426,603</u>	<u>1,497,230</u>	<u>-</u>	<u>10,923,833</u>
Liabilities:				
Deposits	-	60,594	-	60,594
Borrowings from other financial institutions	-	403,912	-	403,912
Bonds	<u>-</u>	<u>22,998,554</u>	<u>-</u>	<u>22,998,554</u>
Derivative instruments:				
Cross-currency swap	-	625,962	-	625,962
Interest rate swap	-	15,642	-	15,642
U.S Treasury futures	-	84	-	84
Cross-currency forward contracts	<u>-</u>	<u>1,037</u>	<u>-</u>	<u>1,037</u>
	<u>-</u>	<u>642,725</u>	<u>-</u>	<u>642,725</u>
Total financial liabilities at fair value	<u>-</u>	<u>24,105,785</u>	<u>-</u>	<u>24,105,785</u>

<sup>(1)</sup> CAF reclassified the presentation in 2019 of the fair value of non-U.S. governments and government entities bonds and commercial paper from levels 1 to level 2 based on the observability of inputs that are significant to the overall fair value measurement.

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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:

		December 31, 2020		December 31, 2019	
	Hierarchy Levels	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	123,204	123,204	103,593	103,593
Deposits with banks	1	2,825,086	2,825,086	2,417,476	2,417,476
Other investments	1	811,205	811,205	996,917	996,917
Loans, net	2	25,800,091	25,770,013	26,178,502	26,201,605
Accrued interest and commissions receivable	2	386,625	386,625	531,793	531,793
Derivate related collateral	1	1,495,033	1,495,033	520,699	520,699
Receivable from investment securities sold	1	6,025	6,025	12,625	12,625
Financial liabilities:					
Deposits	2	3,313,473	3,313,473	2,537,837	2,537,837
Commercial paper	2	1,598,696	1,598,696	908,133	908,133
Borrowings from other financial institutions, net	2	880,084	861,770	986,306	996,925
Bonds, net	2	175,683	168,566	162,808	174,925
Accrued interest payable	2	308,986	308,986	403,560	403,560
Derivate related collateral	1	1,443,467	1,443,467	143,256	143,256
Payable for investment securities purchased	1	14,960	14,960	18,244	18,244

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, other investments, accrued interest and commissions receivable, 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 non-accrual status loans is estimated using the discounted cash flow technique.

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- *Equity investments:* The direct investments in equity securities of companies without a readily determinable fair value are measured at cost, less impairment plus or minus observable price changes of an identical or similar instrument of the same issuer. At December 2020 and 2019, the carrying amount of those investments amounted to US\$ 114,152 and US\$ 123,755, respectively, and the effects of impairment and the changes in observable prices for the years ended December 31, 2020 and 2019 amounted to US\$ 5,977 and US\$ 2,874, respectively. In addition, at December 2020 and 2019, investments in funds without a readily determinable fair value, with carrying amount of US\$ 264,731 and US\$ 312,746, respectively, are accounted for at fair value applying the practical expedient, using the net asset value per share. These financial instruments are generally classified in level 3 of the fair value hierarchy based on the observability of significant inputs to the valuation methodology (these instruments are not disclosed in the table above).
- *Bonds and borrowings from other financial institutions:* 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 financial instrument are generally classified in Level 2 of the fair value hierarchy based on the observability of significant inputs to the valuation methodology.

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## 20. LOSSES ON CHANGES IN FAIR VALUE RELATED TO FINANCIAL INSTRUMENTS

The losses on changes in fair value of marketable securities - trading, cross-currency swaps and financial liabilities carried at fair value under the fair value option are as follows:

	Year ended December 31, 2020		
	Gain (loss) on derivatives	Gain (loss) on hedged item	Net Gain (loss)
<b>Cross-currency swaps:</b>			
Bonds	1,532,469	(1,517,516)	14,953
Deposits	(1,724)	2,251	527
Loans	778	8,628	9,406
Borrowings from other financial institutions	29,617	(54,743)	(25,126)
	<u>1,561,140</u>	<u>(1,561,380)</u>	<u>(240)</u>
	Year ended December 31, 2019		
	Gain (loss) on derivatives	Gain (loss) on hedged item	Net Gain (loss)
<b>Cross-currency swaps:</b>			
Marketable securities - trading	253,505	(259,786)	(6,281)
Bonds	1,022	(1,594)	(572)
Loans	(525)	256	(269)
Borrowings from other financial institutions	(1,669)	824	(845)
	<u>252,333</u>	<u>(260,300)</u>	<u>(7,967)</u>

In addition, during the year ended December 31, 2020 and 2019, CAF recorded net losses of US\$ 1,849 and net gains of US\$ 2,694, respectively, related to changes in fair value of futures and forwards and changes in fair value of the U.S. Treasury Notes.

## 21. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31, 2020	December 31, 2019
Loan commitments subscribed – eligible	6,324,230	5,606,684
Lines of credit	3,253,540	2,579,633
Loan commitments subscribed – non eligible	1,656,000	2,362,122
Guarantees	130,556	150,148
Equity investments agreements subscribed	85,399	110,215

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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. Therefore, the amounts of total commitment to extend loans do not necessarily represent future cash requirements. Also, based on experience, portions of the loan commitments are disbursed on average two years after the signing of the loan agreement.

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, 2020</b>	<b>December 31, 2019</b>
Less than one year	6,336	6,524
Between one and five years	62,649	34,649
Over five years	61,571	108,975
	<u>130,556</u>	<u>150,148</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.

## 22. 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.

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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 2020, the Stockholders' Assembly of CAF approved the contribution up to a maximum amount of US\$ 135,000 to some stockholders' special funds for 2020. Subsequently, during the year ended December 31, 2020, 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\$ 100,000 and US\$ 35,000 to Compensatory Financial Fund (FFC) and Technical Cooperation Fund (FCT), respectively. For the year ended December 31, 2020, CAF recognized US\$ 72,015 as an expense and, at December 31, 2020 recognized an unconditional obligation (accounts payable) for US\$ 55,090 which was paid in January 2021.

In March 2019, the Stockholders' Assembly of CAF approved the contribution up to a maximum amount of US\$ 130,000 to some stockholders' special funds for 2019. Subsequently, during the year ended December 31, 2019, 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\$ 100,000 and US\$ 29,226 to FFC and FCT, respectively. For the year ended December 31, 2019, CAF recognized US\$ 129,226 as an expense and, at December 31, 2019 recognized an unconditional obligation (accounts payable) for US\$ 53,577 which was paid in January 2020.

At December 31, 2020 and 2019, managed funds assets are US\$ 494,932 and US\$ 483,271, respectively. The balances of these funds are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
FFC <sup>(1)</sup>	259,723	284,198
FCT	75,325	69,148
Fund for the Development of Small and Medium Enterprises (FIDE)	60,357	64,495
Human Development Fund (FONDESHU)	5,369	7,827
Others non related with stockholders' special funds	94,158	57,603
	<u>494,932</u>	<u>483,271</u>



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- <sup>(1)</sup> 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, 2020 and 2019, FFC compensated interest amounting to US\$ 88,526 and US\$ 78,155, respectively, which amounts are included in interest income – loans in the statements of comprehensive income.

## 23. 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 years ended December 31, 2020 and 2019, loans made to or guaranteed by five countries individually generated in excess, of 10% of interest income on loans, as follows:

	2020	2019
Argentina	121,464	175,759
Ecuador	120,745	168,032
Venezuela	110,432	165,565
Colombia	102,175	121,240
Bolivia	90,369	124,678
	<u>545,185</u>	<u>755,274</u>

## 24. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2021, the date these financial statements were available to be issued. As a result of this evaluation, management has determined that there are no subsequent events that require a disclosure in these financial statements except for:

- On January 4, 2021, CAF issued bonds for UYU 29.24 million, equivalent to US\$ 692 thousand, 3.76% due 2039, under its Uruguay Local Debt Programme.
- On February 1<sup>st</sup>, 2021 CAF issued bonds for US\$ 30 million, 0.80% due 2024, under its EMTN program.
- During January 2021, CAF repurchased a total of 2,164 shares from Venezuela, totaling US\$ 30.7 million.

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