

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

## Corporación Andina de Fomento (security code: -)

### <Affirmation>

Long-term Issuer Rating: AA  
Outlook: Stable  
Bonds: AA

### Rationale

- (1) Corporación Andina de Fomento (CAF, often referred to as “Development Bank of Latin America”) is a multilateral development bank (MDB) established by Bolivia, Colombia, Ecuador, Peru and Venezuela in 1968 to promote economic and social development and economic integration in the Andean region. The number of its shareholders has expanded to a total of 19 countries encompassing other Latin American countries, Spain and Portugal, as well as 13 private financial institutions in the Andean region. It now operates in entire Latin America. CAF’s credit ratings reflect (i) its strategic importance for the member countries as a provider of stable long-term financial resources, (ii) the member countries’ strong support, (iii) its preferred creditor status and (iv) its sound financial status and ample liquidity. The ratings are constrained by relatively high political and economic risks of its major member countries. Latin American countries are faced with external stresses such as the weak commodities prices, the downturn of the Chinese economy and the change in the US monetary policy. Some of its member countries entail high political and economic risks. However, importance of CAF for the member countries as a provider of stable and relatively low interest rate loans has been increasing under these challenging circumstances. The member countries have approved CAF’s massive capital increases in a show of their continued strong support. CAF on its part continues its efforts to reinforce resilience to stresses by lowering concentration in its borrowers and diversifying funding sources with adhering to conservative financial policies such as retention of ample liquidity. All things considered, JCR has affirmed its ratings and kept the outlook of long-term issuer rating Stable.
- (2) CAF is an international organization established under the Articles of Agreement (AOA) signed and ratified by the member countries. As per the AOA, CAF enjoys various privileges to secure its preferred creditor status such as the member countries’ exemption of restrictions, regulations and control and moratorium measures over its assets. For the Andean member countries, CAF is the biggest financier among a number of MDBs. CAF has track records of having continued to support the member countries even when they encountered economic difficulties. CAF has never experienced a more-than-180-day delinquency of its public-sector borrowers’ principal and interest payments even when some of the member countries have fallen into economic difficulties.
- (3) CAF’s shareholders consist of 10 full members, 9 associated members and 13 private financial institutions in the region. CAF has been repeatedly augmenting its capital base since its foundation. The total amount of the agreed paid-in capital increases between 2008 and 2023 has reached US\$10.8 billion. In the course of capital increases, the capital concentration among the 5 Andean countries has been brought down. CAF’s total assets and outstanding loans stood at US\$35.5 billion and US\$21.9 billion, respectively, at the end of September 2016. Its breakdown shows that the loans for the 5 Andean countries, which accounted for 92% of the total at the end of 2006, declined to 60% at the end of September 2016. Although the level of concentration is still significant, diversification toward non-Andean countries is progressing well reflecting the expansion of member countries. CAF’s asset quality has been maintained extremely well as non-performing loan ratio was 0.5% as of the end of September 2016.
- (4) CAF conducts prudent financial management as per its various guidelines including the AOA. The total amount of loan, investment and guarantee portfolio is set to be below four times of its net worth. The maximum limit of indebtedness is also defined to be below 3.5 times. Both figures stood at 2.2 and 2.4 times respectively at the end of September 2016. All the targets have been met. Its internal rules on liquidity are to maintain sufficient liquid assets to cover at least 12 months of net cash requirements. The actual amount of liquid assets was around three times the calculated floor at the end of September 2016. Even in the case of delinquency by a specific

member country, CAF would retain certain resilience as it hold ample liquidity. Like other MDBs, CAF does not peruse profit maximization though it has constantly registered surpluses and met its internal profitability target.

Satoshi Nakagawa, Makoto Ikushima

### Rating

Issuer: Corporación Andina de Fomento

#### <Affirmation>

Long-term Issuer Rating	Rating AA	Outlook Stable
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Issue	Amount (mn)	Issue Date	Due Date	Coupon	Rating
JPY Notes	JPY 10,000	Feb. 19, 2009	Feb. 19, 2019	4.30%	AA
TRY 157,000,000 7.35 per cent. Notes Due 2018	TRY157	Dec. 19, 2014	Dec. 18, 2018	7.35%	AA
ZAR 253,000,000 6.50 per cent. Notes Due 2018	ZAR253	Dec. 19, 2014	Dec. 18, 2018	6.50%	AA
Japanese Yen Bonds – Thirteenth Series (2016) (Water Bonds)	JPY 4,500	Feb. 12, 2016	Feb. 12, 2026	0.45%	AA

Rating Assignment Date: December 20, 2016

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<http://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "Multilateral Development Banks" (March 29, 2013) in Information about JCR Ratings on JCR's website (<http://www.jcr.co.jp/en/>).

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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## INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

### Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Corporación Andina de Fomento
Rating Publication Date:	December 22, 2016

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as member countries, the issuer's related organizations, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

## 9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

## 10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

## 11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

### A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

### B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

### C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

### D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's member countries, the issuer's related organizations, guarantor or other provider of credit enhancement, or the government of

the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

**E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract**

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

**F) Rise and Fall in General Economy and Markets**

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

**G) Various Events**

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

**12**

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<http://www.jcr.co.jp/en/service/company/regu/nrsro/>

**13**

Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

**A) Business Bases**

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

**B) Financial Grounds and Asset Quality**

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to member countries, the issuer's related organizations, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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## The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Corporacion Andina de Fomento	Issuer(Long-term)	October 5, 2005	AA-	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	October 31, 2006	AA-	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	May 24, 2007	AA-	Positive
Corporacion Andina de Fomento	Issuer(Long-term)	November 25, 2008	AA-	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	March 3, 2010	AA-	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	December 8, 2010	AA-	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	February 10, 2012	AA-	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	February 1, 2013	AA	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	February 26, 2014	AA	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	December 11, 2014	AA	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	January 29, 2016	AA	Stable
Corporacion Andina de Fomento	JPY Notes	February 10, 2009	AA-	
Corporacion Andina de Fomento	JPY Notes	March 3, 2010	AA-	
Corporacion Andina de Fomento	JPY Notes	December 8, 2010	AA-	
Corporacion Andina de Fomento	JPY Notes	February 10, 2012	AA-	
Corporacion Andina de Fomento	JPY Notes	February 1, 2013	AA	
Corporacion Andina de Fomento	JPY Notes	February 26, 2014	AA	
Corporacion Andina de Fomento	JPY Notes	December 11, 2014	AA	
Corporacion Andina de Fomento	JPY Notes	January 29, 2016	AA	
Corporacion Andina de Fomento	TRY 157,000,000 7.35 per cent. Notes Due 2018	December 22, 2014	AA	
Corporacion Andina de Fomento	TRY 157,000,000 7.35 per cent. Notes Due 2018	January 29, 2016	AA	
Corporacion Andina de Fomento	ZAR 253,000,000 6.50 per cent. Notes Due 2018	December 22, 2014	AA	
Corporacion Andina de Fomento	ZAR 253,000,000 6.50 per cent. Notes Due 2018	January 29, 2016	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds _Thirteenth Series (2016)(Water Bonds)	February 4, 2016	AA	



## Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Atsushi Masuda, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Atsushi Masuda  
General Manager of International Rating Department

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