

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) aimed to promote economic and social development and economic integration in Latin America. Its credit ratings reflect (i) a strong support it enlists from the member countries, (ii) its preferred creditor status and (iii) its sound financial status and ample liquidity. The ratings are constrained by relatively high political and economic risks inherent in its major member countries. The member countries have approved CAF’s massive capital increases in a show of their continued strong support. By December 2021, New USD 7 billion capital increase was approved. Moreover, Mexico, Costa Rica and Dominican Republic have been formally incorporated to become full member countries. Those will further strengthen CAF’s capital base. CAF reduces risks by lowering concentration in its borrowers and diversifying funding sources while adhering to conservative financial policies such as retention of ample liquidity. In addition, CAF provided a quick support to member countries by expanding its emergency credit line to mitigate the impact of the COVID-19 pandemic. Based on these, JCR has affirmed the ratings with Stable outlook.
- (2) CAF is an MDB established in 1968 by Bolivia, Colombia, Ecuador, Peru and Venezuela. 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. CAF now operates in the entire Latin America. It enjoys various privileges to secure its de facto preferred creditor status that entitles it to get its loans repaid before any lenders. CAF has never experienced a more-than-180-day delinquency of its public-sector borrowers’ principal and interest payments. 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.
- (3) CAF’s shareholders have continuously responded to its capital increases since its foundation. CAF plans to increase its paid-in capital by USD 10.8 billion between 2008 and 2023. In December 2021, its board of directors approved new USD 7 billion capital increase. The capital concentration among the five Andean countries has been brought down in the course of capital increases in the past. Mexico formally incorporated to become a full member country in November 2020. Costa Rica and Dominican Republic signed its incorporation to become full member countries in February and October 2021, respectively. In addition, El Salvador agreed to become a member country in December 2021. Expansion of the member countries and resultant capital increases will further strengthen CAF’s capital base. Its total outstanding loans stood at USD 27.5 billion at the end of September 2021. Its breakdown shows that the loans for the five Andean countries, which accounted for 92% of the total at the end of 2006, declined to 52% at the end of September 2021. While the level of concentration is still high, diversification toward non-Andean countries is progressing amid the expansion of member countries. CAF expanded its emergency credit line from USD 2.5 billion to USD 4.1 billion to ease the impact of the COVID-19 pandemic. It also provided its swift support for member countries by setting up a financial credit line totaling USD 1.6 billion for national development banks, and two liquidity facilities totaling USD 2.2 billion to support health systems and utilities. CAF’s asset quality has been kept extremely well, with its non-performing loan ratio standing at 0.5% as of the end of September 2021.
- (4) CAF conducts prudent financial management in keeping with its various guidelines including the Articles of Agreement (AOA). The total amount of its loan, investment and guarantee portfolios 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 2.1 times and 2.4 times, respectively, at the end of September 2021. Its internal rules on liquidity call for maintaining sufficient liquid assets to cover at least 12 months of

net cash requirements. The actual amount of liquidity was around 2.1 times the calculated floor at the end of September 2021. This indicates that CAF retains adequate resilience even in the case of deteriorating financing environment and delinquency by a specific member country. Like other MDBs, CAF does not pursue profit maximization but has constantly registered surpluses.

Atsushi Masuda, Hiroshi Tonegawa

## Rating

Issuer: Corporación Andina de Fomento

<Affirmation>

Long-term Issuer Rating: AA

Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Japanese Yen Bonds - Thirteenth Series (2016) (Water Bonds)	JPY 4.5	February 12, 2016	February 12, 2026	0.45%	AA
Japanese Yen Bonds - Fourteenth Series (2020)	JPY 17.2	July 30, 2020	July 30, 2025	0.77%	AA
Japanese Yen Bonds - Fifteenth Series (2021)	JPY 13.3	February 19, 2021	February 19, 2026	0.35%	AA
Japanese Yen Bonds - Sixteenth Series (2021)	JPY 1.4	February 19, 2021	February 18, 2028	0.45%	AA
Japanese Yen Bonds - Seventeenth Series (2021)	JPY 16.6	February 26, 2021	February 26, 2026	0.35%	AA
Japanese Yen Bonds - Eighteenth Series (2021)	JPY 5.0	March 19, 2021	March 19, 2024	0.25%	AA

Rating Assignment Date: December 13, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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

## Japan Credit Rating Agency, Ltd.

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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.)



## 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 16, 2021

**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. If the credit rating is a private rating, please see the report for private rating.

**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. If the credit rating is a private rating, please see the report for private rating.

**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.
- If the credit rating is an Indication, please see the report for Indication.

## 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 public or private 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.

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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:

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

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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.

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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	Issuer(Long-term)	December 22, 2016	AA	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	December 25, 2017	AA	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	March 22, 2019	AA	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	February 18, 2020	AA	Stable
Corporacion Andina de Fomento	Issuer(Long-term)	December 14, 2020	AA	Stable
Corporacion Andina de Fomento	Japanese Yen Bonds _Thirteenth Series (2016)(Water Bonds)	February 4, 2016	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds _Thirteenth Series (2016)(Water Bonds)	December 22, 2016	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds _Thirteenth Series (2016)(Water Bonds)	December 25, 2017	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds _Thirteenth Series (2016)(Water Bonds)	March 22, 2019	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds _Thirteenth Series (2016)(Water Bonds)	February 18, 2020	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds _Thirteenth Series (2016)(Water Bonds)	December 14, 2020	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds-Fourteenth Series (2020)	July 7, 2020	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds-Fourteenth Series (2020)	December 14, 2020	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds-Fifteenth Series (2021)	February 12, 2021	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds-Sixteenth Series (2021)	February 12, 2021	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds-Seventeenth Series (2021)	February 12, 2021	AA	
Corporacion Andina de Fomento	Japanese Yen Bonds-Eighteenth Series (2021)	March 12, 2021	AA	



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

I, Toshihiko Naito, 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.



Toshihiko Naito  
General Manager of International Rating Department

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