



CORPORACIÓN ANDINA DE FOMENTO

(a multilateral financial institution established under public international law)

U.S.\$2,500,000,000 Medium Term Note Programme

Under the Medium Term Note Programme described in this Offering Circular (the “**Programme**”), Corporación Andina de Fomento (the “**Issuer**” or “**CAF**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”) on the terms set out herein, as supplemented by a memorandum supplementary hereto (each the “**Final Terms**”).

This Offering Circular comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the “**FSMA**”), a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”), nor listing particulars given in compliance with the listing rules (“**Listing Rules**”) made under Part VI of the FSMA by the United Kingdom Financial Services Authority in its capacity as competent authority under the FSMA (the “**FSA**”).

Application may be made to the FSA for Notes to be admitted to the official list of the FSA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the Regulated Market of the London Stock Exchange (the “**Market**”) or to any other competent authority, stock exchange and/or quotation system as may be agreed between the Issuer and the Dealer. References in this Offering Circular to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not an application will be made for such Notes to be admitted to the Official List and admitted to trading on the Market (or any other competent authority, stock exchange and/or quotation system). Notes listed on the Official List and admitted to trading on the Market will not be subject to the prospectus requirements of the Prospectus Directive as a result of the Issuer’s status as a public international body of which a European Union member state is a member, but will be issued in compliance with applicable Listing Rules of the FSA.

Arranger and Dealer

CREDIT SUISSE

TABLE OF CONTENTS

| | |
|--|-------|
| Important Notices..... | 2 |
| Notice to New Hampshire Residents | 4 |
| Documents Incorporated by Reference | 5 |
| Supplementary Offering Circular..... | 5 |
| Key Features of the Programme | 6 |
| Terms and Conditions of the Notes | 10 |
| Form of Final Terms..... | 32 |
| Use of Proceeds | 40 |
| Corporación Andina de Fomento | 41 |
| Legal Status of CAF..... | 42 |
| Capitalization and Indebtedness..... | 43 |
| Capital Structure..... | 44 |
| Selected Financial Information..... | 49 |
| Management’s Discussion and Analysis of Financial Condition and Results of Operations..... | 51 |
| Operations of CAF | 56 |
| Funded Debt..... | 67 |
| Debt Record | 69 |
| Asset and Liability Management..... | 69 |
| Administration | 70 |
| The Full Member Shareholder Countries..... | 73 |
| Taxation..... | 75 |
| Forms of the Bearer Notes..... | 87 |
| Forms of Registered Notes and Transfer Restrictions Relating to U.S. Sales | 90 |
| Summary of Provisions Relating to the Bearer Notes While in Global Form | 96 |
| Subscription and Sale | 99 |
| General Information..... | 102 |
| Index to Financial Statements..... | F – 1 |
| Supplementary Information..... | S – 1 |

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this document and to the best of the knowledge of the Issuer, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein).

The Issuer has confirmed to the Dealer named under “Subscription and Sale” below that this Offering Circular (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or the Dealer.

No representation or warranty is made or implied by the Dealer or any of its affiliates, and neither the Dealer nor any of its affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither the Issuer nor the Dealer accepts any responsibility, express or implied, for updating this Offering Circular, except as required by the Dealer Agreement (as defined under “Subscription and Sale”) or any Relevant Agreement (each as defined herein), any competent authority, stock exchange or quotation system or any relevant laws or regulations.

The distribution of this Offering Circular and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Final Terms comes are required by the Issuer and the Dealer to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular or any Final Terms and other offering material relating to the Notes, see “Subscription and Sale” and “Forms of Registered Notes and Transfer Restrictions Relating to U.S. Sales”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)). See “Subscription and Sale”.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to persons other than U.S. persons as defined in Regulation S and, with respect to Notes in registered form only, within the United States in reliance upon Rule 144A under the Securities Act (“**Rule 144A**”) to “qualified institutional buyers” as defined in, and in reliance on, Rule 144A (“**QIBs**”) and in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Prospective purchasers are hereby

notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

To permit compliance with Rule 144A under the Securities Act in connection with the sale of Notes, the Issuer will furnish upon the request of a holder of Notes or of a beneficial owner of an interest therein to such holder or beneficial owner or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act, if at the time of such request, the Issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “**SEC**”) or any State securities commission in the United States nor has the SEC or any State securities commission passed upon the accuracy or the adequacy of this Offering Circular or any Final Terms. Any representations to the contrary are a criminal offence in the United States.

Neither this Offering Circular nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer or the Dealer that any recipient of this Offering Circular or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$2,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement (as defined under “Subscription and Sale”))). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement (as defined under “Subscription and Sale”).

In this Offering Circular, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Union, references to “**U.S.\$**”, “**U.S. dollars**” or “**dollars**” are to United States dollars, references to “**EUR**” or “**euro**” are to the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA”) WITH THE STATE OF NEW HAMPSHIRE OR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (1) the most recent publicly available audited annual financial statements of the Issuer;
- (2) any interim condensed financial statements of the Issuer (whether audited or unaudited) that become publicly available subsequent to such annual financial statements from time to time; and
- (3) all amendments and supplements to this Offering Circular prepared by the Issuer from time to time,

provided, however, that any statement contained in this Offering Circular or in any of the documents incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

A copy of this Offering Circular (and any document incorporated by reference in this Offering Circular) is available free of charge at the Specified Office of the Fiscal Agent.

SUPPLEMENTARY OFFERING CIRCULAR

The Issuer has undertaken, in connection with the listing of any Notes on the Official List and their admission to trading on the Market, that if there shall occur any significant new factor, material mistake or inaccuracy relating to the information included in this Offering Circular which is capable of affecting the assessment of the Notes and which arises or is noted after the date of this Offering Circular, the Issuer will prepare or procure the preparation of an amendment or supplement to this Offering Circular or, as the case may be, publish a new Offering Circular, for use in connection with any subsequent issue by the Issuer of Notes to be listed on the Official List and admitted to trading on the Market.

KEY FEATURES OF THE PROGRAMME

The following summary does not purport to be complete and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in “Forms of the Bearer Notes”, “Forms of Registered Notes and Transfer Restrictions Relating to U.S. Sales” or “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

| | |
|-----------------------------------|--|
| Issuer: | Corporación Andina de Fomento |
| Arranger: | Credit Suisse Securities (Europe) Limited |
| Dealer: | Credit Suisse Securities (Europe) Limited |
| Fiscal Agent: | Citibank, N.A., London Branch |
| Listing and Admission to Trading: | Each Series may be listed on the Official List and admitted to trading on the Market and/or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system as may be agreed between the Issuer and the Dealer (or the relevant Dealer appointed for the purpose of the relevant issue of Notes) and specified in the relevant Final Terms or may be unlisted. |
| Clearing Systems: | Euroclear and/or Clearstream, Luxembourg and/or (in respect of Registered Notes) DTC and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms. |
| Programme Amount: | Up to U.S.\$2,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. |
| Issuance in Series: | Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. |
| Final Terms: | Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, supplement the Terms and Conditions of the Notes and this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented, amended and/or replaced by the relevant Final Terms. |
| Forms of Notes: | <p>Notes may be issued in bearer form or in registered form. Notes in registered form may not be exchanged for Notes in bearer form.</p> <p>In respect of Notes issued in bearer form, the Issuer will deliver a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a “Classic Global Note” or “CGN”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Global Note which is intended to be issued in new global note form (a “New Global Note” or “NGN”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes.</p> |

Each Tranche of Registered Notes which is sold outside the United States to persons other than U.S. persons in reliance on Regulation S will, unless otherwise specified in the applicable Final Terms, be represented by an Unrestricted Global Note Certificate which will either (a) in the case of an Unrestricted Global Note Certificate which is not to be held under the new safekeeping structure (“**New Safekeeping Structure**” or “**NSS**”) be deposited with a custodian for, and registered in the name of a nominee of, DTC, Euroclear and/or Clearstream, Luxembourg on its Issue Date, or (b) in the case of an Unrestricted Global Note Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to the expiry of the Distribution Compliance Period, beneficial interests in an Unrestricted Global Note Certificate of such Tranche may be held only through Clearstream, Luxembourg or Euroclear. After the expiry of the Distribution Compliance Period, beneficial interest in an Unrestricted Global Note Certificate may also be held through DTC directly by a participant in DTC or indirectly through a participant in DTC.

Notes of any registered series sold in private transactions to QIBs and subject to the Transfer Restrictions described in “Forms of Registered Notes and Transfer Restrictions Relating to U.S. Sales” will, unless otherwise specified in the applicable Final Terms, be represented by a Restricted Global Note Certificate which will be deposited with a custodian for, and registered in the name of a nominee of, DTC or Euroclear and/or Clearstream on its Issue Date or, in the case of a Restricted Global Note Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Registered Notes represented by an Unrestricted Global Note Certificate or a Restricted Global Note Certificate deposited with the Custodian for DTC will trade in DTC’s same day funds settlement system and secondary market trading activity in such Notes will therefore settle in immediately available funds.

Beneficial interests in an Unrestricted Global Note Certificate and a Restricted Global Note Certificate will be shown on, and transfers thereof will be effected through, records maintained by DTC, Clearstream, Luxembourg and/or Euroclear.

Persons holding beneficial interests in Unrestricted or Restricted Global Note Certificates will be entitled or required as the case may be, under certain circumstances to receive physical delivery of Individual Note Certificates. See “Forms of Registered Notes and Transfer Restrictions Relating to U.S. Sales” below.

| | |
|----------------------|--|
| Currencies: | Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated. |
| Status of the Notes: | Notes will be issued on an unsecured, unsubordinated basis. |
| Issue Price: | Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. |
| Maturities: | <p>Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Issuer.</p> |
| Redemption: | Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms. |
| Optional Redemption: | Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms. |
| Tax Redemption: | Except as described in “Optional Redemption” above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (<i>Redemption and Purchase – Redemption for tax reasons</i>). |
| Interest: | Notes may be interest-bearing or non interest-bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series. |
| Denominations: | Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to a minimum denomination of EUR 50,000 (or, if the Notes are denominated in a currency other than EUR, the equivalent amount in such currency at the date of issue) and in compliance with all applicable legal and/or regulatory and/or central bank requirements. However, for so long as the Notes which have been admitted to the Official List and to trading on the Market (and/or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system in the European Union) are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable in minimum principal amounts of EUR 50,000 and integral multiples of EUR 1,000 thereafter. |

Notes issued in registered form and offered and sold in the United States pursuant to Rule 144A under the Securities Act must have a minimum denomination of U.S.\$250,000 or the equivalent thereof.

- Negative Pledge: The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
- Taxation: All payments in respect of Notes will be made free and clear of withholding taxes of the Full Member Shareholder Countries, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
- Redenomination: In respect of any Tranche of Notes, if the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Notes may be redenominated in euro in accordance with Condition 22 (*Redenomination, Renominalisation and Reconventioning*) if so specified in the relevant Final Terms.
- Governing Law: The terms of the conditions of the Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.
- Enforcement of Notes in Global Form: In the case of Global Notes and Registered Notes represented by a Global Note Certificate, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 28 August 2009, a copy of which will be available for inspection at the Specified Office of the Fiscal Agent.
- Selling Restrictions: For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom and Japan, see "Subscription and Sale" below.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Bearer Notes while in Global Form” and “Forms of Registered Notes and Transfer Restrictions Relating to U.S. Sales” below.

1. Introduction

(a) Programme

Corporación Andina de Fomento (the “**Issuer**”) has established a Medium Term Note Programme (the “**Programme**”) for the issuance of up to U.S.\$2,500,000,000 in aggregate principal amount of notes (the “**Notes**”).

(b) Final Terms

Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of final terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) Agency Agreement

The Notes are the subject of an amended and restated issue and paying agency agreement dated 20 September 2010 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer and Citibank, N.A., London Branch in its capacities as fiscal agent, registrar and transfer agent (the “**Fiscal Agent**” and, as the context may require, the “**Registrar**” and the “**Transfer Agent**”, which expression includes any successor fiscal agent, registrar or transfer agent appointed from time to time in connection with the Notes) and in its capacity as paying agent (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

(d) The Notes

All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Final Terms. Copies of the Final Terms in respect of any Notes listed on the Official List of the United Kingdom Financial Services Authority (“**FSA**”) and admitted to trading on the Regulated Market of the London Stock Exchange plc (the “**Market**”) shall be available during normal business hours at the Specified Office of the Fiscal Agent or, as the case may be, the Registrar and at the Specified Office of any Paying Agent, the initial Specified Offices of which are set out in the Offering Circular.

(e) Summaries

Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders and Couponholders, as applicable, during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) Definitions

In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Authorised Denomination**” means, in the case of a Restricted Note, U.S.\$250,000 (or its equivalent rounded upwards as specified in the relevant Final Terms) and higher integral multiples of U.S.\$1,000, or the higher denomination or denominations specified in the applicable Final Terms;

“**Bearer Notes**” means any Notes issued in bearer form;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“**Calculation Amount**” has the meaning given in the relevant Final Terms;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
- (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30”;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**Extraordinary Resolution**” has the meaning given in the Agency Agreement;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Full Member Shareholder Countries**” means the Plurinational State of Bolivia, the Republics of Colombia, Ecuador, Panama and Peru, the Federative Republic of Brazil, the Oriental Republic of Uruguay and the Bolivarian Republic of Venezuela;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Final Terms;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Member State**” means a member state of the European Economic Area;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

“**Participating Member State**” means a Member State which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

- (i) in relation to euro, it means the principal financial centre of such Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Rate of Interest**” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“**Reference Banks**” has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“**Reference Price**” has the meaning given in the relevant Final Terms;

“**Reference Rate**” has the meaning given in the relevant Final Terms;

“**Registered Notes**” means any Notes issued in registered form;

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the relevant Final Terms;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Final Terms;

“**Reserved Matter**” means any proposal: (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment; (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (c) to change the currency in which amounts due in respect of the Notes are payable; (d) to change the quorum required at any meeting of Noteholders (whether originally convened or resumed following an adjournment) or the majority required to pass an Extraordinary Resolution; or (e) to amend this definition;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital or contract, and the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro.

“**Treaty**” means the Treaty establishing the European Economic Area, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

(b) Interpretation

In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement; and
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes.

3. Form, Denomination and Title

(a) General

Notes will be issued in bearer form or in registered form, as specified in the Final Terms. Notes in registered form may not be exchanged for Notes in bearer form.

(b) Form and Denomination of Bearer Notes

Notes issued in bearer form will be in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(c) Title to Bearer Notes

Title to the Bearer Notes and the Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Bearer Note under the Contracts (Rights of Third Parties) Act 1999.

(d) Form and Denomination of Registered Notes

Notes issued in registered form will be in the minimum denomination specified in the Final Terms which, in the case of Registered Notes sold other than pursuant to Regulation S, shall be the Authorised Denomination and, in the case of Registered Notes having a maturity of 183 days or less, the specified denomination shall be at least U.S.\$250,000 (or the equivalent in any other currency or currencies). Any minimum authorised denomination required by any law or directive or regulatory authority in respect of the currency of issue of any Registered Note shall be such as applied on or prior to the date of issue of such Registered Note.

(e) Register

The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Registered Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(f) Title to Registered Notes

The Holder of any Registered Note shall (except as otherwise required by law) be treated as the absolute owner of such Registered Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Registered Notes under the Contracts (Rights of Third Parties) Act 1999.

(g) Transfers of Registered Notes

Subject to paragraphs (j) (*Closed periods*) and (k) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* (i) a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Authorised Denominations and (ii) in respect of Registered Notes which are to be placed in the United States and which are restricted securities within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 may only be transferred in a minimum aggregate amount of U.S.\$250,000. Where not all Registered Notes represented by a

surrendered Note Certificate are the subject of such a transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(h) Registration and delivery of Note Certificates

Within five business days of the surrender of a Note Certificate in accordance with paragraph (g) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount of Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(i) No charge

The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(j) Closed periods

Noteholders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes; (ii) during the period 15 days before any date on which Registered Notes may be called for redemption by the Issuer at its option pursuant to condition 10(c) (*Redemption at the option of the Issuer*) below; or (iii) after any such Registered Note has been called for redemption.

(k) Regulations concerning transfers and registration

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status of the Notes

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any bonds, notes or other evidences of similar indebtedness heretofore or hereafter issued, assumed or guaranteed by the Issuer for money borrowed (other than purchase money mortgages, pledges or liens on property purchased by the Issuer as security for all or part of the purchase price thereof), unless the Notes shall be secured by such mortgage, pledge or other lien or charge equally and rateably with such other bonds, notes or evidences of indebtedness.

6. Fixed Rate Note Provisions

(a) Application

This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of Interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue

to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Fixed Coupon Amount

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) Calculation of Interest Amount

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note and Index-Linked Interest Note Provisions

(a) Application

This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Screen Rate Determination

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and

- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) ISDA Determination

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) Index-Linked Interest

If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(f) Maximum or Minimum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) Calculation of other amounts

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which

any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(i) Publication

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the Minimum Specified Denomination.

(j) Notifications, etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

(a) Application

This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Late payment on Zero Coupon Notes

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Dual Currency Note Provisions

(a) Application

This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Rate of Interest

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. Redemption and Purchase

(a) Scheduled redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any of the Full Member Shareholder Countries or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10(b) (*Redemption for tax reasons*), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption for tax reasons*).

(c) Redemption at the option of the Issuer

If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) Partial redemption

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) Redemption at the option of Noteholders

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e) (*Redemption at the option of Noteholders*), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto, or, as the case may be, the Note Certificate relating to such Note, and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note, or, as the case may be, Note Certificate relating to such Note, is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note or, as the case may be, Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note, or the Notes evidenced by any such Note Certificate, becomes immediately due and payable or, upon due presentation of any such Note or Note Certificate on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note or Note Certificate at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note or, as the case may be, Note Certificate, is held by a Paying Agent in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*), the depositor of such Note or Note Certificate and not such Paying Agent shall be deemed to be the holder of such Note, or the Note evidenced by such Note Certificate, for all purposes.

(f) No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.

(g) Early redemption of Zero Coupon Notes

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(g) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) Purchase

The Issuer may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.

(i) Cancellation

All Notes so redeemed or purchased by the Issuer and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. Payments

(a) Principal – Bearer Notes

Payments of principal in respect of Bearer Notes shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other

account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the city of London).

(b) Principal – Registered Notes

Payments of principal in respect of Registered Notes shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Noteholder to the Specified Office of the Fiscal Agent or at the Specified Office of any Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) Interest – Bearer Notes

Payments of interest in respect of Bearer Notes shall, subject to paragraph (j) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(d) Interest – Registered Notes

Payments of interest in respect of Registered Notes shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Noteholder to the Specified Office of the Fiscal Agent or at the Specified Office of any Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(e) Payments in New York City

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(f) Payments subject to fiscal laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(g) Deductions for unmatured Coupons

If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

- (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(h) Unmatured Coupons void

If the relevant Final Terms specifies that this Condition 11(h) (*Unmatured Coupons void*) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption at the option of Noteholders*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(i) Payments on business days

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(j) Payments other than in respect of matured Coupons – Bearer Notes

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(k) Partial payments – Bearer Notes

If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(l) Partial payments – Registered Notes

If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(m) Record date

Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

(n) Exchange of Talons – Bearer Notes

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if

appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. Taxation

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any of the Full Member Shareholder Countries or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with any of the Full Member Shareholder Countries other than the mere holding of the Note or Coupon; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State; or
- (iv) more than 30 days after the Relevant Date, except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 12 (*Taxation*).

13. Events of Default

If any of the following events occurs:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal or interest in respect of the Notes on the due date for payment thereof and such failure has not been remedied within 30 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other material obligations under or in respect of the Notes and such default remains unremedied for 90 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer and to the Specified Office of the Fiscal Agent; or
- (c) *Analogous failure*: the Issuer fails to pay any amount in excess of U.S.\$60,000,000 (or the equivalent thereof in any other currency or currencies) of principal or interest or premium in respect of any indebtedness incurred, assumed or guaranteed by the Issuer as and when such amount becomes due and payable and such failure continues until the expiration of any applicable grace period; or
- (d) *Analogous acceleration*: the acceleration of any indebtedness incurred or assumed by the Issuer with an aggregate principal amount in excess of U.S.\$60,000,000 (or the equivalent thereof in any other currency or currencies) by the holder or holders thereof,

then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer and to the Specified Office of the Fiscal Agent, be declared immediately due and payable,

whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality, unless prior to receipt of such notice by the Issuer all Events of Default in respect of such Note shall have been cured. If all such Events of Default shall have been cured following such declaration, such declaration may be rescinded by any such Holder with respect to any such previously accelerated Note upon delivery of written notice of such rescission to the Issuer and to the Specified Office of the Fiscal Agent.

14. Prescription

Claims for principal shall become void unless the relevant Notes or, as the case may be, Note Certificates are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. Replacement of Notes, Coupons and Note Certificates

If any Note, Coupon or Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent or, as the case may be, the Registrar (and, if the Notes are then admitted to listing, trading and/or quotation by the rules of any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent or, as the case may be, the Transfer Agent having its Specified Office in the place required by the rules of such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Note Certificates must be surrendered before replacements will be issued.

16. Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Registrar and the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Registrar and Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right, by not less than thirty days' notice, to vary or terminate the appointment of any Paying Agent and to appoint a successor Fiscal Agent, Registrar or Calculation Agent and additional or successor Paying Agents and Transfer Agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a Fiscal Agent and a Registrar; and
- (b) the Issuer shall at all times maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system the rules of which require the appointment of a Paying Agent and/or Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or Transfer Agent having its Specified Office in the place required by the rules of such competent authority, stock exchange and/or quotation system.

Notice of any change in the Registrar or any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. Meetings of Noteholders; Modification and Waiver

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any

such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum.* Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification

The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

18. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

19. Notices

Notices to the Noteholders in respect of Registered Notes will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register.

Notices to the Noteholders in respect of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005% being rounded up to 0.00001%), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. Redenomination, Renominalisation and Reconventioning

(a) Application

This Condition 22 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

(b) Notice of redenomination

If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

(c) Redenomination

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however, that*, if the Issuer determines, with the agreement of the Fiscal Agent, that market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
- (ii) if Notes have been issued in definitive form:
 - (A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 22) shall remain in full force and effect; and
 - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State.

(d) Interest

Following redenomination of the Notes pursuant to this Condition 22 (*Redenomination, Renominalisation and Reconventioning*), where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

(e) Interest Determination Date

If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

23. Governing Law and Jurisdiction

(a) Governing law

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.

(b) English courts

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes (including a dispute regarding the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.

(c) Appropriate forum

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) Rights of the Noteholders to take proceedings outside England

Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 (*Governing Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction, provided, however, that any such Dispute relates to the collection or repayment of any monies due from the Issuer. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) Process agent

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to The Law Debenture Corporate Services Limited at 5th Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(f) Waiver of immunity

The Issuer hereby irrevocably waives any immunity to which it might otherwise be entitled in any Proceedings arising out of or based on the Notes brought in any competent court of England.

24. Provision of Information

The Issuer shall, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Registered Note which is a “restricted security” within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the “Securities Act”) or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer and to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

25. De-listing

In the event that the Notes have been approved for listing on the Official List and for trading on the Market or such other exchange or competent authority specified in the applicable Final Terms, the Issuer shall use all reasonable efforts to maintain such listing so long as any of the Notes are outstanding, *provided, however that:*

- (1) if it is impracticable or unduly burdensome, in the good faith determination of the Issuer, to maintain such listing due to changes in listing requirements occurring after the date of the Final Terms, or
- (2) if the Directive of the European Parliament and of the Council (2003/0045 (COD)) or any successor directive is adopted and is implemented in England in a manner that would require the Issuer to publish financial information according to accounting principles or standards that are materially different from United States generally accepted accounting principles,

application may be made to de-list the Notes from the Official List and from trading on the Market or such other exchange or competent authority specified in the applicable Final Terms and the Issuer shall use all reasonable efforts to obtain an alternative admission to listing, trading and/or quotation of the Notes by another competent authority, exchange or system within or outside the European Union as it may (with the approval of the managers of the relevant issue of Notes, such approval not to be unreasonably withheld) decide. Notice of any de-listing and alternative admission will be given pursuant to Condition 19 (*Notices*).

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

CORPORACIÓN ANDINA DE FOMENTO

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the

U.S.\$2,500,000,000
Medium Term Note Programme

PART A – CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 20 September 2010 [and the supplemental Offering Circular dated [date]]. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Offering Circular dated 20 September 2010 [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

- | | |
|---|-------------------------------|
| 1. Issuer: | Corporación Andina de Fomento |
| 2. (i) [Series Number:] | [] |
| (ii) [Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | [] |
| 3. Specified Currency or Currencies: | [] |
| 4. Aggregate Nominal Amount | |
| (i) [Series:] | [] |
| (ii) [Tranche: | []] |

5. Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) [Specified/Authorised]¹ Denominations: [] []^{2, 3}
(ii) Calculation Amount []
7. [(i)] Issue Date: []
[(ii)] Interest Commencement Date (if different from the Issue Date): [Specify/Issue date/Not Applicable]
8. Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in or, if unavailable, nearest to the relevant month and year]

[If the Maturity Date is earlier than the first anniversary of the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from Section 19 of the FSMA must be available.]
9. Interest Basis: [●% Fixed Rate]
[[specify reference rate] +/- ● per cent. Floating Rate]
[Zero Coupon]
[Index-Linked Interest]
[Other (specify)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Notes: Unsubordinated
14. Method of distribution: [Syndicated/Non-syndicated]

1. Select “Authorised” in the case of an issue of Restricted Notes, and insert a minimum denomination of U.S.\$250,000 (or the equivalent in other currencies).

2. Insert a minimum denomination of €50,000 for Notes admitted to the Official List of the United Kingdom Financial Services Authority and to trading on the Regulated Market of the London Stock Exchange plc and/or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system in the European Union.

3. Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be received by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest: []% per annum [payable [annually/semi-annually/quarterly/ monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
- (iv) Broken Amount(s): [[Initial/Final] broken amount of [] per Calculation Amount, payable on [date]]
- (v) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]/ISDA/other
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
(Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis. Also consider what should happen to unmatured Coupons in the event of early redemption of the Notes.)
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)
- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (iii) Additional Business Centre(s): [Not Applicable/give details]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ ISDA Determination/other (give details)]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent]): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]
- (vi) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
 - Interest Determination Date(s): []
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]

- Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]*
- (vii) ISDA Determination:
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- (viii) Margin(s): *[+/-] []% per annum*
- (ix) Minimum Rate of Interest: []% per annum
- (x) Maximum Rate of Interest: []% per annum
- (xi) Day Count Fraction: []
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
- 17. Zero Coupon Note Provisions** *[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: []% per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: *[Consider whether it is necessary to specify a Day Count Fraction]*
- 18. Index-Linked Interest Note Provisions** *[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: *[Give or annex details]*
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) if not the Fiscal Agent: []
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: []
- (iv) Specified Period(s) or calculation period/ Specified Interest Payment Dates: []
- (v) Business Day Convention: *[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]*
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: []% per annum
- (viii) Maximum Rate of Interest: []% per annum
- (ix) Day Count Fraction: []
- 19. Dual Currency Note Provisions** *[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) if not the Fiscal Agent []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

- 20. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Optional Redemption Date(s) (Call): []
 - (ii) Optional Redemption Amount(s) (Call) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [] per Calculation Amount
 - (b) Maximum Redemption Amount: [] per Calculation Amount
 - (iv) Notice period (if other than as set out in the Conditions):⁴ []
- 21. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Optional Redemption Date(s) (Put): []
 - (ii) Optional Redemption Amount(s) (Put) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
 - (iii) Notice period (if other than as set out in the Conditions):⁴ []
- 22. **Final Redemption Amount** [[●] per Calculation Amount
- 23. **Early Redemption Amount** [Not Applicable (if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/ specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):

4. If setting notice periods which are different than those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and its Fiscal Agent and Registrar.

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. **Form of Notes:**
- Bearer Notes:**
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]
[Temporary Global Note exchangeable for Definitive Notes on [] days' notice.]
[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note].
- Registered Notes:**
[specify and refer to common safekeeper if contemplated that Notes will be held under the New Safekeeping Structure (NSS)]
[Applicable/Not Applicable]⁵
25. New Global Note Form: [Applicable/Not Applicable]⁵
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which items 15(ii), 16(iii) and 18(vi) relate]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
29. Details relating to instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 22 (*Redenomination, Renominatisation and Reconventioning*)] [annexed to these Final Terms] apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition 18 (*Further Issues*)] [annexed to these Final Terms] apply]
32. Other final terms: [Not Applicable/give details/[Condition 25 (*De-Listing*) applies]]

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilising Manager(s) (if any): [Not Applicable/give name(s)]
34. If non-syndicated, name of Manager: [Not Applicable/give name]

5. If "Not Applicable" is specified here ensure that "Not Applicable" is specified for Eurosystem eligibility in the relevant paragraph of section 3 of Part B of the Final Terms and if "Applicable" is specified here ensure that the appropriate specification is made in respect of Eurosystem eligibility in the relevant paragraph of section 3 of Part B of the Final Terms.

- 35. TEFRA: [Not Applicable/The [C/D] Rules are applicable]
- 36. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the [specify relevant stock exchange/market] of the Notes described herein pursuant to the U.S.\$2,500,000,000 Medium Term Note Programme of Corporación Andina de Fomento.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of CORPORACIÓN ANDINA DE FOMENTO:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc with effect from [●].] [*other*] [Not Applicable.]

2. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as disclosed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

3. OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

CUSIP [●]

CINS: [●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, societe anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

Intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable⁶/Yes/No]
[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [*include this text for registered notes*]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [*Include this text if “yes” selected in which case [the] [bearer] Global Notes must be issued in NGN form.*]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [●]

Exchange Agent: [●]

Transfer Agent: [●]

6. Specify “Not Applicable” if the Notes being issued are Classic Global Notes/CGNs.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Notes will be used by the Issuer for corporate general purposes, including but not limited to the funding of its lending operations.

CORPORACIÓN ANDINA DE FOMENTO

CAF was established in 1968 pursuant to the *Agreement establishing the Corporación Andina de Fomento* (the “Constitutive Agreement”), an international treaty, and seeks to foster and promote economic development within Latin America and the Caribbean. CAF is a multilateral financial institution, the principal shareholders of which are the current contracting parties to the Constitutive Agreement – the Plurinational State of Bolivia, the Republics of Colombia, Ecuador, Panama and Peru, the Federative Republic of Brazil, the Oriental Republic of Uruguay and the Bolivarian Republic of Venezuela, each of which is referred to in this Offering Circular as a full member shareholder country and which are referred to collectively in this Offering Circular as the full member shareholder countries. The full member shareholder countries collectively accounted for 77.2%⁽¹⁾ of the nominal value of CAF’s paid-in capital at 31 December 2009. The other shareholder countries of CAF are Argentina, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Paraguay, Spain and Trinidad and Tobago, each of which are referred to in this Offering Circular as an associated shareholder country and which are referred to collectively in this Offering Circular as the associated shareholder countries. CAF’s associated shareholder countries collectively accounted for 22.8%⁽²⁾ of the nominal value of CAF’s paid-in capital at 31 December 2009. CAF’s shares are also held by 14 financial institutions based in the full member shareholder countries, which collectively accounted for 0.1% of the nominal value of CAF’s paid-in capital at 31 December 2009. CAF commenced operations in 1970. CAF’s headquarters are in Caracas, Venezuela, and it has regional offices in Bogotá, Brasilia, Buenos Aires, La Paz, Lima, Panama City, Montevideo, Madrid and Quito.

CAF offers financial and related services to the governments of, and public and private institutions, corporations and joint ventures in, its shareholder countries. Primarily, CAF provides short, medium and long-term loans and guarantees; to a lesser extent, CAF also participates as a limited equity investor in corporations and investment funds, and provides technical and financial assistance, as well as administrative services for certain regional funds.

The Constitutive Agreement generally delegates to CAF’s Board of Directors the power to establish and direct its financial, credit and economic policies. CAF’s Board of Directors has adopted a formal statement of CAF’s financial and operational policies, the *Políticas de Gestión*. These operational policies provide CAF’s management with guidance as to significant financial and operational issues, and they may not be amended by the Board of Directors in any manner inconsistent with the Constitutive Agreement. In 1996, the Constitutive Agreement was amended to include and further increase certain lending and borrowing limitations previously set forth in these operational policies. See “Operations of CAF – Credit Policies”.

CAF raises funds for operations both within and outside its shareholder countries. CAF’s strategy with respect to funding, to the extent possible under prevailing market conditions, is to match the maturities of its liabilities to the maturities of its loan portfolio.

CAF’s objective is to support sustainable development and economic integration within Latin America and the Caribbean by helping its shareholder countries make their economies diversified, competitive and more responsive to social needs.

(1) Brazil, Panama and Uruguay became full member shareholder countries after 31 December 2009; on 31 December 2009, only Bolivia, Colombia, Ecuador, Peru and Venezuela were full member shareholder countries.

(2) On 31 December 2009 Brazil, Panama and Uruguay were associated shareholder countries along with Argentina, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Paraguay, Spain and Trinidad and Tobago.

LEGAL STATUS OF CAF

As an international treaty organization, CAF is a legal entity under public international law. CAF has its own legal personality, which permits CAF to enter into contracts, acquire and dispose of property and take legal action. The Constitutive Agreement has been ratified by the legislature in each of the full member shareholder countries. CAF has been granted the following immunities and privileges in each full member shareholder country:

- (1) immunity from expropriation, search, requisition, confiscation, seizure, sequestration, attachment, retention or any other form of forceful seizure by reason of executive or administrative action by any of the full member shareholder countries and immunity from enforcement of judicial proceedings by any party prior to final judgment;
- (2) free convertibility and transferability of CAF's assets;
- (3) exemption from all taxes and tariffs on income, properties or assets, and from any liability involving payment, withholding or collection of any taxes; and
- (4) exemption from any restrictions, regulations, controls or moratoria with respect to CAF's property or assets.

In addition, CAF has entered into agreements with each of its associated shareholder countries, except Chile (ratification by Chile is currently pending). Pursuant to these agreements, each country has agreed to extend to CAF, with respect to its activities in and concerning that country, immunities and privileges similar to those CAF has been granted in the full member shareholder countries.

The governments of some of CAF's shareholder countries have historically taken actions, such as nationalizations and exchange controls, that would be expected to adversely affect ordinary commercial lenders. In light of the immunities and privileges discussed above, we have not been adversely affected by these actions.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth CAF's capitalization and indebtedness at 30 June 2010 and does not give effect to any transaction since that date.

| | <i>At 30 June 2010 (in U.S.\$ millions)</i> |
|---|---|
| Short-term debt ⁽¹⁾ | \$ 5,601.9 |
| Long-term debt (maturities over one year) | \$ 6,015.3 |
| Stockholders' Equity | |
| Capital | |
| Subscribed, paid-in and receivable capital (authorized capital \$10.0 billion) ⁽²⁾ | 3,278.2 |
| Less: Capital receivable..... | (553.2) |
| | 2,725.1 |
| Paid-in capital..... | 460.7 |
| Additional paid-in capital..... | 460.7 |
| | 3,185.8 |
| Reserves | |
| Mandatory reserve | 382.2 |
| General reserve | 1,774.8 |
| | 2,157.0 |
| Total reserves | 2,157.0 |
| Retained earnings | 83.5 |
| | 5,426.3 |
| Total stockholders' equity | 5,426.3 |
| | \$ 11,514.2 |

(1) Includes deposits, commercial paper, the current portion of bonds, borrowings and other obligations, accrued interest, commissions payable and the current portion of derivative instruments.

(2) In addition to subscribed capital shown in the table, CAF's subscribed capital also includes callable capital of \$1.3 billion at 30 June 2010.

CAPITAL STRUCTURE

General

As of the date of this Offering Circular, CAF's authorized capital is \$10.0 billion, of which \$6.5 billion will be paid-in capital and \$3.5 billion will be callable capital.

CAF's shares are divided into Series "A" shares, Series "B" shares and Series "C" shares.

Series "A" shares may be owned only by the full member shareholder countries. Each full member shareholder 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 full member shareholder countries owning a Series "A" share is entitled to elect one Director and one Alternate Director to CAF's Board of Directors.

Series "B" shares are currently owned by Bolivia, Colombia, Ecuador, Panama, Peru, Brazil, Uruguay and Venezuela and are held by the governments either directly or through designated governmental entities, except for certain Series "B" shares, constituting 0.1% of CAF's outstanding shares, which as of 31 December 2009 were owned by 14 private sector financial institutions in the full member shareholder countries. CAF offered and sold Series "B" shares to private sector financial institutions in 1989 in order to obtain the benefit of their views in the deliberations of CAF's Board of Directors. Currently, Bolivia, Colombia, Ecuador, Peru and Venezuela, as owners of Series "B" shares, collectively are entitled to elect five additional Directors and five Alternate Directors through cumulative voting, and the 14 private sector owners of Series "B" shares collectively are entitled to elect one Director and one Alternate Director.

Series "C" shares are currently owned by Argentina, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Paraguay, Spain and Trinidad and Tobago. CAF makes available Series "C" shares for subscription by countries which are not full member shareholder countries in order to strengthen links between these countries and the full member shareholder countries. Ownership of Series "C" shares by these countries makes entities in these countries that deal with entities in full member shareholder countries eligible to receive loans from CAF with respect to these dealings. Holders of Series "C" shares collectively are entitled to elect two Directors and two Alternate Directors.

Under the Constitutive Agreement, Series "A" shares may only be held by or transferred to governments or government-designated social or public purpose institutions. Series "B" shares also may be held by or transferred to such entities and, in addition, may be held by or transferred to private corporations or individuals, except that no more than 49% of the Series "B" shares within any country may be held by private shareholders. Series "C" shares may be held by or transferred to public or private entities outside the full member shareholder countries. Unless a shareholder country withdraws, Series "A" and Series "B" shares may only be transferred within such country.

An amendment to the Constitutive Agreement became effective on 9 July 2008, which (i) allows, under certain circumstances, Latin American and Caribbean countries, including those that are currently associated shareholder countries, to own Series "A" shares and (ii) expands CAF's formal purpose to include supporting sustainable development and economic integration within all of Latin America and the Caribbean, as opposed to within only the Andean region. Consequently, on 17 March 2009, CAF's Extraordinary Shareholder's Meeting approved the terms and conditions precedent by which Argentina, Brazil, Panama, Paraguay and Uruguay may become contracting parties to the Constitutive Agreement, may become full member shareholder countries and may own Series "A" shares. As of the date of this Offering Circular, Brazil, Panama and Uruguay have ceased to be Series "C" shareholder countries, have adhered to the Constitutive Agreement and now possess Series "A" shares.

Note:

All figures at 31 December 2009 which reference full member shareholder countries only include the Plurinational State of Bolivia, the Republics of Colombia, Ecuador and Peru, and the Bolivarian Republic of Venezuela. All figures at 31 December 2009 which reference "associated shareholder countries" encompass all other shareholder countries, which include associated shareholder countries that became full member shareholder countries after such date.

Similarly, use of the term "full member shareholder countries" without any date referenced thereto includes all countries which currently enjoy said status (the Plurinational State of Bolivia, the Federative Republic of Brazil, the Republics of Colombia, Ecuador, Panama and Peru, the Oriental Republic of Uruguay, and the Bolivarian Republic of Venezuela). Use of the term "associated

shareholder countries” without any referenced date includes all other shareholder countries that are not currently full member shareholder countries.

Paid-in Capital and Capital Receivable

At 31 December 2009, CAF’s subscribed paid-in and receivable capital was \$2.8 billion, of which \$2.5 billion was paid-in capital and \$324.5 million was capital receivable in installments. Over the years, CAF has had several increases of subscribed capital. CAF’s most recent capital increases occurred in 2008 and 2009.

Since 1990, capital contributions to CAF have included a premium (valor patrimonial) paid on each share purchased. This premium is in addition to the nominal \$5,000 per share value established by CAF’s by-laws. The premium is determined at the beginning of each subscription and applies to all payments under that subscription.

A list of selected capital contributions follows:

Argentina

In 2001, the Republic of Argentina subscribed to paid-in capital of \$25.0 million, which was paid in full in 2005. Also, in 2005, Argentina subscribed to an additional paid-in capital increase of \$75.0 million, which was paid in full in 2008.

In 2007, Argentina entered into an agreement to subscribe to an additional \$543.0 million in Series “C” shares, of which it paid \$315.0 million in 2009 with the balance to be paid in two installments.

In 2009, Argentina subscribed to an additional \$190.0 million in Series “C” shares, to be paid in seven installments beginning in 2011.

Additionally, Argentina has formally expressed its intention to become a contracting party to the Constitutive Agreement. Subject to the satisfaction of certain conditions precedent, the subscription agreement contemplates the issuance of one Series “A” share to Argentina.

Bolivia

In 2002, the Plurinational State of Bolivia subscribed to a paid-in capital increase of \$19.7 million, which was paid in six installments ending in 2008.

In 2009, Bolivia subscribed to an additional \$105.0 million in Series “B” shares, to be paid in eight installments. As of the date of this Offering Circular, Bolivia paid \$5.0 million, representing its full 2010 payment obligation.

Brazil

In 2003, the Federative Republic of Brazil subscribed to an additional capital contribution of \$50.0 million, which was paid in full in 2005.

In 2007, Brazil entered into an agreement to subscribe to an additional \$467.0 million in Series “C” shares, of which it paid \$234.4 million in 2009 with the balance to be paid in 2010.

In 2009, Brazil subscribed to an additional \$190.0 million in Series “C” shares to be paid in seven installments and \$126.0 million in callable capital.

In 2010, upon completion of all requirements to become a full member shareholder country, Brazil acquired a \$1.2 million Series “A” share and exchanged all of its Series “C” ordinary and callable capital shares for Series “B” shares equivalents.

Chile

In 2007, the Republic of Chile subscribed to an additional \$50.0 million in Series “C” shares, which was paid in full in the same year.

Colombia

In 2002, the Republic of Colombia subscribed to a paid-in capital increase of \$95.2 million, which was paid in six installments ending in 2007.

In 2009, Colombia subscribed to an additional \$20.0 million in Series “B” shares, which was paid in full in 2010.

Costa Rica

In 2006, Costa Rica paid in full its subscribed capital of \$20.0 million.

Dominican Republic

In 2004, the Dominican Republic entered into an agreement to purchase Series “C” shares for a total capital contribution of \$50.0 million, which was paid in full in 2009.

In 2009, the Dominican Republic subscribed to an additional \$17.0 million in Series “C” shares to be paid in eight installments.

Ecuador

In 2002, the Republic of Ecuador subscribed to a paid-in capital increase of \$19.7 million, which was paid in four installments ending in 2006.

In 2009, Ecuador subscribed to an additional \$105.0 million in Series “B” shares to be paid in eight installments. As of the date of this Offering Circular, Ecuador paid a \$5.0 million advance on its 2010 payment obligations.

Panama

In 2005, the Republic of Panama subscribed to an additional capital contribution of \$10.0 million, which was paid in full in 2009.

In 2008, Panama entered into an agreement to subscribe to an additional \$170.0 million in Series “C” shares, of which it paid \$50.0 million in 2009, with the balance to be paid in four annual installments ending in 2013.

In 2009, Panama subscribed to an additional \$55.0 million in Series “C” shares to be paid in seven installments.

In 2010, Panama subscribed to \$36.0 million in callable capital.

In 2010, upon completion of all requirements to become a full member shareholder country, Panama acquired a \$1.2 million Series “A” share and exchanged all of its Series “C” ordinary and callable capital shares for Series “B” shares equivalents.

Paraguay

In 2008, the Republic of Paraguay entered into an agreement to subscribe to an additional \$189.0 million in Series “C” shares, of which it paid \$15.0 million in 2009 with the balance to be paid in five annual installments.

In 2009, Paraguay subscribed to an additional \$81.0 million in Series “C” shares to be paid in seven installments.

Peru

In 2002, the Republic of Peru subscribed to a paid-in capital increase of \$70.2 million, which was paid in full in 2006.

In 2009, Peru subscribed to an additional \$380.0 million in Series “B” shares to be paid in eight installments.

Portugal

In 2009, Portugal subscribed to EUR 15.0 million in Series “C” shares to be paid in four installments and EUR 60.0 million in callable capital.

Spain

In 2002, Spain subscribed to paid-in capital of \$100.0 million, which was paid in full in 2004. Spain also subscribed to callable capital of \$200.0 million.

Recently, in 2010, Spain subscribed to an additional \$327.0 million of paid-in capital, to be paid in five annual and equal installments until 2014.

Trinidad and Tobago

In 2009, Trinidad and Tobago entered into an agreement to subscribe to Series “C” shares for a total capital contribution of \$6.0 million, of which it paid \$2.0 million in 2009, with the balance to be paid in four annual installments ending in 2013.

Uruguay

In 2001, Uruguay subscribed to paid-in capital of \$5.0 million, which was paid in full in 2004.

In 2002, Uruguay subscribed to an additional \$15.0 million of paid-in capital, which was paid in full in 2006.

In 2004, Uruguay subscribed to an additional capital contribution of \$20.0 million, which was paid in full in 2008.

In 2007, Uruguay entered into an agreement to subscribe to an additional \$137.0 million in Series “C” shares, of which it has paid \$54.0 million in 2009 with the balance to be paid in three annual installments ending in 2012.

In 2009, Uruguay subscribed to an additional \$55.0 million in Series “C” shares to be paid in seven installments.

In 2009, Uruguay subscribed to \$36.0 million in callable capital.

In 2010, upon completion of all requirements to become a full member shareholder country, Uruguay acquired a \$1.2 million Series “A” share and exchanged all of its Series “C” ordinary and callable capital shares for Series “B” shares equivalents.

Venezuela

In 2002, the Bolivarian Republic of Venezuela subscribed to a paid-in capital increase of \$70.2 million, which was paid in four installments ending in 2006.

In 2009, Venezuela subscribed to an additional \$380.0 million in Series “B” shares to be paid in eight installments.

As of the date of this Offering Circular, all shareholder countries were current in their capital payments. The following table sets out the nominal value of CAF's subscribed paid-in capital and capital receivable as of 31 December 2009:

| <u>Shareholders</u> | <u>Paid-in Capital</u> | <u>Capital Receivable</u> |
|---|------------------------------|---------------------------|
| | <i>(in U.S.\$ thousands)</i> | |
| Series "A" Shares: | | |
| Bolivia..... | \$1,200 | \$ — |
| Colombia | 1,200 | — |
| Ecuador | 1,200 | — |
| Peru | 1,200 | — |
| Venezuela..... | 1,200 | — |
| Series "B" Shares: | | |
| Bolivia..... | 150,655 | — |
| Colombia | 537,265 | 4,190 |
| Ecuador | 151,885 | — |
| Peru | 536,400 | — |
| Venezuela..... | 536,390 | — |
| Private sector financial institutions | 1,535 | — |
| Series "C" Shares: | | |
| Argentina..... | 170,745 | 86,365 |
| Brazil | 156,705 | 88,115 |
| Chile | 22,305 | — |
| Costa Rica..... | 13,245 | — |
| Dominican Republic..... | 23,495 | — |
| Jamaica | 735 | — |
| Mexico | 18,980 | — |
| Panama | 30,045 | 42,405 |
| Paraguay..... | 12,655 | 61,480 |
| Spain..... | 62,860 | — |
| Trinidad and Tobago | 1,535 | 1,415 |
| Uruguay..... | 52,210 | 40,575 |
| Total | <u>\$ 2,485,645</u> | <u>\$ 324,545</u> |

Reserves

Article 42 of the Constitutive Agreement requires that at least 10% of CAF's net income in each year be allocated to a mandatory reserve until that reserve amounts to 50% of subscribed capital. The mandatory reserve can be used only to offset losses. CAF also maintains a general reserve to cover contingent events and as a source of funding of last resort in the event of temporary illiquidity or when funding in the international markets is not available or is impractical. The general reserve is invested in short-term securities and certificates of deposit that are easily convertible into cash. The mandatory reserves are accounting reserves.

At 31 December 2009, CAF's reserves totaled \$2.0 billion. At such date, the mandatory reserve amounted to \$358.7 million, or 12.8% of subscribed paid-in and receivable capital, and the general reserve amounted to \$1.7 billion.

Callable Capital

In addition to CAF's subscribed paid-in and receivable capital, CAF's shareholders have subscribed to callable capital totaling \$1.3 billion at 31 December 2009. CAF's callable capital may be called by the Board of Directors to meet CAF's obligations only to the extent that CAF is unable to meet such obligations with its 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, CAF considers 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. If the callable capital were to be called, the Constitutive Agreement requires that the call be prorated among shareholders in proportion to their shareholdings.

SELECTED FINANCIAL INFORMATION

The following selected financial information as of and for the year ended 31 December 2009 has been derived from CAF's financial statements for that period, which were audited by Lara Marambio & Asociados, a member firm of Deloitte Touche Tohmatsu Limited. The following selected financial information as of and for the years ended 31 December 2008 and 2007 has been derived from CAF's financial statements for those periods, which were audited by Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez) a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity (hereafter "KPMG in Venezuela"). The audit reports have been included on pages F-4 and F-5 of this document. CAF's financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The selected financial information as of and for the six-month periods ended 30 June 2010 and 30 June 2009 has been derived from CAF's unaudited condensed interim financial information and includes adjustments, consisting of normal recurring adjustments, that CAF considers necessary for a fair presentation of its financial position at such dates and CAF's results of operations for such periods. The results of the six-month period ended 30 June 2010 are not necessarily indicative of results to be expected for the full year 2010. The selected financial information should be read in conjunction with CAF's audited financial statements and notes thereto, CAF's unaudited interim financial information and the notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular.

| | <i>Year Ended 31 December</i> | | | <i>Six Months Ended 30 June (Unaudited)</i> | |
|--|-------------------------------|-----------------------------|--------------|---|--------------|
| | <i>2009</i> | <i>2008</i> | <i>2007</i> | <i>2010</i> | <i>2009</i> |
| <i>(in U.S.\$ thousands, except ratios)</i> | | | | | |
| Income Statement Data | | | | | |
| Interest income | \$ 483,853 | \$ 652,380 | \$ 823,644 | \$ 173,961 | \$ 279,208 |
| Interest expense | (188,725) | (327,927) | (413,929) | (78,974) | (102,923) |
| Net interest income | 295,128 | 324,453 | 409,715 | 94,987 | 176,285 |
| Provision (credit) for loan losses | (1,656) | (22,970) | (23,133) | 4,262 | (1,924) |
| Net interest income after provision (credit) | 296,784 | 347,423 | 432,848 | 90,725 | 178,209 |
| Non-interest income | 13,997 | 9,531 | 31,537 | 1,882 | 1,608 |
| Non-interest expenses | (62,709) | (58,963) | (51,308) | (30,561) | (28,664) |
| Net income before changes arising from fair value | 248,072 | 297,991 | 413,077 | 62,046 | 151,153 |
| Changes arising from fair value hedges ... | (13,363) | 13,483 | (12,278) | 21,501 | (2,326) |
| Net income | \$ 234,709 | \$ 311,474 | \$ 400,799 | \$ 83,547 | \$ 148,827 |
| Balance Sheet Data (end of period) | | | | | |
| Current assets (net of allowance) ⁽¹⁾ | \$ 6,063,690 ⁽⁶⁾ | \$ 5,673,903 ⁽⁶⁾ | | \$ 6,688,220 | |
| Non-current assets | 9,823,379 ⁽⁶⁾ | 8,538,118 ⁽⁶⁾ | | 10,355,146 | |
| Total assets | <u>\$15,887,069</u> | <u>\$14,212,021</u> | | <u>\$17,043,366</u> | |
| Current liabilities ⁽²⁾ | 4,605,709 ⁽⁶⁾ | 4,347,863 ⁽⁶⁾ | | 5,601,913 | |
| Long-term liabilities | 5,994,556 ⁽⁶⁾ | 5,310,245 ⁽⁶⁾ | | 6,015,250 | |
| Total liabilities | 10,600,265 | 9,658,108 | | 11,617,163 | |
| Total stockholders' equity | 5,286,804 | 4,553,913 | | 5,426,203 | |
| Total liabilities and stockholders' equity . | <u>\$15,887,069</u> | <u>\$14,212,021</u> | | <u>\$17,043,366</u> | |
| Loan Portfolio and Equity Investments (end of period) | | | | | |
| Total loans | \$11,686,689 | \$10,184,068 | \$ 9,547,987 | \$12,574,143 | \$10,482,058 |
| Allowance for loan losses | 143,911 | 143,167 | 168,257 | 148,264 | 141,246 |
| Equity investments | 85,482 | 75,066 | 74,317 | 92,895 | 80,029 |
| Selected Financial Ratios | | | | | |
| Return on average total stockholders' equity ⁽³⁾ | 4.7% | 7.2% | 10.5% | 3.1% | 6.1% |
| Return on average paid-in capital ⁽⁴⁾ | 9.9% | 14.9% | 20.4% | 6.3% | 12.5% |
| Return on average assets ⁽⁵⁾ | 1.6% | 2.4% | 3.6% | 1.0% | 2.0% |
| Administrative expenses divided by average assets* | 0.4% | 0.4% | 0.5% | 0.4% | 0.4% |
| Overdue loan principal as a percentage of loan portfolio (excluding non-accrual loans) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Non-accrual loans as a percentage of loan portfolio | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Allowance for losses as a percentage of loan portfolio | 1.2% | 1.4% | 1.8% | 1.2% | 1.3% |

(1) Includes cash, deposits, trading, other investments, accrued interest and commissions receivable, loans with remaining maturities less than one year and the current portion of derivative instruments minus allowance for losses.

(2) Includes deposits, commercial papers, advances and short term borrowings, accrued interest payable, bonds with remaining maturities less than one year, borrowings and other obligations with remaining maturities less than one year and the current portion of derivative instruments.

(3) Net income divided by average total stockholders' equity.*

(4) Net income divided by average subscribed and paid-in capital.*

(5) Net income divided by average total assets.*

(6) Amounts have been reclassified to conform to June 30, 2010.

* For the six-month periods, the amounts have been annualized.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with CAF's audited financial statements and notes thereto beginning on page F-6 and the unaudited interim financial information and notes thereto beginning on page F-35 of this Offering Circular.

Summary of Results

During the three years ended 31 December 2009, CAF's net income decreased at a compound average annual rate of approximately 23.5%. CAF's net income for the year ended 31 December 2009 was \$234.7 million, representing a decrease of \$76.8 million, or 24.6%, over net income for 2008. This decrease resulted principally from the decrease in market interest rates. For the year ended 31 December 2008, CAF's net income was \$311.5 million, representing a decrease of \$89.3 million, or 22.3%, over net income of \$400.8 million for 2007. This decrease resulted principally from a decrease in market interest rates.

CAF's net income for the six-month period ended 30 June 2010 was \$83.5 million, representing a decrease of \$65.3 million, or 43.9%, compared to net income of \$148.8 million for the corresponding period in 2009. This decrease resulted principally from the decline in market interest rates compared to the same period in 2009.

The reported percentage increase (decrease) in real GDP for 2009 for each of the full member shareholder countries was as follows: Bolivia, 3.4%; Brazil, (0.2%); Colombia, 0.4%; Ecuador, 0.4%; Panama, 2.4%; Peru, 0.9%; Uruguay, 2.9%; and Venezuela, (3.3%).

During 2009 and 2008, the financial crisis and global economic recession affected CAF's business, but thus far these events have not had a material adverse effect on CAF's results of operations or financial position. Based on CAF's investment strategy and given its investment guidelines, CAF's liquid investment portfolio is of short duration and has no material exposure to structured products such as mortgage-backed or asset-backed securities. As a result, CAF's net unrealized losses on this portfolio were immaterial during 2008 and 2009 and were attributable principally to two defaulted securities in 2008, which represented 0.3% of CAF's total liquid assets at 31 December 2008. In addition, the widening of credit spreads during 2008 and 2009 increased CAF's borrowing costs, the effect of which was partially offset by increases in the interest rates CAF charges its borrowers. Also, lower rates for LIBOR, which is the basis for the interest payable on both CAF's external debt and on the loans in CAF's loan portfolio, resulted in a lower net interest margin for CAF's business. Moreover, CAF continues to have no non-performing loans despite the economic deterioration during 2008 and 2009. Management anticipates that CAF's loan portfolio will continue to grow as a result of CAF's strategy to expand its shareholder base, principally through additional capital subscriptions by several of CAF's existing shareholder countries as well as the issuance of shares to new shareholder countries, which may result in increased loan demand for projects in such countries. Additionally, the financial crisis and recession increased demand for CAF's loans in its shareholder countries. CAF does not expect that its loan portfolio will be materially affected by the activities of other development banks in the region, since financing needs by its shareholder countries exceed the current supply of lending resources; CAF believes that activities of other development banks are complementary to its lending operations.

Moreover, certain recent developments, such as the European sovereign debt crisis, the fluctuations in commodity prices and the Gulf of Mexico oil spill, have not impacted CAF's operations. CAF has no outstanding loans to European Union countries in its loan portfolio, and CAF's exposure to European Union countries in its liquidity portfolio is principally in the form of securities and is not material in amount.

Critical Accounting Policies

General

CAF's financial statements are prepared in accordance with U.S. GAAP, which requires CAF in some cases to use estimates and assumptions that may affect its reported results and disclosures. CAF describes its significant accounting policies in Note 1 ("Significant Accounting Policies") to CAF's audited financial statements. CAF believes that some of the more significant accounting policies CAF uses to present its financial results, discussed below, involve the use of accounting estimates that it considers to be critical because: (1) they require significant management judgment and assumptions about matters that are complex and inherently uncertain; and (2) the use of a different estimate or a

change in estimate could have a material impact on CAF's reported results of operations or financial condition. Specifically, the estimates CAF uses to determine the allowance for loan losses are critical accounting estimates.

Additionally, the fair values for all the financial assets and liabilities recorded in CAF's financial statements are determined according to the procedures established by the accounting pronouncement SFAS 157 (codified in ASC 820). CAF has not changed or reclassified any transaction from one level to another pursuant to the hierarchy reflected in the SFAS 157 (codified in ASC 820), thereby maintaining consistency in the application of accounting principles in this matter.

Income Statement

Interest Income

Six Months Ended 30 June 2010 and 2009. For the six-month period ended 30 June 2010, CAF's interest income was \$174.0 million, representing a decrease of \$105.2 million, or 37.7%, compared to interest income of \$279.2 million for the corresponding period in 2009. This decrease resulted principally from a decline in market interest rates, to which rates on CAF's loans are related, that more than offset the impact of increased outstanding loan levels.

2009, 2008 and 2007. For the year ended 31 December 2009, CAF's interest income was \$483.9 million, representing a decrease of \$168.5 million, or 25.8%, compared to interest income of \$652.4 million for the year ended 31 December 2008. This decrease resulted principally from a decline in market interest rates. Interest income for the year ended 31 December 2008 represented a decrease of \$171.3 million, or 20.8%, compared to interest income of \$826.64 million for the year ended 31 December 2007. This decrease resulted principally from a decline in market interest rates, to which rates on CAF's loans are related, that more than offset the impact of increased outstanding loan levels.

Interest Expense

Six Months Ended 30 June 2010 and 2009. For the six-month period ended 30 June 2010, CAF's interest expense was \$79.0 million, representing a decrease of \$23.9 million, or 23.3%, over interest expense of \$102.9 million for the corresponding period in 2009. This decrease resulted principally from a decline in market interest rates.

2009, 2008 and 2007. For the year ended 31 December 2009, CAF's interest expense was \$188.7 million, representing a decrease of \$139.2 million, or 42.4%, from CAF's interest expense of \$327.9 million for the year ended 31 December 2008. This decrease resulted primarily from a decline in market interest rates. Interest expense for the year ended 31 December 2008 represented a decrease of \$86.0 million, or 20.8%, from CAF's interest expense of \$413.9 million for the year ended 31 December 2007. This decrease resulted principally from a decline in market interest rates.

Net Interest Income

Six Months Ended 30 June 2010 and 2009. For the six-month period ended 30 June 2010, CAF's net interest income was \$95.0 million, representing a decrease of \$81.3 million, or 46.1%, compared to net interest income of \$176.3 million for the corresponding period in 2009. CAF's net interest income margin decreased to 1.2% for the six-month period ended 30 June 2010, as compared to 2.6% for the corresponding period in 2009, principally as a result of a decline in market interest rates given CAF's high capitalization ratio.

2009, 2008 and 2007. For the year ended 31 December 2009, CAF's net interest income was \$295.1 million, representing a decrease of \$29.3 million, or 9.0%, compared to net interest income of \$324.5 million for the year ended 31 December 2008, which, in turn, represented a decrease of \$85.3 million, or 20.8%, compared to CAF's net interest income of \$409.7 million for the year ended 31 December 2007. CAF's net interest income margin was 2.1% in 2009, compared to 2.6% in 2008 and 4.1% in 2007. This decline in net interest income margin in 2009 resulted principally from a decline in market interest rates given CAF's high capitalization ratio.

Provision for Loan Losses

Six Months Ended 30 June 2010 and 2009. For the six-month period ended 30 June 2010, CAF recorded a provision for loan losses of \$4.3 million, compared with a credit for loan losses of \$1.9 million for the corresponding period in 2009. Changes in the provision for loan losses were mainly due to the corresponding increase of CAF's loan portfolio. The allowance for loan losses as a

percentage of the loan portfolio was 1.2% for the first six months of 2010, compared to 1.3% for the same period in 2009.

2009, 2008 and 2007. For the year ended 31 December 2009, CAF's credit for loan losses was \$1.7 million, compared to a credit for loan losses of \$23.0 million for the year ended 31 December 2008 and a credit for loan losses of \$23.1 million for the year ended 31 December 2007. The allowance for loan losses as a percentage of the loan portfolio was 1.2% for 2009, 1.4% for 2008 and 1.8% for 2007. This decrease over time is due to an improvement in some of CAF's shareholder countries' credit ratings.

The credits and provisions in the periods described above reflect management's estimates for both general and specific provisions. The specific provision is related to loans that have been adversely classified. The calculation of the amount set aside as the general provision is based on the sovereign ratings of the shareholder countries and their related probabilities of default, as provided by the major rating agencies, adjusted to take into account CAF's privileges and immunities in its full member shareholder countries. The specific provision is calculated according to the requirements of SFAS 114 (codified in ASC 310-10-35) and SFAS 118 (codified in ASC 310-10-35).

Non-Interest Income

CAF's non-interest income consists principally of commissions, dividends and equity in earnings of investments and other income.

Six Months Ended 30 June 2010 and 2009. For the six-month period ended 30 June 2010, CAF's non-interest income was \$1.9 million, representing an increase of \$0.3 million, or 17.0%, over non-interest income of \$1.6 million for the corresponding period in 2009. This increase resulted principally from an increase in other commissions.

2009, 2008 and 2007. For the year ended 31 December 2009, CAF's total non-interest income was \$14.0 million, representing an increase of \$4.5 million, or 46.9%, from total non-interest income of \$9.5 million for the year ended 31 December 2008, which represented a decrease of \$22.0 million, or 69.8%, compared to total non-interest income of \$31.5 million for the year ended 31 December 2007. The increase in total non-interest income in 2009 over 2008 resulted principally from an increase in dividends and equity in earnings of investees, and the decrease in 2008 as compared to 2007 resulted principally from a decrease in dividends, as well as a decrease in gains in equity investments.

Non-Interest Expenses

CAF's non-interest expenses consist principally of administrative expenses, representing more than 99.8% of total non-interest expenses in 2009.

Six Months Ended 30 June 2010 and 2009. For the six-month period ended 30 June 2010, CAF's non-interest expenses totaled \$30.6 million, representing an increase of \$1.9 million, or 6.6%, compared to non-interest expenses of \$28.7 million for the corresponding period in 2009. Non-interest expenses of 97.4% and 99.8% in the six-month periods ended 30 June 2010 and 2009, respectively, were comprised of administrative expenses. For the six-month period ended 30 June 2010, CAF's general and administrative expenses as a percentage of its total average assets were 0.37%, representing a slight decrease from 0.38% as compared to the same period in 2009.

2009, 2008 and 2007. For the year ended 31 December 2009, CAF's total non-interest expenses were \$62.7 million, representing an increase of \$3.7 million, or 6.4%, over total non-interest expenses of \$59.0 million for the year ended 31 December 2008, representing an increase of \$7.7 million, or 14.9%, over total non-interest expenses of \$51.3 million for the year ended 31 December 2007. The increase in 2009 resulted principally from an increase in administrative expenses given the expansion of CAF's full member shareholder country base and the creation of two business hubs located in CAF's offices in Panama and Uruguay.

For the year ended 31 December 2009, administrative expenses were \$62.6 million, or 0.4% of CAF's total average assets, representing an increase of \$6.1 million over administrative expenses for the year ended 31 December 2008. For the year ended 31 December 2008, administrative expenses were \$56.5 million, or 0.4% of total average assets, representing an increase of \$5.3 million over administrative expenses of \$51.2 million for the year ended 31 December 2007. These increases resulted principally from the impact of local currency expenses in Venezuela. Nevertheless, from 31 December 2007 to 31 December 2009, CAF's administrative expenses have decreased as a percentage of its total average assets.

Equity investments, which do not have readily determinable fair values, in which CAF has a participation of less than 20% of the investee's equity are required to be recorded at cost according to U.S. GAAP. Also, management is required to assess the value of these investments and determine whether any value impairment is temporary or other than temporary. Impairment charges must be taken once management has determined that the loss of value is other than temporary. As a result of the analysis of these equity investments, management determined impairment charges as follows: \$0 in 2009, \$1.2 million in 2008 and \$82 thousand in 2007. These impairment charges represented 0.0%, 1.5% and 0.1% of CAF's equity investments at 31 December 2009, 2008 and 2007, respectively.

The impairment charges were distributed as follows according to the type of investment:

| | 2009 | 2008 | 2007 |
|------------------------|------------------------------|-----------------|--------------|
| | <i>(In U.S.\$ thousands)</i> | | |
| Single companies..... | \$ — | \$ — | \$ — |
| Investment funds | \$ 0.0 | \$ 1,157 | \$ 82 |
| Total | <u>\$ 0.0</u> | <u>\$ 1,157</u> | <u>\$ 82</u> |

Balance Sheet

Total Assets and Liabilities

30 June 2010. At 30 June 2010, CAF's total assets were \$17.0 billion, representing an increase of \$1.2 billion, or 7.3%, over total assets of \$15.9 billion at 31 December 2009. At 30 June 2010, CAF's total liabilities were \$11.6 billion, representing an increase of \$1.0 billion, or 9.6%, over total liabilities of \$10.6 billion at 31 December 2009. The increase in assets resulted primarily from a corresponding increase in the loan portfolio and the increase in liabilities is explained by an increase in funding to respond to the demands for loans from borrowers in CAF's shareholder countries.

2009 and 2008. At 31 December 2009, CAF's total assets were \$15.9 billion, representing an increase of \$1.7 billion, or 11.8%, over total assets of \$14.2 billion at 31 December 2008. The increase in CAF's total assets principally reflected an increase in liquid assets as well as in the loan portfolio. At 31 December 2009, CAF's total liabilities were \$10.6 billion, representing an increase of \$0.9 billion, or 9.8%, over total liabilities of \$9.7 billion at 31 December 2008. The increase in CAF's total liabilities resulted from higher funding requirements.

Asset Quality

Overdue Loans

30 June 2010. There were \$0.0 overdue loans at 30 June 2010.

2009 and 2008. There were \$0.0 overdue loans at 31 December 2009. There were \$0.1 million in overdue loans at 31 December 2008.

Non-Accrual Loans

30 June 2010. There were \$0.0 loans in non-accrual status at 30 June 2010.

2009 and 2008. There were \$0.0 loans in non-accrual status at 31 December 2009 and \$0.0 in non-accrual status at 31 December 2008.

Restructured Loans

30 June 2010. At 30 June 2010, the total principal amount of outstanding restructured loans was \$3.6 million, or 0.03% of the total loan portfolio, all of which represented 1 loan to a private sector borrower in Bolivia. This represented the same level of total principal amount of outstanding restructured loans at 31 December 2009, which was \$3.6 million, or 0.03% of the total loan portfolio.

2009 and 2008. At 31 December 2009, the total principal amount of outstanding restructured loans was \$3.6 million, or 0.03% of the total loan portfolio, and was unchanged from the level at 31 December 2008. The total amount represented one loan to a private sector borrower in Bolivia.

Loan Write-offs and Recoveries

30 June 2010. There were \$0.0 loan write-offs during the six-month period ended 30 June 2010, and there were \$0.0 write-offs in the corresponding period of 2009. CAF booked recoveries of \$91.6

thousand during the six-month period ended 30 June 2010 and \$3.6 thousand during the corresponding period of 2009.

2009 and 2008. There were \$0.0 loan write-offs in 2009. A total of \$4.0 million of the principal amount of one loan was written off in 2008. CAF booked recoveries of \$2.4 million and \$1.9 million during 2009 and 2008, respectively.

See “Operations of CAF – Asset Quality” for further information regarding CAF’s asset quality. See “Operations of CAF – Loan Portfolio” for details regarding the distribution of CAF’s loans by country and economic sector.

Off-Balance Sheet Transactions

CAF enters into off-balance sheet arrangements in the normal course of CAF’s business to facilitate its business and objectives and reduce its exposure to interest rate and foreign exchange rate fluctuations. These arrangements, which may involve elements of credit and interest rate risk in excess of amounts recognized on CAF’s balance sheet, primarily include (1) credit agreements subscribed and pending disbursement, (2) lines and letters of credit for foreign trade and (3) partial credit guarantees of shareholder country obligations. For further discussion of these arrangements, see Note 20 (“Commitments and Contingencies”) to CAF’s audited financial statements.

Liquidity

CAF seeks to ensure adequate liquidity by maintaining liquid assets in an amount exceeding the greater of:

- (1) 45% of total undisbursed project loan commitments; and
- (2) 35% of the sum of CAF’s next 12 months’
 - (a) estimated debt service, plus
 - (b) estimated project loan disbursements.

CAF’s investment policy requires that at least 80% of CAF’s liquid assets be held in the form of investment grade instruments with a rating of A-/A3/A- or better by a U.S. nationally-recognized statistical rating organization. The remaining portion may be invested in non-investment grade instruments with a rating of B-/Ba3/B- or better by a U.S. nationally-recognized statistical rating organization. CAF’s investment policy emphasizes security and liquidity over yield.

30 June 2010. At 30 June 2010, CAF’s liquid assets consisted of \$3.8 billion of cash, time deposits and securities, of which 97.7% was invested in investment grade instruments with a rating of A-/A3/A- or better by a U.S. nationally-recognized statistical rating organization. At 30 June 2010, 40.3% of CAF’s liquid assets were invested in time deposits in financial institutions rated A-/A3/A- or better by a U.S. nationally-recognized statistical rating organization.

2009 and 2008. At 31 December 2009, CAF’s liquid assets consisted of \$3.7 billion of cash, time deposits and securities, of which 97.0% were invested in investment grade instruments with a rating of A-/A3/A- or better by a U.S. nationally-recognized statistical rating organization; 39.1% of CAF’s liquid assets were invested in time deposits in financial institutions rated of A-/A3/A- or better by a U.S. nationally-recognized statistical rating organization. At 31 December 2008, CAF’s liquid assets amounted to \$3.2 billion, of which 94.8% were invested in instruments with a rating of A-/A3/A- or better by a U.S. nationally-recognized statistical rating organization.

Strategy and Capital Resources

CAF’s business strategy is to provide financing for projects, trade and investment in the shareholder countries. Management expects CAF’s assets to grow in the future, which will increase CAF’s need for additional funding; likewise, maturing debt obligations will need to be replaced. In addition to scheduled capital increases, management anticipates a need to increase funds raised in the international capital markets and to maintain funding through borrowings from multilateral and other financial institutions. While the substantial majority of CAF’s equity will continue to be held by full member shareholder countries, CAF intends to continue offering equity participation to associated shareholder countries through the issuances of Series “C” shares to such countries. See “Capital Structure”.

CAF intends to continue its programs to foster sustainable growth within the shareholder countries, and to increase its support for the private sector within its markets, either directly or through financial intermediaries. See “Operations of CAF” below.

OPERATIONS OF CAF

CAF's purpose is to foster and promote economic development, social development and integration within the shareholder countries through the efficient use of financial resources in conjunction with both private sector and public sector entities. To accomplish CAF's objective, CAF primarily engages in short, medium and long-term loans and guarantees. To a lesser extent, CAF makes limited equity investments in funds and companies, and provides technical and financial assistance, as well as administrative services for certain regional funds.

CAF also provides lending for projects in associated shareholder countries, including but not limited to projects that promote trade or integration with full member shareholder countries.

Business Management of CAF

CAF's business management is divided into two broad functions: client relationship management and financial management.

Client Relationship Management

CAF's client relationship management function is conducted by a group of relationship managers and sector and product specialists who are responsible for the development, structuring, appraisal and implementation of CAF's lending activities. Clients are identified through direct contact, referrals from CAF's representative offices and referrals from third parties such as shareholders, multilateral institutions, international financial institutions and other clients.

CAF's client relationship management function is currently fulfilled by the following five departments, each headed by a Vice President:

- ***Country Programs***, which is responsible for CAF's relationships with governments, public sector corporations and financial institutions and for the development of a global approach to business activities in each of the shareholder countries;
- ***Infrastructure***, which is responsible for the financing of public infrastructure projects and the analysis of public policies within the different development sectors;
- ***Corporate and Financial Sector***, which is responsible for CAF's relationships with private sector corporations and financial institutions, while simultaneously furnishing advisory services to its clients;
- ***Social and Environmental Development***, which is responsible for investments in social and environmental areas and in micro, small and medium size enterprises; and
- ***Development Strategies and Public Policies***, which is responsible for developing strategies, policies and initiatives within CAF's mission and objectives, as well as coordinating the financing of SMEs (small and medium enterprises).

The client relationship management group is also responsible for reviewing and developing lending policies and procedures and for monitoring the quality of the loan portfolio on an ongoing basis. In these duties, the client relationship management group is assisted by CAF's Credit Administration Office and CAF's Corporate Comptroller Office.

Financial Management

CAF's financial management group is responsible for managing its funded debt, as well as its liquid assets. This group is responsible for developing, structuring, appraising and implementing CAF's borrowing activities. It is also responsible for reviewing and developing policies and procedures for the monitoring of CAF's financial well-being and for the proper management of liquidity. The financial management group is headed by the Vice President of Finance.

The asset distribution group is a part of the financial management group, and it has two basic responsibilities:

- (1) structuring "A/B" loan transactions in which CAF loans a portion of the total amount and other financial institutions loan the remainder; and
- (2) selling loans to international banks interested in increasing their exposure in the shareholder countries.

The staff of CAF's financial management group works in close coordination with its client relationship managers. CAF's client relationship management group and financial management group

are supported by the financial control and budget, human resources, information systems and legal departments.

Loan Portfolio

CAF extends medium-term and long-term loans to finance both public sector and private sector projects in the shareholder countries, either directly to a project or through a financial intermediary in a shareholder country that lends the funds to the appropriate project. To a lesser extent, CAF also provides loans to finance trade by and among the shareholder countries. Loans may be used for any component of a project, subject to exceptions relating to, among other things, the acquisition of land and the payment of taxes. CAF endeavours to concentrate its lending activities on national and multinational economic development projects, especially those involving electricity, gas and water supply, transport or communications in two or more shareholder countries and those that generate foreign exchange.

CAF provides credit lines to financial institutions in the shareholder countries. The purpose of these credit lines is to enable these institutions to finance projects that fall within CAF's overall objectives, but that are not sufficiently large to justify CAF being directly involved in the project. The relevant financial institutions are thereby provided with funds that enable them to strengthen their financial resources within parameters previously agreed to with CAF. Under such multisectoral credit lines, CAF takes the credit risk of the financial intermediary and also has recourse to the underlying borrowers. The financial intermediaries are responsible for repayment of their loans from CAF regardless of whether the underlying borrower repays the financial intermediary.

CAF endeavours to strengthen trade by and among shareholder countries and to assist companies in the shareholder countries to access world markets. CAF's trade-financing activities are complementary to those of the export credit agencies of shareholder countries because CAF finances qualifying import or export operations, whereas those agencies generally are limited to providing financing only for goods exported from the respective countries. Through trade-financing, CAF finances the movement of merchandise. CAF also provides credit support to trade activities through the confirmation of letters of credit in situations where the issuing local bank would not be perceived as sufficiently creditworthy by financial institutions in the beneficiary's country.

In 1997, CAF began making a portion of its loans through an "A/B" loan program, where CAF acts as lender of record for the entire loan and sells non-recourse participations in the "B" portion of the loan to commercial banks. The "A" portion of the loan is made directly to the borrower by CAF. Under the "B" portion, banks provide the funding and assume the credit risk; CAF does not provide funding under the "B" portion and, therefore, does not assume any credit risk. Because CAF acts as the lender of record for the entire loan, thereby operating as the one official lender in the transaction, commercial banks are exempted from country risk provisions and, therefore, the borrower receives an interest rate that is generally lower than the rate available in the commercial markets. The lower interest rate is a result, among other factors, of the reduced inherent risk resulting from CAF's status as a multilateral financial institution.

CAF's loan pricing is typically based on its cost of funds plus a spread to cover operational costs and credit risks. All sovereign-risk loans are made at the same spread for comparable maturities. Generally, CAF's loans are made on a floating interest rate basis. Under certain exceptional circumstances, loans may be made at fixed interest rates, provided that the corresponding funding is obtained at fixed interest rates. CAF generally charges a loan origination fee equal to 1% of the total loan amount and a commitment fee equal to 0.25% per annum on undisbursed loan balances. Substantially all loans are denominated in U.S. dollars.

CAF's policies generally require that loans to public sector entities have the benefit of sovereign guarantees. Exceptions have been made for a few highly-capitalized entities. Loans to private sector entities other than banks generally must have the benefit of bank or other guarantees, or other collateral acceptable to CAF.

During the three-year period ended 31 December 2009, CAF's total assets grew at a compound average annual rate of 12.3%, in part reflecting the economic growth in most of the full member shareholder countries. At 31 December 2009, CAF's total assets were \$15.9 billion, of which \$11.7 billion, or 73.6%, were disbursed and outstanding loans. At 31 December 2009, the "B" loan portion of CAF's "A/B" loan transactions totaled \$898.9 million. The tables on loan exposure that follow reflect only the "A" portion of the respective "A/B" loan transactions since CAF only assumes the credit risk of the "A" loan portion. During this three-year period, CAF's lending portfolio grew at a

compound average annual rate of 10.6%. CAF's management expects further loan growth to be funded by additional borrowings and deposits, retained earnings and planned capital increases.

Loans to Public and Private Sector Borrowers

CAF's total loan portfolio outstanding, classified by public sector and private sector borrowers, was as follows:

| | <i>At 31 December,</i> | | | |
|--|-----------------------------|------------------------|------------------------|-----------------------|
| | <i>2009</i> | <i>2008</i> | <i>2007</i> | |
| | <i>(in U.S.\$ millions)</i> | | | |
| Public Sector | 80.8% | 9,440.2 | 7,824.5 | 7,423.0 |
| Private Sector | 19.2% | 2,239.9 | 2,357.6 | 2,125.0 |
| | <u>100.0%</u> | <u>11,680.1</u> | <u>10,182.1</u> | <u>9,548.0</u> |
| Fair value adjustments on hedging activities | | 6.6 | 2.0 | 0.0 |
| Total | | <u><u>11,686.7</u></u> | <u><u>10,184.1</u></u> | <u><u>9,548.0</u></u> |

Loans by Borrowing Country

CAF's total loan portfolio outstanding, classified on a country-by-country basis, according to the location of the borrower, was as follows:

| | <i>At 31 December,</i> | | | |
|--|-----------------------------|------------------------|------------------------|-----------------------|
| | <i>2009</i> | <i>2008</i> | <i>2007</i> | |
| | <i>(in U.S.\$ millions)</i> | | | |
| Bolivia..... | 9.9% | 1,157.7 | 1,102.1 | 1,040.0 |
| Colombia | 14.5% | 1,688.7 | 1,705.3 | 1,633.0 |
| Ecuador | 17.6% | 2,051.7 | 2,017.6 | 2,149.5 |
| Peru..... | 16.0% | 1,864.5 | 1,769.7 | 1,804.9 |
| Venezuela..... | 15.1% | 1,765.1 | 1,535.1 | 1,469.8 |
| Other ⁽¹⁾ | 27.0% | 3,152.4 | 2,052.3 | 1,450.8 |
| | <u>100.0%</u> | <u>11,680.1</u> | <u>10,182.1</u> | <u>9,548.0</u> |
| Fair value adjustments on hedging activities | | 6.6 | 2.0 | 0.0 |
| Total | | <u><u>11,686.7</u></u> | <u><u>10,184.1</u></u> | <u><u>9,548.0</u></u> |

(1) Principally loans outside the full member shareholder countries.

Loans Approved and Disbursed by Country

CAF's loan approval process is described under "– Credit Policies". After approval, disbursements of a loan proceed in accordance with the contractual conditions of the loan agreement.

Set forth below is a table of the amount of loans approved and loans disbursed, classified by country, for each of the years indicated:

| | <i>Approved</i> | | | <i>Disbursed⁽¹⁾</i> | | |
|----------------------------|-----------------------------|----------------|----------------|--------------------------------|----------------|----------------|
| | <i>2009</i> | <i>2008</i> | <i>2007</i> | <i>2009</i> | <i>2008</i> | <i>2007</i> |
| | <i>(in U.S.\$ millions)</i> | | | | | |
| Bolivia | 511.0 | 559.7 | 275.3 | 216.0 | 444.0 | 196.6 |
| Colombia | 2,050.0 | 1,482.6 | 1,213.1 | 927.0 | 892.3 | 968.2 |
| Ecuador | 873.0 | 603.9 | 1,088.9 | 290.0 | 443.2 | 1,416.2 |
| Peru | 2,287.0 | 1,447.9 | 1,179.9 | 650.0 | 1,531.4 | 1,730.2 |
| Venezuela..... | 627.0 | 72.2 | 816.2 | 412.0 | 259.7 | 127.0 |
| Other ⁽²⁾ | 2,822.0 | 3,779.5 | 2,033.6 | 2,090.0 | 1,721.1 | 1,406.0 |
| Total | 9,171.0 | 7,945.8 | 6,607.0 | 4,584.0 | 5,291.7 | 5,844.3 |

(1) Includes short-term loans in the amounts of \$3,152.4 million, \$2,476.4 million, and \$3,096.8 million, respectively, for each of the years in the three-year period ended 31 December 2009.

(2) Loans outside the full member shareholder countries, of which \$907 million was approved and \$1,022.0 million was disbursed to entities in Brazil in 2009.

During the three years ended 31 December 2009, the growth rate of loans by country was as follows: Bolivia, 5.5%; Colombia, 1.7%; Ecuador, -2.3%; Peru, 1.6%; and Venezuela, 9.6%. The growth of the loan portfolio during the three-year period reflects increases in loan approvals as a result of the region's economic growth during the period and CAF's increased share of infrastructure financings in the region.

Loans to associated shareholder countries holding Series "C" shares (as described under "Capital Structure – General") totaled \$3,152.4 million in 2009, compared to \$2,052.3 million and \$1,450.8 million in 2008 and 2007, respectively. To date, CAF's loans in associated shareholder countries have primarily been to Brazilian borrowers; Brazil became a full member shareholder country on 7 January 2010. Management expects loans to the new full member shareholder countries (Brazil, Panama and Uruguay) to increase as a percentage of the total loan portfolio.

Management anticipates that CAF's loan portfolio will continue to grow as a result of CAF's strategy to expand its shareholder base, both by issuing shares to new shareholder countries and by additional capital subscriptions by existing shareholder countries, which may result in increased loan demand for projects in such countries.

Distribution of Loans by Industry

At 31 December 2009, CAF's loan portfolio outstanding was distributed by industry as follows:

| | <u>Bolivia</u> | <u>Colombia</u> | <u>Ecuador</u> | <u>Peru</u> | <u>Venezuela</u> | <u>Others</u> | <u>Total by Sector</u> | <u>% of Total</u> |
|--|----------------|-----------------|----------------|----------------|------------------|----------------|----------------------------|-------------------|
| <i>(in U.S.\$ millions)</i> | | | | | | | | |
| Agriculture, hunting and forestry | 24.3 | 25.6 | 0.0 | 28.3 | 0.0 | 0.0 | 78.1 | 1.0% |
| Exploitation of mines and quarries | 0.0 | 0.0 | 0.0 | 25.0 | 0.0 | 18.0 | 43.0 | 0.4% |
| Manufacturing industry..... | 13.4 | 33.9 | 141.3 | 0.0 | 0.0 | 72.8 | 261.4 | 2.2% |
| Supply of electricity, gas and water | 148.7 | 244.7 | 78.9 | 139.6 | 910.8 | 1,444.9 | 2,967.5 | 25.0% |
| Transport, warehousing and communications..... | 762.6 | 467.6 | 464.7 | 698.0 | 655.6 | 611.7 | 3,660.1 | 31.3% |
| Financial intermediaries ⁽¹⁾ | 44.8 | 390.3 | 116.1 | 360.9 | 21.4 | 708.0 | 1,638.6 | 14.0% |
| Social and other infrastructure programs | 163.9 | 533.2 | 1,250.9 | 605.9 | 177.2 | 300.0 | 3,031.1 | 26.0% |
| Other activities | 0.0 | 0.0 | 0.0 | 6.8 | 0.0 | 0.0 | 6.8 | 0.1% |
| Total | 1,157.7 | 1,695.3 | 2,051.7 | 1,864.5 | 1,765.1 | 3,152.3 | 11,686.7 | 100.0% |

(1) Multisectoral credit lines to public sector development banks, private banks and other institutions.

Maturity of Loans

At 31 December 2009, CAF's outstanding loans were scheduled to mature as follows:

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015-2022</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|------------------|
| <i>(in U.S.\$ millions)</i> | | | | | | |
| Principal amount | 2,277.4 | 1,088.7 | 1,126.9 | 1,078.6 | 943.4 | 5,165.2 |

Ten Largest Borrowers

The following table sets forth the aggregate principal amount of loans to CAF's ten largest borrowers, and the percentage such loans represented of the total loan portfolio, at 31 December 2009:

| <i>Borrower</i> | <i>Amount</i> | <i>As a Percentage of Total Loan Portfolio</i> |
|---|---------------------------------|--|
| | <i>(in U.S.\$ millions)</i> | |
| Bolivarian Republic of Venezuela..... | 1,765.1 | 15.1% |
| Republic of Ecuador | 1,601.7 | 13.7% |
| Republic of Peru | 1,326.9 | 11.4% |
| Republic of Argentina..... | 1,107.2 | 9.5% |
| Plurinational State of Bolivia..... | 1,020.0 | 8.7% |
| Republic of Colombia..... | 910.3 | 7.8% |
| Oriental Republic of Uruguay | 280.0 | 2.4% |
| Banco de Credito del Peru (Peru) ⁽¹⁾ | 200.0 | 1.7% |
| Banco Itau BBA (Brazil) ⁽¹⁾ | 200.0 | 1.7% |
| Banco Bradesco (Brazil) ⁽¹⁾ | 194.6 | 1.7% |
| Total | 8,605.9 | 73.7% |

(1) Privately owned financial intermediary.

Selected Projects

Set out below are examples of projects approved by CAF during 2009 and the respective loan approval amounts.

Argentina

Republic of Argentina/Program to support public investment in the water supply and sanitation sector – \$275 million loan to the National Government to partly finance the Expansion and Improvement Plan for Water Services and Sewage to improve service coverage.

Republic of Argentina/Program on electricity supply in different regions of the country – \$84 million loan to contribute to improving efficiency in the electricity supply throughout different regions of the Argentine electricity system, through various projects which mitigate transmission and power supply risks.

Bolivia

Plurinational State of Bolivia/Construction of the Tarabuco-Zuldañez-Padilla and Monteagudo – Ipati National route connected to Diagonal Mendoza highways – \$75 million loan to support the Administrator of Bolivian Road and Highway projects that are covered under the National Development Plan, Productive Bolivia, through the paving of two road segments that are part of the road Diagonal Jaime Mendoza.

Plurinational State of Bolivia/Contingent financing for integrated emergency response in cases of natural disasters – \$75 million loan to provide immediate care to populations affected by natural disasters and restore critical services in affected areas.

Brazil

Different Commercial Banks/Financial Lines for total amount to \$810 million to finance foreign trade operations, working capital and investments in capital goods.

Colombia

Republic of Colombia/Tunel La Linea IIRSA – \$270 million loan to finance part of a proposed tunnel construction and associated access roads in Pass Line, the highest point of the Bogota-Buenaventura corridor, which will cross the central mountains.

ISAGEN S.A. E.S.P./Electrical project co-financing – \$140 million loan to finance the company's investment projects.

Dominican Republic

Dominican Republic/Program for Urban Development and housing – \$80 million loan to improve the quality of housing and reduce vulnerability to natural hazards in a population of over 18,500 low-income residents.

Ecuador

Republic of Ecuador/Additional works program for road projects – \$259 million loan to improve traffic patterns through the implementation of additional work on major roads. *Republic of Ecuador/Program to support public investment in the electricity sector* – \$250 million loan to invest in the power sector to complete projects in generation, transfer and distribution.

Panama

Banco Nacional de Panama/Non-revolving line of credit with guarantee from the Republic of Panama – \$210 million loan to finance foreign trade operations through the confirmation of commercial letters of credit for importing goods.

Paraguay

Republic of Paraguay/Investment support program for social and infrastructure (PAISI) – \$85 million loan to contribute to the management of government, specifically through the Anti-Crisis Plan, supporting the country's economic revival through the implementation of social programs and infrastructure investment with high social impact.

Peru

Republic of Peru/Urban electric train, stretching from Vila el Salvador to Avenida Grau – \$300 million loan to implement the first stage of Transit Plan for the city of Lima. This work will reduce transportation costs for the population by reducing travel time and increase the efficiency of urban transportation.

Uruguay

Oriental Republic of Uruguay/Program of public investment in road infrastructure – \$100 million loan to improve the national road service quality and contribute to the socio-economic development and integration, through rehabilitation and expansion of the highway network in the country.

Oriental Republic of Uruguay/Proposed treatment and effluent disposal system in Maldonado – Punta del Este – \$40 million loan to improve quality of life and promote socio-economic development and tourism in the department of Maldonado, by improving sanitary and environmental conditions.

Venezuela

Bolivarian Republic of Venezuela/Thermoelectric Project Termozulia III – \$600 million loan to increase the reliability and autonomy of the Western Electric System through the generation of 470 MW in western Zulia state, and leverage the use of combined cycle technology, which allows the generation of additional electricity without using fossil fuels for the turbo steam cycle.

Other Activities

Treasury Operations

CAF's investment policy requires that at least 80% of its liquid assets be held in the form of investment grade instruments with a rating of A-/A3/A- or better by a U.S. nationally-recognized statistical rating organization. The remaining portion may be invested in unrated or non-investment grade instruments with a rating of B-/Ba3/B- or better by a U.S. nationally-recognized statistical rating organization. At 31 December 2009, CAF's liquid assets consisted of \$3.7 billion of cash, time deposits and securities, of which 39.1% consisted of time deposits.

Equity Shareholdings

CAF may acquire equity shareholdings in new or existing companies within the full member shareholder countries, either directly or through investment funds focused on Latin America. CAF's equity participation in any one company is limited to 1% of its total shareholders' equity. CAF's policies do not permit it to be a company's largest individual shareholder. In addition, the aggregate amount of CAF's equity investments cannot exceed 10% of CAF's total shareholders' equity. At 31 December 2009, the carrying value of CAF's equity investments totaled \$85.5 million, representing 1.6% of CAF's total shareholders' equity. At 31 December 2009, 47.1% of CAF's equity portfolio was held through investment funds.

Credit Guarantees

CAF has developed its credit guarantee product as part of its role of attracting international financing for its shareholder countries. As such, 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 only partial credit guarantees with the intention that private lenders or holders of securities share the risk along with it.

The emphasis of the credit guarantees is to aid in the financing of public sector projects, though CAF does not have any internal policies limiting its credit guarantees to public sector projects. Also, although CAF generally intends to guarantee approximately 25% of the financing for a given project, CAF may guarantee up to the full amount of the financing, subject to its other credit policies. CAF's internal policies limit the aggregate outstanding amount of its credit guarantees to a maximum amount equivalent to 20% of CAF's net worth. The amount of credit guarantees outstanding was \$183.2 million as of 31 December 2009, representing the guarantee of 2 public sector projects in Bolivia, 1 public sector project in Peru and 2 private sector projects in Brazil. Those credit guarantees represent 0.03% of CAF's total net worth.

Promotion of Regional Development

As part of CAF's role in advancing regional integration, CAF evaluates on an ongoing basis new investment opportunities intended to benefit the full member shareholder countries. CAF also provides technical and financial assistance for the planning and implementation of binational and

multinational projects, helps obtain capital and technology for these projects and assists companies in developing and implementing modernization, expansion and organizational development programs.

Fund Administration

At 31 December 2009, CAF acted as fund administrator for several funds, totaling \$322.3 million, funded by third parties and by CAF's shareholders.

Each year, these funds are usually re-capitalized by CAF's shareholders through distributions made from CAF's prior year's net income. In 2009, 2008 and 2007, such distributions to these funds were \$70.0 million, \$92.5 million and \$88.0 million from the net income of 2009, 2008 and 2007, respectively. These funds are not part of CAF's accounts.

At 31 December 2009, the principal funds were the Technical Co-operation Fund, the Fund for Human Development, the Compensatory Financing Fund, the Fund for the Development of Small and Medium Enterprises, the Latin American Carbon Program, the Fund for the Promotion of Sustainable Infrastructure Projects and the Fund for Border Integration and Cooperation.

Technical Co-operation Fund

At 31 December 2009, the Technical Co-operation Fund had a balance of \$24.8 million. The purpose of this fund is to finance research and development studies that may lead to the identification of project investment opportunities and also, on occasion, to provide grants that are typically less than \$100,000, each to facilitate the implementation of those projects.

Fund for Human Development

At 31 December 2009, the Fund for Human Development had a balance of \$20.2 million. This fund is devoted to assist projects intended to promote sustainable development in socially excluded communities, as well as to support micro-enterprises through the financing of intermediary institutions that offer direct loans to rural and urban micro-entrepreneurs.

Compensatory Financing Fund

At 31 December 2009, the Compensatory Financing Fund had a balance of \$202.9 million. This fund was created to provide interest rate compensation when a project providing social or developmental benefits is otherwise unable to sustain market interest rates.

Fund for the Development of Small and Medium Enterprises

At 31 December 2009, the Fund for the Development of Small and Medium Enterprises had a balance of \$35.2 million. The purpose of this fund is to finance and, in general, support initiatives that aid the development of an entrepreneurial class in CAF's shareholder countries.

Latin American Carbon Program

At 31 December 2009, the Latin American Carbon Program had a balance of \$8.0 million. This program is dedicated to the implementation of market mechanisms that allow developing countries to participate in the environmental services market. The program is engaged in the emerging greenhouse gas reductions market in Latin America and the Caribbean through several mechanisms, including those allowed by the Kyoto Protocol.

Fund for the Promotion of Sustainable Infrastructure Projects

At 31 December 2009, the Fund for the Promotion of Sustainable Infrastructure Projects had a balance of \$25.5 million. The purpose of this fund is to finance infrastructure projects, and the study thereof, in order to support regional integration.

Fund for Border Integration and Cooperation

At 31 December 2009, the Fund for Border Integration and Cooperation had a balance of \$3.7 million. The fund seeks to strengthen cooperation and border integration at the bilateral and multilateral levels by supporting and financing the identification, preparation and execution of high-impact projects that promote sustainable human development in the border regions of CAF's shareholder countries.

Credit Policies

The Constitutive Agreement limits the total amount of disbursed and outstanding loans, guarantees and equity investments to 4.0 times shareholders' equity. CAF's actual ratio on 31 December 2009 was 2.3 times shareholders' equity. The guidelines of the Basel Committee on

Supervisory Practices and Banking Regulations require a capitalization ratio, defined as shareholders' equity divided by risk-weighted assets plus risk-weighted off-balance sheet items, of not less than 8% for those institutions to which those guidelines are applicable. CAF's policy requires this capitalization ratio to be at least 30%. CAF's actual capitalization ratio was 41.7% at 31 December 2009.

CAF applies commercial banking standards for credit approvals and maintains policies and procedures regarding risk assessment and credit policy. Relationship managers perform an initial screening of each potential client and transaction to ensure that the proposed extension of credit falls within CAF's policies. Proposed project loans are evaluated in accordance with CAF's Operational Policies, which set out detailed eligibility and evaluation guidelines. Loans to a private sector borrower are approved taking into consideration both the individual loan and the total exposure to the borrower.

The Loans and Investments Committee recommends approvals of loans and investments. The members of this Committee are the Vice Presidents, the General Legal Counsel and the Head of Credit Administration. The committee is chaired by the Executive Vice President. The Secretary of the Committee is an officer from the Credit Administration Office. The Executive President, upon the recommendation of the Loans and Investments Committee, may approve loans of up to \$75.0 million for sovereign credits, up to \$50.0 million for private credits, up to \$25.0 million for equity investments, up to \$30.0 million for investments in liquid assets for each issuer (unless the issuer is: (i) at least investment grade, in which case the investment may be up to \$150.0 million, (ii) a government or governmental institution with an investment grade rating of at least AA+, in which case the investment may be up to \$400.0 million, or (iii) a government or governmental institution with an investment grade rating of AAA or certain other international bodies, in which case the investment may be up to \$500.0 million), and up to \$1.0 million for technical cooperation credits. In excess of these amounts, loans of up to \$150.0 million for sovereign credits, up to \$80.0 million for private credits, up to \$50.0 million for equity investments, up to \$50.0 million for investments in liquid assets for each issuer (unless the issuer is: (i) at least investment grade, in which case the investment may be up to \$200.0 million, (ii) a government or governmental institution with an investment grade rating of at least AA+, in which case the investment may be up to \$450.0 million, or (iii) a government or governmental institution with an investment grade rating of AAA or certain other international bodies, in which case the investment may be up to \$650.0 million), and up to \$2.0 million for technical cooperation credits must be approved by the Executive Committee of CAF's Board of Directors or the Board of Directors itself. Loans in excess of the aforementioned Executive Committee's limits require the approval of CAF's Board of Directors.

CAF's policies also impose limitations on loan concentration by country and by type of risk. Loans to entities in any one full member shareholder country may not exceed either 30% of CAF's loan portfolio or 100% of CAF's shareholders' equity. Aggregate loans to entities in any associated shareholder country currently may not exceed eight times the total of such country's paid-in capital contribution to CAF plus any assets entrusted by the country to CAF under a fiduciary relationship. This limit does not apply to trade loan financing with full member shareholder countries. Additionally, no more than four times the country's paid-in capital contribution to CAF plus any assets entrusted to CAF under a fiduciary relationship may be committed to operations essentially national in character. The same limitation applies to CAF's total loan portfolio in relation to its shareholders' equity. Loans to a public sector or mixed-capital entity not considered a sovereign risk are limited in the aggregate to 15% of CAF's shareholders' equity, and loans to any private sector entity are limited in the aggregate to 10% of CAF's shareholders' equity.

Operations in which CAF extends credit to entities in Series "C" shareholder countries outside the Andean region must generally be related to activities of such entities in, or related to, the full member shareholder countries. The aggregate total of outstanding loans to entities in such countries for purely local activities may not exceed four times the amount of paid-in capital contributed by that country.

CAF's policies permit it to provide up to 100% of the total project costs with respect to short-term loans. For medium-and long-term loans, CAF determines the appropriate level of financing on a case-by-case basis; however, limited-recourse financing in such loans may not exceed 50% of project costs. In practice, however, CAF typically limits its loans to a smaller percentage of total project costs and generally requires a larger percentage of financial support by the borrower than required by CAF's credit policies.

Asset Quality

CAF classifies a loan as overdue whenever payment is not made on its due date. CAF charges additional interest on the overdue payment from the due date and immediately suspends disbursements on all loans to the borrower and to any other borrowers of which the overdue borrower is a guarantor. The entire principal amount of a loan is placed in non-accrual status when collection or recovery is doubtful or when any payment, including principal, interest, fees or other charges in respect of the loan, is more than 90 days overdue in the case of a private sector loan or more than 180 days overdue in the case of a public sector loan. Interest and other charges on non-accruing loans are included in income only to the extent that payments have actually been received by CAF.

At 31 December 2009, there were \$0.0 loans overdue or in non-accrual status. At 31 December 2008, there were \$0.1 million in overdue loans and \$0.0 loans in non-accrual status. For the years ended 31 December 2009 and 2008, there were \$0.0 and \$0.0, respectively, overdue interest or other charges in respect of non-accrual status loans excluded from net income.

At 31 December 2009, there were \$0.0 loan write-offs. CAF has not suffered any individually significant losses on its loan portfolio. Although CAF's loans do not enjoy any legal preference over those of other creditors, CAF does enjoy a de facto preferred creditor status arising from its status as a multilateral financial institution and from the interest of CAF's borrowers in maintaining their credit standing with CAF. Although some of CAF's shareholder countries have restructured their sovereign debt obligations, none of them have ever defaulted on their debt obligations to CAF.

Quality of Loan Portfolio

The following table shows CAF's overdue loan principal, loans in non-accrual status, and the total allowance for loan losses and their percentages of CAF's total loan portfolio at the respective dates indicated, as well as loans written-off during each period:

| | <i>At 31 December</i> | | |
|--|-----------------------------|-------------|-------------|
| | <i>2009</i> | <i>2008</i> | <i>2007</i> |
| | <i>(in U.S.\$ millions)</i> | | |
| Total loan portfolio | 11,686.7 | 10,184.1 | 9,548.0 |
| Overdue loan principal | 0.0 | 0.1 | 0.0 |
| Loans in non-accrual status | 0.0 | 0.0 | 0.0 |
| Loans written-off during period | 0.0 | 4.0 | 0.2 |
| Allowance for loan losses | 143.9 | 143.2 | 168.3 |
| Overdue principal payment as a percentage of loan portfolio (excluding non-accrual loans) | 0.0% | 0.0% | 0.0% |
| Non-accrual loans as a percentage of loan portfolio | 0.0% | 0.0% | 0.0% |
| Allowance for loan losses as a percentage of loan portfolio | 1.2% | 1.4% | 1.8% |

FUNDED DEBT

Funding Strategy

CAF raises funds for operations primarily in the international financial markets, although a part is raised within the full member shareholder countries. CAF's strategy with respect to funding, to the extent possible under prevailing market conditions, is to match the maturities of CAF's liabilities to the maturities of its loan portfolio. In order to diversify CAF's funding sources and to offer potential borrowers a wide range of credit facilities, CAF raises funds through bond issues in both the full member shareholder countries and the international capital markets. CAF also takes deposits and obtain loans and credit lines from central banks, commercial banks and, to the extent of imports related to projects funded by us, export credit agencies.

Within the full member shareholder countries, CAF raises funds from central banks and financial institutions and by means of regional bond issues. Outside Latin America and the Caribbean, CAF obtains funding from public sector development and credit agencies, from multilateral development banks, from various North American, European and Japanese commercial banks, from capital markets and from the U.S. and European commercial paper markets.

Sources of Funded Debt

The breakdown of CAF's outstanding funded debt, both within and outside the full member shareholder countries, at each of the dates indicated below was as follows:

| | <i>At 31 December</i> | | |
|---|-----------------------------|----------------|----------------|
| | <i>2009</i> | <i>2008</i> | <i>2007</i> |
| | <i>(in U.S.\$ millions)</i> | | |
| Within the full member shareholder countries: | | | |
| Term deposits | 2,650.7 | 2,773.1 | 1,521.0 |
| Loans and lines of credit | 13.9 | 4.3 | 2.3 |
| Bonds | 785.6 | 790.7 | 603.9 |
| | 3,450.2 | 3,568.1 | 2,127.2 |
| Outside the full member shareholder countries: | | | |
| Deposits, acceptances and advances, commercial paper and repurchase agreements..... | 1,265.4 | 802.4 | 1,280.0 |
| Loans and lines of credit | 777.0 | 679.7 | 806.0 |
| Bonds | 4,502.8 | 3,738.5 | 3,595.7 |
| | 6,545.2 | 5,220.7 | 5,681.6 |
| | 9,995.4 | 8,788.8 | 7,808.8 |
| Variation effect between spot and original FX rate..... | 183.0 | 275.8 | 318.4 |
| | 225.3 | 341.8 | 119.4 |
| Total..... | 10,403.8 | 9,406.4 | 8,246.6 |

Maturity of Funded Debt

The breakdown of CAF's outstanding funded debt, by instrument and maturity, at each of the dates indicated below was as follows:

| | <i>At 31 December</i> | | |
|---|-----------------------------|-----------------------|-----------------------|
| | <i>2009</i> | <i>2008</i> | <i>2007</i> |
| | <i>(in U.S.\$ millions)</i> | | |
| Term deposits: | | | |
| Up to 1 year | 2,650.7 | 2,773.1 | 1,521.0 |
| Acceptances, advances and commercial paper and repurchase agreements: | | | |
| Up to 1 year | 1,265.4 | 802.4 | 1,280.0 |
| Loans and lines of credit: | | | |
| Up to 1 year | 128.9 | 147.9 | 191.3 |
| Between 1 and 3 years | 250.6 | 252.9 | 258.8 |
| Between 3 and 5 years | 147.4 | 135.8 | 163.3 |
| More than 5 years | 263.9 | 147.5 | 194.9 |
| | <u>790.9</u> | <u>684.0</u> | <u>808.3</u> |
| Bonds: | | | |
| Up to 1 year | 447.0 | 476.1 | 137.1 |
| Between 1 and 3 years | 1,506.9 | 1,209.5 | 947.7 |
| Between 3 and 5 years | 953.5 | 1,511.9 | 1,545.3 |
| More than 5 years | 2,380.9 | 1,331.7 | 1,569.5 |
| | <u>5,288.4</u> | <u>4,529.2</u> | <u>4,199.5</u> |
| Totals: | | | |
| Up to 1 year | 4,492.1 | 4,199.5 | 3,129.4 |
| Between 1 and 3 years | 1,757.6 | 1,462.4 | 1,206.4 |
| Between 3 and 5 years | 1,100.9 | 1,647.7 | 1,708.6 |
| More than 5 years | 2,644.9 | 1,479.2 | 1,764.4 |
| | <u>9,995.4</u> | <u>8,788.8</u> | <u>7,808.8</u> |
| Variation effect between spot and original FX rate | 183.0 | 275.8 | 318.4 |
| Fair value adjustments on hedging activities | 225.3 | 341.8 | 119.4 |
| | <u>10,403.8</u> | <u>9,406.4</u> | <u>8,246.6</u> |
| Total | <u>10,403.8</u> | <u>9,406.4</u> | <u>8,246.6</u> |

CAF's borrowings are primarily U.S. dollar-based: 69.1% of CAF's total borrowings, or 99.9% of borrowings after swaps, were denominated in U.S. dollars at 31 December 2009. The principal amount of non-U.S. dollar borrowings outstanding at 31 December 2009 included 300 million Euro, 50,000.0 million Yen, 200.0 million Swiss Francs, 40.7 million Pounds Sterling, 1.7 million Canadian Dollars, 756,200 million Colombian Pesos, 1,550.0 million Mexican Pesos, 432.8 million Peruvian Nuevos Soles and 450.3 million Venezuelan Bolivares; all of such non-U.S. dollar borrowings are swapped or otherwise hedged.

DEBT RECORD

CAF has never defaulted on the payment of principal of, or premium or interest on, any debt security it has issued, and CAF has always met all of its debt obligations on a timely basis.

ASSET AND LIABILITY MANAGEMENT

CAF reduces its sensitivity to interest rate risk by extending its loans on a floating rather than a fixed interest rate basis. As a result, at 31 December 2009, 99.1% of CAF's outstanding loans were based on LIBOR and subject to interest rate adjustments at least every six months. The liabilities that fund these loans are also contracted at, or swapped into, floating interest rates. When CAF makes loans at fixed interest rates, CAF also obtains the corresponding funding on a fixed interest rate basis.

CAF requires that counterparties with which it enters into swap agreements be rated "A+/A1" or better by two U.S. nationally recognized statistical rating organizations or have signed a credit support agreement (resulting in the corresponding exchange of collateral). At 31 December 2009, CAF was party to swap agreements with an aggregate notional amount of \$5.4 billion.

CAF seeks, to the extent possible under prevailing market conditions, to match the maturities of its liabilities to the maturities of its loan portfolio. At 31 December 2009, the weighted average life of CAF's financial assets was 4.6 years and the weighted average life of its financial liabilities was 3.7 years. Based on CAF's asset and liability structure at 31 December 2009, CAF has a positive cumulative gap over a 10 year horizon. This positive gap denotes asset sensitivity, which means that decreases in the general level of interest rates should have a negative effect on CAF's net financial income and, conversely, increases in the general level of interest rates should have a positive effect on its net financial income.

CAF's management expects the weighted average life of its financial assets to increase gradually, as CAF makes more longer-term loans for infrastructure development and similar purposes. At the same time, CAF's management expects that the weighted average life of its liabilities will also increase as a result of CAF's strategy of increasing its presence in the international long-term bond market as market conditions permit.

At 31 December 2009, approximately 99.8% of CAF's assets and 78.4% of its liabilities were denominated in U.S. dollars, with the remainder of its liabilities being denominated principally in Euro, Yen, Swiss Francs and Pounds Sterling, which liabilities were swapped. After swaps, 99.3% of CAF's liabilities were denominated in U.S. dollars. Generally, funding that is contracted in currencies other than the U.S. dollar is swapped into U.S. dollars. In some cases, CAF extends its loans in the same non-U.S. dollar currencies as debt is incurred in order to minimize exchange risks. CAF's shareholders' equity is denominated entirely in U.S. dollars.

CAF's treasury asset and liability management involves managing liquidity, funding, interest rate and exchange rate risk arising from non-trading positions through the use of on-balance sheet instruments. CAF's external asset managers use derivatives to hedge the interest and exchange rate risk exposures of its non-U.S. dollar denominated investments. CAF's total exposure on trade derivatives will never exceed 3% of liquid investments. See "Derivative Instruments and Hedging Activities" in the Notes to the Financial Statements for the years ended 31 December 2009, 2008 and 2007 (Note 17).

ADMINISTRATION

CAF is governed and administered by the bodies and officials detailed below:

Shareholders' General Meeting

The shareholders' general meeting is the ultimate decision-making body within CAF. Shareholders' general meetings can be ordinary or extraordinary and are governed by the requirement for the presence of a quorum and compliance with other conditions set out in the Constitutive Agreement.

Shareholders' ordinary general meetings are held once a year, within 90 days of the close of the financial year, and are convened by the Executive President. The shareholders' ordinary general meeting:

- (1) considers the Board of Directors' annual report and CAF's financial statements, receives the independent auditors' report and allocates CAF's net income;
- (2) elects the Board of Directors according to the Constitutive Agreement;
- (3) appoints external auditors;
- (4) determines compensation for the Board of Directors and the external auditors; and
- (5) may consider any other matter expressly submitted to it which is not within the purview of any other body of CAF.

Shareholders' extraordinary general meetings may be convened after a call has been made at the initiative of the Board of Directors, or the Executive President, or at least 40% of Series "A" shareholders or any shareholders representing at least 25% of paid-in capital. The shareholders' extraordinary general meeting may:

- (1) increase, reduce or replenish CAF's capital in accordance with the Constitutive Agreement;
- (2) dissolve CAF;
- (3) change the headquarters of CAF when the Board of Directors so proposes; and
- (4) consider any other matter that has been expressly submitted to it that is not within the purview of any other body of CAF.

Resolutions before shareholders' ordinary general meetings are passed by the votes of at least 60% of Series "A" shareholders, together with a majority of the votes of the other shares represented at the meeting. Resolutions passed at shareholders' extraordinary general meetings (including a decision to dissolve CAF) require the votes of 80% of Series "A" shareholders, together with a majority of the votes of the other shares represented at the meeting, except for resolutions concerning modifications to the structure of the Board of Directors in which case an affirmative vote of all Series "A" shareholders is required, together with a majority of the votes of the other shares represented at the meeting. In the event of adjournment for lack of a quorum, which consists of at least 80% of Series "A" shareholders and a simple majority of the other shareholders, at either an ordinary or extraordinary general meeting, two Series "A" shareholders, plus a majority of the other shares represented at the meeting, may deliberate and approve decisions at a reconvened meeting.

Board of Directors

CAF's Board of Directors is composed of 15 directors, each of whom is elected for a term of three years and may be re-elected. Each of the five Series "A" shareholders is represented by one director. Five directors represent the governments or governmental institutions holding Series "B" shares and one director represents the private financial institutions holding Series "B" shares. Holders of Series "C" shares are entitled to elect two directors. In the event of a vacancy in a director position, the corresponding alternate director serves as director until such vacancy has been filled. Responsibilities of CAF's Board of Directors include:

- (1) establishing and directing CAF's credit and economic policies;
- (2) approving CAF's budget;
- (3) approving CAF's borrowing limits;
- (4) approving credits granted by CAF in excess of a specified limit;
- (5) establishing or modifying internal regulations; and

(6) appointing the Executive President.

All of CAF's directors are non-executive. As of the date of this Offering Circular, the composition of the Board of Directors was as follows:

Directors (and their Alternates) representing Series "A" shareholders:

| | | |
|-----------------|---|--|
| Bolivia..... | Elba Viviana Caro Hinojosa (Harley Rodriguez Tellez) | Minister of Development Planning (Vice Minister of Public Investment and External Financing) |
| Brazil..... | Paulo Bernardo Silva (Carlos Augusto Videtto) | Minister of Planning, Budget and Process (Secretary of International Affairs of the Ministry of Planning, Budget and Process) |
| Colombia..... | Juan Carlos Echeverry (Luis Guillermo Plata) | Minister of Treasury and Public Credit (Minister of Commerce, Industry and Tourism) |
| Ecuador..... | Camilo Samán Salem (Verónica Sión de Josse) | President of the Board of Directors of Corporación Financiera Nacional (Minister of Industries and Productivity) |
| Panama | Alberto Vallarino (Dulcidio De La Guardia) | Minister of Economy and Finance (Viceminister of Finance) |
| Peru..... | Mercedes Aráoz Fernández (Luis Miguel Castilla) | Minister of Economy and Finance (Vice Minister of Treasury) |
| Uruguay | Fernando Lorenzo (Mario Bergara) | Minister of the Popular Power for Economy and Finance (President of Banco Central del Uruguay) |
| Venezuela | Jorge Giordani (Eyilde Margarita Gracia) | (Vice Minister of the Popular Power for Planning and Development) |

Directors (and their Alternates) representing Series "B" shareholders:

| | | |
|--------------------------------------|---|--|
| Bolivia..... | Luis Alberto Arce (Roger Edwin Rojas Ulo) | Minister of Economy and Public Finance (Vice Minister of Treasury and Public Credit) |
| Colombia..... | José Dario Uribe (Esteban Piedrahita Uribe) | General Manager of Banco de la República (Director of the National Planning Department) |
| Ecuador..... | Patricia Rivera (Diego Borja Cornejo) | Minister of Finance (President of the Board of Directors of Banco Central del Ecuador) |
| Peru..... | Alfonso Zárate Rivas (Carlos Casas Tragodarra) | President of the Board of Directors of Corporación Financiera de Desarrollo (COFIDE) (Vice Minister of Economy) |
| Venezuela | To be designated (Edmée Betancourt de García) | To be designated (President of Banco de Desarrollo Económico y Social of Venezuela) |
| Private Financial Institutions | Guillermo Lasso Mendoza (Carlos González-Taboada) | Executive President of Banco de Guayaquil (Vice President of the Board of Directors and General Manager of Scotiabank Perú) |

The directors representing the Series "C" shareholders are Roberto José Feletti, Secretary of Economic Policy from the Ministry of Economy and Public Finance for Argentina, and Elena Salgado Méndez, Second Vice President of the Government and Minister of the Economy and Treasury for Spain. Their alternates are Matías Acevedo, Corporate Manager of CORFO for Chile and Winston Dookeran, Minister of Finance for Trinidad and Tobago.

The business address of each of the directors and each of the alternate directors listed above is Torre CAF, Piso 9, Avenida Luis Roche, Altamira, Caracas, Venezuela.

CAF's Board of Directors annually elects a Chairman to preside over the meetings of the Board of Directors and the shareholders' general meeting. Luis Alberto Arce is the current Chairman until 31 March 2011.

Executive Committee

The Board of Directors delegates certain functions, including credit approvals within specified limits, to the Executive Committee. This Committee is composed of one director from each full member shareholder country plus one director representing all of the Series “C” shareholders, and CAF’s Executive President, who presides over the Committee unless the Chairman of the Board of Directors is part of the Committee, in which case she or he will preside.

Executive President

The Executive President is CAF’s legal representative and chief executive officer. He is empowered to decide all matters not expressly reserved to the shareholders’ general meeting, the Board of Directors or the Executive Committee. The Executive President is elected by the Board of Directors for a period of five years and may be re-elected.

CAF’s Executive President, L. Enrique García, was re-elected in June 2006 for a fourth five-year term that will expire in December 2011. Before becoming CAF’s Executive President in November 1991, Mr. García was Minister of Planning and Coordination and Head of the Economic and Social Cabinet in his native Bolivia. Between 1989 and 1991, he represented Bolivia as Governor to the World Bank, the Inter-American Development Bank (“IADB”) and as a member of the Development Committee of the World Bank. He was also Chairman of the Board of Directors of CAF from 1990 to 1991. Previously, Mr. García held senior positions during a 17-year tenure at the IADB, including Treasurer.

Officers

| | |
|---------------------------------|--|
| L. Enrique García | Executive President and Chief Executive Officer |
| Luis Enrique Berrizbeitia | Executive Vice President |
| Lilliana Canale | Corporate Vice President of Country Programs |
| Antonio Juan Sosa | Corporate Vice President of Infrastructure |
| Peter Vonk | Corporate Vice President of Corporate and Financial Sector |
| Leonardo Villar | Corporate Vice President of Development Strategies and Public Policies |
| Hugo Sarmiento | Corporate Vice President of Finance and Chief Financial Officer |
| Jose Carrera | Corporate Vice President of Social and Environmental Development |
| Ricardo Sigwald | General Legal Counsel |
| Marcello Zalles | Corporate Comptroller |

Employees

At 31 December 2009, CAF employed 330 professionals and 92 support staff. The senior positions of Executive Vice President, Corporate Vice President of Finance, Corporate Vice President of Country Programs, Corporate Vice President of Infrastructure, Corporate Vice President of Corporate and Financial Sector, Corporate Vice President of Development Strategies and Public Policies and Corporate Vice President of Social and Environmental Development are appointed by the Executive President, subject to ratification by the Board of Directors.

CAF’s management believes that the salaries and other benefits of its professional staff are competitive and that the local support staff are paid at levels above the prevailing local rates. Although CAF is not subject to local labor laws, CAF provides its employees with benefits and safeguards at least equivalent to those required under the law of the country where they normally work and reside. CAF offers technical and professional training opportunities through courses and seminars for its employees. Management considers its relationship with CAF’s employees to be good. There is no employee union and there have been no strikes in the history of CAF.

THE FULL MEMBER SHAREHOLDER COUNTRIES

Certain of the following information has been extracted from publicly available sources. CAF believes that the information is accurate but it has not independently verified it.

The region occupied by the full member shareholder countries is bordered by the Atlantic Ocean on the northeast, the Caribbean Sea on the north and the Pacific Ocean on the west, and covers approximately 13.245 million square kilometers in South America (approximately 74% of the South American continent).

Selected Demographic and Economic Data*

The following table presents selected demographic and economic data for the full member shareholder countries for the years indicated:

| | Bolivia | Brazil | Colombia | Ecuador | Panama | Peru | Uruguay | Venezuela |
|---|---------|-----------|----------|---------|--------|---------|---------|-----------|
| Population (in millions) | | | | | | | | |
| 2009..... | 10.2 | 191.5 | 45.0 | 14.0 | 3.5 | 29.1 | 3.3 | 28.4 |
| 2008..... | 10.0 | 189.6 | 44.5 | 13.8 | 3.4 | 28.7 | 3.3 | 27.9 |
| 2007..... | 9.8 | 187.4 | 43.9 | 13.6 | 3.3 | 27.9 | 3.3 | 27.5 |
| 2006..... | 9.6 | 185.6 | 43.4 | 13.4 | 3.3 | 27.5 | 3.3 | 27.0 |
| 2005..... | 9.4 | 183.4 | 42.9 | 13.2 | 3.2 | 27.2 | 3.3 | 26.6 |
| 2004..... | 9.2 | 181.1 | 42.4 | 13.0 | 3.2 | 26.9 | 3.3 | 26.1 |
| 2003..... | 9.0 | 178.7 | 41.8 | 12.8 | 3.1 | 26.6 | 3.3 | 25.7 |
| Life expectancy at birth (years) ⁽¹⁾ | | | | | | | | |
| 2007..... | 65.4 | 72.2 | 72.7 | 75.0 | 75.5 | 73.0 | 76.1 | 73.6 |
| 2006..... | 65.1 | n.d. | 72.5 | 74.8 | n.d. | 71.0 | n.d. | 73.4 |
| 2005..... | 64.0 | 71.7 | 72.3 | 74.7 | 75.1 | 70.7 | 75.9 | 73.2 |
| 2004..... | 63.8 | 70.8 | 72.6 | 74.5 | 75.0 | 70.2 | 75.6 | 73.0 |
| 2003..... | 64.0 | 70.5 | 72.0 | 72.0 | 74.8 | 70.0 | 75.4 | 74.0 |
| 2002..... | 64.0 | 68.0 | 72.0 | 71.0 | 74.6 | 70.0 | 75.2 | 74.0 |
| GDP (U.S.\$ in millions) ⁽²⁾ | | | | | | | | |
| 2009..... | 17,217 | 1,632,750 | 228,056 | 57,279 | 24,595 | 127,153 | 31,075 | 322,466 |
| 2008..... | 17,071 | 1,573,321 | 241,435 | 59,670 | 23,184 | 127,643 | 32,272 | 313,361 |
| 2007..... | 13,430 | 1,295,500 | 208,357 | 45,504 | 19,794 | 107,328 | 24,293 | 227,753 |
| 2006..... | 11,532 | 1,072,408 | 162,148 | 41,705 | 17,137 | 92,439 | 20,052 | 184,251 |
| 2005..... | 9,533 | 889,522 | 144,685 | 36,942 | 15,465 | 79,397 | 17,528 | 141,435 |
| 2004..... | 8,638 | 665,656 | 98,059 | 32,642 | 14,179 | 69,763 | 13,209 | 107,253 |
| 2003..... | 7,896 | 556,031 | 91,758 | 28,636 | 12,933 | 61,494 | 11,191 | 82,704 |
| GDP per capita (U.S.\$) ⁽²⁾ | | | | | | | | |
| 2009..... | 1,677 | 8,527 | 4,725 | 3,721 | 7,129 | 4,382 | 8,826 | 11,357 |
| 2008..... | 1,702 | 8,629 | 4,662 | 4,324 | 6,829 | 4,452 | 9,519 | 11,218 |
| 2007..... | 1,367 | 7,750 | 3,989 | 3,345 | 5,926 | 3,803 | 7,308 | 8,287 |
| 2006..... | 1,197 | 5,674 | 2,904 | 3,110 | 5,218 | 3,356 | 6,050 | 6,816 |
| 2005..... | 1,011 | 4,772 | 2,669 | 2,795 | 4,791 | 2,917 | 5,302 | 5,322 |
| 2004..... | 936 | 3,619 | 2,163 | 2,325 | 4,470 | 2,591 | 4,152 | 4,147 |
| 2003..... | 875 | 3,065 | 1,782 | 2,230 | 4,151 | 2,314 | 3,387 | 3,267 |
| Gross reserves (excluding gold) (U.S.\$ in millions) ⁽³⁾ | | | | | | | | |
| 2009..... | 8,581 | 238,520 | 25,356 | 3,792 | 3,028 | 33,135 | 8,037 | 35,830 |
| 2008..... | 7,722 | 193,783 | 23,671 | 4,472 | 2,424 | 31,196 | 6,329 | 42,226 |
| 2007..... | 5,319 | 180,334 | 20,949 | 3,520 | 1,935 | 27,689 | 4,112 | 33,500 |
| 2006..... | 3,178 | 85,839 | 15,436 | 2,023 | 1,335 | 17,275 | 3,091 | 36,606 |
| 2005..... | 1,714 | 53,799 | 14,947 | 2,147 | 1,211 | 14,097 | 3,078 | 30,368 |
| 2004..... | 1,123 | 52,935 | 13,536 | 1,437 | 630 | 12,631 | 2,512 | 24,208 |
| 2003..... | 976 | 49,296 | 10,916 | 1,160 | 1,011 | 10,194 | 2,087 | 21,366 |
| Consumer price index growth ⁽⁴⁾ | | | | | | | | |
| 2009..... | 0.3% | 4.2% | 2.0% | 4.4% | 2.4% | 0.3% | 5.9% | 27.0% |
| 2008..... | 11.9% | 5.9% | 7.0% | 8.7% | 8.7% | 6.7% | 9.2% | 31.9% |
| 2007..... | 11.7% | 4.5% | 5.7% | 3.3% | 4.2% | 3.9% | 8.5% | 22.5% |
| 2006..... | 5.0% | 3.1% | 4.5% | 2.9% | 2.5% | 1.1% | 6.4% | 17.0% |
| 2005..... | 4.9% | 5.7% | 4.9% | 3.1% | 2.9% | 1.5% | 4.9% | 14.4% |
| 2004..... | 4.6% | 7.6% | 5.5% | 1.9% | 0.4% | 3.5% | 7.6% | 19.2% |
| 2003..... | 3.9% | 9.3% | 6.5% | 6.2% | 0.1% | 2.5% | 10.2% | 27.1% |

| | Bolivia | Brazil | Colombia | Ecuador | Panama | Peru | Uruguay | Venezuela |
|--|----------------|---------------|-----------------|----------------|---------------|-------------|----------------|------------------|
| Exports of Goods (f.o.b.) ⁽⁵⁾ | | | | | | | | |
| (U.S.\$ in millions) | | | | | | | | |
| 2009 | 4,848 | 152,995 | 32,853 | 13,762 | 10,904 | 26,885 | 6,418 | 57,595 |
| 2008 | 6,448 | 197,942 | 37,626 | 20,377 | 10,323 | 31,529 | 7,083 | 95,138 |
| 2007 | 4,458 | 160,651 | 29,991 | 13,097 | 9,334 | 27,881 | 5,100 | 69,010 |
| 2006 | 3,875 | 137,807 | 25,181 | 13,153 | 8,475 | 23,831 | 4,400 | 65,578 |
| 2005 | 2,791 | 118,308 | 21,729 | 10,487 | 7,375 | 17,367 | 3,774 | 55,716 |
| 2004 | 2,146 | 96,475 | 17,224 | 7,528 | 5,886 | 12,809 | 3,145 | 39,668 |
| 2003 | 1,598 | 73,084 | 13,812 | 6,197 | 5,049 | 9,091 | 2,281 | 27,230 |
| Imports of Goods (f.o.b.) | | | | | | | | |
| (U.S.\$ in millions) | | | | | | | | |
| 2009 | 4,377 | 127,647 | 31,188 | 14,202 | 12,931 | 21,012 | 6,688 | 38,442 |
| 2008 | 4,980 | 173,107 | 37,155 | 17,366 | 14,869 | 28,439 | 8,811 | 49,482 |
| 2007 | 3,455 | 120,612 | 30,814 | 13,274 | 12,524 | 19,595 | 5,645 | 46,031 |
| 2006 | 2,814 | 91,350 | 24,859 | 11,948 | 10,190 | 14,844 | 4,898 | 33,583 |
| 2005 | 2,334 | 73,606 | 20,134 | 10,286 | 8,933 | 12,082 | 3,753 | 24,008 |
| 2004 | 1,844 | 62,835 | 15,878 | 8,266 | 7,471 | 9,805 | 2,992 | 17,021 |
| 2003 | 1,616 | 48,290 | 13,258 | 6,702 | 6,162 | 8,205 | 2,098 | 10,687 |

* Sources: Official government sources (including but not limited to the ministries of finance of the full member shareholder countries).

- (1) This information is extracted from the United Nations Human Development Indicators produced by the Human Development Report office of the United Nations.
- (2) Expressed in current U.S. dollars.
- (3) At 31 December.
- (4) End of period.
- (5) Free on Board.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the United States and the Full Member Shareholder Countries of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

United States Taxation

United States Internal Revenue Service Circular 230 Notice: *To ensure compliance with Internal Revenue Service Circular 230, prospective purchasers are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Offering Circular or any document referred to herein is not intended or written to be used, and cannot be used by prospective purchasers for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective purchasers should seek advice based on their particular circumstances from an independent tax advisor.*

This section describes the material United States federal income tax consequences of owning Notes issued under the Programme. It applies only to Noteholders who acquire Notes in an offering pursuant to the Programme and who hold such Notes as capital assets for tax purposes. This section does not apply to a Noteholder who is a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for such Noteholder's securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes, or
- a U.S. holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with Notes that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning Notes that are due to mature more than 30 years from their date of issue will be discussed in the applicable Final Terms. This section is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Notes.

Prospective purchasers are advised to consult their own tax advisor concerning the consequences of owning Notes in their particular circumstances under the Code and the laws of any other taxing jurisdiction.

United States Holders

This subsection describes the tax consequences to a United States holder. A person is a United States holder if it is a beneficial owner of a Note and it is:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

This subsection does not apply to persons who are not United States holders. Such persons should refer to "United States Alien Holders" below.

Payments of Interest

Except as described below in the case of interest on a discount Note that is not qualified stated interest (each as defined below under "– Original Issue Discount – General"), a United States holder will be taxed on any interest on Notes held by such holder and any additional amounts paid with respect to a withholding tax on such Notes, if any, including withholding tax on payments of such additional amounts, whether payable in U.S. dollars or a foreign currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time the United States holder receives the interest or when it accrues, depending on the United States holder's method of accounting for tax purposes.

Interest paid by CAF on Notes, original issue discount, if any, accrued with respect to such Notes (as described below under "Original Issue Discount") and any additional amounts paid with respect to withholding tax on the Notes, including withholding tax on payments of such additional amounts ("additional amounts"), are income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a United States holder. Under the foreign tax credit rules, interest, original issue discount and additional amounts will, depending on the United States holder's circumstances, be either "passive" or "general" income for purposes of computing the foreign tax credit.

Cash Basis Taxpayers. If a United States holder is a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and receives an interest payment that is denominated in, or determined by reference to, a foreign currency, such United States holder must recognise income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the United States holder actually converted the payment into U.S. dollars.

Accrual Basis Taxpayers. If a United States holder is a taxpayer that uses an accrual method of accounting for tax purposes, such United States holder may determine the amount of income that it recognises with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, such United States holder will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If such United States holder elects the second method, it would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if the United States holder receives a payment of interest within five business days of the last day of its accrual period or taxable year, it may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that it actually receives the interest payment. If such United States holder elects the second method, that method will apply to all debt instruments that such United States holder holds at the beginning of the first taxable year to which the election applies and to all debt instruments that such United States holder subsequently acquires. A United States holder may not revoke this election without the consent of the Internal Revenue Service.

When a United States holder actually receives an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of its Note) denominated in, or determined by reference to, a foreign currency for which such United States holder accrued an amount of income, such United States holder will recognise ordinary income or loss measured by the difference, if any, between the exchange rate that such United States holder used to accrue interest

income and the exchange rate in effect on the date of receipt, regardless of whether such United States holder actually converts the payment into U.S. dollars.

Original Issue Discount

General. If a United States holder owns a Note, other than a short-term note with a term of one year or less, it will be treated as a discount Note issued at an original issue discount if the amount by which the Note's stated redemption price at maturity exceeds its issue price is more than a *de minimis* amount. Generally, a Note's issue price will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Note's stated redemption price at maturity is the total of all payments provided by the Note that are not payments of qualified stated interest. Generally, an interest payment on a Note is qualified stated interest if it is one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the Note. There are special rules for variable rate Notes that are discussed under “– Variable Rate Notes”.

In general, a Note is not a discount Note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of $\frac{1}{4}$ of 1 per cent. of its stated redemption price at maturity multiplied by the number of complete years to its maturity. A Note will have *de minimis* original issue discount if the amount of the excess is less than the *de minimis* amount. If a Note has *de minimis* original issue discount, such United States holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless such United States holder makes the election described below under “– Election to Treat All Interest as Original Issue Discount”. A United States holder can determine the includible amount with respect to each such payment by multiplying the total amount of a Note's *de minimis* original issue discount by a fraction equal to:

- the amount of the principal payment made divided by:
- the stated principal amount of such Note.

Generally, if the United States holder's discount Note matures more than one year from its date of issue, the United States holder must include original issue discount (“**OID**”) in income before it receives cash attributable to that income. The amount of OID that a United States holder must include in income is calculated using a constant-yield method, and generally a United States holder will include increasingly greater amounts of OID in income over the life of its Notes. More specifically, a United States holder can calculate the amount of OID that it must include in income by adding the daily portions of OID with respect to its discount Note for each day during the taxable year or portion of the taxable year that it holds its discount Note. A United States holder can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. A United States holder may select an accrual period of any length with respect to its discount Note and such United States holder may vary the length of each accrual period over the term of its discount Note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount Note must occur on either the first or final day of an accrual period.

A United States holder can determine the amount of OID allocable to an accrual period by:

- multiplying its discount Note's adjusted issue price at the beginning of the accrual period by such Note's yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on such Note allocable to the accrual period.

A United States holder must determine the discount Note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, a United States holder determines its discount Note's adjusted issue price at the beginning of any accrual period by:

- adding its discount Note's issue price and any accrued OID for each prior accrual period, and then
- subtracting any payments previously made on such discount Note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on a discount Note contains more than one accrual period, then, when a United States holder determines the amount of OID allocable to an accrual period, it must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, a United States holder must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. A United States holder may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of a Note, other than any payment of qualified stated interest, and
- a Note's adjusted issue price as of the beginning of the final accrual period.

Acquisition Premium. If a United States holder purchases a Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on such Note after the purchase date but is greater than the amount of such Note's adjusted issue price, as determined above under "– General", the excess is acquisition premium. If a United States holder does not make the election described below under "– Election to Treat All Interest as Original Issue Discount", then it must reduce the daily portions of OID by a fraction equal to:

- the excess of the adjusted basis in the Note immediately after purchase over the adjusted issue price of the Note divided by:
- the excess of the sum of all amounts payable, other than qualified stated interest, on the Note after the purchase date over the Note's adjusted issue price.

Pre-Issuance Accrued Interest. An election may be made to decrease the issue price of such Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of such Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on such Note is to be made within one year of such Note's issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on such Note.

Notes Subject to Contingencies Including Optional Redemption. A Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, a United States holder must determine the yield and maturity of such Note by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date of such Note, and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, a United States holder must include income on a Note in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable Final Terms.

Notwithstanding the general rules for determining yield and maturity, if a Note is subject to contingencies, and either a United States holder or CAF has an unconditional option or options that, if exercised, would require payments to be made on such Note under an alternative payment schedule or schedules, then:

- in the case of an option or options that CAF may exercise, CAF will be deemed to exercise or not exercise an option or combination of options in the manner that minimises the yield on such Note, and

- in the case of an option or options that a United States holder may exercise, it will be deemed to exercise or not exercise an option or combination of options in the manner that maximises the yield on such Note.

If both a United States holder and CAF hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. A United States holder may determine the yield on a Note held by it for the purposes of those calculations by using any date on which such Note may be redeemed or repurchased as the maturity date and the amount payable on the date that it chooses in accordance with the terms of such Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules, then except to the extent that a portion of a Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, a United States holder must redetermine the yield and maturity of such Note by treating such Note as having been retired and reissued on the date of the change in circumstances for an amount equal to such Note's adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount. A United States holder may elect to include in gross income all interest that accrues on a Note held by it using the constant-yield method described above under "General", with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium, described below under "United States Holders – Notes Purchased at a Premium," or acquisition premium.

If a United States holder makes this election for a Note held by it, then, when such United States holder applies the constant-yield method:

- the issue price of such Note will equal the United States holder's cost,
- the issue date of such Note will be the date the United States holder acquired it, and
- no payments on such Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which it is made; however, if a Note has amortisable bond premium, the United States holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium, other than debt instruments the interest on which is excludible from gross income, that are held by such United States holder as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if a United States holder makes this election for a market discount Note, the United States holder will be treated as having made the election discussed below under "United States Holders – Market Discount" to include market discount in income currently over the life of all debt instruments having market discount that it acquires on or after the first day of the first taxable year to which the election applies. A United States holder may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortisable bond premium or market discount Notes without the consent of the Internal Revenue Service.

Variable Rate Notes. A Note will be a variable rate Note if:

- such Note's issue price does not exceed the total non-contingent principal payments by more than the lesser of:
 1. .015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date, or
 2. 15 per cent. of the total non-contingent principal payments; and
- such Note provides for stated interest, compounded or paid at least annually, only at:
 1. one or more qualified floating rates,
 2. a single fixed rate and one or more qualified floating rates,
 3. a single objective rate, or
 4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A Note will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which such Note is denominated; or
- the rate is equal to such a rate multiplied by either:
 1. a fixed multiple that is greater than 0.65 but not more than 1.35, or
 2. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and
- the value of the rate on any date during the term of such Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If such Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of such Note, the qualified floating rates together constitute a single qualified floating rate.

A Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of such Note or are not reasonably expected to significantly affect the yield on such Note.

A Note will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of CAF or a related party, and
- the value of the rate on any date during the term of such Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A Note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of such Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of such Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate, and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

A Note will also have a single qualified floating rate or an objective rate if interest on such Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of such Note that do not differ by more than 0.25 percentage points, or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if a variable rate Note provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on such Note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for such Note.

If a variable rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, a United States holder generally must determine the interest and OID accruals on such Note by:

- determining a fixed rate substitute for each variable rate provided under such variable rate Note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When a United States holder determines the fixed rate substitute for each variable rate provided under a variable rate Note, it generally will use the value of each variable rate as of the issue date of such Note or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on such Note.

If a variable rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, a United States holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, a variable rate Note will be treated, for purposes of the first three steps of the determination, as if such Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of such variable rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-Term Notes. In general, if a United States holder is an individual or other cash basis United States holder of a short-term Note, it is not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless it elects to do so (although it is possible that it may be required to include any stated interest in income as it receives it). If a United States holder is an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, it will be required to accrue OID on short-term Notes on either a straight-line basis or under the constant-yield method, based on daily compounding. If it is not required and does not elect to include OID in income currently, any gain it realises on the sale or retirement of its short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless it makes an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if it is not required and does not elect to accrue OID on its short-term Notes, it will be required to defer deductions for interest on borrowings allocable to its short-term Notes in an amount not exceeding the deferred income until the deferred income is realised.

When a United States holder determines the amount of OID subject to these rules, it must include all interest payments on its short-term Note, including stated interest, in its short-term Note's stated redemption price at maturity.

Foreign Currency Discount Notes. If a discount Note is denominated in, or determined by reference to, a foreign currency, the relevant United States holder must determine OID for any accrual period on its discount Note in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under “– United States Holders – Payments of Interest”. Such United States holder may recognise ordinary income or loss when it receives an amount attributable to OID in connection with a payment of interest or the sale or retirement of such Note.

Market Discount

A United States holder will be treated as if it purchased a Note, other than a short-term Note, at a market discount, and such Note will be a market discount Note if:

- such Note is purchased for less than its issue price as determined above under “Original Issue Discount – General” and
- the difference between such Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, and the price the relevant United States holder paid for it is equal to or greater than $\frac{1}{4}$ of 1 per cent. of its stated redemption price at

maturity or revised issue price, respectively, multiplied by the number of complete years to maturity. To determine the revised issue price of such Note for these purposes, a United States holder will generally add any OID that has accrued on such Note to its issue price.

If a Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, exceeds the price the relevant United States holder paid for it by less than $\frac{1}{4}$ of 1 per cent. multiplied by the number of complete years to such Note's maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable to the relevant United States holder.

A United States holder must treat any gain it recognises on the maturity or disposition of a market discount Note as ordinary income to the extent of the accrued market discount on such Note. Alternatively, such United States holder may elect to include market discount in income currently over the life of such Note. If a United States holder makes this election, it will apply to all debt instruments with market discount that a United States holder acquires on or after the first day of the first taxable year to which the election applies. A United States holder may not revoke this election without the consent of the Internal Revenue Service. If a United States holder owns a market discount Note and does not make this election, it will generally be required to defer deductions for interest on borrowings allocable to such Note in an amount not exceeding the accrued market discount on such Note until the maturity or disposition of such Note.

A United States holder will accrue market discount on a market discount Note on a straight-line basis unless it elects to accrue market discount using a constant-yield method. If such United States holder makes this election, it will apply only to the Note with respect to which it is made and such United States holder may not revoke it.

Notes Purchased at a Premium

If a United States holder purchases a Note for an amount in excess of its principal amount, it may elect to treat the excess as amortisable bond premium. If it makes this election, it will reduce the amount required to be included in its income each year with respect to interest on such Note by the amount of amortisable bond premium allocable to that year, based on such Note's yield to maturity. If such Note is denominated in, or determined by reference to, a foreign currency, the relevant United States holder will compute its amortisable bond premium in units of the foreign currency and its amortisable bond premium will reduce its interest income in units of the foreign currency. Gain or loss recognised that is attributable to changes in exchange rates between the time the relevant United States holder's amortised bond premium offsets interest income and the time of the acquisition of such Note is generally taxable as ordinary income or loss. If a United States holder makes an election to amortise bond premium, it will apply to all debt instruments (other than debt instruments the interest on which is excludible from gross income) that such person holds at the beginning of the first taxable year to which the election applies or that such person thereafter acquires, and such United States holder may not revoke it without the consent of the Internal Revenue Service. See also "Original Issue Discount – Election to Treat All Interest as Original Issue Discount".

Purchase, Sale and Retirement of the Notes

A United States holder's tax basis in a Note will generally be the U.S. dollar cost, as defined below, of such Note, adjusted by:

- adding any OID or market discount previously included in income with respect to such Note, and then
- subtracting any payments on such Note that are not qualified stated interest payments and any amortisable bond premium applied to reduce interest on such Note.

If a United States holder purchases a Note with foreign currency, the U.S. dollar cost of such Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if a United States holder is a cash basis taxpayer, or an accrual basis taxpayer if it so elects, and the Note it holds is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of such Note will be the U.S. dollar value of the purchase price on the settlement date in respect of the Note purchased.

A United States holder will generally recognise gain or loss on the sale or retirement of such Note equal to the difference between the amount it realises on the sale or retirement and its tax basis in such Note. If such Note is sold or retired for an amount in foreign currency, the amount the relevant United States holder realises will be the U.S. dollar value of such amount on the date the

Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the foreign currency on the settlement date of the sale.

A United States holder will recognise capital gain or loss when it sells or retires a Note held by it, except to the extent:

- described above under “– Original Issue Discount – Short-Term Notes” or “– Market Discount”,
- attributable to accrued but unpaid interest,
- the rules governing contingent payment obligations apply, or
- attributable to changes in exchange rates as described below.

Capital gain of a non-corporate United States holder that is generally taxed at preferential rates where the property is held for more than one year.

A United States holder must treat any portion of the gain or loss that it recognises on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, it takes exchange gain or loss into account only to the extent of the total gain or loss it realises on the transaction.

Exchange of Amounts in Other Than U.S. Dollars

If a United States holder receives foreign currency as interest on a Note held by it or on the sale or retirement of a Note held by it, the tax basis of such United States holder in the foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If a United States holder purchases foreign currency, it generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of such purchase. If it sells or disposes of a foreign currency, including if it uses such foreign currency to purchase Notes or exchange such foreign currency for U.S. dollars, any gain or loss recognised generally will be ordinary income or loss.

Medicare Tax

For taxable years beginning after December 31, 2012, a United States holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the United States holder’s “net investment income” for the relevant taxable year and (2) the excess of the United States holder’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual’s circumstances). A holder’s net investment income will generally include its interest income and its net gains from the disposition of notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A United States holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in the Notes.

Index-Linked Interest Notes, and Notes Denominated in Multiple Currencies

The applicable Final Terms will discuss any special United States federal income tax rules with respect to Notes the payments on which are determined by reference to any index (including Index-Linked Interest Notes) and other Notes that are subject to the rules governing contingent payment obligations which are not subject to the rules governing variable rate notes, and with respect to any Notes denominated in multiple currencies.

United States Alien Holders

This subsection describes the tax consequences to a United States alien holder. A person is a United States alien holder if it is a beneficial owner of a Note and it is, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note.

This subsection does not apply to United States holders.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if a person is a United States alien holder of a Note, interest on a Note paid to such person is exempt from United States federal income tax, including withholding tax, whether or not such person is engaged in a trade or business in the United States, unless:

- such person is an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code, or
- such person both
 - has an office or other fixed place of business in the United States to which the interest is attributable and
 - derives the interest in the active conduct of a banking, financing or similar business within the United States.

Purchase, Sale, Retirement and Other Disposition of the Notes. A United States alien holder of a Note will generally not be subject to United States federal income tax on gain realised on the sale, exchange or retirement of a Note unless:

- the gain is effectively connected with such person's conduct of a trade or business in the United States or
- such person is an individual, is present in the United States for 183 or more days during the taxable year in which the gain is realised and certain other conditions exist.

For purposes of the United States federal estate tax, the Notes will be treated as situated outside the United States and will not be includible in the gross estate of a holder who is neither a citizen nor a resident of the United States at the time of death if the income on the Note would not have been effectively connected with a United States trade or business of the individual at the individual's death.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a "Reportable Transaction"). Under these regulations, if the Notes are denominated in a foreign currency, a United States holder (or a United States alien holder that holds the Notes in connection with a U.S. trade or business) that recognizes a loss with respect to the Notes that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on Internal Revenue Service Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is \$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. A prospective purchaser should consult with its own tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of the Notes.

Information with Respect to Foreign Financial Assets

Under recently enacted legislation, individuals that own "specified foreign financial assets" with an aggregate value in excess of \$50,000 in taxable years beginning after March 18, 2010 will generally be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties, and (iii) interests in foreign entities. United States holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

Backup Withholding and Information Reporting

In respect of a noncorporate United States holder, information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

- payments of principal and interest, and the accrual of OID on a Note within the United States, including payments made by wire transfer from outside the United States to an account such United States holder maintains in the United States, and

- the payment of the proceeds from the sale of a Note effected at a United States office of a broker.

Additionally, backup withholding will apply to such payments to a noncorporate United States holder that:

- fails to provide an accurate taxpayer identification number,
- is notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its federal income tax returns, or
- in certain circumstances, fails to comply with applicable certification requirements.

Pursuant to recently enacted legislation, certain payments in respect of notes made to corporate United States holders after December 31, 2011 may be subject to information reporting and backup withholding.

A United States alien holder will generally be exempt from backup withholding and information reporting requirements with respect to:

- payments of principal and interest, including OID, made to it outside the United States by CAF or another non-United States payor,
- other payments of principal and interest, including OID, and the payment of the proceeds from the sale of a Note effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:
 - in the case of a Note other than a Bearer Note, the payor or broker does not have actual knowledge or reason to know that the relevant holder is a United States person and such holder has furnished to the payor or broker:
 - an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which it certifies, under penalties of perjury, that it is a non-United States person, or
 - other documentation upon which the payor or broker may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or
 - in the case of a Bearer Note, the note is offered, sold and delivered in compliance with the restrictions described below under “Subscription and Sale — United States of America”, or
 - it otherwise establishes an exemption.

Payment of the proceeds from the sale of a Note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a Note that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by the relevant holder in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to the relevant holder at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that the relevant holder is a United States person and the documentation requirements described above are met or the relevant Noteholder otherwise establishes an exemption.

In addition, a sale of a Note effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:

- one or more of its partners are “United States persons”, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
- such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that the relevant holder is a United States person and the documentation requirements described above are met or the relevant holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that the relevant Noteholder is a United States person.

Full Member Shareholder Country Taxation

Under the terms of the *Agreement establishing Corporación Andina de Fomento* (the “**Constitutive Agreement**”), dated 7 February 1968, an international treaty among the Full Member Shareholder Countries, CAF is exempt from all types of taxes levied by each of the Full Member Shareholder Countries (as defined under “Terms and Conditions of the Notes”) on its income, property and other assets, and on operations it carries out in accordance with that treaty, and it is exempt from all liability related to the payment, retention or collection of any taxes, contributions or tariffs.

Payments of principal and interest in respect of the Notes to a non-resident of the Full Member Shareholder Countries will not be subject to taxation in any of the Full Member Shareholder Countries, nor will any withholding for tax of any of the Full Member Shareholder Countries be required on any such payments to any holder of Notes. In the event of the imposition of withholding taxes by any of the Full Member Shareholder Countries, CAF has undertaken to pay additional amounts in respect of any payments subject to such withholding, subject to certain exceptions, as described under Condition 12 (*Taxation*) of the Terms and Conditions of the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg will, subject to certain exceptions, apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. (unless during that transitional period they elect to provide information in accordance with the EU Savings Directive). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

FORMS OF THE BEARER NOTES

Forms of Bearer Notes

Each Tranche of Notes in bearer form will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system. Each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ECB credit operations” of the central banking system for the euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled. Also on that date, the ECB announced that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the later of the commencement of the offering and the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or

- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the later of the commencement of the offering and the Issue Date.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the later of the commencement of the offering and the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” above and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

FORMS OF REGISTERED NOTES AND TRANSFER RESTRICTIONS RELATING TO U.S. SALES

The following information relates to the form, transfer and delivery of Notes in registered form. Because of the following restrictions, purchasers of notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of Notes in registered form.

Forms of Registered Notes

Notes in registered form (“**Registered Notes**”) will not have interest coupons attached. Registered Notes which are offered and sold outside the United States in reliance on Regulation S (“**Unrestricted Notes**”) will be represented by interests in a global registered Note Certificate (the “**Unrestricted Global Note Certificate**”). An Unrestricted Global Note Certificate which is not to be held under the new safekeeping structure (“**New Safekeeping Structure**” or “**NSS**”) will be registered (i) in the name of Cede & Co. as nominee for The Depository Trust Company (“**DTC**”) and will be deposited on or about the Issue Date of the relevant issue with Citibank, N.A., London Branch (the “**DTC Custodian**”) as custodian for DTC or (ii) in the name of the nominee for Euroclear and/or Clearstream, Luxembourg and will be deposited with Citibank, N.A., London Branch. An Unrestricted Global Note Certificate to be held under the New Safekeeping Structure, will be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. Up to and including the fortieth day after the later of the commencement of the offering and such Issue Date, beneficial interests in the Unrestricted Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg.

Registered Notes which are offered and sold in the United States in reliance on Rule 144A (“**Restricted Notes**”) will be represented by interests in a global registered Note Certificate (the “**Restricted Global Note Certificate**”, and together with the Unrestricted Global Note Certificate, the “**Global Note Certificates**”). The Restricted Global Note Certificate will be registered (i) in the name of Cede & Co. as nominee for DTC and will be deposited on or about the Issue Date of the relevant issue with the DTC Custodian as custodian for DTC, (ii) in the name of the nominee for Euroclear and/or Clearstream, Luxembourg and will be deposited with Citibank, N.A., London Branch or, in the case of a Restricted Global Note Certificate to be held under the New Safekeeping Structure, (iii) in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. Interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and/or Clearstream, Luxembourg. Individual Note Certificates (“**Individual Note Certificates**”) evidencing holdings of Registered Notes will only be available in certain limited circumstances as described below under “– Exchange of Interests in Global Note Certificates for Individual Note Certificates”. The Restricted Global Note Certificate (and any Individual Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer as described below under “– Transfer Restrictions”.

Transfer Restrictions

On or prior to the fortieth day after the later of the commencement of the offering and the Issue Date, Notes represented by an interest in the Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in the Restricted Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 9 (*Form of Transfer Certificate*) to the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfer, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described below.

Each purchaser of Registered Notes offered outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution

compliance period (as defined in Regulation S), by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented and agreed as follows:

- (a) the purchaser is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (A) it is not a U.S. person and it is located outside the United States within the meaning of Regulation S and (B) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (b) the purchaser understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except (A) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;
- (c) the purchaser understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:
“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”
- (d) the purchaser understands that the Issuer, the Registrar, the Dealer and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements; and
- (e) the purchaser understands that Notes in registered form offered in reliance on Regulation S will be represented by an Unrestricted Global Note Certificate. Prior to the expiration of the distribution compliance period (as defined in Regulation S), before any interest in a Restricted Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate of the same Series, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Notes represented by an interest in the Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest through the Unrestricted Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 9 (*Form of Transfer Certificate*) to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Transfer restrictions will terminate two years after the Issue Date provided that any Notes purchased by or on behalf of the Issuer or any of its affiliates have been cancelled in accordance with Condition 10(i) (*Redemption and Purchase – Cancellation*).

Any interest in either the Restricted Global Note Certificate or the Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the other Global Note Certificate will, upon transfer, cease to be an interest in such Global Note Certificate and become an interest in the other Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Note Certificate.

Registered Notes will be offered and sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A.

Each purchaser of Registered Notes offered pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (a) the purchaser (i) is a qualified institutional buyer, (ii) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A;
- (b) the purchaser understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with the provisions of Rules 903 or 904 under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), or (iv) to the Issuer, in each of cases (i) through (iv) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in (A) above; and
- (c) the purchaser understands that the Restricted Global Note Certificate and any Restricted Individual Note Certificates (as defined below) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate bearing the above legend, or upon specific request for removal of the legend, the Issuer will deliver only Individual Note Certificates that bear such legend ("**Restricted Individual Note Certificates**") or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Such transfer restrictions will terminate two years after the Issue Date, provided that any Notes purchased by or on behalf the Issuer or any of its affiliates have been cancelled in accordance with Condition 10(i) (*Redemption and Purchase – Cancellation*).

Exchange of Interest in Global Note Certificates for Individual Note Certificates

Registration of title to Notes initially represented by the Global Note Certificates in a name other than DTC or a successor depository or one of their respective nominees or, in the case of Global Note Certificates to be held under the New Safekeeping Structure, in the name of a common

safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg, will not be permitted unless (a) such depository notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the relevant Global Note Certificate or ceases to be a clearing agency (as defined in the Exchange Act), or is at any time no longer eligible to act as such, and the Issuer is (in the case of it ceasing to be depository) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs or (c) (in the case of the Unrestricted Global Note Certificates only) Euroclear or Clearstream, Luxembourg is closed for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to permanently cease business.

In such circumstances, the Issuer shall procure the delivery of Individual Note Certificates in exchange for the Unrestricted Global Note Certificate and/or the Restricted Global Note Certificate. A person having an interest in a Global Note Certificate must provide the Registrar (through DTC, Euroclear and/or Clearstream, Luxembourg) with (i) such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Individual Note Certificate are to be registered and the principal amount of each such person's holding) and (ii) (in the case of the Restricted Global Note Certificate only) a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (1) that such holder is not transferring its interest at the time of such exchange or (2) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a qualified institutional buyer and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out above under “– Transfer Restrictions”. Such transfer restrictions will terminate two years after the Issue Date, provided that any Notes purchased by or on behalf of the Issuer or any of its affiliates have been cancelled in accordance with Condition 10(i) (*Redemption and Purchase – Cancellation*).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued within five business days of the delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the relevant Global Note Certificate at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the regulations concerning the transfer and registration from time to time in relation to the Notes and shall be effected without charge, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the due date for their delivery in exchange for interests in a Global Note Certificate or (b) any of the Notes represented by a Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered Holder of such Global Note Certificate in accordance with its terms on the due date for payment, then such Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered Holder will have no further rights under such Global Note Certificate (but without prejudice to the rights which the Holder of the Notes represented by such Global Note Certificate or others may have under a deed of covenant dated 28 August 2009 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of DTC, Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Notes represented by a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Global Note Certificate became void, they had been the registered Holders of Notes represented by Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of DTC, Euroclear and/or (as the case may be) Clearstream, Luxembourg.

The Registrar will not register the transfer of or exchange of interests in a Global Note Certificate for Individual Note Certificates (i) for a period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes (ii) during the period 15 days

before any date on which Registered Notes may be called for redemption by the Issuer at its option pursuant to Condition 10(c) (*Redemption at the option of the Issuer*) above; or (iii) after any such Registered Note has been called for redemption.

Book-Entry Ownership of Global Note Certificates

The Issuer has applied or will apply to DTC, Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry settlement systems of the Unrestricted and Restricted Notes. The Notes will have a CINS number, a common code and an ISIN. The Restricted Notes accepted in the book entry settlement system of DTC will have a CUSIP number.

The DTC Custodian and DTC will record electronically the principal amount of the Notes represented by the Unrestricted Global Note Certificate and the Restricted Global Note Certificate held within the DTC system. Up to and including the fortieth day after the later of the commencement of the offering and the Issue Date, investors may hold their interests in the Unrestricted Global Note Certificate only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in DTC, or indirectly through organisations which are participants in DTC.

Clearstream, Luxembourg and Euroclear will hold interests in the Global Note Certificate on behalf of their account holders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositories, which in turn (if applicable) will hold such interests in such Global Note Certificate in customers' securities accounts in the depositories' names on the books of DTC. Citibank, N.A., London Branch will initially act as depository for Clearstream, Luxembourg and Euroclear. Investors may hold their interests in the Global Note Certificate directly through DTC, if they are participants in DTC, indirectly through organisations which are participants in DTC or directly through Clearstream, Luxembourg and/or Euroclear (as the case may be).

Payments of the principal of, interest on and any other amounts payable under each Global Note Certificate registered in the name of the nominee for DTC, Clearstream, Luxembourg and/or Euroclear (as the case may be) will be made to or to the order of its nominee as the registered Holder of such Global Note Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit the participants or custodians' accounts with DTC, Clearstream, Luxembourg and/or Euroclear with payments in amounts proportionate to their respective interests in the principal amount of the relevant Global Note Certificate as shown on the records of DTC, Clearstream, Luxembourg and/or Euroclear or the relevant nominee. The Issuer also expects that payments by participants of DTC, Clearstream, Luxembourg and/or Euroclear to owners of interests in such Global Note Certificate held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants. None of the Issuer, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

While a Global Note Certificate is lodged with DTC, Clearstream, Luxembourg and/or Euroclear or its custodian or nominee, Notes represented by Individual Note Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Transfer of Interests in Global Note Certificates

Transfer of interests in Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because DTC only acts on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under “Subscription and Sale”, cross-market transfers between DTC participants, on the one hand, and Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected in DTC in accordance with DTC rules and procedures and on behalf of Clearstream, Luxembourg or Euroclear (as the case may be) by its respective depository. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or (as the case may be) Euroclear by the counter party in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or (as the case may be) Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Note Certificate in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg account holders and Euroclear account holders may not deliver instructions directly to the depositories for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, credits of Notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during the securities settlement processing day dated the business day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear account holder on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream, Luxembourg account holder or a Euroclear account holder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangement for transfer of Notes, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not effected.

For a further description of restrictions on the transfer of Notes, see “Subscription and Sale”.

The Issuer understands that DTC will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Note Certificates are credited, and only in respect of such portion of the aggregate principal amount of the Global Note Certificates as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Global Note Certificates for Individual Note Certificates (which will, in the case of Restricted Notes, bear the legend set out above under “– Transfer Restrictions”).

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, the Registrar nor any Transfer Agent or any Paying Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

Conditions applicable to Global Note Certificates

Each Global Note Certificate will contain a provision to modify Condition 11(m) (*Record Date*) of the Terms and Conditions of the Notes as they apply to the Global Note Certificate to read:

“Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar’s Specified Office on the Business Day before the due date for such payment (the “**Record Date**”).”

SUMMARY OF PROVISIONS RELATING TO THE BEARER NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Bearer Notes represented by a Global Note, references in the Terms and Conditions of the Bearer Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary in the case of a CGN, or a common safekeeper in the case of an NGN, for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Bearer Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Bearer Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bearer Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg. For the purpose of any payments made in respect of a Global Note, the definition of “**Payment Business Day**” in Condition 2 (*Interpretation*) of the Terms and Conditions of the Notes shall mean:

- (a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to only some of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper for Euroclear and/or Clearstream Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, *provided, however, that*, so long as any Notes are listed on the Official List of the FSA and admitted to trading on the Market and the rules of the FSA so require, notices in respect of such Notes will also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*).

Redenomination: If the Notes are redenominated pursuant to Condition 22 (*Redenomination, Renominalisation and Reconventioning*), then following redenomination:

- (a) if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Fiscal Agent shall determine and notify to the Noteholders; and
- (b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to Credit Suisse Securities (Europe) Limited (the “**Dealer**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealer are set out in an amended and restated dealer agreement dated 28 August 2009 (as supplemented or amended from time to time, the “**Dealer Agreement**”) and made between the Issuer and the Dealer. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealer and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of the Dealer and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used under this subheading have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

In compliance with U.S. federal income tax laws and regulations, Bearer Notes (including interests in a Temporary Global Note and a Permanent Global Note) may not be offered or sold during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) within the United States or to U.S. persons other than to an office located outside the United States of a U.S. financial institution (as defined in Section 1.165-12(c)(1)(v) of the U.S. Treasury Department regulations), purchasing for its own account or for resale or for the account of certain customers, that provides a certificate stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the U.S. Treasury Department regulations thereunder (“**U.S. Treasury Regulations**”), or to certain other persons described in Section 1.163-5(c)(2)(i)(D)(1)(iii)(B) of the U.S. Treasury Regulations. Moreover, such Bearer Notes may not be delivered by any distributor in connection with their sale within the United States. Any distributor (as defined in Section 1.163-5(c)(2)(i)(D)(4) of the U.S. Treasury Regulations) participating in the offering or sale of Bearer Notes must covenant that it will not offer or sell during the restricted period any Bearer Notes within the United States or to U.S. persons (other than to the persons described above), it will not deliver in connection with the sale of Bearer Notes during the restricted period any Bearer Notes within the United States and it has in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling the Bearer Notes are aware of the restrictions on offers and sales described above.

The Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by the Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) except (A) in accordance with Rule 903 of Regulation S of the Securities Act or, (B) with respect to Registered Notes only, in the case of a Dealer registered or exempt from registration as a broker or dealer under the Exchange Act and nominated as such by the Issuer (a “**144A Dealer**”) and subject as provided below, in accordance with Rule 144A under the Securities Act. The Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto (other than pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither the Dealer, its affiliates (if any) nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Dealer, its affiliates (if any) and any person acting on their behalf have complied with the offering restrictions of Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Notwithstanding the foregoing, a 144A Dealer nominated by the Issuer may directly or through its respective affiliates arrange for the placing of Registered Notes in the United States to QIBs in accordance with Rule 144A under the Securities Act, provided that each person to whom Registered Notes are offered or sold is, or such 144A Dealer reasonably believes each such person to be, a QIB purchasing for its own account or for the account of a QIB and that such 144A Dealer notifies the purchaser that it may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. In connection with the offer and sale of such Registered Notes, 144A Dealers and their affiliates may sell Registered Notes to any of their affiliates, or any other 144A Dealers and their affiliates. In connection with each such sale of Registered Notes pursuant to Rule 144A under the Securities Act, (a) each 144A Dealer will deliver at or prior to settlement a Offering Circular and the relevant Final Terms to each QIB purchasing a Registered Note or Registered Notes from it pursuant to Rule 144A under the Securities Act, and (b) each 144A Dealer will only sell to such purchaser, for such purchaser's own account or for any separate account for which it is acting, Registered Notes having an aggregate nominal amount of not less than U.S.\$250,000 (or its equivalent rounded upwards as specified in the applicable Final Terms).

In addition, certain Notes in respect of which any payment is determined by reference to an index or formula, or to changes in prices of securities or commodities, or certain other Notes will be subject to such additional U.S. selling restrictions as the Issuer and the Dealer may agree, as indicated in the relevant Final Terms. The Dealer has agreed that it will offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealer reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by the Dealer or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised, and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

United Kingdom

The Dealer has represented, warranted and agreed that:

- (a) *No deposit-taking*: in relation to any Notes which have a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealer that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Offering Circular or any Final Terms comes are required by the Issuer and the Dealer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer has agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes offering material in relation thereto.

The Dealer Agreement provides that the Dealer shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer described in the first paragraph under this heading (“General”) above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

GENERAL INFORMATION

Listing

Application may be made to list Notes issued under the Programme on the Official List and for such Notes to be admitted to trading on the Market.

However, Notes may be issued pursuant to the Programme which will not be listed on the Official List and admitted to trading on the Market or any other competent authority, stock exchange and/or quotation system or which will be listed on such competent authority, stock exchange and/or quotation system as the Issuer and the Dealer may agree.

The terms and conditions of the Notes contain provisions to allow the Issuer to de-list Notes from the Official List and from trading on the Market (or other applicable exchange or competent authority) in certain circumstances. See Condition 25 (*De-Listing*) on page 31 of this Offering Circular.

Authorisations

The establishment of the Programme was authorised by Resolutions of the Executive President of the Issuer dated 22 December 2005, pursuant to the powers delegated to the Executive President by Resolution No. 1560/2004 of the Board of Directors of the Issuer dated 30 November 2004. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The update of the Programme was authorised by Resolution No. 7165/2010 of the Executive President of the Issuer dated 14 September 2010, pursuant to the powers delegated to the Executive President by Resolution No. 1862/2009 of the Board of Directors of the Issuer dated 8 December 2009.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Litigation

Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer or any of its assets or revenues, nor is the Issuer aware of any pending or threatened proceedings, which are or might be material in the context of the Programme or the issue of the Notes thereunder.

No significant change

Save as disclosed in this Offering Circular and since the last day of the financial period in respect of which the most recent audited financial statements of the Issuer have been prepared, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer that is material in the context of the Programme or the issue of the Notes thereunder.

Documents available for inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the Specified Offices of the Fiscal Agent and any Paying Agent, namely:

- (a) the Agency Agreement (which contains the forms of the Notes in global and definitive form as well as the forms of Note Certificates);
- (b) the Deed of Covenant;
- (c) the Dealer Agreement;
- (d) this Offering Circular, any supplements thereto and any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system. (In the case of any Notes which are not admitted to

listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders); and

- (e) the Constitutive Agreement.

Financial statements available

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the Specified Offices of the Fiscal Agent and any Paying Agent:

- (a) the most recent publicly available audited financial statements of the Issuer beginning with such financial statements for the years ended 31 December 2008 and 2009; and
- (b) the most recent publicly available unaudited interim financial statements (if any) of the Issuer beginning with such financial statements for the six-months ended 30 June 2010. The unaudited financial statements of the Issuer for the six-months ended 30 June 2010 have been prepared solely for the purposes of this Offering Circular and are available at the Specified Offices of the Fiscal Agent and of any Paying Agent. The Issuer does not publish interim financial statements in the ordinary course of its business.

The financial statements of the Issuer for each of the years ended 31 December 2007 and 2008 have been audited without qualification by KPMG Alcaraz Cabrera Vázquez, authorised public accountants for the Issuer until 31 December 2008. The financial statements of the Issuer for the year ended 31 December 2009 have been audited without qualification by Lara Marambio & Asociados, a member firm of Deloitte Touche Tohmatsu Limited, authorised public accountants for the Issuer from 1 January 2009.

INDEX TO FINANCIAL STATEMENTS

| | |
|---|------|
| Management’s Report on the Effectiveness of Internal Control Over Financial Reporting .. | F-2 |
| Independent Accountants’ Report on Management’s Assertion on Effectiveness of Internal Control Over Financial Reporting | F-3 |
| Report of Independent Auditors | F-4 |
| Independent Auditor’s Report..... | F-5 |
| Audited Financial Statements..... | F-6 |
| Unaudited Condensed Interim Financial Information..... | F-35 |

Management's Report on the Effectiveness of Internal Control Over Financial Reporting

The Management of Corporación Andina de Fomento (CAF) (the "Corporation") is responsible for establishing and maintaining effective internal control over financial reporting in the Corporation. Management has evaluated the Corporation's internal control over financial reporting as of 31 December 2009, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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 U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles, 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.

Management has assessed the effectiveness of CAF's internal control over financial reporting as of 31 December 2009. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of 31 December 2009.

There are inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the deception or overriding of controls. Accordingly, even an effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

CAF's financial statements as of 31 December 2009, have been audited by an independent registered public accounting firm, which has also issued an attestation report on management's assertion on the effectiveness of CAF's internal control over financial reporting. The attestation report, which is included in this document, expresses an unqualified opinion on management's assertion on the effectiveness of CAF's internal control over financial reporting as of 31 December 2009.

L. Enrique Garcia
*Executive President
and Chief Executive Officer*

Hugo Sarmiento K.
*Corporate Vice President,
Chief Financial Officer*

Marcos Subía G.
Director, Accounting and Budget

29 January 2010

Independent Accountants' Report on Management's Assertion on Effectiveness of Internal Control Over Financial Reporting

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

We have examined management's assertion, included in the accompanying *Management's Report on the Effectiveness of Internal Control Over Financial Reporting*, that Corporación Andina de Fomento (CAF) maintained effective internal control over financial reporting as of 31 December 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CAF's management is responsible for maintaining effective internal control over financial reporting, and for its assertion on the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on the Effectiveness of Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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 U.S. generally accepted accounting principles. 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 United States of America generally accepted accounting principles, 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 evaluation 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.

In our opinion, management's assertion that Corporación Andina de Fomento (CAF) maintained effective internal control over financial reporting as of 31 December 2009 is fairly stated, in all material respects, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Corporación de Fomento (CAF) as of 31 December 2009, and the related statements of income, stockholders' equity and cash flows for the year then ended, and our report dated 29 January 2010 expressed an unqualified opinion of those financial statements.

Deloitte

29 January 2010

Caracas – Venezuela

Report of Independent Auditors

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

We have audited the accompanying balance sheet of Corporación Andina de Fomento (CAF) as of 31 December 2009 and the related statements of income, stockholders' equity and cash flows for the year ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporación Andina de Fomento (CAF) as of 31 December 2009, and the result of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the management's assertion that CAF maintained effective internal control over financial reporting, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated 29 January 2010 expressed an unqualified opinion thereon.

Deloitte

29 January 2010

Caracas – Venezuela

Independent Auditors' Report

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

We have audited the accompanying balance sheet of Corporación Andina de Fomento (CAF) as of 31 December 2008 and the related statements of income, stockholders' equity and cash flows for each of the years in the two year period ended 31 December 2008. These financial statements are the responsibility of the Corporation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporación Andina de Fomento (CAF) as of 31 December 2008, and the results of its operations and its cash flows for each of the years in the two year period ended 31 December 2008 in accordance with U.S. generally accepted accounting principles.

KPMG

13 February 2009

Caracas, Venezuela

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Balance Sheets 31 December 2009 and 2008 (In thousands of U.S. dollars)

| | Note | 2009 | 2008 |
|--|-----------|------------|------------|
| Assets | | | |
| Cash and due from banks | | 29,906 | 152,801 |
| Deposits with banks | 2 | 1,237,863 | 1,333,635 |
| Marketable securities: | | | |
| Trading..... | 3 and 18 | 2,214,254 | 1,577,752 |
| Other investments | 2 | 203,361 | 156,380 |
| Loans (including US\$61,458 and US\$21,829 as of 31 December 2009 and 2008, respectively, at fair value)..... | 4 and 18 | 11,686,689 | 10,184,068 |
| Less loan commissions, net of origination costs..... | | 56,125 | 51,359 |
| Less allowance for losses | 4 | 143,911 | 143,167 |
| Loans, net | | 11,486,653 | 9,989,542 |
| Equity investments..... | 5 | 85,482 | 75,066 |
| Accrued interest and commissions receivable..... | | 135,705 | 195,237 |
| Derivative instruments..... | 17 and 18 | 436,745 | 676,186 |
| Property and equipment, net | 6 | 28,074 | 24,049 |
| Other assets..... | 7 | 29,026 | 31,373 |
| Total assets | | 15,887,069 | 14,212,021 |
| Liabilities and Stockholders' Equity Liabilities | | | |
| Deposits | 8 | 2,650,706 | 2,773,119 |
| Commercial papers | 9 | 1,265,417 | 663,934 |
| Advances and short-term borrowings | | — | 138,495 |
| Bonds (including US\$5,588,862 and US\$4,930,784 as of 31 December 2009 and 2008, respectively, at fair value)..... | 10 and 18 | 5,699,219 | 5,146,814 |
| Borrowings and other obligations (including US\$137,555 as of 31 December 2009, at fair value)..... | 11 and 18 | 788,467 | 684,023 |
| Accrued interest payable | | 98,093 | 138,004 |
| Derivative instruments..... | 17 and 18 | 45,136 | 59,022 |
| Accrued expenses and other liabilities | 12 | 53,227 | 54,697 |
| Total liabilities | | 10,600,265 | 9,658,108 |
| Stockholders' Equity | | | |
| Subscribed and paid-in capital (authorized capital US\$10,000 million) | 14 | 2,485,645 | 2,176,430 |
| Additional paid-in capital..... | | 539,222 | 280,255 |
| Reserves | | 2,027,228 | 1,785,754 |
| Retained earnings | | 234,709 | 311,474 |
| Total stockholders' equity..... | | 5,286,804 | 4,553,913 |
| Total liabilities and stockholders' equity | | 15,887,069 | 14,212,021 |

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements Of Income Years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

| | Note | 2009 | 2008 | 2007 |
|---|------------|----------------|----------------|----------------|
| Interest income | | | | |
| Loans | 1(f) | 398,737 | 549,139 | 700,397 |
| Investments and deposits with banks | 1(e) and 3 | 67,318 | 67,983 | 89,588 |
| Loan commissions | 1(f) | 17,798 | 35,258 | 33,659 |
| Total interest income | | 483,853 | 652,380 | 823,644 |
| Interest expense | | | | |
| Deposits | | 14,413 | 55,721 | 34,605 |
| Commercial papers | | 7,187 | 29,028 | 51,254 |
| Advances and short-term borrowings..... | | 1,011 | 10,779 | 23,469 |
| Bonds | | 139,614 | 193,054 | 262,991 |
| Borrowings and other obligations | | 16,094 | 34,172 | 36,319 |
| Commissions | | 10,406 | 5,173 | 5,291 |
| Total interest expense..... | | 188,725 | 327,927 | 413,929 |
| Net interest income | | 295,128 | 324,453 | 409,715 |
| Credit to allowance for loan losses | 4 | (1,656) | (22,970) | (23,133) |
| Net interest income, after credit to allowance for loan losses | | 296,784 | 347,423 | 432,848 |
| Non-interest income | | | | |
| Other commissions..... | | 3,319 | 1,741 | 3,729 |
| Dividends and equity in earnings of investees... | | 9,596 | 6,487 | 16,937 |
| Gain on sale of equity investments..... | | — | — | 8,878 |
| Other income | | 1,082 | 1,303 | 1,993 |
| Total non-interest income | | 13,997 | 9,531 | 31,537 |
| Non-interest expenses | | | | |
| Administrative expenses..... | | 62,562 | 56,482 | 51,195 |
| Impairment charge for equity investments | 5 | — | 1,157 | 82 |
| Other expenses | | 147 | 1,324 | 31 |
| Total non-interest expenses..... | | 62,709 | 58,963 | 51,308 |
| Net income before changes arising from fair value hedges..... | | 248,072 | 297,991 | 413,077 |
| Changes arising from fair value hedges | | (13,363) | 13,483 | (12,278) |
| Net income..... | | 234,709 | 311,474 | 400,799 |

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Stockholders' Equity
Years ended 31 December 2009, 2008 and 2007
(In thousands of U.S. dollars)

| | Note | Reserve pursuant to | | | | | Total stockholders' equity |
|--|------|--------------------------------|----------------------------|-----------------|---------------------------|----------------|----------------------------|
| | | Subscribed and paid-in capital | Additional paid-in capital | General reserve | Article No. 42 of by-laws | Total reserves | |
| Balances at 31 December 2006 | | | | | | | |
| Capital increase | 14 | 1,870,615 | 256,707 | 989,378 | 255,374 | 1,244,752 | 3,692,727 |
| Stock dividends | 14 | 50,650 | 71,133 | — | — | — | 121,783 |
| Net income | 14 | 93,485 | (93,485) | — | — | — | — |
| Appropriated for general reserve | 14 | — | — | — | — | — | 400,799 |
| Appropriated for reserve pursuant to Article No. 42 of by-laws | 14 | — | — | 200,553 | — | 200,553 | (200,553) |
| Distributions to stockholders' funds | 14 | — | — | — | 32,100 | 32,100 | (32,100) |
| | 15 | — | — | — | — | — | (88,000) |
| Balances at 31 December 2007 | | | | | | | |
| Capital increase | 14 | 2,014,750 | 234,355 | 1,189,931 | 287,474 | 1,477,405 | 4,127,309 |
| Stock dividends | 14 | 81,160 | 126,420 | — | — | — | 207,580 |
| Net income | 14 | 80,520 | (80,520) | — | — | — | — |
| Appropriated for general reserve | 14 | — | — | — | — | — | 311,474 |
| Appropriated for reserve pursuant to Article No. 42 of by-laws | 14 | — | — | 268,249 | — | 268,249 | (268,249) |
| Distributions to stockholders' funds | 14 | — | — | — | 40,100 | 40,100 | (40,100) |
| | 15 | — | — | — | — | — | (92,450) |
| Balances at 31 December 2008 | | | | | | | |
| Capital increase | 14 | 2,176,430 | 280,255 | 1,458,180 | 327,574 | 1,785,754 | 4,553,913 |
| Stock dividends | 14 | 209,135 | 359,047 | — | — | — | 568,182 |
| Net income | 14 | 100,080 | (100,080) | — | — | — | — |
| Appropriated for general reserve | 14 | — | — | — | — | — | 234,709 |
| Appropriated for reserve pursuant to Article No. 42 of by-laws | 14 | — | — | 210,335 | — | 210,335 | (210,335) |
| Distributions to stockholders' funds | 14 | — | — | — | 31,139 | 31,139 | (31,139) |
| | 15 | — | — | — | — | — | (70,000) |
| Balances at 31 December 2009 | | | | | | | |
| | | 2,485,645 | 539,222 | 1,668,515 | 358,713 | 2,027,228 | 5,286,804 |

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements Of Cash Flows Years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

| | Note | 2009 | 2008 | 2007 |
|---|------|-------------|-------------|-------------|
| Cash flows from operating activities | | | | |
| Net income..... | | 234,709 | 311,474 | 400,799 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities – | | | | |
| Unrealized loss on trading securities..... | 3 | 2,924 | 10,955 | 1,150 |
| Amortization of loan commissions, net of origination costs..... | | (8,148) | (11,952) | (21,464) |
| Credit to allowance for loan losses..... | 4 | (1,656) | (22,970) | (23,133) |
| Impairment charge for equity investments | 5 | — | 1,157 | 82 |
| Equity in earnings of investees..... | | (9,129) | (4,208) | (16,110) |
| Gain on sale of equity investments..... | | — | — | (8,878) |
| Amortization of deferred charges..... | | 1,864 | 1,668 | 2,472 |
| Depreciation of property and equipment..... | 6 | 1,659 | 3,094 | 3,477 |
| Provision for employees' severance indemnities and benefits..... | | 7,162 | 6,151 | 5,928 |
| Provision for employees' savings plan..... | | 1,366 | 1,416 | 1,465 |
| Net changes in operating assets and liabilities – | | | | |
| Severance indemnities paid or advanced..... | | (5,352) | (3,603) | (2,360) |
| Employees' savings plan paid or advanced.... | | (717) | (48) | (876) |
| Trading securities, net..... | 3 | (518,558) | (707,166) | 117,742 |
| Interest and commissions receivable..... | | 59,532 | 36,273 | (4,980) |
| Other assets..... | | 15,030 | (15,290) | 7,150 |
| Accrued interest payable..... | | (39,911) | (15,934) | 17,060 |
| Accrued expenses and other liabilities..... | | (3,929) | (1,068) | (5,526) |
| | | (497,863) | (721,525) | 73,199 |
| Total adjustments and net changes in operating assets and liabilities..... | | | | |
| Net cash (used in) provided by operating activities..... | | (263,154) | (410,051) | 473,998 |
| Cash flows from investing activities | | | | |
| Purchases of held-to-maturity securities..... | 3 | — | (3,583,769) | (3,825,725) |
| Maturities of held-to-maturity securities..... | 3 | — | 4,683,570 | 3,082,052 |
| Securities purchased under resale agreements ... | | — | 36,400 | (36,400) |
| Purchases of other investments..... | 2 | (903,182) | (448,120) | (368,918) |
| Maturities of other investments..... | 2 | 856,201 | 401,608 | 469,480 |
| Loan origination and principal collections, net. | 4 | (1,480,678) | (620,459) | (1,439,338) |
| Sales of equity investments..... | 5 | (1,287) | 2,302 | 44,015 |
| Purchases of property and equipment..... | 6 | (5,684) | (3,327) | (3,362) |
| | | (1,534,630) | 468,205 | (2,078,196) |
| Net cash (used in) provided by investing activities..... | | | | |
| Carried forward,..... | | (1,797,784) | 58,154 | (1,604,198) |

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows, Continued
Years ended 31 December 2009, 2008 and 2007
(In thousands of U.S. dollars)

| | Note | 2009 | 2008 | 2007 |
|--|------|-------------|-----------|-------------|
| Brought forward, | | (1,797,784) | 58,154 | (1,604,198) |
| Cash flows from financing activities | | | | |
| Net increase in deposits | | (122,413) | 1,252,072 | 1,071,250 |
| Net (decreases) increase in commercial paper ... | | 607,023 | (225,405) | 111,390 |
| Proceeds from advances and short-term borrowings..... | | 91,295 | 487,304 | 1,258,905 |
| Repayment of advances and short-term borrowings..... | | (240,168) | (735,018) | (1,201,502) |
| Proceeds from issuance of bonds..... | 10 | 1,256,876 | 626,298 | 718,428 |
| Repayment of bonds..... | 10 | (618,567) | (296,575) | (671,396) |
| Proceeds from borrowings and other obligations | 11 | 254,637 | 53,664 | 374,043 |
| Repayment of borrowings and other obligations | 11 | (147,748) | (177,948) | (124,382) |
| Distributions to stockholders' funds..... | 15 | (70,000) | (92,450) | (88,000) |
| Proceeds from issuance of shares | 14 | 568,182 | 207,580 | 121,783 |
| Net cash provided by financing activities | | 1,579,117 | 1,099,522 | 1,570,519 |
| Net (decrease) increase in cash and cash equivalents | | (218,667) | 1,157,676 | (33,679) |
| Cash and cash equivalents at beginning of year ... | | 1,486,436 | 328,760 | 362,439 |
| Cash and cash equivalents at end of year | | 1,267,769 | 1,486,436 | 328,760 |
| Consisting of | | | | |
| Cash and due from banks..... | | 29,906 | 152,801 | 3,735 |
| Deposits with banks..... | | 1,237,863 | 1,333,635 | 325,025 |
| | | 1,267,769 | 1,486,436 | 328,760 |
| Supplemental disclosure | | | | |
| Interest paid during the year | | 216,958 | 343,443 | 386,469 |
| Noncash financing activities | | | | |
| Change in derivative instruments assets..... | | (239,441) | 239,601 | 151,221 |
| Change in derivative instruments liabilities ... | | (13,886) | 50,891 | (62,727) |

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(1) Significant Accounting Policies

(a) *Description of Business*

Corporación Andina de Fomento (“CAF” or the “Corporation”) commenced operations on 8 June 1970 established under public international law which abides by the provisions of its by-laws. Series “A” and “B” shareholder countries are: Bolivia, Colombia, Ecuador, Peru and Venezuela. Series “C” shareholder countries are: Argentina, Brazil, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Panama, Paraguay, Spain, Trinidad and Tobago and Uruguay. In addition, there are 14 banks which are Series “B” shareholders. The Corporation has its headquarters in Caracas, Venezuela.

The Corporation’s objective is to support sustainable development and economic integration within Latin America and the Caribbean by helping the shareholder countries make their economies diversified, competitive and more responsive to social needs.

The Corporation offers financial and related services to the governments of, and public and private institutions, corporations and joint ventures in, its shareholder countries. Primarily, the Corporation’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 its shareholder countries. Furthermore, CAF manages and supervises third-party cooperation funds of other countries and organizations, generally non-reimbursable, intended to finance programs agreed with donor organizations which are in line with Corporation policies and strategies.

The Corporation raises funds for operations both within and outside its shareholder countries.

(b) *Financial Statement Presentation*

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the functional currency is the U.S. dollar.

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts in the 2008 and 2007 financial statements have been reclassified to conform to the current year’s presentation.

(c) *Foreign Currency Transactions*

Transactions in currencies other than U.S. dollars are translated at exchange rates prevailing on the international market at the dates of the transactions. Foreign currency balances are translated at year-end exchange rates. Any gains or losses on foreign exchange including related hedge effects are included in the statement of income.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents are defined as cash, due from banks and short-term deposits with an original maturity of three months or less.

(e) *Marketable Securities*

The Corporation classifies its investments in debt securities in one of two categories: trading or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities which the Corporation has the ability and intent to hold until maturity.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

Trading securities are recorded at fair value. Gains and losses on trading securities are included in interest income of investments and deposits with banks in the statements of income.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. A decline in the market value of any held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount. The impairment is charged to income and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method.

Dividend and interest income are recognized when received and earned, respectively.

(f) Loans

The Corporation grants short, medium and long-term loans to finance projects, working capital, trade activities and undertake feasibility studies for investment opportunities in its shareholder countries. Loans are reported at their outstanding unpaid principal balances adjusted for charge-offs, less the allowance for loan losses and loan commissions net of origination costs. Interest income is accrued on the unpaid principal balance. Loan commission fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method and are presented as loan commissions in the statement of income.

The accrual for interest on loans is discontinued at the time a private sector loan is 90 days (180 days for public sector loans) delinquent unless the credit is well-secured and in process of collection.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The nonaccrual loans are considered impaired. Factors considered by management in determining impairment include payments status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

CAF has established a series of exposure policies, including country and economic group limits, in order to avoid concentration in its loan portfolio.

(g) Equity Investments

CAF participates with equity investments in companies and investment funds in strategic sectors, with a view to promoting the development of such companies and their participation in the securities markets and to serve as a catalytic agent in attracting resources into the shareholder countries.

Equity investments are accounted for using the equity method or at cost. If the Corporation has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist at a 20% of equity ownership level, the equity investments are accounted for using the equity method. Under the equity method, the carrying value of the equity investment is adjusted for the Corporation's proportionate share of earnings or losses, dividends received and certain other transactions of the investee company.

A decline in the market value of any equity investment accounted under the equity method or at cost, that is deemed to be other than temporary, results in a reduction in carrying amount to fair value. The impairment is charged to income and a new cost basis for the investment is established.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(h) *Allowance for Loan Losses*

The allowance for loan losses is maintained at a level the Corporation believes is adequate but not excessive to absorb probable losses inherent in the loan portfolio as of the date of the financial statements. The general allowance for loan losses is established by the Corporation based on the individual risk rating for the long-term foreign currency debt of the borrower countries which is assigned by the international risk rating agencies as of the date of the financial statements preparation. This country risk rating considers a default probability. Given the Corporation's status as a preferred creditor and taking into account the immunities and privileges conferred into it by its shareholder countries, which are established in the Corporation's by-laws and other similar agreements, a factor reflecting a lower default probability – usually equivalent to a better risk rating – is used.

A specific allowance is established by the Corporation for those loans that are considered impaired. A loan is considered as impaired when, based on currently available information and events, there exists the probability that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the loan's effective interest rate.

Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

(i) *Property and Equipment -net*

Property and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged directly to the statements of income for the year as incurred, and improvements and renewals are capitalized. Depreciation is computed on the straight-line method and charged to the statements of income over the estimated useful life of assets.

During 2009, based on the expansion plans of operations involving operating assets, CAF's management conducted an analysis on the useful life assigned to such assets. In connection with this review, it decided a prospective updating of the useful life of certain assets, which caused an immaterial increase in profits for the period.

The assets in conformity with their estimated useful life are as follows:

| | <u>2009</u> | <u>2008 and 2007</u> |
|------------------------------|---------------|----------------------|
| Buildings..... | 30 years | 15 years |
| Buildings improvements..... | 15 years | 5 years |
| Furniture and equipment..... | 2 to 10 years | 2 to 5 years |
| Vehicles..... | 5 years | 5 years |

(j) *Intangible assets*

Intangible assets are reported at cost less accumulated amortization. The amortization is computed in accordance 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.

(k) *Bonds and borrowings*

Medium and long-term debt issuances, whose objective is to provide the financial resources required to finance CAF's operations, are recorded in bonds. The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are commonly recorded at cost value.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

Depending on hedged risk, bonds are recorded at their fair value, as follows:

- Cross currency hedge transactions are recognized at their fair value as provided by SFAS 159 (codified in ASC 825).
- Bonds denominated in US\$ for which hedged risk is solely the interest rate are recognized under short cut method basis, established in SFAS 133 (codified in ASC 815-20-25-102).

Gains or losses resulting from changes in fair value of these liabilities are recognized in income as they occur.

Transactions related to partial repurchases of bond issuances result in the derecognition of the related liabilities. The difference between the repurchase price and the debt's settlement net cost is recognized as income/loss for the period.

(l) *Employees' Severance Indemnities*

Accrual for severance benefits comprises all the liabilities related to the workers' vested rights according to CAF's employee policies and the Labor Law of the Bolivarian Republic of Venezuela.

Under the current Labor Law, employees earn a severance indemnity equal to five-days of salary per month, up to a total of 60 days per year of service. Labor indemnities are earned once an employee has completed three months of continuous service. From the second year of service, the 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. Severance benefits are recorded in the accounting records of CAF and interest on the amounts owed to employees is paid.

In the case of unjustified dismissal or involuntary termination, employees have the right to an additional indemnity of one-month salary per year of service up to a maximum of 150 days.

(m) *Pension Plan*

The Corporation established in March 2005 a defined benefit pension plan which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The plan is contributory and the benefits are based on years of service and the employee's average salary for the three consecutive years of service with the highest salary. These contributions are reviewed on a periodic basis by CAF based on actuarial assumptions.

(n) *Derivative Instruments and Hedging Activities*

All derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, the Corporation designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge), or a foreign-currency fair-value or cash-flow hedge ("foreign currency" hedge). The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value, cash-flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Corporation discontinues hedge accounting prospectively.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in income. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income, until income is affected by the variability in cash flows of the designated hedged item. Changes in the fair value of derivatives that are highly effective as hedges and that are designated and qualify as foreign-currency hedges are recorded in either income or other comprehensive income, depending on whether the hedge transaction is a fair-value hedge or a cash-flow hedge.

The Corporation discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows 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 designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the Corporation continues to carry the derivative on the balance sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Corporation continues to carry the derivative on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet and recognizes any gain or loss in income. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Corporation continues to carry the derivative on the balance sheet at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in income. In all situations in which hedge accounting is discontinued, the Corporation continues to carry the derivative at its fair value on the balance sheet, and recognizes any changes in its fair value in income.

(o) Adoption of SFAS N° 157 (codified in ASC 820) Fair Value Measurements

The Corporation adopted SFAS N° 157 (codified in ASC 820) “Fair Value Measurements” as of 1 January 2008, which defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s market assumptions to determine the best price of these instruments. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Corporation to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

When available, the Corporation typically uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is not available, the Corporation uses acceptable alternatives to calculate the fair value for these instruments, in which case the items are classified in Level 2. If quoted market prices are not available, the fair value is based on internally developed valuation techniques. The fair value of items determined under this procedure are classified in Level 3.

(p) Adoption of SFAS N° 159 (codified in ASC 825), “The Fair Value Option for Financial Assets and Financial Liabilities

In February, 2007 the FASB issued SFAS N° 159 (codified in ASC 825), and “The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement N° 115 codified in ASC 320”. ASC 825 permits entities to choose to measure certain financial instruments, warranty and insurance contracts at fair value on a contract-by-contract basis and contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election. ASC 825 is effective as of the beginning of an entity’s first fiscal year that begins after 15 November 2007. The management of the Corporation decided to apply ASC 825 for cross currency hedge transactions beginning 1 January 2009, which did not have a significant effect on the Corporation’s financial statements. The changes in fair value option are reported in the income statement.

(q) Disclosures about derivative Instruments and Hedging Activities

On 19 March 2008, the FASB issued SFAS N° 161 (codified in ASC 815), “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement N° 133 (codified in ASC 815)”. SFAS N° 161 changes the disclosure requirements for derivative instruments and hedging activities. The provisions of SFAS N° 161(codified in ASC 815) are effective for financial statements issued for fiscal years and interim periods beginning after 15 November 2008, with early adoption encouraged.

On 12 September 2008, the FASB issued Staff Position N° 133-1 (codified in ASC 815) and FIN 45-4 (codified in ASC 460), Disclosures about Credit Derivatives and Certain Guarantees: An Amendment and clarification of the effective date of FASB Statement N° 161 (codified in ASC 815). This FSP improved disclosures about credit derivatives by requiring more information about the potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of the sellers of credit derivatives.

(r) Guarantees

CAF provides guarantees for loans issued in support of projects located within a shareholder country that are undertaken by 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 that private lenders or holders of securities share the risk along with it. CAF’s responsibility is usually limited to payment up to the amount of the guarantee upon default by the client.

(s) Recent Accounting Pronouncements

On 29 June 2009, the FASB issued Statement 168 (codified in ASC 105), which approved the FASB Accounting Standards Codification (the “Codification”) as the single source of authoritative nongovernmental GAAP. The Codification is effective for interim or annual

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

periods ending after 15 September 2009. All existing accounting standards have been superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The adoption of ASC 105 did not impact CAF's financial condition or results of operations. All accounting references within this report are in accordance with the new Codification.

On 22 May 2009, the FASB issued Statement 164 (codified in ASC 958). The Statement's objective is to improve the "relevance, representational faithfulness, and comparability" of a not-for-profit entity's financial reporting "about a combination with one or more other not-for-profit entities, businesses, or nonprofit activities." ASC 958 (Statement 164) is effective prospectively for mergers that occur at or after the beginning of an initial reporting period that begins on or after 15 December 2009, and for acquisitions that occur at or after the beginning of the first annual reporting period beginning on or after 15 December 2009. Early adoption is prohibited. This statement will not affect CAF's financial results.

On 28 May 2009, the FASB issued Statement 165 (codified in ASC 855), which provides guidance on management's assessment of subsequent events. The new guidance represents the inclusion of guidance on subsequent events in the accounting literature and is directed specifically to management, since management is responsible for preparing an entity's financial statements. Management must perform its assessment for both interim and annual financial reporting periods. The new guidance is effective prospectively for interim and annual periods ending after 15 June 2009. This statement has not affected CAF's financial results.

On 12 June 2009, the FASB issued Statement 166 (codified in ASC 860), which amends the derecognition guidance in ASC 860. Statement 166 reflects the FASB's response to issues entities have encountered when applying ASC 860. In addition, Statement 166 addresses concerns expressed by the SEC, members of Congress, and financial statement users about the accounting and disclosures required by ASC 860 in the wake of the subprime mortgage crisis and the deterioration in the global credit markets. The FASB believes the amendments will improve the accounting for transfers of financial assets. Statement 166 is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after 15 November 2009 (thus, calendar-year-end entities must adopt it on 1 January 2010). Early adoption is prohibited. This statement will not affect CAF's financial results.

On 4 December 2009, the FASB issued a proposed ASU that would indefinitely defer the effective date of Statement 167 for a reporting enterprise's interest in entities that have all the attributes outlined in ASC 946-10-15-2 or for which it is industry practice to issue financial statements in accordance with ASC 946. The FASB also agreed to change how a decision maker or service provider determines whether its fee is a variable interest under paragraph B22 of Interpretation 46(R), as amended by Statement 167. Comments on the proposed ASU are due by 6 January 2010.

Additionally, the FASB approved amendments related to fair value measurements, disclosures, and other-than-temporary impairments in light of the recent issuance of: FSP FAS 157-4 (ASC 820-10), FSP FAS 115-2 and 124-2 (ASC 320-10-35), and FSP FAS 107-1 and APB 28-1 (ASC 825-10-50) and FAS 132 (R)-1.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(2) Deposits with Banks

Deposits with banks mature in three months or less and include the following:

| | 31 December | |
|------------------------|-------------|-----------|
| | 2009 | 2008 |
| U.S. dollars | 1,236,045 | 1,286,602 |
| Other currencies | 1,818 | 47,033 |
| | 1,237,863 | 1,333,635 |

As of 31 December 2009 and 2008, deposits due in 90 days or more are reported in the balance sheets as other investments.

(3) Marketable Securities

Trading Securities

A summary of trading securities follows:

| | Amount | Average maturity (years) | Average yield (%) |
|--|-----------|--------------------------------|----------------------|
| At 31 December 2009 – | | | |
| U.S. Treasury Notes | 36,046 | 0.89 | 4.09 |
| Bonds of non-U.S. governments and government entities . | 43,382 | 3.47 | 8.01 |
| Financial institutions and corporate securities (includes commercial papers of US\$1,008,186 and certificates of deposit of US\$571,264) | 2,134,826 | 0.73 | 0.62 |
| | 2,214,254 | 2.13 | 2.13 |
| At 31 December 2008 – | | | |
| U.S. Treasury Notes | 7,070 | 8.18 | 4.21 |
| Bonds of non-U.S. governments and government entities . | 336,165 | 0.46 | 1.94 |
| Financial institutions and corporate securities (includes commercial papers of US\$353,076 and certificates of deposit of US\$244,197) | 1,234,517 | 0.89 | 6.11 |
| | 1,577,752 | 0.83 | 5.25 |

Trading securities include net unrealized losses of US\$2,924, US\$10,955 and US\$2,537 at 31 December 2009, 2008 and 2007, respectively.

Realized gains net from trading securities of US\$26,542, of US\$19,911 and of US\$1,387 at 31 December 2009, 2008 and 2007, respectively, are included in the Statement of Income in the line Investment and deposits with banks.

CAF places its short-term investments in several financial institutions and limits the amount of credit risk. As of 31 December 2009 and 2008, CAF does not have any significant concentrations of credit risk. Total marketable securities include US\$17,165 and US\$36,121, at 31 December 2009 and 2008, respectively, in other currencies.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(4) Loans

Loans include short, medium and long-term loans to finance projects, working capital and trade activities. The majority of the loan contracts have been subscribed with the Series “A” and “B” shareholder countries, or with private institutions or companies of these countries.

Loans by country are summarized as follows:

| | <u>Bolivia</u> | <u>Colombia</u> | <u>Ecuador</u> | <u>Peru</u> | <u>Venezuela</u> | <u>Other</u> | <u>Total</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| At 31 December 2009 – | | | | | | | |
| Loans..... | 1,157,668 | 1,688,710 | 2,051,732 | 1,864,529 | 1,765,088 | 3,152,384 | 11,680,111 |
| | <u> </u> | |
| Fair value adjustments on hedging activities | | | | | | | 6,578 |
| | | | | | | | <u> </u> |
| Carrying value of loans.... | | | | | | | 11,686,689 |
| | | | | | | | <u> </u> |
| At 31 December 2008 – | | | | | | | |
| Loans..... | 1,102,063 | 1,705,282 | 2,017,638 | 1,769,725 | 1,535,146 | 2,052,253 | 10,182,107 |
| | <u> </u> | |
| Fair value adjustments on hedging activities | | | | | | | 1,961 |
| | | | | | | | <u> </u> |
| Carrying value of loans.... | | | | | | | 10,184,068 |
| | | | | | | | <u> </u> |

Fair value adjustments to the carrying value of loans represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

At 31 December 2009 and 2008, loans in other currencies were granted for an equivalent of US\$35,771 and US\$24,211, respectively, principally in Peruvian nuevos soles and Colombian pesos. At 31 December 2009 and 2008, loans include fixed interest rate loans of US\$72,097 and US\$49,697, respectively.

The loan portfolio composition and average yield of loans disbursed and outstanding are summarized below:

| | 31 December | | | |
|-------------|--------------------|--------------------------|-------------------|--------------------------|
| | <u>2009</u> | | <u>2008</u> | |
| | <u>Amount</u> | <u>Average yield (%)</u> | <u>Amount</u> | <u>Average yield (%)</u> |
| Loans | 11,680,111 | 2.59 | 10,182,107 | 4.97 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

Loans by industry segments are as follows:

| | 31 December | | | |
|---|-------------|-----|------------|-----|
| | 2009 | % | 2008 | % |
| Agriculture, hunting and forestry..... | 78,116 | 1 | 91,098 | 1 |
| Exploitation of mines and quarries | 43,000 | 1 | 70,000 | 1 |
| Manufacturing industry | 261,378 | 2 | 415,682 | 4 |
| Supply of electricity, gas and water..... | 2,960,953 | 25 | 2,001,991 | 20 |
| Transport, warehousing and communications..... | 3,660,135 | 31 | 3,200,520 | 31 |
| Commercial banks | 1,500,080 | 13 | 1,456,687 | 14 |
| Development banks | 138,465 | 1 | 135,037 | 1 |
| Social and other infrastructure programs..... | 3,031,127 | 26 | 2,802,229 | 28 |
| Other activities..... | 6,857 | 0 | 8,863 | 0 |
| | 11,680,111 | 100 | 10,182,107 | 100 |

Loans mature as follows:

| | 31 December | |
|-----------------------------------|-------------|------------|
| | 2009 | 2008 |
| Remaining maturities – | | |
| Less than one year | 2,277,403 | 2,209,408 |
| Between one and two years..... | 1,088,676 | 970,560 |
| Between two and three years | 1,126,905 | 962,227 |
| Between three and four years..... | 1,078,578 | 938,324 |
| Between four and five years | 943,399 | 899,844 |
| Over five years..... | 5,165,150 | 4,201,744 |
| | 11,680,111 | 10,182,107 |

At 31 December 2009 and 2008, all loans were performing.

At 31 December 2007, all loans were performing except for certain loans which were classified as impaired and were in nonaccrual status; however, at 31 December 2008 there are no loans classified as impaired. The average recorded investment in impaired loans during the years ended 31 December 2007 was approximately US\$30.

Purchase of loan portfolio

During 2009, CAF carried out operations related to the purchase of loans for the amount of US\$65,000.

Sale of loan portfolio

During 2008, the Corporation received funds from commercial banks amounting to US\$50,000, for loans which were sold by the Corporation to the banks without recourse. These participations are administered by the Corporation on behalf of the participants.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

AIB Loans

The Corporation administers loan participations provided to clients, and assumes the credit risk only for that portion of the loan owned by the Corporation. As of the end of the year 2008, the Corporation administered loans of this nature whereby other financial institutions provided funds amounting to US\$450,000.

Allowance for Loan Losses

Movements of the allowance for loan losses follows:

| | 31 December | | |
|--------------------------------------|-------------|----------|----------|
| | 2009 | 2008 | 2007 |
| Balances at beginning of year..... | 143,167 | 168,257 | 188,608 |
| Credit to results of operations..... | (1,656) | (22,970) | (23,133) |
| Recoveries | 2,400 | 1,880 | 2,970 |
| Loans charged-off..... | — | (4,000) | (188) |
| | 143,911 | 143,167 | 168,257 |
| | 143,911 | 143,167 | 168,257 |

(5) **Equity Investments**

Capital investments, which have no market value, are as follows:

| | 31 December | |
|---|-------------|--------|
| | 2009 | 2008 |
| Direct investments in companies at cost..... | 9,184 | 9,262 |
| Direct investments in companies accounted under equity method | 31,077 | 32,153 |
| Investment funds at cost..... | 23,764 | 16,688 |
| Investment funds accounted under equity method..... | 21,457 | 16,963 |
| | 85,482 | 75,066 |
| | 85,482 | 75,066 |

The Corporation recorded an impairment charge of US\$1,157 and US\$82 for the years ended 31 December 2008 and 2007, respectively, related to equity investments accounted for at cost.

(6) **Property and Equipment – Net**

A summary of property and equipment follows:

| | 31 December | |
|-------------------------------------|-------------|--------|
| | 2009 | 2008 |
| Land..... | 16,650 | 14,069 |
| Buildings | 20,412 | 18,856 |
| Buildings improvements..... | 15,010 | 15,400 |
| Furniture and equipment..... | 11,842 | 10,591 |
| Vehicles | 472 | 450 |
| | 64,386 | 59,366 |
| Less accumulated depreciation | 36,312 | 35,317 |
| | 28,074 | 24,049 |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(7) Other Assets

A summary of other assets follows:

| | 31 December | |
|-----------------------------|---------------|---------------|
| | 2009 | 2008 |
| Intangible assets, net..... | 6,024 | 5,616 |
| Deferred charges, net..... | 19,701 | 23,227 |
| Other assets..... | 3,301 | 2,530 |
| | <u>29,026</u> | <u>31,373</u> |

(8) Deposits

The Corporation's deposits of US\$2,650,706 at 31 December 2009 mature in 2010 (US\$2,773,119 at 31 December 2008 – matured in 2009). At 31 December 2009 and 2008, the interest rates on deposits ranged from 0.10% to 2.06% and from 0.10% to 4.50%, respectively. Total deposits include US\$27,460 and US\$46,882, at 31 December 2009 and 2008, respectively, in other currencies.

(9) Commercial Papers

The Corporation's commercial papers of US\$1,265,417 at 31 December 2009 mature in 2010 (US\$663,934 at 31 December 2008 – matured in 2009). At 31 December 2009 and 2008, the interest rates on commercial papers ranged from 0.12% to 1.89% and from 0.47% to 3.12%, respectively. Total commercial papers includes US\$69,502, at 31 December 2008, in other currencies.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(10) Bonds

An analysis of bonds follows:

| | 31 December | | | | | |
|---|---------------------------------|-----------------------------|---|---------------------------------|-----------------------------|---|
| | 2009 | | | 2008 | | |
| | Principal outstanding | | Weighted average cost, after swaps (%) (Year-end) | Principal outstanding | | Weighted average cost, after swaps (%) (Year-end) |
| | At original exchange rate | At spot exchange rate | | At original exchange rate | At spot exchange rate | |
| U.S. dollars | 3,427,798 | 3,427,798 | 2.79 | 2,582,094 | 2,582,094 | 3.94 |
| Euros | 369,357 | 412,268 | 0.92 | 711,723 | 904,765 | 3.35 |
| Yen | 448,359 | 540,272 | 1.73 | 336,402 | 441,258 | 2.48 |
| Colombian Pesos | 305,353 | 369,563 | 2.37 | 210,434 | 229,798 | 3.46 |
| Venezuelan Bolivars | 209,302 | 209,302 | (0.53) | 209,302 | 209,566 | 1.77 |
| Swiss francs | 193,836 | 192,456 | 2.64 | 194,903 | 187,908 | 4.84 |
| Mexican Pesos | 145,223 | 119,002 | 1.16 | 145,223 | 111,925 | 3.47 |
| Peruvian Nuevos Soles | 125,748 | 135,795 | 1.43 | 75,748 | 79,121 | 3.49 |
| Pounds Sterling | 63,440 | 64,993 | 3.07 | 63,410 | 58,555 | 5.11 |
| | 5,288,416 | 5,471,449 | | 4,529,239 | 4,804,990 | |
| Fair value adjustments on hedging activities | | 227,770 | | | 341,824 | |
| Carrying value of bonds..... | | 5,699,219 | | | 5,146,814 | |

Fair value adjustments to the carrying value of bonds represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

A summary of the bonds issued, by remaining maturities, follows:

| | 31 December | |
|-----------------------------------|-------------|-----------|
| | 2009 | 2008 |
| Remaining maturities – | | |
| Less than one year | 447,047 | 476,052 |
| Between one and two years..... | 767,904 | 447,419 |
| Between two and three years | 739,021 | 762,124 |
| Between three and four years..... | 749,421 | 751,255 |
| Between four and five years | 204,074 | 760,680 |
| Over five years..... | 2,380,949 | 1,331,709 |
| | 5,288,416 | 4,529,239 |

At 31 December 2009 and 2008, fixed interest rate bonds amounted to US\$4,426,606 and US\$3,548,769, respectively, of which US\$935,936 and US\$1,106,203, respectively, are denominated in yen, euros, pounds sterling, swiss francs, colombian pesos and peruvian nuevos soles.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(11) Borrowings and Other Obligations

An analysis of borrowings and other obligations and their weighted average cost follows:

| | 31 December | | | | | |
|--|---------------------------------|-----------------------------|---|---------------------------------|-----------------------------|---|
| | 2009 | | | 2008 | | |
| | Principal outstanding | | | Principal outstanding | | |
| | At original exchange rate | At spot exchange rate | Weighted average cost, after swaps (%) (Year-end) | At original exchange rate | At spot exchange rate | Weighted average cost, after swaps (%) (Year-end) |
| U.S. dollars | 775,360 | 775,360 | 0.98 | 678,204 | 678,204 | 3.27 |
| Peruvian Nuevos Soles (at spot rate)..... | 13,891 | 13,891 | 7.24 | 4,300 | 4,300 | 8.18 |
| Other currencies (at spot rate) | 1,661 | 1,661 | — | 1,519 | 1,519 | — |
| | 790,912 | 790,912 | | 684,023 | 684,023 | |
| Fair value adjustments on hedging activities | | (2,445) | | | — | |
| Carrying value of borrowings and other obligations | | 788,467 | | | 684,023 | |

Fair value adjustments to the carrying value of borrowings and other obligations represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

At 31 December 2009 and 2008, there are fixed interest-bearing borrowings and other obligations amounting to US\$20,582 and US\$11,342, respectively.

Borrowings and other obligations, by remaining maturities, are summarized below:

| | 31 December | |
|-----------------------------------|-------------|---------|
| | 2009 | 2008 |
| Remaining maturities – | | |
| Less than one year | 128,936 | 147,881 |
| Between one and two years..... | 142,046 | 120,589 |
| Between two and three years | 108,598 | 132,268 |
| Between three and four years..... | 90,593 | 50,649 |
| Between four and five years | 56,832 | 85,101 |
| Over five years..... | 263,907 | 147,535 |
| | 790,912 | 684,023 |

Some borrowing agreements contain covenants conditioning the use of the funds for specific purposes or projects.

At 31 December 2009 and 2008 there were unused term credit facilities amounting to US\$117,300 and US\$122,500, respectively.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(12) Accrued Expenses and Other Liabilities

A summary of accrued expenses and other liabilities follows:

| | 31 December | |
|---|-------------|--------|
| | 2009 | 2008 |
| Employees' severance indemnities, benefits and savings plan | 48,139 | 51,145 |
| Other liabilities..... | 5,088 | 3,552 |
| | 53,227 | 54,697 |

(13) Pension Plan

The Corporation established in March 2005 a defined benefit pension plan (the Plan), which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The Plan is contributory and the benefits are based on years of service and the average employee's salary for the three consecutive years of service with the highest salary. The employees make monthly contributions to the Plan equal to 7% of their salary. Voluntary participants must contribute to the Plan certain withheld benefits. At 31 December 2009, the Plan had 173 participants.

The measurement date used to determine pension plan benefits is December 31.

The Plan's benefit obligation (PBO) and assets as of 31 December 2009 and 2008 follow:

| | 31 December | |
|---------------------------------------|-------------|-------|
| | 2009 | 2008 |
| Plan's benefit obligation (PBO) | 2,060 | 1,219 |
| Assets | 2,060 | 1,219 |
| | 2,060 | 1,219 |

Weighted-average assumptions used to determine net benefit cost from the origination of the Plan to 31 December 2009 and 2008 follow:

| | |
|--|----|
| Discount rate..... | 4% |
| Expected long-term rate of return on Plan assets | 4% |
| Rate of salary increase..... | 3% |
| | |

(14) Stockholders' Equity

Authorized Capital

The authorized capital of the Corporation at 31 December 2009 and 2008, amounts to US\$10,000,000, respectively, and US\$5,000,000 as 31 December 2007, distributed among Series "A", "B" and "C" shares.

Subscribed Callable Capital

The payment of subscribed callable capital will be as required, with prior approval of the Board of Directors, in order to meet financial obligations of the Corporation, when internal resources are inadequate.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

Shares

The Corporation's shares are classified as follows:

Series "A" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities with social or public objectives of: Bolivia, Colombia, Ecuador, Peru and Venezuela. These shares grant the right of representation on the Corporation's Board of Directors of one principal director and one alternate director per share. Series "A" shares have a par value of US\$1,200.

Series "B" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Bolivia, Colombia, Ecuador, Peru and Venezuela. These shares grant the right of representation on the Corporation's Board of Directors of one principal director and one alternate director. Also, the commercial banks are entitled to one principal director and one alternate director on the Board of Directors. Series "B" shares have a par value of US\$5.

Series "C" shares: Subscribed by legal entities or individuals belonging to countries other than Bolivia, Colombia, Ecuador, Peru and Venezuela. These shares provide for representation on the Board of Directors of the Corporation of two principal directors and their respective alternates, who are elected by the holders of these shares. Series "C" shares have a par value of US\$5.

A summary of the movement in subscribed and paid-in capital for the years ended 31 December 2009, 2008 and 2007, follows:

| | Number of Shares | | | Amounts | | | |
|---------------------------|------------------|---------------|---------------|---------------|---------------|---------------|-----------|
| | Series "A" | Series "B" | Series "C" | Series "A" | Series "B" | Series "C" | Total |
| At 31 December 2006.... | 5 | 332,387 | 40,536 | 6,000 | 1,661,935 | 202,680 | 1,870,615 |
| Dividends in shares | — | 16,675 | 2,022 | — | 83,375 | 10,110 | 93,485 |
| Issued for cash..... | — | 2,484 | 7,646 | — | 12,420 | 38,230 | 50,650 |
| At 31 December 2007.... | 5 | 351,546 | 50,204 | 6,000 | 1,757,730 | 251,020 | 2,014,750 |
| Dividends in shares | — | 14,103 | 2,001 | — | 70,515 | 10,005 | 80,520 |
| Issued for cash..... | — | 622 | 15,610 | — | 3,110 | 78,050 | 81,160 |
| At 31 December 2008.... | 5 | 366,271 | 67,815 | 6,000 | 1,831,355 | 339,075 | 2,176,430 |
| Dividends in shares | — | 15,972 | 4,044 | — | 79,860 | 20,220 | 100,080 |
| Issued for cash..... | — | 583 | 41,244 | — | 2,915 | 206,220 | 209,135 |
| At 31 December 2009.... | 5 | 382,826 | 113,103 | 6,000 | 1,914,130 | 565,515 | 2,485,645 |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

Subscribed and paid-in capital is held as follows at 31 December 2009:

| Stockholder | Number of Shares | | | Amounts | | | Total |
|-------------------------|------------------|------------|------------|------------|------------|------------|-----------|
| | Series "A" | Series "B" | Series "C" | Series "A" | Series "B" | Series "C" | |
| Bolivia | 1 | 30,131 | — | 1,200 | 150,655 | — | 151,855 |
| Colombia | 1 | 107,453 | — | 1,200 | 537,265 | — | 538,465 |
| Ecuador | 1 | 30,377 | — | 1,200 | 151,885 | — | 153,085 |
| Peru | 1 | 107,280 | — | 1,200 | 536,400 | — | 537,600 |
| Venezuela..... | 1 | 107,278 | — | 1,200 | 536,390 | — | 537,590 |
| Argentina..... | — | — | 34,149 | — | — | 170,745 | 170,745 |
| Brazil | — | — | 31,341 | — | — | 156,705 | 156,705 |
| Chile | — | — | 4,461 | — | — | 22,305 | 22,305 |
| Costa Rica..... | — | — | 2,649 | — | — | 13,245 | 13,245 |
| Dominican Republic..... | — | — | 4,699 | — | — | 23,495 | 23,495 |
| Jamaica..... | — | — | 147 | — | — | 735 | 735 |
| Mexico..... | — | — | 3,796 | — | — | 18,980 | 18,980 |
| Panama..... | — | — | 6,009 | — | — | 30,045 | 30,045 |
| Paraguay..... | — | — | 2,531 | — | — | 12,655 | 12,655 |
| Spain..... | — | — | 12,572 | — | — | 62,860 | 62,860 |
| Trinidad & Tobago | — | — | 307 | — | — | 1,535 | 1,535 |
| Uruguay..... | — | — | 10,442 | — | — | 52,210 | 52,210 |
| Commercial banks..... | — | 307 | — | — | 1,535 | — | 1,535 |
| | 5 | 382,826 | 113,103 | 6,000 | 1,914,130 | 565,515 | 2,485,645 |

At 31 December 2009, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below:

| Stockholder | Unpaid Subscribed Capital | | | | Subscribed Callable Capital | | | |
|-------------------------|---------------------------|--------|------------------|---------|-----------------------------|---------|------------------|---------|
| | Series "B" | | Series "C" | | Series "B" | | Series "C" | |
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount |
| Bolivia | — | — | — | — | 14,400 | 72,000 | — | — |
| Colombia | 838 | 4,190 | — | — | 50,400 | 252,000 | — | — |
| Ecuador | — | — | — | — | 14,400 | 72,000 | — | — |
| Peru | — | — | — | — | 50,400 | 252,000 | — | — |
| Venezuela..... | — | — | — | — | 50,400 | 252,000 | — | — |
| Argentina..... | — | — | 17,273 | 86,365 | — | — | — | — |
| Brazil | — | — | 17,623 | 88,115 | — | — | 25,200 | 126,000 |
| Chile | — | — | — | — | — | — | 800 | 4,000 |
| Mexico..... | — | — | — | — | — | — | 1,600 | 8,000 |
| Panama..... | — | — | 8,481 | 42,405 | — | — | — | — |
| Paraguay..... | — | — | 12,296 | 61,480 | — | — | — | — |
| Spain..... | — | — | — | — | — | — | 40,000 | 200,000 |
| Trinidad & Tobago | — | — | 283 | 1,415 | — | — | — | — |
| Uruguay..... | — | — | 8,115 | 40,575 | — | — | 7,200 | 36,000 |
| | 838 | 4,190 | 64,071 | 320,355 | 180,000 | 900,000 | 74,800 | 374,000 |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

Subscribed and paid-in capital is held as follows at 31 December 2008:

| Stockholder | Number of Shares | | | Amounts | | | Total |
|-------------------------|------------------|------------|------------|------------|------------|------------|-----------|
| | Series "A" | Series "B" | Series "C" | Series "A" | Series "B" | Series "C" | |
| Bolivia | 1 | 28,866 | — | 1,200 | 144,330 | — | 145,530 |
| Colombia | 1 | 102,420 | — | 1,200 | 512,100 | — | 513,300 |
| Ecuador | 1 | 29,102 | — | 1,200 | 145,510 | — | 146,710 |
| Peru | 1 | 102,801 | — | 1,200 | 514,005 | — | 515,205 |
| Venezuela..... | 1 | 102,799 | — | 1,200 | 513,995 | — | 515,195 |
| Argentina..... | — | — | 17,481 | — | — | 87,405 | 87,405 |
| Brazil | — | — | 13,020 | — | — | 65,100 | 65,100 |
| Chile | — | — | 4,276 | — | — | 21,380 | 21,380 |
| Costa Rica..... | — | — | 2,539 | — | — | 12,695 | 12,695 |
| Dominican Republic..... | — | — | 3,448 | — | — | 17,240 | 17,240 |
| Jamaica..... | — | — | 141 | — | — | 705 | 705 |
| Mexico..... | — | — | 3,638 | — | — | 18,190 | 18,190 |
| Panama..... | — | — | 3,566 | — | — | 17,830 | 17,830 |
| Paraguay..... | — | — | 1,410 | — | — | 7,050 | 7,050 |
| Spain..... | — | — | 12,049 | — | — | 60,245 | 60,245 |
| Trinidad & Tobago | — | — | 160 | — | — | 800 | 800 |
| Uruguay..... | — | — | 6,087 | — | — | 30,435 | 30,435 |
| Commercial banks..... | — | 283 | — | — | 1,415 | — | 1,415 |
| | 5 | 366,271 | 67,815 | 6,000 | 1,831,355 | 339,075 | 2,176,430 |

At 31 December 2008, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below:

| Stockholder | Unpaid Subscribed Capital | | | | Subscribed Callable Capital | | | |
|-------------------------|---------------------------|--------|------------------|---------|-----------------------------|---------|------------------|---------|
| | Series "B" | | Series "C" | | Series "B" | | Series "C" | |
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount |
| Bolivia | — | — | — | — | 14,400 | 72,000 | — | — |
| Colombia | — | — | — | — | 50,400 | 252,000 | — | — |
| Ecuador | — | — | — | — | 14,400 | 72,000 | — | — |
| Peru | — | — | — | — | 50,400 | 252,000 | — | — |
| Venezuela..... | — | — | — | — | 50,400 | 252,000 | — | — |
| Argentina..... | — | — | 33,182 | 165,910 | — | — | — | — |
| Brazil | — | — | 35,378 | 176,890 | — | — | — | — |
| Chile | — | — | — | — | — | — | 800 | 4,000 |
| Dominican Republic..... | — | — | 1,102 | 5,510 | — | — | — | — |
| Mexico..... | — | — | — | — | — | — | 1,600 | 8,000 |
| Panama..... | — | — | 10,769 | 53,845 | — | — | — | — |
| Spain..... | — | — | — | — | — | — | 40,000 | 200,000 |
| Uruguay..... | — | — | 8,333 | 41,665 | — | — | — | — |
| | — | — | 88,764 | 443,820 | 180,000 | 900,000 | 42,400 | 212,000 |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

General Reserve

The general reserve was set-up to cover possible contingencies. The stockholders decided to increase the reserve by US\$210,335, US\$268,249 and US\$200,553 during the years ended 31 December 2009, 2008 and 2007, by appropriations from net income for the years ended 31 December 2008, 2007 and 2006, respectively.

Reserve Pursuant to Article N° 42 of the By-laws

The Corporation's by-laws establish that at least 10% of annual net income is to be allocated to a reserve fund until that fund amounts to 50% of the subscribed capital. Additional allocations may be approved by the stockholders. At the stockholders' meetings in March 2009, 2008 and 2007, it was authorized to increase the reserve by US\$31,139, US\$40,100 and US\$32,100, from net income for the years ended 31 December 2008, 2007 and 2006, respectively.

(15) Distributions to Stockholders' Funds

The stockholders may distribute a portion of retained earnings to special funds, created to promote technical cooperation, sustainable human development and management of poverty relief funds in the shareholder countries.

In March 2009, 2008 and 2007, the stockholders agreed to distribute US\$70,000, US\$92,450 and US\$88,000, from retained earnings at 31 December 2008, 2007 and 2006, respectively, to the stockholders' funds.

(16) Tax Exemptions

The Corporation is exempt from all taxes on income, properties and other assets. It is also exempt from liability related to the payment, withholding or collection of any tax or other levy.

(17) Derivative Instruments and Hedging Activities

The Corporation seeks to match the maturities of its liabilities to the maturities of its loan portfolio. The Corporation utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. The Corporation does not hold or issue derivative financial instruments for trading or speculative purposes.

By using derivative financial instruments to hedge exposures to changes in interest rate and foreign exchange rates, the Corporation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Corporation, which creates credit risk for the Corporation. When the fair value of a derivative contract is negative, the Corporation owes the counterparty and, therefore, it does not possess credit risk. The Corporation minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is "A" or higher.

The market risk associated with interest rate and currency risk is managed by swapping loans and borrowings subject to fixed interest rates and denominated in foreign currency into floating interest rate instruments denominated in U.S. dollars. The Corporation enters into derivative instruments with market risk characteristics that are expected to change in a manner that will offset the economic change in value of specifically identified loans, bonds or borrowings and other obligations. Derivative contracts held by the Corporation consist of interest rate and cross-currency swaps and are designated as fair value hedges of specifically identified loans, bonds or borrowings and other obligations with fixed interest rates or non U.S. currency exposure.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items at 31 December 2009 and 2008:

| | Notional amount | | Fair value | |
|---|--------------------|---------------------|-------------------|------------------------|
| | Interest rate swap | Cross-currency swap | Derivative assets | Derivative liabilities |
| At 31 December 2009 – | | | | |
| Bonds | 3,302,318 | — | 169,932 | — |
| Bonds | — | 1,860,619 | 266,813 | 38,371 |
| Loans | — | 21,880 | — | 4,107 |
| Loans | 33,000 | — | — | 213 |
| Borrowings and other obligations | 140,000 | — | — | 2,445 |
| | <u>3, 475,318</u> | <u>1,882,499</u> | <u>436,745</u> | <u>45,136</u> |
| At 31 December 2008 – | | | | |
| Bonds | 2,367,000 | — | 279,104 | — |
| Bonds | — | 1,946,207 | 389,762 | 46,964 |
| Others investments | — | 13,815 | 1,284 | — |
| Loans | — | 19,868 | 396 | 1,680 |
| Commercial paper | — | 64,128 | 5,640 | — |
| Advances and short-term borrowings..... | — | 114,621 | — | 10,378 |
| | <u>2,367,000</u> | <u>2,158,639</u> | <u>676,186</u> | <u>59,022</u> |

For the years ended 31 December 2009 and 2008 all of the Corporation's derivatives which have been designated in hedging relationships were considered fair value hedges. The change in the fair value of such derivative instruments and the change in fair value of hedged items attributable to risk being hedged are included in the statement of income.

(18) Fair Value Measurement

SFAS N° 157 (codified in ASC 820) establishes a single authoritative definition of value, sets out a framework for measuring fair value, and provides a hierarchical disclosure framework for assets and liabilities measured at fair value. The adoption of ASC 820 did not have any impact on the Corporation's financial position or results of operations. Presented below is information about the determination of the fair value, assets and liabilities recorded in the Corporation's balance sheet at fair value on a recurring basis, and assets and liabilities recorded in the Corporation's balance sheet at fair value on a nonrecurring basis.

Determination of Fair Value

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

When available, the Corporation generally uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is not available, the Corporation will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Where available, the Corporation may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2. If prices are not available, other valuation techniques would be used and the item would be classified as Level 3.

- **Marketable securities:** The Corporation uses quoted market prices to determine the fair value of trading securities and those transactions are classified in Level 1 of the fair-value hierarchy. Marketable securities include investments in government securities, equity and debt securities.
- **Loans:** The fair value of fixed rate loans, which are hedged using derivative transactions, is determined using the current variable interest rate for similar loans. Loans transactions are classified in Level 2 of the fair value hierarchy.
- **Derivative assets and liabilities:** Derivative transactions contracted and designated by the Corporation 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 utilizing market prices given by the counterparties. Derivative transactions are classified in Level 2 of the fair-value hierarchy.
- **Bonds, borrowings and other obligations:** For bonds issued and medium and long term borrowings of the Corporation which are hedged using derivative transactions, the fair value is determined utilizing internal valuation techniques, such as, discounting expected cash flows using the appropriate discount rates for the applicable maturity, reflecting the fluctuation of the hedged variables such as interest and exchange rates. Those transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair-value hierarchy levels the Corporation's assets and liabilities that are measured at fair value on a recurring basis at 31 December 2009 and 2008:

| | Level 1 | Level 2 | Level 3 | Net balance |
|--|------------------|------------------|----------|------------------|
| At 31 December 2009 – | | | | |
| Assets – | | | | |
| Marketable securities..... | 2,214,254 | — | — | 2,214,254 |
| Loans..... | — | 61,458 | — | 61,458 |
| Derivative instruments | — | 436,745 | — | 436,745 |
| | <u>2,214,254</u> | <u>498,203</u> | <u>—</u> | <u>2,712,457</u> |
| Liabilities – | | | | |
| Bonds | — | 5,588,862 | — | 5,588,862 |
| Borrowings and other obligations | — | 137,555 | — | 137,555 |
| Derivative instruments | — | 45,136 | — | 45,136 |
| | <u>—</u> | <u>5,771,553</u> | <u>—</u> | <u>5,771,553</u> |
| At 31 December 2008 – | | | | |
| Assets – | | | | |
| Marketable securities..... | 1,577,752 | — | — | 1,577,752 |
| Loans..... | — | 21,829 | — | 21,829 |
| Derivative instruments | — | 676,186 | — | 676,186 |
| | <u>1,577,752</u> | <u>698,015</u> | <u>—</u> | <u>2,275,767</u> |
| Liabilities – | | | | |
| Bonds | — | 4,930,784 | — | 4,930,784 |
| Derivative instruments | — | 59,022 | — | 59,022 |
| | <u>—</u> | <u>4,989,806</u> | <u>—</u> | <u>4,989,806</u> |

Items Measured at Fair Value on a Nonrecurring Basis

Equity investments initially recorded at cost are measured at fair value on a non-recurring basis and therefore are not included in the tables above. Equity investments with a cost of US\$32,948 and US\$25,950 as 31 December 2009 and 2008, respectively, were written down to their fair value of US\$32,948 and US\$24,793, respectively, resulting in an impairment charge of US\$1,157 during 2008, which was included in the statement of income. Such equity investments are classified in Level 3 of the fair-value hierarchy. The fair value of those equity investments is determined based on financial analysis of the investees.

(19) Fair Value of Financial Instruments

In accordance with SFAS N° 107 (codified in ASC 825), the Corporation also estimated the fair value of all financial instruments in the Corporation's balance sheet, including those financial instruments carried at cost, as presented in the table below. The fair value estimates, methods and assumptions set forth below for the Corporation's financial instruments are made solely to comply with the requirements of SFAS N° 107 (codified in ASC 820) and should be read in conjunction with the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

The following is a summary of the carrying value and estimated fair value of the Corporation's financial instruments at 31 December 2009 and 2008:

| | 31 December | | | |
|--|--------------------|-------------------------|--------------------|-------------------------|
| | 2009 | | 2008 | |
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Financial assets | | | | |
| Cash and due from banks..... | 29,906 | 29,906 | 152,801 | 152,801 |
| Deposits with banks..... | 1,237,863 | 1,237,863 | 1,333,635 | 1,333,635 |
| Marketable securities | 2,214,254 | 2,214,254 | 1,577,752 | 1,577,752 |
| Other investments | 203,361 | 203,361 | 156,380 | 156,380 |
| Loans, net | 11,486,653 | 11,492,618 | 9,989,542 | 9,996,394 |
| Equity investments..... | 85,482 | 85,482 | 75,066 | 75,066 |
| Accrued interest and commissions receivable | 135,705 | 135,705 | 195,237 | 195,237 |
| Derivative instruments | 436,745 | 436,745 | 676,186 | 676,186 |
| | 4,745,009 | 4,745,009 | 13,141,199 | 13,141,199 |
| Financial liabilities | | | | |
| Deposits | 2,650,706 | 2,650,706 | 2,773,119 | 2,773,119 |
| Commercial paper..... | 1,265,417 | 1,265,417 | 663,934 | 663,934 |
| Advances and short-term borrowings..... | — | — | 138,495 | 138,495 |
| Bonds | 5,699,219 | 5,701,764 | 5,146,814 | 5,209,957 |
| Borrowings and other obligations | 788,467 | 789,463 | 684,023 | 684,619 |
| Derivative instruments | 45,136 | 45,136 | 59,022 | 59,022 |
| Accrued interest payable..... | 98,093 | 98,093 | 138,004 | 138,004 |
| | 10,547,038 | 10,547,038 | 9,503,397 | 9,503,397 |

The following methods and assumptions were used to estimate the fair value of those financial instruments, not accounted for at fair value under SFAS N° 157 (codified in ASC 820):

- *Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits, commercial paper, advances and short-term borrowings and accrued interest payable:* The carrying amounts approximate fair value because of the short maturity of these instruments.
- *Loans:* The Corporation is one of the few institutions that offer loans for development in the stockholder countries. A secondary market does not exist for the type of loans granted by the Corporation. As rates on variable rate loans and loan commitments 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 using the current variable interest rate for similar loans.
- *Equity investments:* The fair value of equity investments is determined based on financial statements of the investees or based on a financial analysis of the investees.

For additional information regarding the Corporation's determination of fair value, included items accounted for at fair value under SFAS N° 157 (codified in ASC 820), see note 18.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Financial Statements For the years ended 31 December 2009, 2008 and 2007 (In thousands of U.S. dollars)

(20) Commitments and Contingencies

Commitments and contingencies include the following:

| | 31 December | |
|------------------------------------|-------------|-----------|
| | 2009 | 2008 |
| Credit agreements subscribed | 3,056,384 | 2,610,482 |
| Lines of credit | 2,535,552 | 2,756,182 |
| Letters of credit..... | 2,241 | 10,508 |
| Guarantees | 183,211 | 148,859 |

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

In the ordinary course of business the Corporation has entered into commitments to extend credits; such financial instruments are recorded as commitments upon signing the corresponding contract and are reported in the financial statements when disbursements are made.

The contracts to extend credit have fixed expiration dates and in some cases expire without making disbursements. Also based on experience, parts of the disbursements are made up to two years after the signing of the contract. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

In the event the credit lines are not utilized, no additional cost is incurred by the Corporation.

Guarantees mature as follows:

| | 31 December | |
|--------------------------|-------------|---------|
| | 2009 | 2008 |
| Less than one year | 51,000 | — |
| Over five years | 132,211 | 148,859 |
| | 183,211 | 148,859 |

Guarantees result from the normal course of the Corporation's business and usually take the form of partial guarantees to CAF's clients, as a credit enhancement for their liabilities, as well as guarantees to third parties on behalf of the Corporation's clients.

(21) Funds Administration

CAF, as a multilateral financial institution, acts as administrator of several funds funded by third parties and CAF's own shareholders. These shareholder funds are funded through distributions made each year by the shareholders from CAF's prior year's net income. The financial statements of the funds are annually audited by independent auditors.

In connection with the operations carried out by the funds, CAF's financial responsibility is limited to the fund's balance, less commitments contracted. Since CAF does not maintain residual interests in these funds, it does not expect the generation of economic benefits for future distribution. These funds are not part of CAF's accounts.

As of 31 December 2009 and 2008, CAF managed funds with net assets of US\$374.17 million and US\$350.06 million, respectively.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

**Unaudited Condensed Interim Financial Information
As of 30 June 2010 and audited 31 December 2009**

**Balance Sheets
(In thousands of U.S. dollars)**

| | 30 June 2010 | 31 December 2009 |
|---|-------------------------|-----------------------------|
| | (unaudited) | |
| Assets | | |
| Cash and due from banks | 100,705 | 29,906 |
| Deposits with banks | 1,480,820 | 1,237,863 |
| Marketable securities | | |
| Trading | 2,200,040 | 2,214,454 |
| Other investments | 60,627 | 203,361 |
| Loans (includes U.S.\$73,852 and U.S.\$61,458 as of 30 June 2010 and 31 December 2009; respectively, at fair value) | 12,574,143 | 11,686,689 |
| Less loan commissions, net of origination costs | 60,730 | 56,125 |
| Less allowance for losses | 148,264 | 143,911 |
| Loans, net of allowance for losses | 12,365,149 | 11,486,653 |
| Equity investments | 92,895 | 85,482 |
| Interest and commissions receivable | 140,005 | 135,705 |
| Derivative Instruments | 542,919 | 436,745 |
| Property and equipment | 30,473 | 28,074 |
| Other assets | 29,733 | 29,026 |
| Total assets | <u>17,043,366</u> | <u>15,887,069</u> |
| Liabilities and Stockholders' equity | | |
| Deposits | 2,989,518 | 2,650,706 |
| Commercial paper | 1,714,259 | 1,265,417 |
| Bonds (includes U.S.\$5,560,725 and U.S.\$5,588,862 as of 30 June 2010 and 31 December 2009; respectively, at fair value) | 5,762,635 | 5,699,219 |
| Borrowings and other obligations (includes U.S.\$247,418 and U.S.\$137,555 as of 30 June 2010 and 31 December 2009; respectively, at fair value).... | 813,900 | 788,467 |
| Accrued interest and commissions payable | 102,888 | 98,093 |
| Accrued expenses and other liabilities | 53,582 | 53,227 |
| Derivative Instruments | 180,381 | 45,136 |
| Total liabilities | <u>11,617,163</u> | <u>10,600,265</u> |
| Subscribed and paid-in capital (authorized capital US\$10,000 million) | 2,725,060 | 2,485,645 |
| Additional paid-in capital | 460,659 | 539,222 |
| Reserves | 2,156,937 | 2,027,228 |
| Retained earnings | 83,547 | 234,709 |
| Total stockholders' equity | <u>5,426,203</u> | <u>5,286,804</u> |
| Total liabilities and stockholders' equity | <u>17,043,366</u> | <u>15,887,069</u> |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

**Unaudited Condensed Interim Financial Information for
the Six-Month Periods Ended 30 June 2010 and 2009**

**Statements of Income
(In thousands of U.S. dollars)**

| | Six Months Ended 30 June | |
|---|-----------------------------|---------|
| | 2010 | 2009 |
| Interest income | | |
| Loans | 148,395 | 226,467 |
| Investments and deposits with banks | 16,671 | 43,651 |
| Loan commissions | 8,895 | 9,090 |
| Total interest income | 173,961 | 279,208 |
| Interest expense | | |
| Deposits | 3,392 | 10,678 |
| Commercial paper | 4,944 | 3,145 |
| Advances and short-term borrowings | 0,00 | 1,011 |
| Bonds | 63,074 | 70,149 |
| Borrowings and other obligations | 4,717 | 10,153 |
| Commissions | 2,847 | 7,787 |
| Total interest expense | 78,974 | 102,923 |
| Net interest income | 94,987 | 176,285 |
| Provision (credit) for loan losses | 4,262 | (1,924) |
| Net interest income, after provision (credit) for loan losses | 90,725 | 178,209 |
| Non-interest income | | |
| Other commissions | 1,366 | 940 |
| Dividends and equity in earnings of investees | 148 | 193 |
| Other income | 368 | 475 |
| Total non-interest income | 1,882 | 1,608 |
| Non-interest expenses | | |
| Administrative expenses | 29,769 | 28,594 |
| Impairment charge for equity investments | | |
| Other expenses | 792 | 70 |
| Total non-interest expenses | 30,561 | 28,664 |
| Net income before changes arising from fair value hedges | 62,046 | 151,153 |
| Changes arising from fair value hedges | 21,501 | (2,326) |
| Net income | 83,547 | 148,827 |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

**Unaudited Condensed Interim Financial Information for the Six-Month Periods
Ended 30 June 2010 and audited years ended 31 December 2009 and 2008**

**Statements of Stockholders' Equity
(In thousands of U.S. dollars)**

| | Subscribed and paid-in capital | Additional paid-in capital | Reserve Pursuant to | | | Retained earnings | Total stockholders' equity |
|---|--------------------------------------|----------------------------------|---------------------|--------------------------------|------------------|----------------------|----------------------------------|
| | | | General reserve | Article N° 42 of by-laws | Total | | |
| Balance at 31 December 2008 | 2,176,430 | 280,255 | 1,458,180 | 327,574 | 1,785,754 | 311,474 | 4,553,913 |
| Capital increase | 309,215 | 258,967 | — | — | — | — | 568,182 |
| Appropriated for general reserve .. | — | — | 210,335 | — | 210,335 | (210,335) | — |
| Appropriated for reserve to Article 42 of by-laws | — | — | — | 31,139 | 31,139 | (31,139) | — |
| Distribution to stockholders funds | — | — | — | — | — | (70,000) | (70,000) |
| Net income | — | — | — | — | — | 234,709 | 234,709 |
| Balance at 31 December 2009 | <u>2,485,645</u> | <u>539,222</u> | <u>1,668,515</u> | <u>358,713</u> | <u>2,027,228</u> | <u>234,709</u> | <u>5,286,804</u> |
| Capital increase | 239,415 | (78,563) | — | — | — | — | 160,852 |
| Appropriated for general reserve .. | — | — | 106,238 | — | 106,238 | (106,238) | — |
| Appropriated for general reserve to Article 42 of by-laws..... | — | — | — | 23,471 | 23,471 | (23,471) | — |
| Distribution to stockholders funds | — | — | — | — | — | (105,000) | (105,000) |
| Net income | — | — | — | — | — | 83,547 | 83,547 |
| Balance at 30 June 2010 | <u>2,725,060</u> | <u>460,659</u> | <u>1,774,753</u> | <u>382,184</u> | <u>2,156,937</u> | <u>83,547</u> | <u>5,426,203</u> |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

**Unaudited Condensed Interim Financial Information for the Six-Month Period
Ended 30 June 2009 and audited years ended 31 December 2008 and 2007**

**Statements of Stockholders' Equity
(In thousands of U.S. dollars)**

| | Subscribed and paid-in capital | Additional paid-in capital | Reserve Pursuant to | | | Retained earnings | Total stockholders' equity |
|--|--------------------------------------|----------------------------------|---------------------|--------------------------------|------------------|----------------------|----------------------------------|
| | | | General reserve | Article N° 42 of by-laws | Total | | |
| Balance at 31 December 2007 | 2,014,750 | 234,355 | 1,189,931 | 287,474 | 1,477,405 | 400,799 | 4,127,309 |
| Capital increase | 151,680 | 45,900 | — | — | — | — | 207,580 |
| Appropriated for general reserve .. | — | — | 268,249 | — | 268,249 | (268,249) | — |
| Appropriated for reserve to Article 42 of by-laws | — | — | — | 40,100 | 40,100 | (40,100) | — |
| Distribution to stockholders funds | — | — | — | — | — | (92,450) | (92,450) |
| Net income | — | — | — | — | — | 311,474 | 311,474 |
| Balance at 31 December 2008 | <u>2,176,430</u> | <u>280,255</u> | <u>1,458,180</u> | <u>327,574</u> | <u>1,785,754</u> | <u>311,474</u> | <u>4,553,913</u> |
| Capital increase | 204,505 | 85,864 | — | — | — | — | 290,369 |
| Equity in Treasury | (65) | (71) | — | — | — | — | (136) |
| Appropriated for general reserve .. | — | — | 210,335 | — | 210,335 | (210,335) | — |
| Appropriated for reserve to Article 42 of by-laws | — | — | — | 31,139 | 31,139 | (31,139) | — |
| Distribution to stockholders funds | — | — | — | — | — | — | — |
| Application of FAS 159 | — | — | — | — | — | (70,000) | (70,000) |
| Net income | — | — | — | — | — | 148,827 | 148,827 |
| Balance at 30 June 2009 | <u>2,380,870</u> | <u>366,048</u> | <u>1,668,515</u> | <u>358,713</u> | <u>2,027,228</u> | <u>148,827</u> | <u>4,922,973</u> |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

**Unaudited Condensed Interim Financial Information for
the Six-Month Periods Ended 30 June 2010 and 2009**

**Statements of Cash Flows
(In thousands of U.S. dollars)**

| | Six Months Ended 30 June | |
|--|-------------------------------------|-------------|
| | 2010 | 2009 |
| Cash flows from operating activities: | | |
| Net income | 83,547 | 148,827 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Net gain of trading securities | (4,002) | (16,637) |
| Amortization of loan commissions, net of origination costs | (4,566) | (4,038) |
| Provision (credit) for loan losses | 4,262 | (1,924) |
| Equity in earnings of investees | — | 129 |
| Depreciation of property and equipment | 1,080 | 1,670 |
| Amortization of deferred charges | 1,067 | 921 |
| Provision for employees' severance indemnities and benefits | 3,131 | 3,017 |
| Provisions for employees' savings plan | 665 | 698 |
| Net changes in operating assets and liabilities | | |
| Severance indemnities paid or advanced | (2,293) | (2,753) |
| Employees' savings plan paid or advanced | (498) | (836) |
| Trading securities, net | 18,216 | (421,614) |
| Interest and commissions receivable | (4,300) | 32,259 |
| Other assets | (23,276) | 4,568 |
| Accrued interest and commissions payable | 4,795 | (21,046) |
| Accrued expenses and other liabilities | (650) | (3,883) |
| Total adjustments and net changes in operating assets and liabilities ... | (6,369) | (429,469) |
| Net cash provided by (used in) operating activities | 77,178 | (280,642) |
| Cash flows from investing activities | | |
| Purchases of other investments | (80,861) | (399,049) |
| Maturities of other investments | 223,595 | 331,690 |
| Loan origination and principal collections, net | (875,798) | (288,664) |
| Equity investments | (7,413) | (5,092) |
| Purchases of property and equipment | (3,479) | (2,661) |
| Net cash (used in) investing activities | (743,956) | (363,776) |
| Carried forward | (666,778) | (644,418) |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

**Unaudited Condensed Interim Financial Information for
the Six-Month Periods Ended 30 June 2010 and 2009**

**Statements of Cash Flows, Continued
(In thousands of U.S. dollars)**

| | Six Months Ended 30 June | |
|---|-------------------------------------|-------------|
| | 2010 | 2009 |
| Brought forward | (666,778) | (644,418) |
| Cash flows from financing activities | | |
| Net increase (decrease) in deposits | 338,812 | (120,946) |
| Net increase (decrease) in commercial paper | 448,842 | 57,542 |
| Net increase in advances and short-term borrowings | — | 91,295 |
| Repayment of advances and short-term borrowings | — | (240,168) |
| Proceeds from issuance of bonds | 361,006 | 1,206,876 |
| Repayment of bonds | (239,548) | (393,783) |
| Proceeds from borrowings and other obligations | 117,008 | 30,949 |
| Repayment of borrowings and other obligations | (101,438) | (18,339) |
| Distributions to stockholders' funds | (105,000) | (70,000) |
| Proceeds from additional paid in capital | 61,955 | 109,870 |
| Proceeds from issuance of shares | 98,897 | 180,363 |
| | 980,534 | 833,659 |
| Net cash provided by financing activities | 980,534 | 833,659 |
| Net increase in cash and cash equivalents | 313,756 | 189,241 |
| Cash and cash equivalents at beginning of period | 1,267,769 | 1,486,436 |
| Cash and cash equivalents at end of period | 1,581,525 | 1,675,677 |
| Consisting of: | | |
| Cash and due from banks | 100,705 | 16,916 |
| Deposits with banks | 1,480,820 | 1,658,761 |
| | 1,581,525 | 1,675,677 |
| Supplemental disclosure | | |
| Interest paid during the period | 69,724 | 116,590 |
| Non-cash financing activities | | |
| Change in other assets due to fair value hedging relationships | 106,174 | (273,743) |
| Change in other liabilities due to fair value hedging relationships | 135,245 | (8,575) |

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to Unaudited Condensed Interim Financial Information 30 June 2010 and 2009

(1) Basis of Presentation

The condensed interim financial information as of 30 June 2010 and for the six-month periods ended 30 June 2010 and 2009 is unaudited and has been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, such interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the results of the interim periods. The results of operations for the six-month period ended 30 June 2010 are not necessarily an indication of the results to be expected for the full year 2010.

This condensed interim financial information should be read in conjunction with the Corporation's financial statements as of 31 December 2009 and 2008 and for each of the years in the three-year period ended 31 December 2009 and the notes thereto presented in the Offering Circular.

(2) Allowance for Loan Losses

For the six-month period ended 30 June 2010, CAF had a credit for loan losses of \$4.3 million, compared to a provision for loan losses of \$1.9 million for the same period in 2009. The allowance for loan losses as a percentage of the loan portfolio was 1.18% for the first six months of 2010, compared to 1.35% for the same period in 2009.

The allowance for loan losses is maintained at a level the Corporation believes is adequate but not excessive to absorb probable losses inherent in the loan portfolio as of the date of the financial statements. The general allowance for loan losses is established by the Corporation based on the individual risk rating for the long term foreign currency debt of the borrower countries which is assigned by the international risk rating agencies as of the date of the financial statements preparation. This country risk rating considers a default probability. In the case of sovereign loan portfolio the Corporation's preferred status is also considered.

A specific allowance is established by the Corporation for those loans that are considered impaired. A loan is considered as impaired when based on currently available information and events, there exists the probability that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the loan's effective interest rate.

Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

(3) Commitments and Contingencies

Commitments and contingencies include the following:

| | 30 June | |
|--|----------------|-------------|
| | 2010 | 2009 |
| Credit agreements subscribed | 3,228,861 | 2,593,210 |
| Lines of credit for foreign trade | 2,176,898 | 3,021,384 |
| Letters of credit for foreign trade..... | 102,626 | 4,690 |
| Guarantees | 163,273 | 137,937 |

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

In the ordinary course of business the Corporation has entered into commitments to extend credit. Such financial instruments are recorded as commitments upon signing the corresponding contract and are reported in the financial statements when disbursements are made.

The contracts to extend credit have fixed expiration dates and in some cases expire without making disbursements. Also based on experience, parts of the disbursements are made up to two

years after the signing of the contract. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

In the event the credit lines are not utilized, no additional cost is incurred by the Corporation.

Guarantees primarily consist of partial credit guarantees given to the Plurinational State of Bolivia, the Republic of Peru and one private sector client in Brazil for the payment of principal and interest up to the following amounts (in thousands of U.S. dollars):

| | 30 June | |
|-----------|----------------|--------------|
| | 2010 | 2009 |
| 2018..... | 135.3 | 109.9 |
| 2025..... | 28.0 | 28.0 |
| | <u>163.3</u> | <u>137.9</u> |

(4) Fair Value Measurement

SFAS N° 157 (codified in ASC 820) establishes a single authoritative definition of value, sets out a framework for measuring fair value, and provides a hierarchal disclosure framework for assets and liabilities measured at fair value. The adoption of ASC 820 did not have any impact on the Corporation’s financial position or results of operations. Presented below is information about the determination of the fair value, assets and liabilities recorded in the Corporation’s balance sheet at fair value on a recurring basis, and assets and liabilities recorded in the Corporation’s balance sheet at fair value on a nonrecurring basis.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

**Notes to Unaudited Condensed Interim Financial Information
for the Six-Month Period Ended 30 June 2010 and audited year ended 31 December 2009**

The following tables present for each of the fair-value hierarchy levels the Corporation's assets and liabilities that are measured at fair value on a recurring basis at 30 June 2010 and 31 December 2009.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Net balance</u> |
|---------------------------------------|-------------------------|-----------------------|-----------------|-------------------------|
| At 30 June 2010 – | | | | |
| Assets – | | | | |
| Marketable securities..... | 2,200,040 | — | — | 2,200,040 |
| Loans..... | — | 73,852 | — | 73,852 |
| Derivative assets..... | — | 542,919 | — | 542,919 |
| | <u>2,200,040</u> | <u>616,771</u> | <u>—</u> | <u>2,816,811</u> |
| Liabilities – | | | | |
| Bonds | — | 5,560,725 | — | 5,560,725 |
| Borrowings and other obligations..... | — | 247,418 | — | 247,418 |
| Derivative liabilities..... | — | 180,381 | — | 180,381 |
| | <u>—</u> | <u>5,988,524</u> | <u>—</u> | <u>5,988,524</u> |
| | <u><u>2,200,040</u></u> | <u><u>616,771</u></u> | <u><u>—</u></u> | <u><u>2,816,811</u></u> |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Net balance</u> |
| At 31 December 2009 – | | | | |
| Assets – | | | | |
| Marketable securities..... | 2,214,254 | — | — | 2,214,254 |
| Loans..... | — | 61,458 | — | 61,458 |
| Derivative assets..... | — | 436,745 | — | 436,745 |
| | <u>2,214,254</u> | <u>498,203</u> | <u>—</u> | <u>2,712,457</u> |
| Liabilities – | | | | |
| Bonds | — | 5,588,862 | — | 5,588,862 |
| Borrowings and other obligations..... | — | 137,555 | — | 137,555 |
| Derivative liabilities..... | — | 45,136 | — | 45,136 |
| | <u>—</u> | <u>5,771,553</u> | <u>—</u> | <u>5,771,553</u> |
| | <u><u>2,214,254</u></u> | <u><u>498,203</u></u> | <u><u>—</u></u> | <u><u>2,712,457</u></u> |

(5) Subsequent Events

As of the date of the issuance of these condensed consolidated financial statements, there are no other significant subsequent events that require adjustments or disclosure, if applicable, which were not already considered in this note or elsewhere in the financial statement. On 14 July 2010, CAF issued US\$ 600 million in a SEC registered global note due January 2016.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

SUPPLEMENTARY INFORMATION (UNAUDITED)

AS OF 30 JUNE 2010

BONDS

| Title | Interest Rate | Year of Issue | Year of Final Maturity | Currency | Principal Amount Outstanding as of 30 June 2010 |
|---|----------------------|----------------------|-------------------------------|--------------------|--|
| | | | | | (in millions) |
| 7.79% Yankee Bonds | Fixed | 1997 | 2017 | US | 50.0 |
| 7 ³ / ₈ % Yankee Global Bonds | Fixed | 2001 | 2011 | US | 300.0 |
| 6 ⁷ / ₈ % Yankee Bonds | Fixed | 2002 | 2012 | US | 350.0 |
| 7 ⁵ / ₈ % Euro GBP Bonds | Fixed | 2002 | 2010 | GBP ⁽¹⁾ | 40.7 |
| 7 ⁷ / ₈ % Yankee Bonds | Fixed | 2002 | 2022 | US | 85.0 |
| 6 ⁷ / ₈ % Yankee Bonds | Fixed | 2003 | 2012 | US | 188.0 |
| 5 ¹ / ₅ % Yankee Bonds | Fixed | 2003 | 2013 | US | 500.0 |
| 5.8175% Euro Bonds..... | Fixed | 2004 | 2014 | US | 29.0 |
| Colombian Peso Bonds..... | Floating | 2004 | 2010 | COP ⁽²⁾ | 272,220.0 |
| 1.31% Samurai Bonds | Fixed | 2005 | 2012 | JPY ⁽³⁾ | 5,000.0 |
| 5 ¹ / ₈ % Yankee Bonds | Fixed | 2005 | 2015 | USD | 250.0 |
| 7.53125% Peruvian Soles Bonds . | Fixed | 2006 | 2018 | PEN ⁽⁴⁾ | 248.4 |
| Venezuelan Bolivares Bonds | Floating | 2006 | 2011 | VEB ⁽⁵⁾ | 215.0 |
| 5.75% Yankee Bonds | Fixed | 2006 | 2017 | USD | 250.0 |
| Euro Dollar Bonds..... | Floating | 2006 | 2011 | EUR ⁽⁶⁾ | 300.0 |
| 5.75% Yankee Bonds | Fixed | 2007 | 2017 | USD | 250.0 |
| Venezuelan Bolivares Bonds | Floating | 2007 | 2012 | VEB | 107.5 |
| Venezuelan Bolivares Bonds | Floating | 2007 | 2012 | VEB | 127.5 |
| 2.32% Samurai Bonds | Fixed | 2007 | 2014 | JPY | 10,000.0 |
| 1.47% Samurai Bonds | Fixed | 2007 | 2010 | JPY | 5,000.0 |
| Mexican Pesos Bonds | Floating | 2007 | 2012 | MXN ⁽⁷⁾ | 750.0 |
| 5.75% Yankee Bonds | Fixed | 2008 | 2017 | USD | 250.0 |
| 5.00% Swiss Franc Bonds | Fixed | 2008 | 2013 | CHF ⁽⁸⁾ | 200.0 |
| Colombian Peso Bonds..... | Fixed | 2008 | 2013 | COP | 150,250.0 |
| Colombian Peso Bonds..... | Fixed | 2008 | 2018 | COP | 94,250.0 |
| 4.30% Samurai Bonds | Fixed | 2009 | 2019 | JPY | 10,000.0 |
| Colombian Peso Bonds..... | Fixed | 2009 | 2014 | COP | 111,980.0 |
| Colombian Peso Bonds..... | Fixed | 2009 | 2019 | COP | 127,500.0 |
| 8.125% Yankee Bonds | Fixed | 2009 | 2019 | USD | 1,000.0 |
| Peruvian Soles Bonds..... | Fixed | 2009 | 2014 | PEN | 144,250.0 |
| Euro Dollar Bonds..... | Floating | 2010 | 2015 | EUR | 100.0 |
| Euro Dollar Bond | Floating | 2010 | 2014 | USD | 100.0 |
| Structured Note | Floating | 2010 | 2017 | USD | 50.0 |
| Dollar Bonds..... | Fixed | 2010 | 2014 | USD | 74.0 |

(1) Sterling Pounds.

(2) Colombian Pesos.

(3) Yen.

(4) Peruvian Soles.

(5) Venezuelan Bolivares.

(6) Euro.

(7) Mexican Pesos.

(8) Swiss Francs.

Note: In July 2010, there was a Yankee bond issuance for US\$600.0 million due 2016.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

**SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF 30 JUNE 2010**

**LOANS FROM COMMERCIAL BANKS, ADVANCES, DEPOSITS,
COMMERCIAL PAPER AND REPURCHASE AGREEMENTS**

| Title | Interest Rate | Date of Agreement of Issue | Year of Final Maturity | Currency | Principal Amount Outstanding at 30 June 2010 |
|-------------------------------|----------------------|-----------------------------------|-------------------------------|-----------------|---|
| | | | | | (in US\$ millions) |
| Medium and Long-term Loans... | Various | Various | Various | Various | 813.9 |
| Deposits | Floating | Various | Various | Various | 2,989.5 |
| Commercial Paper..... | Floating | Various | Various | Various | 1,714.3 |

**LOANS FROM MULTILATERALS AND BILATERALS,
EXIMS AND EXPORT CREDIT AGENCIES**

| Title | Interest Rate | Date of Agreement of Issue | Year of Final Maturity | Currency | Principal Amount Outstanding at 30 June 2010 |
|------------------------------------|----------------------|-----------------------------------|-------------------------------|--------------------|---|
| | | | | | <i>(in millions)</i> |
| IADB..... | Variable | Various | 05/24/2023 | US | 30.1 |
| ACDI (Canada) | 0% | 03/29/1974 | 9/30/2023 | CAN ⁽¹⁾ | 1.6 |
| KfW (Germany)..... | Variable | Various | 12/30/2021 | US | 240.7 |
| AID (U.S.A.) | 3% | 10/10/1972 | 11/27/2014 | US | 2.0 |
| Nordic Investment Bank..... | Variable | Various | 7/17/2021 | US | 39.5 |
| European Investment Bank | Various | 10/16/1997 | 12/15/2013 | US | 8.5 |
| China Development Bank – CDB | Variable | 11/20/2007 | 11/29/2019 | US | 142.5 |
| Instituto de Crédito Oficial – ICO | Variable | 05/31/2004 | 9/15/2014 | US | 45.4 |

(1) Canadian dollars.

CORPORACIÓN ANDINA DE FOMENTO (CAF)
SUPPLEMENTARY INFORMATION (UNAUDITED)

AS OF 30 JUNE 2010
GUARANTEED DEBT

| <u>Borrower</u> | <u>Date of Issue</u> | <u>Year of Final Maturity</u> | <u>Principal Amount Outstanding at 30 June 2010</u> |
|--|----------------------|-------------------------------|---|
| | | | (in U.S. \$ millions) |
| Plurinational State of Bolivia..... | 10/3/2001 | 4/3/2018 | 33.7 |
| Plurinational State of Bolivia..... | 5/22/2004 | 5/22/2018 | 61.4 |
| Republic of Peru | 4/17/2006 | 2/13/2025 | 28.0 |
| Fundación Fondo de Garantía para préstamos a la pequeña industria..... | 7/01/2009 | 7/30/2010 | 0.07 |
| Fundación Fondo de Garantía para préstamos a la pequeña industria..... | 17/12/2009 | 2/28/2011 | 0.17 |
| Odebrecht | 10/14/2009 | 9/30/2010 | 40.0 |

HEADQUARTERS OFFICE OF THE ISSUER

Torre CAF
Piso 9, Avenida Luis Roche
Altamira, Caracas
Venezuela

DEALER

Credit Suisse Securities (Europe) Limited
One Cabot Square
Canary Wharf
London E14 4QJ
United Kingdom

FISCAL AGENT, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Citibank, N.A., London Branch

14th Floor
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS

To the Issuer:

Sullivan & Cromwell LLP
1701 Pennsylvania Ave., N.W.
Washington, D.C. 20006
USA

To the Dealer:

Clifford Chance, S.L.
Paseo de la Castellana, 110
28046 Madrid
Spain

AUDITORS TO THE ISSUER

Until 31 December 2008:

KPMG Alcaraz Cabrera Vázquez
Caracas
Venezuela

From 1 January 2009:

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