

# Corporacion Andina de Fomento (CAF)

## Key Rating Drivers

**SCP Drives Rating:** Corporacion Andina de Fomento's (CAF) 'AA-' rating is driven by its Standalone Credit Profile (SCP), reflecting the lower of Fitch Ratings' solvency (aa-) and liquidity (aa) assessments, and a 'medium risk' business environment in which the bank operates. CAF's 'aa-' solvency assessment balances its 'excellent' capitalisation and 'moderate' risk profile. Shareholders' ongoing capital injections will support CAF's lending growth and portfolio diversification, and its ratings despite challenges in some of its large countries of operation.

**Excellent Capitalisation:** Fitch's usable capital to risk-weighted assets (FRA) ratio declined to 45% at end-3Q23, from 48% a year earlier, due to the weakening credit quality of its loans. CAF's leverage has remained broadly stable, with the equity-to-assets (E/A) ratio at about 30% over the past two years. In 2023, the expansion of its balance sheet was broadly matched by capital payments and internal capital generation (ICG). Capital payments also compensated a reduction in paid-in capital due to CAF's share-repurchase scheme with Venezuela.

**Membership Expansion:** In 2023, Chile (A-/Stable), Dominican Republic (BB-/Positive) and Honduras became full members of the bank. Mexico (BBB-/Stable) and Costa Rica (BB/Stable) are ratifying their conversion to full membership. We believe CAF's expansionary strategy beyond South America and incorporation of new full members has a positive impact on its solvency via increased capital contributions and loan portfolio diversification.

**Weaker Average Rating of Loans:** The weighted average rating of loans and guarantees (WARLG) fell to 'B' from 'B+', after downgrades of the three largest borrowers, Argentina (CC), Bolivia (CCC) and Ecuador (CCC+). We expect the WARLG to be stable despite CAF's strategy to diversify the portfolio and reduce the Venezuelan exposure. CAF's 'excellent' preferred creditor status (PCS) translates into an uplift of three notches above the WARLG to 'BB'.

**Reducing Non-Performing Loans (NPLs):** NPLs continued to decline in 2023, with Fitch's own measure of the NPL ratio decreasing to 7.4% at end-3Q23 from 8.6% at end-2022. The declining trend is driven by an increase in the size of its loan book and a reduction in its exposure to Venezuela as per the share-repurchase transaction in lieu of principal and interest payments.

Although CAF does not consider the Venezuelan exposure as non-performing, Fitch treats it as an NPL as we believe the transaction reduces the bank's equity in a way similar to a write-off. Fitch expects this ratio to fall towards the 'moderate' threshold of 6% in the medium term.

**Concentration in Low-Rated Sovereigns:** The concentration of CAF's loan portfolio in a few low-rated sovereigns has been a rating weakness, although diversification is improving. The five largest exposures accounted for 55% of the banking portfolio as of end-3Q23.

**Strong Liquidity:** The coverage of short-term debt by liquid assets was 117% at end-3Q22, up from 106% a year ago, but remains below the 'excellent' threshold (150%). The credit quality of the treasury portfolio improved with the share of 'AAA' and 'AA' rated assets rising to 48% at end-3Q23 from 34% at end-3Q22. Fitch expects the share of 'AAA' and 'AA' rated treasury assets to remain consistent with a 'strong' assessment (below 40%) in the medium term. CAF's liquidity profile is enhanced by its 'strong' access to capital markets.

**No Support Uplift:** Fitch assesses extraordinary support from shareholders at 'bb-', reflecting the weighted average rating of key shareholders (BB-) and the 'strong' propensity from shareholders to support the bank. The latter is underlined by the importance of the bank for its shareholders and regular capital increases.

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on [www.fitchratings.com](http://www.fitchratings.com).

## Ratings

### Foreign Currency

Long-Term IDR	AA-
Short-Term IDR	F1+

### Outlooks

Long-Term Foreign-Currency IDR	Stable
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## Financial Data

	End-2022	End-9Q23
Total assets (USDbn)	50.4	52.3
Equity-to-assets (%)	29.1	29.6
Fitch's usable capital to risk-weighted assets (FRA, %)	48.4	45.3
Average rating of loans & guarantees (after credit risk mitigants)	BB+	BB
Impaired loans (% of total loans)	8.6	7.4
Five largest exposures to total exposure (%)	56.0	55.2
Share of non-sovereign exposure (%)	5.5	7.1
Net income/equity (%)	1.3	3.7
Average rating of key shareholders	BB-	BB-

Source: Fitch Ratings, CAF

## Applicable Criteria

[Supranationals Rating Criteria \(April 2023\)](#)

[National Scale Rating Criteria \(December 2020\)](#)

## Related Research

[Fitch Affirms CAF at 'AA-; Outlook Stable \(January 2024\)](#)

[Global Supranationals Outlook 2024 \(December 2023\)](#)

[Click here for more Fitch Ratings content on Corporacion Andina de Fomento \(CAF\)](#)

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## Rating Derivation Summary

Standalone Credit Profile (SCP)					Support				
Solvency	Liquidity	Lower of solvency and liquidity	Business environment (+3/-3 notches)	Final SCP	Capacity	Propensity (+1/-3 notches)	Support adjustment (up to 3 notches)	Final rating	
CAF	aa-	aa	aa-	0	aa-	bb-	0	0	AA-

Source: Fitch Ratings

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

**Solvency (Risks):** A weakening in our assessment of the bank’s ‘moderate’ risk profile, which could stem from a deterioration in credit risk. This could result from a default by one of CAF’s sovereign borrowers, which would be a breach of the bank’s PCS and could lead the NPL ratio above the 6% ‘high risk’ threshold on a sustained basis. This could also result from the WARLG falling below ‘B-’.

**Solvency (Capitalisation):** A decline in capitalisation ratios that could affect our ‘excellent’ capitalisation assessment. This could be due to delays on capital payments leading to either the FRA or the E/A ratios falling close to or below their respective 35% and 25% ‘excellent’ thresholds.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

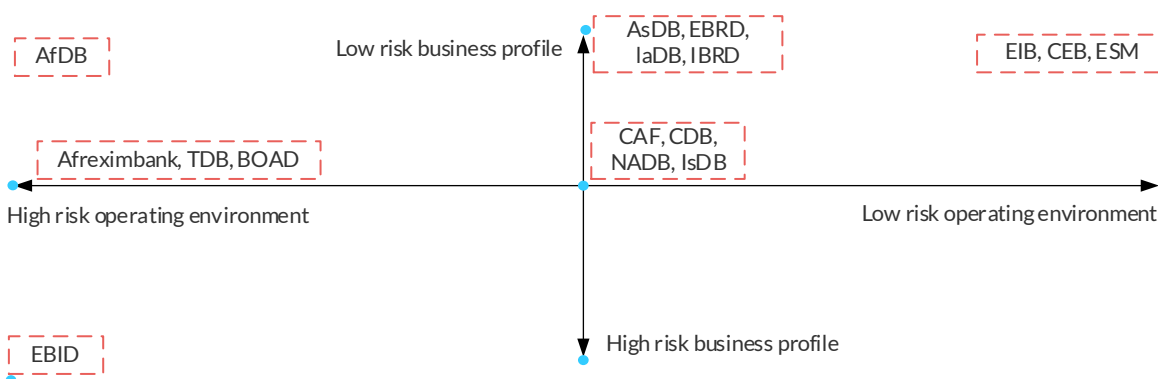
**Solvency (Risks):** A significant improvement in CAF’s credit risk profile, as reflected in a WARLG above ‘B+’ and a material reduction in the NPL ratio towards the 3% ‘low risk’ threshold.

**Solvency (Risks):** Continued improvement in the bank’s concentration risk metrics, as reflected in lower exposure to distressed sovereigns and greater diversification in the loan book. A decline in the five largest exposures as a share of total banking exposure closer to the ‘low’ risk threshold of 40%, from 55% currently, would be positive for the rating.

## Business Environment

Fitch considers CAF’s overall business environment as ‘medium risk’, reflecting a ‘medium risk’ business profile and a ‘medium risk’ operating environment. Initially focused on the Andean region, CAF has expanded its scope of operations to include most Latin American countries, with outstanding loan operations in 17 countries.

### Business Environment



AfDB: African Development Bank; AsDB: Asian Development Bank; CAF: Corporacion Andina de Fomento; EBID: Ecowas Bank for Investment and Development; IaDB: Inter-American Development Bank; IBRD: International Bank for Reconstruction and Development; IsDB: Islamic Development Bank; TDB: Eastern and Southern African Trade and Development Bank

Source: Fitch Ratings

## Brief Issuer Profile

CAF is a multilateral development bank (MDB), established in 1968. It began operating in 1970 following the signing of the Declaration of Bogota (1966) and the Cartagena Agreement (1969). The Bogota Declaration was signed by the heads of states or representatives from Bolivia, Colombia (BB+/Stable), Chile, Ecuador, Peru (BBB/Negative), and Venezuela (the founding members of CAF). The Cartagena Agreement excluded Venezuela from this list and Venezuela only formally joined the Andean Pact (later named the Andean Community) in 1973.

The bank's membership expanded with the accession of Mexico (1990), Chile (1992), Trinidad and Tobago (1994), Brazil (BB/Stable, 1995), Paraguay (BB+/Stable, 1997), Panama (BBB-/Negative, 1997), and Jamaica (BB-/Positive, 1999). Argentina (2001), Uruguay (BBB/Stable, 2001), Costa Rica (2002), Spain (A-/Stable, 2002), Dominican Republic (2004), Portugal (A-/Stable, 2009), Barbados (B/Positive, 2015), El Salvador (CCC+, 2022) and Honduras (2023) also became members of CAF. The bank is owned by these 21 sovereign shareholders and 13 private banks (0.03% of total subscribed capital) from the region.

## Business Profile

Fitch assesses CAF's business profile as 'medium risk', based on following factors:

- CAF's total banking exposure (TBE) amounted to USD32.5 billion at end-3Q23, which is just above the threshold for a 'low risk' assessment.
- We assess the quality of CAF's governance as 'medium risk'. Our assessment reflects the bank's transparent organisational structure and comprehensive set of internal policies. Our assessment is affected by the large share of borrowing member countries in the capital structure (17 of 21 sovereigns, accounting for 92% of total subscribed capital).
- Fitch considers CAF's strategy as 'medium risk', given its moderate growth (5% p.a. on average in the past five years) trajectory and focus on lending to sovereign borrowers rated sub-investment grade (11 out of 17 rated below 'BBB' category).
- The size of CAF's non-sovereign sector financing is deemed as 'low risk'. At end-3Q23, CAF's TBE was primarily to sovereigns (94%). CAF mostly lends to public-sector borrowers, generally with sovereign guarantees.
- We assess the importance of CAF's public mandate as 'low risk' considering CAF's large level of financing operations, its shareholding expansion, and its record of regularly receiving capital contributions from shareholders.

## Operating Environment

Fitch considers CAF's operating environment as 'medium risk', reflecting the following:

- The credit quality in the countries of operations is 'medium risk'. The simple average rating of CAF's member states is 'BB-', consistent with a 'medium risk's assessment.
- We assess the income per capita in CAF's countries of operations (USD10,700) as 'medium risk'.
- The political risk in CAF's countries of operations is considered as 'medium risk' overall, based on the World Bank's Worldwide Governance Indicators (WBI).
- Fitch assesses political risk in Venezuela, the country of CAF's headquarters, as 'high risk' based on WBI.
- Operational support provided by the authorities of the member states of CAF is assessed as 'low risk'. CAF has supranational status within Venezuela and throughout member countries and, as such, receives tax immunities and other privileges.

## Solvency

Fitch assesses CAF's solvency at 'aa-', underpinned by the bank's 'excellent' capitalisation which balances with a 'moderate' risk profile.

## Capitalisation

Fitch views CAF's 'excellent' capitalisation as a rating strength, reflecting the two capital ratios, the FRA and the E/A, which have been above the respective 'excellent' thresholds of 35% and 25%.

The FRA ratio declined to 45% at end-3Q23 from 48% a year earlier. This is attributable to the increase in risk-weighted assets caused by the weakening in the credit quality of the loans. Usable capital reflects the bank's shareholders' equity, which totalled USD14.5 billion as of end-3Q23.

CAF's leverage remained broadly stable, with an E/A at about 30% in the past two years. In 2023, the expansion of the bank's balance sheet was broadly matched by shareholders' capital payments and ICG (3.7% at end-3Q23). Fitch expects the FRA and E/A ratios to remain above their respective 35% and 25% 'excellent' thresholds in 2024-2026. Our forecast assumes capital injections, moderate growth in lending operations in line with the bank's own forecasts (5% a year on average), diversification of the portfolio and Venezuela's share buyback until end-2024.

**Peer Comparison: Capital Ratios and Profitability**

	CAF (AA-)		AfDB (AAA) End-2022	CDB (AA+) Sep 23	IADB (AAA) Jun 23
	Sep 2023	Projection <sup>a</sup>			
Equity/adjusted assets (E/A, %)	29.6	27-30	26	45	26
Usable capital/risk-weighted assets (FRA, %)	45.3	40-45	52	65	51
Net income/average equity	3.7	0.5-1.5	1.9	2.5	1.2

<sup>a</sup> Medium-term projections, forecast range  
Source: Fitch Ratings, MDBs

**Risks**

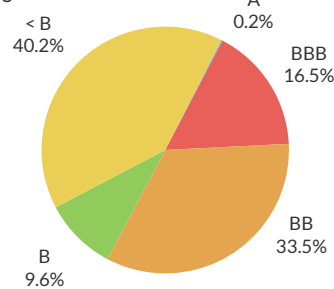
**Risk Assessment**

Indicative value	Risk level
Credit risk	Moderate
Concentration	Moderate
Equity risks	Very low
Market risks	Very low
Risk management policies	Strong

Source: Fitch Ratings

**Loans and Guarantees by Ratings**

As of end-3Q23



Source: Fitch Ratings, CAF

Fitch considers CAF's risk profile as 'moderate', balancing 'moderate' credit and concentration risks, 'very low' equity and market risks and 'strong' risk management policies.

The WARLG declined to 'B' from 'B+' in the past 12 months, driven by downgrades of the top three-largest sovereign borrowers, Argentina (14% of total loans as of end-3Q23), Bolivia (9%), Ecuador (13%). This offset the positive impact of the recent upgrades of four sovereigns (Brazil, Costa Rica, El Salvador and Uruguay) accounting for 16% of total country exposures.

Fitch expects the credit quality of CAF's portfolio to remain broadly stable despite the bank's intention to diversify its loan portfolio and reduce the exposure to Venezuela. The WARLG of 'B' would be resilient to potential downgrade of sovereigns whose ratings are on Negative Outlook (accounting for 11% of the bank's country exposures). CAF's 'excellent' PCS, based on its very strong record of loan repayments and its low exposure to the non-sovereign sector (6% of loans), translates into an uplift of three notches above the WARLG to 'BB'.

In 2023, NPLs continued to decline moderately, with Fitch's own measure of the NPL ratio decreasing to 7.4% at end-3Q23 from 8.6% at end-2022 and 10.1% at end-2021. The declining trend is driven by an increase in the size of CAF's loan book and a reduction in its exposure to Venezuela as per the share-repurchase transaction in lieu of principal and interest payments. CAF does not consider the Venezuelan exposure as non-performing, but Fitch treats it as an NPL as the agency believes the transaction reduces the bank's equity in a way similar to a write-off. Fitch expects the NPL ratio to fall towards the 'moderate' threshold of 6% in the medium term.

In March 2020, CAF's board of directors approved a transaction to allow Venezuela to use its shares in the bank in lieu of interest and principal payments. As of end-2019, Venezuela's equity in the bank totalled USD2.4 billion while the principal loan exposure was USD3.7 billion (13.9% of loans). By end-3Q23, the loan exposure to Venezuela had fallen to USD2.1 billion (or 7% of total loans) and the sovereign's share in the bank's capital to 5%. Assuming current interest rates, CAF's shares would be sufficient to cover interest and principal payments due through mid-2024, at which point the remaining outstanding principal exposure would be USD1.9 billion (equivalent to approximately 6% of the projected size of loan portfolio by end-2024).

Concentration risk is 'moderate'. The five largest exposures represented 55% of TBE as of end-3Q23, from 58% the previous year. Fitch expects a gradual decline in concentration in the medium term, owing to the incorporation of new full members (Chile, Dominican Republic and Honduras), and the increased proportion of approvals to these members in recent years.

Fitch assesses equity risk as 'very low', with equity participations accounting for 1.2% of TBE. Equity participations are in the form of investments into equity securities of companies and funds based in CAF's countries of operations.

We assess market risk as 'very low'. Most of CAF's loans and funding are principally US dollar-denominated and interest rates on both are typically linked to US dollar Secured Overnight Financing Rate. CAF hedges any mismatch on interest-rate risk via swaps. Currency risk is similarly hedged to US dollars via currency swaps on the limited non-US dollar exposures related to lending and funding operations.

Fitch assesses CAF's risk management policies as 'strong', reflecting the comprehensive risk appetite framework and an evolving set of risk management tools and limits. Relative to peers with an 'excellent' assessment, the agency accounts for weaker concentration metrics. CAF recently tightened certain risk metrics, including lowering the single sovereign loan maximum exposure from 25% of the loan portfolio to 20% for founding members and equalised this for non-founding members to 20% (from 15%). In practice, single sovereign exposures have been capped at 15%.

### Peer Comparison: Risks

	CAF (AA-)		AfDB (AAA)	CDB (AA+)	IADB (AAA)
	Sep 2023	Projection <sup>a</sup>	End-2022	Sep 23	Jun 23
Estimated average rating of loans & guarantees	B	B	B+	B-	B+
Impaired loans/gross loans (%)	7.4	4.0-6.0	3.4	0.1	1.9
Five largest exposures/total banking exposure (%)	55.2	50-55	30	57	51
Equity stakes/total banking exposure (%)	1.2	1-5	4.6	0.0	0

<sup>a</sup> Medium-term projections, forecast range  
Source: Fitch Ratings, MDBs

### Liquidity Analysis

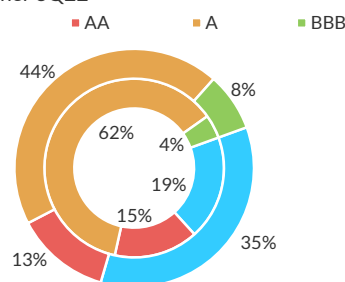
#### Liquidity Assessment

Indicative value	Risk level
Liquidity buffer	Strong
Quality of treasury assets	Moderate
Access to capital markets & alternative sources of liquidity	Strong

Source: Fitch Ratings

#### Treasury Assets by Rating

Outer 3Q23, Inner 3Q22



Source: Fitch Ratings, CAF

Fitch assesses CAF's liquidity at 'aa', reflecting its 'strong' liquidity buffers, 'moderate' credit quality of treasury assets, and 'strong' access to capital markets and alternative liquidity sources.

#### Liquid Assets to Short-Term Debt

The liquidity buffer, defined as liquid assets to short-term debt, was at 117% at end-3Q23, up from 106% a year ago, consistent with a 'strong' assessment. This is lower than that for the 'AAA'-'AA' median and primarily reflects a relatively higher share of short-term funding, due to the recourse to deposits and commercial paper. Fitch expects CAF's liquidity buffers to remain below the 'excellent' threshold (150%) over the forecast period.

#### Quality of Treasury Assets

The share of 'AAA'-'AA' rated assets in the treasury portfolio rose to 48% at end-3Q23 from 34% at end-3Q22. The improvement was driven by increased investments into highly rated debt securities, including US Treasuries. The overwhelming majority of treasury assets are rated above 'A-' (92%), with the bulk maturing in less than one year.

Fitch expects the share of 'AAA' and 'AA' rated treasury assets to remain consistent with a 'moderate' assessment (below 40%) in the medium term.

### Access to Capital Market, Alternative Source of Liquidity

Fitch assesses CAF's access to capital markets and alternative sources of liquidity as 'strong', with the institution increasing its market presence in recent years. Around 82% of funding was from capital markets, and remaining part was related to term deposits and long-term loans.

CAF has a diverse investor base, issuing in 18 different currencies in key international markets including the US, Europe, Japan, Hong Kong, Australia, and Switzerland as well as local Latin American markets. In 2023, CAF issued debt for USD6.5 billion on the international capital markets with three mid-term benchmarks bonds (two US dollar-denominated for USD3.25 billion and one euro-denominated for EUR1 billion). CAF's USD1.75 billion issuance (October 2023) was the its largest ever in a single year.

### Peer Comparison: Liquidity

	CAF (AA-)		AfDB	CDB	IADB
			(AAA)	(AA+)	(AAA)
	Sep 2023	Projection <sup>a</sup>	End-2022	Sep 23	Jun 23
Liquid assets/short-term debt (%)	116.6	100-120	253	800	170
Share of treasury assets rated AA- & above (%)	47.9	35-40	85	74	90

<sup>a</sup> Medium-term projections, forecast range  
Source: Fitch Ratings, MDBs

### Shareholder Support

CAF's rating does not benefit from a credit uplift from shareholders' support. Fitch assesses extraordinary support from CAF's shareholders at 'bb-', reflecting the average rating of key shareholders and their 'strong' propensity to support the bank.

#### Capacity to Provide Extraordinary Support

The weighted average rating of key shareholders (WARKS) was estimated at 'BB-' at end-3Q23. This is based on the credit quality of the largest shareholders, accounting for more than 50% of the bank's subscribed capital: Peru (17%), Colombia (17%), Argentina (11%) and Brazil (8%). Venezuela's share in the bank's capital fell to 7% by end-3Q23 from 11% at end-3Q22 due to CAF's share buyback transaction.

CAF's callable capital (USD1.8 billion at end-3Q23) is insufficient to cover net debt.

#### Propensity to Provide Extraordinary Support

We consider shareholders' propensity to support the bank as 'strong', and reflects that CAF has operated without difficulty during successive periods of instability in the region due to its conservative operating policy and the member countries' support; for a number of sovereigns, CAF is one of the few providers of external funding; and member countries have historically granted PCS to CAF, even for private-sector loans.

### Peer Comparison: Shareholder Support

	CAF AA-)		AfDB	CDB	IADB
			(AAA)	(AA+)	(AAA)
	Sep 2023	Projection <sup>a</sup>	End-2022	Sep 23	Jun 23
Coverage of net debt by callable capital	NC	NC	AAA	BBB	A
Average rating of key shareholders	BB-	BB-	BBB-	BBB-	BBB+
Propensity to support	0	0	0	0	0

<sup>a</sup> Medium-term projections.  
Source: Fitch Ratings, MDBs

## ESG Relevance Scores

This Navigator report does not constitute a new rating action for this issuer. It provides a visual summary of the integrated scoring system that shows how environmental, social and governance (ESG) factors affect individual credit rating decisions. The most recent Rating Action Commentary can be found on [www.fitchratings.com](http://www.fitchratings.com).



### Corporacion Andina de Fomento (CAF)

### Supranational ESG Navigator Supranational ESG Relevance to Credit Rating

#### Credit-Relevant ESG Derivation

Corporacion Andina de Fomento (CAF) has 2 ESG rating drivers and 5 ESG potential rating drivers

- Corporacion Andina de Fomento (CAF) has exposure to board independence and effectiveness, ownership composition which, in combination with other factors, impacts the rating.
- Corporacion Andina de Fomento (CAF) has exposure to lack of supervision by an external authority and is not subject to banking regulation which, in combination with other factors, impacts the rating.
- Corporacion Andina de Fomento (CAF) has exposure to borrowers with limited access to external funding sources and/or extend concessional loans but this has very low impact on the rating.
- Corporacion Andina de Fomento (CAF) has exposure to social pressure to provide support at times of crisis but this has very low impact on the rating.
- Corporacion Andina de Fomento (CAF) has exposure to risk around the execution/predictability of its strategy but this has very low impact on the rating.
- Corporacion Andina de Fomento (CAF) has exposure to quality of financial reporting and medium-term financial forecasts but this has very low impact on the rating.

Showing top 6 issues

key driver	0	issues	5
driver	2	issues	4
potential driver	5	issues	3
not a rating driver	2	issues	2
	6	issues	1

#### Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events and climate change on assets and corresponding risk appetite and management	Asset Quality; Risk Management	1

#### How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

#### Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Lending to borrowers with limited or no access to other external sources of finance; extension of concessional loans or grants; credit protection schemes	Importance of the Public Mandate; Credit Risk; Propensity to Support	5
Privacy & Data Security	1	n.a.	n.a.	4
Labour Relations & Practices	2	Restriction on recruitment based on nationality and quotas	Governance	3
Employee Well-being	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Counter-cyclical mandate and development role; social pressure to provide support at times of crisis	Credit Risk; NPLs; Capitalisation; Strategy	1

#### Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy (Operational Execution)	3	Lack of predictability and/or risk around the execution of strategy	Business Profile; Strategy; Governance	5
Governance Structure	4	Board independence and effectiveness, ownership composition, degree of political or external influences, control of one member state over the management of the institution	Business Profile; Strategy; Governance	4
Rule of Law, Institutional & Regulatory Quality	4	Supranationals are neither subject to bank regulation nor supervised by an external authority; all supranationals attract a score of '4'	Risk Management Policies; Governance	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes, detail and scope of information, medium-term financial forecasts	Minimum Data Requirement	2
Policy Status and Mandate Effectiveness	3	Inherent obligor risk concentration; effectiveness of preferred creditor status; access to liquidity support from central bank	Concentration; Credit Risk; Access to Central Bank Refinancing	1

#### CREDIT-RELEVANT ESG SCALE

##### How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating.
2	Inrelevant to the entity rating but relevant to the sector.
1	Inrelevant to the entity rating and irrelevant to the sector.

## Data Tables

### Balance Sheet

Corporacion Andina de Fomento (CAF)

(USDm)	30 Sep 23 9 months - 3rd quarter Partial	31 Dec 22 Year end Original	30 Sep 22 9 months - 3rd quarter Partial	31 Dec 21 Year end Original
<b>A. Loans</b>				
1. To/guaranteed by sovereigns	30,151.6	29,288.0	28,730.0	27,551.6
2. To/guaranteed by public institutions	0.0	0.0	0.0	0.0
3. To/guaranteed by private sector	1,797.1	1,168.1	1,005.0	1,889.9
4. Trade financing loans (memo)	0.0	0.0	0.0	0.0
5. Other loans	0.0	0.0	0.0	0.0
6. Loan loss reserves (deducted)	73.8	63.2	67.1	76.7
<b>A. Loans, total</b>	<b>31,874.9</b>	<b>30,392.9</b>	<b>29,667.9</b>	<b>29,364.8</b>
<b>B. Other earning assets</b>				
1. Deposits with banks	4,101.8	6,535.9	5,158.2	3,210.2
2. Securities held for sale and trading	9,561.0	8,483.6	8,662.9	12,503.1
3. Investment debt securities (including other investments)	1,475.1	258.4	105.5	292.4
4. Equity investments	402.7	381.8	403.9	433.4
5. Derivatives (including fair-value of guarantees)	533.3	459.8	429.9	512.4
<b>B. Other earning assets, total</b>	<b>16,073.9</b>	<b>16,119.5</b>	<b>14,760.4</b>	<b>16,951.5</b>
<b>C. Total earning assets (A+B)</b>	<b>47,948.8</b>	<b>46,512.4</b>	<b>44,428.3</b>	<b>46,316.3</b>
<b>D. Fixed assets</b>	<b>141.7</b>	<b>137.3</b>	<b>101.0</b>	<b>131.4</b>
<b>E. Non-earning assets</b>				
1. Cash and due from banks	147.9	107.6	91.4	112.0
2. Other	4,011.1	3,619.4	4,205.7	1,032.7
<b>F. Total assets</b>	<b>52,249.5</b>	<b>50,376.7</b>	<b>48,826.4</b>	<b>47,592.4</b>
<b>G. Short-term funding</b>				
1. Bank borrowings (<1 year)	240.5	192.9	398.2	178.0
2. Securities issues (<1 year)	8,818.8	9,400.5	7,854.5	6,758.2
3. Other (including deposits)	4,047.7	4,663.6	4,943.5	4,002.6
<b>G. Short-term funding, total</b>	<b>13,107.0</b>	<b>14,257.0</b>	<b>13,196.2</b>	<b>10,938.8</b>
<b>H. Other funding</b>				
1. Bank borrowings (>1 year)	1,819.1	1,879.8	1,279.2	1,594.1
2. Other borrowings (including securities issues)	18,459.8	16,470.5	15,896.2	20,316.0
3. Subordinated debt	0.0	0.0	0.0	0.0
4. Hybrid capital	0.0	0.0	0.0	0.0
<b>H. Other funding, total</b>	<b>20,278.9</b>	<b>18,350.3</b>	<b>17,175.4</b>	<b>21,910.1</b>
<b>I. Other (non-interest bearing)</b>				
1. Derivatives (including fair value of guarantees)	3,448.9	3,310.0	4,165.0	843.0
2. Fair value portion of debt	0.0	0.0	0.0	0.0
3. Other (non-interest bearing)	953.9	740.1	704.1	600.8
<b>I. Other (non-interest bearing), total</b>	<b>4,402.8</b>	<b>4,050.1</b>	<b>4,869.1</b>	<b>1,443.8</b>
<b>J. General provisions and reserves</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>L. Equity</b>				
1. Preference shares	0.0	0.0	0.0	0.0
2. Subscribed capital	9,703.9	8,563.4	8,113.6	7,717.0
3. Callable capital	-1,783.7	-1,625.7	-1,625.7	-1,589.7



## Balance Sheet

Corporacion Andina de Fomento (CAF)

	30 Sep 23	31 Dec 22	30 Sep 22	31 Dec 21
	9 months -	Year end	9 months -	Year end
(USDm)	3rd quarter	Original	3rd quarter	Original
	Partial		Partial	Original
4. Arrears/advances on capital	-2,315.6	-1,412.3	-976.2	-690.9
5. Paid in capital (memo)	5,604.7	5,525.4	5,511.7	5,436.4
6. Reserves (including net income for the year)	8,856.2	8,193.9	8,074.0	7,863.3
7. Fair-value revaluation reserve	0.0	0.0	0.0	0.0
<b>K. Equity, total</b>	<b>14,460.8</b>	<b>13,719.3</b>	<b>13,585.7</b>	<b>13,299.7</b>
<b>M. Total liabilities and equity</b>	<b>52,249.5</b>	<b>50,376.7</b>	<b>48,826.4</b>	<b>47,592.4</b>

Source: Fitch Ratings, Fitch Solutions, CAF

## Income Statement

Corporacion Andina de Fomento (CAF)

(USDm)	30 Sep 23	31 Dec 22	30 Sep 22	31 Dec 21
	9 months – 3rd quarter Partial	Year end Original	9 months – 3rd quarter Partial	Year end Original
1. Interest received	2,350.9	1,315.3	688.5	672.0
2. Interest paid	1,593.7	854.7	473.7	371.2
<b>3. Net interest revenue (1. - 2.)</b>	<b>757.2</b>	<b>460.6</b>	<b>214.8</b>	<b>300.8</b>
4. Other operating income	10.2	-9.5	38.7	3.8
5. Other income	-94.2	-107.6	-60.3	-12.3
6. Personnel expenses	n.a.	n.a.	n.a.	n.a.
7. Other non-interest expenses	143.8	177.8	124.6	157.4
8. Impairment charge	10.7	-3.3	-5.5	29.9
9. Other provisions	0.0	0.0	0.0	0.0
<b>10. Pre-derivative operating profit (3. + 4. + 5.) - (6. + 7. + 8. + 9.)</b>	<b>518.7</b>	<b>169.0</b>	<b>74.1</b>	<b>105.0</b>
11. Net gains/(losses) on non-trading derivative instruments	n.a.	n.a.	n.a.	n.a.
<b>12. Post-derivative operating profit (10. + 11.)</b>	<b>518.7</b>	<b>169.0</b>	<b>74.1</b>	<b>105.0</b>
13. Other income and expenses	n.a.	n.a.	n.a.	n.a.
<b>14. Net income (12. + 13.)</b>	<b>518.7</b>	<b>169.0</b>	<b>74.1</b>	<b>105.0</b>
15. Fair value revaluations recognised in equity	n.a.	n.a.	n.a.	n.a.
<b>16. Fitch's comprehensive net income (14. + 15.)</b>	<b>518.7</b>	<b>169.0</b>	<b>74.1</b>	<b>105.0</b>

Source: Fitch Ratings, Fitch Solutions, CAF

## Ratio Analysis

Corporacion Andina de Fomento (CAF)

	30 Sep 23 9 months – 3rd quarter Partial	31 Dec 22 Year end Original	30 Sep 22 9 months – 3rd quarter Partial	31 Dec 21 Year end Original
(%)				
<b>I. Profitability level</b>				
1. Net income/equity (average)	4.9	1.3	0.7	0.8
2. Cost/income ratio	18.7	39.4	49.2	51.7
<b>II. Capital adequacy</b>				
1. Usable capital/risk-weighted assets (FRA ratio)	45.3	48.4	48.1	45.9
2. Equity/adjusted total assets + guarantees	29.6	29.1	30.3	28.4
3. Paid-in capital/subscribed capital	57.8	64.5	120.0	70.5
4. Internal capital generation after distributions	3.7	1.3	0.6	0.8
<b>III. Liquidity</b>				
1. Liquid assets/short-term debt	116.6	107.8	106.2	147.3
2. Share of treasury assets rated 'AAA'-'AA'	47.9	49.4	34.0	34.7
3. Treasury assets/total assets	29.3	30.5	28.7	33.9
4. Treasury assets investment grade + eligible non-investment grade/total assets	29.3	30.5	28.7	30.7
5. Liquid assets/total assets	29.3	30.5	28.7	30.7
<b>IV. Asset quality</b>				
1. Impaired loans/gross loans	7.4	8.6	9.3	10.1
2. Loan loss reserves/gross loans	0.2	0.2	0.2	0.3
3. Loan loss reserves/impaired loans	3.1	2.4	2.4	2.6
<b>V. Leverage</b>				
1. Debt/equity	230.9	237.7	223.6	247.0
2. Debt/callable capital	1,871.7	2,005.7	1,868.2	2,066.4

Source: Fitch Ratings, CAF

## Appendix

### Corporacion Andina de Fomento (CAF)

	30 Sep 23 9 months – 3rd quarter Partial	31 Dec 22 Year end Original	30 Sep 22 9 months – 3rd quarter Partial	31 Dec 21 Year end Original
<b>1. Lending operations</b>				
1. Loans outstanding	31,948.7	30,456.1	29,735.0	29,441.5
Memo: Loans to sovereigns	30,151.6	29,288.0	28,730.0	27,551.6
Memo: Loans to non-sovereigns	1,797.1	1,168.1	1,005.0	1,889.9
<b>2. Other banking operations</b>				
1. Equity participations	402.7	381.8	403.9	433.4
2. Guarantees (off balance sheet)	118.7	137.0	134.3	129.8
Memo: Guarantees to sovereigns	0.0	0.0	0.0	0.0
Memo: Guarantees to non-sovereigns	118.7	137.0	134.3	129.8
<b>3. Total banking exposure (balance sheet and off-balance sheet)</b>				
1. Total banking exposure (loans + equity participations + guarantees (off-balance sheet))	32,470.1	30,974.9	30,273.2	30,004.7
2. Growth in total banking exposure (%)	7.3	3.2	8.0	5.1
Memo: Non-sovereign exposure	2,318.5	1,686.9	1,543.2	2,453.1
<b>4. Support</b>				
1. Share of 'AAA'/'AA' shareholders in callable capital (%)	0.0	0.0	0.0	0.0
2. Rating of callable capital ensuring full coverage of net debt	NC	NC	NC	NC
3. Weighted average rating of key shareholders	BB-	BB-	BB-	BB-
<b>5. Breakdown of banking portfolio</b>				
1. Loans to sovereigns/total banking exposure (%)	92.9	94.6	94.9	91.8
2. Loans to non-sovereigns total banking exposure (%)	5.5	3.8	3.3	6.3
3. Equity participation/total banking exposure (%)	1.2	1.2	1.3	1.4
4. Guarantees covering sovereign risks/total banking exposure (%)	0.0	0.0	0.0	0.0
5. Guarantees covering non-sovereign risks/total banking exposure (%)	0.4	0.4	0.4	0.4
Memo: Non-sovereign exposure (2. + 3. + 5.)/total banking exposure (%)	7.1	5.5	5.1	8.2
<b>6. Concentration measures</b>				
1. Largest exposure/equity (%)	30.7	30.7	30.7	31.5
2. Five largest exposures/equity (%)	124.0	126.5	128.3	125.8
3. Largest exposure/total banking exposure (%)	13.7	13.6	13.8	14.0
4. Five largest exposures/total banking exposure (%)	55.2	56.0	57.6	55.8
<b>7. Credit risk</b>				
1. Average rating of loans and guarantees	B	B+	B+	B+
2. Loans to investment-grade borrowers/gross loans	50.9	51.8	49.4	45.5
3. Loans to sub-investment grade borrowers/gross loans (%)	49.1	50.2	50.6	55.5
<b>8. Liquidity</b>				
1. Treasury assets	15,285.8	15,385.5	14,018.0	16,117.7
2. Treasury assets of which investment grade + eligible non-investment grade	15,285.7	15,375.0	14,017.0	16,117.7
3. Unimpaired short-term trade financing loans	0.0	0.0	0.0	0.0
4. Unimpaired short-term trade financing loans - discounted 40%	0.0	0.0	0.0	0.0
5. Liquid assets (2. + 4.)	15,285.7	15,375.0	14,017.0	16,117.7

Source: Fitch Ratings, CAF

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