

## Research Update:

# Corporacion Andina de Fomento Upgraded To 'AA+' On Criteria Revision; Outlook Stable

November 7, 2025

## Overview

- Following a review of Corporacion Andina de Fomento (CAF) under our revised criteria for multilateral lending institutions (MLIs), CAF's risk-adjusted capital ratio increased to 27.5%, also incorporating recent optimizations to strengthen its capital.
- At the same time, CAF has been successfully expanding its mandate in Latin America and the Caribbean and increasing its membership base.
- We therefore raised our long-term issuer credit ratings on CAF to 'AA+' from 'AA'.
- The stable outlook indicates our expectation that CAF will continue supporting member countries and consolidate its reach in the region while managing its capital prudently and maintaining robust liquidity buffers.

## Rating Action

On Nov. 7, 2025, S&P Global Ratings raised its long-term foreign currency rating on Corporacion Andina de Fomento to 'AA+' from 'AA' and affirmed the 'A-1+' short-term issuer credit rating. S&P Global Ratings also raised its rating on CAF's debt outstanding to 'AA+' and the rating on its hybrid capital instrument to 'A+'. The outlook is stable.

## Outlook

The stable outlook reflects our expectation that over the next two years, CAF will consolidate its presence in the region, members will continue to treat CAF as a preferred creditor, and CAF will maintain robust shareholder support through timely capital payments. At the same time, we assume that CAF will hold high liquidity and maintain extremely strong capital adequacy. We also expect that CAF will continue to prudently manage its exposure to Venezuela without increasing risk on its balance sheet, following the conclusion of its liquidity mechanism.

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## Downside scenario

We could downgrade CAF if we observe a substantial expansion of lending beyond our current expectations, coupled with heightened regional vulnerabilities, that weakens CAF's capital position. We could also lower the ratings if future exposure to Venezuela significantly increases risk on CAF's balance sheet. Indications of reduced shareholder support, such as significant delays in capital injections or ineffective policy implementation, could also lead to a downgrade.

## Upside scenario

We believe an upgrade over the next two years is unlikely. We could raise the ratings if CAF incorporates several highly rated shareholders, which could create more diversity in its governance structure. This assumes members would continue to treat CAF as a preferred creditor amid robust shareholder support as the institution continues to fulfill its countercyclical lending role in the region and maintains high liquidity and robust capital. An upgrade would also depend on CAF prudently managing its exposure to Venezuela.

## Rationale

The upgrade reflects CAF's strengthened capital adequacy following the recalibration of preferred creditor treatment (PCT) risk weights and changes to the single-name concentration charge under our revised criteria "[Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology](#)," published Oct. 13, 2025. As a result, CAF's risk-adjusted capital (RAC) ratio increased to 27.5% as of June 2025, calculated using our updated methodology, from 21.7% as of December 2024.

The recalibration of PCT risk weights applied to sovereign exposures had a significant impact, given that the weighted average foreign currency sovereign rating in CAF's loan portfolio is 'B+'. These changes, which incorporate recent data on multilateral lending institution loan performance, affect sovereign exposures rated 'BB-' or below that have a demonstrated and robust PCT track record.

At the same time, CAF stands out among its peers in terms of the frequency of capital increases and shareholder support given its size. Its 10th general capital increase was approved in 2022 for \$7 billion (all paid-in), with capital payments to be disbursed between 2023-2036. CAF has also incorporated several countries from Central America and the Caribbean over the past five years, and some countries transitioned into full members. CAF currently has 24 members (21 in Latin America and the Caribbean).

We expect this extensive shareholder support to facilitate continued lending growth while CAF maintains robust capital buffers and increases diversification. It also reinforces our view of CAF's policy relevance and enhanced mandate in Latin America and the Caribbean.

CAF was also active in balance sheet optimization initiatives this year. In June 2025, CAF issued its inaugural US\$500 million perpetual hybrid capital notes, which we currently rate 'A+'. We consider the notes to have intermediate equity content. In addition, in May 2025, CAF and Central American Bank for Economic Integration (CABEI) signed a US\$700 million exposure exchange agreement (EEA) to strengthen financial resilience, diversify sovereign risk, and increase lending capacity.

While the bank has been diversifying its portfolio, it remains relatively concentrated. Argentina, Ecuador, and Brazil are its largest exposures--accounting for 37% as of June 2025. The 26% exposure to investment-grade sovereigns partially counterbalances this concentration.

High net income amid still elevated interest rates, as well as reduced exposure to Venezuela, which carries a high capital charge, also boosted RAC despite CAF's loan expansion over the past couple of years.

Venezuela has been in nonaccrual status with CAF since December 2024, which weighs on our PCT assessment. CAF has been repurchasing Venezuela's equity shares to pay down the debt coming due from the sovereign per a program approved in March 2020 by the board of governors, but--as was expected--equity did not entirely cover the remaining loan balance.

We believe the unusual mechanism to pay down loans with equity used by Venezuela weighs on capital adequacy because the reduction in the country's shares used to repay its debt isn't compensated by additional capital. Venezuela only maintains equity in the institution sufficient to remain a full member.

Venezuela currently represents a small proportion of CAF's balance sheet, at 5.3% of total loans as of June 2025 (from 14% in 2018). The calculated arrears ratio is 5.9% (of the sovereign loan book), with a remaining loan balance of \$1.9 billion. Beyond the recent arrears from Venezuela, CAF has not experienced any PCT event with any member country over the past 10 years.

We expect CAF will continue to strengthen its position in Latin America and the Caribbean. The institution has doubled in size over the past 10 years and intends to sustain its growth pace and keep supporting members as equity is enhanced. Although CAF's scope is more limited than that of larger institutions, members see CAF's value in its proximity to the region and agility in loan approval and disbursements.

CAF's loan portfolio compound annual growth rate over 2015-2024 was 5.2%. As of June 2025, CAF's loan book reached \$36.2 billion. CAF aims to focus on four areas: becoming the green bank of Latin America and the Caribbean, supporting subnational governments, promoting regional integration, and strengthening the role of the nonsovereign sector. It focuses on infrastructure (42% of the loan book as of June 2025); transport, warehousing, and communications (26%); and electricity, gas, and water supply (15%).

Although not its main role, CAF has also been supporting member countries Argentina and Ecuador through an exceptional short-term facility, acting as a bridge before the countries receive funds agreed upon with the International Monetary Fund (IMF). Conditions for eligibility depend on a short-term established repayment source, typically from the IMF.

In our view, the absence of a set of nonborrowing member countries constrains CAF's governance, and we view this as a weakness compared with higher-rated multilateral lending institutions with greater shareholder diversity. On the other hand, CAF maintains robust risk management practices for its liquidity and derivatives portfolio. We also believe CAF could withstand the loss of key personnel and significant disruptions to operations. While its headquarters are in Caracas, Venezuela, the institution has made important strides over the past few years to decentralize its workforce and has operating systems throughout Latin America.

CAF's liquidity has been consistently robust. Our calculated 12-month liquidity ratio including loan disbursements was 1.4x as of June 2025, and the six-month ratio was 2.2x. CAF has maintained higher liquidity compared to our additional stress test that considers 50% of all undisbursed loans coming due in the next 12 months. Therefore, we expect it to accommodate unplanned disbursements.

At the same time, CAF has a conservative funding profile, with cumulative assets consistently exceeding cumulative debt for maturities up to one year and no significant gap for five years. We estimate that CAF can cover its scheduled short-term debt liabilities without recourse to new

issuance. Its static funding gap (without loan disbursements) was 1.7x at the one-year horizon as of June 2025.

CAF has been diversifying its funding and issuing benchmark bonds, demonstrating robust access to the global markets. Bonds outstanding represented 76% of liabilities as of June 2025 and totaled \$32.6 billion in 23 different currencies. Total market issuance in 2025 is \$7.5 billion so far.

Issuances in local currencies, all hedged, contribute to local market development in different countries through increased options and sources of diversification.

Finally, we do not include any ratings uplift for extraordinary shareholder support because we rate the sovereign shareholders below CAF's 'aa+' stand-alone credit profile.

## Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Related Research

- [Supranationals Special Edition 2025](#), Oct. 22, 2025
- [Corporacion Andina de Fomento](#), July 19, 2024
- [Corporacion Andina de Fomento 'AA/A-1+' Ratings Affirmed; Outlook Stable](#), May 28, 2024

## Ratings List

| Ratings List                         |                 |                |
|--------------------------------------|-----------------|----------------|
| Upgraded                             |                 |                |
|                                      | To              | From           |
| <b>Corporacion Andina de Fomento</b> |                 |                |
| Issuer Credit Rating                 |                 |                |
| Foreign Currency                     | AA+/Stable/A-1+ | AA/Stable/A-1+ |
| Senior Unsecured                     | AA+             | AA             |
| Senior Unsecured                     | A+              | A              |
| Ratings Affirmed                     |                 |                |
| <b>Corporacion Andina de Fomento</b> |                 |                |
| Commercial Paper                     | A-1+            |                |

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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