

RATING ACTION COMMENTARY

Fitch Revises CAF's Outlook to Positive; Affirms at 'AA-'

Thu 18 Dec, 2025 - 11:10 a. m. ET

Fitch Ratings - London - 18 Dec 2025: Fitch Ratings has revised the Outlook on Corporacion Andina de Fomento's (CAF)'s Long-Term Issuer Default Rating (IDR) to Positive from Stable and affirmed the IDR at 'AA-'.

A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS

Positive Outlook: The Outlook revision reflects Fitch's expectation that CAF's business profile will strengthen, due to improvements in governance, strategy execution, and enhancements to risk and internal control practices. A significant capital increase, together with the bank's focus on membership expansion, prudent capital management, geographical diversification and balance sheet optimisation, has supported sustained growth and capital adequacy, and further reduced portfolio concentration.

CAF has also managed the Venezuela default effectively, significantly reducing its exposure to the sovereign while maintaining strong investor appeal. Fitch expects these improvements to continue over the medium term.

SCP Drives Rating: CAF's 'AA-' rating is driven by its Standalone Credit Profile (SCP), reflecting the lower of our solvency (aa-) and liquidity (aa+) assessments, and the 'medium risk' business environment, which translates into a zero-notch adjustment to the IDR. The 'aa-' solvency assessment is underpinned by 'excellent' capitalisation, balanced with a 'moderate' risk profile.

Excellent Capitalisation: CAF's 'excellent' capitalisation remains a key rating strength. Fitch's usable capital to risk-weighted assets (FRA) ratio rose to 49% at end-3Q25, from 46% at end-3Q24. The increase reflects stronger growth in usable capital relative to risk-

weighted assets, supported by strong capital payments, internal capital generation and the inaugural issuance of USD500 million hybrid capital instruments in June 2025, to which Fitch assigned 100% equity credit. The equity-to-assets (E/A) ratio was 28% at end-3Q24, unchanged year on year. Fitch expects the FRA and E/A ratios to stay above their respective 'excellent' thresholds of 35% and 25% through 2028.

Membership Expansion: CAF's shareholder base continued to grow in 2025, with Antigua & Barbuda and Grenada joining the bank, while several additional Central American and Caribbean countries are in the process of joining. Fitch views CAF's expansionary strategy beyond South America and the incorporation of new full members as having a positive impact on its solvency metrics through increased capital contributions and loan portfolio diversification.

'Medium' Credit Risk: The weighted average rating of loans and guarantees (WARLG) was 'B+' at end-3Q25, with the portfolio predominantly sovereign (89% of loans, average rating 'B+'). We expect the WARLG to remain resilient to the recent downgrade of Colombia's sovereign rating to 'BB'/Stable (11% of the country exposure) and potential one-notch upgrades of borrowers with Positive Outlooks (9%). CAF's 'excellent' preferred creditor status (PCS), based on its strong record of sovereign loan repayments and low exposure to the non-sovereign sector, results in an uplift of three notches above the WARLG to 'BB+'.

Declining NPLs and Venezuelan Exposure: Loan performance improved in 2025, as the non-performing loan (NPL) ratio declined to 5.3% at end-3Q25 from 6.5% at end-2023. This was due to loan book growth and a reduction in Venezuelan exposure to 5.3% in 3Q25 (from 14.2% in 3Q19), following a share repurchase transaction in lieu of principal and interest payments. The transaction also sharply reduced Venezuela's proportion in the bank's subscribed capital to 4.9% at end-3Q25 from 18% at end-2019. Fitch expects Venezuelan exposure to remain non-performing over the forecast horizon, with the NPL ratio staying within the 3%-6% 'moderate' range through 2028.

Reduced Portfolio Concentration: CAF advanced portfolio diversification modestly in 2025 by increasing lending in countries that recently joined or gained full membership (e.g. Chile, El Salvador). The bank also executed a USD700 million exposure exchange agreement with the Central American Bank for Economic Integration. As a result, the share of the five largest exposures in the total banking portfolio declined to 47% at end-3Q25, from 51% at end-2024 and 54% at end-2023. Fitch expects a gradual reduction in portfolio concentration over the medium term, supported by membership expansion and increased lending to new full members in recent years.

'Strong' Liquidity Profile: The 'aa+' liquidity assessment reflects strong liquidity buffers and treasury asset quality. At end-3Q25, CAF's liquid assets covered 1.6x short-term debt, unchanged from a year earlier. The share of 'AAA'/AA/'F1+' rated assets in CAF's treasury portfolio increased to 65% at end-3Q25, from 59% at end-3Q24, driven by increased investments in highly rated debt securities and deposits at top-rated financial institutions. Fitch expects the coverage ratio to moderate but remain within the 1.0x-1.5x range, and the share of 'AAA'/AA/'F1+' assets to stay below 70%, both consistent with a 'strong' assessment.

CAF's liquidity profile is enhanced by its strong access to capital markets and alternative sources. The bank has raised USD8.3 billion year to date in international capital markets, including four mid-term benchmark bonds in US dollars, sterling and euros, and the hybrid capital transaction. Beyond capital markets, CAF also draws on term deposits and long-term loans, which represented 16% of total funding. Expanded capital markets activity and diversified liquidity sources have lowered funding costs.

'Medium Risk' Business Environment: Fitch assesses CAF's business profile and operating environment as 'medium risk'. The business profile assessment reflects 'medium risk' strategy, quality of governance and an expected increase in non-sovereign sector financing (targeting 20%), balanced by a large banking portfolio (USD37 billion at end-3Q25) and the importance of the bank's public mandate, highlighted by a large capital increase (10th general capital increase of USD7 billion paid-in capital) approved in 2022. The operating environment assessment reflects exposure to countries with elevated political risks, and moderate credit quality and income levels.

National Scale Rating: CAF's Long-Term IDR is materially above Mexico's sovereign rating, therefore the bank's issue rating on the Mexican national rating scale is 'AAA(mex)'.

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 arise from a significant deterioration in the credit quality of the loan portfolio, with the WARLG falling below 'B-'. This could result from a default by one of CAF's sovereign borrowers, leading to a breach of the bank's PCS and potentially driving the NPL ratio above the 6% 'high risk' threshold on a sustained basis

Solvency (Capitalisation): A marked decline in capitalisation ratios that could affect our 'excellent' capitalisation assessment. This could be due to higher-than-expected growth in the bank's lending operations or delays in capital payments, leading to either the FRA or the E/A ratios falling close to or below their respective 35% 'excellent' or 15% 'strong' thresholds.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Business Profile (Governance): An improvement in our assessment of CAF's governance quality supported by continued membership expansion, resulting in greater geographical diversification, as well as enhancements to the risk and internal control practices.

Solvency (Concentration): Further improvement in the portfolio concentration, with the bank's top five exposures accounting for less than 40% of the total banking portfolio on sustained basis. This could result from further diversification of lending operations.

Solvency (Credit Risk): An 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.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

CAF has an ESG Relevance Score of '4' for 'Governance Structure'. High share of capital ownership by borrowing countries (above 90%) have influenced the bank's lending strategy towards large shareholders with weak credit fundamentals at the expense of diversification and prudent lending growth.

CAF has an ESG Relevance Score of '4' for 'Rule of Law, Institutional and Regulatory Quality'. All supranationals attract a score of '4' as they are neither subject to bank regulation nor supervised by an external authority. Instead, supranationals comply with their own set of prudential limits. Fitch pays particular attention to these internal prudential policies, including the bank's compliance with them. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Corporacion Andina de Fomento (CAF)	LT IDR	AA- Rating Outlook Positive		AA- Rating Outlook Stable
	Affirmed			
	ST IDR	F1+	Affirmed	F1+
senior unsecured	LT	AA-	Affirmed	AA-
junior subordinated	LT	A-	Affirmed	A-
senior unsecured	ST	F1+	Affirmed	F1+
senior unsecured	Natl LT	AAA(mex)	Affirmed	AAA(mex)

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Khamro Ruziev, CFA
Director
Primary Rating Analyst

+44 20 3530 1813
khamro.ruziev@fitchratings.com
Fitch Ratings Ltd
30 North Colonnade, Canary Wharf London E14 5GN

Raquel Da Silva Souza

Associate Director
Secondary Rating Analyst
+49 69 768076 280
raquel.dasilvasouza@fitchratings.com

Carlos Masip

Senior Director
Committee Chairperson
+34 91 702 5773
carlos.masip@fitchratings.com

MEDIA CONTACTS

Peter Fitzpatrick

London
+44 20 3530 1103
peter.fitzpatrick@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)

[Supranationals Rating Criteria \(pub. 03 Oct 2024\) \(including rating assumption sensitivity\)](#)

[Metodología de Calificación de Supranacionales \(pub. 12 Feb 2025\)](#)

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Corporacion Andina de Fomento (CAF)

UK Issued, EU Endorsed

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