



Fitch Affirms Findeter's FC IDR at 'BBB'; Outlook Stable

Fitch Ratings-New York-23 November 2015: Fitch Ratings has affirmed Financiera de Desarrollo Territorial S.A.'s (Findeter) foreign currency long-term Issuer Default Rating (IDR) at 'BBB', local currency long-term IDR at 'BBB+', and Support Rating Floor (SRF) at 'BBB'. The Rating Outlook is Stable. A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS

IDRS, NATIONAL RATINGS AND SENIOR DEBT

Findeter's ratings are aligned with those of the sovereign, reflecting Fitch's assessment of the Colombian government's willingness and capacity to provide timely support to Findeter if needed. Although the Colombian government does not explicitly guarantee Findeter's liabilities, Fitch views the entity as an integral arm of the state given its strategic alignment with the government's National Development Plan, its importance for the financing of regional and urban infrastructure, and its majority ownership by the state.

Findeter is a wholesale development bank which structures general obligation loans to supervised financial institutions. Its loan portfolio has historically exhibited near 0% delinquency, benefitting from exposure to the largest commercial banks in the country. In addition, Findeter has historically maintained loan loss reserves at or near the minimum level of 1% of gross loans. Fitch considers reserves to be only adequate given Findeter's elevated levels of borrower concentration, characteristic of its wholesale business model. Its top 20 borrowers represented approximately 97% of gross loans at June 2015.

Fitch considers Findeter's capital position to be adequate, but compares unfavourably with other apex banks in the region. Its Fitch Core Capital ratio stood at 14.6% at June 2015, a slight decline from year-end 2014. Despite benefitting from a legal restriction on the payment of cash dividends, Findeter's capital position has been under long-term pressure due to a moderate outpacing of asset growth over internal capital generation.

In terms of financial performance, Findeter remains limited by its low margins. Profitability has declined moderately from 2013 levels stemming primarily from increased operating expenses related to technical assistance services and an increase in interest expense related to its COP946 billion international issuance in 2014. The issuance is part of a general improvement in the diversification of Findeter's funding, as well as a better matching of assets and liabilities by tenor.

The Stable Outlook is in line with Fitch's outlook of the sovereign.

RATING SENSITIVITIES

IDRS, NATIONAL RATINGS AND SENIOR DEBT

As a development bank that is majority owned by the state, Findeter's creditworthiness and ratings are directly linked to those of the sovereign. Hence, its ratings should move in line with any potential change in Colombia's ratings.

Fitch affirms the following ratings:

Financiera de Desarrollo Territorial S.A.

--Foreign currency long-term IDR at 'BBB'; Outlook Stable;
--Foreign currency short-term IDR at 'F2';
--Local currency long-term IDR at 'BBB+';
--Local currency short-term IDR at 'F2';
--Support Rating at '2';
--Support Rating Floor at 'BBB';
--Long-term national-scale rating at 'AAA(col)'; Outlook Stable;
--Short-term national-scale rating at 'F1+(col)';
--COP-denominated 10-year senior unsecured, unsubordinated notes maturing 2024 at 'BBB+(emr)'.

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Applicable Criteria

Global Bank Rating Criteria (pub. 20 Mar 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863501)
Metodología de Calificaciones Nacionales (pub. 13 Dec 2013)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=727099)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
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