

Financiera de Desarrollo Territorial S.A. – Findeter

Key Rating Drivers

Sovereign Support: Financiera de Desarrollo Territorial S.A.'s (Findeter) 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. Colombia's ability to support Findeter is reflected in its sovereign rating (BBB/Negative).

Policy Role: Although the Colombian government does not explicitly guarantee all Findeter's liabilities, Fitch views the entity as an integral arm of the state implementing economic development policies of the government in financing regional and urban infrastructure.

Good Asset Quality: Findeter's loan portfolio is comprised primarily of general obligation loans to the nation's largest banks and as result its past due loans more than 30 days are typically low or 0.01% of gross loans at June 2019. Borrower concentration is high as top 20 exposures accounted for 7.2x of Fitch Core Capital (FCC) as of June 2019.

Modest Profitability: As a development bank, Findeter balances profitability with its social mission, targeting a ROE in line with inflation while the bank's operating profit to risk-weighted assets (RWA) modestly improved to 2.3% at June 2019 benefited by stable operating expense management and lower credit costs.

Adequate Capital Position: Findeter's capital position continues to benefit from regulatory change in risk weight of rediscount loans resulting in an improvement in FCC to RWA to 23% at June 2019 from 21% in December 2018.

Diversifying Funding: The bank's funding base is well diversified with certificates of deposit comprising 61% of funding while bank loans made up 21% and bond issuances 18% at June 2019. The bank has steadily diversified its funding base since its inception; nevertheless, concentrations are high as 90% are institutional while top 20 depositors made up 50.5% of all deposits at June 2019.

Rating Sensitivities

Change in Sovereign Ratings: 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. Additionally, Fitch will monitor any impact on the bank's ratings as a result of a potential change in the government's propensity of support, once the holding decree and legal framework are defined.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Local Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Support Rating	2
Support Rating Floor	BBB
National	
National Long-Term Rating	AAA(col)
National Short-Term Rating	F1+(col)
Sovereign Risk	
Foreign Currency LT IDR	BBB
Local Currency LT IDR	BBB
Country Ceiling	BBB+
Outlooks/Watches	
Foreign Currency Long-Term IDR	Negative
Local Currency Long-Term IDR	Negative
National Long term Rating	Stable
Sovereign Long-Term	
Foreign Currency IDR	Negative
Sovereign Long-Term	
Local Currency IDR	Negative

Applicable Criteria

[Bank Rating Criteria \(October 2018\)](#)
[Short Term Rating Criteria \(May 2019\)](#)

Related Research

[Colombia \(May2019\)](#)

Analysts

Michele Morand
+1 646 582 3481
michele.morand@fitchratings.com

Sergio Pena
+57 1 484-6760 ext. 1160
sergio.pena@fitchratings.com

Income Statement – Financiera de Desarrollo Territorial S.A. – Findeter

	6/30/19 ^a			2018 ^a	2017 ^a	2016 ^a			
	Six Months – Interim								
	(USD Mil.)	(COP Bil.)	As % of Earning Assets	As % of Earning Assets	As % of Earning Assets	As % of Earning Assets	As % of Earning Assets	As % of Earning Assets	As % of Earning Assets
(COP Bil., Year End as of Dec. 31)	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.
Interest Income on Loans	92.2	294.8	6.72	621.8	6.92	685.0	8.00	703.5	8.62
Other Interest Income	4.3	13.8	0.31	28.9	0.32	37.4	0.44	43.4	0.53
Dividend Income	0.0	0.0	0.00	0.0	0.00	1.5	0.02	1.2	0.01
Gross Interest and Dividend Income	96.5	308.6	7.04	650.7	7.25	723.9	8.46	748.1	9.16
Interest Expense on Customer Deposits	43.7	139.6	3.18	314.6	3.50	373.4	4.36	417.8	5.12
Other Interest Expense	27.4	87.6	2.00	178.4	1.99	167.8	1.96	146.8	1.80
Total Interest Expense	71.1	227.2	5.18	493.0	5.49	541.2	6.32	564.6	6.92
Net Interest Income	25.5	81.4	1.86	157.7	1.76	182.7	2.13	183.5	2.25
Net Fees and Commissions	9.0	28.7	0.65	77.4	0.86	115.5	1.35	82.8	1.01
Net Gains (Losses) on Trading and Derivatives	(5.8)	(18.5)	(0.42)	71.7	0.80	(47.7)	(0.56)	(91.2)	(1.12)
Net Gains (Losses) on Assets and Liabilities at Fair Value	3.2	10.1	0.23	3.9	0.04	3.5	0.04	11.7	0.14
Net Gains (Losses) on Other Securities	0.5	1.7	0.04	3.3	0.04	4.6	0.05	4.4	0.05
Net Insurance Income	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Operating Income	8.3	26.5	0.60	(67.4)	(0.75)	16.7	0.20	62.5	0.77
Total Non-Interest Operating Income	15.2	48.5	1.11	88.9	0.99	92.6	1.08	70.2	0.86
Total Operating Income	40.6	129.9	2.96	246.6	2.75	275.3	3.22	253.7	3.11
Personnel Expenses	8.1	25.9	0.59	48.6	0.54	41.6	0.49	37.3	0.46
Other Operating Expenses	13.2	42.2	0.96	96.9	1.08	98.0	1.15	95.8	1.17
Total Non-Interest Expenses	21.3	68.1	1.55	145.5	1.62	139.6	1.63	133.1	1.63
Equity-accounted Profit/Loss – Operating	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Pre-Impairment Operating Profit	19.3	61.8	1.41	101.1	1.13	135.7	1.59	120.6	1.48
Loan Impairment Charge	0.6	1.8	0.04	8.2	0.09	19.0	0.22	12.6	0.15
Securities and Other Credit Impairment Charges	(0.0)	(0.1)	(0.00)	1.1	0.01	23.2	0.27	25.9	0.32
Operating Profit	18.8	60.1	1.37	91.8	1.02	93.5	1.09	82.1	1.01
Equity-accounted Profit/Loss – Non-operating	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Goodwill Impairment	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Non-recurring Income	0.0	0.0	0.00	0.0	0.00	N.A.	–	0.0	0.00
Non-recurring Expense	0.0	0.0	0.00	0.0	0.00	0.0	0.00	1.8	0.02
Change in Fair Value of Own Debt	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Non-operating Income and Expenses	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Pre-tax Profit	18.8	60.1	1.37	91.8	1.02	93.5	1.09	80.3	0.98
Tax Expense	6.3	20.0	0.46	35.2	0.39	41.4	0.48	38.8	0.48
Profit/Loss from Discontinued Operations	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Net Income	12.5	40.1	0.91	56.6	0.63	52.1	0.61	41.5	0.51
Change in Value of AFS Investments	N.A.	N.A.	–	(0.2)	(0.00)	1.0	0.01	N.A.	–
Revaluation of Fixed Assets	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Currency Translation Differences	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Remaining OCI Gains/(Losses)	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Fitch Comprehensive Income	12.5	40.1	0.91	56.4	0.63	53.1	0.62	41.5	0.51
Memo: Profit Allocation to Non-controlling Interests	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Memo: Net Income after Allocation to Non-controlling Interests	12.5	40.1	0.91	56.6	0.63	52.1	0.61	41.5	0.51
Memo: Common Dividends Relating to the Period	N.A.	N.A.	–	N.A.	–	N.A.	–	0.0	0.00
Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–

^aExchange Rate: 2019 – USD1 = COP3197.23; 2018 – USD1 = COP3275.01; 2017 – USD1 = COP2971.63; 2016 – USD1 = COP3000.71. N.A. - Not Available . N.D. - Not disclosed.

Source: Fitch Ratings.

Balance Sheet – Financiera de Desarrollo Territorial S.A. – Findeter

(COP Bil., Year End as Dec. 31)	6/30/19 ^a			2018 ^a		2017 ^a		2016 ^a	
	(USD Mil.)	(COP Bil.)	As % of Assets	As % of Assets	As % of Assets	As % of Assets	As % of Assets	As % of Assets	
Assets									
Loans									
Residential Mortgage Loans	6.1	19.5	0.20	15.0	0.15	14.0	0.15	12.3	0.14
Other Mortgage Loans	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Consumer/ Retail Loans	0.3	1.1	0.01	0.9	0.01	0.6	0.01	0.5	0.01
Corporate & Commercial Loans	2,660.7	8,506.9	86.16	8,494.0	86.50	8,252.5	87.38	7,773.5	86.82
Other Loans	6.8	21.8	0.22	25.6	0.26	23.9	0.25	25.5	0.28
Less: Loan Loss Allowances	21.6	69.0	0.70	70.0	0.71	79.0	0.84	65.4	0.73
Net Loans	2,652.4	8,480.3	85.89	8,465.5	86.21	8,212.0	86.95	7,746.4	86.52
Gross Loans	2,674.0	8,549.3	86.59	8,535.5	86.93	8,291.0	87.78	7,811.8	87.25
Memo: Impaired Loans included above	2.6	8.3	0.08	10.1	0.10	14.7	0.16	7.2	0.08
Memo: Specific Loan Loss Allowances	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Earning Assets									
Loans and Advances to Banks	21.1	67.4	0.68	85.6	0.87	64.0	0.68	166.7	1.86
Reverse Repos and Securities Borrowing	N.A.	N.A.	–	N.A.	–	N.A.	–	0.0	0.00
Derivatives	3.5	11.3	0.11	24.8	0.25	N.A.	–	1.3	0.01
Trading Securities and at FV through Income	70.0	223.9	2.27	263.8	2.69	200.1	2.12	201.5	2.25
Securities at FV through OCI / Available for Sale	9.4	30.1	0.30	28.8	0.29	30.0	0.32	0.0	0.00
Securities at Amortised Cost / Held to Maturity	9.5	30.3	0.31	112.7	1.15	39.1	0.41	29.5	0.33
Other Securities	0.0	0.0	0.00	0.0	0.00	13.5	0.14	19.0	0.21
Total Securities	88.9	284.3	2.88	405.3	4.13	282.7	2.99	250.0	2.79
Memo: Government Securities included Above	3.7	11.9	0.12	0.5	0.01	4.7	0.05	0.0	0.00
Memo: Total Securities Pledged	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Equity Investments in Associates	N.A.	N.A.	–	N.A.	–	N.A.	–	0.0	0.00
Investments in Property	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Insurance Assets	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Earning Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Total Earning Assets	2,765.9	8,843.3	89.57	8,981.2	91.46	8,558.7	90.62	8,164.4	91.18
Non-Earning Assets									
Cash and Due From Banks	246.3	787.4	7.97	632.3	6.44	685.2	7.25	530.0	5.92
Memo: Mandatory Reserves included above	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Foreclosed Assets	N.A.	N.A.	–	N.A.	–	N.A.	–	0.2	0.00
Fixed Assets	11.0	35.3	0.36	30.1	0.31	29.7	0.31	29.9	0.33
Goodwill	N.A.	N.A.	–	N.A.	–	N.A.	–	0.0	0.00
Other Intangibles	0.4	1.2	0.01	1.4	0.01	0.3	0.00	1.0	0.01
Current Tax Assets	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Deferred Tax Assets	15.7	50.1	0.51	22.3	0.23	27.4	0.29	27.6	0.31
Discontinued Operations	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Assets	48.9	156.3	1.58	152.0	1.55	143.5	1.52	200.6	2.24
Total Assets	3,088.2	9,873.6	100.00	9,819.3	100.00	9,444.8	100.00	8,953.7	100.00

Balance Sheet – Financiera de Desarrollo Territorial S.A. – Findeter (Continued)

	6/30/19 ^a			2018 ^a	2017 ^a	2016 ^a			
	Six Months – Interim						As % of	As % of	As % of
	(USD Mil.)	(COP Bil.)	Assets	Assets	Assets	Assets	Assets	Assets	Assets
Liabilities and Equity									
Interest-Bearing Liabilities									
Total Customer Deposits	1,603.2	5,125.9	51.92	5,224.1	53.20	5,095.0	53.95	4,755.3	53.11
Deposits from Banks	552.9	1,767.6	17.90	2,106.9	21.46	1,916.4	20.29	2,001.2	22.35
Repos and Securities Lending	3.0	9.5	0.10	N.A.	–	N.A.	–	0.0	0.00
Commercial Paper and Short-term Borrowings	N.A.	N.A.	–	N.A.	–	N.A.	–	0.0	0.00
Customer Deposits and Short-term Funding	2,159.1	6,903.0	69.91	7,331.0	74.66	7,011.4	74.24	6,756.5	75.46
Senior Unsecured Debt	291.9	933.2	9.45	932.3	9.49	930.4	9.85	928.6	10.37
Subordinated Borrowing	188.8	603.7	6.11	203.7	2.07	203.7	2.16	0.0	0.00
Covered Bonds	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Long-term Funding	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Total Long-term Funding	480.7	1,536.9	15.57	1,136.0	11.57	1,134.1	12.01	928.6	10.37
Memo: o/w matures in less than 1 year	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Trading Liabilities	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Total Funding	2,639.8	8,439.9	85.48	8,467.0	86.23	8,145.5	86.24	7,685.1	85.83
Derivatives	1.4	4.5	0.05	0.6	0.01	11.4	0.12	16.8	0.19
Total Funding and Derivatives	2,641.2	8,444.4	85.53	8,467.6	86.23	8,156.9	86.36	7,701.9	86.02
Non-Interest Bearing Liabilities									
Fair Value Portion of Debt	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Credit impairment reserves	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Reserves for Pensions and Other	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Current Tax Liabilities	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Deferred Tax Liabilities	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Deferred Liabilities	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Discontinued Operations	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Insurance Liabilities	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Other Liabilities	76.3	244.0	2.47	211.3	2.15	203.9	2.16	220.9	2.47
Total Liabilities	2,717.5	8,688.4	88.00	8,678.9	88.39	8,360.8	88.52	7,922.8	88.49
Hybrid Capital									
Pref. Shares and Hybrid Capital accounted for as Debt	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Pref. Shares and Hybrid Capital accounted for as Equity	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Equity									
Common Equity	356.2	1,138.7	11.53	1,098.6	11.19	1,042.0	11.03	989.9	11.06
Non-controlling Interest	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Securities Revaluation Reserves	14.5	46.5	0.47	41.8	0.43	42.0	0.44	41.0	0.46
Foreign Exchange Revaluation Reserves	N.A.	N.A.	–	N.A.	–	N.A.	–	0.0	0.00
Fixed Asset Revaluations and Other Accumulated OCI	N.A.	N.A.	–	N.A.	–	N.A.	–	N.A.	–
Total Equity	370.7	1,185.2	12.00	1,140.4	11.61	1,084.0	11.48	1,030.9	11.51
Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as Equity	370.7	1,185.2	12.00	1,140.4	11.61	1,084.0	11.48	1,030.9	11.51
Total Liabilities and Equity	3,088.2	9,873.6	100.00	9,819.3	100.00	9,444.8	100.00	8,953.7	100.00
Memo: Fitch Core Capital	370.3	1,184.0	11.99	1,139.0	11.60	1,083.7	11.47	1,029.9	11.50

^aExchange Rate: 2019 – USD1 = COP3197.23; 2018 – USD1 = COP3275.01; 2017 – USD1 = COP2971.63; 2016 – USD1 = COP3000.71. N.A. – Not Available.
Source: Fitch Ratings.

Summary Analytics – Financiera de Desarrollo Territorial S.A. – Findeter

(%, Year End as of Dec. 31)	6/30/19 Six Months – Interim	2018	2017	2016
Interest Ratios				
Interest Income/Average Earning Assets	7.00	7.36	8.66	9.85
Interest Income on Loans/Average Gross Loans	6.99	7.32	8.52	9.58
Interest Expense on Customer Deposits/Average Customer Deposits	5.46	6.05	7.73	9.02
Interest Expense/Average Interest-bearing Liabilities	5.50	5.98	6.92	7.79
Net Interest Income/Average Earning Assets	1.85	1.78	2.18	2.42
Net Interest Income Less Loan Impairment Charges/Average Earning Assets	1.81	1.69	1.96	2.25
Net Interest Income Less Preferred Stock Dividend/Average Earning Assets	1.85	1.78	2.18	2.42
Other Operating Profitability Ratios				
Operating Profit/Risk Weighted Assets	2.33	1.71	1.86	0.98
Non-Interest Expense/Gross Revenues	52.42	59.00	50.71	52.46
Loans and Securities Impairment Charges/Pre-impairment Operating Profit	2.75	9.20	31.10	31.92
Operating Profit/Average Total Assets	1.25	0.96	1.03	0.97
Non-Interest Income/Gross Revenues	37.34	36.05	33.64	27.67
Non-Interest Expense/Average Total Assets	1.41	1.52	1.53	1.58
Pre-impairment Operating Profit/Average Equity	10.70	9.06	12.79	11.96
Pre-impairment Operating Profit/Average Total Assets	1.28	1.05	1.49	1.43
Operating Profit/Average Equity	10.40	8.23	8.81	8.14
Other Profitability Ratios				
Net Income/Average Total Equity	6.94	5.07	4.91	4.12
Net Income/Average Total Assets	0.83	0.59	0.57	0.49
Fitch Comprehensive Income/Average Total Equity	6.94	5.06	5.01	4.12
Fitch Comprehensive Income/Average Total Assets	0.83	0.59	0.58	0.49
Taxes/Pre-tax Profit	33.28	38.34	44.28	48.32
Net Income/Risk Weighted Assets	1.56	1.05	1.03	0.49
Capitalization				
FCC/FCC-Adjusted Risk Weighted Assets	22.78	21.17	21.50	12.26
Tangible Common Equity/Tangible Assets	11.99	11.60	11.47	11.50
Equity/Total Assets	12.00	11.61	11.48	11.51
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.
Common Equity Tier 1 Capital Ratio	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Capital Ratio	N.A.	N.A.	N.A.	N.A.
Tier 1 Capital Ratio	19.68	18.34	18.50	10.66
Total Capital Ratio	22.82	21.71	23.58	11.10
Impaired Loans less Loan Loss Allowances/Fitch Core Capital	(5.13)	(5.26)	(5.93)	(5.65)
Impaired Loans less Loan Loss Allowances/Equity	(5.12)	(5.25)	(5.93)	(5.65)
Cash Dividends Paid & Declared/Net Income	N.A.	N.A.	N.A.	0.00
Risk Weighted Assets/Total Assets	52.65	54.80	53.37	93.85
Risk Weighted Assets – Standardised/Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.
Risk Weighted Assets – Advanced Method/Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.
Loan Quality				
Impaired Loans/Gross Loans	0.10	0.12	0.18	0.09
Growth of Gross Loans	0.16	2.95	6.13	N.A.
Loan Loss Allowances/Impaired Loans	831.33	693.07	537.41	908.33
Loan Impairment Charges/Average Gross Loans	0.04	0.10	0.24	0.17
Growth of Total Assets	0.55	3.97	5.48	N.A.
Loan Loss Allowances/Gross Loans	0.81	0.82	0.95	0.84
Net Charge-offs/Average Gross Loans	N.A.	N.A.	N.A.	N.A.
Impaired Loans + Foreclosed Assets/Gross Loans + Foreclosed Assets	0.10	0.12	0.18	0.09

Summary Analytics – Financiera de Desarrollo Territorial S.A. – Findeter (Continued)

(%, Year End as of Dec. 31)	6/30/19 Six Months – Interim	2018	2017	2016
Funding and Liquidity				
Loans/Customer Deposits	166.79	163.39	162.73	164.28
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Funding (including Preferred Shares & Hybrids)	60.73	61.70	62.55	61.88
Interbank Assets/Interbank Liabilities	3.81	4.06	3.34	8.33
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.
Growth of Total Customer Deposits	(1.88)	2.53	7.14	N.A.

N.A. - Not Available
Source: Fitch Ratings.

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