

27 Oct 2020 | Affirmation

Fitch Affirms Findeter's IDRs at 'BBB-'; Outlook Negative

Fitch Ratings-New York-27 October 2020:

Fitch Ratings has affirmed Financiera de Desarrollo Territorial S.A.'s (Findeter) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'BBB-'. The Rating Outlook remains Negative. Fitch has also affirmed Findeter's National Long-Term Rating at 'AAA(col)'. The Rating Outlook is Stable.

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 all of Findeter's liabilities, Fitch views the entity as an integral arm of the state, given its role in implementing economic development policies of the government's National Development Plan; its role in financing regional and urban infrastructure; and the state's majority ownership. Colombia's ability to support the development bank is reflected in its sovereign 'BBB-/Negative' rating. The Negative Outlook on Findeter's Long-Term IDRs highlights downside potential from a sovereign downgrade.

Findeter is a wholesale development bank that structures general obligation loans to supervised financial institutions, generally backed by promissory notes from infrastructure projects. Findeter's mission as a development bank that channels financing into implementing infrastructure projects on behalf of the state, allows the entity to foster a social impact while ensuring a profitable return aligned with inflation.

During 2020, Findeter has played a role as a local development bank supporting private sector and state-owned companies, and financing key sectors through special and direct lines of credit after the coronavirus outbreak, which further supports Fitch's opinion on the entity's relevant policy role.

Most Colombian development financial institutions are in the process of being transferred to a state-owned holding company, Grupo Bicentenario, from the Ministry of Finance and Public Credit, with the aim of seeking efficiencies and defining a new organizational structure and responsibilities. Fitch will assess any changes in the policy role of these entities and the Colombian

government's ability and propensity to support these development banks.

Although Findeter's ratings are based solely on Fitch's assessment of expected government support, the financial profile is relevant to the agency's appreciation of support propensity. Impairments have been low historically, as a large majority of its credit exposure is to the nation's largest banks, with NPLs reaching only 0.06% at June 2020. However, concentrations are considered high as the top 20 exposures accounted for 8.1x FCC. As a development bank, Findeter balances profitability with its social mission, targeting an ROE in line with inflation. The bank's operating profit to risk-weighted assets (RWAs) ratio declined to 1.3% due to foreign exchange losses, which couldn't be offset by the gain in derivatives valuation. Despite the expected increase in transactions due to the bank's countercyclical role, Fitch expects reduced interest rates, which are at historically low levels, further pressuring margins and overall interest income.

Findeter's Fitch Core Capital to Risk Weighted Assets ratio decreased to 21.3% at June 2020, from 22.5% in 2019, mainly reflecting gross loan growth. The loans to customer deposits ratio of 163.8% at the same date exceeded the banking sector average (106.7%), as the bank utilizes longer tenor funding to help better match its asset and liability structure. Given its business model, concentration by depositor is high as 81.3% of deposits are institutional, while the top 20 depositors accounted for 58.2%.

SUPPORT RATING AND SUPPORT RATING FLOOR

Findeter's Support Rating and Support Rating Floor were affirmed at '2' and 'BBB-', respectively, given the entity's important policy role in financing regional and urban infrastructure. Fitch's Support Rating Floors indicate a level below which the agency will not lower the bank's Long-Term IDRs, as long as assessment of the support factors does not change.

SENIOR UNSECURED DEBT

Findeter's senior unsecured debt rating is at the same level as the bank's 'BBB-' Long-Term IDR, as the likelihood of default for the debt issuance is the same as the likelihood of a default for the bank.

SUBORDINATED DEBT

Findeter's legacy subordinated bonds are rated 'AA+(col)' on the national scale, one notch below Findeter's Long-Term National Scale rating of 'AAA(col)', reflecting subordination and lower expected recovery relative to senior obligations in a gone concern scenario.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--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 and Outlook will move in line with any potential change in Colombia's ratings.

--Fitch will monitor any change in the government's support propensity, and particularly the potential impact on the development bank's ratings after the holding company legal framework is defined.

--Although not a baseline scenario, Findeter's ratings could change if Fitch perceives a decrease in the bank's strategic importance to the government's public policies.

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

--Findeter's ratings currently have a negative outlook, which makes an upgrade highly unlikely in the near future as the bank's IDRs are constrained by the sovereign rating. However, any positive rating action on the sovereign would lead to a similar rating action on Findeter's ratings.

Support Ratings

Support Ratings and Support Rating Floors would be affected if Fitch changes its assessment of the government's ability and/or propensity to support Findeter.

SENIOR & SUBORDINATED DEBT

Senior and subordinated notes' ratings are sensitive to any changes in Findeter's IDRs.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>]

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.

Public Ratings with Credit Linkage to other ratings

Findeter's ratings are support driven ratings from the Colombian sovereign.

Financiera de Desarrollo Territorial S.A. - Findeter; Long Term Issuer Default Rating; Affirmed; BBB-; Rating Outlook Negative
; Short Term Issuer Default Rating; Affirmed; F3
; Local Currency Long Term Issuer Default Rating; Affirmed; BBB-; Rating Outlook Negative
; Local Currency Short Term Issuer Default Rating; Affirmed; F3
; National Long Term Rating; Affirmed; AAA(col); Rating Outlook Stable
; National Short Term Rating; Affirmed; F1+(col)
; Support Rating; Affirmed; 2
; Support Rating Floor; Affirmed; BBB-
----senior unsecured; Long Term Rating; Affirmed; BBB-
----subordinated; National Long Term Rating; Affirmed; AA+(col)

Contacts:

Primary Rating Analyst

Theresa Paiz-Fredel,

Senior Director

+1 212 908 0534

Fitch Ratings, Inc.

Hearst Tower 300 W. 57th Street

New York, NY 10019

Secondary Rating Analyst

Natalia Pabon,

Associate Director

+57 1 484 6770

Committee Chairperson

Alejandro Garcia Garcia,

Managing Director
+1 212 908 9137

Media Relations: Elizabeth Fogerty, New York, Tel: +1 212 908 0526, Email:
elizabeth.fogerty@thefitchgroup.com

Additional information is available on www.fitchratings.com

Applicable Criteria

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 08 Jun 2020\)](#)

[Metodología de Calificación de Bancos \(pub. 18 Sep 2019\)](#)

[National Scale Rating Criteria \(pub. 08 Jun 2020\)](#)

Additional Disclosures

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Status](#)

[Endorsement Policy](#)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or

retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its

agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

ENDORSEMENT POLICY - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.