

# Financiera de Desarrollo Territorial S.A.

## Update

### Ratings

#### Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F2
Senior Unsecured	BBB

#### Local Currency

Long-Term IDR	BBB
Short-Term IDR	F2

#### National

Long-Term Rating	AAA(col)
Short-Term Rating	F1+(col)
Subordinated Debt	AA+(col)

### Rating Outlook

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable

### Financial Data

Financiera de Desarrollo Territorial S.A. (COP Bil.)	6/30/18	12/31/17
Total Assets (USD Mil.)	3,224.6	3,178.3
Total Assets	9,496.6	9,444.8
Total Equity	1,120.3	1,084.0
Operating Profit	58.2	93.5
Published Net Income	38.3	52.1
Impaired Loans/ Gross Loans (%)	0.15	0.18
Operating Profit/ RWA (%)	2.35	1.86
Fitch Core Capital/ Weighted Risks (%)	22.44	21.50
Loans/ Customer Deposits (%)	163.76	162.73

### Related Research

[Colombia \(May 2018\)](#)

### Related Criteria

[Bank Rating Criteria \(October 2018\)](#)

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### Key Rating Drivers

**Sovereign Support:** Financiera de Desarrollo Territorial S.A.'s (Findeter) ratings are aligned with those of the sovereign, reflecting Fitch Ratings' 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/Stable).

**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 given the bank's importance to the government's National Development Plan and its role in financing regional and urban infrastructure.

**Good Asset Quality:** Findeter's loan portfolio comprises primarily general obligation loans to the nation's largest banks. Loans past due more than 30 days represented 0.15% of gross loans at June 2018 (0.18% at year-end 2017). Borrower concentration remains high. At June 2018, the single largest borrower and the top 20 borrowers represented 29.9% and 98.8% of gross loans, respectively. Given concentration risk, Fitch considers Findeter's reserve coverage of 585% to be merely adequate.

**Adequate Capital Position:** Findeter's capital position improved significantly by year-end 2017 and June 2018 due to regulatory change in the risk-weighting of rediscount loans. As a result, Findeter's total regulatory capital increased to 23.6% from 11.1% at June 2018 and Fitch core capital similarly increased to 22.4%. The change in regulatory treatment of its risk-weighted assets more adequately reflects the bank's risk profile and provides scope for longer-term growth.

**Modest Profitability:** As a development bank, Findeter balances profitability with its social mission, targeting a return on equity in line with inflation. From 2012–2017, Findeter's ROAE averaged 4.2%, aligned with the average inflation rate of 4.1%. The entity's non-interest expenses remain relatively stable and manageable; meanwhile, the loan impairment charges have been low, which allowed an increase in the ratio of operating income to risk-weighted assets to 2.35% at June 2018.

**Diversifying Funding:** Findeter has made steady gains in diversifying its funding base. Certificates of deposit have steadily declined as a share of Findeter's funding from 91.3% at year-end 2013 to 64.0% at June 2018. Bank funding and bond issuances represent 22% and 14% of funding, respectively. Deposit concentration, like loan concentration, remains elevated. The top 20 depositors represented 52% of deposits.

### 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.

Financiera de Desarrollo Territorial S.A. (Findeter) — Income Statement

(Year Ended Dec. 31)	6/30/18		2017 COP Bil. Not Disclosed	2016 COP Bil. Not Disclosed	2015 COP Bil. Not Disclosed
	6 Mos. — Interim USD Mil. Not Disclosed	6 Mos. — Interim COP Bil. Not Disclosed			
Interest Income on Loans	108.1	318.5	685.0	703.5	471.7
Other Interest Income	5.7	16.9	37.4	43.4	19.6
Dividend Income	0.0	0.0	1.5	1.2	0.0
<b>Gross Interest and Dividend Income</b>	<b>113.9</b>	<b>335.4</b>	<b>723.9</b>	<b>748.1</b>	<b>491.3</b>
Interest Expense on Customer Deposits	55.6	163.8	373.4	417.8	285.0
Other Interest Expense	29.1	85.7	167.8	146.8	96.8
<b>Total Interest Expense</b>	<b>84.7</b>	<b>249.5</b>	<b>541.2</b>	<b>564.6</b>	<b>381.8</b>
<b>Net Interest Income</b>	<b>29.2</b>	<b>85.9</b>	<b>182.7</b>	<b>183.5</b>	<b>109.5</b>
Net Fees and Commissions	13.2	39.0	115.5	82.8	65.2
Net Gains (Losses) on Trading and Derivatives	(8.9)	(26.2)	(47.7)	(91.2)	86.6
Net Gains (Losses) on Assets and Liabilities at FV	1.1	3.3	3.5	11.7	N.A.
Net Gains (Losses) on Other Securities	0.5	1.6	4.6	4.4	0.5
Net Insurance Income	N.A.	N.A.	N.A.	N.A.	N.A.
Other Operating Income	12.4	36.6	16.7	62.5	(100.5)
<b>Total Non-Interest Operating Income</b>	<b>18.4</b>	<b>54.3</b>	<b>92.6</b>	<b>70.2</b>	<b>51.8</b>
<b>Total Operating Income</b>	<b>47.6</b>	<b>140.2</b>	<b>275.3</b>	<b>253.7</b>	<b>161.3</b>
Personnel Expenses	8.2	24.2	41.6	37.3	31.5
Other Operating Expenses	16.7	49.1	98.0	95.8	82.6
<b>Total Non-Interest Expenses</b>	<b>24.9</b>	<b>73.3</b>	<b>139.6</b>	<b>133.1</b>	<b>114.1</b>
Equity-accounted Profit/(Loss) — Operating	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Pre-Impairment Operating Profit</b>	<b>22.7</b>	<b>66.9</b>	<b>135.7</b>	<b>120.6</b>	<b>47.2</b>
Loan Impairment Charge	2.4	7.0	19.0	12.6	59.8
Securities and Other Credit Impairment Charges	0.6	1.7	23.2	25.9	(53.3)
<b>Operating Profit</b>	<b>19.8</b>	<b>58.2</b>	<b>93.5</b>	<b>82.1</b>	<b>40.7</b>
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	N.A.	0.0	5.7
Non-recurring Expense	N.A.	N.A.	0.0	1.8	6.8
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.
<b>Pre-tax Profit</b>	<b>19.8</b>	<b>58.2</b>	<b>93.5</b>	<b>80.3</b>	<b>39.6</b>
Tax expense	6.8	19.9	41.4	38.8	11.7
Profit/Loss from Discontinued Operations	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Net Income</b>	<b>13.0</b>	<b>38.3</b>	<b>52.1</b>	<b>41.5</b>	<b>27.9</b>
Change in Value of AFS Investments	N.A.	N.A.	1.0	N.A.	0.0
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.	(2.1)
<b>Fitch Comprehensive Income</b>	<b>13.0</b>	<b>38.3</b>	<b>53.1</b>	<b>41.5</b>	<b>25.8</b>
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	13.0	38.3	52.1	41.5	27.9
Memo: Common Dividends Relating to the Period	N.A.	N.A.	N.A.	0.0	N.A.
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.

<sup>3</sup>Exchange rate: Second Quarter 2018 – USD1 = COP2,945.1; 2017 – USD1 = COP2,971.63; 2016 – USD1 = COP3,000.71; 2015 – USD1 = COP3,149.47.

N.A. – Not available.

Source: Findeter.

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

(Years Ended Dec. 31)	6/30/18		2017 COP Bil.	2016 COP Bil.	2015 COP Bil.
	6 Mos. — Interim USD Mil.	6 Mos. — Interim COP Bil.			
<b>Assets</b>					
<b>Loans</b>					
Residential Mortgage Loans	4.4	13.1	14.0	12.3	10.9
Other Mortgage Loans	N.A.	N.A.	N.A.	N.A.	N.A.
Other Consumer/ Retail Loans	0.2	0.5	0.6	0.5	0.5
Corporate & Commercial Loans	2,849.8	8,393.0	8,252.5	7,773.5	6,835.5
Other Loans	8.6	25.2	23.9	25.5	29.1
Less: Loan Loss Allowances	25.0	73.7	79.0	65.4	63.2
<b>Net Loans</b>	<b>2,838.0</b>	<b>8,358.1</b>	<b>8,212.0</b>	<b>7,746.4</b>	<b>6,812.8</b>
<b>Gross Loans</b>	<b>2,863.0</b>	<b>8,431.8</b>	<b>8,291.0</b>	<b>7,811.8</b>	<b>6,876.0</b>
Memo: Impaired Loans included above	4.3	12.6	14.7	7.2	0.0
Memo: Specific Loan Loss Allowances	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Other Earning Assets</b>					
Loans and Advances to Banks	28.8	84.8	64.0	166.7	119.8
Reverse Repos and Securities Borrowing	N.A.	N.A.	N.A.	0.0	N.A.
Derivatives	1.5	4.5	N.A.	1.3	4.9
Trading Securities and at FV through Income	89.0	262.1	200.1	201.5	14.3
Available for Sale Securities	9.5	28.0	30.0	0.0	25.0
Held to Maturity Securities	25.6	75.5	39.1	29.5	11.6
Other Securities	0.0	0.0	13.5	19.0	33.9
<b>Total Securities</b>	<b>124.1</b>	<b>365.6</b>	<b>282.7</b>	<b>250.0</b>	<b>84.8</b>
Memo: Government Securities included Above	1.7	5.0	4.7	0.0	9.2
Memo: Total Securities Pledged	N.A.	N.A.	N.A.	N.A.	N.A.
Equity Investments in Associates	N.A.	N.A.	N.A.	0.0	N.A.
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	0.0	0.0	N.A.
<b>Total Earning Assets</b>	<b>2,992.4</b>	<b>8,813.0</b>	<b>8,558.7</b>	<b>8,164.4</b>	<b>7,022.3</b>
<b>Non-Earning Assets</b>					
Cash and Due From Banks	159.5	469.6	685.2	530.0	565.2
Memo: Mandatory Reserves included above	N.A.	N.A.	N.A.	N.A.	N.A.
Foreclosed Assets	N.A.	N.A.	N.A.	0.2	0.0
Fixed Assets	10.0	29.5	29.7	29.9	41.2
Goodwill	N.A.	N.A.	N.A.	0.0	0.0
Other Intangibles	0.3	0.8	0.3	1.0	N.A.
Current Tax Assets	N.A.	N.A.	N.A.	N.A.	N.A.
Deferred Tax Assets	8.4	24.8	27.4	27.6	18.2
Discontinued Operations	N.A.	N.A.	N.A.	N.A.	N.A.
Other Assets	54.0	158.9	143.5	200.6	270.0
<b>Total Assets</b>	<b>3,224.6</b>	<b>9,496.6</b>	<b>9,444.8</b>	<b>8,953.7</b>	<b>7,916.9</b>

<sup>3</sup>Exchange rate: Second Quarter 2018 – USD1 = COP2,945.1; 2017 – USD1 = COP2,971.63; 2016 – USD1 = COP3,000.71; 2015 – USD1 = COP3,149.47.  
 N.A. – Not available. *Continued on next page.*  
 Source: Findeter.

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

(Years Ended Dec. 31)	6/30/18		2017 COP Bil.	2016 COP Bil.	2015 COP Bil.
	6 Mos. — Interim USD Mil.	6 Mos. — Interim COP Bil.			
<b>Liabilities and Equity</b>					
<b>Interest-Bearing Liabilities</b>					
Total Customer Deposits	1,748.3	5,149.0	5,095.0	4,755.3	4,506.9
Deposits from Banks	608.4	1,791.9	1,916.4	2,001.2	1,326.1
Repos and Securities Lending	N.A.	N.A.	N.A.	0.0	0.0
Commercial Paper and Short-term Borrowings	N.A.	N.A.	N.A.	0.0	0.0
<b>Customer Deposits and Short-term Funding</b>	<b>2,356.8</b>	<b>6,940.9</b>	<b>7,011.4</b>	<b>6,756.5</b>	<b>5,833.0</b>
Senior Unsecured Debt	316.2	931.3	930.4	928.6	946.2
Subordinated Borrowing	69.2	203.7	203.7	0.0	N.A.
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.
<b>Total Long-Term Funding</b>	<b>385.4</b>	<b>1,135.0</b>	<b>1,134.1</b>	<b>928.6</b>	<b>946.2</b>
Memo: o/w Matures in Less Than One Year	N.A.	N.A.	N.A.	N.A.	N.A.
Trading Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Total Funding</b>	<b>2,742.2</b>	<b>8,075.9</b>	<b>8,145.5</b>	<b>7,685.1</b>	<b>6,779.2</b>
Derivatives	9.3	27.4	11.4	16.8	15.8
<b>Total Funding and Derivatives</b>	<b>2,751.5</b>	<b>8,103.3</b>	<b>8,156.9</b>	<b>7,701.9</b>	<b>6,795.0</b>
<b>Non-Interest Bearing Liabilities</b>					
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	92.7	273.0	203.9	220.9	136.4
<b>Total Liabilities</b>	<b>2,844.2</b>	<b>8,376.3</b>	<b>8,360.8</b>	<b>7,922.8</b>	<b>6,931.4</b>
<b>Hybrid Capital</b>					
Preferred Shares and Hybrid Capital Accounted for as Debt	N.A.	N.A.	N.A.	N.A.	0.0
Preferred Shares and Hybrid Capital Accounted for as Equity	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Equity</b>					
Common Equity	366.8	1,080.3	1,042.0	989.9	948.4
Non-controlling Interest	N.A.	N.A.	N.A.	N.A.	N.A.
Securities Revaluation Reserves	13.6	40.0	42.0	41.0	0.0
Foreign Exchange Revaluation Reserves	N.A.	N.A.	N.A.	0.0	N.A.
Fixed Asset Revaluations and Other Accumulated OCI	N.A.	N.A.	N.A.	N.A.	37.1
<b>Total Equity</b>	<b>380.4</b>	<b>1,120.3</b>	<b>1,084.0</b>	<b>1,030.9</b>	<b>985.5</b>
Memo: Equity plus Pref. Shares and Hybrid Capital Accounted for as Equity	380.4	1,120.3	1,084.0	1,030.9	985.5
<b>Total Liabilities and Equity</b>	<b>3,224.6</b>	<b>9,496.6</b>	<b>9,444.8</b>	<b>8,953.7</b>	<b>7,916.9</b>
Memo: Fitch Core Capital	380.1	1,119.5	1,083.7	1,029.9	985.5

<sup>3</sup>Exchange rate: Second Quarter 2018 – USD1 = COP2,945.1; 2017 – USD1 = COP2,971.63; 2016 – USD1 = COP3,000.71; 2015 – USD1 = COP3,149.47.

N.A. – Not available.

Source: Findeter.

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

	6/30/18 6 Mos. — Interim	2017	2016	2015
<b>Interest Ratios</b>				
Interest Income/Average Earning Assets	7.73	8.66	9.85	7.45
Interest Income on Loans/Average Gross Loans	7.61	8.52	9.58	7.39
Interest Expense on Customer Deposits/Average Customer Deposits	6.39	7.73	9.02	6.46
Interest Expense/Average Interest-bearing Liabilities	6.17	6.92	7.79	6.01
Net Interest Income/Average Earning Assets	1.98	2.18	2.42	1.66
Net Interest Income Less Loan Impairment Charges/Average Earning Assets	1.82	1.96	2.25	0.75
Net Interest Income Less Preferred Stock Dividend/Average Earning Assets	1.98	2.18	2.42	1.66
<b>Other Operating Profitability Ratios</b>				
Operating Profit/Risk Weighted Assets	2.35	1.86	0.98	0.57
Non-Interest Expense/Gross Revenues	52.28	50.71	52.46	70.74
Loans and Securities Impairment Charges/Pre-impairment Operating Profit	13.00	31.10	31.92	13.77
Operating Profit/Average Total Assets	1.24	1.03	0.97	0.54
Non-Interest Income/Gross Revenues	38.73	33.64	27.67	32.11
Non-Interest Expense/Average Total Assets	1.56	1.53	1.58	1.52
Pre-impairment Operating Profit/Average Equity	12.25	12.79	11.96	4.86
Pre-impairment Operating Profit/Average Total Assets	1.42	1.49	1.43	0.63
Operating Profit/Average Equity	10.65	8.81	8.14	4.20
<b>Other Profitability Ratios</b>				
Net Income/Average Total Equity	7.01	4.91	4.12	2.88
Net Income/Average Total Assets	0.81	0.57	0.49	0.37
Fitch Comprehensive Income/Average Total Equity	7.01	5.01	4.12	2.66
Fitch Comprehensive Income/Average Total Assets	0.81	0.58	0.49	0.34
Taxes/Pre-tax Profit	34.19	44.28	48.32	29.55
Net Income/Risk Weighted Assets	1.55	1.03	0.49	0.39
<b>Capitalization</b>				
FCC/FCC-Adjusted Risk Weighted Assets	22.44	21.50	12.26	13.78
Tangible Common Equity/Tangible Assets	11.79	11.47	11.50	12.45
Equity/Total Assets	11.80	11.48	11.51	12.45
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.
Common Equity Tier Capital Ratio	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier Capital Ratio	N.A.	N.A.	N.A.	N.A.
Tier Capital Ratio	19.81	18.50	10.66	12.08
Total Capital Ratio	23.49	23.58	11.10	12.08
Impaired Loans less Loan Loss Allowances/Fitch Core Capital	(5.46)	(5.93)	(5.65)	(6.41)
Impaired Loans less Loan Loss Allowances/Equity	(5.45)	(5.93)	(5.65)	(6.41)
Cash Dividends Paid & Declared/Net Income	N.A.	N.A.	0.00	N.A.
Risk Weighted Assets/Total Assets	52.53	53.37	93.85	90.33
Risk Weighted Assets — Standardized/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.
<b>Loan Quality</b>				
Impaired Loans/Gross Loans	0.15	0.18	0.09	0.00
Growth of Gross Loans	1.70	6.13	13.61	13.71
Loan Loss Allowances/Impaired Loans	584.92	537.41	908.33	N.A.
Loan Impairment Charges/Average Gross Loans	0.17	0.24	0.17	0.94
Growth of Total Assets	0.55	5.48	13.10	6.20
Loan Loss Allowances/Gross Loans	0.87	0.95	0.84	0.92
Net Charge-offs/Average Gross Loans	N.A.	N.A.	N.A.	N.A.
Impaired Loans + Foreclosed Assets/Gross Loans + Foreclosed Assets	0.15	0.18	0.09	0.00
<b>Funding and Liquidity</b>				
Loans/Customer Deposits	163.76	162.73	164.28	152.57
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Funding (Including Preferred Shares and Hybrids)	63.76	62.55	61.88	66.48
Interbank Assets/Interbank Liabilities	4.73	3.34	8.33	9.03
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.
Growth of Total Customer Deposits	1.06	7.14	5.51	(4.80)

N.A. – Not available.

Source: Findeter.

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