



## **Fitch Affirms Findeter's IDR at 'BBB'; Outlook Stable**

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Fitch Ratings-New York-16 November 2017: Fitch Ratings has affirmed Financiera de Desarrollo Territorial S.A.'s (Findeter) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) and Support Rating Floor at 'BBB'. The Rating Outlook is Stable. See the full list of rating actions at the end of this release.

### **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 importance to the implementation of the government's National Development Plan, its role in financing regional and urban infrastructure, and its majority ownership by the state.

Findeter is a wholesale development bank that structures general obligation loans to supervised financial institutions for the purpose of financing infrastructure projects. Although its financial profile does not drive its ratings, it consistently reports high asset quality, with a concentration of credit exposure to the nation's largest banks. Thanks to a regulatory change in risk weightings, Findeter's capital position is expected to improve significantly by year-end 2017, resulting in an increase in Fitch core capital to approximately 22% from 12.3% at June 2017. Its profitability remains modest, targeting a return on equity in line with inflation. Moreover, funding concentration remains elevated, as does loan concentration; however, Findeter has made gains in diversifying its funding away from certificates of deposit (59% of funding at June 2017).

The Stable Outlook is in line with the Sovereign rating.

### **SUBORDINATED DEBT**

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

### **RATING SENSITIVITIES**

#### **IDRS, NATIONAL RATINGS, SENIOR DEBT AND SUBORDINATED 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 change in Colombia's ratings.

Fitch has affirmed the following ratings:

Financiera de Desarrollo Territorial S.A.

--Long-Term Foreign Currency IDR at 'BBB'; Outlook Stable;

--Short-Term Foreign Currency IDR at 'F2';

--Long-Term Local Currency IDR at 'BBB'; Outlook Stable;

--Short-Term Local Currency IDR at 'F2';

--Support Rating at '2';

--Support Rating Floor at 'BBB';

--National Long-Term Rating at 'AAA(col)'; Outlook Stable;

--National Short-Term Rating at 'F1+(col)';

--COP-denominated 10-year senior unsecured, unsubordinated market-linked notes maturing 2024 at 'BBB(emr)';

--Subordinated bond issuance for up to COP400 billion maturing in 2024 at 'AA+(col)'.

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