

Financiera de Desarrollo Territorial S.A.

Update

Key Rating Drivers

Support Rating: Financiera de Desarrollo Territorial S.A.'s (Findeter) Issuer Default Ratings (IDRs) and senior debt are driven by its Government Support Rating (GSR), which equals Colombia's Long-Term Issuer Default Rating (IDR; BB+/Stable). The ratings reflect Fitch Ratings' assessment of the Colombian government's propensity and ability to provide timely support to Findeter, if needed. The national ratings of Findeter, which are at the highest level in the ratings scale, are relative rankings of creditworthiness within Colombia. These are based on potential sovereign support, if needed.

Government Support Rating: 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 implementing economic development policies in the government's National Development Plan and financing regional and urban infrastructure as well as the state's majority ownership. Colombia's ability to support the development bank is reflected in its sovereign rating.

Development Bank Role: Findeter is a wholesale development bank that structures general obligation loans to supervised financial institutions, as well as direct lines to territorial entities, generally backed by promissory notes from infrastructure projects. Findeter's mission as a development bank is to channel financing into implementing infrastructure projects on behalf of the state; this allows the bank to foster social impact while ensuring a profitable return aligned with inflation.

Strong Asset Quality: Findeter's impairments have been low historically, as the majority of its credit exposure is to the nation's largest banks, with non-performing loans (NPLs) reaching 0.15% at December 2022. Despite its high concentrations, with top 20 exposures accounting for more than 95% of total loans, concentration risk is mitigated by high reserves of 394.7%.

Moderate Profitability: The bank's operating profit to risk-weighted assets ratio improved to 2.9% at December 2022, above the average of the past three years of 1.8%. The significant increase in net interest margin, given the environment of high interest rates, boosted the ratio.

Adequate Capital Position: Fitch believes Findeter's capital is robust and deemed sufficient to maintain growth and absorb potential losses. The high capitalization metrics are supported by recurrent profitability and in the bank's legal restriction on the payment of cash dividends. As of December 2022, the common equity Tier 1 was 21.8%, which compares favorably with its local and international peers.

Concentrated Funding: The loans to customer deposits ratio of 160.6% exceeded the banking sector average (110.1%), as the bank utilizes longer tenor funding that helps better match its asset and liability structure.

Rating Sensitivities

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

- Findeter's GSR and IDRs could be downgraded if the sovereign rating is downgraded.
- Findeter's GSR, IDRs and National Scale ratings could be downgraded if Fitch perceives a decrease in the bank's policy role for the government, but this scenario is unlikely in the short and medium term.

Ratings

Foreign Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Government Support Rating	bb+
National	
National Long-Term Rating	AAA(col)
National Short-Term Rating	F1+(col)
Sovereign Risk	
Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BB+
Country Ceiling	BBB-

Outlooks

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

Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)
[National Scale Rating Criteria \(December 2020\)](#)

Related Research

[Fitch Affirms Colombia at 'BB+'; Outlook Stable \(December 2022\)](#)

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

- Findeter's GSR and IDRs could be upgraded in the event of a similar action in Colombia's sovereign ratings, while Fitch continues to view Findeter as having a high policy role for the government.
- National ratings have no upside potential because they are at the highest level in the national rating scale.
- Senior and subordinated notes' ratings are sensitive to any changes in Findeter's IDRs; therefore, the debt ratings will follow the same direction and magnitude as Findeter's ratings movements.

Debt Rating Classes

Rating Level	Rating
Senior Unsecured Debt	BB+
National Subordinated Debt	AA(col)

Source: Fitch Ratings

Senior Unsecured Debt

The rating of Findeter's senior unsecured debt is at the same level as the bank's 'BB+' Long-Term IDR, as the likelihood of default of the debt issuance is the same as that of the bank.

Subordinated Debt

Findeter's subordinated bonds are rated 'AA(col)' on the National Scale, two notches below Findeter's Long-Term National Scale rating of 'AAA(col)', reflecting two notches for loss severity (-2) , given the terms of the issuances (plain-vanilla subordinated debt).

Summary Financials

(Year End as of Dec. 31)	2022		2021	2020	2019
	(USD Mil.)	(COP Bil.)	(COP Bil.)	(COP Bil.)	(COP Bil.)
Summary Income Statement					
Net Interest and Dividend Income	76	366.7	168.7	173.3	165.7
Net Fees and Commissions	13	60.3	82.0	57.8	63.4
Other Operating Income	-8	-40.2	41.5	-2.6	42.0
Total Operating Income	80	386.8	292.2	228.5	271.1
Operating Costs	49	234.8	187.2	167.2	141.5
Pre-Impairment Operating Profit	32	152.0	105.0	61.3	129.6
Loan and Other Impairment Charges	3	16.3	11.7	14.7	6.5
Operating Profit	28	135.7	93.3	46.6	123.1
Other Non-Operating Items (Net)	0	0.0	-1.7	-16.1	-1.5
Tax	10	49.5	14.4	22.9	47.7
Net Income	18	86.2	77.2	7.6	73.9
Other Comprehensive Income	-13	-61.9	2.6	-7.2	8.4
Fitch Comprehensive Income	5	24.3	79.8	0.4	82.3
Summary Balance Sheet					
Assets					
Gross Loans	2,309	11,104.5	9,608.7	10,070.9	8,916.7
- of which impaired	3	16.5	3.2	6.9	6.1
Loan Loss Allowances	14	64.9	63.0	70.4	57.9
Net Loan	2,295	11,039.6	9,545.7	10,000.5	8,858.8
Interbank	3	13.6	190.7	47.0	143.5
Derivatives	14	65.5	62.2	0.6	18.1
Other Securities and Earning Assets	138	665.5	556.0	362.1	410.7
Total Earning Assets	2,450	11,784.1	10,354.6	10,410.2	9,431.1
Cash and Due From Banks	212	1,019.9	922.7	1,133.6	551.6
Other Assets	126	605.8	320.5	229.5	219.7
Total Assets	2,788	13,409.8	11,597.8	11,773.3	10,202.4
Liabilities					
Customer Deposits	1,438	6,916.1	6,296.5	6,776.7	5,412.7
Interbank and Other Short-Term Funding	656	3,154.5	2,220.5	0.0	0.0
Other Long-Term Funding	321	1,545.3	1,542.7	3,579.2	3,369.7
Trading Liabilities and Derivatives	3	14.8	2.5	58.4	16.0
Total Funding and Derivatives	2,418	11,630.7	10,062.2	10,414.3	8,798.4
Other Liabilities	82	395.5	232.6	135.9	181.3
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	288	1,383.6	1,303.0	1,223.1	1,222.7
Total Liabilities and Equity	2,788	13,409.8	11,597.8	11,773.3	10,202.4
Exchange Rate		USD1 = COP4810.20	USD1 = COP3997.71	USD1 = COP3444.90	USD1 = COP3294.05

N.A. – Not applicable

Source: Fitch Solutions, Fitch Ratings, Findeter

Key Ratios

(%, Year End as of Dec. 31)	2022	2021	2020	2019
Ratios (annualized as appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	2.9	2.4	0.8	2.3
Net Interest Income/Average Earning Assets	3.3	1.6	1.7	1.8
Non-Interest Expense/Gross Revenue	60.7	64.1	73.2	52.2
Net Income/Average Equity	6.5	6.2	0.6	6.3
Asset Quality				
Impaired Loans Ratio	0.2	0.0	0.1	0.1
Growth in Gross Loans	15.6	-4.6	12.9	4.5
Loan Loss Allowances/Impaired Loans	394.7	1,968.8	1,020.3	949.2
Loan Impairment Charges/Average Gross Loans	0.2	0.1	0.2	0.0
Capitalization				
Common Equity Tier 1 Ratio	21.8	27.9	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	N.A.	32.9	20.1	22.5
Tangible Common Equity/Tangible Assets	10.3	11.2	10.4	12.0
Basel Leverage Ratio	6.9	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	-4.7	-5.4	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	N.A.	-4.6	-5.2	-4.2
Funding and Liquidity				
Gross Loans/Customer Deposits	160.6	152.6	148.6	164.7
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	59.5	62.6	65.4	61.6
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable

Source: Fitch Solutions, Fitch Ratings, Findeter

Government Support

Policy Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	BB+ or BB
Actual jurisdiction D-SIB GSR	bb+
Government Support Rating	bb+
Government ability to support D-SIBs	
Sovereign Rating	BB+/ Stable
Sovereign financial flexibility (for rating level)	
Government propensity to support D-SIBs	
Resolution legislation	
Support stance	
Government propensity to support bank	
Systemic importance	
Liability structure	
Ownership	
Policy role and status	
Ownership	Equalised
Policy role	Equalised
Guarantees and legal status	Equalised

The colors indicate the weighting of each KRD in the assessment.

■ Higher influence
 ■ Moderate influence
 ■ Lower influence

In Fitch's opinion, the bank's GSR of 'bb+', in line with the sovereign, reflects the high propensity of the Colombian government to support, given the bank's ownership structure and policy role. The government's current ability to support is reflected in the sovereign's IDR of 'BB+'. GSR indicates the minimum level to which the entity's Long-Term IDRs could fall if Fitch does not change its view on potential sovereign support.

Environmental, Social and Governance Considerations

FitchRatings Financiera de Desarrollo Territorial S.A. - Findeter

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Financiera de Desarrollo Territorial S.A. - Findeter has 5 ESG potential rating drivers

- ➔ Financiera de Desarrollo Territorial S.A. - Findeter has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale	
key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE		
How relevant are E, S and G issues to the overall credit rating?		
5	5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	2	Irrelevant to the entity rating but relevant to the sector.
1	1	Irrelevant to the entity rating and irrelevant to the sector.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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