

FITCH AFFIRMS BANCOLDEX'S FC IDR AT 'BBB'; OUTLOOK STABLE

Fitch Ratings-New York-16 November 2017: Fitch Ratings has today affirmed Banco de Comercio Exterior de Colombia S.A.'s (Bancoldex) foreign and local currency long-term Issuer Default Ratings (IDRs) and Support Rating Floor at 'BBB'. The Rating Outlook is Stable. A full list of rating actions is at the end of this release.

KEY RATING DRIVERS

IDRS, NATIONAL RATINGS AND SENIOR DEBT

Bancoldex's ratings and outlook are aligned with those of the sovereign, reflecting Fitch's assessment of the Colombian government's willingness and capacity to provide timely support to Bancoldex if needed. Although the Colombian government does not explicitly guarantee Bancoldex's liabilities, Fitch views the entity as an integral arm of the state given its status as a Special Official Institution, its strategic importance to the implementation of the country's National Development Plan, and its majority ownership by two state bodies (together owning 99.7% of shares).

Bancoldex is one of Colombia's wholesale development banks. Its primary activity is the provision of wholesale credit and guarantees to commercial banks and other non-bank financial institutions which in turn originate financing to enterprises seeking to access foreign markets.

Since 2003, its role has expanded from a trade finance institution focused on the facilitation of export credit, to a general business development bank to support the growth of companies in all sectors of the Colombian economy, regardless of size. Bancoldex also has two major affiliates, Arco Grupo Bancoldex S.A. Compania de Financiamiento (Arco) and Fiduciaria Colombiana de Comercio Exterior S.A. (Fiducoldex), financial services providers with mandates and target markets in line with Bancoldex's wider mission.

Although its financial profile does not drive its ratings, Bancoldex has historically reported high asset quality. It has recorded impaired loans greater than 90 days since 2016, although these remain low (0.7 % of gross loans at June 2017). Due to a regulatory change in risk weightings, Bancoldex's Fitch core capital will increase to approximately 36% of risk weighted assets from 24% at June 2017. Earnings reflect the relatively low margins and low administrative costs typical of a wholesale lending business and funding is largely concentrated in certificates of deposit (44.0% of funding at mid-year 2017) and direct financings from a banks and multilateral institutions (34.2% of funding).

FIDUCOLDEX AND Arco

Ratings for Fiducoldex and Arco reflect the support they would receive from Bancoldex in case of need. Consequently, Fitch affirmed both institutions' national long- and short-term ratings at 'AAA(col)'; Outlook Stable and 'F1+(col)' respectively, reflecting the agency's opinion on their relevance for Bancoldex's business model. Furthermore, Fitch highlights the affiliates' synergies with their parent and respective roles in executing the group's long term strategy.

RATING SENSITIVITIES

BANCOLDEX

IDRS, NATIONAL RATINGS AND SENIOR DEBT

As a development bank that is majority owned by the state, Bancoldex's creditworthiness and ratings are directly linked to those of the sovereign. Hence, its ratings and outlook should move in line with any potential change in Colombia's ratings.

FIDUCOLDEX AND Arco

The Ratings of Fiducoldex and Arco will reflect any rating action taken on their main shareholder Bancoldex.

Fitch has affirmed the following ratings:

Banco de Comercio Exterior de Colombia S.A.

- Foreign currency long-term IDR at 'BBB'; Outlook Stable;
- Foreign currency short-term IDR at 'F2';
- Local currency long-term IDR at 'BBB'; Outlook Stable;
- Local currency short-term IDR at 'F2';
- Support Rating at '2';
- Support Rating Floor at 'BBB';
- Long-term national-scale rating at 'AAA(col)'; Outlook Stable;
- Short-term national-scale rating at 'F1+(col)';
- Senior unsecured bond issuance at 'AAA(col)'.

Fiduciaria Colombiana de Comercio Exterior S.A.

- Long-term national-scale rating at 'AAA(col)'; Outlook Stable;
- Short-term national-scale rating at 'F1+(col)'.

Arco Grupo Bancoldex S.A. Compania de Financiamiento

- Long-term national-scale rating at 'AAA(col)'; Outlook Stable;
- Short-term national-scale rating at 'F1+(col)'.

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Applicable Criteria

Global Bank Rating Criteria (pub. 25 Nov 2016)

<https://www.fitchratings.com/site/re/891051>

Global Non-Bank Financial Institutions Rating Criteria (pub. 10 Mar 2017)

<https://www.fitchratings.com/site/re/895236>

Metodología de Calificaciones en Escala Nacional (pub. 27 Mar 2017)

<https://www.fitchratings.com/site/re/896229>

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