

# Bancolombia Puerto Rico Internacional Inc.

## Key Rating Drivers

**Shareholder Support Rating:** Bancolombia Puerto Rico International Inc.'s (BPR) ratings reflect the ability and propensity of Bancolombia S.A. (BB+/Stable) to provide support to BPR should it be required. Fitch Ratings believes BPR is an integral part of its parent's business model and core to its strategy.

**Adequate Support Ability:** The support ability assessment is linked to Bancolombia's Long-Term Issuer Default Rating of 'BB+' and Fitch's opinion that any support required by BPR would be immaterial, since assets represented 1% of the group's total assets as of 3Q23. Likewise, it considers that there are no regulatory restrictions at the parent company level that could reduce the fungibility of capital and liquidity for the subsidiary.

**Role in Group:** Fitch considers in its evaluation of the propensity of support from Bancolombia that BPR continues to be an integral part of the group's business as it meets the demand for financial services in U.S. dollars of Colombian, Caribbean and Central American customers, providing it with income and risk diversification.

**Reputational Risk:** Fitch assesses a possible default by BPR would have relevant negative implications on the reputation of Bancolombia, mainly due to a shared commercial brand.

**High Integration:** In its analysis, Fitch considers the high operational integration BPR has as its risk policies, management, and strategic objectives are aligned with Bancolombia and with other entities belonging to the group. The integration evaluation considers the holding of 100% of the total shares Bancolombia owns of BPR.

**Improved Profitability:** Net interest income comprises BPR's main revenue source. Net interest margin improved significantly to 4.1% at 3Q23 from 2.1% at YE 2022, resulting from increased interest income, despite Bancolombia's accrued liquidity requirements for subsidiaries. This was reflected in a better operating profit/average total assets of 3.2% at 3Q23 compared with 1.4% at YE 2022.

**Robust Capitalization and Adequate Assets Quality:** BPR's capitalization is solid, as reflected in the equity/tangible assets ratio of 23.8% in 3Q23. This resulted from improved profitability and the retention of all net profits, with no dividend payments recorded historically.

BPR's consolidated asset quality remains favorable, although reserve coverage buffers may become insufficient if delinquencies are not transferred to Bancolombia. Fitch considers this scenario unlikely.

**Deteriorated Liquidity:** BPR's liquidity position has historically been sound, supported by a stable deposit structure. However, as a result of declining deposits and loans, the ratio of loans/deposits deteriorated significantly to 107.9% at 3Q23 from 93.9% at YE22. BPR's main deposit sources are Colombian corporations and high net worth individuals.

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- The IDRs and senior debt of BPR are support-driven and aligned with the parent's ratings. Therefore, these ratings would mirror any changes in Bancolombia's IDRs.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- The IDRs and senior debt of BPR are support-driven and aligned with the parent's ratings. Therefore, these ratings would mirror any changes in Bancolombia's IDRs.

## Ratings

### Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B
Shareholder Support Rating	bb+

### Sovereign Risk (Colombia)

Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BB+
Country Ceiling	BBB-

### Outlooks

Long-Term Foreign-Currency IDR	Stable
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## Financial Data

### Bancolombia Puerto Rico Internacional Inc.

(USD mil.)	9/30/23	12/31/22
Total Assets	616.6	535.6
Total Equity	146.8	133.0

## Applicable Criteria

[Bank Rating Criteria \(September 2023\)](#)

## Related Research

[Latin American Banks Outlook 2024 \(December 2023\)](#)

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## Summary Financials and Key Ratios

	9/30/23 9 Months - 3rd Quarter USD 000 Interim	12/31/22 Year End USD 000 Audited	12/31/21 Year End USD 000 Audited	12/31/20 Year End USD 000 Audited	12/31/19 Year End USD 000 Audited
<b>Summary Income Statement</b>					
Net Interest and Dividend Income	15,015.0	10,084.0	3,727.7	2,316.2	10,683.6
Net Fees and Commissions	100.0	402.0	362.3	252.6	387.5
Other Operating Income	162.0	N.A.	N.A.	N.A.	3.4
Total Operating Income	15,277.0	10,486.1	4,090.0	2,568.8	11,074.5
Operating Costs	2,218.0	3,158.7	2,720.0	3,148.2	3,444.3
Pre-Impairment Operating Profit	13,059.0	7,327.4	1,370.0	-579.4	7,630.2
Loan and Other Impairment Charges	-729.0	-1,341.8	124.5	3,984.4	1,080.4
Operating Profit	13,788.0	8,669.1	1,245.5	-4,563.8	6,549.8
Other Non-Operating Items (Net)	N.A.	N.A.	N.A.	N.A.	N.A.
Tax	N.A.	N.A.	N.A.	N.A.	N.A.
Net Income	13,788.0	8,669.1	1,245.5	-4,563.8	6,549.8
Other Comprehensive Income	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Comprehensive Income	13,788.0	8,669.1	1,245.5	-4,563.8	6,549.8
<b>Summary Balance Sheet</b>					
<b>Assets</b>					
Gross Loans	395,836.0	349,690.0	398,407.3	430,171.5	397,697.5
- of which impaired	647.0	1,289.1	1,650.2	6,757.4	1,368.8
Loan Loss Allowances	1,429.0	2,154.8	2,474.3	7,456.9	3,620.5
Net Loan	394,407.0	347,535.2	395,933.0	422,714.5	394,077.0
Interbank	N.A.	N.A.	N.A.	N.A.	N.A.
Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.
Other Securities and Earning Assets	114,225.0	114,146.3	105,652.8	118,845.3	73,383.3
Total Earning Assets	508,632.0	461,681.5	501,585.9	541,559.8	467,460.3
Cash and Due from Banks	63,247.0	69,270.8	197,352.6	280,991.3	144,040.2
Other Assets	44,711.0	4,683.6	3,220.1	3,724.8	4,049.8
Total Assets	616,590.0	535,635.9	702,158.6	826,275.8	615,550.3
<b>Liabilities</b>					
Customer Deposits	366,979.0	372,283.2	560,049.2	660,999.7	462,926.3
Interbank and Other Short-Term Funding	71,769.0	25,542.0	9,308.0	27,148.1	15,132.2
Other Long-Term Funding	N.A.	N.A.	N.A.	N.A.	N.A.
Trading Liabilities and Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.
Total Funding and Derivatives	438,748.0	397,825.2	569,357.2	688,147.7	478,058.5
Other Liabilities	31,044.0	4,800.3	7,019.3	13,591.5	8,044.7
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	146,798.0	133,010.4	125,782.1	124,536.6	129,447.2
Total Liabilities and Equity	616,590.0	535,635.9	702,158.6	826,275.8	615,550.3
Exchange Rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

N.A. - Not applicable

Source: Fitch Ratings, Fitch Solutions, BPR

**Summary Financials and Key Ratios**

	9/30/23	12/31/22	12/31/21	12/31/20	12/31/19
<b>Ratios (annualized as appropriate)</b>					
<b>Profitability</b>					
Operating Profit/Risk-Weighted Assets	N.A.	N.A.	N.A.	N.A.	N.A.
Net Interest Income/Average Earning Assets	4.1	2.1	0.7	0.5	2.3
Non-Interest Expense/Gross Revenue	14.5	30.1	66.5	122.6	31.1
Net Income/Average Equity	13.2	6.7	1.0	-3.6	5.2
<b>Asset Quality</b>					
Impaired Loans Ratio	0.2	0.4	0.4	1.6	0.3
Growth in Gross Loans	13.2	-12.2	-7.4	8.2	-13.6
Loan Loss Allowances/Impaired Loans	220.9	167.2	149.9	110.4	264.5
Loan Impairment Charges/Average Gross Loans	-0.3	-0.3	0.0	1.0	0.3
<b>Capitalization</b>					
Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Tangible Common Equity/Tangible Assets	23.8	24.8	17.9	15.1	21.0
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Funding and Liquidity</b>					
Gross Loans/Customer Deposits	107.9	93.9	71.1	65.1	85.9
Gross Loans/Customer Deposits + Covered Bonds	N.A.	N.A.	N.A.	N.A.	N.A.
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	83.6	93.6	98.4	96.1	96.8
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

N.A. - Not applicable

Source: Fitch Ratings, Fitch Solutions, BPR

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