

BBVA Colombia S.A.

Update

Key Rating Drivers

Parent Support: BBVA Colombia's Issuer Default Ratings (IDRs), Shareholder Support Rating (SSR) and National ratings reflect the support it would receive from its parent, Banco Bilbao Vizcaya Argentaria S.A. (BBVA S.A.; BBB+/Stable) should it be required. Fitch Ratings believes BBVA Colombia is a strategic subsidiary for its parent mainly due to the relevance of the Latin American operations and the integration and synergies among the entities. The Long-Term (LT) Foreign Currency (FC) IDR of 'BBB-' is two notches below the parent IDR as it is capped by Colombia's Country Ceiling of 'BBB-', due to transfer and convertibility risks, which constrains Fitch's assessment of the shareholder's ability to support its subsidiary. The LT Local Currency (LC) IDR of 'BBB' is one notch below the parent's IDR and two notches above Colombia's LT IDR of 'BB+' and one notch above Colombia's Country Ceiling of 'BBB-', consistent with Fitch's criteria.

Relevant Market Position and Group Benefits: The bank's Viability Rating (VR), at 'bb+', considers BBVA Colombia's business profile, with a leading market position in retail banking in Colombia. At March 2024, it was the second largest bank in consumer loans with a market share of 13.9%, the third largest in mortgages (14%), the fourth largest in deposits (11.3%), and fourth by total assets and liabilities. BBVA Colombia's rating also considered the bank's integrated corporate governance and risk management structure with that of its parent, as well as its reasonable profitability and reserve cushions, which are commensurate to its rating level. Fitch's capitalization assessment incorporates the ordinary support provided and expected from its parent.

Deteriorating Asset Quality: At March 2024, the 90-day past due loans (PDL) ratio increased to 2.9% from 2.7% at YE 2024. The increase in the ratio reflects further deterioration in the retail segment; however, BBVA Colombia's PDL ratio compares favorably to the average of the financial system of 3.6%. The modest 0.1% growth in the bank's total loan portfolio has also contributed to the increased pressure on the PDL ratio. Amidst persistent inflation and sluggish economic expansion, Fitch anticipates a potential further increase in PDL ratios. However, BBVA Colombia's strategic shift towards greater corporate lending and enhancements in their loan collection processes are likely to mitigate this impact, keeping PDLs below 3.5% for the end of 2024.

Loan Impairment Charges Pressures Profitability: As of March 2024, the operating profit to risk weighted assets (RWA) ratio was -1.3%, below the average of the past four years of 2.1%. Despite an increase of 4.5% in total operating income as of 1Q24, loan impairment charges increased 63.4%, which accounted for 142.8% of pre-impairment operating profit, resulting in a negative operational income. Fitch expects the key profitability ratio to remain below 1% for YE 2024. Given the medium-term funding concentration and continued expected interest rate cuts, Fitch expects profitability levels to recover toward historical averages by 2025.

Tight Capitalization, Benefited by Ordinary Support: As of March 2024, the CET1 ratio fell to 7.8% from 8.1% in December 2023 and still compares below its regional peers, reflecting the weakest feature of the bank's credit profile. However, in Fitch's opinion, the bank's capital ratios remain adequate, considering the ordinary support given by BBVA S.A., its conservative risk management, and ample loan loss provisions.

Ratings

Foreign Currency	
Long-Term IDR	BBB-
Short-Term IDR	F3
Local Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bb+
Shareholder Support Rating	bbb-
National Rating	
National Long-Term Rating	AAA(col)
National Short-Term Rating	F1+(col)
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
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

- [Bank Rating Criteria \(March, 2024\)](#)
- [National Scale Rating Criteria \(December, 2022\)](#)

Related Research

- [Major Colombian Banks - 2024 Peer Review](#)
- [Colombian Banks Datawatch 4Q23](#)

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In June 2023, BBVA Colombia received a subordinated loan with its parent company, which computes as Additional Tier 1 capital (AT1); this allows the bank to have an additional capital buffer and strengthen its capital ratio. As of March 2024, the Tier 1 capital (CET1 + AT1) ratio was 10.7% and the regulatory capital ratio was 12.1%. In April 2024, BBVA Colombia's Board of Directors approved the issuance of 3,401,037,037 common shares, a move expected by Fitch to strengthen the bank's capital ratios. Nonetheless, Fitch will continue to closely observe the bank's capital ratios, noting that they may be pressured by potential declines in net income.

Stable Funding and Adequate Liquidity: In Fitch's opinion, BBVA Colombia has an adequate funding structure and liquidity. At March 2024, the loans to customer deposits ratio was 99.1%, which compares favorably against the financial system average of 101%. The bank's liquidity position is ample, according to the parent's strict guidelines, which include Basel III and European regulatory requirements. At March 2024, BBVA Colombia's liquid assets covered 24.4% of deposits. Fitch expects the bank to maintain its stable funding structure given the growth prospects for loans relative to deposits.

Rating Sensitivities

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

IDRs and Shareholder Support Rating

- Negative rating action on BBVA S.A.'s IDRs would lead to similar actions in BBVA Colombia's IDRs and potentially its SSR if the parent is downgraded by two notches or more;
- Negative rating action on the Colombian sovereign's ratings would also lead to a similar action on the LT FC IDR and its SSR as they are capped by the Country Ceiling;
- BBVA Colombia's IDRs and SSR could also change if Fitch's assessment of its parent's ability and/or willingness to support the bank changes.

VR

- BBVA Colombia's VR could be negatively affected if tighter NIMs continue to pressure operating income to risk-weighted assets consistently below 1.2%, a level below its 'bb' rating category, and if the CET1 ratio consistently falls below 10%, accompanied by a change in Fitch's assessment of the parent's ordinary support to this subsidiary.

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

IDRs and Shareholder Support Rating

- BBVA Colombia's IDR will likely remain at the level determined by its own VR, or one notch below the parent's IDR subject to the sovereign rating and Country Ceiling considerations, whichever is higher.

VR

- Upside potential for the VR is limited in the near future, as reflected by the Operating Environment assessment and Outlook;
- While not likely in the current operating environment, a positive rating action on Colombia's sovereign rating could lead to a similar action on BBVA Colombia's VR.

Other Debt and Issuer Ratings

Rating level	Rating
Senior Unsecured: National Long-Term	AAA (col)
Subordinated: Long Term	BB
Subordinated: National Long-Term	AAA (col)

Source: Fitch Ratings

Senior Unsecured Debt

BBVA's Colombia national senior unsecured debt rating is at the same level as the bank's 'AAA(col)' National LT Rating, as the likelihood of default for the debt issuance is the same as the likelihood of a default for the bank.

Subordinated Debt

BBVA Colombia’s subordinated debt is rated two notches below what Fitch considers the appropriate anchor rating, the bank’s support driven FC LT IDR of 'BBB-'.

BBVA Colombia’s national subordinated debt is rated at the same level as the bank’s 'AAA(col)' National LT Rating. There are no differences in the rating of senior unsecured and subordinated debt with respect to the bank’s rating, due to the presence of institutional support from its parent.

Rating Sensitivities


Senior Unsecured Debt

Senior unsecured debt ratings are sensitive to any changes in BBVA Colombia’s IDRs.

Subordinated Debt

Subordinated debt ratings will mirror any action on the anchor rating, the bank’s support-driven FC LT IDR.

Ratings Navigator

BBVA Colombia S.A.							ESG Relevance: 	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Shareholder Support Rating	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%	aaa	aaa	aaa	AAA
							aa+	aa+	aa+	AA+
							aa	aa	aa	AA
							aa-	aa-	aa-	AA-
							a+	a+	a+	A+
							a	a	a	A
							a-	a-	a-	A-
							bbb+	bbb+	bbb+	BBB+
							bbb	bbb	bbb	BBB
							bbb-	bbb-	bbb-	BBB- Sta
							bb+	bb+	bb+	BB+
							bb	bb	bb	BB
							bb-	bb-	bb-	BB-
							b+	b+	b+	B+
							b	b	b	B
							b-	b-	b-	B-
							ccc+	ccc+	ccc+	CCC+
							ccc	ccc	ccc	CCC
							ccc-	ccc-	ccc-	CCC-
							cc	cc	cc	CC
							c	c	c	C
							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied Viability Rating (VR) are shown as percentages at the top. In cases where the implied VR is adjusted upward or downward to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The Business Profile score has been assigned above the implied score due to the following adjustment reason(s): Group Benefits and Risk (positive).

The Capitalization and Leverage score has been assigned above the implied score due to the following adjustment reason: Capital Flexibility and Ordinary Support (positive).

Financials

	March 31, 2024		December 31, 2023	December 31, 2022	December 31, 2021
	1st quarter (USD Mil.) Reviewed - unqualified	1st quarter (COP Bil.) Reviewed - unqualified	12 months (COP Bil.) Audited - unqualified	12 months (COP Bil.) Audited - unqualified	12 months (COP Bil.) Audited - unqualified
Summary income statement					
Net interest and dividend income	185	711	2,703	3,599	3,283
Net fees and commissions	30	116	470	365	218
Other operating income	117	450	1,716	1,077	660
Total operating income	332	1,276	4,890	5,040	4,161
Operating costs	210	805	2,825	2,017	1,847
Pre-impairment operating profit	123	471	2,065	3,023	2,314
Loan and other impairment charges	175	673	1,649	1,443	978
Operating profit	-53	-202	416	1,580	1,336
Other non-operating items (net)	–	–	–	–	0
Tax	-17	-67	170	553	444
Net income	-35	-135	246	1,028	892
Other comprehensive income	18	69	73	-2	-26
Fitch comprehensive income	-17	-66	319	1,026	866
Summary balance sheet					
Assets					
Gross loans	19,772	75,971	75,901	71,149	58,953
- Of which impaired	1,025	3,937	3,706	1,421	1,537
Loan loss allowances	952	3,658	3,603	3,481	3,223
Net loans	18,820	72,313	72,298	67,668	55,730
Interbank	–	–	2,605	923	761
Derivatives	1,808	6,948	9,540	10,061	3,291
Other securities and earning assets	3,066	11,779	10,085	8,954	7,453
Total earning assets	23,694	91,041	94,528	87,606	67,235
Cash and due from banks	1,965	7,549	8,580	9,390	10,269
Other assets	964	3,705	2,802	2,585	2,417
Total assets	26,623	102,295	105,910	99,580	79,920
Liabilities					
Customer deposits	19,948	76,645	77,153	69,145	59,166
Interbank and other short-term funding	494	1,897	1,970	3,204	3,697
Other long-term funding	1,780	6,839	6,532	8,048	5,363
Trading liabilities and derivatives	1,877	7,213	10,514	10,191	3,455
Total funding and derivatives	24,098	92,593	96,168	90,588	71,680
Other liabilities	618	2,374	2,247	2,272	2,100
Preference shares and hybrid capital	214	823	920	–	–
Total equity	1,693	6,505	6,574	6,720	6,140
Total liabilities and equity	26,623	102,295	105,910	99,580	79,920
Exchange rate		USD1 = COP3842.3	USD1 = COP3822.05	USD1 = COP4810.2	USD1 = COP3997.71

Source: Fitch Ratings, Fitch Solutions

	March 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021
Ratios (%; annualized as appropriate)				
Profitability				
Operating profit/risk-weighted assets	-1.3	0.7	2.6	2.7
Net interest income/average earning assets	3.1	3.0	4.6	5.2
Non-interest expense/gross revenue	63.1	57.8	40.0	44.4
Net income/average equity	-8.3	3.6	16.3	15.6
Asset quality				
Impaired loans ratio	2.9	2.7	2.0	2.6
Growth in gross loans	0.1	6.7	20.7	12.6
Loan loss allowances/impaired loans	166.1	176.3	245.0	209.7
Loan impairment charges/average gross loans	3.6	2.2	2.2	1.8
Capitalization				
Common equity Tier 1 ratio	8.1	8.1	8.7	10.3
Fully loaded common equity Tier 1 ratio	—	—	—	—
Fitch Core Capital ratio	—	—	—	12.1
Tangible common equity/tangible assets	6.1	6.0	6.6	7.5
Basel leverage ratio	—	—	—	—
Net impaired loans/common equity Tier 1	—	-30.4	-38.9	—
Net impaired loans/Fitch Core Capital	—	—	—	-28.1
Funding and liquidity				
Gross loans/customer deposits	99.1	98.4	102.9	99.6
Gross loans/customer deposits + covered bonds	—	—	—	—
Liquidity coverage ratio	—	—	—	—
Customer deposits/total non-equity funding	88.7	88.1	86.0	86.7
Net stable funding ratio	—	—	—	—
Source: Fitch Ratings, Fitch Solutions				

Support Assessment

Shareholder Support	
Parent IDR	BBB+
Total Adjustments (notches)	-2
Shareholder Support Rating	bbb-
Shareholder ability to support	
Shareholder Rating	BBB+/ Stable
Shareholder regulation	1 Notch
Relative size	Equalised
Country risks	2+ Notches
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	1 Notch
Integration	1 Notch
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	2+ Notches

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

Higher influence Moderate influence Lower influence

The bank's SSR of 'bbb-' reflects its role as one of BBVA S.A.'s important subsidiaries in Latin America. In Fitch's opinion, BBVA Colombia is strategically important for BBVA S.A.'s strategy, and institutional support should be forthcoming, if required. The parent has a consistent track record of support for its subsidiaries and its ability to support them is illustrated by its 'BBB+' IDR/Stable Rating Outlook.

Subsidiaries and Affiliates

BBVA Valores and BBVA Asset Management's national ratings reflect the potential support they would receive from their ultimate parent, BBVA S.A., should it be required. Fitch views the entities as strategic subsidiaries for their ultimate parent, as they complement the universal banking model of BBVA operations in Colombia. Fitch's assessment of support also considers the integration and synergies among the entities and its parent.

BBVA Valores' and BBVA Asset Management's ratings could change if Fitch's assessment of their parent's ability and/or willingness to support changes.

Environmental, Social and Governance Considerations

FitchRatings BBVA Colombia S.A.

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

BBVA Colombia S.A. has 5 ESG potential rating drivers → BBVA Colombia S.A. 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.	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) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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 relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of "4" and "5" are assumed to result in a negative impact unless indicated with a "+" sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance	CREDIT-RELEVANT ESG SCALE
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	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.
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2 Irrelevant to the entity rating but relevant to the sector.
				1	1 Irrelevant to the entity rating and irrelevant to the sector.

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