

Bancolombia Puerto Rico Internacional Inc.

Update

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 YE 2022. 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 takes into account 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 2.1% at YE 2022 from 0.7% at YE 2021, the result of increased interest income together with lower funding costs from a decline in deposits, despite Bancolombia's accrued liquidity requirements for subsidiaries. This was reflected in a better operating profit/average total assets of 1.4% at YE 2022 compared with 0.2% at YE 2021.

Robust Capitalization and Adequate Assets Quality: As a result of improved profitability, BPR's robust capitalization reflected equity/tangible assets of 24.8% at YE 2022 from 17.9% at YE 2021. This is the result of retention of all net profits, with no dividend payments recorded historically.

BPR's consolidated asset quality remains favorable, with nonperforming loans (NPLs) 90+ days of 0.4% at YE 2022. Similarly, reserve coverage of NPLs remains adequate at 167.2%, providing a modest buffer to absorb losses, although these buffers may become insufficient if delinquencies are not transferred to Bancolombia. Fitch considers this scenario unlikely.

Sound Liquidity Management: BPR's liquidity position is sound, supported by a stable deposit structure. However, as a result of declining deposits and loans, the ratio of loans/deposits deteriorated significantly to 94% at YE 2022 from 71.1% at YE 2021. BPR's main deposit sources are Colombian corporations and high net worth individuals.

Banks

Universal Commercial Banks
Puerto Rico

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
Sovereign Long-Term Foreign Currency IDR	Stable
Sovereign Long-Term Local Currency IDR	Stable

Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)

Related Research

[Major Colombian Banks – Peer Review \(Impact from Operating Environment Headwinds Manageable\) \(February 2023\)](#)

Financial Data

Bancolombia Puerto Rico Internacional Inc.		
(USD Mil.)	12/31/22	12/31/21
Total Assets	535.6	702.2
Total Equity	133.0	125.8

Source: Fitch Ratings, Fitch Solutions, BPR.

Analysts

Mariana Gonzalez
+52 81 4161-7036
mariana.gonzalez@fitchratings.com

Larisa Arteaga
+57 601 241-3270
larisa.artega@fitchratings.com

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.

Summary Financials

	2022	2021	2020	2019
(USD 000, Years Ended Dec. 31)	Audited – Unqualified (Emphasis of Matter)	Audited – Unqualified	Audited – Unqualified (Emphasis of Matter)	Audited – Unqualified (Emphasis of Matter)
Summary Income Statement				
Net Interest and Dividend Income	10,084.0	3,727.7	2,316.2	10,683.6
Net Fees and Commissions	402.0	362.3	252.6	387.5
Other Operating Income	N.A.	N.A.	N.A.	3.4
Total Operating Income	10,486.1	4,090.0	2,568.8	11,074.5
Operating Costs	3,158.7	2,720.0	3,148.2	3,444.3
Pre-Impairment Operating Profit	7,327.4	1,370.0	-579.4	7,630.2
Loan and Other Impairment Charges	-1,341.8	124.5	3,984.4	1,080.4
Operating Profit	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.
Tax	N.A.	N.A.	N.A.	N.A.
Net Income	8,669.1	1,245.5	-4,563.8	6,549.8
Other Comprehensive Income	N.A.	N.A.	N.A.	N.A.
Fitch Comprehensive Income	8,669.1	1,245.5	-4,563.8	6,549.8
Summary Balance Sheet				
Assets				
Gross Loans	349,690.0	398,407.3	430,171.5	397,697.5
– Of Which Impaired	1,289.1	1,650.2	6,757.4	1,368.8
Loan Loss Allowances	2,154.8	2,474.3	7,456.9	3,620.5
Net Loan	347,535.2	395,933.0	422,714.5	394,077.0
Interbank	N.A.	N.A.	N.A.	N.A.
Derivatives	N.A.	N.A.	N.A.	N.A.
Other Securities and Earning Assets	114,146.3	105,652.8	118,845.3	73,383.3
Total Earning Assets	461,681.5	501,585.9	541,559.8	467,460.3
Cash and Due From Banks	69,270.8	197,352.6	280,991.3	144,040.2
Other Assets	4,683.6	3,220.1	3,724.8	4,049.8
Total Assets	535,635.9	702,158.6	826,275.8	615,550.3
Liabilities				
Customer Deposits	372,283.2	560,049.2	660,999.7	462,926.3
Interbank and Other Short-Term Funding	25,542.0	9,308.0	27,148.1	15,132.2
Other Long-Term Funding	N.A.	N.A.	N.A.	N.A.
Trading Liabilities and Derivatives	N.A.	N.A.	N.A.	N.A.
Total Funding and Derivatives	397,825.2	569,357.2	688,147.7	478,058.5
Other Liabilities	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.
Total Equity	133,010.4	125,782.1	124,536.6	129,447.2
Total Liabilities and Equity	535,635.9	702,158.6	826,275.8	615,550.3

N.A. – Not applicable

Source: Fitch Ratings, Fitch Solutions, BPR.

Key Ratios

(%, Years Ended Dec. 31)	2022	2021	2020	2019
Profitability				
Operating Profit/Risk-Weighted Assets	N.A.	N.A.	N.A.	N.A.
Net Interest Income/Average Earning Assets	2.1	0.7	0.5	2.3
Non-Interest Expense/Gross Revenue	30.1	66.5	122.6	31.1
Net Income/Average Equity	6.7	1.0	-3.6	5.2
Asset Quality				
Impaired Loans	0.4	0.4	1.6	0.3
Growth in Gross Loans	-12.2	-7.4	8.2	-13.6
Loan Loss Allowances/Impaired Loans	167.2	149.9	110.4	264.5
Loan Impairment Charges/Average Gross Loans	-0.3	0.0	1.0	0.3
Capitalization				
Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital	N.A.	N.A.	N.A.	N.A.
Tangible Common Equity/Tangible Assets	24.8	17.9	15.1	21.0
Basel Leverage	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	N.A.	N.A.	N.A.	N.A.
Funding and Liquidity				
Gross Loans/Customer Deposits	93.9	71.1	65.1	85.9
Liquidity Coverage	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	93.6	98.4	96.1	96.8
Net Stable Funding	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable. Note: Ratios annualized as appropriate.
Source: Fitch Ratings, Fitch Solutions, BPR.

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.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.