FitchRatings

Banco de Bogota, S.A.

Key Rating Drivers

Viability Rating Drives Bank Ratings: Banco de Bogota, S.A.'s (Bogota) Viability Rating (VR) is influenced by its business profile, which is underpinned by its leading franchise. The bank's ratings also consider its consistent financial performance, reasonable credit and risk policies and ample and diversified funding base. Capitalization remains the bank's main credit weakness relative to international peers.

Challenging Operating Environment: Fitch Ratings expects the operating environment (OE) for Colombian banks to remain stable in 2024 due to higher GDP growth, inflation that is declining but still above the central bank's 3+/−1% target, a slow decrease in funding costs and gradual asset quality improvement after peaking in 2H23. Furthermore, exposure to global markets and political uncertainty will likely continue to pose challenges and headwinds to economic growth. Fitch believes sustained capitalization, resilient profitability and adequate reserves provide sufficient resilience for banks to face stress.

Leading Franchise: Bogota is Colombia's third largest bank by assets and deposits, with a 12% market share as of June 30, 2023. It is also the second largest bank by net income and the third largest by loans (17.4% and 11.9%, respectively). Given its size, the bank is a systemically important financial institution in Colombia. Bogota also consolidates Multibank, a Panamanian subsidiary acquired in 2020, with market shares by assets, loans and deposits of 4.0%, 4.5% and 3.5%, respectively, as of June 2023.

As of 3Q23, corporate lending reached 64.6% of gross loans, similar to the ratio as of YE22, with a slight increase in consumer loans from payrolls. An 83% portion of consolidated loans is booked in Colombia, with the remainder mainly booked through Multibank.

Operating Environment Weighs on Asset Quality: Bogota's loan portfolio quality deteriorated slightly in 2023 due to the unstable OE and mainly focused on unsecured retail loans. However, this deterioration is below that of peers. The 90-day nonperforming loans (NPL) ratio reached 4.0% in September 2023, with 1.4x consolidated loan loss reserve coverage, similar to pre-pandemic levels. Fitch believes deterioration should have peaked at the end of 3Q23, with asset quality improving in 2024 due to a strengthening OE and macroeconomic conditions, along with lower interest rates.

Profitability Impacted by Cost of Risk: Bogota's 2023 performance was affected by a higher cost of risk due to deterioration in retail loans and lower equity method income from Corficolombiana. The bank's operating profit-to-risk-weighted assets (RWA) ratio was 1.9% as of 2Q23, mainly due to a sustained net interest margin (NIM) and higher impairment charges. Fitch expects this ratio to stabilize near the 2.0%–2.5% range in the short-to-medium term amid a stable OE, increasing loan growth, stable margins and lower loan impairment charges.

Stable Capital Ratios: Bogota's capital has been maintained through sustained profitability and moderate dividend policies, coupled with moderate growth. The common equity Tier 1 ratio (CET1) was 10.0% as of 3Q23, in line with CET1 as of September 2022. Bogota's capital ratios are likely to improve in the short-to-medium term due to expected profitability improvement, coupled with current effects of the available-for-sale portfolio on capital from other comprehensive income (OCI) amid higher RWA from loans. Additionally, diversification and improving income from the equity method originating from Corficolombiana and Porvenir should sustain the bank's profitability and, hence, capitalization in 2024.

The recently announced shareholder's agreement to change Corficolombiana's controlling company to Banco Popular from Grupo Aval Acciones Y Valores S.A. (Grupo Aval) is expected to lead to improved capitalization for Bogota. Initial calculations show a 200 bps–250 bps improvement in Bogota's CET1. Fitch will closely monitor this process to better assess its final impact.

Banks
Universal Commercial Banks
Colombia

Ratings

Foreign Currency	
Long-Term Issuer Default Rating	BB+
Short-Term Issuer Default Rating	B
Local Currency	
Long-Term Issuer Default Rating	BB+
Short-Term Issuer Default Rating	B
Viability Rating	bb+
Government Support Rating	Bb
Sovereign Risk (Colombia)	
Long-Term Foreign Currency Issuer Default Rating	BB+
Long-Term Local Currency Issuer Default Rating	BB+
Country Ceiling	BBB−

Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating	Stable
Long-Term Local Currency Issuer Default Rating	Stable
Sovereign Long-Term Foreign Currency Issuer Default Rating	Stable
Sovereign Long-Term Local Currency Issuer Default Rating	Stable

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

Latin American Banks Outlook 2024 (December 2023)

Colombian Banks: 1H23 Review & Update (October 2023)

Colombian Banks Datawatch 2Q23 (Higher Credit and Funding Costs Weigh on Colombian Banks Earnings) (October 2023)

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Wide, Stable Funding: Bogota boasts an ample, well diversified and low cost depositor base that funds all of its lending activities. Its loans-to-customer deposits ratio compares favorably with local peers, even after the spinoff in 2022, which resulted in a ratio closer to that of its Colombian operations. In Fitch's opinion, Bogota's liquidity and liquidity management are appropriate for the risks the bank faces. As of 3Q23, deposits grew 3.65% YTD, predominantly supported by time deposits. This is partially explained by the new net stable funding ratio (NSFR) regulation in Colombia, although the impact on Banco de Bogota has been lower compared to local peers.

Rating Sensitivities

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

- Bogota's VRs and Issuer Default Ratings (IDRs) are sensitive to material deterioration in the local OE or a negative sovereign rating action.
- The ratings could be downgraded from an extended period of OE deterioration that leads to significant weakening of asset quality and/or profitability (operating profit to RWA consistently below 1.5%), in turn resulting in an erosion of capital cushions if the CET1 falls consistently below 10%.

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

- Given the limitations of the OE, a ratings upgrade is unlikely in the medium term.
- Over the longer term, an improving OE coupled with improvement in capital metrics and profitability could be positive for creditworthiness.

Other Debt and Issuer Ratings

Rating Type	Rating
Senior Unsecured: Long Term	BB+
Subordinated: Long Term	BB–

Source: Fitch Ratings

Senior and Subordinated Debt

Bogota's senior unsecured obligations are rated at the same level as the bank's IDR. Its subordinated debt is rated two notches below the bank's VR.

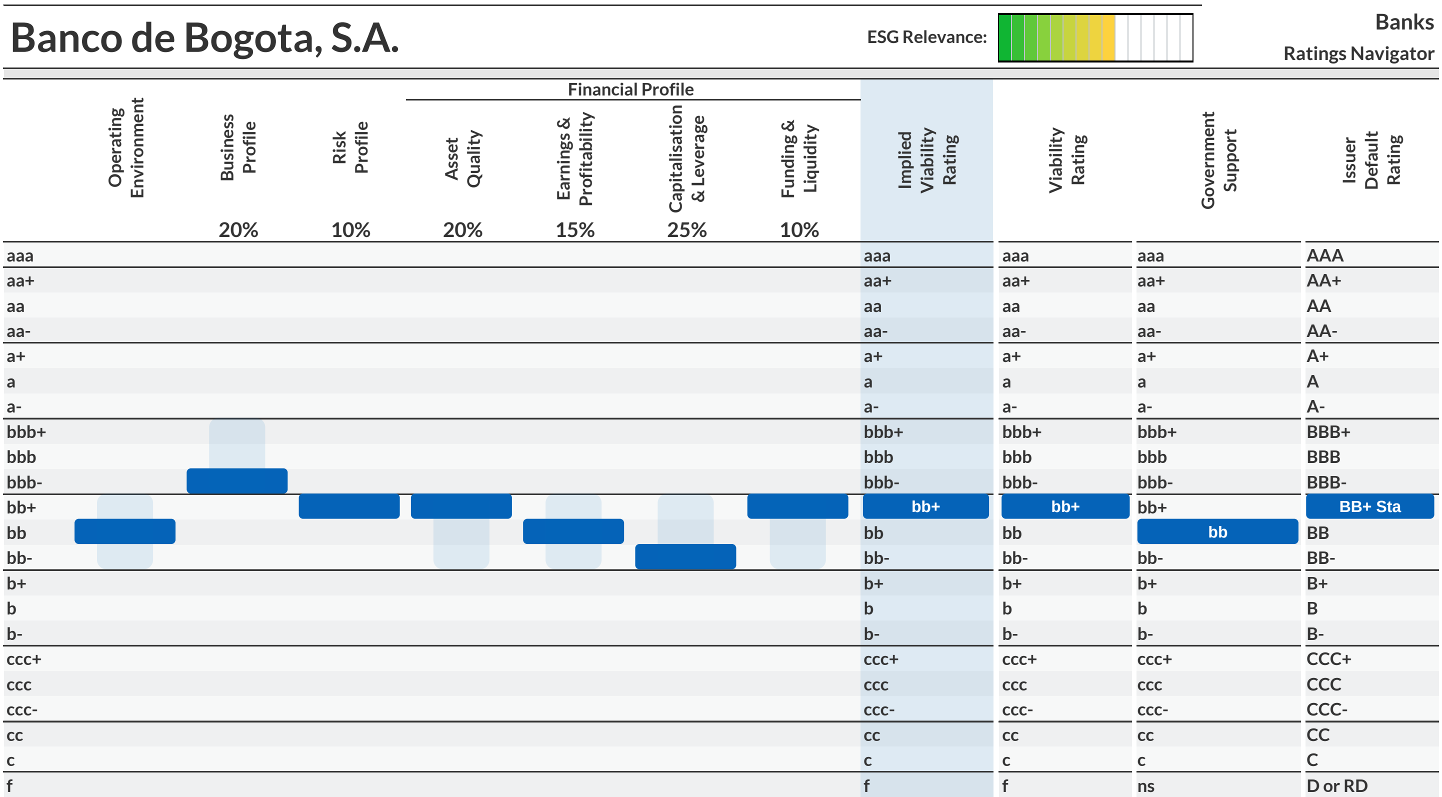
Factors that could, individually or collectively, lead to negative rating action/downgrade:

- The ratings of Bogota's debt would move in line with the bank's IDRs and VR.

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

- The ratings of Bogota's debt would move in line with the bank's IDRs and VR.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied 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.

Company Summary and Key Qualitative Factors

Operating Environment

Fitch expects the OE for Colombian banks to remain stable in 2024 due to higher GDP growth, inflation that is declining but still above the central bank's 3+/–1% target, a slow decrease in funding costs and gradual asset quality improvement after peaking in 2H23. Furthermore, exposure to global markets and political uncertainty will likely continue to pose challenges and headwinds to economic growth. Fitch believes sustained capitalization, resilient profitability and adequate reserves provide sufficient resilience for banks to face stress.

Business Profile

Franchise

Bogota is Colombia's third largest bank by assets and by deposits, with a 12% market share as of June 30, 2023. It is also the second largest bank by net income and the third largest by loans (17.4% and 11.9%, respectively). Given its size, the bank is a systemically important financial institution in Colombia. Bogota also consolidates Multibank, a Panamanian subsidiary acquired in 2020, with market shares by assets, loans and deposits of 4.0%, 4.5% and 3.5%, respectively, as of June 2023.

Business Model

Bogota is a universal bank offering a wide array of banking services and products, including banking, trust services, leasing and retirement fund management, serving the corporate, consumer and microcredit segments. The bank has nationwide and regional coverage, with a comprehensive portfolio of services and products distributed through a consolidated regional network.

As of 3Q23, corporate lending reached 64.6% of gross loans, similar to the ratio as of YE22, with a slight increase in consumer loans from payrolls. An 83% portion of consolidated loans is booked in Colombia, with the remainder mainly booked through Multibank. Growth in consumer loans outpaced that of corporate and mortgage loans in 2023. Growth mainly focused on payroll loans after purchasing a portion of Banco Popular's portfolio. The bank continues to focus on entering profitable sectors and transactions and decreasing its corporate loans concentration, rather than market share.

Organizational Structure

The bank is the main banking subsidiary of Grupo Aval, Colombia's largest financial services group, which operates four commercial banks in Colombia and multiple financial subsidiaries in Colombia and Panama. Banco de Bogota has four subsidiaries in Colombia and four overseas. Additionally, it is a shareholder of other Grupo Aval entities, such as AFP Porvenir, Corficolombiana, ATH (an ATM company) and Casa de Bolsa.

Management Quality

Bogota has a very experienced, stable and deep management team that has successfully steered the bank through rapid expansion in recent years. Bogota's generally conservative culture has not prevented it from expanding abroad, as the bank has adopted a pragmatic approach to new markets, largely relying upon existing local expertise. In August of 2023, the bank appointed a new president, Cesar Prado, with longtime experience in other Grupo Aval entities, e.g. Fiduciaria Bogota and Banco de Occidente.

Corporate Governance

Bogota's board consists of five principal members and five alternate members appointed for repeating three-year terms. Two principal members and two alternate members are independent. As an issuer on the New York Stock Exchange, its holding company, Grupo Aval, complies with all U.S. SEC corporate governance guidelines. The board has established several committees to oversee and steer operations, including credit, risk management, sustainability and audit committees. Bogota's corporate governance policies are considered sound and among the region's best practices. Operations with related parties are low, at around 3% of gross loans.

Strategic Objectives

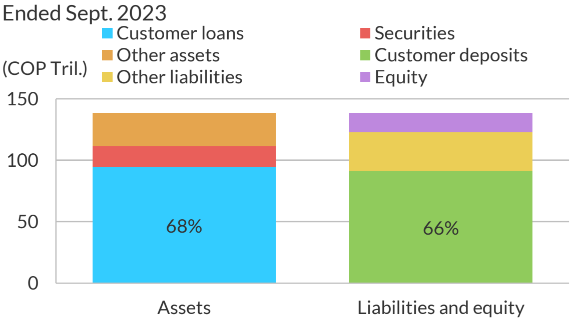
Bogota's strategy is to build on the bank's competitive strengths to pursue opportunities for growth and enhance long-term financial performance. Bogota continues to focus on the Colombian market, capitalizing on synergies and improving efficiencies, expanding services and product offerings and diversifying its income sources in Colombia. Bogota's goal is to improve efficiency and profitability, even if market share is affected in the medium term. Due to the challenging OE in Colombia, Bogota's short-term strategy is focused on conservative growth, stable and low cost funding and optimal LLCs management.

In a broad sense, Bogota has not changed its core objectives within the past two years but is more focused, along with Grupo Aval, on innovation, digital channels and, in general, trying to improve efficiency by increasing transactions through digital channels. The bank's priority is to increase product diversification and control margins and costs, as well as asset quality. Following the new bank president's arrival, Banco de Bogota is now in a planning phase to update certain aspects of its strategy, which is expected to occur in 2024. Fitch is not anticipating substantial changes to the bank's long-term core strategy.

Execution

Bogota has set up clear budgeting and control systems in each of its subsidiaries. Budgets are generally met with relatively small deviations. Bogota has demonstrated it can carry out major acquisitions and manage new subsidiaries while meeting its overall performance goals.

Balance Sheet
Ended Sept. 2023



Source: Fitch Ratings, Fitch Solutions, Banco de Bogota

Risk Profile

Underwriting Standards

Fitch views Bogota's credit policies as conservative given its detailed underwriting processes, sophisticated scoring models, conservative collateral requirements, credit approval limits and ongoing monitoring process. Underwriting is carried out by two or more members of the commercial, credit, risk management and administration groups. Each of the commercial, mortgage, consumer and microcredit segments has its own credit origination processes depending on the product or segment. The board is the highest authority in terms of risk appetite and policies, as well as assessing exposures and limits. At Grupo Aval, as well as at Bogota and its subsidiaries, the risk function is independent of the business units. Bogota has reviewed and improved the collection process and created a normalization team to follow up on problem credits. Bogota's conservative profile is also supported by a lower share of unsecured retail loans compared to competitors (around 11% of gross loans).

Risk Controls

Risk controls at Bogota and Multi Financial Group (MFG) are deemed adequate, as they use effective tools and have sustained improving asset quality. The areas in charge of origination are also responsible for monitoring, classifying and determining adequate loan loss reserves (LLRs). Classification is based on credit analysis and obligor performance, while LLR levels are determined by estimating the probability of default and loss given default. The bank is currently updating its integral risk systems in accordance with the regulation phase-in, including the risk appetite framework and risk appetite declaration.

Follow-up in the corporate segment is continuous and specialized, whereas consumer and microcredit loan monitoring is more data-intensive. Specialized collections and recovery areas are in place and have clear procedures to prevent deterioration and minimize losses. Additionally, growth within the retail segment is focused on payroll loans, and the bank has also increased lending requirements by increasing guarantees (fianzas).

Additional monitoring of concentration and limits by obligor and sector for over 25 main debtors, by economic group and comprising 147 clients as of June 30, 2023, is performed on a quarterly basis for commercial loans. If a limit is exceeded, the board will take steps that include closer monitoring, requests for additional analyses, limiting credit for a given sector or establishing new procedures for credit approvals, including the responsible individual or committee. Concentration is low. As of June 2023, the top 25 clients consolidated by economic group accounted for 14.5% of gross loans. The top 20 individual clients accounted for 8.8% of gross loans.

The market risk unit reports daily trading positions and mark-to-market values for investments. This unit also calculates a value at risk (VaR) and performs backtesting and sensitivity analysis. Bogota also uses conditional VaR and historic simulation for stress testing its investment portfolio. The bank performs a sensitivity analysis of the impact on trading portfolio earnings for interest rate increases of 25bps–50bps. Operational risk is well controlled by type of risk event and by entity.

Growth

Loan growth for Bogota is aligned with peers. Bogota loans grew 8.4% yoy as of September 2023 due to healthy growth in the commercial and consumer segments. Fitch expects similar growth as of YE23 and an increase to roughly 10% in 2024.

Market Risk

Market risk is monitored by a specialized market risk management team. Comprehensive procedures are in place to ensure trading, accounting, counterparty selection, trading limit adherence and trading documentation, among other functions, comply with internal policies and guidelines. Bogota has counterparty and trading limits per operator for each trading platform in its markets. The group's back and middle offices control these limits daily.

Financial Profile

Asset Quality

Bogota's loan portfolio quality deteriorated slightly in 2023 due to the unstable OE and mainly focused on unsecured retail loans. However, this deterioration is below that of peers. The 90-day NPL ratio reached 4.0% in September 2023, with 1.4x consolidated loan loss reserve coverage, similar to pre-pandemic levels. Fitch expects the NPL ratio to improve slightly in 2024 amid economic improvement and lower interest rates.

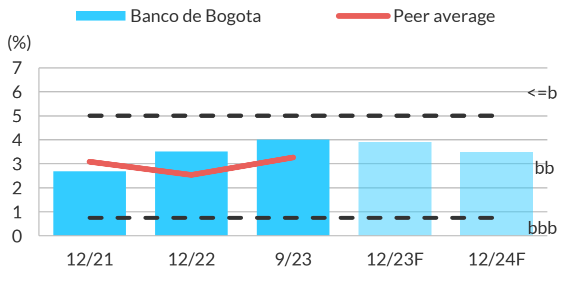
Following the BAC spinoff, loan quality ratios at the consolidated level moved closer to those of the Colombian operations, as their NPL ratio is higher than that of Central America. Bogota's asset quality is in line with local peers and includes controlled chargeoff ratios, at around 1.5% of gross loans historically.

Restructured loans reached COP2.0 trillion, relatively stable with those from December 2022; this is attributable to commercial loans being refinanced and, increasingly, retail loans. These transactions are performing and the bank expects this pattern to continue. In the corporate portfolio, Bogota has internal limits to avoid concentration by economic segment. In addition, the bank historically has maintained LLR coverage of around 1.0x for 30-day past due loans (PDL) and 1.5x for 90-day PDL. Obligor concentration is moderate, with Bogota's top 20 obligors as consolidated economic groups, including over 147 entities, accounting for 14.5% of the total portfolio as of June 2023, or 1.3x CET1. Exposure to foreign currency risk is limited and concentrated in Bogota's Panamanian operations. Foreign currency exposure to foreign customers is locally funded, and Colombian customers with foreign currency debt from Bogota are mostly foreign currency generators.

Limited Risk in Other Assets

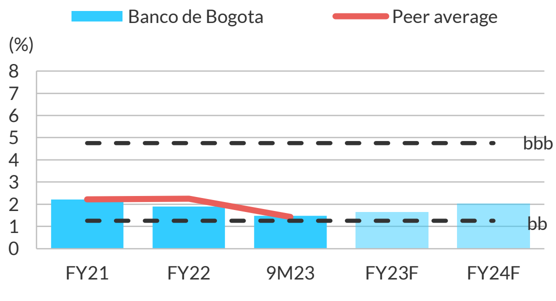
Bogota's debt securities were mostly classified as available for sale, at 73.7%, as of 3Q23. The consolidated investment portfolio is well diversified by country and obligor, and Fitch views the bank's investment policy as conservative, focusing on underlying credit quality, limited market risk/volatility and diversification.

Impaired Loans/Gross Loans



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



FY – Fiscal year. F – Forecast.
Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Bogota's 2023 performance was affected by a higher cost of risk due to deterioration in retail loans and a lower income from participation method from Corficolombiana. The bank's operating profit-to-RWA ratio was 1.9% as of 2Q23, mainly due to a sustained NIM and higher impairment charges. Fitch expects this ratio to stabilize near the 2.0%–2.5% range in the short-to-medium term amid a stable OE, increasing loan growth, stable margins and lower loan impairment charges.

The bank's loan and securities impairment charges-to-pre-impairment operating profit ratios have increased, approaching those observed during the pandemic. This ratio was 48.6% as of June 30, 2023, surpassing 41% as of

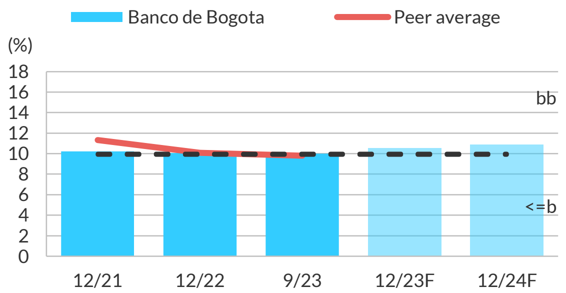
YE22 and 45.0% as of YE21 but still below 57.0% as of YE20. For 2017–2019, this ratio averaged 41.1%. Fitch expects this ratio to improve slightly, reaching the 38%–40% range in 2024 and 2025. Loan impairment charges to average gross loans have also deteriorated, reaching 1.9% as of June 2023, but are still ahead of pre-pandemic levels and improving, versus a 2.21% average for 2019–2022. This ratio is expected to return to the 1.5%–2.0% range in the medium term following higher loan growth.

Capital and Leverage

Bogota's capital has been maintained through sustained profitability and moderate dividend policies, coupled with moderate growth. CET1 was 10.0% as of 3Q23, in line with that of September 2022. Bogota's capital ratios are likely to improve in the short-to-medium term due to expected profitability improvement, coupled with current effects of the available-for-sale portfolio on capital from OCI amid higher RWA from loans. Additionally, diversification and improving income from the equity method originating from Corficolombiana and Porvenir should sustain the bank's profitability and, hence, capitalization in 2024.

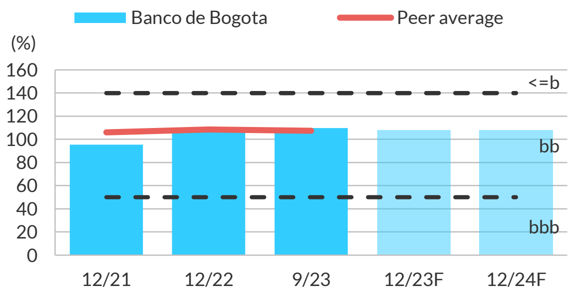
The recently announced shareholder's agreement to change Corficolombiana's controlling company to Banco Popular from Grupo Aval is expected to lead to improved capitalization for Bogota, as the amount of Bogota's investment in Corficolombiana will no longer be subtracted for CET1 calculations. Initial calculations result in a 200 bps–250 bps improvement in Bogota's CET1. Fitch will closely monitor this process to better assess its final impact.

CET1 Ratio



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

Bogota boasts an ample, well diversified and low cost depositor base that funds all of its lending activities. Its loans-to-customer deposits ratio compares favorably with local peers, even after the spinoff in 2022, which resulted in a ratio closer to that of its Colombian operations. In Fitch's opinion, Bogota's liquidity and liquidity management are appropriate for the risks the bank faces. As of 3Q23, deposits grew 3.65% YTD, predominantly supported by time deposits. This is partially explained by the new NSFR regulation in Colombia, although the impact on Banco de Bogota has been lower compared to local peers.

Bogota's loans-to-customer deposits ratio remains relatively stable, even after the BAC spinoff. This ratio is stronger than those of local peers, due to its funding mix comprising roughly 76.5% of customer deposits as of 3Q23.

Deposits consisted of 50.9% in term deposits and 49.1% in demand deposits as of 3Q23. From demand deposits, 15.8% are current accounts and 33.1% are savings accounts. Deposits, especially current and savings accounts, are stable in about 75%–80% of accounts, per bank estimates.

When aggregated by depositor, Bogota has moderate deposit concentration, with its top 20 depositors accounting for 24.1% of total deposits as of June 30, 2023. This ratio increased due to the NSFR implementation, which led to a higher amount of term deposits. The bank actively manages its liabilities through local and international capital markets and short-term maturities are already covered. The bank monitors its regulatory liquidity risk indicators in seven-day, 15-day and 30-day timeframes, along with stress scenarios.

Additional Notes on Charts

The forecasts within the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's "Bank Rating Criteria." They are based on a combination of Fitch's macroeconomic forecasts, sector outlook and company-specific considerations. As a result, Fitch's forecasts may differ materially from guidance provided by the rated entity to the market.

To the extent Fitch is aware of material nonpublic information with respect to future events, such as planned recapitalizations or M&A activity, Fitch will not incorporate these nonpublic future events into its published forecasts. However, where relevant, Fitch considers such information as part of the rating process.

In charts: black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments Fitch scores in the 'bb' category. Light blue columns represent Fitch forecasts.

The peer average includes Bancolombia S.A. (VR: bb+), Banco Davivienda S.A. (bb+), BBVA Colombia S.A. (bb+), Banco General S.A. (bbb–) and Banco de Credito del Peru S.A. (bbb). The latest average uses 9M22 data for Bancolombia S.A., Banco Davivienda S.A. and Banco de Credito del Peru S.A.; fiscal year 2021 data are used for Grupo Financiero Banorte, S.A.B. de C.V.

Financials

Summary Financials and Key Ratios

(Years ended as of Dec. 31)	2023[a] USD Mil. Audited — Unqualified	2023[a] COP Bil. Audited — Unqualified	2022 COP Bil. Audited — Unqualified	2021 COP Bil. Audited — Unqualified	2020 COP Bil. Audited — Unqualified
Summary Income Statement					
Net interest and dividend income	948	3,841	4,720	8,647	8,276
Net fees and commissions	270	1,093	1,245	3,655	4,254
Other operating income	144	583	613	1,850	2,543
Total operating income	**1,361**	**5,517**	**6,578**	**14,151**	**15,073**
Operating costs	670	2,714	3,257	7,499	7,513
Pre-impairment operating profit	691	2,803	3,321	6,652	7,560
Loan and other impairment charges	407	1,651	1,362	2,994	4,308
Operating profit	284	1,152	1,958	3,658	3,252
Other non-operating items (net)	—	—	1,138	1,672	—
Tax	55	223	290	781	748
Net income	**229**	**929**	**2,806**	**4,549**	**2,505**
Other comprehensive income	–12	–47	–2,624	1,048	–404
Fitch comprehensive income	218	882	183	5,597	2,101
Summary Balance Sheet					
Assets					
Gross loans	**24,667**	**99,996**	**96,078**	**156,219**	**135,846**
– of which impaired	992	4,023	3,382	4,201	4,479
Loan loss allowances	1,377	5,581	5,293	7,637	7,345
Net loans	**23,291**	**94,415**	**90,785**	**148,582**	**128,501**
Interbank	—	—	—	—	—
Derivatives	120	486	786	409	605
Other securities and earning assets	6,515	26,409	30,137	39,746	37,121
Total earning assets	**29,925**	**121,310**	**121,708**	**188,736**	**166,226**
Cash and due from banks	2,243	9,093	7,274	26,998	27,498
Other assets	2,019	8,186	8,891	16,601	14,545
Total assets	**34,188**	**138,589**	**137,874**	**232,335**	**208,268**
Liabilities					
Customer deposits	22,507	91,238	88,028	163,734	147,288
Interbank and other short-term funding	3,642	14,764	16,093	19,950	16,536
Other long-term funding	3,076	12,469	13,588	15,913	15,887
Trading liabilities and derivatives	153	619	634	447	629
Total funding and derivatives	29,378	119,090	118,342	200,044	180,339
Other liabilities	969	3,927	3,721	6,952	5,431
Preference shares and hybrid capital	—	—	—	—	—
Total equity	3,841	15,572	15,811	25,339	22,499
Total liabilities and equity	**34,188**	**138,589**	**137,874**	**232,335**	**208,268**
Exchange rate	—	USD1 = COP4053.76	USD1 = COP4810.20	USD1 = COP3997.71	USD1 = COP3444.90

[a]First nine months of 2023 only (9M23), ended Sept. 30. COP – Colombian Peso
Source: Fitch Ratings, Fitch Solutions

Summary Financials and Key Ratios

(Years ended as of Dec. 31)	2023[a]	2022	2021	2020
Ratios (%; annualized as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.5	1.9	2.2	2.0
Net interest income/average earning assets	4.3	3.7	4.9	5.2
Noninterest expense/gross revenue	53.2	55.1	55.1	51.8
Net income/average equity	8.0	15.8	19.2	11.2
Asset Quality				
Impaired loans ratio	4.0	3.5	2.7	3.3
Growth in gross loans	4.1	−38.5	15.0	16.6
Loan loss allowances/impaired loans	138.7	156.5	181.8	164.0
Loan impairment charges/average gross loans	2.3	1.3	2.0	3.2
Capitalization				
Common equity Tier 1 ratio	10.0	10.1	10.2	7.8
Fitch Core Capital ratio	—	—	—	9.8
Tangible common equity/tangible assets	10.3	10.6	7.8	7.6
Basel leverage ratio	7.5	7.7	8.1	—
Net impaired loans/common equity Tier 1	−14.9	−18.3	−20.5	−22.3
Net impaired loans/Fitch Core Capital	—	—	—	−18.8
Funding and Liquidity				
Gross loans/customer deposits	109.6	109.2	95.4	92.2
Liquidity coverage ratio	131.8	—	—	—
Customer deposits/total non-equity funding	77.0	74.8	82.0	82.0
Net stable funding ratio	108.0	—	—	—

[a]First nine months of 2023 only (9M23), ended Sept. 30.
Source: Fitch Ratings, Fitch Solutions

Support Assessment

Commercial 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
Size of banking system	Neutral
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Positive
Liability structure	Positive
Ownership	Positive

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

Higher influence Moderate influence Lower influence

Government Support Rating

Bogota's Government Support Rating (GSR) of 'bb' reflects Fitch's estimation of a moderate probability of sovereign support, if required, given the bank's systemic importance. The sovereign's ability to provide support is based on its 'BB+'/Stable rating.

Given its size and systemic importance, Bogota is likely to receive support from the Colombian government, should it be required, thereby underpinning its GSR. Colombia's ability to provide such support is reflected in its sovereign rating (BB+/Stable) and drives Bogota's GSR of 'bb'.

The government has provided support to banks in the past and, despite a lack of statements of support, the banks tend to wield significant political influence.

Bogota's GSRs would be affected if Fitch were to change its assessment of the government's ability and/or willingness to support the bank.

Environmental, Social and Governance Considerations

FitchRatings **Banco de Bogota, S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Banco de Bogota, S.A. has 5 ESG potential rating drivers

- Banco de Bogota, 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.

			ESG Relevance to Credit Rating
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.h scores of 3, 4 or 5) and provides a brief explanation for the score.

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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

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
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 /compliance risks; business continuity; key person risk; related 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	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	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	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	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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