



## Fitch Takes Actions on Colombian FIs after Sovereign Outlook Revision

Fitch Ratings-New York-29 May 2019: Fitch Ratings has taken selected actions on Colombian Financial Institutions' and their foreign subsidiaries' Long-Term Issuer Default Ratings (IDRs) following the country's sovereign Rating Outlook revision. The other international-scale ratings and National-scale ratings for the Colombian FI's are unaffected, except for those of foreign subsidiaries as detailed below.

Fitch recently revised Colombia's sovereign rating Outlook to Negative from Stable. Colombia's Negative Outlook reflects risks to fiscal consolidation and the trajectory of government debt, the weakening of fiscal policy credibility, and increasing risk from external imbalances. For additional details see "Fitch Revises Colombia's Outlook to Negative; Affirms IDR at 'BBB'", dated May 23, 2019 at [www.fitchratings.com](http://www.fitchratings.com).

Fitch has not taken any action on these banks' outstanding Viability Ratings (VRs), since VRs do not formally have outlooks. However, in the event of a sovereign downgrade, Fitch expects that the VRs of banks currently at the sovereign level will mirror the downgrade of the sovereign's rating, since Fitch is unlikely to rate banks in Colombia higher than the sovereign rating, based on their intrinsic credit profiles. There are no corresponding actions for the Short-Term IDRs; however, should the Long-Term IDRs experience downgrades, these ratings will follow Fitch's approach as described in its "Short-Term Ratings" criteria.

BBVA Colombia's IDRs were not included in this portfolio review, since the Outlook on its Long-Term IDRs was revised to Negative from Stable following a similar action at the parent company ("Fitch Takes Various Actions on BBVA's Latin American Subsidiaries" dated Dec. 11, 2018). The factors that can drive downside potential for this bank's IDRs remain unchanged, but its VR is also sensitive to a potential downgrade of the Colombian sovereign ratings, as described above.

Fitch has taken the following rating actions:

Banco Agrario de Colombia S.A. (Banagrario)

- Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;
- Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Banco de Comercio Exterior de Colombia S.A. (Bancoldex)

- Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;
- Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Financiera de Desarrollo Nacional S.A. (FDN)

- Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;
- Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Financiera de Desarrollo Territorial S.A. (Findeter)

- Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

--Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Bancolombia S.A. (Bancolombia)

--Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

--Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Bancolombia (Panama) S.A. (BP)

--Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Bancolombia Puerto Rico Internacional Inc. (BPR)

--Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Banistmo S.A. (Banistmo)

--Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

--Long-Term National Rating affirmed at 'AAA(pan)'; Outlook Revised to Negative from Stable;

Banco de Bogota, S.A. (Bogota)

--Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

--Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Grupo Aval Acciones y Valores S.A. (Grupo Aval)

--Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

--Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Banco de Occidente (Occidente)

--Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

--Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Corporacion Financiera Colombiana S.A. (Corficolombiana)

--Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

--Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Credomatic International Corporation (CIC)

--Long-Term IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Banco Davivienda S.A. (Davivienda)

--Long-Term Foreign Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

--Long-Term Local Currency IDR affirmed at 'BBB'; Outlook Revised to Negative from Stable;

Sura Asset Management S.A. (Sura AM)

--Long-Term Foreign Currency IDR affirmed at 'BBB+'; Outlook remains Stable;

--Long-Term Local Currency IDR affirmed at 'BBB+'; Outlook remains Stable;

## KEY RATING DRIVERS

### IDRs

The Negative Rating Outlook on the Foreign Currency and Local Currency IDRs for Bancolombia, Bogota, Davivienda, Occidente, Bancoldex, Findeter, FDN and Banagrario reflect the recent revision of Colombia's rating Outlook to Negative.

The Local Currency IDRs of Bancolombia, Bogota, Davivienda and Occidente are at the same level as

Colombia's 'BBB' Local Currency IDR, and these would be negatively affected by a downgrade of the sovereign rating.

In turn, Bancoldex, Findeter, FDN and Banagrario's IDRs are fully aligned with the sovereign reflecting Fitch's assessment of the government's willingness and capacity to provide timely support if needed. Fitch views these entities as an integral arm of the state given their importance to the implementation of the government's National Development Plan, and its majority ownership by the state. Colombia's ability to support these entities is reflected in its sovereign rating (BBB/Negative).

#### GRUPO AVAL AND CORFICOLOMBIANA

Grupo Aval's ratings are driven by the business and financial profile of its main operating subsidiary, Bogota.

Corficolombiana's ratings reflect the potential support it would receive from its main shareholder and its controlling company, Banco de Bogota and Grupo Aval, respectively, should it be required.

#### CIC

CIC's IDRs are driven by the potential support it would receive from its owner, Banco de Bogota (BBB/Negative), if required. CIC's IDRs are aligned with those of its parent reflecting its role as the holding company of an important proportion of Banco de Bogota's operation in Central America. Fitch also considers that Banco de Bogota has high incentives to provide timely support to CIC given the existence of cross-default clauses, which state that CIC's default would grant acceleration rights to Banco de Bogota's creditors.

#### BANCOLOMBIA PANAMA AND BANCOLOMBIA PUERTO RICO

BP and BPR's IDRs reflect the potential support they would receive from Bancolombia, if required. In Fitch's view, these entities are an integral part of its parent's business model and core to its strategy.

#### BANISTMO

Banistmo's IDRs and national ratings are based on the potential support the bank would receive from its parent, Bancolombia, S.A., if needed. Fitch's assessment of the propensity to provide support reflects that Banistmo is a key and integral part of the group's business due to its strategic role in Bancolombia's diversification in the region. The huge reputational risk that a potential default by this bank would constitute to its parent has also been factored in. These factors result in Banistmo's ratings being equalized with its shareholder.

#### SURA AM

The Stable Outlook on SURA AM's IDRs reflects that 60% of its EBITDA in 2018 was generated in countries that currently have a stable outlook and that the company's strong company profile and resilient earnings are supported by its benign business model and geographic revenue diversification. Based on these factors, Fitch believes that a potential moderate downgrade on the sovereign ratings of Mexico and/or Colombia (both on negative outlook at present), will not necessarily affect SURA AM's IDRs, which explains the maintenance of the stable rating outlook on this issuer.

#### RATING SENSITIVITIES

##### IDRs

Any negative rating action on the sovereign would also lead to a similar action on the Foreign Currency and Local Currency IDRs for Bancolombia, Bogota, Davivienda, Occidente, Bancoldex, Findeter, FDN and Banagrario.

#### GRUPO AVAL AND CORFICOLOMBIANA

Grupo Aval's IDR would remain at the same level as Bogota's and would move in tandem with any rating actions on its main operating subsidiary. Corficolombiana's IDRs are support-driven and, therefore, these ratings would mirror any changes in its main shareholders' IDRs.

## CIC

There is limited upside potential for CIC's ratings given Banco de Bogota's current Rating Outlook. On the other hand, a downgrade on Bogota's rating would also lead to a similar rating action on CIC's IDR.

## BANCOLOMBIA PANAMA AND BANCOLOMBIA PUERTO RICO

The IDRs of these entities are support-driven and aligned with those of its parent's. Therefore, these ratings would mirror any changes in Bancolombia's IDRs.

## BANISTMO

The Negative Outlook on the Banistmo's Long-Term IDR is aligned with the Bancolombia's IDRs. A downgrade of Bancolombia's IDRs would trigger similar rating action on the bank's IDR.

The Negative Outlook on the Banistmo's National Long-Term Rating reflects that changes in this rating is contingent on modifications in Bancolombia's capacity, as reflected by its Foreign Currency IDR, and propensity to provide support. Banistmo's National Rating would be downgraded in the event of a downgrade of Bancolombia's IDRs, which would imply a change in the relativity of Banistmo compared with other issuers rated in Panama.

## SURA AM

Given the limitations of the current operating environments in the main countries in which SUAM operates, a rating upgrade is highly unlikely in the foreseeable future. Over time, however, its IDRs are sensitive to a change in Fitch's assumptions around its EBITDA generation. Assuming stabilization of Fitch's views on the operating environments of the markets in which SURA AM operates, its ratings could benefit from a sustained improvement in SURA AM's financial profile, with leverage (gross debt/EBITDA) improving and remaining below 1.5x and interest coverage (EBITDA/interest expense) rising and remaining above 12.0x.

Should SURA AM's erode its credit metrics so that its debt to adjusted EBITDA ratio deteriorates and remains consistently above 3.0x, or its adjusted EBITDA/financial expense remains well below 6.0x, its ratings could be pressured downwards. In addition, a significantly adverse change in regulation or dismal economic performance in its key markets could affect its ratings negatively.

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Applicable Criteria  
Bank Rating Criteria (pub. 12 Oct 2018)  
Metodología de Calificaciones en Escala Nacional (pub. 02 Aug 2018)  
Metodología de Calificación Global de Bancos (pub. 09 Jan 2017)  
Non-Bank Financial Institutions Rating Criteria (pub. 12 Oct 2018)

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