

Fitch Revises Outlooks for Colombian Banks' Support-Driven Ratings to Stable upon Sovereign Revision

Fitch Ratings-New York-21 March 2017: Fitch Ratings has conducted a portfolio review of selected Colombian banks and financial institutions (FI). The review follows Fitch's revision of the Outlook on Colombia's sovereign rating to Stable from Negative on March 10, 2017.

Today's actions on selected FIs are exclusively driven by the sovereign Outlook revision and do not reflect any changes to Fitch's view of the issuers' standalone credit profiles. These FI are linked to the sovereign or to highly rated international parents, and therefore Fitch has only take actions on the support-driven Issuer Default Ratings (IDRs) that are directly affected by the Outlook on the sovereign rating.

The sovereign Outlook revision reflected diminished macroeconomic imbalances as a result of the sharp reduction in the current account deficit, less uncertainty surrounding Colombia's fiscal consolidation path due to passage of tax reform measures in December 2016, and the expectation that inflation is approaching the central bank's target. For additional details, see 'Fitch Affirms Colombia at 'BBB'; Outlook revised to Stable', available at www.fitchratings.com.

The ratings of Bancolombia, S.A., Banco de Bogota, S.A., Banco Davivienda S.A., Banco de Occidente, Banco CorpBanca Colombia SA and all of their affiliates and related entities that mirror these banks' ratings, were not part of this portfolio review. Fitch will continue to assess any potential rating implications for these banks based primarily on its updated view of their standalone business and financial profiles.

Therefore, the Outlooks for the banks' IDRs, which are driven by their standalone profiles, remain Negative. Fitch expects to conduct a full review of these banks' ratings within the next four months. The same perspective applies to the Viability Ratings of BBVA Colombia and Banco Agrario, which were not included in today's review.

Fitch has taken the following rating actions (all other ratings of entities not listed below remain unchanged and were not affected by this portfolio review):

Banco BBVA Colombia S.A. (BBVA Colombia)

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

Banco Agrario de Colombia S.A. (Banagrario)

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

Financiera de Desarrollo Nacional S.A. (FDN)

Financiera de Desarrollo Territorial S.A. (Findeter)

--Long-Term Foreign and Local Currency IDRs affirmed at 'BBB'; Outlooks revised to Stable from Negative.

KEY RATING DRIVERS

Banagrario's, Bancoldex's, FDN's and Findeter's IDRs are driven by sovereign support. The credit quality of these sovereign owned entities (SOEs) is linked to that of the government, given their strategic importance for the country, and therefore their ratings have been traditionally aligned to the sovereign's. The Stable Rating Outlook on the FC and LC IDRs are fully aligned with the sovereign's, reflecting Fitch's assessment of the government's willingness and capacity to provide timely support if needed.

BBVA Colombia's IDRs reflect the support it would receive from its parent should it be required. Given its profitability, growth potential, integration with its parent in terms of franchise, business model and management, BBVA Colombia is considered a strategic subsidiary of its parent Banco Bilbao Vizcaya Argentaria (BBVA; rated 'A-/Stable Outlook), which explains that its IDRs are one notch below its parent's..

RATING SENSITIVITIES

Local and Foreign Currency IDRs

As a development banks that are majority owned by the state, Banagrario's, Bancoldex's, FDN's and Findeter's creditworthiness and ratings are directly linked to those of the sovereign. Hence, its ratings and outlooks should move in line with any potential change in Colombia's sovereign ratings.

BBVA Colombia's IDRs would change if Fitch's assessment of its parent's ability and/or willingness to support the bank changes. In general, the IDR's would move in line with those of the parent, although the uplift is limited to a few notches above the

respective sovereign rating. Downside potential on the IDRs in the event of weaker capacity or willingness of the parent to support, is limited to BBVA Colombia's own Viability Rating.

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Applicable Criteria

Global Bank Rating Criteria (pub. 25 Nov 2016) (<https://www.fitchratings.com/site/re/891051>)

Global Non-Bank Financial Institutions Rating Criteria (pub. 10 Mar 2017) (<https://www.fitchratings.com/site/re/895236>)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1020882&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJzZXNzaW9uS2V5IjoiwU0yTjFPQ1hGQVZQRE9RSDIRRjVSU1KTThaM1IzOUgzVUdGOFJJSiIsImV4cCI6MTQ5MDcyODE2NSwidXNlckkljoyMzQ3NDI3fQ.8aux1cNXnUHI3KSBkTb-iiC9w5paGC0eZk28WHHQL2s)

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