

## FITCH EXPECTS TO RATE DAVIVIENDA'S SUBORDINATED NOTES 'BB+'

Fitch Ratings-New York-27 June 2012: Fitch Ratings expects to assign a 'BB+' rating to Davivienda's upcoming 10-year U.S. dollar subordinated notes. A list of Davivienda's current ratings follows the end of this press release.

The notes (the amount currently undetermined) will mature in 10 years. Interest payments will be made semi-annually until maturity. The notes will carry a fixed interest rate to be set at the time of issuance. The final rating is contingent upon the receipt of final documents conforming to information already received.

The notes will be structurally subordinated to the existing and future obligations of Davivienda's subsidiaries (including trade payables) and to labor, tax and other obligations that are privileged by law. The notes will rank pari-passu with all of Davivienda's existing and future subordinated. The notes will be senior to Davivienda's capital stock and to any other instruments that may qualify as Tier I capital according to Colombian regulation.

Fitch currently rates Davivienda long-term foreign and local currency IDRs 'BBB-' with a Stable Outlook. The notes do not meet the characteristics required to achieve any equity credit. As such, Fitch deems these notes as debt (as per its rating criteria). Accordingly, Fitch will rate the notes one notch below Davivienda's IDRs. This reflects their subordinated nature and the higher than average losses that these securities typically incur in case of a default.

Davivienda will use the proceeds of the issuance of the notes (together with existing cash and cash equivalents) to pay for the acquisition of HSBC's Subsidiaries in Central America and for general corporate purposes. However, the notes do not meet Fitch's criteria for eligible capital. As such, Fitch expects Davivienda's leverage -to increase slightly in the short run. Fitch expects that continued growth and positive returns, will allow the bank to sustain adequate Fitch core capital levels.

Fitch currently rates Davivienda as follows:

- Long-term foreign currency IDR 'BBB-'; Outlook Stable;
- Long-term local currency IDR: 'BBB-'; Outlook Stable;
- Short-term foreign currency IDR 'F3';
- Short-term local currency IDR 'F3';
- Viability rating 'bbb-';
- Support Rating '3';
- Support floor 'BB+';
- Subordinated debt 'BB+'.

Davivienda is Colombia's third largest bank by assets with a market share of about 12% at March 2012. Davivienda is a universal bank operating across all business segments with a particular strength in the consumer business.

Davivienda has an agreement to acquire HSBC's operations in El Salvador, Honduras and Costa Rica, with the transaction likely to close during second half-2012. Davivienda is controlled by Sociedades Bolivar, which has interests in the construction and insurance industries in Colombia.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

- 'Global Financial Institutions Rating Criteria' (Aug. 16, 2011);
- 'Treatment of Hybrids in Bank Capital analysis' (Jul. 11, 2011);
- 'Rating bank Regulatory Capital and Similar Securities' (Dec. 15, 2011).

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Global Financial Institutions Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=649171](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171)

Treatment of Hybrids in Bank Capital Analysis

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=641269](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=641269)

Rating Bank Regulatory Capital and Similar Securities

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=656371](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=656371)

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