Fitch Ratings

FITCH AFFIRMS GRUPO AVAL ACCIONES Y VALORES SA, BANCO DE BOGOTA SA & CREDOMATIC INT'L CORP.

Fitch Ratings-New York-02 July 2013: Following the announcement that Grupo Aval Acciones y Valores S.A. (GA) and Banco de Bogota S.A. (Bogota) have agreed to acquire Grupo Reformador, Fitch Ratings has affirmed the ratings for GA, Bogota, and Credomatic International Corporation (CIC). The Rating Outlook for all three companies is Stable. A complete list of rating actions follows at the end of this press release.

On June 27, GA and its primary operating company Bogota announced an agreement to acquire 100% of Grupo Reformador through Bogota subsidiary CIC. Grupo Reformador is the controlling company of Banco Reformador (BR) in Guatemala, and GA intends to merge BR with BAC International Corporation's (BAC) operations in that country. BAC is the parent company of CIC and a subsidiary of Bogota.

The $411 million acquisition will be paid with CIC's own funds and will create goodwill of about $255 million in CIC's books. Grupo Reformador has assets of $1.5 billion and equity of $156 million; it is focused on the corporate and commercial segments. The bank's assets would complement BAC's retail portfolio and allow it to achieve a 10% market share, becoming the country's fourth largest bank while significantly expanding its footprint in Guatemala.

RATING RATIONALE

BANCO DE BOGOTA
The impact of the transaction on Bogota's financial standing would be moderate but neutral to its ratings. Initial calculations by Fitch show that Bogota's capital ratios would decline due to the acquisition and the goodwill it will generate. This will add to the goodwill generated during 2Q13 as Bogota acquired BBVA Horizonte's pension fund business in Colombia. However, capital ratios would remain at a level compatible with Bogota's rating with FCC to RWA expected to remain in the 10.5%-11.5% range.

Profitability has shown a strong improvement during 1Q2013 and would not be affected by the transaction. However, it is expected to revert closer to Bogota's recent profitability levels (ROAA in the 1.8%-2% range in 2011-2012) as the exceptional conditions of 1Q13 dissipate. Nevertheless, profitability should continue to compare well with that of similarly rated banks.

Bogota's 'bbb' Viability (VR) and 'BBB' Issuer Default Ratings (IDRs) reflect its strong franchise; sound asset quality and reserves; consistent performance; conservative credit/risk policies; ample, diversified funding; and adequate capital. Fitch's view of Bogota's creditworthiness is tempered by its heightened competitive environment in Colombia and abroad and the risk arising from its ongoing diversification into retail.

Bogota's support and support floor ratings reflect its systemic importance (the bank has a market share of about 15% by assets) and Fitch's view that support from the Colombian government (rated 'BBB-/BBB', Outlook Positive) would be forthcoming, should it be required.

GRUPO AVAL
Fitch has affirmed GA's ratings based on their linkage to Bogota's ratings. The transaction is not expected to increase debt levels at the holding company level (GA), while Bogota's financial profile remains consistent with its credit rating. In addition, GA's double leverage, debt service and debt coverage ratios remain moderate.

GA's ratings reflect its strong competitive position, sound financial standing, sustained operating performance, diversified franchises, M&A experience and robust asset quality. Fitch's view of GA's creditworthiness is tempered by its increased double leverage and higher debt service which, nevertheless, are only marginally affected by the recent acquisitions.

According to Fitch's calculations (assuming a conservative dividend growth scenario), the EBITDA to interest expense ratio would remain in the 7x - 8x range and its debt to EBITDA ratio would gradually decline from its 2.9 peak at December 2012. Current third party financial debt has an adequate weighted average tenor of almost six years while related parties' debt represented around 24% of total financial debt at end-2012.

Accordingly, the debt service ratio (EBITDA to Interest Expense + Debt Amortizations) will fluctuate between 3x and 4x in the next three years. When considering only third party debt, the debt service ratio will fluctuate between 6x and 7.6x. For its part, the net debt to EBITDA ratio will become a very moderate 2.2x that will gradually fall down to about 1.3x.

The expected increase on the dividend flows from the main operating subsidiaries and the possible inclusion of dividends from the pension fund business to be acquired may result in a steady enhancement of such metrics in the medium term under the absence of new financial debt. GA also manages a sizable portfolio of liquid assets that may be used to fund additional acquisitions or cover unexpected shortfalls on its revenue stream.

CREDOMATIC INTERNATIONAL CORPORATION
Fitch has affirmed CIC's ratings reflecting Fitch's opinion that Bogota's ability and willingness to support CIC's operations remains unchanged.

BAC/Credomatic's operations in Central American region are characterized by its high profitability and sound asset quality and adequate capital levels, which are based on its leading position in credit cards and its role as a relevant player in retail banking. Although the acquisition of Banco Reformador will increase CIC's double leverage ratio and reduce the Guatemalan operation's profitability in the short term, Fitch does not expect a weakening in the group's financial profile in Central America.

CIC's IDRs reflect the support it would receive from its parent, should it be required. Bogota's ability to support CIC is reflected in its IDR, and Fitch believes the financial support to CIC would be timely and sufficient based on several factors. CIC is considered a 'core' asset by its parent due to its meaningful size, its important contribution to consolidated net income and its key role in the group's regional expansion strategy.

RATING SENSITIVITIES

BOGOTA
Bogota's ratings could be upgraded if the bank sustains its performance while adequately managing BAC, achieving synergies and better diversification in Colombia and Central America.
On the other hand, a dismal performance and/or severely weaker asset quality that would pressure loan loss provisions and erode the bank's capital/reserves cushion would pressure its VR and IDRs downwards.

GRUPO AVAL
GA's ratings would benefit from higher capital levels, a sustained performance at each operating company (i. e. maintaining asset quality and reserve coverage) and stronger debt service coverage ratios.

On the other hand, a substantial increase in the group's leverage or a decline in the dividend flows from the operating companies would be credit negatives for GA as they would hinder its ability to serve its debt.

CREDOMATIC INTERNATIONAL CORPORATION
Changes in CIC's IDR would reflect changes in Bogota's ability and/or propensity to provide support, in case of need. The IDRs would move in line with Bogota's rating.

Fitch has affirmed the following ratings:

BOGOTA
--Long-term foreign currency IDR at 'BBB'; Outlook Stable;
--Short-term foreign currency IDR at 'F2';
--Long-term local currency IDR at 'BBB'; Outlook Stable;
--Short-term local currency IDR at 'F2';
--Viability rating at 'bbb';
--Support Rating at '3';
--Support floor at 'BB+';
--Senior unsecured debt at 'BBB'.
--Subordinated debt at 'BBB-'.

GRUPO AVAL
--Long-term foreign currency IDR at 'BBB-'; Outlook Stable;
--Short-term foreign currency IDR at 'F3';
--Long-term local currency IDR at 'BBB-'; Outlook Stable;
--Short-term local currency IDR at 'F3';
--Viability rating at 'bbb-';
--Support rating at '5';
--Support rating floor at 'NF';
--Senior unsecured bonds at 'BBB-'.

CREDOMATIC INTERNATIONAL CORPORATION
--Foreign currency long-term IDR at 'BBB'; Outlook Stable;
--Foreign currency short-term IDR at 'F2';
--Support rating at '2';
--Support floor at 'NF'.

Contact:

Primary Analyst (Grupo Aval, Banco de Bogota, Credomatic International Corporation)
Diego Alcazar
Director
+1-212-908-0396
Fitch Ratings, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst (Banco de Bogota)
Andres Marquez
Director
+ 57 1 326-9999

Secondary Analyst (Grupo Aval)
Sergio Pena
Associate Director
+ 57 1 326-9999

Secondary Analyst (Credomatic International Corporation)
Rolando Martinez
Director
+ 503 2516-6600

Committee Chairperson
Franklin Santarelli
Managing Director
+1-212-908-0739

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Global Financial Institutions Rating Criteria' (Aug. 15, 2012);
--'Rating FI subsidiaries and Holding Companies' (Aug. 12, 2012).

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Global Financial Institutions Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181
Rating FI Subsidiaries and Holding Companies
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=679209