

Bulletin:

# Banco de Bogota's 75% Spin-Off Of BAC International Bank Signals Shift Towards Greater Reliance On Colombian Operations

September 20, 2021

MEXICO (S&P Global Ratings) Sept. 20, 2021--Banco de Bogota S.A. y Subsidiarias (BBogota; BB+/Stable/B) announced its intent to submit a request to spin off its 75% ownership of BAC International Bank Inc. (BIB; BB+/Watch Pos/B). The spin-off stocks will be listed on the Colombian Stock Exchange and will be held by Grupo Aval's ultimate shareholders, pending regulatory approval. BBogota will own the remaining 25% equity. This follows the bank's strategy to separate its Colombian and international operations. If the spin-off materializes, BIB will no longer be a subsidiary of BBogota. The announcement has no effect on our ratings on BBogota, which we affirmed in April 2021. Although Multibank Inc. y Subsidiarias (BB+/Stable/B) is a subsidiary of Leasing Bogota Panamá, it won't be part of the spin-off and it will remain a core subsidiary of BBogota, and the ratings on the former also remaining unchanged.

As of June 2021, BIB represented about 45% of BBogota's assets and 52% of its revenue, while its revenue is diversified given its exposures throughout Central America. Although the spin-off will narrow BBogota's geographic diversification, we consider that its strong brand in Colombia, coupled with its long-standing client relationships, would continue to support its business stability. Additionally, BBogota would remain as one of the leading institutions in the Colombian banking system with a predominant market share. In this sense, we believe that the bank's business position would remain unchanged.

We consider that the spin-off could raise BBogota's capitalization levels, given the amount of goodwill on its balance sheet to fall. But we don't expect this to be sufficient to prompt a revision of the bank's capital and earnings to a stronger category. However, once we have complete information of the spin-off, we will assess if there's any impact on BBogota's stand-alone credit profile.

This report does not constitute a rating action.

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