

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings has affirmed Banco GNB Sudameris S.A.'s (GNB) long-term Issuer Default Rating (IDR) and Viability Rating (VR) at 'BB+' and 'bb+', respectively. A complete list of rating actions is provided at the end of this press release.

KEY RATINGS DRIVERS

VR, IDR, NATIONAL RATINGS AND SENIOR UNSECURED DEBT

GNB's local and foreign currency IDRs and its national ratings are driven by its VR of 'bb+'. The latter reflects the bank's rapid inorganic growth since the fourth quarter of 2013 [4Q'13] (total assets increased 59% in the 15 months to March 2014), which will be completed during 2014 and has negatively affected the bank's profitability and capital metrics.

The ratings also consider GNB's robust asset quality (30-day past-due loan [PDL] ratio stood at 1.87% at March 2014), sound reserves (about 1.7x PDL coverage) and ample liquidity (over 40% of its consolidated assets are in the form of cash and securities). In addition, Fitch notes the bank's clear strategy, experienced management, and positive operating environment, as well as the challenges inherent to cross-border mergers and acquisitions (M&A).

GNB's performance during 2013 and 2014 is affected by its rapid asset growth that has yet to translate into revenues and profitability. The bank's newly acquired subsidiaries show positive improvement signs but lag their parent's performance. While progress is likely into 2015, short-term performance and capitalization metrics appear to be at a trough and should remain close to historic minimums during most of 2014 then recover gradually. GNB's future performance is expected to benefit from slower growth and cost control while the integration and consolidation of GNB's new subsidiaries should result in higher profitability during 2015 with ROAA gradually inching towards 1%.

Asset quality has slightly deteriorated but remains among the best in Colombia and

sound by international standards. The bank's conservative policies, robust origination policies and adequate risk controls should contribute to maintain a solid asset quality. PDL trends at its newly acquired subsidiaries also point to the stability of asset quality metrics.

Fitch core capital ratios are expected to decline to the 9%-10% range by year end as the bank merges with Banco GNB Colombia (former HSBC Colombia), then gradually improve and consolidate above 10%, a level that compares well with similarly rated peers. Slower growth, improving profitability and a conservative dividend policy (the bank will not distribute dividends for the third consecutive year in 2015) should underpin capital ratios which should also be viewed in the light of the bank's ample loan loss reserves.

SUPPORT RATING AND SRF

GNB's support rating and support rating floor reflect the bank's somewhat modest systemic importance and Fitch's perception that the Colombian government would probably support GNB if needed.

SUBORDINATED DEBT

GNB's subordinated debt is rated one notch below the bank's IDR. These bonds lack equity-like features that would earn it equity credit following Fitch's criteria. The notching reflects one notch for higher expected losses in case of liquidation but no additional notching for non-performance.

RATINGS SENSITIVITIES

VR, IDR, NATIONAL RATINGS AND SENIOR UNSECURED DEBT

GNB's ratings could be negatively affected if GNB's (or one of its newly acquired

subsidiaries') performance declines more than expected, in particular, if its ROAA declines below 0.5% or if its capital declines (FCC below 9%). In addition, should the financial profile of the acquired entities, in terms of funding, capital and profitability, deteriorate, GNB's ratings would be pressured downwards.

On the other hand, given that the bank is just starting to integrate its new acquisitions and will continue to show relatively weak profitability and capital metrics in the short run, there is limited upside potential for its ratings.

SUPPORT RATING AND SRF

GNB's support and support floor ratings would change if Fitch's assessment of the Government's ability and willingness to support the bank change.

SUBORDINATED DEBT

The ratings of GNB's subordinated debt will move in line with the bank's IDR.

Fitch has affirmed GNB's ratings as follows:

--Long-term foreign currency IDR at 'BB+'; Outlook Stable;

--Short-term foreign currency at IDR 'B';

--Long-term local currency IDR at 'BB+'; Outlook Stable;

--Short-term local currency IDR at 'B';

--Viability rating at 'bb+';

--Support Rating at '4';

--Support Floor at 'B+';

--Senior unsecured notes at 'BB+';

--Subordinated notes at 'BB';

--National scale long-term rating at 'AA+(col)'; Outlook Stable;

--National scale short-term rating at 'F1+(col)'.

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

Applicable Criteria and Related Research:

--'Global Financial Institutions Rating Criteria' (Jan. 31, 2014);

--'Assessing and Rating Bank Subordinated and Hybrid Securities' (Jan. 31, 2014).

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=838982

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