Fitch Ratings-New York-01 July 2011: Fitch Ratings has today affirmed Bancolombia's ratings as follows:

--Long-term foreign currency Issuer Default Rating (IDR) at 'BBB-';
--Short-term foreign currency IDR at 'F3';
--Long-term local currency IDR at 'BBB-';
--Short-term local currency IDR at 'F3';
--Individual rating at 'C';
--Support rating at '3';
--Senior Unsecured debt at 'BBB-';
--Subordinated debt at 'BB+'

At the same time, the support floor rating is upgraded as follows:
--Support floor to 'BB+' from 'BB'.

The Rating Outlook is revised to Positive from Stable.

In addition, Fitch has affirmed Bancolombia Panama's (BP) ratings as follows:
--Long-term foreign currency IDR at 'BBB-';
--Short-term foreign currency IDR at 'F3';
--Individual rating at 'D';
--Support rating at '2';
--Long-term deposits at 'BBB-';
--Short-term deposits at 'F3'.

The Rating Outlook is revised to Positive from Stable.

Bancolombia's support floor was upgraded to reflect the improved credit standing of the Republic of Colombia which was recently upgraded to 'BBB-/BBB' by Fitch. Bancolombia's IDRs and individual ratings would be upgraded if the bank is able to sustain its performance while maintaining reasonable asset quality and adequate capital/reserves. The ratings would be pressured downward if asset quality deteriorates beyond reasonable levels, performance declines significantly, and/or the bank's capital/reserves cushion weakens.

Bancolombia's individual and IDRs reflect its strong franchise, solid earnings generation, ample deposit and customer base, diversified loan portfolio and revenues, sound asset quality, adequate reserve coverage, and sound liquidity and capital. The IDRs also factor in the relatively higher operating costs, lower efficiency and pressures on margins. Advances on its efficiency ratios would benefit its overall financial performance and may help to protect and enhance its income generation capacity.

Given the systemic importance of Bancolombia, support from Colombia's central bank would, in Fitch's opinion, be forthcoming. Colombia's ability to provide such support is considered moderate and reflected in its sovereign rating ('BBB-', with a Stable Outlook).

Bancolombia's performance reached a turning point in the second quarter of 2010 (2Q'10) as the bank resumed strong loan growth. Average loan volumes gradually increased since then and helped mitigate the decline in margins, and along with lower loan loss provisions - that reflect the bank's improved asset quality and positive economic prospects in its major market - allowed Bancolombia to compensate for higher operating costs (related to its network expansion) and contributed to sustain strong profitability. In spite of relatively lower efficiency, ROAA stood at 2.04% at March 2011, while ROAE was 17.98%). Thus, Bancolombia's performance compares well to that of its
regional peers, as it deftly navigated the crisis, maintaining adequate performance and profitability while improving asset quality, reserve coverage and solvency.

As Bancolombia resumed loan growth, higher loan volumes and relatively stable margins should allow for an increase in interest revenues while non-interest revenues continue to grow. Operating costs are expected to decline in relative terms - as expansion continues but revenues improve - and credit cost should remain relatively stable as economic prospects brighten in Colombia thus contributing to improve operating efficiency and the bottom line. Overall profitability should gradually improve with an ROAE closer to 20% and an ROAA above 2%, a level that should suffice to underpin capital and growth.

Bancolombia is the country's largest universal bank, which, after several years of strong organic growth and strategic acquisitions, held about 20% of the banking system's assets as of March 2011. Bancolombia has become a regional player through the acquisition of Banco Agricola (BA; El Salvador's largest bank, rated 'BB+' by Fitch, with a Stable Outlook). Bancolombia is controlled by a conglomerate of companies; its main shareholders are Grupo Suramericana and Inversiones Argos.

BP's IDRs reflect the support it would receive from its parent (Bancolombia) should it be required. The individual rating reflects its sound performance, adequate loan loss reserves, high efficiency, and sufficient liquidity; they also consider the bank's decline in asset quality and relatively low - albeit improving - capital base. The Ratings Outlook are revised to Positive in line with that of its parent. In Fitch's opinion, considering BP's integration with its parent and importance in its business strategy, support from Bancolombia should be forthcoming if needed. Bancolombia's ability to support BP is reflected in its IDR.

BP's IDRs could be upgraded if Bancolombia's IDR is upgraded; the IDRs would move in line with Bancolombia's rating. The individual rating could be pressured if BP's performance declines, asset quality deteriorates, reserve coverage weakens, or capital ratios deteriorate. BP is 100% owned by Bancolombia and is a key subsidiary that offers offshore financial services to its largest customers and acts as holding company for Bancolombia's largest investment abroad, Banco Agricola (BA).