FitchRatings

FITCH AFFIRMS GRUPO SURA'S IDR AT 'BBB-'; OUTLOOK STABLE

Fitch Ratings-New York-07 June 2012: Fitch Ratings has affirmed the Issuer Default Rating (IDR) and outstanding debt ratings of Grupo de Inversiones Suramericana S.A. (GRUPO SURA) and its special-purpose vehicle Gruposura Finance as follows:

GRUPO SURA:
--Foreign currency IDR at 'BBB-';
--Local currency IDR at 'BBB-';
--COP250,000 million local unsecured bonds due 2019-2049 at 'AAA(Col)'.

Gruposura Finance:
--Foreign currency IDR at 'BBB-';
--Local currency IDR at 'BBB-';
--US$300 million senior unsecured bonds due 2021 at 'BBB-'.

Gruposura Finance is a special-purpose vehicle wholly owned by GRUPO SURA and incorporated in the Cayman Islands. Its debt is unconditionally guaranteed by GRUPO SURA.

In addition, Fitch has withdrawn the 'F1+(col)' rating corresponding to GRUPO SURA's COP250,000 million of commercial papers due 2012 as this security was paid off and its authorization in the local market has expired.

The Rating Outlook is Stable.

GRUPO SURA's ratings reflect the credit quality and diversification of its investment portfolio, its solid market position and the medium-term outlook in the industries in which it participates through strategic investments, historical low leverage and somewhat narrow liquidity levels.

The ratings factor in the company's growth strategy which includes merger and acquisitions activity as an important component as well as GRUPO SURA's track record of funding its inorganic growth with adequate combinations of equity and debt to maintain satisfactory credit metrics. GRUPO SURA's credit ratings also incorporate the structural subordination of the holding company's debt to the debt at its operating companies which is compensated by the company's significant role in the dividend policy of its main investments.

The Stable Outlook reflects the view that GRUPO SURA will improve its liquidity and capital structure during 2012 as a result of the business deleverage through the incorporation of co-investors in recent acquisition, selling of non-core assets and minority stakes, and improving dividend flow. The Stable Outlook also incorporates the view that the company's business strategy will be focused in organic growth and the integration of recent acquired businesses during the next 18 months ended in December 2013. The occurrence of a significant debt-funded acquisition affecting the company's capital structure and liquidity is not expected in the near term.

Improvement in Credit Quality of Dividend Flow Incorporated; 2012 Received Dividends Expected to Be Around USD260 Million:

GRUPO SURA's 2012 total amount of received dividends are expected to be around USD260 million, increasing in approximately 55% over the level reached in 2011 of USD167.6 million, this increase reflects primarily the incorporation of the pension mutual fund business after the USD3.6 billion ING portfolio acquisition occurred last December 2011. The rating affirmation positively incorporates the enhancement in the diversification and credit quality of GRUPO SURA's dividend flow as approximately 75% in expected received dividends during the next several years should come from the financial services segment business, primarily from Bancolombia S.A. (Bancolombia) and Sura Asset Management, businesses with stable levels of cash flow generation and paid dividends.

Bancolombia, rated 'BBB-',Outlook Positive by Fitch, is a leading financial institution in Colombia with a market share of around 22% of the country's total gross loans and with operations also in El Salvador throughout Banagricola with a leader market position of approximately 30% of the country's total loans and deposits. GRUPO SURA - through its new business unit Sura Asset Management - has become the largest pension fund manager in Latin America with operations in Mexico, Peru, Chile, Colombia, and Uruguay. The operation presents strong growth potential as pension contribution levels should continue on positive trend reflecting the positive economic trend in the countries where the operation is run, still low penetration levels in terms of affiliations, and favorable demographics with young population being incorporated to the formal employment. The ratings include the expectations of growing trend in the levels of dividends payments from Sura Asset Management to GRUPO SURA with 2012 level expected to be around USD78 million, and with an expected annual average level of USD110 million during the 2012-2014 period. Factored also into the ratings is the view that GRUPO SURA will continue to receive an important portion of its dividend flow from its investments allocated in the industrial segment (Nutresa and Grupo Argos) with expected combined received dividends levels of around USD58 million during 2012.

Business Deleverage A Positive Rating Factor, Further Improvement Expected During 2012:

The company ended 2011 with weak credit metrics as a result of the initial increase in debt levels used to finance the ING transaction. By the end of December 2011, GRUPO SURA's total net debt - individual basis an including the USD300 million international senior notes - was USD1.38 billion versus USD619.5 million by the end of December 2010. The company's received dividends, paid dividends, and net dividend flow reached levels of USD167.6 million, USD60.1 million, and USD107.4 million, respectively, during 2011. These figures resulted in GRUPO SURA's 2011 leverage metrics, measured as total net debt to received dividends and total net debt to net dividend flow ratios, of 8.2 times (x) and 12.9x, respectively. On a pro forma basis, adding Sura Asset Management's 2011 paid dividends, GRUPO SURA's 2011 leverage metrics would have resulted in 5.7x and 7.6x, respectively.

Positively considered is the important business deleverage being implemented as GRUPO SURA reduced its total debt in 26% from USD1,382 million in December 2011 to USD1,026 million in April 2012. This debt reduction basically reflects the incorporation of two co-investors, participating in the ING transaction, during the January-April 2012 period and additional proceeds generated from the selling of non-core assets during the same period. GRUPO SURA's deleverage business is expected to continue during 2012 reaching total debt levels of around USD550 million by the end of 2012. Proceeds to support the additional expected debt reduction should come from different sources which includes the recently announced incorporation of J.P. Morgan as a new co-investor in Sura Asset Management's operations, representing an equity increase of approximately USD178 million, company's own cash flow generation, and from the selling of minority stakes, without losing control, in some investments. The ratings reflect the expectation that GRUPO SURA's leverage metrics of total net debt to received dividends and total net debt to net dividend flow ratios will improve reaching levels of 1.7x and 3.4x, respectively, by the end of 2012.

Low Liquidity, Additional Reduction In Short-Term Debt During 2012 Incorporated:

The company's liquidity is expected to improve during 2012 as a result of the reduction in its short-term debt levels. By the end of March 2012, the company maintained a low cash position of USD23 million, which is partially balanced by alternative sources of liquidity that the company could access if it is required. These alternative sources of liquidity include uncommitted unused credit lines for approximately USD885 million with banks, the potential sale of minorities stakes - without affecting its controlling position - in strategic investments that could reach a total of up to USD700 million, and good established access to the international and local bond markets.

By the end of April 2012, the company's total debt was composed primarily by USD141.7 million in local bonds, USD300 million in senior notes due in 2021, and the remaining balance of

USD584.3 million compounded by bank loans. By the end of April 2012, the company faced debt principal payment of USD373 million, USD106 million, and USD106 million during 2012, 2013, and 2014, respectively. The ratings incorporate that the above-mentioned debt reduction expected to continue during 2012 will be primarily oriented to reduce GRUPO SURA's short-term debt levels. The company's cash and short-term debt levels are expected to be around USD40 million and USD70 million, respectively, by the end of 2012.

Rating Expectations:

The ratings consider the expectation that GRUPO SURA will further deleverage, reaching leverage and liquidity at the above-mentioned levels by the end of 2012. Over the medium term, the ratings incorporate the view that GRUPO SURA's leverage metrics, measured as total net debt to received dividends and total net debt to net dividend flow ratios, will remain around 1.5x and 3x, respectively. Key rating drivers include the development of the regional macroeconomic environment in which the company operates and the operational performance of the company's portfolio investments, and GRUPO SURA's business strategy as to organic and inorganic growth.

Fitch would view a combination of the following as negative to credit quality that could lead to a negative rating action: the company's lack of capacity or willingness to adjust its financial strategy by the end of 2012 toward more conservative leverage targets in line with those levels incorporated in the ratings, adverse macroeconomic trends leading to weaker credit metrics, debt-funded acquisitions, and aggressive change in its dividend payment strategy increasing paid dividends. The ratings incorporate the prospect of GRUPO SURA's average annual paid dividend at levels around USD140 million during the 2012-2013 period.

Contact:
Primary Analyst
Jose Vertiz
Director
+1-212-908-0641
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Glaucia Calp
Senior Director
011 571 326 9999

Committee Chairperson
Peter Shaw
Managing Director
+1-212-908-0553

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

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:
--'Corporate Rating Methodology' (Aug. 12, 2011);
--'Parent and Subsidiary Rating Linkage' (Aug. 12, 2011);
--'National Ratings Criteria' (Jan. 19, 2011).

Applicable Criteria and Related Research:
Corporate Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647229
Parent and Subsidiary Rating Linkage
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National Ratings Criteria
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