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This paper identifies the main bank specific determinants of time to failure during the financial crisis in Colombia using duration analysis. Using partial likelihood estimation, it shows that the process of failure of financial institutions during that period was not a merely random process; instead, it can be explained by differences in financial health and prudence existing across institutions. Among the relevant indicators that explain bank failure, the capitalization ratio appears to be the most significant one. Increases in this ratio lead to a reduction in the hazard rate of failure at any given moment in time. Of special relevance, this ratio exhibits a non-linear component. Other important variables explaining bank failure dynamics are profitability of assets and the ratio of non-performing loans to total loans. Leverage appears to affect the hazard rate also, but with lower statistical significance.

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