FitchRatings

Banks
Universal Commercial Banks
Colombia

Itau Colombia S.A.

Ratings

Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB
Short-Term IDR	B
Viability Rating	bb
Shareholder Support Rating	bb–
Sovereign Risk (Colombia)	
Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BB+
Country Ceiling	BBB–
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Major Colombian Banks — Peer Review (Impact from Operating Environment Headwinds Manageable) (February 2023)

Itau Unibanco Holding S.A. (March 2023)

Key Rating Drivers

VR-Driven Ratings: Itau Colombia S.A.'s (Itau Colombia or the bank) Issuer Default Ratings (IDRs) are driven by the bank's Viability Rating (VR) and higher than its Shareholder Support Rating (SSR). The VR is one notch above the 'bb–' implied VR and reflects the bank's prudent risk profile. This has a positive impact on the bank's credit profile given the strong risk policies handed down by its parent and its conservative management approach.

Operating Environment Pressures: Fitch Ratings expects the operating environment (OE) for Colombian banks to remain stable and consistent with the 'bb' score, despite the expectation that slowing GDP growth and high interest rates throughout 2023 will address persistent inflation. Fitch believes the capitalization levels benefit from ordinary support, improving profitability and lower loan impairment charges, which provide Itau Colombia room to face the OE stress.

Itau's Group Regional Expansion: The bank continues to extensively implement Itau Unibanco Holding's (Itau, BB/Stable) expansion strategy and business model, which Fitch considers strategically important to consolidate the bank's presence in Colombia. Itau Colombia has a steady business model, with a focus on corporate business and medium- to high-income retail clients. The bank has a market share of 3.1% by assets (December 22), ranking eighth in loans, ninth position in deposits and is the third largest international franchise. The bank is prudent in its risk appetite and has limited pricing power.

Itau's Risk Policies: Itau Colombia's risk profile is aligned with its parent's policies and improvements in asset quality is also supported by adjustments in its business profile and continues tuning on its risk models and risk controls. The bank's risk management structure is fully integrated with that of its parent, applying all of Itau's global risk management policies in Chile and Brazil. The risk appetite of the entity follows a global statement, core and specific risk metrics and capital consumption.

Good Asset Quality: Fitch expects Itau Colombia's asset quality to remain at around 3.0% in 2023 due to the bank's focus on less riskier segments and its approach to lower economic growth and higher interest rate environment. However, high inflation and interest rates still weigh on borrowers. The bank's loan performance has proven resilient to date due to continued adjustment of its internal models and ongoing monitoring of the loan portfolio and warning signals, as well as a strengthened collection process. Consolidated Stage 3 loans decreased to 2.8% of gross loans at YE22 from 3.9% at YE21 while reserve coverage increases to 163% (March 2023 90 days PDL: 2.7%).

Low Profitability Explained by Corporate Focus: Itau Colombia's profitability is low relative to peers due to the bank's corporate focus and limited size. Operating profitability in 2022 reflected limited asset growth and net interest margins pressures due to higher inflation offset by cost controls. The bank's operating profit to RWA ratio was low at 0.2% in December 2022 but above negative 0.43% on average from 2018–2021. Fitch expects the profitability core metric ratio to slightly improve to 0.8% at YE23. High interest rates should benefit net interest margins, but limited loan growth amid an uncertain operating environment challenges the bank's performance. Its efforts to increase profitability and consolidate its business plan have started to materialize.

Analysts

Ricardo Aguilar
+52 81 4161 7086
ricardo.aguilar@fitchratings.com

Sergio Pena
+57 601 241 3233
sergio.pena@fitchratings.com

Tight Capital Ratios: Fitch's capitalization score is above the implied level of 'b'. However, Fitch considers Itau Colombia's potential to receive capital injections (ordinary support) if required from its ultimate parent (Itau Unibanco), resulting in a positive adjustment to the bank's implied capitalization and leverage score. The banks CET1 was 9.9% at December 2022. Fitch expects a common equity Tier 1 (CET1) ratio at or slightly below 10% in 2023. The assessment assumes a lower but positive trend in internal capital generation, ample loan loss reserves and adequate risk management that further supports the bank's loss absorption capacity. Fitch views the bank's capital as relatively tight when compared to other rated institutions in similar operating environments (universal commercial banks in a 'bb' operating environment).

Reasonable Funding and Liquidity: The bank maintains good liquidity levels that somewhat offset its concentrated liability structure. Itau Colombia's moderate franchise limits its competitive advantage and influences funding costs. The bank has made a significant effort toward growing low-cost and stable funding. The bank's loans to deposits ratio was 123% at YE22 due to the use of mid- to long-term time deposits, bond issuances and credit lines. The deposit structure is increasingly composed of stable resources, in line with more conservative liquidity policies and liquidity coverage ratios. The deposit base has also been stable in recent years but concentrated, with a gradual increase of term deposits. The top 20 depositors represented 22% of total deposits.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A material deterioration of asset quality and a consistent negative profitability trend that cause a sustained decline in the CET1 ratio below 9% (assuming excess reserve maintenance and a challenging operating environment).
- Itau Colombia's SSR would be affected by a negative change in Itau's ability or willingness to support the bank. Although Fitch considers the subsidiary's credit profile mostly independent from its ultimate parent, the VR and IDRs may be pressured in a scenario of further downgrades of Itau Unibanco Holding (rated BB/Stable by Fitch), due to Fitch's criteria, which states that the intrinsic credit profile of a subsidiary bank cannot be completely delinked from that of its parent.

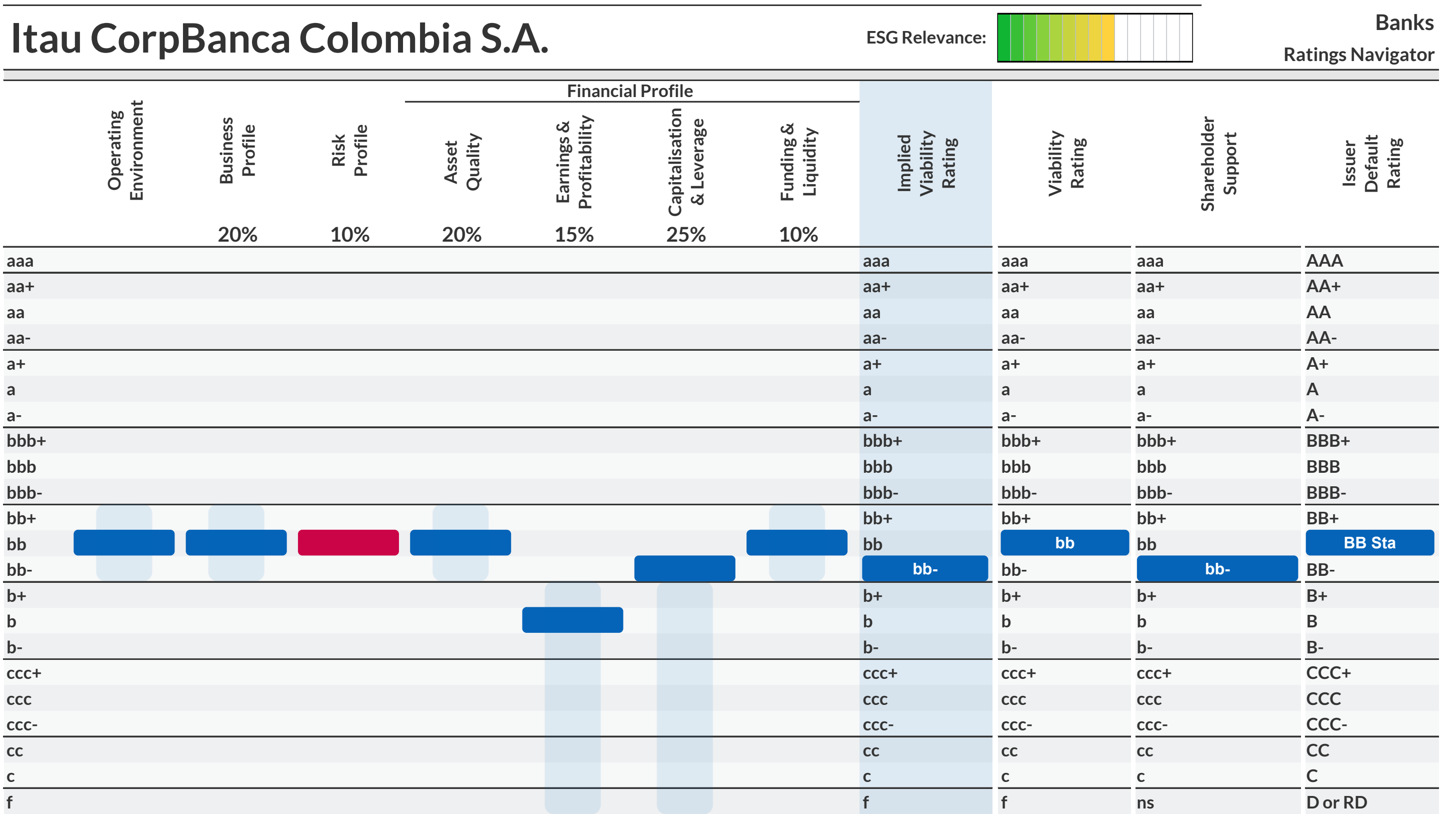
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Demonstrated capacity to sustain improvements in earnings and asset quality metrics;
- Maintaining a CET1 to RWA ratio consistently higher than 12% and an operating profit to RWA above 2.0%;
- Operating environment improvements that allows for relatively faster loan growth; and
- A positive change in Itau's ability or willingness to support the bank would positively influence Itau Colombia's SSR.

Significant Changes from Last Review

Itau Colombia's IDRs are driven by the bank's VR and higher than its SSR. The assessment also considers the bank's business profile, underpinned by its ultimate shareholder's expansion strategy and business model, which Fitch considers of strategic importance to consolidate the bank's market position in Colombia. The rating also reflects Itau Colombia's low profitability and moderate risk profile, resulting in controlled asset quality metrics. The weaker core capital metrics than regional peers are also factored into the rating.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The VR is one notch above the 'bb–' implied rating due to the following adjustment reason: risk profile (positive).

The Capitalization and Leverage score of 'bb–' has been assigned above the 'b' rating category implied score due to the following adjustment reason: Capital Flexibility and Ordinary Support (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Fitch expects the operating environment for Colombian banks to remain stable and consistent with the 'bb' factor score, despite its expectation for slowing GDP growth and high interest rates throughout 2023 to address a persistent inflation. Fitch believes sustained capitalization, improving profitability and lower loan impairment charges provide sufficient resilience to face stress for the banks.

Fitch expects falling household spending, still-elevated inflation and high interest rates, as well as market volatility due to the new government's planned reforms, to underpin the banking system's weaker financial performance in 2023 compared to 2022.The agency expects the impaired loans ratio to deteriorate due to lower borrower repayment capacity and lower credit demand as unsecured retail loans from 2022 season. However, impaired loan ratios will not pose risks to the banking sector's short- and medium-term stability as we expect any deterioration to be in line with pre-pandemic levels of asset quality.

Business Profile

Itau's Group Regional Expansion

The bank continues to extensively implement Itau Unibanco Holding's (Itau, BB/Stable) expansion strategy and business model, which Fitch considers strategically important to consolidate the bank's presence in Colombia. Itau Colombia has a consistent business model, with focus on corporate business and medium to high income retail clients. The bank has a market share of 3.1% by assets (December 22), ranked eighth in loans, ninth position in deposits and is third largest international franchise. The bank is prudent regarding risk appetite and has limited pricing power.

Itau Colombia is running its strategy to adopt Itau's business model throughout its organization, having to account for Colombia's characteristics and market position. During 2020, the bank defined its business strategy to 2024 with the aim of being the best choice for its clients. As part of this process, in September 2021, the bank launched a transformation program called Itau Go that has clear objectives in operational margins, profitability and customer satisfaction. The plan is looking to build simple, agile and efficient process based on four strategic fronts: i. Sustainable growth, ii. Customer centric, iii. Simple and Digital and iv. Talent and culture. In November 2022, the bank launched the second phase of this process and defined eight objectives that focus on profitability, funding, client satisfaction and digital sales to reduce cost to income among others.

Itau Colombia has been receiving a lot of support from main parent. The bank continues with Itau's strategy within Colombian market. Although Itau Colombia's strategy was affected by weaker economic cycles in Colombia, competitors' acquisitions and focus on more profitable products that impacted the market share, the bank was able to fulfil its objectives even with a more cautious approach via its focus on its core business and differentiate the client experience not competing through cost.

Risk Profile

Itau's Risk Policies

Itau Colombia's risk profile is aligned with its parent's policies and improvements on asset quality are supported also on adjustments in its business profile and continues adjusting its risk models and risk controls. The bank's risk management structure is fully integrated with that of its parent, and it applies Itau's global risk management policies in Chile and Brazil. The risk appetite of the entity follows a global statement, core and specific risk metrics and capital consumption.

The bank is mostly oriented to the corporate segment and plans to continue its gradual penetration of retail banking defining a conservative risk appetite. Itau's underwriting standards are conservative as illustrated by its good loan quality ratios, and follow its parent with defined exposure limits, collateral requirements and internal risk ratings.

Adequate Risk Controls

The credit risk to which the bank is exposed is mitigated by adequate diversification by economic sector and a moderate concentration in the largest debtors. The combination of a low risk appetite, improved risk management processes and a more stringent collection process should continue to sustain the loan portfolio's good performance. However, moderate loan concentration could lead to more volatile levels of impaired loans under less favorable economic conditions compared with the top players that have more diversified portfolios by debtor.

As part of the transformation process, retail and wholesale process of origination, credit models, statistical models, monitoring and collection has been reviewed. This includes the migration to digital approbation, tuning of risk models and decision-making motors through using data analytics and tailoring dashboards for credit risk. Additionally, the

Colombian Financial Superintendence defined an integral risk framework that all entities must apply regarding risk government structure, risk appetite statement and technological infrastructure that should be implemented by YE23.

Limited Asset Growth

Itau Colombia loan portfolio remained relatively flat during 2022, contrasting with the higher growth of the financial system of around 17%, reflecting its cautious approach regarding economic growth and high inflation. The bank perceives riskier products in vintage analysis in unsecured lending have not performed well and took measures to avoid any impact on nonperforming loans, including strength collections and chargeoffs. As of March 2023, the growth during the quarter continued to be low due to still-high market interest rates and slow economic growth.

Deposit growth in 2022 was -8.1% (December 2021 13.2%), underpinned by a preference toward term deposits, a better dynamic on retail funds, increase on credit lines and lower demand of wholesale credit.

Limited Market Risk

The bank follows policies and procedures of its parent organization to handle market risk. Risk exposures are related with interest rates, currency, derivatives and market positions in local index (DTF, IPC, UVR and IBR). Additionally, most of the bank's counterparties are highly rated international banks. Policies and limits have been modified according to Basel III guidelines under stress scenarios, different levels of limits and new financial risk models. All of these changes are set by the asset and liabilities committee and approved by the board. The financial risk unit monitors compliance with these policies and limits.

For the structural interest rate risk exposure, the bank performs sensitivity analysis of interest-bearing assets and liabilities with financial cost to evaluate the impact of interest rate changes in the net interest margin and capital. Itau calculates the regulatory and its internal VaR model under stress scenarios that helps to sizing all balance sheet risk positions. Additional tools include back-testing models stress situations, sensitivity analysis, generating alerts and defining operation limits that help to monitor risk exposures at different levels.

Also, the investment positions classified as available for sale decreased as a percentage of total securities and increased the percentage of held to maturity as part of the measures to reduce the impact on OCI and a better capital consumption.

Financial Profile

Asset Quality

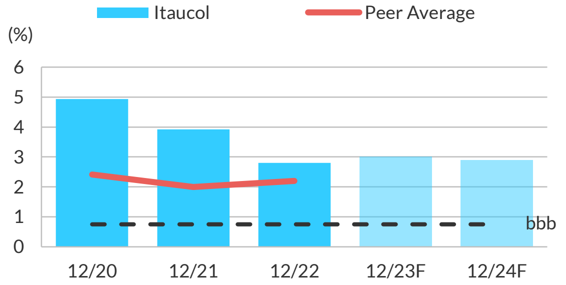
Good Asset Quality

Fitch expects Itau Colombia's asset quality to remain around 3.0% in 2023 due to the bank's focus on less riskier segments and approach to the lower economic growth and higher interest rate environment. However, high inflation and interest rates still weigh on borrowers. The bank's loan performance has proved resilient to date due to continued tuning of its internal models and ongoing monitoring of the loan portfolio and warning signals, as well as a strengthened collection process. Consolidated Stage 3 loans decreased to 2.8% of gross loans at YE22 from 3.9% at YE21, while reserve coverage increases to 163% (March 2023 90 days PDL: 2.7%).

The diversification by economic sector is wide and the proportion of foreign currency loans is low. Concentration limits are in accordance with the policies, with no sector, client, economic group or operation above the specific umbral. Obligor concentrations by economic group remains at moderate levels (top 20 equalling 12.6% of gross loans as of March 2023).

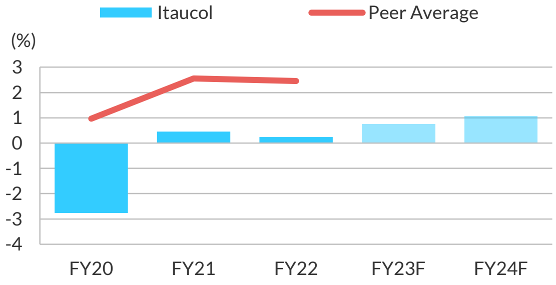
Chargeoffs increased to 2.9% in 2022 (Average 2018–2021: 2%) with two corporates loans that completed the requirements to be charged off. Reserve coverage remains high (90 days PDL: 164%, Stage 3: 60%) due to the parent company requirements and additional requirements for corporate loans. In Fitch’s view, reserve levels give an adequate cushion to protect loan portfolio deterioration.

Impaired Loans/Gross Loans



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Low Profitability Explained by Corporate Focus

Itau Colombia's profitability is low relative to peers due to the bank's corporate focus and limited size. Operating profitability in 2022 reflected limited asset growth and net interest margins pressures due to higher inflation offset by cost controls. The bank's operating profit to RWA ratio was low at 0.2% in December 2022 but above -0.43% on average from 2018–2021. Fitch expects the profitability core metric ratio to slightly improve to 0.8% at YE23. High interest rates should benefit net interest margins, but limited loan growth amid an uncertain operating environment challenges the bank's performance. Its efforts to increase profitability and consolidate its business plan have started to materialize.

The entity continued its efforts to control operating costs through personnel expenses and digital and core banking implementations that were not offset by an increase in operational revenues. Efficiency levels, measured as cost to income, deteriorated to 74%. The entity expects to improve efficiency for 2023 and gradually converge to the banking system average in the medium term. Loan impairment charges (LIC) decreased 14% during 2022 due to better loan performance, but the weight on pre-impairment operating profits increased to 87% due a lower dynamic in business volume.

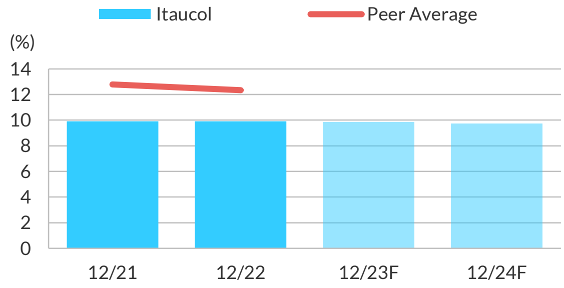
Capital and Leverage

Tight Capital Ratios

Fitch's capitalization score is above the implied level of 'b'. However, Fitch considers Itau Colombia's potential to receive capital injections (ordinary support) if required from its ultimate parent (Itau Unibanco), resulting in a positive adjustment to the bank's implied capitalization and leverage score. The banks CET1 was 9.9% at December 2022. Fitch expects a common equity Tier 1 (CET1) ratio at or slightly below 10% in 2023. The assessment assumes a lower but positive trend in internal capital generation, ample loan loss reserves and adequate risk management that further supports the bank's loss absorption capacity. Fitch views the bank's capital as relatively tight when compared to other rated institutions in similar operating environments (universal commercial banks in a 'bb' operating environment).

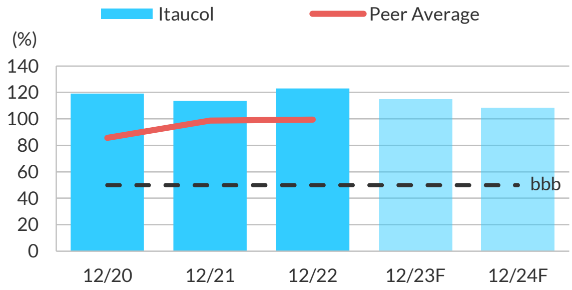
In December 2022, Itau Chile granted a subordinated credit to its Colombian subsidiary with Tier 2 characteristics that the regulator accounts as part of the regulatory capital, taking the total regulatory capital to 15.2%.

CET1 Ratio



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

Reasonable Funding and Liquidity

The bank maintains good liquidity levels that somewhat offset its concentrated liability structure. Itau Colombia's moderate franchise limits its competitive advantage and influences funding costs. The bank has made a significant effort toward growing low-cost and stable funding. The bank's loans to deposits ratio was 123% at YE22 due to the use of mid- to long-term time deposits, bond issuances and credit lines. The deposit structure is increasingly composed of stable resources, in line with more conservative liquidity policies and liquidity coverage ratios. The deposit base has also been stable in recent years but concentrated, with a gradual increase of term deposits. The top 20 depositors represented 22% of total deposits.

Itau Colombia enjoys a broad and growing customer base that funds 72% of the bank's operations. The moderate franchise gives a limited competitive advantage and generally influences the funding cost. The deposit structure established in 2016 aims for a composition change toward stable resources in line with the liquidity policies and liquidity coverage ratios, this includes mid- to long-term time deposits, continuous bonds issuance, locally and abroad and increase in retail funding.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material nonpublic information with respect to future events, such as planned recapitalizations or merger and acquisition activity, Fitch will not reflect these nonpublic future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bb' rating category. Light-blue columns represent Fitch's forecasts.

Peer average includes Banco GNB Sudameris S.A. (VR: bb), Banco Interamericano de Finanzas S.A. (bb+), Banco del Bajio, S.A. (bb+), Banco Regional, S.A., Institucion de Banca Multiple, Banregio Grupo Financiero. Latest average uses 3M23 data for Banco del Bajio, S.A., Banco Regional, S.A., Institucion de Banca Multiple, Banregio Grupo Financiero.

Financials

Financial Statements

	2022		2021	2020	2019
	USD Mil.	COP Bil.	COP Bil.	COP Bil.	COP Bil.
(Years ended Dec. 31)	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
Summary Income Statement					
Net Interest and Dividend Income	203	974.1	1,028.8	912.1	983.3
Net Fees and Commissions	22	107.0	128.4	143.8	162.3
Other Operating Income	89	430.2	428.5	360.0	474.2
Total Operating Income	314	1,511.3	1,585.7	1,415.9	1,619.8
Operating Costs	232	1,117.8	1,077.0	1,365.6	1,118.2
Pre-Impairment Operating Profit	82	393.5	508.7	50.3	501.6
Loan and Other Impairment Charges	72	345.3	404.2	660.7	302.7
Operating Profit	10	48.2	104.5	-610.4	198.9
Other Non-Operating Items (Net)	N.A.	N.A.	0.0	-709.4	16.3
Tax	-1	-3.4	-7.7	-372.0	60.5
Net Income	11	51.6	112.2	-947.8	154.7
Other Comprehensive Income	3	13.1	-1.9	-2.2	-23.0
Fitch Comprehensive Income	13	64.7	110.3	-950.0	131.7
Summary Balance Sheet					
Assets					
Gross Loans	4,692	22,568.9	22,673.2	21,017.8	21,407.9
- of which impaired	131	632.0	888.5	1,038.8	1,063.4
Loan Loss Allowances	215	1,034.4	1,344.3	1,467.0	1,196.5
Net Loan	4,477	21,534.5	21,328.9	19,550.8	20,211.4
Interbank	189	907.5	1,879.0	363.7	607.7
Derivatives	220	1,058.6	489.6	796.5	409.1
Other Securities and Earning Assets	1,006	4,837.5	6,209.2	5,601.9	4,638.8
Total Earning Assets	5,891	28,338.1	29,906.7	26,312.9	25,867.0
Cash and Due from Banks	243	1,168.2	1,033.8	1,290.9	1,209.3
Other Assets	291	1,398.7	1,331.5	1,242.6	2,392.3
Total Assets	6,425	30,905.0	32,272.0	28,846.4	29,468.6
Liabilities					
Customer Deposits	3,818	18,366.3	19,976.1	17,643.2	17,419.2
Interbank and Other Short-Term Funding	112	540.0	0.1	0.3	436.7
Other Long-Term Funding	1,488	7,157.9	6,821.0	5,477.4	6,470.4
Trading Liabilities and Derivatives	204	979.7	340.9	862.3	431.0
Total Funding and Derivatives	5,622	27,043.9	27,138.1	23,983.2	24,757.3
Other Liabilities	203	977.8	2,314.4	2,154.0	1,060.0
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	599	2,883.3	2,819.5	2,709.2	3,651.3
Total Liabilities and Equity	6,425	30,905.0	32,272.0	28,846.4	29,468.6
Exchange Rate		USD1 = COP4810.2	USD1 = COP3997.71	USD1 = COP3444.9	USD1 = COP3294.05

N.A. – Not applicable.
Source: Fitch Ratings, Fitch Solutions

Key Ratios

	2022	2021	2020	2019
Ratios (annualized as appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	0.2	0.5	-2.8	0.8
Net Interest Income/Average Earning Assets	3.4	3.8	3.3	3.6
Non-Interest Expense/Gross Revenue	74.0	67.9	96.5	69.0
Net Income/Average Equity	1.8	4.0	-30.1	4.3
Asset Quality				
Impaired Loans Ratio	2.8	3.9	4.9	5.0
Growth in Gross Loans	-0.5	7.9	-1.8	-2.5
Loan Loss Allowances/Impaired Loans	163.7	151.3	141.2	112.5
Loan Impairment Charges/Average Gross Loans	1.5	1.9	3.0	1.5
Capitalization				
Common Equity Tier 1 Ratio	9.9	9.9	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	N.A.	N.A.	10.5	10.4
Tangible Common Equity/Tangible Assets	8.0	7.2	8.0	8.5
Basel Leverage Ratio	6.4	6.5	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	-19.0	-21.7	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	N.A.	N.A.	-18.9	-5.5
Funding and Liquidity				
Gross Loans/Customer Deposits	122.9	113.5	119.1	122.9
Liquidity Coverage Ratio	182.5	138.8	127.5	138.7
Customer Deposits/Total Non-Equity Funding	70.5	74.6	76.3	71.6
Net Stable Funding Ratio	100.7	94.5	93.1	89.0

N.A. – Not applicable.
Source: Fitch Ratings, Fitch Solutions

Support Assessment

Shareholder Support	
Shareholder IDR	BB
Total Adjustments (notches)	-1
Shareholder Support Rating	bb-
Shareholder ability to support	
Shareholder Rating	BB/ Stable
Shareholder regulation	1 Notch
Relative size	Equalised
Country risks	1 Notch
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	Equalised
Integration	1 Notch
Support record	1 Notch
Subsidiary performance and prospects	1 Notch
Legal commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.

Higher influence   Moderate influence   Lower influence

Shareholder Support

Fitch believes that Itau Colombia is strategically important to Itau Unibanco Holding (BB/Stable), underpinning Itau Unibanco's support rating of 'bb–'. Therefore, Fitch anticipates support from the parent, if required. However, Itau Colombia's ratings are higher than those implied by the potential for support from its ultimate parent in consideration of its own intrinsic credit profile given Colombia's stronger operating environment relative to Brazil's.

Environmental, Social and Governance Considerations

FitchRatings **Itau CorpBanca Colombia S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Itau CorpBanca Colombia S.A. has 5 ESG potential rating drivers

- Itau CorpBanca Colombia S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.