

Itau CorpBanca Colombia S.A.

Update

Key Rating Drivers

Viability Rating (VR) Drives Issuer Default Rating (IDR): Itau Corpbanca Colombia's (Itau Colombia, or the bank) IDRs are driven by the bank's VR, which is in line with the implied VR and primarily reflect its business profile, underpinned by its ultimate parent's expansion strategy and business model that Fitch Ratings considers of strategic importance to consolidate the bank's presence in Colombia. The rating also reflects Itau Colombia's advances in profitability and moderate risk profile, resulting in controlled asset quality metrics.

Regional Expansion: The bank continues to extensively implement Itau Unibanco Holding's (BB/Stable) expansion strategy and business model, which Fitch considers strategically important to consolidate the bank's presence in Colombia. Under a universal banking strategy, with a focus on corporate and medium- to high-income customers, Itau Colombia has a market share of 3.1% (September 2022) and was the third largest international franchise.

Asset Quality Improvement: Itau Colombia has made important efforts to redesign its risk profile and apply a conservative approach to the complete credit risk process. Continued tuning of its internal models and ongoing monitoring of the loan portfolio and warning signals, as well as a strengthened collection process, have contributed to asset quality improvement. Consolidated Stage 3 decreased to 3.4% of gross loans at September 2022 from 3.9% at YE 2021.

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 that is offset by cost control and lower loan impairment charges. The bank's operating profit to RWA ratio remains stable at 0.5% at September 2022 compared with YE21, and above an average of negative 0.43% from 2018–2021. The negative trend in profitability reversed in 2021 as efforts to increase profitability and consolidate its business plan started to materialize.

Tight Capital Ratios: Fitch views the bank's capital as relatively tight compared to other rated institutions in similar operating environments (universal commercial banks in a 'bb' operating environment). However, Fitch also considers Itau Colombia's ample loan loss reserves and the 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 decline in the bank's common equity Tier 1 (CET1) to 9.6% at September 2022 was explained by its limited internal capital generation.

Sound Liquidity: The bank maintains good liquidity levels that somewhat offset its concentrated liability structure. The bank's loans/deposits ratio was 125% at September 2022 due to the use of mid- to long-term time deposits, domestic and overseas bond issuances and increased credit lines. The deposit structure is nearing a composition of stable resources, in line with the more conservative liquidity policies and liquidity coverage ratios, which stood at 126.6% as of September 2022, above regulatory minimums.

Shareholder Support Rating: Fitch believes that Itau Colombia is strategically important to Itau Unibanco Holding, 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.

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	
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

[Latin American Banks 2023 Outlook \(December 2022\)](#)

[Colombian Banks: 2H22 Review & Update \(December 2022\)](#)

[Itau Unibanco Holding S.A. \(January 2023\)](#)

Financial Data

Itau CorpBanca Colombia S.A.		
(COP Bil.)	9/30/22	12/31/21
Total Assets (USD Mil.)	7,009.2	8,072.6
Total Assets	31,766.4	32,272.0
Total Equity	2,800.3	2,819.5

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Rating Sensitivities

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Itau Colombia's ratings could be downgraded if its operating profit to RWA ratio reverts to below 0.5% on a yearly basis, especially considering the sensitive margins and credit cost.
- The ratings could also be pressured by a material deterioration of asset quality and profitability, causing a sustained decline in the CET1 ratio below 9% assuming excess reserve maintenance and a challenging operating environment.
- Itau Colombia's Shareholder Support Rating (SSR) would be affected by a negative change in Itau Unibanco'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, 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:

- Positive rating actions could occur if Itau Colombia can sustain improvements in earnings and asset quality metrics while also maintaining a CET1 ratio greater than 12% and operating profit to RWA above 1.25% amid relatively faster loan growth the bank could experience in a better operating environment.
- A positive change in Itau Unibanco's ability or willingness to support the bank would affect Itau Colombia's SSR.

Significant Changes

The Stable Rating Outlook reflects Fitch's belief that any remaining pressures on the operating environment, which include a slowdown of GDP, high inflation, as well as domestic macro and political uncertainty, are not anticipated to materially impact the bank's financial profile.

Ratings Navigator

Itau CorpBanca Colombia S.A. ESG Relevance:  Banks Ratings Navigator

Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Shareholder Support Rating	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%	aaa	aaa	aaa	AAA
							aa+	aa+	aa+	AA+
							aa	aa	aa	AA
							aa-	aa-	aa-	AA-
							a+	a+	a+	A+
							a	a	a	A
							a-	a-	a-	A-
							bbb+	bbb+	bbb+	BBB+
							bbb	bbb	bbb	BBB
							bbb-	bbb-	bbb-	BBB-
							bb+	bb+	bb+	BB+
							bb	bb	bb	BB Sta
							bb-	bb-	bb-	BB-
							b+	b+	b+	B+
							b	b	b	B
							b-	b-	b-	B-
							ccc+	ccc+	ccc+	CCC+
							ccc	ccc	ccc	CCC
							ccc-	ccc-	ccc-	CCC-
							cc	cc	cc	CC
							c	c	c	C
							f	f	ns	D or RD

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 Driver

The Capitalization & Leverage score has been assigned above the implied score due to the following adjustment reason(s): Capital Flexibility and Ordinary Support (positive).

Summary Financials and Key Ratios

	9 Months – 3rd Quarter 9/30/22		2021	2020	2019
	USD Mil. Reviewed – Unqualified	COP Bil. Reviewed – Unqualified	COP Bil. Audited – Unqualified	COP Bil. Audited – Unqualified	COP Bil. Audited – Unqualified
(Years Ended Dec. 31)					
Summary Income Statement					
Net Interest and Dividend Income	167	757.7	1,028.8	912.1	983.3
Net Fees and Commissions	18	80.4	128.4	143.8	162.3
Other Operating Income	41	187.9	296.4	360.0	474.2
Total Operating Income	226	1,026.0	1,453.6	1,415.9	1,619.8
Operating Costs	181	821.5	1,074.3	1,365.6	1,118.2
Pre-Impairment Operating Profit	45	204.5	379.3	50.3	501.6
Loan and Other Impairment Charges	29	129.4	279.8	660.7	302.7
Operating Profit	17	75.1	99.5	(610.4)	198.9
Other Non-Operating Items (Net)	0	(1.3)	5.0	(709.4)	16.3
Tax	6	28.6	(7.7)	(372.0)	60.5
Net Income	10	45.2	112.2	(947.8)	154.7
Other Comprehensive Income	(14)	(63.5)	(1.9)	(2.2)	(23.0)
Fitch Comprehensive Income	(4)	(18.3)	110.3	(950.0)	131.7
Summary Balance Sheet					
Assets					
Gross Loans	5088	23,059.6	22,673.2	21,017.8	21,407.9
- of which impaired	173	784.0	888.5	1,038.8	1,063.4
Loan Loss Allowances	262	1,188.3	1,344.3	1,467.0	1,196.5
Net Loan	4826	21,871.3	21,328.9	19,550.8	20,211.4
Interbank	274	1,243.7	1,879.0	363.7	607.7
Derivatives	286	1,297.6	489.6	796.5	409.1
Other Securities and Earning Assets	1119	5,073.4	6,209.2	5,601.9	4,638.8
Total Earning Assets	6506	29,486.0	29,906.7	26,312.9	25,867.0
Cash and Due from Banks	201	910.8	1,033.8	1,290.9	1,209.3
Other Assets	302	1,369.6	1,331.5	1,242.6	2,392.3
Total Assets	7009	31,766.4	32,272.0	28,846.4	29,468.6
Liabilities					
Customer Deposits	4071	18,450.8	19,976.1	17,643.2	17,419.2
Interbank and Other Short-Term Funding	202	915.8	0.1	0.3	436.7
Other Long-Term Funding	1560	7,072.2	6,821.0	5,477.4	6,470.4
Trading Liabilities and Derivatives	255	1,155.0	340.9	862.3	431.0
Total Funding and Derivatives	6089	27,593.8	27,138.1	23,983.2	24,757.3
Other Liabilities	303	1,372.3	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	618	2,800.3	2,819.5	2,709.2	3,651.3
Total Liabilities and Equity	7009	31,766.4	32,272.0	28,846.4	29,468.6
Exchange Rate		USD1 = COP4,532.07	USD1 = COP3,997.71	USD1 = COP3,444.9	USD1 = COP3,294.05

N.A. – Not applicable

Source: Fitch Ratings, Itau Colombia

Summary Financials and Key Ratios

(%, Years Ended Dec. 31)	9/30/22	2021	2020	2019
Ratios (Annualized as Appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	0.5	0.5	(2.8)	0.8
Net Interest Income/Average Earning Assets	3.5	3.8	3.3	3.6
Non-Interest Expense/Gross Revenue	80.1	73.9	96.5	69.0
Net Income/Average Equity	2.2	4.0	(30.1)	4.3
Asset Quality				
Impaired Loans Ratio	3.4	3.9	4.9	5.0
Growth in Gross Loans	1.7	7.9	(1.8)	(2.5)
Loan Loss Allowances/Impaired Loans	151.6	151.3	141.2	112.5
Loan Impairment Charges/Average Gross Loans	0.8	1.3	3.0	1.5
Capitalization				
Common Equity Tier 1 Ratio	9.6	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	7.6	7.2	8.0	8.5
Basel Leverage Ratio	6.3	6.5	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	(18.8)	(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	125.0	113.5	119.1	122.9
Liquidity Coverage Ratio	126.7	138.8	127.5	138.7
Customer Deposits/Total Non-Equity Funding	69.8	74.6	76.3	71.6
Net Stable Funding Ratio	96.7	94.5	93.1	89.0

N.A. – Not applicable
 Source: Fitch Ratings, Itau Colombia

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.

key driver	0	issues	5	Overall ESG Scale	
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.

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	

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.

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale	CREDIT-RELEVANT ESG SCALE
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	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.
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	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	Irrelevant to the entity rating but relevant to the sector.
				1	Irrelevant to the entity rating and irrelevant to the sector.

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

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means 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.

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