FitchRatings

Banks
Universal Commercial Banks
Chile

Banco Consorcio

Key Rating Drivers

Viability Rating (VR) Supports Issuer Default Ratings (IDRs): Banco Consorcio's IDRs are driven by its VR of 'bbb' and do not factor in any extraordinary support from its parent, Consorcio Financiero S.A. However, the bank's IDRs are currently at the same level as would be derived from the institutional support approach, given that it remains a core subsidiary for its parent.

Moderate Franchise: Banco Consorcio's VR is highly influenced by its company profile, which includes a moderate, albeit growing, franchise. Although the bank is relatively small compared with their larger mid-sized local peers, as reflected in its more constrained company profile, it has stronger financial profile in terms of capital and profitability.

The bank also benefits significantly from the strong franchise of Consorcio Financiero S.A., the largest insurance group in Chile, giving the bank access to a very large customer base, which could help it achieve growth and diversification targets over the long term.

Adequate Financial Profile: Banco Consorcio's financial profile is driven by good profitability, solid capitalization, and adequate credit-risk management and liquidity. The bank's main challenge is to continue to improve its funding structure, due to its reliance on wholesale funding and high deposit concentration, which is reasonable given its business model and the size of its franchise.

Asset Quality a Strength: Despite a moderate deterioration since 2019, Banco Consorcio's asset quality remains one of its main strengths. Its non-performing loan (NPL) ratio shows an average of 1.22% over the past four years. Although NPLs have remained above the average since December 2019 (1.60% at March 31, 2021), the ratio remains commensurate with the bank's rating level, and Fitch Ratings expects any potential deterioration in 2021 should be manageable.

Sound Capitalization: The bank's capital adequacy metrics are sound and above those of its domestic peers. Banco Consorcio's CET1 ratio stood at 12.50% as of March 2021. Fitch expects the bank's capitalization to remain at adequate levels for its rating category. While this ratio will likely decrease gradually given the bank's growth targets, its parent regularly injects fresh capital as needed to maintain sound capital levels. Good earnings generation, dividend policy of 50%, and adequate loan loss reserves also support loss absorption capacity.

Support Rating and Support Rating Floor: Banco Consorcio's support rating of '2' reflects the potential support from its parent company, Consorcio Financiero S.A., if needed. Fitch believes the parent's propensity to provide support to Banco Consorcio is high given the bank's important role in the group offering core products and complementary financial services, as well as the potential implications for the parent should the bank default, given the cross-default clauses in Consorcio Financiero's debt instruments.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- A potential VR upgrade for Banco Consorcio is limited given its moderate domestic franchise.
- An upgrade of the bank's Support Rating (SR) is unlikely in the foreseeable future, as this would depend on a material increase in its parent's ratings.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F3
Local Currency	
Long-Term IDR	BBB
Short-Term IDR	F3
Viability Rating	bbb
Support Rating	2
National	
National Long-Term Rating	AA–(cl)
National Short-Term Rating	N1+(cl)
Sovereign Risk	
Long-Term Foreign-Currency IDR	A–
Long-Term Local-Currency IDR	A–
Country Ceiling	A+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Revises Chilean Banks Rating Outlook to Stable (May 2021)

LatAm Govt, Central Bank Policies Support Bank System Stability (March 2021)

Chile Liquidity, Funding Measures Supportive of Bank Credit System (January 2021)

Chilean Banking System Can Manage Impact of Pension Fund Withdrawal (August 2020)

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

- Lower liquidity levels or a higher risk appetite that results in significantly weaker asset quality, which affects the bank's profitability (operating profit/risk weighted assets (RWAs) falling and remaining below 1%) and, ultimately, its capitalization, with its CET1 ratio falling and remaining consistently below 10%, could pressure Banco Consorcio's VR. In addition, the downward pressure on Banco Consorcio's IDRs is limited given that they are at the same rating level possible based on parent support.
- Reductions in Banco Consorcio's SR are subject to the potential downgrade of its ultimate parent. In addition, the bank's SR could be affected by a change in Fitch's opinion on its parent's ability and propensity to provide support, which appears unlikely in the medium term.

Issuer Ratings (Including Main Issuing Entities)

Rating Level	Rating
Long-Term Foreign-Currency IDR	BBB
Short-Term Foreign-Currency IDR	F3
Long-Term Local-Currency IDR	BBB
Short-Term Local-Currency IDR	F3
Viability Rating	bbb
Support Rating	2
National Long-Term Rating	AA–(cl)
National Short-Term Rating	N1+(cl)
Outlook/Watch	Stable

Source: Fitch Ratings.

Debt Rating Classes

Rating Level	Rating
Senior Unsecured	AA–(cl)
Subordinated	A(cl)

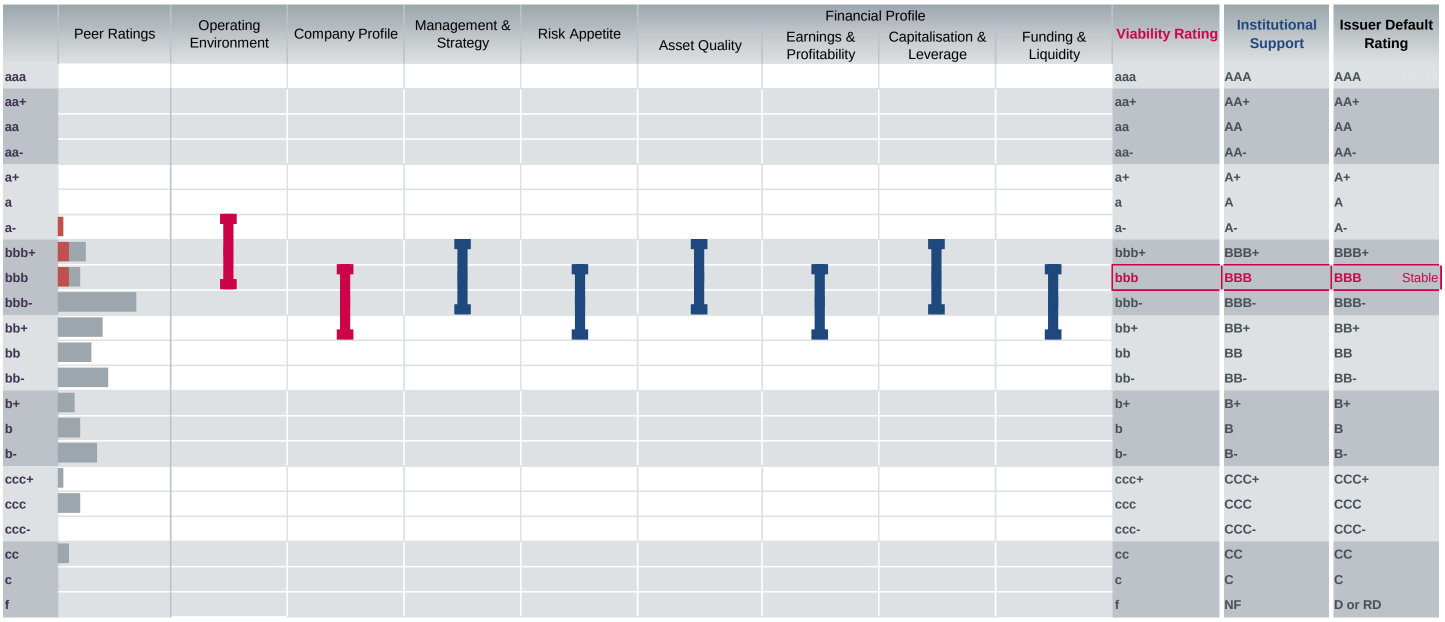
Source: Fitch Ratings.

Ratings Navigator

Banco Consorcio

ESG Relevance:

Banks Ratings Navigator



Navigator Peer Comparison

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

⇧ Positive ⇩ Negative

⇳ Evolving ▫ Stable

Peer Group Summary

Chilean Universal Commercial Banks	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating
Banco de Credito e Inversiones	bbb+	a-	a-	a-	a-	bbb	bbb-	bbb+	**a-**
Banco BICE	bbb+	bbb	bbb+	a-	a-	bbb-	bbb-	bbb+	**bbb+**
Banco Security	bbb+	bbb	bbb	bbb+	bbb	bb+	bb+	bbb	**bbb**
Banco Consorcio	bbb+	bbb-	bbb	bbb-	bbb	bbb-	bbb	bbb-	**bbb**

Source: Fitch Ratings.

Brief Company Summary

Franchise

Banco Consorcio is a small to medium-sized universal bank that originated with the acquisition of the banking license of Banco Monex by Consorcio Financiero in 2009. Banco Consorcio is 100% owned by Consorcio Financiero, one of the most important financial conglomerates in Chile, with a leading franchise in the insurance business.

Consorcio Financiero is the largest insurance group in the country by equity and total assets, with an 11% market share in the insurance business as of September 2020. The strength of the Consorcio brand and the more than 1 million client base in insurance companies enable the bank to target those clients with minimal marketing.

As of December 2020, Banco Consorcio was the 10th largest Chilean bank by total loans with a 2.1% market share in the domestic system. Its target remains strong growth and achieving a 2.0% market share in all segments in the medium term, which is more challenging in consumer banking where it has a more limited presence (0.4% market share).

Business Model

The bank's business lines are corporate banking, retail banking, financial services and a brokerage subsidiary representing 51%, 16%, 26.7% and 5.7% of the bank`s operating profit as of December 2020, respectively.

As of December 2020, corporate lending represented 79% of the gross loan portfolio, mortgage loans, 18.6%, and consumer loans, 2.4%.

Organizational Structure

Banco Consorcio is 100% owned by Consorcio Financiero (the group´s policy is to own 100% of its subsidiaries). Consorcio Financiero is 84% owned by three families, 8.2% by the IFC (World Bank group) and 7.8% by current and former executives of the group. The insurance/financial business is the most important investment of the three families, who also have interests in other large companies in Chile such as Coca Cola Andina, Entel, Pucobre and others.

The group does not have plans to attract new strategic investors in the short term. However, there were two conditions for the IFC to enter the capital structure of the group: filing an IPO for Consorcio Financiero and the group should expand its operations internationally (as such, it acquired 40% of an insurance company in Peru, La Positiva Vida).

Management and Strategy

Management Quality

Banco Consorcio´s management have broad and ample market experience. Most of its senior management has worked with the bank since its creation in 2009 and have previously worked with large international and domestic banks or local regulators. Key management personnel have shown stability in their positions and there are no significant concentrations in the decision-making process.

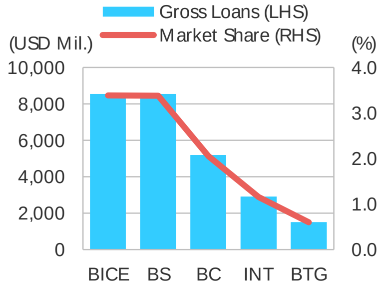
Management has shown that it is able to achieve most of the bank´s strategic objectives. This is reflected in the increased franchise achieved in a relatively short period. The bank has been evolving into a medium sized player in Chile according to its strategic objectives.

Corporate Governance

In Fitch´s opinion, Banco Consorcio´s corporate governance practices are adequate; despite its ownership structure and the fact that the bank is not a listed company, all practices are aligned with the best practices adopted in Chile. The board of directors has 9 members, three of whom are independent, which is more than required by local regulations. The bank's chairman is the CEO of Consorcio Financiero.

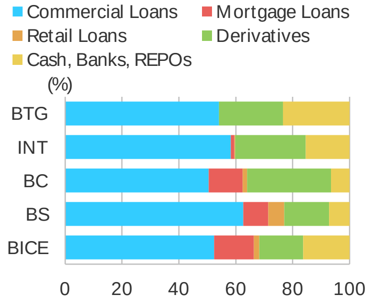
As of December 2020, related party lending represented 3.7% of the bank´s total loan portfolio and 23.1% of the bank´s equity.

Market Share as of 2020



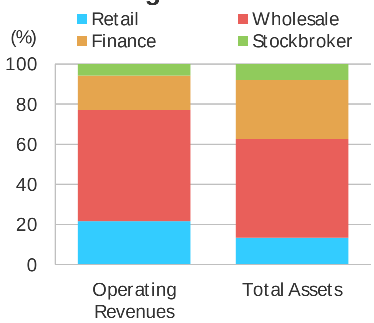
Market share excluding operations abroad.
Source: Fitch Ratings, Fitch Solutions.

Breakdown of Assets as of 2020



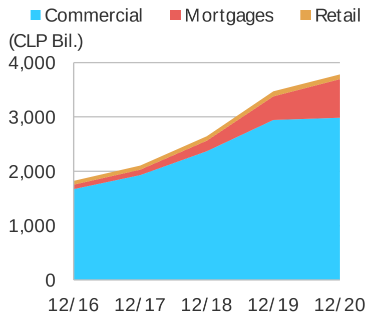
Source: Fitch Ratings, Fitch Solutions.

Business Segment — 2020



Source: Fitch Ratings, Bank Consorcio.

Evolution of Loan Portfolio



Source: Fitch Ratings, Fitch Solutions.

Strategic Objectives

The bank's strategy is to grow beyond the market average and gain market share, with a particular focus on its core segments and in consumer loans. The bank also seeks to continue diversifying its funding base by instrument and investor and to align with the funding structure of the banking industry. The bank has made solid progress toward this target and is now close to the average. Banco Consorcio recently launched a current account for companies with a goal of sight deposits reaching 6% of total funding in the long term.

The bank should be able to target those medium and high income clients without significant marketing efforts due to the strength of the Consorcio brand and large insurer client base; this will also be the focus of the bank's strategy for the consumer business.

Risk Appetite

Underwriting Standards

The bank´s risk appetite is considered moderate, based on good underwriting standards and risk controls, although credit growth continues to be relatively aggressive; however, this is expected when considering the bank's small size and growth strategy. Risk policies are reasonable and in line with industry standards. The bank demonstrates deep knowledge of its main credit segment, the corporate business. In addition, the retail segment loan origination process is standard and aligned with that of the local industry.

The approval process is centralized, with members of the board forming part of the various committees that are in charge of approving credit operations. Corporate loans are approved at different levels of authority according to the amount, and the bank's board of directors approves all credits over USD1 million. Banco Consorcio's loan portfolio has a high level of collateral of 74% of total loans, mostly mortgages and, to a lesser extent, stocks pledges.

For real estate and construction the bank only finances the construction cost of each project; in special cases, the land is financed, but the loan has to be paid once the construction is financed. Most projects financed are residential developments, a minimum of pre-sales is required with a minimum debt to collateral of 1.6x.

The bank has a relatively higher risk appetite in the credit area compared to its local peers because of its growth expectations and concentrations on both sides of the balance sheet. Even though the bank's loan portfolio is still concentrated in large corporates, some deterioration of its asset quality ratios would be expected in the medium and long term as it diversifies into smaller sized companies and retail banking.

Risk Controls

The risk management framework is sound and has proved effective in recent years. The risk management area operates independently from the commercial areas and is structured to mirror the latter.

The bank has good controls and adequate systems for its operations. It has also been strengthening the risk monitoring process to identify risks at an early stage.

The commercial portfolio provisions are determined according to the 16 regulatory categories, and the reserve framework for the retail segment relies on an expected-loss approach.

The operational risk committee comprises two directors, the CEO and the rest of the bank's top managers. The operational risk area reports to the risk management area and is responsible for designing and implementing the policies approved by the board, identifying operational and IT risks, registering the operational risks losses and implementing mitigating initiatives, as well as maintaining contingency and IT security plans.

Growth

The bank's strategy aims to grow its loan portfolio beyond the market average to gain market share. In line with this, growth has been aggressive in recent years, but focused on the bank's core businesses, and has outpaced internal capital generation. However, this is contemplated in the strategic plan and regular capital injections are done to finance the bank's expansion.

However, in 2020, loan growth was significantly lower given the adverse operating environment. Total loans grew by 6.1% in 2020 (versus 27.9% in 2019); this growth was mainly in residential mortgage loans, which expanded by 60.2%. While this growth rate is very high, it partly reflects the previous relatively small size of the loan book; the risk is mitigated in part by the bank's expertise in this segment, its collateralized nature, and its strategic focus on growing this segment.

Fitch expects the bank to continue growing above the market average, as stated in its strategic plan.

Market Risk

Market risks are relatively limited because of the strict limits for interest rate and currency mismatches imposed internally and by regulation. Trading activities are relatively low in terms of risk, and the bank does not assume significant foreign exchange risks, as only intraday positions are authorized. The majority of the revenues of the Treasury are derived from the accrual of the investment portfolio and trading of securities of the Central Bank and the Chilean Treasury. In 2020, the bank's trading desk also made significant gains as it sold part of its fixed-income securities portfolio to realize the gains due to the significant decrease in interest rates.

The asset and liability committee is the body responsible for assigning the limits defined by the board and managing the financial business of the bank. In this context, this committee is responsible for controlling and developing policies for monitoring interest rate, foreign currency and liquidity risk.

The bank has a maturity and interest rate mismatch, which is common to the whole industry, but is partly mitigated by the short tenor of its assets. Interest rate risk is moderate, with a short-term limit of 30% of its net interest margin and a long-term limit of 20% of regulatory capital; there were no breaches during the past year.

In addition to compliance with market risk regulatory limits, the bank uses value at risk (VAR) methodology (historical simulation, 99%) for its investment portfolio with very conservative limits (1.1% of the bank’s equity for the global VAR limit); there were no breaches during the past year.

As with most Chilean financial institutions, the bank maintains a significant long net position in Chilean inflation-indexed UF monetary units, which is actively managed according to inflation expectations and, therefore, does not represent a material risk for the bank. The limit for this exposure is 1.5x the bank's equity, and during 2020, this exposure remained below 1x equity.

Summary Financials and Key Ratios

	2020		2019	2018	2017
(CLP Bil., Year End as of Dec. 31)	(USD Mil.) Not Disclosed	Not Disclosed	Not Disclosed	Audited — Unqualified	Audited — Unqualified
Summary Income Statement					
Net interest and dividend income	173.0	126.4	93.8	80.7	47.0
Net fees and commissions	13.0	9.1	8.9	8.2	7.0
Other operating income	73.0	53.5	51.3	14.9	51.0
Total operating income	259.0	189.0	154.1	103.7	104.9
Operating costs	64.0	46.9	33.7	40.0	34.1
Pre-impairment operating profit	195.0	142.2	120.4	63.7	70.9
Loan and other impairment charges	114.0	83.4	44.2	9.5	9.4
Operating profit	81.0	58.8	76.2	54.2	61.5
Other non-operating items (net)	N.A.	N.A.	N.A.	N.A.	N.A.
Tax	11.0	8.2	13.0	11.1	12.8
Net income	69.0	50.6	63.2	43.1	48.7
Other comprehensive income	29.0	21.0	(2.0)	(5.8)	8.8
Fitch comprehensive income	98.0	71.5	61.2	37.3	57.5
Summary Balance Sheet					
Assets					
Gross loans	5,190.0	3,783.1	3,473.4	2,644.4	2,103.3
of which impaired	88.0	63.9	66.2	16.5	14.4
Loan loss allowances	112.0	81.7	62.7	44.8	38.4
Net loans	5,078.0	3,701.4	3,410.7	2,599.6	2,064.9
Interbank	41.0	29.9	40.1	30.0	57.1
Derivatives	150.0	109.4	91.4	26.0	35.3
Other securities and earning assets	2,273.0	1,657.0	1,815.4	1,704.0	1,452.1
Total earning assets	7,542.0	5,497.7	5,357.6	4,359.7	3,609.3
Cash and due from banks	415.0	302.2	208.7	127.1	104.6
Other assets	160.0	116.6	190.5	124.0	38.8
Total assets	8,116.0	5,916.5	5,756.9	4,610.8	3,752.7
Liabilities					
Customer deposits	3,686.0	2,686.8	3,095.9	2,455.0	2,037.5
Interbank and other short-term funding	1,435.0	1,046.3	787.8	734.1	623.1
Other long-term funding	1,904.0	1,388.0	1,109.1	833.4	606.8
Trading liabilities and derivatives	110.0	80.2	80.6	48.0	15.5
Total funding	7,135.0	5,201.4	5,073.4	4,070.4	3,282.8
Other liabilities	161.0	117.7	164.8	120.4	49.2
Preference shares and hybrid capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total equity	820.0	597.4	518.6	420.0	420.7
Total liabilities and equity	8,116.0	5,916.5	5,756.9	4,610.8	3,752.7
Exchange rate		USD1 = CLP728.96	USD1 = CLP744.62	USD1 = CLP695.69	USD1 = CLP615.22

N.A. – Not applicable.
Source Fitch Ratings.

Summary Financials and Key Ratios

Ratios (%, Annualized, as appropriate, as of Dec. 31)	**2020**	**2019**	**2018**	**2017**
Profitability				
Operating profit/risk-weighted assets	1.3	1.7	1.5	2.0
Net interest income/average earning assets	2.3	2.0	2.1	1.4
Non-interest expense/gross revenue	24.8	21.9	38.6	32.5
Net income/average equity	9.7	12.6	10.2	12.0
Asset quality				
Impaired loans ratio	1.7	1.9	0.6	0.7
Growth in gross loans	8.9	31.4	25.7	15.3
Loan loss allowances/impaired loans	128.0	94.7	271.0	266.8
Loan impairment charges/average gross loans	0.9	0.9	0.4	0.5
Capitalization				
Common equity Tier 1 ratio	13.1	N.A.	N.A.	N.A.
Fully loaded common equity Tier 1 ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital ratio	13.0	11.3	11.2	13.8
Tangible common equity/tangible assets	10.1	9.0	9.1	11.2
Basel leverage ratio	10.0	8.9	N.A.	N.A.
Net impaired loans/common equity Tier 1	N.A.	N.A.	N.A.	N.A.
Net impaired loans/Fitch Core Capital	(3.0)	0.7	(6.8)	(5.7)
Funding and liquidity				
Loans/customer deposits	140.8	112.2	107.7	103.2
Liquidity coverage ratio	212.0	192.0	N.A.	N.A.
Customer deposits/funding	52.5	62.0	61.0	62.4
Net stable funding ratio	N.A.	N.A.	N.A.	N.A.

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

Key Financial Metrics — Latest Developments

Asset Quality

Since the end of 2019, the bank's core metric of impaired loans/gross loans has remained above the average of the previous four years (0.87%) first due to the social unrest that took place in Chile during the last quarter of 2019 and then the economic impact of the coronavirus pandemic. In spite of this, during 2020, the bank's asset quality improved due to the conservative measures taken by the bank and also aided by the extensive aid measures implemented by the government and the Central Bank. While Fitch expects this metric to remain pressured in the short term, any potential deterioration should be manageable for Banco Consorcio.

The coverage of NPLs with loan loss reserves significantly improved in 2020, and as of March 31, 2021, it stood at 149.6% (compared with 94.68% as of December 2019). Fitch considers this level to be sound, especially considering that 74% of the loan book is covered with tangible collateral, mainly mortgages.

As of December 2020, the commercial loan portfolio accounted for the 78.2% of the total portfolio (58% for the banking system), mortgage loans accounted for 19.4% of gross loans (30% for the industry) and consumer loans accounted for 2.4% of total loans (12% for the industry).

Given the bank's focus on large corporates and relatively small size, its loan portfolio is still concentrated by borrower, although this is gradually decreasing. As of May 2020, the 20 largest group exposures represented 35.9% of gross loans and 2.4x of equity. The four largest group exposures represented more than 20% of the bank's equity each, but on average, 74% of the debt is covered with collateral. The largest group exposure (23% of equity) corresponds to a local conglomerate that is facing financial difficulties. The total exposure (including loans and bonds) is 57% collateralized and 4% covered with reserves according to the expected loss. In addition, the second largest individual exposure is a troubled airline with a total exposure equivalent to 11.2% of the bank's equity; 28.7% of this exposure comprises loans that are 40% covered with reserves. These two cases explain the bulk of the impaired portfolio.

The portfolio also has a high concentration in the residential real estate sector, which accounted for 33% of the total loan book, given the bank's historical expertise in this sector. The risk of this portfolio is low (0.4% NPL) and highly covered with mortgages (94.2%). Also, real estate developments have high sales levels (70% on average).

As of December 2020, the investment portfolio represented 29% of total assets; of the investments, 40% comprise Central Bank and Chilean sovereign bonds, 27%, local securities and 32%, international. Of the portfolio, 85% comprised investment-grade securities, reflecting a moderate risk appetite, with just 15% in non-investment grade securities.

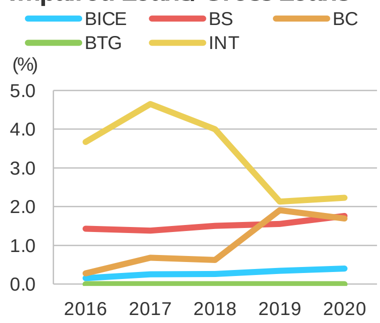
Earnings and Profitability

Banco Consorcio's profitability has been historically solid, based on strong loan growth, good cost efficiency levels, sound loan quality and relatively good income diversification, which compensate for a narrow net interest margin. However, in 2020, the bank´s profits were pressured by slower loan growth and higher loan loss provisions and its operating profit/RWAs ratio declined to 1.29%, below its four-year average of 1.60% but still in line with the bank's current rating level and comparing favorably to its domestic peers (mid-sized commercial/ universal banks in Chile). Fitch expects profitability to remain below the bank's historical average in 2021 reflecting still low loan growth, but to return to historical levels once the economy reverts to solid growth levels.

As of December 2020, the bank's main source of earnings was net interest income, which accounted for around 66% of total operating revenues, followed by revenues generated by the finance division at 27% (including interests, distribution, trading gains and profits from the sale of securities, which were partly offset by impairment charges for the securities of two large corporates). The balance of earnings was generated by the securities brokerage subsidiary.

The bank's cost efficiency is very good and one of the pillars of its sound profitability as it allows it to serve the corporate segment and grant loans with thin spreads and still be profitable. This reflects the benefits of being part of the Consorcio group, which allows the bank to operate with

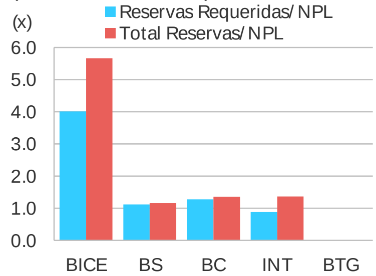
Impaired Loans/ Gross Loans



Source: Fitch Ratings, Fitch Solutions.

Reserve Coverage

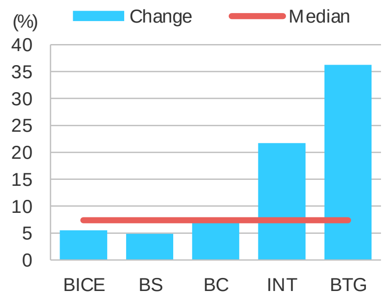
(As of Dec. 31, 2020)



Note: NPL Loans past due 90 days.
Source: Fitch Ratings, Fitch Solutions.

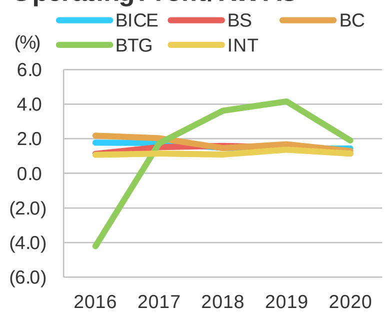
Net Income CAGR

(Dec. 2015–Dec. 2020)



Source: Fitch Ratings, Fitch Solutions.

Operating Profit/ RW As



RWA – Risk weighted assets.
Source: Fitch Ratings, Fitch Solutions.

only eight branches (though this could change in the long term if the retail operations grow significantly), access its large clients database to reach its potential customers with no significant costs, and, given the strength of the Consorcio brand, it does not need to spend significantly on marketing. At March 2021, the cost / income ratio was at a low 27.1% (versus the system's 48.9% at December 2020).

Capitalization and Leverage

The bank´s capital adequacy metrics are sound and above those of its domestic peers. Banco Consorcio's CET1 ratio stood at 12.50% as of March 2021. Fitch expects the bank's capitalization to remain at adequate levels for its rating category. While this ratio will likely decrease gradually given the bank's growth targets, its parent regularly injects fresh capital to meet growth needs, helping maintain sound capital levels. Good earnings generation, a dividend policy of 50%, and adequate loan loss reserves also support the bank's loss absorption capacity.

Funding and Liquidity

At March 2021, the core indicator loans-to-deposits ratio was relatively high at 131.9% due to the composition of its liabilities. This ratio should continue to decrease in the medium term as the bank achieves its target of growing deposits.

Banco Consorcio's strategy has been to diversify its funding sources and plans to continue doing so, with the target of reaching a liability structure similar to the banking system. In the past few years, the bank has made good progress toward this structure; however, improving its funding structure remains as one of the bank's biggest challenges, especially due to the reliance of wholesale funding and the small proportion of no cost sight deposits. As of December 2020, the bank's liabilities were composed of time deposits (40%), bonds (23%), repurchase agreements (12%), Central Bank (8%), sight deposits 5%, equity 10% and other (10%)

Deposit concentration is high as a consequence of the bank's size and relatively short history; this risk is partly mitigated by the significant amount of highly liquid assets, which represented 27% of time deposits. As of December 2020, the 10 largest depositors (excluding deposits from stock brokerage houses that are then sold in the stock exchange, which are very fragmented) accounted for 38.1% of total deposits. The largest depositor accounted for 9.1% of total deposits — the maximum allowed by internal rules is 10%, or 20 for mutual fund managers — and no other depositor exceeded 5% of the total.

The bank's liabilities by investor type are mixed as follows: mutual fund managers, 27%; stock brokerage houses, 14%; corporates, 8%; insurance companies, 7%; pension funds managers, 7%; local banks, 7%; retail depositors, 6%; and the balance in other type of creditors.

In 2017, the bank launched its current accounts for companies with which it aims to increase its deposit diversification; the goal is these deposits reach 6% of total funding in the long term. In addition, the bank has been extending the tenor of its liabilities, and its average tenor at December 2020 rose to 887 days from 745 as of December 2019, mainly due to the repos with the Central Bank. Positively, the bank has no related party funding.

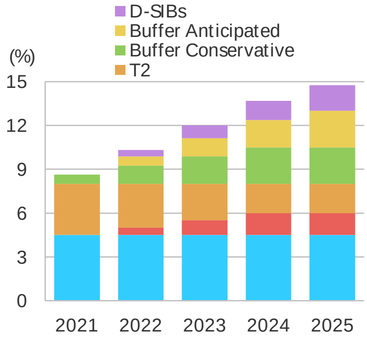
The bank has several credit lines/facilities with local and foreign banks, which are largely unused.

At December 2020, the bank had around CLP664 billion in highly liquid assets (cash plus Central Bank and sovereign treasury securities), which covered 27% of time deposits. At December 2020, the bank had a LCR of 455% and the average for the year was 270%. The bank has an internal limit of 100% for the LCR. The NSFR was 85%.

The bank has a reasonable maturity profile and very closely monitors its cash needs. Minimum stock of liquid assets is set by the board of directors at CLP370 billion. Fitch expects Banco Consorcio's liquidity will gradually decrease as the bank follows its strategy of strong loan growth and as the operating environment improves.

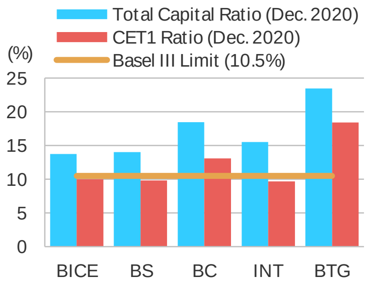
The bank closely monitors its liquidity levels and compliance with limits. In addition, it works with different stress tests, where they assume very conservative parameters. Even considering the worst scenario, the model output states that the bank is able to pay back its liabilities for 58 days in the event of a bank crisis and 43 days in a systemic crisis.

Basel III Phase-in



Source: Fitch Ratings, Fitch Solutions.

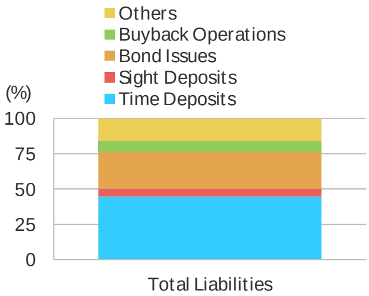
Capitalization Ratios



Note: RWAs include credit and market risk.
Total capital ratio equals CET1+T2.
Source: Fitch Ratings, Fitch Solutions.

Funding Structure

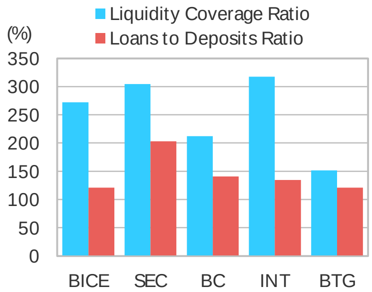
(As of Dec. 31, 2020)



Source: Fitch Ratings, Bank Consorcio.

Liquidity Ratios

(As of March 31, 2021)



Source: Fitch Ratings, Fitch Solutions.

Institutional Support Assessment

Institutional Support	Value
Parent IDR	BBB
Total Adjustments (notches)	+0
Institutional Support:	**BBB**

Support Factors (negative)	Equalised	1 Notch	2+ Notches
Parent ability to support and subsidiary ability to use support			
Parent/group regulation		✓	
Relative size			✓
Country risks	✓		
Parent Propensity to Support			
Role in group	✓		
Potential for disposal	✓		
Implication of subsidiary default	✓		
Integration		✓	
Size of ownership stake	✓		
Support track record	✓		
Subsidiary performance and prospects	✓		
Branding	✓		
Legal commitments			✓
Cross-default clauses	✓		

Environmental, Social and Governance Considerations

FitchRatings **Banco Consorcio**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Banco Consorcio has 6 ESG potential rating drivers

- Banco Consorcio has exposure to impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations but this has very low impact on the rating.
- Banco Consorcio 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	6	issues	3
not a rating driver	3	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	3	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

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	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				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.

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.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.