FitchRatings

Banks
Universal Commercial Banks
Colombia

Banco GNB Sudameris S.A.

Key Rating Drivers

Viability Rating and Issuer Default Ratings: Banco GNB Sudameris S.A.'s (GNB, or the bank) Long-Term Foreign Currency and Local Currency Issuer Default Ratings (IDRs) are driven by the bank's Viability Rating (VR), which is highly influenced by challenging operating environments (OEs) in Colombia, Peru and Paraguay that have deteriorated since early 2020 following the onset of the coronavirus pandemic. In addition, the bank's capitalization metric is a high influence factor, as the bank's capital adequacy has been tight. However, its overall loss absorption capacity is partially enhanced by its ample loan loss reserves, low risk appetite and sound asset quality. The bank's pressured profitability is also a high influence factor on the ratings.

Tight Capital Ratios: Capitalization is the weakest link involving the ratings. Although GNB's common equity Tier 1 ratio (CET1) improved to nearly 8.3% as of YE20, from 7.0% a year earlier, its metrics continue to compare well below those of its Latin American (LatAm) peers in the 'BB' rating category. The increase was part of a strategy to support growth, mainly in Paraguay. The bank started publishing its capital ratios under Basel III guidance, presenting an 8.17% CET1 as of March 31, 2021. Fitch expects GNB's capital ratios to remain tight but above the agency's trigger.

Challenged Profitability: Full year 2020 profitability was weaker than in 2019 due to GNB's response to the pandemic, which increased credit and operating expenses while lowering revenues. Management gave priority to ensuring strong asset quality and liquidity. Operating revenues to risk-weighted assets (RWA) weakened to 1.1% as of YE20, down from 1.5% yoy; however, 1Q21 profitability metrics showed a rebound to 1.3%.

Solid Asset Quality Metrics: Asset quality remains very strong and compares well to domestic and regional peers. Fitch expects the bank's conservative policies, relatively robust underwriting standards and adequate risk controls to contribute toward maintaining solid asset quality for the foreseeable future. As of March 31, 2021, GNB's 90-day past due loans (PDL) ratio remains strong at 2.3% and is covered by loan loss reserves representing 165% of PDLs. The bank's asset quality ratios in all three aforementioned markets compare well to local peers.

Sound Liquidity: GNB is funded abundantly by customer deposits. The moderate franchise limits the bank's competitive advantages and generally influences funding costs. Deposits originate primarily from institutional and public investors, resulting in higher funding costs and higher concentrations by depositors compared to banks with a wider retail deposit base. The bank's liquidity ratios are among the strongest (top three) in the industry, reflected by its 204% liquidity coverage ratio (LCR) as of December 2020. Additionally, its loans to customer deposits were a very conservative 60% as of YE20 and 63% as of March 2021.

Subordinated Debt: GNB's subordinated debt and Tier 2 subordinated debt are rated at two notches below its VR to reflect their subordinated status and expected high loss severity. The rating on the Tier 2 notes does not incorporate incremental nonperformance risk given the relatively low writeoff trigger (a regulatory CET1 at or below 4.5%) and considers the fact that coupons are not deferrable or cancellable before the principal writeoff trigger is activated.

Ratings

Foreign Currency	
Long-Term Issuer Default Rating	BB+
Short-Term Issuer Default Rating	B
Local Currency	
Long-Term Issuer Default Rating	BB+
Short-Term Issuer Default Rating	B
Viability Rating	bb+
Support Rating	4
Support Rating Floor	B+
Sovereign Risk	
Long-Term Foreign Currency Issuer Default Rating	BBB–
Long-Term Local Currency Issuer Default Rating	BBB–
Country Ceiling	BBB

Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating	Negative
Long-Term Local Currency Issuer Default Rating	Negative
Sovereign Long-Term Foreign Currency Issuer Default Rating	Negative
Sovereign Long-Term Local Currency Issuer Default Rating	Negative

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Gilex Holding S.A. (June 2021)

Fitch Affirms Banco GNB Sudameris S.A.'s IDRs and Gilex Holding S.A.'s IDRs; Outlook Negative (June 2021)

Colombia (November 2020)

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Rating Sensitivities

VR, IDR and Subordinated Debt

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

- Downside pressure for the VR and IDRs would arise from further deterioration of the CET1 (consistently below 8%), especially if accompanied by negative trends in its profitability and/or asset quality metrics.
- The ratings are sensitive to an OE downgrade.
- As the subordinated debt rating is two notches below GNB's VR anchor, the rating is sensitive to a downgrade in the VR. The rating is also sensitive to wider notching from the VR if there is a change in Fitch's view on the nonperformance risk of these instruments on a going concern basis, which is not the baseline scenario.

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

- Upgrades to the IDRs and/or VR are unlikely in the near future, as reflected by the Negative Rating Outlook.
- The Rating Outlook could be revised to Stable if the OE stabilizes and the bank is able to sustain or rebuild its profitability metrics.
- Upside potential for the international ratings is heavily contingent on material improvement in capitalization, which is currently one of the high influence rating factors under Fitch's rating approach. Upgrades to the VR and IDRs could arise if the bank is able to reach and sustain a capital ratio over 12% while avoiding material deterioration in other financial and qualitative credit fundamentals, with consistently better results, in the form of operating earnings over RWA greater than 2%.

Support Rating and Support Rating Floor

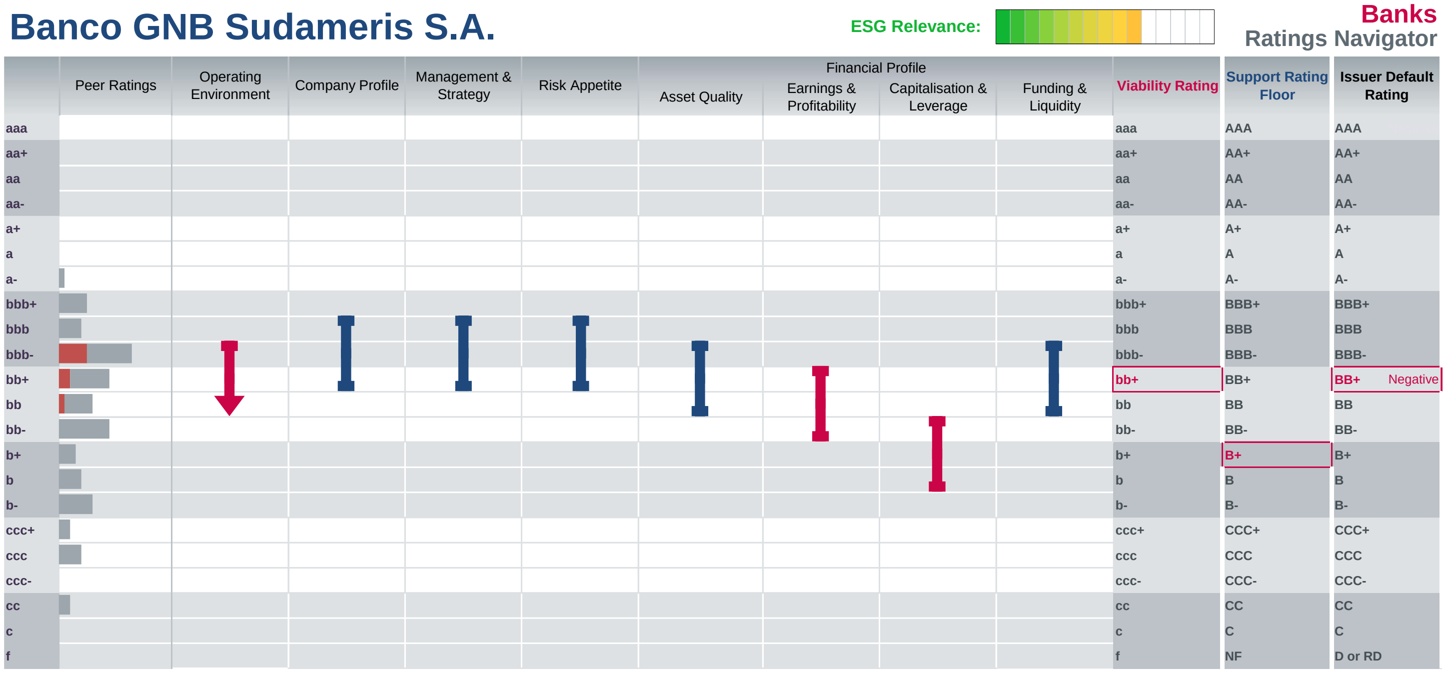
- Upside potential for the Support Rating (SR) and Support Rating Floor (SRF) is limited, as significant growth of market share in Colombia is unlikely in the near and medium terms. Should the bank's role as a market maker or the market share of retail deposits decrease, the SR and SRF might eventually be revised downward.

Debt Rating Classes

Rating Level	Long-Term Rating
Subordinated	BB–

Source: Fitch Ratings.

Ratings Navigator



Significant Changes

Operating Environment

The Negative Rating Outlook reflects Fitch's view that downside risks from the economic implications of the pandemic and current social unrest will remain throughout 2021. This is expected to continue pressuring performance — especially profitability and, to a lesser extent, asset quality — once relief programs expire. The Negative Rating Outlook also signals downside risks from very limited capital ratios, almost reaching the trigger for a downgrade set by Fitch at 8%.

BBVA Paraguay Acquisition

As expected by Fitch, GNB Paraguay completed a USD251 million transaction on Jan. 22, 2021, after receiving corresponding regulatory approvals. The cash purchase included the funds from a new stakeholder in GNB Paraguay (Grupo Vierci), which invested USD170 million for 32% of the merged bank, and USD80 million from GNB Paraguay. No additional debt was needed. The bank presented a CET1 of 8.17%, which includes the RWA of the merged entity in Paraguay and the correspondent increase in the minority stake.

Bar Chart Legend

Vertical Bars — VR Range of Rating Factor

Bar Colors — Influence on Final VR

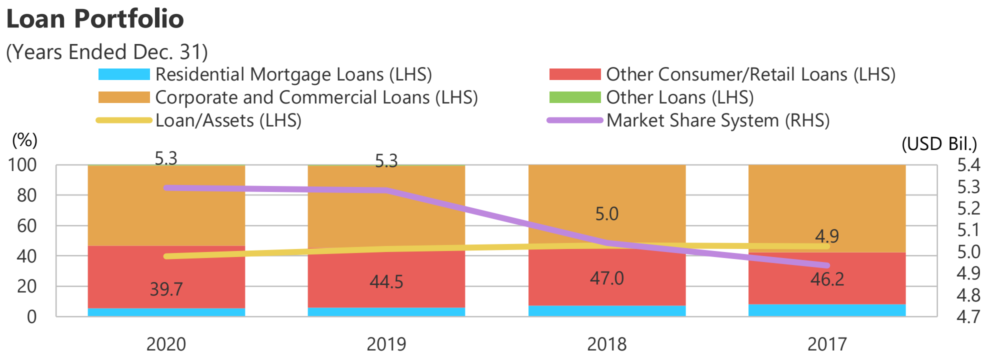
- Higher Influence
- Moderate Influence
- Lower Influence

Bar Arrows — Rating Factor Outlook

⇧ Positive ⇩ Negative
⇳ Evolving ▫ Stable

Brief Company Summary

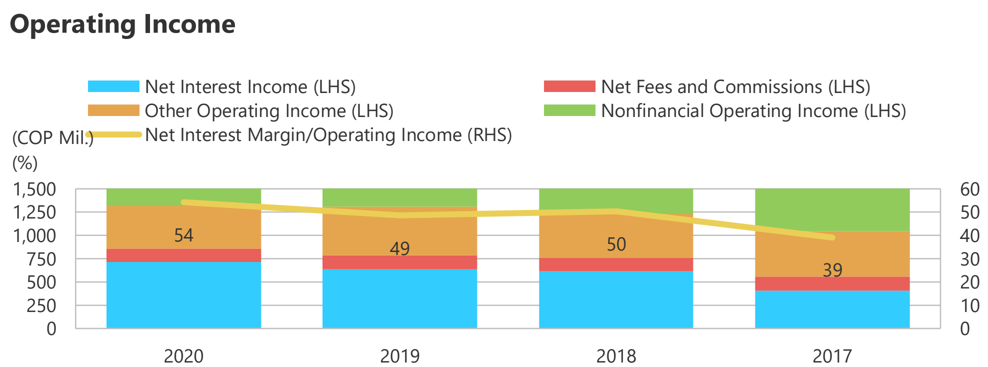
GNB is the seventh largest bank in Colombia, with a market share of about 4% by assets and a regional presence since 2013. GNB follows a universal banking model that focuses primarily on small- and medium-sized companies (SMEs), commercial loans and retail loans. Its assets are funded through access to a stable deposit base and strong shareholder support. GNB is controlled by the Gilinski family through Panama-based Gilex Holding S.A. (BB/Negative). The Gilinski family is a well-regarded Colombian family with ample experience in the banking industry and relevant investments in productive sectors such as the food industry and real estate.



Source: Fitch Ratings, Fitch Solutions.

GNB currently has 146 branches in 44 cities (107 branches in Colombia, 12 in Peru and 27 in Paraguay), nearly 2,650 ATMs, 2,900 employees, five national subsidiaries and two international subsidiaries in Peru and Paraguay that support its regional banking strategy. The bank specializes in providing payroll loans, commercial lending to SMEs and ATM services to its customers and the customers of other banking groups. GNB has undergone a series of strategic mergers and acquisitions since 2003 that have included Colombia's second largest ATM network; HSBC's operations in Peru, Paraguay and Colombia; and most recently BBVA Paraguay S.A., resulting in the Paraguayan subsidiary having the second largest market share. In Peru, GNB has the 10th largest market share.

GNB is very active in the payroll lending segment, known locally as the "libranzas". The bank has a large number of long- term agreements (convenios) with companies and government or quasi-governmental agencies. The libranza segment is one of the main drivers of the bank's low level of loan impairments. GNB's market share is higher in the payroll lending/libranza segment with close to a 9% market share. Deposit market share is close to 4% due to strong relationships with governmental and subnational entities.



Source: Fitch Ratings, Fitch Solutions.

Management and Strategy

Experienced Management Team

Strategic objectives are relatively unchanged from the last review, aside from the expansion of the Paraguayan operation and significant growth in digital banking driven by the health concerns relating to the pandemic.

In Fitch's view, GNB's corporate governance is satisfactory with multiple checks and balances; however, given the nature of a family owned bank with a key family member serving as chairman of the board, there is key person risk, which results in the subfactor being at a lower 'bb' level.

The bank continues to remain conservative with its liquidity and asset quality while maintaining adequate levels of capital to support growth. Profitability in 2020 was affected negatively with extra administrative expenses and credit costs related to the pandemic. Revenues were also impacted by the slowdown of the various economies. In Peru, although higher credit costs came from the mortgage portfolio, the expectation is that this will improve along with the anticipated economic improvement.

The results of 1Q21 were much stronger and often at record levels, both in Colombia and involving the international subsidiaries. GNB's acquisition of BBVA Paraguay was completed in January 2021, and the full merger with GNB Paraguay is expected to be finalized during 2H21. No significant additional costs related to the merger are expected.

Risk Appetite

Conservative Risk Appetite

The credit risk to which GNB is exposed is mitigated by good economic sector diversification and moderate concentration in the largest debtors. The bank works under conservative underwriting standards that follow defined exposure limits, collateral requirements and internal risk ratings. Credit risk policies are set by the board of directors, which is also in charge of defining credit portfolio limits, approving related party transactions and following monthly results.

The bank's main financial risk is credit risk, followed by securities portfolio risk. GNB generally follows the regulatory risk management framework. In Fitch's opinion, GNB's risk and credit policies are relatively conservative and have contributed to maintaining the bank's very good asset quality and steady performance, which have proven effective during the current period of market turmoil. The bank's asset quality ratios compare very favorably to its domestic peers.

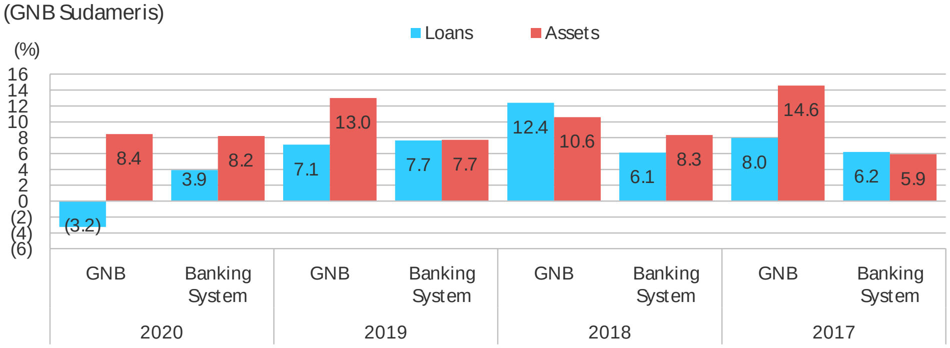
Strong risk controls are evidenced by a low level of impairments over the last four years. GNB's consumer loan portfolio is mostly structured with a direct payroll debit feature that, absent a change of employer, ensures timely payment and contributes to maintaining sound asset quality ratios. A continuous follow-up process is in place and involves PDL monitoring/collection and vintage analyses, among others. Corporate credit analysis includes industry studies to identify significant risks in the bank's target markets. There are limits by sector, segmentation by banking type and specific origination models. Target sectors are frequently reviewed to ensure adherence to the bank's conservative policies of limiting concentrations by segment and client and ensuring the quality of its collateral and guarantees.

GNB's conservative risk appetite has also demarcated loan and asset growth and defined a cautious approach that compares below industry growth. As of December 2020, GNB's loan portfolio had decreased by 3.2%, reflecting the effect of longer lockdowns in Colombia and the subsequent effects on the retail and commercial portfolio. As of 1Q21, inorganic growth via the acquisition of BBVA Paraguay was supported by the strength of the bank's capital position.

Market risk policies and limits are set forth by a market risk committee at the parent level and approved by the board of directors. GNB has exposure to interest rate and exchange rate risks and the inflation index, deriving from its loan and investment portfolios. Regarding the overseas subsidiaries, those investments are accounted for in U.S. dollars, thereby limiting foreign exchange risk, and the bank hedges this exposure with subordinated debt and a credit facility with a major development bank in U.S. dollars.

Assets and Loan Growth

(GNB Sudameris)



Source: Fitch Ratings, Fitch Solutions.

Summary Financials and Key Ratios

	1Q21[a]		2020	2019	2018	2017
(Years Ended Dec. 31)	**USD Mil. Unaudited**	**COP Bil. Unaudited**	**COP Bil. Unaudited**	**COP Bil. Audited — Unqualified**	**COP Bil. Audited — Unqualified**	**COP Bil. Audited — Unqualified**
Summary Income Statement						
Net Interest and Dividend Income	64	240.5	715.1	636.3	617.7	407.0
Net Fees and Commissions	13	47.3	142.7	150.6	142.5	148.0
Other Operating Income	19	70.9	459.7	525.0	466.6	486.3
Total Operating Income	**96**	**358.7**	**1,317.5**	**1,311.9**	**1,226.8**	**1,041.3**
Operating Costs	55	204.0	674.5	663.1	643.9	565.5
Pre-Impairment Operating Profit	41	154.7	643.0	648.8	582.9	475.8
Loan and Other Impairment Charges	16	58.2	402.5	323.1	292.6	224.0
Operating Profit	26	96.5	240.5	325.7	290.3	251.8
Tax	0	(0.2)	55.0	58.2	55.2	29.2
Net Income	**26**	**96.7**	**185.5**	**267.5**	**235.1**	**222.6**
Other Comprehensive Income	N.A.	N.A.	(117.3)	16.1	14.7	39.6
Fitch Comprehensive Income	**26**	**96.7**	**68.2**	**283.6**	**249.8**	**262.2**
Summary Balance Sheet						
Assets						
Gross Loans	**5,726**	**21,398.6**	**16,177.7**	**16,720.2**	**15,609.7**	**13,887.3**
– of which Impaired	N.A.	N.A.	313.3	345.6	262.0	184.6
Loan Loss Allowances	216	805.7	605.8	525.0	493.2	301.3
Net Loans	**5,511**	**20,592.9**	**15,571.9**	**16,195.2**	**15,116.5**	**13,586.0**
Interbank	N.A.	N.A.	616.5	497.7	N.A.	N.A.
Derivatives	49	183.4	14.5	19.4	23.5	103.0
Other Securities and Earning Assets	2,708	10,118.4	16,534.6	14,747.5	13,451.7	11,689.9
Total Earning Assets	8,267	30,894.7	32,737.5	31,459.8	28,591.7	25,378.9
Cash and Due from Banks	4,110	15,357.3	5,517.3	4,117.5	2,904.9	3,514.8
Other Assets	734	2,741.4	2,444.1	1,954.6	1,721.9	1,144.2
Total Assets	**13,111**	**48,993.4**	**40,698.9**	**37,531.9**	**33,218.5**	**30,037.9**
Liabilities						
Customer Deposits	9,087	33,956.6	26,988.3	23,634.1	20,730.5	18,539.8
Interbank and Other Short-Term Funding	1,589	5,936.5	5,726.1	6,226.2	5,289.4	4,611.1
Other Long-Term Funding	1,327	4,960.4	4,764.5	4,599.0	4,471.8	4,482.5
Trading Liabilities and Derivatives	61	229.8	39.8	49.9	31.8	96.7
Total Funding	**12,064**	**45,083.3**	**37,518.7**	**34,509.2**	**30,523.5**	**27,730.1**
Other Liabilities	180	674.5	707.3	697.7	460.9	450.6
Total Equity	**866**	**3,235.6**	**2,472.9**	**2,325.0**	**2,234.1**	**1,857.2**
Total Liabilities and Equity	**13,111**	**48,993.4**	**40,698.9**	**37,531.9**	**33,218.5**	**30,037.9**
Exchange Rate	—	USD1 = COP3,736.91	USD1 = COP3,444.9	USD1 = COP3,294.05	USD1 = COP3275.01	USD1 = COP2,971.63

[a]First three months of 2021 only, ended March 31, 2021.
COP – Colombian Peso. N.A. – Not available/Not applicable.
Source: Fitch Ratings.

Summary Financials and Key Ratios

(Years Ended Dec. 31)	3Q21[a]	2020	2019	2018	2017
Ratios (Annualized as Appropriate)					
Profitability					
Operating Profit/RWA	1.3	1.1	1.5	1.5	1.5
Net Interest Income/Average Earning Assets	3.1	2.5	2.5	2.7	1.7
Noninterest Expense/Gross Revenue	56.9	51.2	50.6	52.5	54.3
Net Income/Average Equity	13.7	7.6	12.2	11.8	12.8
Asset Quality					
Impaired Loans Ratio	2.3	1.9	2.1	1.7	1.3
Growth in Gross Loans	32.3	(3.2)	7.1	12.4	8.0
Loan Loss Allowances/Impaired Loans	165.1	193.4	151.9	188.2	163.2
Loan Impairment Charges (LIC)/Average Gross Loans	1.3	2.3	2.0	2.0	1.7
Capitalization					
CET1	8.2	8.3	7.0	7.1	6.0
Total Capital Ratio	13.0	14.0	13.6	15.9	15.7
Fitch Core Capital (FCC) Ratio	N.A.	9.2	9.4	9.9	9.5
Tangible Common Equity/Tangible Assets	5.3	5.1	5.5	6.0	5.5
Funding and Liquidity					
Loans/Customer Deposits	63.0	59.9	70.8	75.3	74.9
Customer Deposits/Funding	75.7	72.0	68.6	68.0	67.1

[a]First three months of 2021 only, ended March 31, 2021.
N.A. – Not applicable.
Source: Fitch Ratings.

Key Financial Metrics — Latest Developments

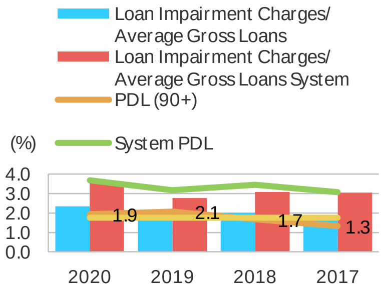
Asset Quality

Asset quality remains strong and compares very well to domestic and regional peers. Despite the headwinds of the pandemic, GNB's conservative risk appetite, combined with the quasi-secured nature of the payroll-lending portfolio, has enabled the bank's asset quality metrics to remain solid and compare very well with industry peers. Portfolio diversification also mitigates risk. Additional evidence of the bank's solid asset quality is its low net chargeoffs-to-average gross loans ratio, which often appears as a net recovery. As of YE20 (Dec. 31), the net recovery was nearly 1%.

As of March 31, 2021, asset quality indicators had seen slight weakening (over 90-day PDLs were at 2.28%, up from 1.94% as of YE20) but are still quite low and compare favorably to the industry average. More than 90% of borrowers in the bank's consolidated loan portfolio were operating without the benefit of any financial relief (forbearance) programs. Although the bank's Peruvian subsidiary was affected by impairment in its mortgage portfolio, the underlying guarantees, loan loss reserves and expected improvement in the Peruvian economy should mitigate potential chargeoffs. In terms of other risk assets, the bank maintains a conservative investment portfolio comprising mainly low risk investments, mostly in liquid Colombian and Peruvian government securities.

Asset Quality and LIC

(Years Ended Dec. 31)



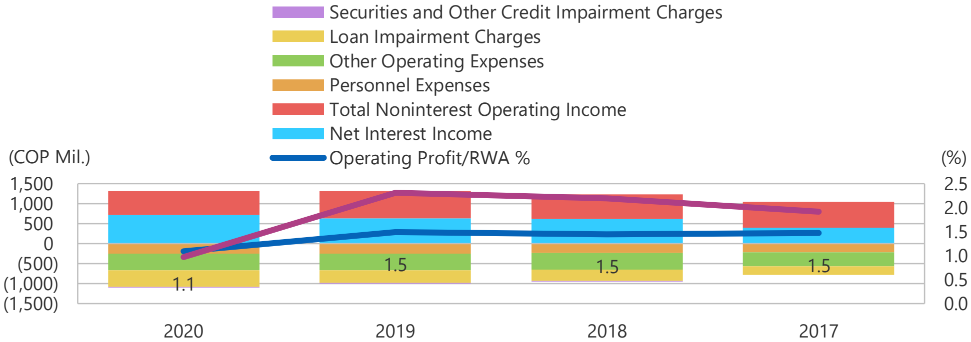
Source: Fitch Ratings, Fitch Solutions.

Earnings and Profitability

Historically low profitability was impacted by the pandemic and managerial actions to limit credit exposure (the loan portfolio was allowed to shrink by 3.2%) and invest in employee and customer protections. The moderate franchise limits the bank's competitive advantages and generally influences funding costs. Higher credit expenses and administrative expenses also impacted operating profit, although tight cost controls still enabled an adequate efficiency level of close to 50%. Operating profit to RWA shrank to 1.1% as of YE20, from 1.5% at YE19, while net income to average equity decreased to 7.6% from 12.2% over the same period. The bank's management clearly prioritized liquidity and asset quality over profitability and succeeded in maintaining strong metrics in both categories while still reporting a small profit.

Operating Profit

(Years Ended Dec. 31)



Source: Fitch Ratings, Fitch Solutions.

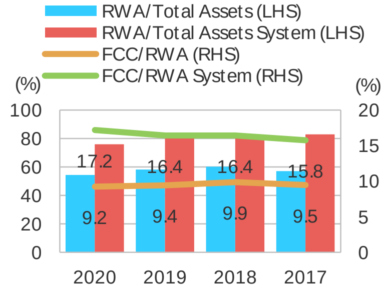
1Q21 earnings showed relevant improvement in all countries in which the bank operates. Consolidated operating profit to RWA improved to 1.3% from 1.1% at YE20, while net income to average equity increased to 13.7% from 7.6% at YE20. The increase was mostly driven by 32% growth in loans and improved net interest margins.

Capitalization and Leverage

Despite tight capitalization metrics, GNB's capital is deemed sufficient considering its comfortable loan loss reserves, sound asset quality and conservative risk management policies. However, its previous capitalization metrics have compared unfavorably with those of its similarly rated international peers (universal commercial banks in a ‘bbb’ OE) and have been viewed by Fitch as the main constraint on the bank’s VR.

Capitalization and RWA Density

(Years Ended Dec. 31)



Source: Fitch Ratings, Fitch Solutions.

Capitalization metrics had improved as of YE20, with Tier 1 capital rising to nearly 8.3% from 7.0% yoy and the total capital ratio increasing to 14.0% from 13.6% over the same period. The increase was due in part to the reduction in risk assets, an infusion of USD50 million in shareholder equity to support further growth (mainly in Paraguay) and the retention of USD36 million in 2019 earnings. The reported CET1 for 1Q21 was 8.17%, which was affected by relevant growth in the bank's RWA that also included new risk assets from the former BBVA Paraguay bank subsidiary and the correspondent minority stake increase due to the sale of the 32% stake in GNB Paraguay to Grupo Vierci.

The Tier 2 notes placed in April 2021, were approved by the regulator to be considered as Tier 2 capital and replaced the old-style subordinated notes.

Funding and Liquidity

GNB is funded abundantly by customer deposits. Deposits come primarily from institutional and public investors, resulting in higher funding costs and higher concentrations by depositors, in contrast to banks with a wider retail deposit base. Slightly over half of GNB's consolidated assets are in the form of cash and liquid securities, as the bank is a market maker of government securities in Colombia.

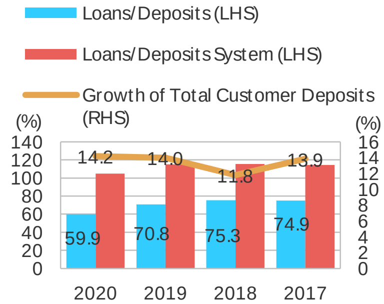
These holdings also contribute toward fulfilling the treasury services the bank provides to institutional customers while further enhancing its overall funding and liquidity strategy. The bank's liquidity ratios are among the strongest top three in the industry (its LCR stood at 204% as of December 2020). Additionally, loans to customer deposits were a very conservative 60% at YE20 and 63% as of March 2021.

The bank's conservative reputation has enabled continued access to stable deposits. Customer deposits usually account for a comfortable 67% to 72% of total funding. This level is also aided by deposit reciprocity agreements with various governmental entities. Concentrations with the top 20 depositors remain moderate; as of March 31, 2021, the top 20 term depositors represented 33% of total depositors, originating mainly from the bank’s longstanding relationships with its main depositors, comprising institutional customers that rely on GNB for cash management needs. The bank’s funding is bolstered by deposits from collection agreements with the government and subnational entities to collect taxes and utility bills, accounting for over 520 collection agreements.

Additional funding sources include senior and subordinated bond issuances in the local and international markets to better match assets and liabilities and to bolster regulatory capital, credit lines in foreign currencies and rediscount lines with local development banks.

Loans/Deposits

(Years Ended Dec. 31)



Source: Fitch Ratings, Fitch Solutions.

Sovereign Support Assessment

The bank's SR of '4' and SRF of 'B+' are driven by its moderate systemic importance as a market maker and its payroll lending share of the Colombian market of 9%. GNB is also working to grow its share of retail deposits, although this metric is still a modest 4% when compared to local systemically important banks. Fitch believes there is a limited probability that the bank would receive sovereign support if needed, which underpins its SR and SRF. SRFs indicate the minimum level to which an entity's Long-Term IDR(s) could fall if Fitch does not change its view on potential sovereign support.

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			BBB- to BB
Actual country D-SIB SRF			BB+
Support Rating Floor:			**B+**
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy	✓		
Size of potential problem		✓	
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)	✓		
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in		✓	
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance			✓
Liability structure of bank	✓		
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

ESG Considerations

FitchRatings **Banco GNB Sudameris S.A.** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Banco GNB Sudameris S.A. has 1 ESG rating driver and 4 ESG potential rating drivers

- Banco GNB Sudameris S.A. has exposure to board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions which, in combination with other factors, impacts the rating.
- Banco GNB Sudameris 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.
- Banco GNB Sudameris S.A. has exposure to operational implementation of strategy but this has very low impact on the rating.
- Banco GNB Sudameris S.A. has exposure to organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership but this has very low impact on the rating.
- Banco GNB Sudameris S.A. has exposure to quality and frequency of financial reporting and auditing processes but this has very low impact on the rating.

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

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	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

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
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
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
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
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

S Scale: 5, 4, 3, 2, 1

Governance (G)

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

G Scale: 5, 4, 3, 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.

Banco GNB Sudameris S.A. has an ESG Relevance Score of '4' for Governance Structure due to key person risk, which has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

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, due to either 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.

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.