

Banco Consorcio

Update

Key Rating Drivers

Viability Rating: Banco Consorcio's 'bbb' Viability Rating (VR) has been affirmed and removed from Under Criteria Observation (UCO). The bank's Business Profile, a Key Rating Driver with a higher weighting, is now scored at 'bbb' as Fitch Ratings upgraded it from 'bbb-'. Accordingly, the implied VR for Banco Consorcio is now 'bbb', in line with the entity-assigned VR. Fitch's assessment of the bank's business profile, which includes a moderate, albeit growing, domestic franchise, is positively influenced by group benefits and risks to arrive at a 'bbb' business profile score above the implied 'bb' score. The bank benefits significantly from the strong franchise of its ultimate parent, Consorcio Financiero S.A., the largest insurance group in Chile with about 17% of market share in total assets and retained premiums, as of Dec. 31, 2021. The parent provides access to a very large customer and products base, which will help the bank achieve its growth and diversification targets over the long term.

Support Ratings: The Shareholder Support Rating (SSR) reflects the potential support from its parent, Consorcio Financiero, 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 in providing core products and complementary financial services, as well as the potential implications for the parent should the bank default, given the cross-default clauses that exist in Consorcio Financiero's debt instruments.

IDRs Based on VR: Banco Consorcio's Issuer Default Ratings (IDR) are driven by its VR of 'bbb', and do not factor in any extraordinary support from Consorcio Financiero. However, the bank's IDRs are currently at the same level as would be derived from the institutional support approach, given that the bank is a core subsidiary of its parent. Banco Consorcio's VR is highly influenced by its business profile, which includes a moderate, albeit growing, franchise. The bank had a loan market share of 2.3%, excluding the system's overseas operations, as of Dec. 31, 2021, and its operations are highly concentrated in the corporate and real estate segments. Banco Consorcio's VR also reflects its track record of maintaining a strong financial profile as the bank grows. The latter is driven by the bank's good profitability, solid capitalization, adequate credit risk management and improved liquidity.

Rating Sensitivities

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

VRs and IDRs

- A potential VR upgrade is limited given Banco Consorcio's relatively moderate domestic franchise.

Support Ratings

- An upgrade in the bank's SSR could be driven from a similar rating action in its parent's ratings.

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

- Downward pressure on Banco Consorcio's VR could stem from lower liquidity levels or a higher risk appetite that results in significantly weaker asset quality, which affects profitability (operating profit/risk weighted assets falling and remaining below 1%) and, ultimately, capitalization, with its common equity Tier 1 ratio falling and remaining consistently below 10%. In addition, the downward potential of Banco Consorcio's IDRs is

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F3

Local Currency

Long-Term IDR	BBB
Short-Term IDR	F3

Viability Rating	bbb
Shareholder Support Rating	bbb

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 \(November 2021\)](#)

Related Research

[Chilean Banks: 1H22 Review and Update \(February 2022\)](#)

[Fitch Ratings 2022 Outlook: Latin American Banks \(December 2021\)](#)

[Mid-Sized Chilean Banks \(July 2021\)](#)

Analysts

Robert Stoll
+1 212 908-9155
robert.stoll@fitchratings.com

Santiago Gallo
+56 2 2499 3320
santiago.gallo@fitchratings.com

Abraham Martinez
+56 2 2499 3317
abraham.martinez@fitchratings.com

limited given that these are at the same level that could be achieved based on parent support.

Support Ratings

- Banco Consorcio's SSR reduction is subject to the potential downgrade of its ultimate parent. In addition, the bank's SSR could be affected by a change in Fitch's opinion of 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
Shareholder Support Rating	bbb
National Long-Term Rating	AA-(cl)
National Short-Term Rating	N1+(cl)
Outlook/Watch	Stable

IDR – Issuer Default Rating.
Source: Fitch Ratings.

Debt Rating Classes

Rating Level	Rating
Senior Unsecured: National Long-Term	AA-(cl)
Subordinated: National Long-Term	A(cl)

Source: Fitch Ratings.

Ratings Navigator

Fitch Ratings		Banco Consorcio							ESG Relevance:		Banks Ratings Navigator	
Banks Ratings Navigator		Operating Environment	Business Profile	Risk Profile	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Implied Viability Rating	Viability Rating	Shareholder Support Rating	Issuer Default Rating
Navigator date: March 2022			20%	10%	20%	15%	25%	10%				
Last rating action: 11 Mar 2022		aaa							aaa	aaa	aaa	AAA
		aa+							aa+	aa+	aa+	AA+
Sector Details:		aa							aa	aa	aa	AA
Bank sector: Universal Commercial		aa-							aa-	aa-	aa-	AA-
Region: EM Americas		a+							a+	a+	a+	A+
Jurisdiction: Chile		a							a	a	a	A
Sovereign IDR: A- Stable		a-							a-	a-	a-	A-
Last action: 21 Oct 21 Affirmed		bbb+							bbb+	bbb+	bbb+	BBB+
Country Ceiling: A+		bbb							bbb	bbb	BBB	BBB Sta
Macro prudential indicator: 1		bbb-							bbb-	bbb-	bbb-	BBB-
Bank systemic indicator: a		bb+							bb+	bb+	bb+	BB+
		bb							bb	bb	bb	BB
Bank Rating History		bb-							bb-	bb-	bb-	BB-
Viability Rating (VR)		b+							b+	b+	b+	B+
11 Mar 22 bbb Affirmed		b							b	b	b	B
17 Nov 21 bbb		b-							b-	b-	b-	B-
11 May 21 bbb Affirmed		ccc+							ccc+	ccc+	ccc+	CCC+
Issuer Default Rating (IDR)		ccc							ccc	ccc	ccc	CCC
11 May 21 BBB Stable Affirme		ccc-							ccc-	ccc-	ccc-	CCC-
23 Oct 20 BBB Negative Affirmed		cc							cc	cc	cc	CC
15 May 20 BBB Negative Affirme		c							c	c	c	C
		f							f	f	ns	D or RD

Significant Changes

Chilean Banks Operating Environment

Fitch expects the operating and business environment to remain challenging in 2022 as economic growth decelerates sharply (Fitch forecasts GDP growth of 2.6% after 11.7% growth in 2021) but Fitch does not anticipate a material deterioration relative to 2021. In Fitch's opinion, this indicates that any impact on bank financial profiles will remain manageable and that, despite any potential deterioration, the banking system's performance in 2022 will be in line with the past year. This also weights in Fitch's 'Stable' assessment on Chilean's operating environment, currently scored at 'bbb+' with a Stable Outlook.

Summary Financials

	2021				2018
(CLP Bil., Year End Dec. 31)	Not Disclosed (USD Mil.)	Not Disclosed	2020 Not Disclosed	2019 Not Disclosed	Audited – Unqualified
Summary Income Statement					
Net Interest and Dividend Income	206	178.2	126.4	93.8	80.7
Net Fees and Commissions	12	10.5	9.1	8.9	8.2
Other Operating Income	31	26.6	53.5	51.3	14.9
Total Operating Income	249	215.4	189.0	154.1	103.7
Operating Costs	68	59.0	46.9	33.7	40.0
Pre-Impairment Operating Profit	181	156.4	142.2	120.4	63.7
Loan and Other Impairment Charges	86	74.2	83.4	44.2	9.5
Operating Profit	95	82.2	58.8	76.2	54.2
Other Non-Operating Items (Net)	N.A.	N.A.	N.A.	N.A.	N.A.
Tax	13	10.9	8.2	13.0	11.1
Net Income	82	71.3	50.6	63.2	43.1
Other Comprehensive Income	(116)	(100.6)	21.0	(2.0)	(5.8)
Fitch Comprehensive Income	(34)	(29.3)	71.5	61.2	37.3
Summary Balance Sheet					
Assets					
Gross Loans	5,300	4,591.3	3,783.1	3,473.4	2,644.4
of Which Impaired	75	64.9	63.9	66.2	16.5
Loan Loss Allowances	145	125.4	81.7	62.7	44.8
Net Loan	5,156	4,466.0	3,701.4	3,410.7	2,599.6
Interbank	47	41.1	29.9	40.1	30.0
Derivatives	125	108.2	109.4	91.4	26.0
Other Securities and Earning Assets	1,963	1,700.4	1,657.0	1,815.4	1,704.0
Total Earning Assets	7,291	6,315.7	5,497.7	5,357.6	4,359.7
Cash and Due From Banks	944	817.7	302.2	208.7	127.1
Other Assets	313	271.0	116.6	190.5	124.0
Total Assets	8,548	7,404.3	5,916.5	5,756.9	4,610.8
Liabilities					
Customer Deposits	4,200	3,638.7	2,686.8	3,095.9	2,455.0
Interbank and Other Short-Term Funding	1,499	1,298.4	1,046.3	787.8	734.1
Other Long-Term Funding	1,917	1,660.6	1,388.0	1,109.1	833.4
Trading Liabilities and Derivatives	129	112.1	80.2	80.6	48.0
Total Funding and Derivatives	7,746	6,709.9	5,201.4	5,073.4	4,070.4
Other Liabilities	156	134.8	117.7	164.8	120.4
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	646	559.7	597.4	518.6	420.0
Total Liabilities and Equity	8,548	7,404.3	5,916.5	5,756.9	4,610.8
Exchange Rate	USD1 = CLP866.25 USD1 = CLP728.96 USD1 = CLP744.62 USD1 = CLP695.69				

N. A. – Not available.

Source: Fitch Ratings, Fitch Solutions.

Key Ratios

(%, As of Dec. 31)	2021	2020	2019	2018
Ratios (Annualized as Appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	1.5	1.3	1.7	1.5
Net Interest Income/Average Earning Assets	3.0	2.3	2.0	2.1
Non-Interest Expense/Gross Revenue	27.4	24.8	21.9	38.6
Net Income/Average Equity	12.5	9.7	12.6	10.2
Asset Quality				
Impaired Loans Ratio	1.4	1.7	1.9	0.6
Growth in Gross Loans	21.4	8.9	31.4	25.7
Loan Loss Allowances/Impaired Loans	193.3	128.0	94.7	271.0
Loan Impairment Charges/Average Gross Loans	1.8	0.9	0.9	0.4
Capitalization				
Common Equity Tier 1 Ratio	10.5	13.1	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	10.5	13.0	11.3	11.2
Tangible Common Equity/Tangible Assets	7.5	10.1	9.0	9.1
Basel Leverage Ratio	7.5	10.0	8.9	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	(10.9)	(3.0)	0.7	(6.8)
Funding and Liquidity				
Gross Loans/Customer Deposits	126.2	140.8	112.2	107.7
Liquidity Coverage Ratio	257.0	212.0	192.0	N.A.
Customer Deposits/Total Non-Equity Funding	55.2	52.5	62.0	61.0
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.

N. A. – Not available.

Source: Fitch Ratings, Fitch Solutions.

Government/Shareholder Support

Shareholder Support Rating KRDs	
Shareholder IDR	BBB
Total Adjustments (notches)	0
Shareholder Support Rating:	BBB
Shareholder ability to support	
Shareholder Rating	BBB/ Stable
Shareholder regulation	1 Notch
Relative size	2+ Notches
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	1 Notch
Support record	Equalised
Subsidiary performance and prospects	Equalised
Legal commitments	Equalised

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Banco Consorcio has 5 ESG potential rating drivers

- ➔ 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.

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.

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	
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 "low or" 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 Consorcio's ESG Relevance Score for Exposure to Environmental Impacts was changed to '2' from '3' to reflect the standard score for banks across the region.

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.

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.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.