FitchRatings

Banks
Universal Commercial Banks
El Salvador

Banco Agricola, S.A.

Ratings

Foreign Currency

Long-Term Issuer Default Rating	B
Short-Term Issuer Default Rating	B

Local Currency

Viability Rating	b–
Support Rating	4

National

National Long-Term Rating	EAAA(slv)
National Short-Term Rating	F1+(slv)

Sovereign Risk

Long-Term Foreign Currency Issuer Default Rating	B–
Country Ceiling	B

Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating[a]	Negative
National Long-Term Rating	Stable
Sovereign Long-Term Foreign Currency Issuer Default Rating[a]	Negative

[a]Rating Outlook revised to Negative from Stable on May 6, 2020.

Applicable Criteria

National Scale Rating Criteria (December 2020)

Bank Rating Criteria (February 2020)

Related Research

Fitch Affirms Banco Agricola at 'B'; Outlook Negative (April 2021)

Key Rating Drivers

Country Risk Limits IDR Driven by Bancolombia's Support: Banco Agricola, S.A.'s (Agricola, or the bank) Long-Term Issuer Default Rating (IDR) reflects Fitch Ratings' assessment of the ability and propensity of its ultimate parent, Bancolombia S.A. (Bancolombia; 'BBB–'/Negative), to provide support if required. Bancolombia's ability to support Agricola is highly influenced by the constraints that El Salvador's country ceiling of 'B' imposes on the bank's rating. The Negative Rating Outlook on Agricola's IDR is in line with the Negative Rating Outlook on El Salvador's sovereign rating.

Operating Environment Constrains Viability Rating: Agricola's Viability Rating (VR) is highly influenced by El Salvador's challenging operating environment (OE), which, in Fitch's view, will continue to pressure the bank's financial profile in 2021, although this is partially mitigated by Agricola's leading franchise. Fitch expects the magnitude of the weakening operating conditions caused by the coronavirus pandemic, along with the expiration of pandemic-necessitated relief measures, to make asset quality deterioration especially visible. This will weigh on profitability to an extent, in conjunction with an expected slow recovery of the credit dynamic.

Leading Local Franchise: Agricola's VR also reflects, with high importance, its company profile, which is characterized by its leading franchise in the local credit and deposit markets and a diversified business model.

Limited Visibility of Loan Quality: The bank's nonperforming loans (NPL)-to-gross loans ratio was 1.2% as of December 2020. NPL reserve coverage increased to 392% in 2020 as Agricola made prudent loan loss allowances. In Fitch's opinion, the challenging economic conditions will pressure Agricola's asset quality beginning in 2Q21, when the relief measures are due to expire; however, the bank's reserve coverage is ample enough to absorb unexpected losses.

Sound Profitability: Agricola's profitability faced significant pressure in 2020. Its operating profits-to-risk-weighted assets (RWA) ratio decreased to 1.98%, mainly due to materially higher prudential provisions and a lower net interest margin (NIM). Although Fitch expects Agricola's profitability to remain under pressure in 2021, it should be more resilient compared to local peers given its leading franchise.

Adequate Capitalization: Agricola's core capitalization metric, its Fitch Core Capital (FCC)-to-RWA ratio, was at its lowest historical level as of December 2020, decreasing to 12.8%. Despite this, the bank constituted voluntary reserves in 2020, which should allow it to mitigate unexpected loan deterioration. Since the bank will not distribute any dividends in 2021, Fitch expects the bank's capital position to remain relatively stable for the year.

Diversified Funding: Agricola continues to show an increasing and diversified funding structure driven mostly by its leading franchise in deposits. Its loans-to-customer deposits ratio improved to 82.5% as of December 2020, versus 97.2% as of December 2019. Fitch notes that Agricola's liquidity risk is partially mitigated by its reasonable liquidity levels, ample access to alternative funding sources and a solid franchise in deposits.

Rating Sensitivities

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

- Negative changes in the bank's IDR and Support Rating (SR) would mirror negative changes in El Salvador's sovereign rating and country ceiling.
- Agricola's IDRs could be downgraded as the result of a multiple-notch downgrade of Bancolombia's IDRs.

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- Any perception by Fitch of a reduction in Agricola's strategic importance relative to its parent company may trigger a downgrade of Agricola's IDRs, SR and National Ratings.
- A slower than expected economic recovery, which could lead to a lower OE score for Salvadoran banks, would pressure Agricola's VR. Downgrades to Agricola's VR could also result from material deterioration in the bank's financial profile that leads to sustained operating losses and an FCC-to-RWA ratio consistently below 10%.
- Agricola's senior secured and unsecured debt national scale ratings would be downgraded in the event of negative rating actions on the bank's National Ratings.

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

- The Negative Rating Outlook on Agricola's IDR indicates that positive actions on the bank's ratings are highly unlikely for the foreseeable future. However, over the medium term, Agricola's IDR, SR and VR could be upgraded in the event of an upgrade to El Salvador's sovereign rating and country ceiling.
- The VR's upside potential is currently limited by the challenging OE resulting from the impacts of the pandemic-induced economic disruption. The VR could only be upgraded over the medium term by OE improvement accompanied by consistent financial metrics while the bank maintains a strong company profile.
- The National Ratings are currently at their highest possible levels and therefore have no upside potential.

Issuer Ratings

Rating Type	Rating
Long-Term Foreign Currency IDR	B
Short-Term Foreign Currency IDR	B
Viability Rating	b−
Support Rating	4
National Long-Term Rating	EAAA(slv)
National Short-Term Rating	F1+(slv)
Outlook	Negative

Source: Fitch Ratings.

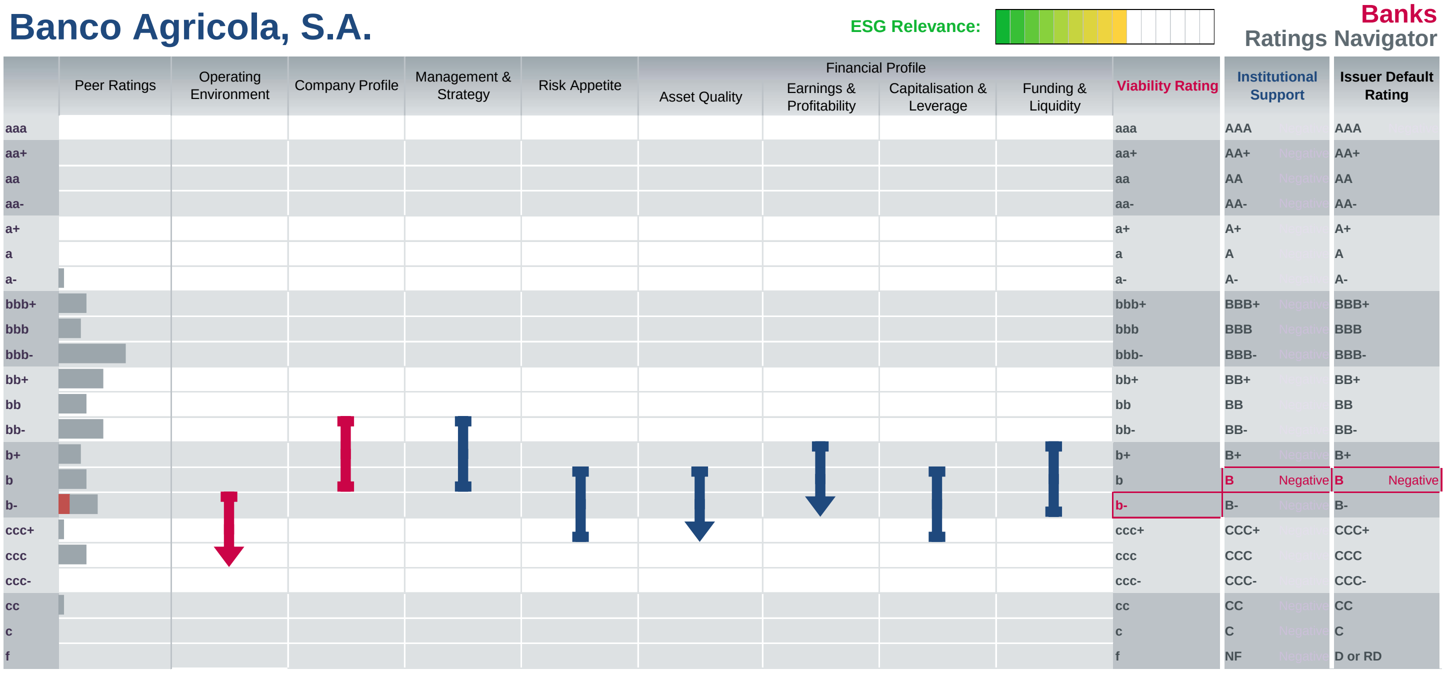
Debt Rating Classes

Rating Type	Rating
Long-Term Senior Unsecured Debt	AAA(slv)
Long-Term Senior Secured Debt	AAA(slv)

Source: Fitch Ratings.

Agricola's National Ratings are at the highest level on the ratings scale given the relative credit strength of Bancolombia compared with other issuers in El Salvador. Meanwhile, Agricola's senior secured and unsecured debt national scale ratings are at the same level as the issuer's national ratings, as these debt issuances' likelihood of default are the same as that of Agricola.

Ratings Navigator



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

Institutional Support Assessment

Agricola's IDR is driven by the support from its parent, Bancolombia (BBB–/Negative). In this regard, Agricola's IDR is heavily constrained by El Salvador's country ceiling of 'B', which, according to Fitch criteria, captures transfer and convertibility risks. Per Fitch's criteria, the country ceiling caps the subsidiary's IDR at a level below what would be possible given Bancolombia's ability and propensity to provide support. Therefore, there could be limitations on the subsidiary's ability to use parental support.

Bancolombia's propensity to support Agricola is highly influenced by Fitch's opinion that a default of Agricola would constitute a huge reputational risk to Bancolombia and/or Bancolombia's subsidiaries, mainly in the Central American region, and would cause especially material damage to Bancolombia's franchise.

The bank's SR reflects Fitch's opinion of a limited probability of support due to the heightened risks within the OE. The bank's SR is based on Fitch's opinion of Bancolombia's ability and propensity to support Agricola if needed. Agricola's SR is also constrained by El Salvador's sovereign rating, as reflected in the country ceiling. Per Fitch criteria, Agricola's IDR of 'B' corresponds to an SR of '4'.

Fitch believes foreign bank subsidiaries in El Salvador may be affected by reduced support due to the negative impacts of the pandemic-induced international health contingency on their parent companies' financial profiles. Fitch will closely monitor Bancolombia's ability to support Agricola, as Bancolombia's IDR currently has a Negative Rating Outlook.

Institutional Support			Value
Parent IDR			BBB-
Total Adjustments (notches)			-5
Institutional Support:			**B**
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			✓

Operating Environment

Operating Environment Remains Defiant for Banks in 2021

The Salvadoran institutions' financial performance is highly influenced by the OE, which has experienced economic contraction derived from the pandemic. In 2020, contraction consisted of a 7.9% drop in real GDP, and the expectation for 2021 is a moderate recovery of 5%. Fitch believes the OE for the Salvadoran banking sector will remain challenging in 2021. This could mainly impact the entities' asset quality and profitability due to the low businesses' dynamism and deterioration of debtors' payment capacities. Likewise, the uncertainty of economic policy, the fiscal deficit and the government's financing restrictions could further increase the OE challenges for financial institutions.

For its OE assessment, Fitch considers El Salvador's GDP per capita and the World Bank's Ease of Doing Business ranking (52.4%), in addition to the country's sovereign rating in international scale of 'B−' with a Negative Rating Outlook. The latter reflects deterioration in debt sustainability metrics due to the widening fiscal deficit, financing restrictions in the local market and uncertain access to external resources, which could influence banks' funding costs and exposure to sovereign debt. Likewise, the agency factors the greater lag of the Salvadoran regulatory framework versus those of other Central American countries by showing a partial adoption of Basel recommendations; meanwhile, accounting standards differ from those of the IFRS.

Approved Regulations for Portfolio Management with Temporary Relief Measures

The central bank recently approved new rules for the loan portfolio as a result of the pandemic. The latest changes establish deadlines for due documentation of said credits, the resumption of the count of days in arrears as of March 14, 2021 (with the exception of mortgage loans as of Jan. 1, 2022) and a gradual monthly constitution of reserves for impaired loans in which temporary relief regulations were applied. In this gradual application, there is differentiation in the maximum term according to credit type: 24 months for large companies not including tourism (36 months including tourism); 48 months for micro-, small- and medium-sized companies, self-employment and consumption; and 60 months for mortgage loans.

In Fitch's opinion, these regulations (together with those extended until mid-2021) relating to the incentive for granting credits, with a discount in the calculation of the liquidity reserve requirement, could lessen the effect on financial institutions' results due to the gradual constitution of reserves for affected loans. Conversely, the restart of the count of days in arrears could be reflected in a greater affectation on loan quality for entities with less diversified business models and credit portfolios with significant exposures in the most impacted sectors. However, since 2020, entities have taken prudent measures, such as strengthening their collection teams, increasing voluntary credit reserves and managing their liquidity, which could help to mitigate pressures on their financial performance to a degree.

Brief Company Summary

Leading Franchise

Agricola has a consolidated leading franchise in the Salvadoran financial system. As of January 2021, the bank's market shares in terms of gross loans and total deposits were approximately 25% and 31%, respectively. The bank also has leading market shares in some credit segments. The bank has ample geographic coverage in El Salvador.

Agricola is a member of the local Conglomerado Financiero Banagrícola and the international financial group Grupo Bancolombia. Agricola's local organizational structure is simple and neutral for the ratings. Agricola is owned by the local holding company, Inversiones Financieras Banco Agricola, S.A., rated 'AAA(slv)', which in turn is owned by Bancolombia (Panama) S.A., rated 'BBB−' with a Negative Rating Outlook. Bancolombia (Panama) is an international license bank that serves as a holding company for the Central American and Caribbean operations. The ultimate parent, Bancolombia, is the largest bank in Colombia, with a relevant footprint in Central America. Agricola consolidates two small subsidiaries: Arrendadora Financiera, S.A. and Credibac, S.A. de C.V. (Credibac). In 2020, in addition to its traditional business line (recovery of charged off loans), Credibac initiated operations as a platform for electronic payments.

Experienced and Flexible Management

Despite relevant changes in top management during 2H20, Fitch believes this was properly managed by the bank, demonstrating there is no material exposure to key man risk. The resignation of the treasury vice president resulted in those functions currently being carried out by two vice presidents. According to management, there will be no additional relevant organizational changes in 2021. In Fitch's view, Agricola's management team has ample banking sector experience at the international and local levels. Additionally, the internal transfer of senior executives across Grupo Bancolombia subsidiaries remains a common practice.

Sound Corporate Governance

Agricola's corporate governance practices provide good protection of creditors' rights and are consistent with its holding company. The board of directors has eight members, including three independent directors. This board is supported by different executive committees. In Fitch's opinion, the board members provide good oversight of execution by participating in the risk (six members, including two independent directors) and audit (seven members, including three independent directors) committees.

Strategic Objectives and Execution Challenged by Operating Environment

The bank's objectives are aligned with those of Grupo Bancolombia: continuation of the digital transformation process (the objective is to become the first choice for digital banking in El Salvador), maintaining financial strength, enhancing customers' preferences, developing human resources excellence and supporting sustainability projects.

Notwithstanding the pandemic-induced disruption to the OE, execution of the bank's strategy is considered appropriate, which is further evidenced by resilient financial performance. However, in the agency's view, El Salvador's current and rapidly changing OE toward unfavorable conditions is challenging the proper execution of the bank's objectives, specifically loan growth, asset quality and profitability. However, Agricola's leading franchise, coupled with being part of an internationally recognized banking group, is expected to help the entity meet these challenges and be better equipped to take advantage of recovery opportunities versus some of its local peers.

Moderate Risk Appetite

The bank's risk appetite currently resembles pre-pandemic patterns, which have been conservative compared to the overall banking system.

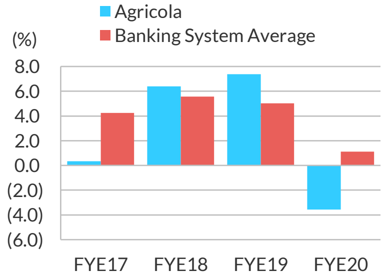
The bank's investment guidelines are to prioritize liquidity and capital preservation. The bank's investment execution is currently in securities such as U.S. treasuries and Salvadoran sovereign exposure, and it complies with internal limits and the bank's risk appetite for these asset classes.

Risk Controls

Agricola has developed methodologies and tools to monitor closely the performance of debtors amid the ongoing OE uncertainty. Toward YE20, Agricola's additional debtor relief measures were focusing on ad-hoc solutions. These efforts are supported by the bank's good knowledge of local credit markets and corporate debtors. The proportion of the loan portfolio under relief measures decreased materially through 2020; by December 2020, the proportion was 6%.

Under the current scenario, the constitution of reserves has been prudent. The bank strengthened its voluntary reserves in 2020, in accordance with the expected visibility of losses from loan deterioration in 2021. This is consistent with Grupo Bancolombia's guidelines. As per efforts in the collection mechanisms, particularly for individual and SME debtors, the bank reinforced its collection teams and provided solutions such as lengthening terms and modifying monthly installments. Meanwhile, the chargeoffs policy has remained as-is.

Growth of Gross Loans



FYE – Fiscal year-end.
Source: Fitch Ratings, Fitch Solutions, Agricola.

Agricola also implemented internal metrics for measuring operational risk, or value-at-risk (VaR), in 2020. This allows for a more direct incorporation of operational risk management into the sensitivity analysis for products and channels. As per cyber-risk exposure, despite the general intensification of digital usage, the bank did not face any related events in 2020.

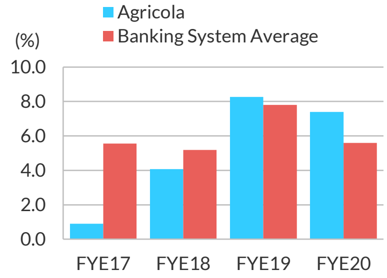
Growth

Due to the pandemic-induced crisis, Agricola's credit portfolio contracted by 3.6% in 2020, as opposed to the system's 1.1% growth (1.1%) over the same period. After the economic reopening in 4Q20, albeit mixed with the persistent OE challenges, credit growth of approximately one digit is forecast for 2021.

Market Risk

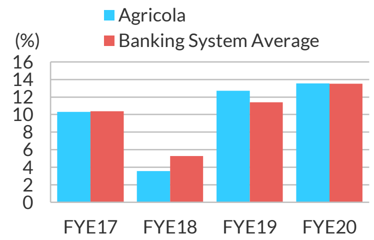
Exposure to interest rate risk in the banking book is handled conventionally in the form of natural hedging. The loan portfolio is legally binding to variable interest rates. Loans with adjustable interest rates represented around 99% of the loan portfolio as of YE20. Market risk controls include interest rate and exchange rate exposure metrics; these include VaR calculations for the investment portfolio, for which the duration is currently low (less than 1).

Growth of Total Assets



FYE – Fiscal year-end.
Source: Fitch Ratings, Fitch Solutions, Agricola.

Growth of Total Customer Deposits



FYE – Fiscal year-end.
Source: Fitch Ratings, Fitch Solutions, Agricola.

Summary Financials and Key Ratios

(USD Mil., Years Ended Dec. 31)	2020[a]	2019[a]	2018[a]	2017[a]	2016[a]
Summary Income Statement					
Net Interest and Dividend Income	248.7	238.4	226.3	204.1	199.4
Net Fees and Commissions	55.9	66.3	29.5	27.8	29.1
Other Operating Income	1.9	1.7	34.9	29.6	25.5
Total Operating Income	**306.5**	**306.5**	**290.7**	**261.4**	**254.1**
Operating Costs	129.8	148.5	141.7	128.9	122.1
Pre-Impairment Operating Profit	176.7	158.0	149.0	132.5	131.9
Loan and Other Impairment Charges	99.8	45.5	64.6	54.2	51.3
Operating Profit	76.9	112.5	84.4	78.3	80.6
Other Non-Operating Items (Net)	13.1	28.1	21.1	23.8	17.7
Tax	25.5	44.5	39.5	34.3	33.2
Net Income	64.5	96.1	66.0	67.8	65.1
Fitch Comprehensive Income	64.5	96.1	66.0	67.8	65.1
Summary Balance Sheet					
Assets					
Gross Loans	**3,335.3**	**3,458.6**	**3,221.0**	**3,027.4**	**3,017.4**
— of which Impaired	38.3	45.8	55.3	49.2	51.6
Loan Loss Allowances	150.4	87.4	100.6	81.6	83.8
Net Loans	**3,184.9**	**3,371.2**	**3,120.4**	**2,945.8**	**2,933.7**
Interbank	824.3	896.6	905.0	913.0	880.8
Other Securities and Earning Assets	862.3	322.8	222.8	228.1	238.7
Total Earning Assets	**4,871.6**	**4,590.5**	**4,248.2**	**4,086.9**	**4,053.1**
Cash and Due From Banks	152.2	124.9	118.5	104.3	104.3
Other Assets	232.3	178.7	153.6	151.9	147.1
Total Assets	**5,256.1**	**4,894.2**	**4,520.3**	**4,343.1**	**4,304.5**
Liabilities					
Customer Deposits	4,041.2	3,559.2	3,158.2	3,050.0	2,765.2
Interbank and Other Short-Term Funding	N.A.	16.3	16.4	28.6	309.9
Other Long-Term Funding	330.2	397.6	453.4	371.4	131.9
Trading Liabilities and Derivatives	212.1	214.1	249.2	247.2	460.3
Total Funding	**4,583.5**	**4,187.3**	**3,877.2**	**3,697.1**	**3,667.2**
Other Liabilities	122.8	127.2	121.1	104.0	98.0
Total Equity	**549.8**	**579.7**	**522.1**	**542.0**	**539.3**
Total Liabilities and Equity	**5,256.1**	**4,894.2**	**4,520.3**	**4,343.1**	**4,304.5**
Exchange Rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

[a]Audited — unqualified (emphasis of matter).
N.A. – Not applicable.
Source: Fitch Ratings.

Summary Financials and Key Ratios

(%, Years Ended Dec. 31)	2020	2019	2018	2017	2016
Ratios (Annualized as Appropriate)					
Profitability					
Operating Profit/RWAs	2.0	3.1	2.5	2.4	2.5
Net Interest Income/Average Earning Assets	5.6	5.9	6.1	5.5	5.2
Noninterest Expense/Gross Revenue	42.4	48.4	48.8	49.3	48.1
Net Income/Average Equity	12.0	18.1	12.5	13.1	12.5
Asset Quality					
Impaired Loans Ratio	1.2	1.3	1.7	1.6	1.7
Growth in Gross Loans	(3.6)	7.4	6.4	0.3	2.5
Loan Loss Allowances/Impaired Loans	392.4	190.6	181.8	166.0	162.3
Loan Impairment Charges/Average Gross Loans	2.9	1.4	2.1	1.8	1.7
Capitalization					
FCC Ratio	12.8	15.3	15.1	16.6	16.8
Tangible Common Equity/Tangible Assets	9.5	11.4	11.4	12.4	12.4
Net Impaired Loans/FCC	(22.6)	(7.5)	(8.8)	(6.1)	(6.0)
Funding and Liquidity					
Loans/Customer Deposits	82.5	97.2	102.0	99.3	109.1
Customer Deposits/Funding	88.2	85.0	81.5	82.5	75.4

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

Key Financial Metrics — Latest Developments

Asset Quality

Relief measures implemented in 2020 delayed the crisis's impact on loan quality metrics. However, these metrics will be impacted in 2021 as relief measures expire. Agricola's core metric, impaired loans to gross loans, was 1.15% as of December 2020, comparing better to those of its closest local peers and some of its regional rated peers (whose quality metrics likewise benefited from relief measures). In anticipation of loan deterioration derived from the challenging OE in 2021 coupled with the termination of relief measures in June 2021, the loan loss allowances-to-impaired loans ratio reached a historical maximum of 390% for the periods analyzed as of December 2020, exceeding the system average of 205% as of that period and most of Agricola's closest local competitors.

As of December 2020, the 20 largest exposures accounted for a moderate 1.5x the FCC. These 20 largest exposures comprise loans granted mostly to local private groups that have long track records of relationships with the bank. By credit segment, and similar to many of its competitors, Agricola's credit portfolio concentration is high. Agricola's highest exposure is in consumer loans (around 42% of total loans), followed by residential (15%) and commercial (10%) mortgages.

As of December 2020, the securities portfolio materially increased its participation in the bank's balance sheet compared to historical patterns and represented 16% of total assets (versus 6% as of December 2019). In terms of sovereigns or equivalent exposure, the most relevant securities for 2020 were U.S.-based securities (38% of the investment portfolio), rated 'AAA' with a Negative Rating Outlook, and El Salvador-based securities (34%), rated 'B–' with a Negative Rating Outlook. These increased significantly compared to 2019.

Earnings and Profitability

Agricola's core profitability metric as of December 2020 (1.98%) compares above those of its closest local and regional peers. Agricola's metric is the lowest for the periods analyzed and has been influenced by a slightly lower NIM, controlled operational efficiency and a historically high loan loss provision expense. Despite additional loans loss provisions and the slowdown in loan growth, Agricola's profitability seems to be more resilient than those of its peers. This is supported by its leading franchise, which allows the bank to manage its NIM with more flexibility, and the continuous control on operating expenses.

Given lower credit business volume and a lower average loan interest rate, the bank's NIM faced slight pressure in 2020. However, Agricola's low funding cost is a key element in managing profitability. Its efficiency metric continues to compare favorably versus most of its closest local peers, benefiting from economies of scale. As of December 2020, its noninterest expense-to-gross revenues ratio continued its pattern of decline, reaching 42.4% (versus a system average of 56.6%), the lowest such metric for the periods analyzed. Additionally, Agricola's loans and securities impairment charges to pre-impairment operating profit, at 56.5%, remained below the system average (69.2%) but was at its highest level for the periods analyzed. This high credit cost results from the expected credit deterioration, which Agricola's management estimates will be more visible later in 2021.

Capitalization and Leverage

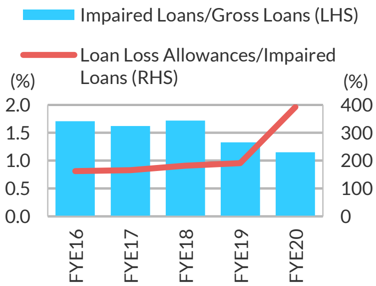
The pressure on Agricola's capitalization continued in 2020; however, its capital position is still commensurate with its rating level given its ample reserve coverage. Its FCC ratio, a core metric, decreased to 12.8% as of December 2020 (December 2019: 15.3%), the lowest such metric for the periods analyzed and slightly below that of its closest local competitors.

Although the bank does not have a strict dividend policy, Agricola has historically and consistently upstreamed sizable dividends to its parent; in this regard, it distributed dividends in 2020 (historically a record amount) of around 98% of 2019 net profits (a historical record in net profits). However, to strengthen its capital position, the bank will not distribute dividends in 2021.

Funding and Liquidity

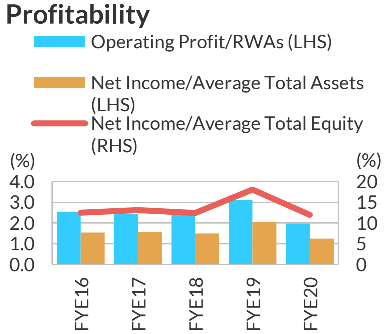
As of December 2020, Agricola's loan-to-deposits ratio continued its pattern of decline, standing at 82.5%, down from 97.2% as of December 2019, the lowest such ratio during the analyzed

Asset Quality



FYE – Fiscal year-end.
Source: Fitch Ratings, Fitch Solutions, Agricola.

Profitability



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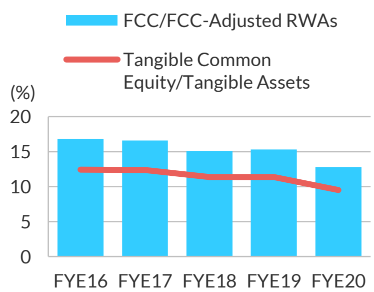
Source: Fitch Ratings, Fitch Solutions, Agricola.

Capitalization



FYE – Fiscal year-end.
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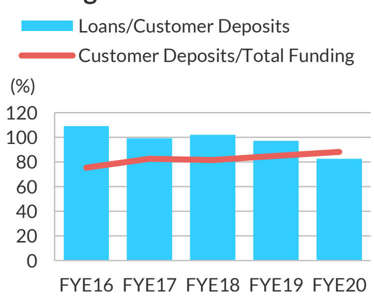
Funding Profile



FYE – Fiscal year-end.
Source: Fitch Ratings, Fitch Solutions, Agricola.

periods and similar to those of its local and regional peers (also below 100%). This ratio is expected to remain below 100% in 2021 provided the growth rate for deposits exceeds that of credits.

Agricola's funding structure is stable and diversified, comparing with local and regional peers. Customer deposits increased to 13.5% in 2020 and represented around 88% of total funding. The growth in deposits reflects Agricola's leading franchise and ample geographic coverage. Deposit growth is sustained by a growing base that mostly comprises local current (28.7% of total deposits) and savings (47.3%) accounts, reflecting depositors' conservative stance amid the challenging OE. Depositor concentration remains low by regional standards. As of December 2020, the 20 largest depositors accounted for 12.9% of total deposits.

Despite the persistent challenging conditions in the markets, access to alternative funding sources is available for Agricola given its local franchise and is supported by its status as a member of Grupo Bancolombia. However, management is not requiring its usage at this time due to the aforementioned growth in deposits. As of December 2020, funding from international financial institutions represented 7% of total funding. Liquidity risk is adequately managed and likewise supported by Agricola's leading franchise in deposits. As of December 2020, liquid assets represented around 19% of total assets and 24% of customer deposits.

ESG Considerations

FitchRatings **Banco Agricola, S.A.**

Banks
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Credit-Relevant ESG Derivation

Banco Agricola, S.A. has 5 ESG potential rating drivers

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

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

Environmental (E)

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

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.