

Second Party Opinion

Banco Finandina S.A. BIC's Sustainability-Linked Finance Framework

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Location: Colombia	Sector: Bank
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Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

✓ Sustainability-Linked Loan Principles, LMA/LSTA/APLMA, 2023

See [Alignment Assessment](#) for more detail.

Relevance And Ambition Analysis Summary

		Relevance	Ambition
SPT/KPI 1	Increase the percentage of loans for electric vehicles (EVs) in the bank's total auto loan portfolio to 7.9% by 2028.	Highly relevant	Ambitious
SPT/KPI 2	Increase the percentage of EV units financed of the total vehicles financed to 4.7% by 2028.	Highly relevant	Ambitious
SPT/KPI 3	Increase the percentage of loans for hybrid vehicle in the bank's total auto loan portfolio to 14.3% by 2028.	Relevant	Ambitious
SPT/KPI 4	Increase the percentage of hybrid vehicles units financed of the total vehicles financed to 8.9% by 2028.	Relevant	Ambitious
SPT/KPI 5	Increase the percentage of loans for sustainable vehicles (electric and hybrid) disbursed to women in the bank's total auto loan portfolio to 6% by 2028.	Relevant	Ambitious

SPT--Sustainability performance target. KPI—Key performance indicator. See [Relevance And Ambition Analysis](#) for more detail.

Strengths

Banco Finandina's Framework demonstrates the entity's commitment to reducing its financed emissions. In our view, the KPIs selected are the most effective way to support the bank's decarbonization strategy. Focusing on clean transportation will address the majority of the issuer's greenhouse gas (GHG) exposure, as the remainder of its loan portfolio primarily consists of consumer loans.

The entity's EV financing promotes solutions aligned with a low-carbon climate resilient future. The bank has set ambitious targets to increase its share of EV financing, which we believe will significantly contribute to advancing clean mobility in Colombia. This initiative supports the government's goal of achieving 600,000 EVs by 2030, addressing the transportation sector's climate transition, which accounts for approximately 19% of the country's GHG emissions.

Weaknesses

Hybrid vehicles have no minimum performance thresholds. In line with the Colombian Green Taxonomy, Banco Finandina does not include direct emission thresholds for hybrid vehicles, which is a common global and regional practice.

Areas to watch

The KPIs that include hybrid vehicles carry potential environmental risks associated with lock-in emissions. In line with the Colombian Green Taxonomy, eligibility for hybrid-vehicle financing is only considered until 2025. However, as the taxonomy is currently under review, the bank has included a provision that would allow targets to extend beyond 2025 if the criteria for the taxonomy become less stringent.

An S&P Global Second Party Opinion (SPO) includes S&P Global Ratings' opinion on whether the documentation of a sustainable finance instrument, framework, or program, or a financing transaction aligns with certain third-party published sustainable finance principles. Certain SPOs may also provide our opinion on how the issuer's most material sustainability factors are addressed by the financing. An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings. See [Analytical Approach: Second Party Opinions](#).

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Banco Finandina S.A. BIC (Banco Finandina) is headquartered in Chía and regulated by the Superintendencia Financiera de Colombia. Established in 1977, the bank primarily engages in consumer loans (92% of its loan book), which mostly consists of auto loans, payroll deductible loans, and credit cards. The bank controls roughly 11% of the domestic auto loan market and it has been diversifying its retail business in the past five years by focusing on expanding its digital platform and position itself as a fintech. This strategy has allowed the bank to grow at a faster pace than the peer average by expanding its presence in Colombia. SEISSA, a leading conglomerate in Colombia with a strong position in automobile imports, sales, and leasing, as well as other financial services, owns 75% of Banco Finandina.

Material Sustainability Factors

Climate Transition Risk

Banks are highly exposed to climate transition risk through their financing of economic activities, which impact the environment. Banks' direct environmental impact is small compared to financed emissions and stems mainly from power consumption (e.g. data centers). Policies and rules to reduce emissions could raise credit, legal, and reputational risks for banks with large exposures to high-emitting sectors, such as oil and gas, metals and mining, real estate or transportation. These medium- to long-term risks are significant and will be proportional to the impact of climate change on the economy. Positively, financing the climate transition offers a growth avenue for banks through lending, debt structuring, and other capital markets activities.

Physical Climate Risk

Physical climate risks will affect many economic activities as climate change will increase the frequency and severity of extreme weather events. Banks finance a wide array of business sectors that are exposed to physical climate risks, exposing banks to through their financing activities. However, while climate change is a global issue, weather-related events are typically localized, so the magnitude of banks' exposure is linked to the geographical location of the activities and assets they finance. Similarly, banks' physical footprint (e.g. branches or ATMs) may also be exposed to physical risks, which may disrupt their ability to service clients in the event of a natural catastrophe, amplifying the impact on communities. Banks may contribute to mitigate the effects of physical climate risks by financing adaptation projects and climate-resilient infrastructure, as well as by investing in solutions that support business continuity in exposed geographies.

Access and affordability

Banks' large impact on society and the economy stems from their role in enabling access to financial services to individuals and businesses, and in ensuring the correct functioning of payments systems, which are cornerstones of economic development and stability. In most countries, unbanked and underserved population segments are still meaningful, although the access gap is most acute in emerging economies. Market imperfections such as low competition, incomplete information, and lack of financial literacy, often result in costly alternatives for small businesses and low-income people, so ensuring affordable access to financial services, especially to the most vulnerable population, remains a challenge for the banking industry. New technologies will, however, increasingly enable banks to close this gap through cost efficiencies and product innovation. While structural issues such as poverty, informality and lack of financial literacy partly limit access to financial services, banks have large opportunities to support economic development through financial inclusion.

Issuer And Context Analysis

The Framework aims to address climate transition risk, which we view as a key sustainability factor for the entity. In our view, the KPIs selected are the most effective way to support Banco Finandina's decarbonization strategy. Focusing on green auto loans (73% of its total credit portfolio) will address the majority of the issuer's GHG exposure, as the remainder of its loan portfolio primarily consists of consumer loans.

Banco Finandina is developing tools to measure and manage its financed carbon footprint and the physical risks in its portfolio. The bank has measured its direct emissions and has programs and targets to address them. However, its reporting of Scope 3 emissions does not include financed emissions, which are the most relevant for the sector. The bank uses internal software to help calculate and analyze emissions from financed vehicles, although it's yet to include this as part of its public reporting.

EVs are key for the transition of the private and public transport sectors to a low carbon economy. Transport is a significant contributor to Colombia's GHG emissions, accounting for around 19% of total emissions. Under its updated nationally determined contributions (NDC), Colombia aims to have 600,000 EVs by 2030. The Law 1,964, passed in 2019, sets the legal basis for the 2030 EV target, along with intermediate targets for proportional increases of EVs in the national fleet and public transport networks, tax incentives for purchasing EVs, and minimum requirements for the charging infrastructure in major cities. However, implementation of the law has been challenging.

In addition, the Framework seeks to foster the financial inclusion of women. It will help demonstrate the bank's commitment to increase women's access to financing and promote their participation in the clean transportation sector. The bank incorporates programs to promote financial education for its customers, reducing the overindebtedness risk, and helping women increase their financing opportunities.

The funding raised through the Framework should continue to support the bank's overall business strategy. It consists of raising its footprint in the auto loan sector, as well as continue to grow in other lines such as consumer loans, credit cards, and deposit accounts. As part of its strategy, the entity aims to invest in technology that allows customers to get access to services more efficiently through digital channels as well as continue to expand its sustainable financial offerings. Banco Finandina has other ongoing green transactions and has developed a sustainability-linked finance framework to further align its funding strategy with its sustainability commitments.

Alignment Assessment

This section provides an analysis of the financing's alignment to the Sustainability-Linked Bond Principles, Sustainability-Linked Loan Principles, and Blue Bond Guidelines.

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Sustainability-Linked Loan Principles, LMA/LSTA/APLMA, 2023

✓ Selection of key performance indicators (KPIs)

We view the KPIs as aligned with the Principles because their scope, objective, and calculation are clearly articulated in the framework. Furthermore, all KPIs address climate risk, a relevant sustainability challenge for the banking industry. Financial institutions have a significant role in financing environmental projects in the real economy through lending, including loans for sustainable products and services. The selected KPIs help demonstrate the bank's commitment to increase sustainable loans within its portfolio in line with its sustainability strategy.

For more information, see KPIs in [Relevance And Ambition Analysis](#).

✓ Calibration of sustainability performance targets (SPTs)

The Framework outlines the expected observation date, relevant triggers events, and frequency of all SPTs. We consider all SPTs to be ambitious, as they promote substantial improvements over the business-as-usual trajectory. We view positively that the issuer clearly articulates the strategy to achieve the SPTs, which include preferential financing and agreements with the automaker to guarantee availability of vehicles. Additionally, the SPTs for hybrid vehicle financing are currently only eligible until 2025. However, as the taxonomy is currently under review, the bank has included a provision that would allow targets to extend beyond 2025, if the criteria for the taxonomy becomes less stringent.

For more information, see SPTs in [Relevance And Ambition Analysis](#).

✓ Instrument characteristics

Banco Finandina discloses that instruments under the Framework will be subject to the financial impact triggered by the observed performance against the stated SPTs. The entity commits to specify financial characteristics in any transaction documentation that incorporates the Framework. These variations will also become effective if Banco Finandina's report fails to comply with established requirements on its reporting, or it fails to provide an annual verification.

✓ Reporting

The issuer commits to deliver a sustainability-linked progress report on an annual basis, which will provide information on the effectiveness of the sustainability strategy and the performance of selected KPIs against the respective SPTs, as well as potential financial impacts. The report will be subject to external verification and can be published either as an independent document or as part as the issuer's annual reporting during the first 90 days of every year after the first year of issuance. Furthermore, the issuer will disclose, when feasible, calculation methodology for the KPIs, baseline and possible recalculation, updates in the entity's sustainability strategy that might affect the KPIs, and applicable instruments applicable to the report.

✓ Post-issuance review

Second Party Opinion: Banco Finandina S.A. BIC's Sustainability-Linked Finance Framework

Banco Finandina commits to obtain an annual independent post-issuance verification of its annual performance against SPTs by one or more qualified external reviewer. The issuer commits to make the verification certificate available to the public until the termination of the instrument according to reporting practices. Please note, our second party opinion is not itself a post-issuance review.

Relevance And Ambition Analysis

This section provides an analysis of whether the financing's KPIs and SPTs are consistent with its progress toward a sustainable future.

KPI 1 The percentage of loans to finance EVs of total auto loans

SPT 1 Increase the percentage of EV loans in the bank's total auto loan portfolio to 7.9% by 2028.

KPI 1 – Relevance

Not aligned Relevant Highly relevant

Analytical considerations

- We view the selected KPI as highly relevant, as it addresses climate transition risk, a material sustainability challenge for the banking industry. In our view, EVs are key for the climate transition of the private and public transport sectors to a low-carbon economy. Moreover, KPI 1 is highly aligned with Banco Finandina's environmental strategy, centered on managing its carbon footprint and providing financing for clean transportation.
- KPI 1 is a proxy for the environmental impact financed through Banco Finandina's direct lending, which represents its most material exposure, given that the impacts from its own operations are limited. We also view favorably that the KPI is expressed as a share of overall vehicle portfolio, because it allows us to assess Banco Finandina's efforts to expand its lending for EVs relative to the expansion of its core business.
- The selection of EVs complies with direct eligibility criteria of the Colombian Green Taxonomy. KPI 1 is also in line with indicators proposed by ICMA for measuring sustainable portfolios, which enhances its comparability. It also connects to governmental strategies, as Colombia is committed to achieving a fleet of about 600,000 EVs by 2030. The Colombian government has incentives in place, such as tax benefits and exemption to traffic restrictions (the "Pico y Placa" program), to incentivize the adoption of hybrid vehicles and EVs. We highlight a recent shift in some municipalities, such as Floridablanca, to restrict these benefits to EVs only. If this trend continues, EV adoption can accelerate.
- KPI 1 encompasses Banco Finandina's auto loan portfolio, which represents 73% of the overall portfolio. The portfolio of financed vehicles represents most of the bank's carbon footprint, which further supports KPI materiality. Moreover, by financing the acquisition of EVs, Banco Finandina enables stakeholders in its value chain to transition toward more sustainable mobility solutions.
- KPI 1's additionality is reinforced by the fact that the charging stations will be connected to the national grid, more than 70% of which consists of hydropower generation. However, we note that the supporting infrastructure for EVs is still limited in scale in Colombia, which may pose implementation challenges.

SPT 1 - Ambition

Not aligned Ambitious Highly ambitious

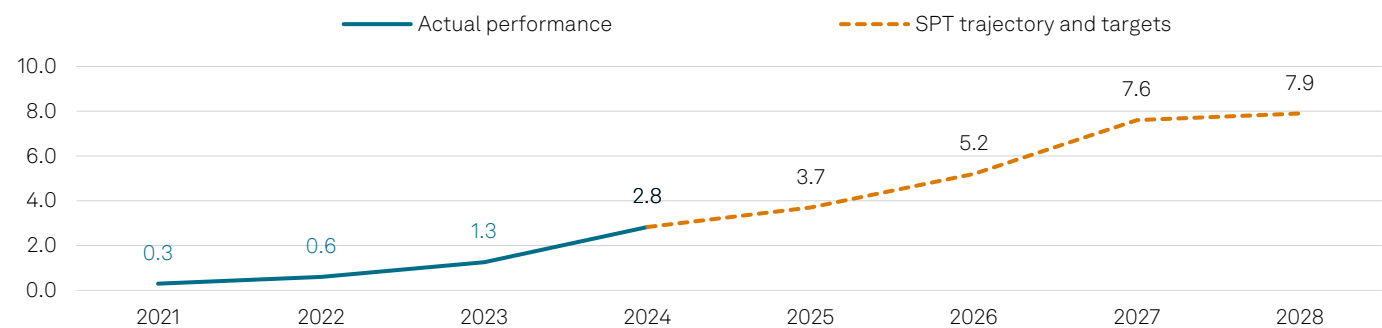
Analytical considerations

- Overall, we consider SPT 1 as ambitious. The issuer specifies the baseline year (2024) and the expected observation dates, which will be at the end of each SPT year. The frequency of

SPTs is annual and the bank defines that the trigger event will occur if the respective SPT is not met by the defined observation date, or if it fails to comply with reporting requirements or to provide the annual verification to the lender.

- The issuer commits to significantly increasing the representation of EVs in its auto loan portfolio during the lifetime of the loan, which demonstrates its ambition. When comparing the historical against future performance, we observe 84.3 basis point (bp) annual average growth between 2021 and 2024, versus an expected 126.8 bps rate for 2025-2028. The ambition is also enhanced by the fact that Banco Finandina has consistently expanded its overall auto loan portfolio. If this continues, increasing the share of EV loans--while the total auto loan portfolio grows--it will represent a material challenge for the bank.
- Although we view the SPT as ambitious, we note that its growth rate is reduced in the final observation period (2027-2028). This is mainly attributable to market dynamics, given that incentives to replace internal combustion engine (ICE) vehicles or hybrid cars with EVs tend to achieve most potential customers in early stages, reaching maturity levels after a period of increased demand. That said, the future average annual growth rates of SPT 1 still support the target's ambition.
- To achieve the SPT, the issuer plans to deploy strategies based on preferential financing, alliances with manufacturers, and financial education tailored to promoting the economic benefits of purchasing sustainable vehicles to its customers. We believe these initiatives are key to mitigating social risks, such as the indebtedness risk and mis-selling practices. In our view, the alignment of Banco Finandina's SPT with the government's goal to promote the use of EVs in the country will further support the SPT trajectory.
- We view as positive that Banco Finandina explains external factors that could affect the SPT performance, such as the level of development of the sustainable transport market in Colombia, potential regulatory changes, and changes in the country's monetary policy that could affect market interest rates.
- We note, however, the lack of visibility on how Banco Finandina's expected performance compares to external benchmarks, which constrains a stronger assessment for this SPT.

SPT 1 performance and trajectory (% of loans to finance EVs)



Source: S&P Global Ratings.

KPI 2 Percentage of financed EVs of the total financed vehicles.

SPT 2 Increase the percentage of EV units financed of total vehicles financed to 4.7% by 2028.

KPI 2 – Relevance

Not aligned	Relevant	Highly relevant
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Analytical considerations

- We assess KPI 2 as highly relevant, as it helps mitigate climate transition risk, a material sustainability challenge for financial institutions. The KPI's focus on the number of EVs financed enables Banco Finandina to contribute to the transition toward low-carbon and climate-resilient mobility solutions. Additionally, it addresses the environmental impact of the bank's financing. Sustainable mobility and carbon footprint management are two of the most material topics in Banco Finandina's materiality matrix, demonstrating the alignment of KPI 2 with the bank's strategy.
- By measuring the number of EVs financed relative to the total number of vehicles financed, Banco Finandina is assessing its contribution to the actual number of EVs in the country. In this sense, KPI 1 and KPI 2 may complement each other, because the portfolio balancemetrics may be affected by price components, which tend to be higher for EVs. However, we think there could be potential overlap between them, given that both KPIs essentially assess the same factor but using different measurements.
- We consider KPI 2 to be externally benchmarkable, given it correlates to ICMA's suggested indicators to measure the share of green projects in financial entities' portfolios. Moreover, the compliance with the Colombian Green Taxonomy criteria supports comparability.
- Similar to KPI 1, we consider that KPI 2 encompasses most of the issuer's business, given that its auto loan portfolio generates the majority of its GHG exposure, as the remainder of its loan portfolio primarily consists of consumer loans. In addition, KPI 2 captures positive impacts on the entity's value chain, given that Banco Finandina aims to increase access of its clients to EVs.

SPT 2 - Ambition

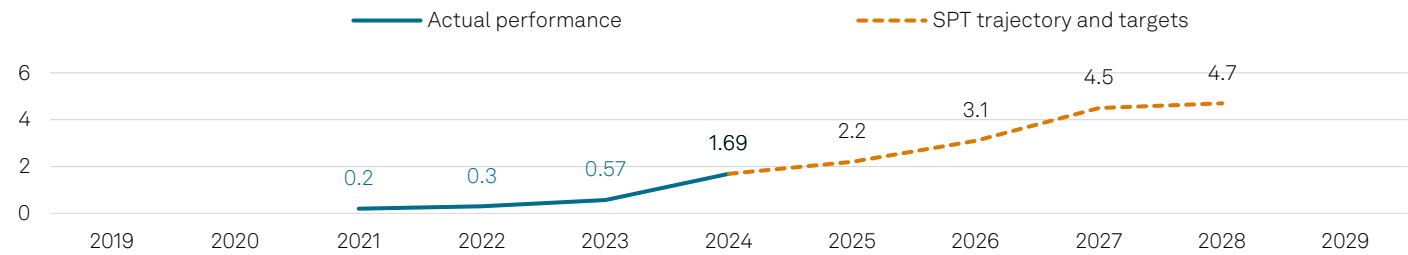
Not aligned	Ambitious	Highly ambitious
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Analytical considerations

- Overall, we consider SPT 2 as ambitious. Its characteristics, ambition, and clarity are also in line with the Principles. Similarly, the frequency of SPTs, target observation dates, and trigger events are clearly disclosed.
- The expected trajectory of significant growth in the percentage of EVs financed of the total number of vehicles financed by Banco Finandina demonstrates the ambition of SPT 2. When comparing the historical against future performance, we saw 49.7 bps annual average growth for 2021-2024, versus an expected 75.3 bps rate for 2025-2028. As a relevant player for auto financing in Colombia, Banco Finandina will contribute to the country's ambitious commitment to achieve 600,000 EVs by 2030 by committing to increase the number of EVs financed.
- Given the similarities between SPTs 1 and 2, the issuer expects the performance to be affected by the same external factors, and their achievement will rely on an equivalent set of implementation and risk mitigation strategies.
- We note that, similar to SPT 1, SPT 2's growth rate is lower between the final observation period (2027-2028), which can be explained by the expected market dynamics. We also think the potential overlap between SPTs 1 and 2 could allow for the achievement of one to automatically lead to meeting the other. That said, we believe these factors do not impair the assessed ambition.

- Although the issuer commits to compare its performance with those of peers by annually reviewing its reports, it doesn't yet have a separate benchmark assessment to calibrate its target in relation to external references, which limits our ability to compare ambition levels and limits our assessment.

SPT 2 performance and trajectory (% of EVs financed)



Source: S&P Global Ratings.

KPI 3 The percentage of loans to finance hybrid vehicles of total auto loans

SPT 3 Increase the percentage of hybrid vehicle loans of the bank's total auto loan portfolio to 14.3% by 2028

KPI 3 – Relevance

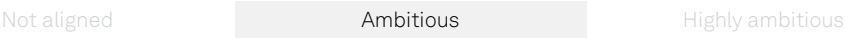
Not aligned Relevant Highly relevant

Analytical considerations

- We view the selected KPI as relevant, as it addresses the entity's climate transition risk, a material sustainability challenge for the banking industry. The KPI is particularly relevant, given Banco Finandina's role in Colombia's hybrid and electric auto market: it's the third largest auto lender, with a market share of 13.55% as of December 2024. The KPI aims to help increase the number of hybrid vehicles in Colombia and reduce GHG emissions, while gradually transition the domestic transportation sector.
- While hybrid vehicles can reduce GHG emissions compared to regular fossil-fueled ones, these vehicles still have GHG lock-in risks and aren't fully aligned with a low-carbon and climate-resilient future. However, the introduction of Hybrid vehicles is key for developing countries where integration of hybrid and EV technology is still nascent. While hybrid vehicles involve combustion of fossil fuels and associated emissions, they represent initial steps to transition toward electric modes of transportation, including supporting the behavioral change and charging infrastructure.
- We view positively the Framework's inclusion of local standards, such as considering hybrid vehicles only if they are incorporated in the Colombian Green Taxonomy. The latter considers hybrid vehicles eligible until 2025, considering the country's limited infrastructure and low presence of electric alternatives. In our view, the useful life of these assets is consistent with the country's transition path and does not extend to the mid-century, with the limited risk of hybrid vehicles becoming stranded before the end of their useful lives.
- The bank expects Colombia to modify this restriction and allow the taxonomy to consider hybrid vehicles as green assets for a longer period of time, which could extend the life of the bank's targets, given hybrid vehicle loans account for roughly 9% of its auto loan portfolio.

- The bank does not commit to direct emission thresholds for hybrid vehicles, which is a common global market practice. However, in our view, a maximum emission threshold does not necessarily safeguard against high fossil fuel consumption of hybrid vehicles.

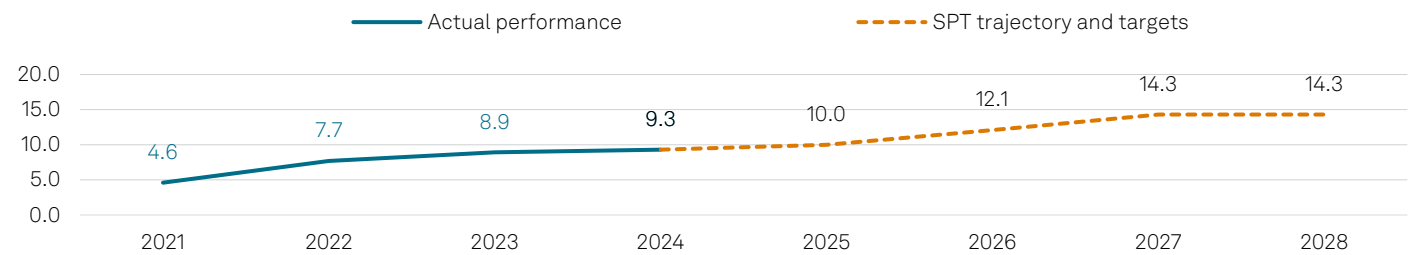
SPT 3 - Ambition



Analytical considerations

- Overall, we consider SPT 3 as ambitious, given its characteristics, ambition and clarity. Banco Finandina outlines the base year (2024) and expected observation dates (at the end of each SPT year, unless otherwise stated in loan transaction documentation). The Framework provides information on the bank's past performance and describes its strategy to achieve the target.
- The historical average annual growth of SPT 3 exceeds its expected future average annual growth by 31.7 bps, which would normally represent a lack of ambition. However, in 2022, Colombia implemented the "Pico y Placa" program in some regions, including the country's capital, setting rules to limit the circulation of vehicles and reduce traffic. This program, in turn, exempts hybrid and EVs from such restrictions. By doing that, the program has contributed to a significant increase in hybrid vehicles during the first year of implementation. Therefore, in our view, the program has affected Banco Finandina's 2022 indicators, which do not represent the business-as-usual trajectory of its portfolio of hybrid vehicle loans. When this outlier is disregarded, we see clear ambition in SPT 3's expected performance.
- Moreover, the bank has established annual target dates. The targets for 2026, 2027, and 2028 will only take effect if the Colombian Green Taxonomy is updated to eliminate its current phase-out criteria for hybrids, which remain eligible until 2025. We consider this provision a positive step, reflecting the bank's commitment to adhering to local guidelines and promoting best sustainable practices.
- Although the issuer commits to compare its performance with those of peers by annually reviewing its reports, it doesn't yet have a separate benchmark assessment to calibrate its target in relation to external references, which limits our ability to compare ambition levels and limits our assessment.

SPT 3 performance and trajectory (% of hybrid vehicle loans in the total loan portfolio)



Source: S&P Global Ratings.

KPI 4 Percentage of number of hybrid vehicles financed of the total vehicles financed

SPT 4 Increase the percentage of hybrid vehicles financed of the total vehicles financed to 8.9% by 2028

KPI 4 – Relevance

Not aligned Relevant Highly relevant

Analytical considerations

- We view the selected KPI as relevant, as it addresses the entity's climate transition risk, a material sustainability challenge for the banking industry. Financial institutions have an important role in financing environmental projects in the real economy through lending, including loans for sustainable products and services. The KPI helps demonstrate the bank's commitment to increase sustainable loans within its portfolio in line with its sustainability strategy.
- As expressed in KPI 3, hybrid vehicles play a role in Colombia's transition to a cleaner economy. While we see a potential overlap between KPI 3 and KPI 4, given that both KPIs assess the same factor, we view positively the different metrics and the incorporation of vehicles, since it helps demonstrate the bank's commitment toward promoting clean transportation in Colombia.
- Colombian authorities have set several policies and regulation to promote shifting the national car fleet to low-carbon solutions. Such programs include tax discounts and the exemption from the "Pico y Placa" program that limits circulation of vehicles across several regions of Colombia and Bogotá, the country's capital. Electric and hybrid vehicles are exempt from this program, which incentivizes their use. We think the KPI demonstrates the bank's commitment to promoting low-carbon transportation in the country. However, the incorporation of hybrid vehicles within these types of policies may change, affecting the eligibility and growth of the sector.

SPT 4 - Ambition

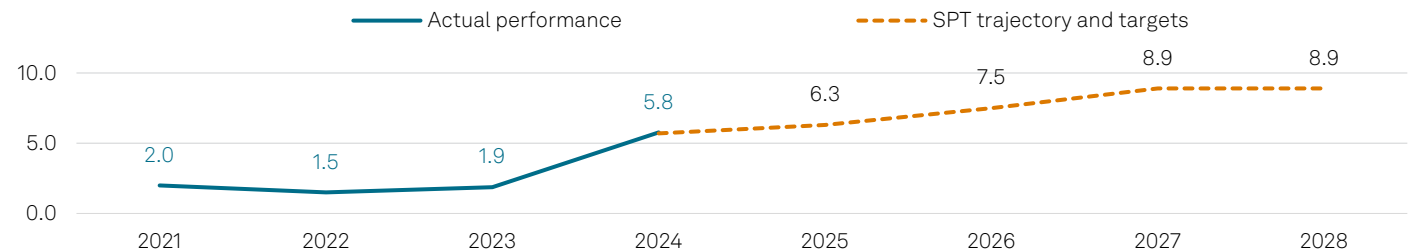
Not aligned Ambitious Highly ambitious

Analytical considerations

- Overall, we consider SPT 4 as ambitious, given its ambition, clarity, and characteristics, which are in line with the principles. The Framework clearly mentions the expected observation dates (end of each SPT year), baseline, and trigger events. Furthermore, the bank defines three targets, although they will only apply if hybrid vehicles are considered under the Colombian Green Taxonomy.
- SPT 4's historical annual average is 61.5 bps higher than the expected future annual average, which could seem a less ambitious trajectory. However, similar to SPT 3, we recognize that the historical performance is based on low baselines and one-off events, resulting in anomalies in comparative figures. For instance, the 2024 figures are influenced by a contraction in the total number of vehicles financed (the denominator) due to market dynamics. Still, we expect that the bank's strategy to promote hybrid vehicles through preferential loans and partnerships with automakers sufficiently robust to sustain the upward trend in financed units over the coming years.
- For SPT 4, the "Pico y Placa" program as well as other economic benefits, have also played a crucial role in promoting the increase in hybrid vehicles in the country. Changes in regulation will affect the eligibility and/or performance of the SPT. The SPT is dependent on the changes in the Colombian Green Taxonomy and its eligibility criteria for hybrid vehicles. Likewise, changes in tax exemption and other government programs may exclude hybrid vehicles, given their lock-in emissions that could limit the number of such vehicles, which explains the entity's conservative approach toward the SPT for 2028.

- We note that the potential overlap between these two SPTs could allow for the achievement of one to automatically lead to meeting the other. Moreover, although the issuer commits to compare its performance with those of peers by annually reviewing its reports, the lack of visibility on this assessment limits our ability to compare ambition versus those of the peer set and prevents a stronger assessment.
- We view as positive that Banco Finandina explains external factors that could affect the SPT performance, such as the level of development of the sustainable transport market in Colombia, potential regulatory changes, and changes in the country's monetary policy that could affect market interest rates.

SPT 4 performance and trajectory (% of hybrid units on the portfolio)



Source: S&P Global Ratings.

KPI 5	The percentage of loans for sustainable vehicles disbursed to women of the total auto loans
SPT 5	Increase the percentage of sustainable vehicle (electric and hybrid) loans disbursed to women of the bank's total auto loan portfolio to 6% by 2028

KPI 5 – Relevance

Not aligned Relevant Highly relevant

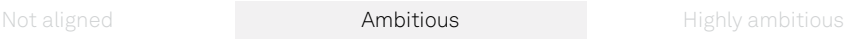
Analytical considerations

- We view the selected KPI as relevant, as it addresses access and affordability as well as climate transition, both material sustainability challenges for the banking industry. The KPI seeks to foster the financial inclusion among women, and it will help demonstrate the bank's commitment to increase women's access to financing and promote their participation in the clean transportation sector.
- According to data from the 2022 Financial Inclusion Report by the Colombian Financial Superintendency (Superintendencia Financiera Colombiana), women take out fewer consumer loans than men, mostly due to lower payment capacity. The same research discloses that the gender gap in the overall consumer lending in Colombia is 14.2%, while the gap for auto loans is 2.6%, even when data shows women have better credit scores.
- We view positively the Framework's inclusion of local standards, such as considering hybrid vehicles only if they are incorporated in the Colombian Green Taxonomy. The latter considers hybrid vehicles eligible until 2025, considering the country's limited infrastructure and low presence of electric alternatives. In our view, the useful life of these assets is consistent with

the country's transition path and does not extend to the mid-century, with the limited risk of hybrid vehicles becoming stranded before the end of their useful lives.

- We consider KPI 5 to be externally benchmarkable, given it correlates to ICMA's suggested indicators to measure the share of green projects in financial entities' portfolios. Moreover, the compliance with the Colombian Green Taxonomy criteria supports comparability.

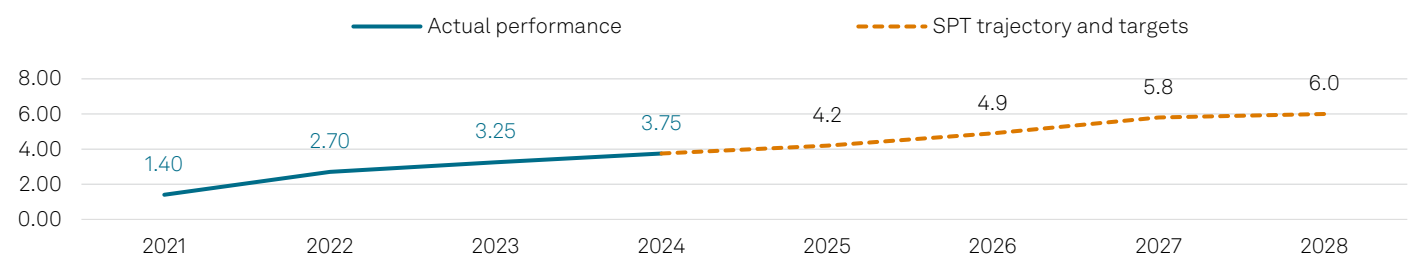
SPT 5 - Ambition



Analytical considerations

- Overall, we consider SPT 5 as ambitious. The issuer specifies the baseline year (2024) and the expected observation dates, which will be at the end of each SPT year. The frequency of SPTs is annual and the bank defines that trigger event will occur if the respective SPT is not met by the defined observation date, or if it fails to comply with reporting requirements or to provide the annual verification to the lender.
- When comparing the historical against future performance, we saw 78.3 bps annual average growth for 2021-2024, versus an expected rate of 56.3 bps for 2025-2028. This takes under consideration the above-average numbers from 2022, which we consider as outlines and are a consequence of Colombia's incorporation of tax benefits and the "Pico y Placa" program, which promoted the use of hybrid and EVs to circulate without additional tax.
- Still, we expect growth of women's participation through the SPTs from 2025 to 2027, with a slight reduction for 2028. This can be explained with the reduction in participation of hybrid vehicles, potential reduction of benefits, and the increase of EVs as a clean transportation alternative. Likewise, we think the SPT will further help reduce gender financing gaps and support women's sustainable economic development.
- The SPT is dependent on the changes in the Colombian Green Taxonomy and its eligibility criteria on hybrid vehicles. Likewise, changes in tax exemption and programs may exclude hybrid vehicles, given their lock-in emissions which could limit the growth of this vehicles, which explains the entity's conservative approach towards the SPT for 2028.
- We view as positive that Banco Finandina explains external factors that could affect SPT performance, such as the level of development of the sustainable transport market in Colombia, potential regulatory changes, and changes in the country's monetary policy that could affect market interest rates.

SPT 5 performance and trajectory (% of loans for clean transportation disbursed to women)



Source: S&P Global Ratings.

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

KPI	SDGs		
Cash balance of EVs in vehicle portfolio	 9. Industry, innovation and infrastructure	 11. Sustainable cities and communities	 13. Climate action
Number of EVs financed in the vehicle portfolio	 9. Industry, innovation and infrastructure	 11. Sustainable cities and communities	 13. Climate action
Cash balance of hybrid vehicles in vehicle portfolio	 9. Industry, innovation and infrastructure	 11. Sustainable cities and communities	 13. Climate action
Number of hybrid vehicles financed in the vehicle portfolio	 9. Industry, innovation and infrastructure	 11. Sustainable cities and communities	 13. Climate action

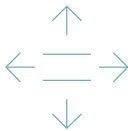
Cash balance of sustainable vehicle loans to women in vehicle portfolio



5. Gender equality



8. Decent work and economic growth



10. Reduced inequalities

*The KPI is likely to contribute to the SDGs.

Related Research

- [Analytical Approach: Second Party Opinions](#), March 6, 2025
- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), March 6, 2025
- [Analytical Approach: Shades Of Green Assessments](#), July 27, 2023
- [Sustainability Insights: Sustainable Bond Outlook 2025: Latin America Leading The Way For Nature Financing](#), March 5, 2025

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