

Fitch Affirms Banco de los Trabajadores' IDR at 'BB-', Outlook Stable

Fitch Ratings - New York/San Salvador - May 20, 2014: Fitch Ratings has today affirmed Banco de los Trabajadores (Bantrab, or the Bank) long-term Issuer Default Rating at 'BB-'. The Rating Outlook is Stable. A full list of rating actions follows at the end of this press release.

BANTRAB'S KEY RATING DRIVERS

Bantrab's Long-Term Issuer Default Rating (IDR) is driven by its intrinsic creditworthiness, as reflected in its Viability Rating (VR). The VR reflects Bantrab's moderate franchise, sound and recurring profitability driven by ample margins and good asset quality. The rating also considers the bank's concentration in the public sector, rapid loan growth and pressured capitalization.

Bantrab's support rating and support rating floor of '5' and 'NF', respectively, indicates that, although possible, external support cannot be relied upon, given the current low state ownership and limited systematic importance.

Capital represents the most significant constraint on Bantrab's future growth. Although the Bank has sustained good profitability, internally generated capital has been offset by the more rapid growth of risk-weighted assets, as a result of the strong loan growth. Preferred Shares which benefit the regulatory capital ratios are excluded from the FCC ratios. Fitch expects the FCC ratio to be sustained above 11% in the medium term.

Credit quality ratios have significantly improved since 2009, and now compare adequately with local peers. Credit quality is benefitted by the bank's collection structure based on payroll deduction (92% of total loans by December 2013). Reserves coverage for Non-Performing Loans (NPLs) has gradually improved, reaching 148.31% of NPLs as of end-2013, providing a good cushion for the sustainability of its credit quality.

Bantrab relies principally on its loan portfolio for income generation, which is focused on consumption loans to low and middle income employees, mainly from the public sector. Non-interest income accounts for 9.6% of gross revenues and is unlikely to increase given the bank's business model, which is focused primarily on lending rates.

Weak efficiency levels continue to challenge the Bank's performance; however in 2013, The Bank successfully arrested a negative trend in profitability, as a result of lower loan impairment charges and double-digit loan growth. Fitch expects

Bantrab's profitability to start a positive trend into 2014, as loan growth continues while preserving its ample margin.

The Bank continued to enhance its liquidity position in anticipation of further asset growth. Bantrab's liquidity position stems from its robust internal cash generation, its well-structured amortization schedule, as well as its stable deposit base. Nevertheless, Fitch expects liquidity to decrease as resources are redirected to portfolio placement.

BST'S KEY RATING DRIVERS

Bantrab Senior Tust's (BST) rating is in line with Bantrab's IDR reflecting that the senior unsecured obligations rank equally to the Bank's unsecured and unsubordinated obligations.

BANTRAB'S RATING SENSITIVITIES

The Stable Outlook reflects Fitch's expectation of no substantial changes in Bantrab's risk profile in the foreseeable future. However, the bank's ratings are sensitive to a change in Fitch's assumptions around asset quality, profitability and capital position. A significant and unexpected reduction of the bank's capital ratios (Fitch core capital < 11%), a period of sustained low earnings (ROAA < 1%) or an important deterioration in its asset quality would trigger a negative rating action.

Bantrab's upside potential is considered limited by its relatively narrow business model that results in concentrations on its revenue sources. However, Bantrab's rating could be upgraded should it successfully grow with greater revenue diversification and further consolidation of its franchise, while sustaining an adequate capital position.

BST'S RATINGS SENSITIVITIES

Changes in the notes' rating are contingent on rating actions for Bantrab.

Fitch has affirmed the following ratings:

Banco de los Trabajadores

- Long-term foreign currency IDR at 'BB-'; Outlook Stable;
- Short-term foreign currency IDR at 'B';
- Long-term local currency IDR at 'BB-'; Outlook Stable;
- Short-term local currency IDR at 'B';
- Viability rating at 'bb-';

--Support at '5';
--Support Rating Floor at 'NF';
--Long-term national rating at 'A(gtm)', Outlook Stable;
--Short-term national rating at 'F1(gtm)'.

Bantrab Senior Trust

--Long-term foreign currency loan participation notes at 'BB-'.

Contact:

Primary Analyst

Mark Narron

Director

+1 212-612-7898 Fitch Ratings, Inc.

One State Street Plaza

New York, NY 10004

Dario Sanchez

Associate Director

+503 2516-6608

Edificio Plaza Cristal, Tercer Nivel,

79 Ave. Sur y Calle Cuscatlan

San Salvador, El Salvador.

Edgar Cartagena

Director

+503 2516-6613

Committee Chairperson

Eduardo Santibanez

Senior Director

+562 2499-3307

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at www.fitchratings.com.

Applicable criteria, "Global Financial Institutions Rating Criteria" dated 31 January 2014 and "Rating FI Subsidiaries and Holding Companies" dated 10 August 2012, are available at www.fitchratings.com.

Applicable Criteria and Related Research

[Global Financial Institutions Rating Criteria](#)

[Rating FI Subsidiaries and Holding Companies](#)

Additional Disclosure

[Solicitation Status](#)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. 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. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.