Banco de los Trabajadores

Update

Ratings

Foreign Currency

Long-Term IDR	B+
Short-Term IDR	B
Viability Rating	b+
Support Rating	5
Support Rating Floor	NF

Local Currency

Long-Term IDR	B+
Short-Term IDR	B

National Rating

Long-Term Rating	BBB
Short-Term Rating	F3

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local Currency Long-Term IDR	Stable
National Long-Term	Stable

Financial Data

Banco de los Trabajadores

(GTQ Mil.)	12/31/16	12/31/15
Total Assets (USD Mil.)	2,416.4	2,203.1
Total Assets	18,242.8	16,875.6
Total Common Equity	1,652.5	1,455.5
Operating Profit	520.3	332
Published Net Income	435.3	420
Comprehensive Income	435.3	420
Operating ROAA (%)	2.94	2.13
Operating ROAE (%)	31.26	23.93
Internal Capital Generation (%)	24.28	27.51
Fitch Core Capital/ Weighted Risks (%)	12.90	12.52
Total Regulatory Capital Ratio (%)	14.67	15.32
Net Income	435.3	420

Related Research

Financial Institutions 2017 Outlooks Compendium (February 2017)

Guatemala (May 2016)

Related Criteria

Global Bank Rating Criteria (November 2016)

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Key Rating Drivers

Stable Funding Structure: Banco de los Trabajadores has stabilized its correspondent banking relationships and improved its funding structure after the corporate governance issues that arose in 2016. The latter is based on term customer deposits that have proved to have a high renovation rate, albeit somewhat concentrated in large public sector institutions and of relatively high cost. Fitch Ratings notes that part of the recovery shown after the decrease of April 2016 is in part due to the good business relationship established by the bank and its depositors.

Evolving Corporate Governance: Bantrab is re-organizing itself in order to strengthen its corporate governance, corporate culture, and identity. New members of the board and upper level management have being incorporated and have initiated a series of changes. As of April 2017, material and sustainable results have yet to yield. Fitch believes that the organization has reached a level of sufficient stability and expects improvements to happen effectively albeit slowly.

High-Risk Appetite Mitigated: The bank is characterized by its high appetite for risk, focusing on the low to medium income segments, particularly of the Guatemalan public sector. The bank's risk controls — mainly carried out through its collection method which relies on direct payroll deductions for loan payments — largely mitigate the credit risk inherent to its target segments.

Good Profitability: Bantrab's profitability metrics are good and exceed the Guatemalan banking system's average. This is due to the bank's high net interest margin (NIM), its clients' acceptable risk profiles, as well as its adequate operating efficiency and moderate loan loss provisions. Fitch expects its operating return over average assets (operating ROAA) to reach between 4.6% and 5.0%.

Good Asset Quality: The bank's loan portfolio quality is good, particularly for a bank that focuses on higher risk segments. Its 90-day or more non-performing loan (NPL) ratio has increased due to changes in its write-off policies that permit the write-off of NPLs until they are 180 days past due and all credit collection measures have been used. In addition, NPL coverage by reserves has increased and is now above the industry average. Fitch believes that loan portfolio quality will remain in line in 2017.

Good Capitalization: The bank's capital position compares favorably to both its recent history and the industry average. Its Fitch Core Capital (FCC) ratio of 14.3% provides adequate loss absorption capacity and exceeds that of other major local banks. In Fitch's opinion, an adequate capitalization level is key given the risks associated to its strategic plan.

Rating Sensitivities

Changes in Funding Structure:

Fitch believes that the likelihood of a positive rating action is limited in the medium term. However, an upgrade could take place in the long term if Bantrab diversifies its funding sources, mainly by ensuring relationships with more correspondent banks, while maintaining its current profitability, asset quality and capitalization levels.

Weaker Credit Quality: While not Fitch's base case scenario, a substantial and sustained deterioration of the bank's credit portfolio quality that would affect operating profitability and lead to a material weakening in its capital position could trigger a downgrade.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.