

Banco de los Trabajadores

Update

Key Rating Drivers

Stand-Alone Profile: Banco de los Trabajadores' (Bantrab) Issuer Default Ratings (IDRs) and national scale ratings are driven by its Viability Rating (VR). Bantrab's VR of 'bb-' is influenced by its business profile, sound profitability and a robust capitalization. The bank's last four fiscal-year average total operating income was USD254 million.

Sound Profitability: As of June 2022, the profitability core metric, operating profit over risk-weighted assets (RWA), was 4.2%, higher than the banking system's 3.4%. The decrease in this ratio during the 1H22 compared to records in recent fiscal years (average FY19–FY21: 5.4%) mainly reflects pressure on the net interest margin and relatively high loan impairment charges (LICs).

Asset Quality Under Control: Bantrab's controlled asset quality's performance relies mainly on the collection mechanism used, payroll deduction. Its 90+ days past-due loans ratio stood at 1.7%, which is above the banking system's average (1.5%). Loan loss allowances for these impairments were 121% (system: 234%).

Solid Capitalization: Bantrab's capitalization remains robust and is expected to continue strengthening given the dynamic internal capital generation and a dividends payout in accordance with the bank's nature. During 1H22, the capital core metric continued increasing, providing an ample absorption capacity for unexpected losses. As of June 2022, its FCC ratio continued increasing to 23.0% (YE21: 22.5%).

Concentrated Funding: Bantrab's funding structure is fully dependent on deposits. As of June 2022, the loan-to-deposit ratio was 74.8%, above the system's average (70.6%). The bank is still behind its local competitors in terms of a wider access to alternative funding sources.

Government Support Rating: The Government Support Rating (GSR) of 'b+' reflects Bantrab's systemic importance, although limited compared with larger local peers, with market shares of 7.4% and 7.8% of system deposits and gross loans, respectively, and due to the lack of recent history of government support of systematically important financial institutions.

Rating Sensitivities

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

- A downgrade of the sovereign rating and a negative change in Fitch Ratings' operating environment (OE) assessment could lead to a negative rating action; however, this scenario is currently unlikely due to the sovereign rating's positive Rating Outlook and the OE's positive trend.
- While not Fitch's base case scenario, the VR, IDR and national scale ratings could be downgraded if the financial profile deteriorated to a point where operating profit to RWAs were consistently below 2%, thus causing a decline in capitalization (FCC/RWA close to 12%).
- Bantrab's IDRs and GSR are also sensitive to a downgrade of the sovereign rating, a scenario currently unlikely.

Ratings

Foreign Currency	
Long-Term IDR	BB-
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB-
Short-Term IDR	B
Viability Rating	bb-
Government Support Rating	b+
National	
Long-Term	A(gtm)
Short-Term	F1(gtm)
Sovereign Risk	
Long-Term Foreign-Currency IDR	BB-
Long-Term Local-Currency IDR	BB-
Country Ceiling	BB
Outlooks	
Long-Term Foreign-Currency IDR	Positive
Long-Term Local-Currency IDR	Positive
National Long-Term Rating	Positive
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)
[National Scale Rating Criteria \(December 2020\)](#)

Related Research

[Guatemala \(May 2022\)](#)
[Banco de los Trabajadores \(May 2022\)](#)

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

- A positive rating action could result in the event of an upgrade of Guatemala's sovereign rating and the improvement of the OE.
- Bantrab's GSR could be upgraded if Guatemala's sovereign rating is upgraded. However, the comparatively lower systemic significance compared to local peers and nonmaterial government ownership may limit the upside potential.
- Bantrab's national scale ratings could be upgraded if further improvements in its funding and liquidity profile materialize. Specifically, a further decrease of its financial cost alongside improvements in depositors' concentration, as well as the consolidation of a variety of alternative funding sources.

VR – Adjustments to Key Rating Drivers

Fitch has assigned a Business Profile score of 'bb-', which is above the 'b' category implied score due to the following adjustment reasons: Market Position (positive) and Business Model (positive).

Fitch has assigned an Earnings & Profitability score of 'bb-', which is above the 'b' category implied score due to the following adjustment reasons: Earnings Stability (positive).

Summary Financials and Key Ratios

	Six Mos. Interim 6/30/22		2021	2020	2019	2018
	USD Mil. Unaudited	GTQ Mil. Unaudited	GTQ Mil. Audited - Unqualified (Emphasis of Matter)	GTQ Mil. Audited - Unqualified (Emphasis of Matter)	GTQ Mil. Audited - Unqualified (Emphasis of Matter)	GTQ Mil. Audited - Unqualified (Emphasis of Matter)
(Years Ended Dec. 31)						
Summary Income Statement						
Net Interest and Dividend Income	155	1,201.9	2,226.9	1,988.4	1,770.4	1,472.1
Net Fees and Commissions	11	83.2	131.8	135.5	120.3	65.2
Other Operating Income	4	27.9	(23.4)	(2.2)	0.4	(26.8)
Total Operating Income	169	1,313.0	2,335.4	2,121.7	1,891.0	1,510.5
Operating Costs	96	745.2	1,221.2	970.4	922.7	834.0
Pre-Impairment Operating Profit	73	567.8	1,114.1	1,151.3	968.2	676.5
Loan and Other Impairment Charges	20	151.6	158.9	215.5	195.3	164.8
Operating Profit	54	416.2	955.2	935.8	773.0	511.7
Other Non-Operating Items (Net)	7	57.4	(1.2)	43.9	53.3	52.3
Tax	10	81.2	191.4	173.5	127.8	51.2
Net Income	51	392.3	762.7	806.1	698.5	512.8
Other Comprehensive Income	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Comprehensive Income	51	392.3	762.7	806.1	698.5	512.8
Summary Balance Sheet						
Assets						
Gross Loans	2,503	19,409.5	17,321.7	15,437.7	14,258.3	13,343.0
- of which impaired	42	327.7	324.5	181.9	198.0	253.0
Loan Loss Allowances	51	395.3	402.9	432.5	251.6	280.5
Net Loan	2,452	19,014.2	16,918.8	15,005.2	14,006.6	13,062.5
Interbank	502	3,892.4	3,627.3	3,271.7	3,007.6	3,035.6
Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Securities and Earning Assets	1,128	8,744.4	9,449.5	8,562.5	8,337.5	7,611.1
Total Earning Assets	4,081	31,651.0	29,995.6	26,839.4	25,351.7	23,709.2
Cash and Due from Banks	21	161.7	184.7	180.6	169.8	139.6
Other Assets	105	811.0	813.2	819.5	767.9	766.6
Total Assets	4,207	32,623.6	30,993.5	27,839.5	26,289.4	24,615.4
Liabilities						
Customer Deposits	3,347	25,959.7	24,767.2	22,503.8	20,541.2	19,652.4
Interbank and Other Short-Term Funding	N.A.	N.A.	0.4	0.4	N.A.	N.A.
Other Long-Term Funding	N.A.	N.A.	0.0	0.0	1,154.8	1,161.1
Trading Liabilities and Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Funding and Derivatives	3,347	25,959.7	24,767.6	22,504.2	21,696.0	20,813.5
Other Liabilities	231	1,789.1	1,681.8	1,451.9	1,275.4	1,093.4
Preference Shares and Hybrid Capital	N.A.	N.A.	157.6	157.6	157.6	156.6
Total Equity	629	4,874.8	4,386.4	3,725.9	3,160.4	2,551.9
Total Liabilities and Equity	4,207	32,623.6	30,993.5	27,839.5	26,289.4	24,615.4
Exchange Rate		USD1 = GTQ7.75	USD1 = GTQ7.72	USD1 = GTQ7.80	USD1 = GTQ7.70	USD1 = GTQ7.70

N.A. - Not applicable.
Source: Fitch Ratings, Fitch Solutions, Bantrab.

Summary Financials and Key Ratios

(%.. Years Ended Dec. 31)	6/30/22	2021	2020	2019	2018
Ratios (Annualized as Appropriate)					
Profitability					
Operating Profit/Risk-Weighted Assets	4.2	5.3	5.8	5.1	3.7
Net Interest Income/Average Earning Assets	7.9	8.3	7.9	7.6	6.5
Non-Interest Expense/Gross Revenue	56.8	52.3	45.7	48.8	55.2
Net Income/Average Equity	17.1	19.3	23.6	24.9	21.3
Asset Quality					
Impaired Loans Ratio	1.7	1.9	1.2	1.4	1.9
Growth in Gross Loans	12.1	12.2	8.3	6.9	9.2
Loan Loss Allowances/Impaired Loans	120.6	124.2	237.7	127.1	110.9
Loan Impairment Charges/Average Gross Loans	1.7	1.0	1.4	1.4	1.2
Capitalization					
Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	23.0	22.5	21.5	19.2	16.4
Tangible Common Equity/Tangible Assets	14.6	14.1	13.3	11.4	9.7
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	(1.5)	(1.9)	(7.2)	(1.8)	(1.2)
Funding and Liquidity					
Gross Loans/Customer Deposits	74.8	69.9	68.6	69.4	67.9
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	100.0	99.4	99.3	94.0	93.7
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

N.A. - Not applicable.

Source: Fitch Ratings, Fitch Solutions, Bantrab.

Environmental, Social and Governance Considerations

FitchRatings Banco de los Trabajadores

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Banco de los Trabajadores has 6 ESG potential rating drivers

- ➔ Banco de los Trabajadores has exposure to impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations but this has very low impact on the rating.
- ➔ Banco de los Trabajadores 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	6	issues	3		
not a rating driver	3	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	3	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 "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, 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.

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