

CREDIT OPINION

6 May 2025

Update



RATINGS

Banco de los Trabajadores

Domicile	Guatemala City, Guatemala
Long Term CRR	Ba2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Ba2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Banco de los Trabajadores

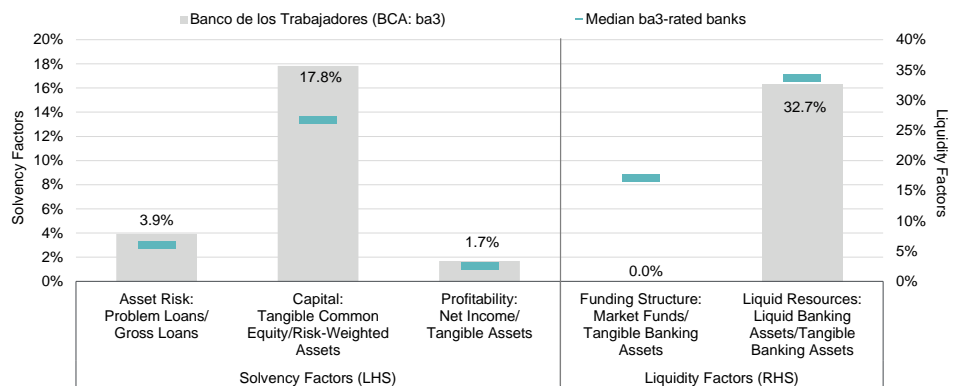
Update to credit analysis

Summary

[Banco de los Trabajadores](#)' (Bantrab) Baseline Credit Assessment (BCA) of ba3 reflects the bank's strong capital position, consistent ample margins and high liquidity buffers which partially offset the sharp deterioration in asset quality and profitability metrics in 2024. The bank's BCA continues to be limited by the elevated risk associated with concentration on consumer lending and its wholesale funding structure.

Bantrab's local- and foreign-currency deposit ratings of Ba2 incorporates our assessment of a moderate probability of support from the [Government of Guatemala](#) (Ba1 stable) to the bank in case of stress. This support assumption reflects Bantrab's deposit market share of 7.7% as of December 2024, and its importance as a retail bank that provides financial services and credit to public workers in Guatemala.

Exhibit 1
Rating Scorecard - Key financial ratios
As of December 2024



For the asset risk and profitability ratios, we calculate the average of the three latest year-end numbers and the latest quarterly data if available, and the ratio used is the weaker of the average compared with the latest period. For the capital ratio, we use the latest reported figure. For the funding structure and liquid resources ratios, we use the latest year-end figures.

Source: Moody's Financial Metrics

Credit strengths

- » Strong capitalization metrics
- » Ample margins and steady generation of recurring earnings
- » Robust volume of liquid assets

Credit challenges

- » Significant decline in asset quality with respect to its historic numbers
- » Limited business diversification, focused on unsecured consumer lending
- » Funding structure remains intrinsically concentrated with low granularity and diversification

Outlook

The stable rating outlook incorporates our view that the bank's financial fundamentals will be consistent with a ba3 BCA over the next 12-18 months.

Factors that could lead to an upgrade

An upgrade in Bantrab's standalone BCA would result from a consistent reporting of strong profitability metrics, consistent with a sustainable return to good levels of asset quality. The reestablishment of the bank's correspondent relationships with foreign banks would improve funding diversification, a positive for the bank's BCA.

Factors that could lead to a downgrade

Bantrab's BCA could be downgraded if asset quality deteriorates further, leading to a continued decline in profitability and a significant reduction in its capital position. Downward pressure on the bank's long-term ratings could also develop through a deterioration in the sovereign's credit profile indicating a lower government capacity to provide support and/or a deterioration in the operating environment of Guatemala (Weak +).

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Banco de los Trabajadores (Consolidated Financials) [1]

	12-24 ²	12-23 ²	12-22 ²	12-21 ²	12-20 ²	CAGR/Avg. ³
Total Assets (GTQ Million)	42,965.5	41,259.2	35,078.9	31,177.3	27,940.5	11.4 ⁴
Total Assets (USD Million)	5,575.4	5,271.4	4,467.4	4,039.0	3,585.0	11.7 ⁴
Tangible Common Equity (GTQ Million)	6,660.8	5,984.5	5,184.3	4,316.5	3,624.6	16.4 ⁴
Tangible Common Equity (USD Million)	864.3	764.6	660.2	559.2	465.1	16.8 ⁴
Problem Loans / Gross Loans (%)	3.9	1.8	1.7	1.9	1.2	2.1 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	17.8	16.9	17.2	16.1	14.9	16.6 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	14.6	7.3	6.4	7.0	4.6	8.0 ⁵
Net Interest Margin (%)	8.2	--	8.3	8.1	7.8	8.1 ⁵
PPI / Average RWA (%)	4.9	--	4.7	4.4	4.9	4.7 ⁶
Net Income / Tangible Assets (%)	1.7	2.2	2.6	2.3	2.9	2.3 ⁵
Cost / Income Ratio (%)	51.0	50.9	53.1	53.4	47.3	51.1 ⁵
Market Funds / Tangible Banking Assets (%)	--	0.0	0.0	0.0	0.0	0.0 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	32.7	35.3	37.7	43.0	43.3	38.4 ⁵
Gross Loans / Due to Customers (%)	--	80.4	78.0	70.0	68.7	74.3 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel I; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel I periods.

Sources: Moody's Ratings and company filings

Profile

Banco de los Trabajadores (Bantrab) is the sixth-largest bank in Guatemala, with \$5.6 billion in consolidated assets as of December 2024, coupled with loan and deposit market shares of 8.3% and 7.7%, respectively, during the same period. The bank is focused on unsecured consumer lending to public-sector employees under the aegis of a preferential creditor status, according to the bank's Organic Law.

Bantrab's capital is predominantly owned by Guatemalan workers, at 99% of total shares. The remaining 1% is owned by the Guatemalan state, which allows the president of the Republic to appoint the bank's president.

Detailed credit considerations

Significant decline in asset quality due to aggressive business expansion into riskier consumer segments

The deterioration in Bantrab's asset quality was largely driven by an aggressive expansion of business volumes between 2022 and 2024, with an annual growth of 18% during the period. However, even as asset quality has begun to improve mildly, it will stabilize at still higher levels with respect to its historic numbers, as management continues to implement adjustments to origination and write-offs.

As of December 2024, Bantrab's nonperforming loan (NPL) ratio significantly deteriorated to 3.9%, up from 1.8% a year earlier, but as of February 2025, NPLs have moderated slightly to 3.6%. The increase in NPLs was mostly driven by rapid expansion into riskier unsecured personal loans, credit cards and SME financing. Meanwhile, the bank's core product—loans to public sector employees facilitated through direct payroll deductions—continued to decrease its share of total loans, amounting to around 50% of the portfolio. The bank maintains still adequate loans loss reserves at 95% of NPLs as of December 2024 but down from 100% in 2023 and the 2019-2022 average of 148.5%, which will serve to limit losses.

Robust capital position offers substantial loss absorption capacity

The bank's strong ability to replenish capital, coupled with a cautious dividend policy, has maintained steady capital metrics despite its aggressive growth strategy and lower profitability. As of December 2024, Bantrab's tangible common equity to adjusted risk-weighted assets reached 17.8%, an increase of approximately 96 basis points from the previous year. The bank's regulatory Tier 1 capital ratio of 14.0% in December 2024 was the second highest among its peers. Bantrab's capitalization will remain a key strength over the next 12-18 months maintaining adequate cushioning to absorb unexpected credit losses.

Bantrab's capitalization benefits from moderate holdings of sovereign securities as proportion of total assets, as we weigh government securities at 100% (as prescribed by Basel for Ba-rated sovereigns). In December 2024, government securities represented 20% of total

assets, down from 27% average during 2019-22. Bantrab's preferred shares, amounting to GTQ158 million, were not included in the calculation of tangible common equity because they have non-deferrable payment features.

Significant increase in provisioning levels offsets strong core earning generation

The bank's ample margins and steady generation of recurring earnings support its profitability, although earnings significantly declined in 2024, mostly due to higher regulatory provision requirements. As of December 2024, Bantrab's net income to tangible assets decreased to 1.7% from 2.2% a year earlier and from a 2.6% average in 2019-2022.

The bank maintains a strong pricing power among its client base, illustrated by its dominant position within the consumer finance segment in the country, which results in a persistently strong NIM at 8.2% in December 2024 which offsets pressures from the bank's high funding costs.

Bantrab maintains substantial loan loss provisions aligned with its consumer loan focus. However, by December 2024, credit costs grew 76% year-over-year, reaching 3.8% of gross loans, up from 2.4% the previous year. This increase is mostly attributed to new regulations on credit asset segmentation and valuation, requiring higher provisioning levels. For 2025, the bank expects these costs to stabilize at elevated levels as the new regulatory provisions are phased in. Consequently, provisions are projected to account for around 60% of PPI, similar to 2024 levels. We expect Bantrab's core earning to remain robust; however, bottom line results will continue declining in 2025 and 2026 due to the on-going implementation of regulatory requirements and the write-off of non-performing assets.

Bantrab's efficiency indicators remain stable, the cost-to-income ratio stood at 51.0% in December 2024, remaining slightly above its 50.9% average for the previous five years.

Ample liquidity buffers are partly outweighed by limited funding granularity

Bantrab maintains a heavy reliance on large term deposits from corporate and government-related customers which diminishes funding granularity and results in persistently higher financing costs. While Bantrab's funding structure is primarily composed of deposits, 69% of these are costlier term deposits. Funding granularity remains low because of high single-name concentration, resulting in persistently high funding rates compared to the rest of the banking system. Deposit growth decelerated to 3% in December 2024, lagging behind the system-wide growth rate of 8%. This trend is anticipated to persist into 2025. The reestablishment of the bank's correspondent relationships with foreign banks would improve funding diversification.

As of December 2024, liquidity buffers stand at a substantial 33% of tangible banking assets, mainly consisting of central bank reserves and Ba1-rated Government of Guatemala securities. Although liquidity has decreased due to the rapid loan portfolio expansion over the past three years, the expected slowdown in business origination to around 3% in 2025 should stabilize this metric at its current level.

Bantrab's ratings are constrained by Guatemala's Weak + Macro Profile

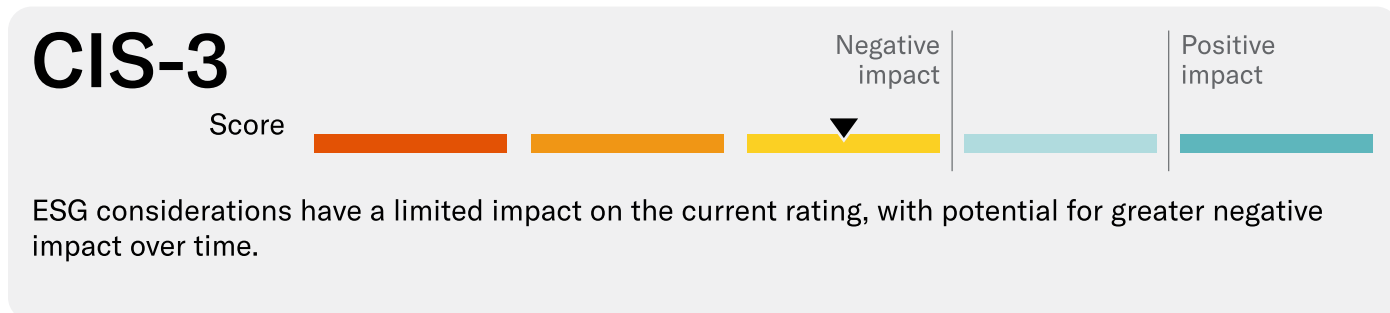
Our "Weak +" macro profile for [Guatemala's](#) (Ba1, stable) banking system reflects the country's steady economic growth in the last decade and prudent fiscal and monetary management despite weak revenue generation. Long-term difficulties, such as weak rule of law and governance indicators and low income per capita, constrain the macro profile assessment. Guatemala's susceptibility to event risk reflects its political risk, which stems from high income inequality and the possibility that high levels of corruption would lead to a significant backlash against the government.

The banking system has moderate credit penetration below that of its regional peers. Since 2021, credit growth has accelerated at a double-digit annual pace, driven by a robust domestic market backed by significant remittance inflows that have kept consumer trends and confidence strong. Consequently, banks have demonstrated a heightened risk appetite, specifically for consumer lending. The banking system maintains adequate asset quality with relatively low delinquencies and ample reserve coverage. Demand and time deposits are the main source of funding; however, the relatively high loan-to-deposit ratio in foreign currency exposes the system to currency mismatches, outflow of dollar deposits and refinancing risks during periods of volatility in global markets. The banking system is concentrated, with the top three banks accounting for almost 62% of its assets. Most banks are privately owned and most overseas banks operating in Guatemala are subsidiaries of Colombian and Central American banking conglomerates.

ESG considerations

Banco de los Trabajadores' ESG credit impact score is CIS-3

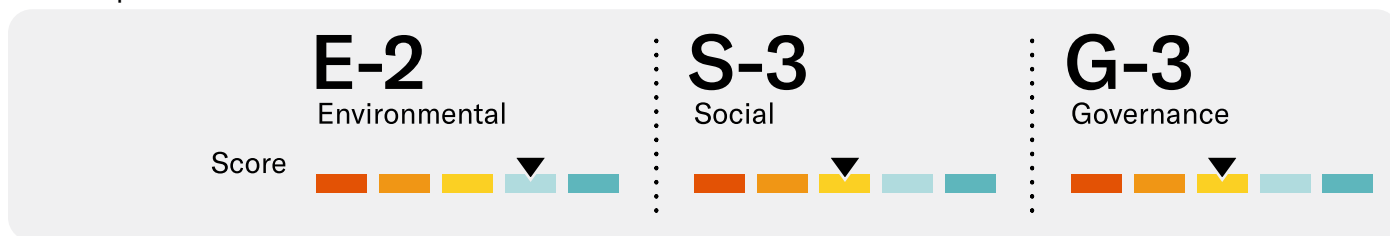
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Bantrab's **CIS-3** indicates limited impact of ESG considerations on the ratings to date, with potential for greater negative impact over time, mainly due to governance risks. Bantrab's challenges largely derive from the potential of government interference in Bantrab's decision making. For the last six years, the bank has restructured the processes of assessing and managing risks and strengthened its control policies which have limited to bank's exposure to corporate governance issues, supported its credit profile, and reduced reputational risks. The score also reflects the limited credit impact of environmental and social factors on the rating to date.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Bantrab faces lower-than-industry average exposure to environmental risks. The bank has limited exposure to carbon transition risks because its loan book is concentrated in unsecured consumer lending to Guatemalan government employees.

Social

Bantrab faces moderate social risks related to customer relations. The bank's developed policies and procedures, mitigate risk associated with the distribution of financial products such as conduct, regulatory and reputational risks, as well as exposure to litigation; Bantrab has activities primarily in Guatemala, a country which has imposed only moderate penalties in relation to consumer protection. Continued investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance that ensure adherence to regulatory standards, help to manage high cyber and personal data risks. Opportunities from financial inclusion and digital growth strategy focus are reflected in a better-than-industry-average exposure to demographic and societal trends.

Governance

Bantrab's face moderate governance risks. In 2016, the bank reported strong challenges related to reputation and corporate governance shortcomings. Since then, the bank has focused on strengthening its governance standards, along with its organizational structure, control policies and risk management practices.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support considerations

We assess that there is a moderate likelihood that the Guatemalan government will provide support for Bantrab's bank deposits. This assessment stems from the fact that Bantrab was established by the Guatemalan government, and the bank's deposit market share of 7.7% as of December 2024, comprised predominantly of deposits from government employees. Consequently, Bantrab's Ba2 deposit ratings benefit from one notch of uplift from its ba3 BCA.

Counterparty Risk (CR) Assessment

Bantrab's CR Assessment is positioned at Ba2(cr)/Not Prime(cr)

The CR Assessment is placed at the level of the bank's deposit rating.

Counterparty Risk Ratings (CRRs)

Bantrab's CRRs are positioned at Ba2/Not Prime

Banco de los Trabajadores CRR's is positioned at the same level as the deposits rating.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 5

Rating Factors

Macro Factors							
Weighted Macro Profile	Weak +	100%					
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	3.9%	ba2	↔	b2	Sector concentration		
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel I)	17.8%	baa2	↔	ba1	Expected trend		
Profitability							
Net Income / Tangible Assets	1.7%	ba1	↔	ba3	Expected trend		
Combined Solvency Score		ba1		ba3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	-	-	-	ba2	Deposit quality		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	32.7%	ba2	↔	ba2	Expected trend		
Combined Liquidity Score		baa3		ba2			
Financial Profile		ba1		ba3			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Ba1			
BCA Scorecard-indicated Outcome - Range				ba2 - b1			
Assigned BCA				ba3			
Affiliate Support notching				0			
Adjusted BCA				ba3			
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating	
Counterparty Risk Rating	1	0	ba2	0	Ba2	Ba2	
Counterparty Risk Assessment	1	0	ba2 (cr)	1	Ba2(cr)		
Deposits	0	0	ba3	1	Ba2	Ba2	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
BANCO DE LOS TRABAJADORES	
Outlook	Stable
Counterparty Risk Rating	Ba2/NP
Bank Deposits	Ba2/NP
Baseline Credit Assessment	ba3
Adjusted Baseline Credit Assessment	ba3
Counterparty Risk Assessment	Ba2(cr)/NP(cr)

Source: Moody's Ratings

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