



RATING ACTION COMMENTARY

Fitch Revises Global Bank's LT IDR Outlook to Stable; Affirms IDR at 'BB'

Thu 10 Oct, 2024 - 5:21 p.m. ET

Fitch Ratings - Monterrey - 10 Oct 2024: Fitch Ratings has affirmed Global Bank Corporation's (GBC) Long-Term (LT) Issuer Default Rating (IDR) at 'BB'. Fitch has also affirmed the bank's Viability Rating (VR) at 'bb', Short-Term (ST) IDR at 'B' and the Government Support Rating (GSR) of 'No Support' (ns).

In addition, Fitch has affirmed the bank's Long- and Short-Term National Ratings at 'AA(pan)' and 'F1+(pan)', respectively. The Rating Outlook for the LT IDR and LT National Rating has been revised to Stable from Negative. Fitch has also affirmed GBC's international debt rating at 'BB', and LT senior unsecured debt rating and ST senior unsecured debt rating at 'AA(pan)' and 'F1+(pan)', respectively.

The Outlook revision to Stable on GBC's LT IDR and LT National Rating reflects a controlled asset quality performance as well as an improvement in capitalization metrics in the last fiscal year, which Fitch expects will continue over the ratings horizon as the operating environment's (OE) stable banking business conditions allow for a resilient financial performance by GBC.

KEY RATING DRIVERS

Operating Environment: Fitch revised the OE score for Panama's banking system to Stable from Negative and affirmed it at 'bb+'. Despite the economic slowdown and high interest rate environment, the banking system's credit growth, asset quality and

profitability metrics are performing better than expected. In addition, GDP growth will likely reach around 4.0% in 2025 (following the recent upward revision of 2.8% GDP growth for 2024), suggesting that pressures in business conditions for banks will be lower than they were in 2024.

Ratings Driven by VR: GBC's IDRs and National Ratings are driven by its 'bb' VR which is above the implied level of 'bb-'. GBC's VR is influenced by Fitch's assessment of the Panamanian OE, currently at 'bb+' with a stable trend. GBC's VR is highly influenced by the bank's consistent business profile.

Good Business Profile: GBC's score is at 'bb', above the implied level of 'b'. The bank's sustained market position offset its lower Total Operating Income (TOI) when compared to its local peers. The four-year (FY21-FY24) average TOI was USD233 million, and in FY24 it showed a contraction of -4.1% compared to FY23. Moreover, GBC has a recognized franchise as it is the fourth largest bank in Panama by local loans (market share: 9.5%) and the fifth in terms of internal deposits (7.5%) as of June 2024. It also has top participation in some credit segments, including agriculture, commercial and residential mortgages.

Asset Quality Improving: GBC's core metric, stage 3 loans to gross loans, reversed its increasing trend in fiscal year 2024. It stood at 3.9% as of June 2024 (average 2021-2024: 4.1%), while the 90+ days past due loans accounted for 3.0% of gross loans (average 2021-2024: 3.2%). The reserve coverage for the stage 3 loans and 90+ days past-due loans reached 87.7% and 113.7%, respectively.

Fitch expects GBC's asset quality will face challenges over the rating horizon as long as the restructured loans do not perform in a way that could result in metrics not commensurate with its current score. Top debtors' concentration increased, although it remained moderate, as the top 20 borrowers represented 1.8x the Common Equity Tier 1 (CET1) as of June 2024 (June 2023: 1.6x).

Profitability Still Facing Challenges: GBC's profitability was relatively stable in FY24 due to pressures on the net interest margin (NIM) and operational efficiency. As of June 2024, GBC's core profitability metric, operating profit over risk-weighted assets (RWA),

was still below 1% (0.9%; average 2021-2024: 0.7%). Over the ratings horizon, Fitch expects that the bank's profitability will see more favorable prospects as the NIM might benefit from a downward interest rate scenario amid a highly competitive sector, and results from the digitalization process enhance the efficiency.

Capitalization Ratios Reversed Declining Trend: GBC's score is at 'bb-', above the implied level of 'b'. Fitch believes that the bank's capital features provide additional loss absorption capacity. GBC's CET1 capital ratio (CET1 over RWA) increased to 9.0% as of June 2024 (June 2023: 8.5%). At the same time, Fitch considers both the bank's countercyclical buffer (dynamic reserve) and the perpetual bond (convertible instrument with a high trigger of Tier 1 of 6.5%), which also provide loss absorption capacity, allowing the capitalization metric to increase to the regulatory CAR of 13.7%.

Diversified Funding Profile; Stable Deposit Base: GBC has been characterized by an ample access and dependence on different non-deposit financing sources throughout the years, and under a relatively stable deposit base. The core ratio, loans to deposits, increased in fiscal year 2024, and stood at a high level of 124.3% as of June 2024 (June 2023: 121.1%). The 20 largest depositors accounted for a moderate 13.9% of the deposit base, decreasing from the last review (June 2023: 16.5%).

RATING SENSITIVITIES

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

--A decline in the core profitability ratio, operating profit to RWA, consistently below 0.5%, along with a sustained and material deterioration in the bank's asset quality, which impacts the CET1 to RWA ratio, including countercyclical buffer, to less than 10% could downgrade the bank's IDRs, VR and national ratings;

--GBC's IDR and VR could be downgraded if there is a downward revision on Fitch's assessment of the OE which undermines its credit profile.

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

--GBC's IDRs, VR and national ratings could be upgraded if profitability stands above 1.5% consistently, which allows the CET1 to RWA ratio to be steadily above 15%, including countercyclical buffer, while maintaining asset quality under control;

--GBC's IDR and VR could be upgraded by an upward revision of Fitch's assessment of the OE.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Debt: The rating of the senior unsecured global debt is at the same level as GBC's 'BB' LT IDR, as the likelihood of default of the notes is the same as that of the bank.

The National LT and ST senior unsecured debt ratings are at the same level as GBC's 'AA(pan)' National LT and 'F1+(pan)' National ST ratings, respectively, as the likelihood of default of this debt is the same as that of the bank.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

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

--The bank's long-term senior unsecured debt rating, national long-term senior unsecured debt rating and national short-term senior unsecured debt rating would mirror any downgrade of GBC's Long-Term IDR, national long-term rating and national short-term rating, respectively.

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

--The bank's LT senior unsecured debt rating and National LT senior unsecured debt rating would mirror any potential upgrade on GBC's LT IDR and National LT rating, respectively. The bank's National ST senior unsecured debt rating is at the highest level of the national rating scale and, therefore, does not have upside potential.

GSR: The GSR of 'ns' reflects that external support, while possible, cannot be relied upon

given Fitch's view of Panama's limited ability to support the banking system and domestic-systemically important banks, primarily due to its large size and the lack of a lender of last resort.

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

--There is no downside potential for GSR because this is the lowest level on the respective scale.

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

--As Panama is a dollarized country with no lender of last resort, an upgrade in GSR is unlikely.

VR ADJUSTMENTS

The bank's 'bb' VR has been assigned above the 'bb-' implied VR due to the following adjustment reason: Business Profile (positive).

The 'bb+' Operating Environment Score has been assigned below the 'bbb' implied score due to the following adjustment reason: Sovereign Rating (negative).

The 'bb' Business Profile Score has been assigned above the 'b' category implied score due to the following adjustment reason: Market Position (positive).

The 'bb-' Capitalization and Leverage Score has been assigned above the 'b' category implied score due to the following adjustment reason: Core Capital Calculation (positive).

Sources of Information

The principal sources of information used in the analysis are described in the Applicable Criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ◆	RATING ◆			PRIOR ◆
Global Bank Corporation	LT IDR	BB Rating Outlook Stable		BB Rating Outlook Negative
		Affirmed		
	ST IDR	B	Affirmed	B
	Natl LT	AA(pan) Rating Outlook Stable		AA(pan) Rating Outlook Negative
	Affirmed			
	Natl ST	F1+(pan)	Affirmed	F1+(pan)

	Viability	bb	Affirmed	bb
	Government Support	ns	Affirmed	ns
senior unsecured	LT	BB	Affirmed	BB
senior unsecured	Natl LT	AA(pan)	Affirmed	AA(pan)
senior unsecured	Natl ST	F1+(pan)	Affirmed	F1+(pan)

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Alejandro Tapia

Senior Director

Primary Rating Analyst

+52 81 4161 7056

alejandro.tapia@fitchratings.com

Fitch Mexico S.A. de C.V.

Prol. Alfonso Reyes No. 2612, Edificio Connexity, Piso 8, Col. Del Paseo Residencial,

Monterrey 64920

Rodrigo Contreras, CFA

Director

Secondary Rating Analyst

+506 4104 7038

rodrigo.contreras@fitchratings.com

Alejandro Garcia Garcia

Managing Director
Committee Chairperson
+1 212 908 9137
alejandro.garciagarcia@fitchratings.com

MEDIA CONTACTS

Elizabeth Fogerty
New York
+1 212 908 0526
elizabeth.fogerty@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)

[Metodología de Calificación de Bancos \(pub. 28 Sep 2023\)](#)

[Bank Rating Criteria \(pub. 15 Mar 2024\) \(including rating assumption sensitivity\)](#)

[Future Flow Securitization Rating Criteria \(pub. 30 Jul 2024\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

Endorsement Policy

ENDORSEMENT STATUS

Global Bank Corporation

EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

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. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-

party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to

provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2024 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international

credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.