

# Update: Global Bank Corp. y Subsidiarias

February 9, 2024

## Ratings Score Snapshot

SACP: **bbb-** →

Support: **0** →

Additional factors: **0**

Anchor	bbb-	
Business position	Adequate	0
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment	0	

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
<b>BBB-/Stable/A-3</b>

### Primary contact

**Ileri Botello**  
Mexico City  
52-5510375276  
ireri.botello  
@spglobal.com

### Secondary contact

**Ricardo Grisi**  
Mexico City  
52-55-5081-4494  
ricardo.grisi  
@spglobal.com

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

## Credit Highlights

### Overview

#### Key strengths

Diversified business activities reflect its sound market position among the five-largest banks in Panama.

Stable and diversified deposit base that has made it resilient during adverse scenarios.

Ample liquidity with limited refinancing risk allows it to cover extraordinary outflows.

#### Key risks

Sovereign and economic risks could further pressure capitalization levels.

Tougher economic conditions, still high unemployment, and social instability could hurt growth prospects and payment capacity.

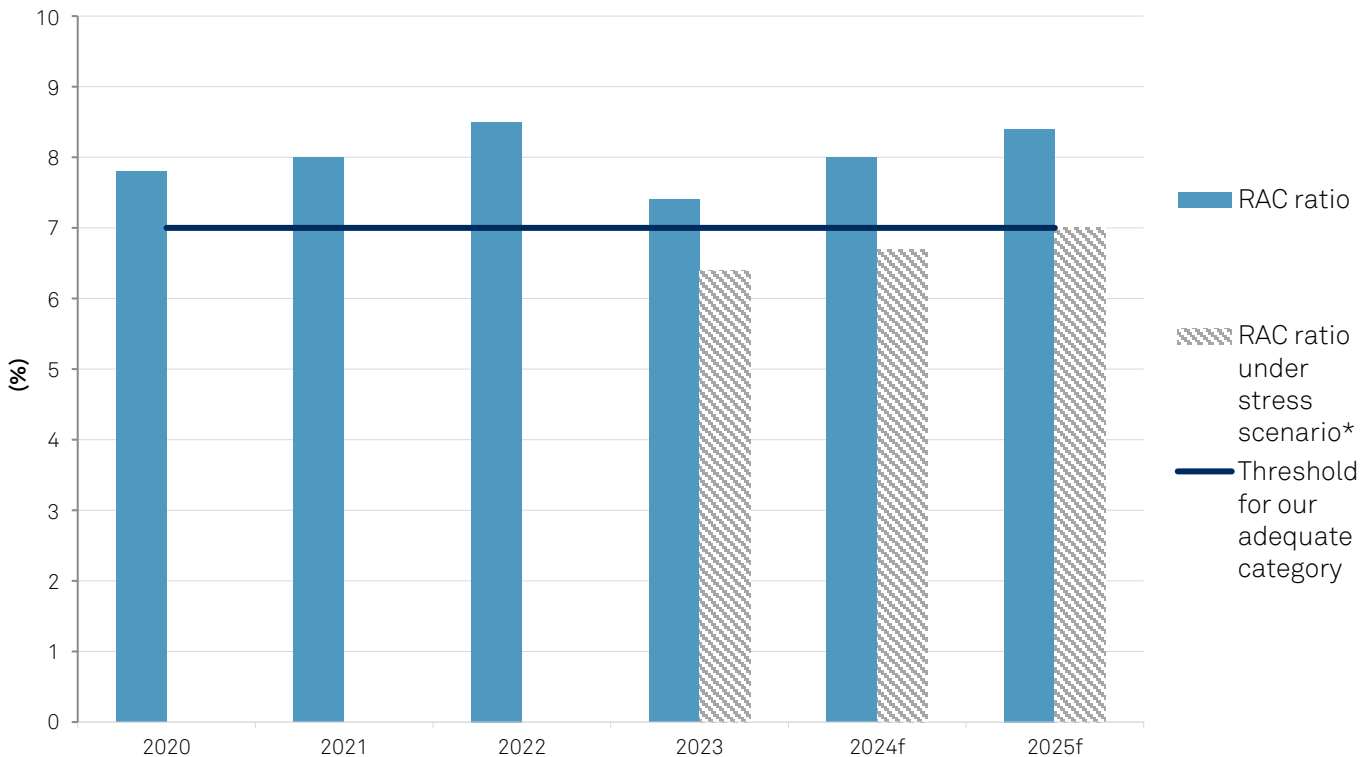
Deterioration of asset quality could increase loss provisions and charge-offs, which would hamper profitability.

**Global Bank Corp. y Subsidiarias' (G.B. Group's) capital base will gradually rebound after capital outflows, but risks remain.** The group's stock repurchase program fell about 11% its

total adjusted capital (TAC) as of June 2023; weakening its risk-adjusted capital (RAC) ratio. However, this ratio stayed close to 7.4% thanks to moderate loan growth and healthy net income, slightly above our threshold for a weaker RAC category. For the next 24 months, we expect this ratio to gradually improve, reaching about 8.0% as the group's internal capital generation will continue to outpace the group's loan portfolio growth.

Latent risks exist, including the negative trend in Panama's Banking Industry Country Risk Assessment (BICRA) economic risk score and the negative outlook on the sovereign. If these materialize, it could reduce the group's RAC ratio about 110 basis points (bps). This would pressure the group's capital, but we forecast that our RAC ratio would still remain slightly above 7%. However, if G.B. Group exceeds our projections for dividend payouts or has additional capital outflows, its RAC ratio could fall, and we could view its capital and earnings as weaker. We will continue to monitor these risks over the next few months and reassess our base-case scenario, if necessary.

### G.B. Group's RAC ratio evolution and stress scenario



Year-end at June 30th. f--forecast. RAC -- Risk-Adjusted Capital.

\*If Panama's negative outlook and negative BICRA Economic Risk materializes.

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**We anticipate gradual improvement in asset quality metrics for the next two years but expect them to remain above historical levels.** In our view, Global Bank's (G.B Group's main subsidiary) asset quality will remain weaker than pre-pandemic levels but will gradually recover during 2024-2025. However, potential pressures could persist due to economic challenges. Still high interest and unemployment rates in Panama, coupled with recent Minera Panama setback that will affect Investor confidence and GDP performance, could pressure customers' payment

capacity and the bank's credit metrics in 2024. Therefore, we expect nonperforming assets (NPAs) will stay between 3.0% and 3.5% and net charge-offs will be close to 0.8% for 2024, and gradually improve to 3.0% and 0.75% in 2025, respectively.

On the other hand, Global Bank remains well diversified in terms of clients and sectors. Its top 20 clients represent less than 15% of its total loan portfolio and close to 1x of its TAC. In addition, no industry represents more than 10% of its total portfolio, which we believe is adequately distributed and in line with its main peers.

**Solid brand and operating revenue growth will continue to support the bank's business stability.**

As of September 2023, the bank remains within the top five Panamanian banks in terms of loans and deposits and is the third-largest commercial bank in the country. Its market position is mostly due to its diversified product portfolio offered across multiple lending segments and its sound brand reputation. In addition, we expect its operating revenue will continue to grow, bolstered by the mortgage portfolio it acquired from Banvivienda, supporting business stability. We forecast operating revenue increasing 3.7%-4.2% for 2024, with more modest loan portfolio growth between 2.7% and 3.2% in the same timeframe.

**We believe the bank will keep its stable and resilient funding and liquidity for the next two years.**

Global Bank ample and stable deposit base will keep supporting its funding profile, even during economic headwinds. Deposits represent nearly 73% of the bank's total funding profile, in line with the average of the Panamanian banking system. This is reflected in a stable funding ratio above 100% historically--106% as of September 2023--and we expect it to remain at similar levels.

Finally, the bank has a comfortable debt maturity profile and solid liquid assets to cover extraordinary refinancing needs and potential outflows. This is reflected in about 4x of broad liquid assets to cover its short-term wholesale funding needs for the next 12 months.

## Outlook

The stable outlook on our rating on G.B. Group reflects our expectation that the group will maintain its RAC ratio consistently above 7% for the next 24 months. Also, the outlook includes our opinion that the bank's NPAs will remain manageable and fully covered by reserves, while it keeps its cost of risk and credit losses under control.

### Downside scenario

We could lower the ratings if G.B. Group's consolidated RAC ratio drops and remains consistently below 7%. This could happen if the negative trend in Panama's BICRA economic risk materializes, raising the bank's capital charges, and:

- The bank's asset quality deteriorates beyond our expectations, leading to an increase in its cost of risk and diminishing its internal capital generation;
- The group has additional extraordinary capital outflows that are not offset with internal capital, such as higher dividend payouts;
- The bank's profitability is lower than our base-case scenario and not enough to cover its dividend payout, which could happen if its net interest margin drops, damaging revenue; or
- The bank grows lending in riskier segments--like construction--and increases its risk-weighted assets beyond our projections.

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Additionally, we could lower the ratings if the bank's asset quality indicators weaken to the point that they no longer compare with the rest of the banking system. However, this is not in our base-case scenario.

### Upside scenario

Given global and local economic challenges, we don't forecast an upgrade of G.B. Group in the next 24 months.

## Key Metrics

### Global Bank Corp. y Subsidiarias Key Ratios And Forecasts

	--Fiscal year ended Jun. 30 --				
(%)	2021a	2022a	2023a	2024f	2025f
Growth in operating revenue	-1.1	1.3	6.2	3.7-4.2	3.6-4.2
Growth in customer loans	-1.7	2.5	1.2	2.7-3.2	3.1-3.7
Growth in total assets	-2.3	0.9	0.2	2.6-3.0	2.9-3.4
Net interest income/average earning assets (NIM)	2.2	2.3	2.3	2.2-2.4	2.2-2.4
Cost to income ratio	58.3	60.9	59.6	58.1-61.1	56.9-59.9
Return on average common equity	2.5	4.3	6.1	8.1-8.9	8.9-9.9
Return on assets	0.2	0.4	0.5	0.6-0.7	0.7-0.8
New loan loss provisions/average customer loans	1.4	1.0	0.8	0.5-0.6	0.5-0.5
Gross nonperforming assets/customer loans	3.1	3.1	3.3	3.0-3.5	2.7-3.1
Net charge-offs/average customer loans	0.5	0.6	0.8	0.8-0.9	0.7-0.8
Risk-adjusted capital ratio	8.0	8.5	7.4	7.8-8.2	8.0-8.4

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

### Global Bank Corporation y Subsidiarias Key Figures

Mil. US\$	2023	2022	2021	2020	2019
Adjusted assets	8,321	8,309	8,232	8,424	8,328
Customer loans (gross)	6,288	6,211	6,046	6,324	6,384
Adjusted common equity	604	693	660	661	681
Operating revenues	239	233	231	233	212
Noninterest expenses	139	139	129	131	136
Core earnings	48	37	27	42	46

US\$--Panamanian balboa.

**Global Bank Corporation y Subsidiarias Business Position**

(%)	2023	2022	2021	2020	2019
Loan market share in country of domicile	-	-	-	-	-
Deposit market share in country of domicile	-	-	-	-	-
Total revenues from business line (currency in millions)	239	233	231	233	212
Commercial & retail banking/total revenues from business line	90.8	94.1	90.1	93.1	95.1
Trading and sales income/total revenues from business line	0.2	0.2	3.4	(0.2)	0.4
Corporate finance/total revenues from business line	-	-	-	-	-
Brokerage/total revenues from business line	-	-	-	-	-
Insurance activities/total revenues from business line	6.2	5.5	5.3	5.5	-
Agency services/total revenues from business line	-	-	-	-	-
Payments and settlements/total revenues from business line	-	-	-	-	-
Asset management/total revenues from business line	-	-	-	-	-
Other revenues/total revenues from business line	2.9	0.2	1.3	1.6	4.5
Investment banking/total revenues from business line	0.2	0.2	3.4	(0.2)	0.4
Return on average common equity	6.5	4.8	3.4	5.4	6.6

**Global Bank Corporation y Subsidiarias Capital And Earnings**

(%)	2023	2022	2021	2020	2019
Tier 1 capital ratio	13.1	15.1	15.8	14.4	13.8
S&P Global Ratings RAC ratio before diversification	N/A	9.7	8.9	8.8	8.8
Adjusted common equity/total adjusted capital	77.2	79.6	80.4	82.8	84.2
Net interest income/operating revenues	72.3	77.6	74.9	75.9	73.6
Fee income/operating revenues	18.5	16.5	15.2	17.2	21.4
Market-sensitive income/operating revenues	0.2	0.2	3.4	(0.2)	0.4
Cost to income ratio	58.2	59.4	56.1	56.3	64.3
Provision operating income/average assets	1.2	1.1	1.2	1.2	1.0
Core earnings/average managed assets	0.6	0.5	0.3	0.5	0.6

N.M.--Not meaningful.

**Global Bank Corporation y Subsidiarias Risk Position**

(%)	2023	2022	2021	2020	2019
Growth in customer loans	1.3	2.7	(4.4)	(0.9)	27.8
Total diversification adjustment/S&P Global Ratings RWA before diversification	N/A	34.6	34.5	34.1	36.5
Total managed assets/adjusted common equity (x)	13.9	12.1	12.6	12.9	12.4
New loan loss provisions/average customer loans	0.8	1.0	1.4	1.0	0.5
Net charge-offs/average customer loans	0.8	0.6	0.5	0.5	0.2

**Global Bank Corporation y Subsidiarias Risk Position**

Gross nonperforming assets/customer loans + other real estate owned	3.4	3.1	3.2	2.0	2.0
Loan loss reserves/gross nonperforming assets	108.2	118.4	108.1	120.7	92.7

**Global Bank Corporation y Subsidiarias Funding And Liquidity**

(%)	2023	2022	2021	2020	2019
Core deposits/funding base	71.0	71.08	72.2	68.7	65.9
Customer loans (net)/customer deposits	115.7	114.8	111.6	120.1	129.7
Long-term funding ratio	97.7	97.4	91.1	95.2	93.4
Stable funding ratio	106.5	111.0	105.9	109.7	104.8
Short-term wholesale funding/funding base	2.6	2.9	9.9	5.3	7.3
Regulatory net stable funding ratio	--	--	--	--	--
Broad liquid assets/short-term wholesale funding (x)	4.5	5.3	1.8	3.1	2.0
Broad liquid assets/total assets	10.0	13.7	15.4	14.6	13.0
Broad liquid assets/customer deposits	16.0	22.1	24.5	24.2	22.6
Net broad liquid assets/short-term customer deposits	15.5	22.5	13.4	20.5	14.4
Regulatory liquidity coverage ratio (LCR) (x)	--	--	--	--	--
Short-term wholesale funding/total wholesale funding	8.1	9.4	33.1	16.0	20.4
Narrow liquid assets/3-month wholesale funding (x)	N/A	N/A	N/A	N/A	N/A

## Rating Component Scores

**Global Bank Corp.--Rating Component Scores**

Issuer Credit Rating	BBB-/Stable/A-3
SACP	bbb-
Anchor	bbb-
Economic risk	5
Industry risk	5
Business position	Adequate
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0

## Global Bank Corp.--Rating Component Scores

Issuer Credit Rating	BBB-/Stable/A-3
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022.
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017.
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 18, 2013.
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021.
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011.
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009.

## RatingsDetail

### Ratings Detail (as of February 06, 2024)\*

#### Global Bank Corp. y Subsidiarias

Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-

#### Issuer Credit Ratings History

22-Jun-2017	BBB-/Stable/A-3
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**Ratings Detail (as of February 06, 2024)\***

28-Oct-2016

BBB-/Negative/A-3

18-Mar-2013

BBB-/Stable/A-3

**Sovereign Rating**

Panama

BBB/Negative/A-2

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.



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