

MMG Bank Corporation

Key Rating Drivers

Limited Commercial Franchise; Focused Niche: MMG focuses on a specific niche, asset management and commercial lending, serving high-net-worth individuals and institutional clients. MMG has a small market share within the competitive Panamanian banking system by total assets and deposits. However, its franchise related to asset management is significant as it is the fourth-largest asset manager in Panama by assets under management (AUM).

Robust Asset Quality: MMG's asset quality is a credit strength. As of September 2019, the bank had no non-performing loans (NPLs), and its investment portfolio, mostly invested in fixed-income securities, is around 74% investment-grade financial instruments. Its approach of only serving existing customers means the loan portfolio has moderate concentration by largest debtors. In the challenging scenario, MMG could face pressure on its investment and loan portfolios quality, albeit mitigated by its significant capital cushion.

Sound Profitability: The bank's profitability decreased as of September 2019, but remains strong relative to peers. The Fitch core metric for profitability, operating profit to risk-weighted assets (RWA) was 4.9%, lower than the fiscal 2018 ratio (5.35%).

The bank maintains low loan impairment charges and a better operational efficiency than peers, but the reduction in profitability is a combined result of lower operating profits along with higher RWA in fiscal 2019. EBITDA to fee revenue ratio has been historically and consistently high, above 50%. Profitability could be challenged as the economic environment would not support material income generation.

Solid Capitalization: The bank's capitalization is ample compared to peers. The Fitch core metric, Fitch Core Capital (FCC)/RWA, was 25.4%. As of September 2019, the gross debt to EBITDA ratio was 0.8x. This capitalization would remain similar in the short term as asset growth could be significantly lower than Fitch expected.

Increasingly Diversified Funding Structure: Customer deposits remain the main source of funding, although decreasing in participation. As of September 2019, these deposits represented 84.9% of total funding. The customer deposits structure is moderately concentrated due to its relative size and market niche focus. The 20 largest depositors accounted for 17.9% as of September 2019. The loans to customer deposits ratio has increased due to a combination of loan growth and deposit contraction.

Rating Sensitivities

Operating Environment: MMG's ratings are sensitive to changes in Panama's operating environment. An operating environment downgrade linked to sustained deterioration in growth prospects relative to Fitch's current economic projections would put pressure on the bank's IDRs and VR.

Asset-Quality Deterioration, Losses: Any unfavourable change in the bank's asset quality, or substantial losses derived from its AUM that lead to a materialization of reputational risk that negatively affects the different business lines, could lead to a downgrade of the ratings. Material and sustained deterioration in earnings generation capacity or capitalization to levels in Fitch core metrics below 3% operating profit/RWA and 16% FCC/RWA, respectively, could trigger a downgrade.

Ratings

Foreign Currency	
Long-Term IDR	BBB-
Short-Term IDR	F3
Viability Rating	
Support Rating	bbb-
Support Rating Floor	5
	No Floor
National	
National Long-Term Rating	AA(pan)
National Short-Term Rating	F1+(pan)
Outlooks	
Long-Term Foreign-Currency IDR	Negative
National Long-Term Rating	Stable
Sovereign Risk	
Long-Term Foreign-Currency IDR	BBB
Long-Term Local-Currency IDR	BBB
Country Ceiling	A

Applicable Criteria

- [Bank Rating Criteria \(October 2018\)](#)
- [National Scale Ratings Criteria \(July 2018\)](#)
- [Non-Bank Financial Institutions Rating Criteria \(October 2018\)](#)
- [Short-Term Ratings Criteria \(May 2019\)](#)

Analysts

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Debt Rating Classes

Rating Level	Rating
Short-Term senior unsecured	F1+(pan)

Source: Fitch Ratings

Operating Environment

In February 2020 Fitch revised the Outlook on Panama's Long-Term IDRs to Negative from Stable. If there were a sovereign downgrade (see *Fitch Revises Panama's Outlook to Negative; Affirms IDR at 'BBB'*, dated Feb. 6, 2020), a negative revision of the operating environment score would be triggered only if there were a sustained deceleration or low economic growth that could result in deterioration of domestic borrowers' creditworthiness.

Such a scenario would also include increased unemployment or pressure on macroeconomic metrics that could influence performance metrics across all financial institutions. Fitch views this scenario is more likely in light of the recent measures to contain the outbreak of COVID-19, low oil prices and the expected economic slowdown, as these will drive a contraction of the loan book in 2020, erode asset quality and pressure capital metrics. In Fitch's view, earnings would be undermined by limited credit portfolio growth, potentially higher credit costs and a payments-on-hold policy that extends beyond our expectations. This is a heightened risk given Panama's average narrow margins.

Recent Changes

Government and Banking Regulator Measures

Relief measures for customers affected by the COVID-19 outbreak approved by the regulator include the ability to defer loan payments for up to four months. These modified loans will not change their risk category or require additional loan loss provisions. Banks previously authorized by the regulator can use up to 80% of their dynamic reserves, provided they do not distribute dividends.

Panama Included in the Financial Action Task Force Grey List

The Financial Action Task Force included Panama in its grey list, identifying it as a jurisdiction with strategic shortcomings for the Prevention of Money Laundering and Terrorism Financing. Panama's addition to the list implies additional controls over transactions tied to Panama and correspondent banks, which could put pressure on funding costs or weaken primary correspondent relationships with small banks.

Company Summary

Limited Commercial Banking Franchise, Though Relevant in its Niche

MMG is a general licence bank that covers several business lines, asset/wealth management, brokerage services, and traditional banking. It caters to local and international high-net-worth clients, whether private or institutional.

MMG is a subsidiary of MMG Capital Holdings, a holding company domiciled in the Bahamas. The latter belongs to a small group of local businessmen and some MMG top executives. MMG also owns three subsidiaries: MMG Bank & Trust Ltd. (Bahamas); MMG Asset Management Corp.; Quantia-AFP, Corp.; and MMG Panama Allocation Fund. MMG Bank & Trust is an offshore bank located in the Bahamas, MMG Asset Management is an investment funds manager and Quantia is a pension and unemployment funds manager. MMG Panama Allocation Fund is a balanced fund with USD5 million in AUM. MMG is investing in MMG Panama Allocation Fund (owns 76%) to build a track record that attracts investors.

The bank is small relative to the Panamanian banking system, representing less than 1% of the system's total assets and of the system's total deposits as of June 2019. However, its presence within the asset management and brokerage industries is much more significant. As of June 2019, MMG was the fourth-largest asset manager in Panama by AUM, with 6.4% of total AUM. As of September 2019, MMG was the third most active participant in the Bolsa de Valores de Panama's primary market by business volume (only eight banks have brokerage licences in Panama).

The participation of its credit portfolio in total assets has recently stabilized at around 38% (significantly higher than the historical average participation of 27.9%), while the securities portfolio represented 43% of total assets as of September 2019, lower than historical average participation (49.2%). MMG's balance sheet is therefore quite different from its immediate peers in the Panamanian market, historically focused on commercial banking. The loan products offering is directed to its existing clients in the asset-management business. MMG's AUM have consistently increased over the past years, but this growth rate has slowed. As of September 2019, MMG's AUM totalled USD2,732 million (4.6% higher than September 2018 AUM). Around 49.1% of these AUM come from private clients, while the rest come from institutional investors (15%), third-party funds (18.3%), and other types of investors.

The organisational structure is relatively simple and transparent given the size of the bank. It is therefore neutral to the ratings.

Management and Strategy

MMG's management team is solid, with ample and in-depth knowledge of the local and international capital markets, asset-management industry, and target segments. The key management positions present low turnover. Although family members are involved in the top management, Fitch considers that the potential biases are mitigated through the involvement of independent directors and the presence of non-family members as top executives who share the corporate culture.

MMG's corporate governance framework is clear, appropriately disseminated and well defined for MMG and each Panamanian subsidiary. The corporate governance guidance document sets measures to disclose information, and maintain an adequate internal control system.

The long-standing chairman of the board, and one of the founders, recently retired. One of the existing directors was named chairman.

MMG sets clear and defined strategic objectives. They align the execution to reach these targets, appropriately overseen by the different committees. Fitch considers that the record of meeting stated objectives is appropriate.

Risk Appetite Towards Loan Portfolio

MMG's risk and control framework robustness is consistent with the best practices of the local banking system, and is reflected in its good asset quality. The policies for its own investments portfolio, loans and AUM are clear, detailed and well defined, and the monitoring is continuous. For AUM, MMG's internal policies call for thorough quantitative and qualitative analyses of the financial instruments available in the market, in order to offer adequate advice to clients and build portfolios with a reasonable amount of risk. This allows the bank to manage both operating and reputational risks associated with this business line.

The control framework is adequately aligned to the main business lines (commercial lending and asset management). Risk management for the loan portfolio is carried out in a traditional way and according to industry standards. For the AUM business line, there is a committee overseeing managed funds. Independent directors of the board participate in all the committees. Risk and Audit committees are chaired by the independent directors.

The operational risk control framework covers several operational areas in MMG, and the sources of these exposures. For these internal areas, the bank has defined several measures and policies to mitigate the exposure.

MMG's asset growth rate has been historically volatile, influenced by the investment portfolio (FY19: -2.4%; FY18: 10.8%). MMG's total gross loans growth has historically been superior to that of the Panamanian banking system. However, during FY19 the loan portfolio shrank by 2.4% (FY18: 10.8%), in line with the slowdown in the operating environment, and represented 38% of total assets as of September 2019. The bank aims to gain loan market share in 2020; however, under the current challenging scenario, this could not be achievable.

MMG's investment portfolio represents 43% of total assets. Therefore, MMG is exposed to credit risk and market risk, particularly interest rate risk, from these securities due to the large share of fixed-income instruments. The bank adequately mitigates this risk through

conservative investment policies, resulting in low sensitivity of its investment portfolio to fluctuations in interest rates. The allocation strategy has resulted in a low-duration portfolio (0.88). Around 85% of the investment portfolio balance has a maturity of less than one year. Over the past five years, the highest non-realized loss from investments securities represented less than 4% of MMG's equity. The loan portfolio faces interest rate risk, which is mitigated by the ample flexibility MMG has regarding variable interest rates.

MMG is also exposed to reputational risk from the asset management business. The bank's clients trust in its ability to manage their financial assets, so deterioration in the managed portfolio or scandal that affects the reputation and credibility of MMG could have a strong impact on the bank's businesses and potentially disrupt business continuity. However, the agency believes that MMG has mitigated this risk to date, thanks to conservative investment guidelines, a clear investment process, and the robust relationships and reputation MMG has established with its clients.

MMG has low foreign-currency exposure. The bank operates in 11 currencies (mostly in euros and pounds). According to its risk policies, total foreign-currency exposure cannot exceed 2% of the common equity. As of September 2019, the bank had an open foreign-currency position of less than 1% of common equity.

Financial Profile

Robust Asset Quality

MMG's financial profile analysis incorporates the combined approach of Fitch's non-bank financial institutions criteria for traditional investment managers, as this business line is one of the main income and risk generators. As of September 2019, the asset-management business line represented 27% of the bank's total net revenue.

In FY19, MMG's loan portfolio shrank by 2.4% after many years of expansion. This is due to less favorable economic conditions in Panama than in recent years. Commercial loans were 63% of the total gross loans portfolio, followed by retail (21%) and mortgages (6.8%).

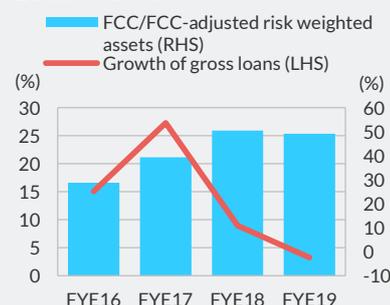
The loan portfolio has a moderate degree of concentration by largest debtors and high geographic concentration due to MMG's approach of only serving its existing customers. The 20 largest debtors accounted for 34.1% of total gross loans and 1.12x of MMG's FCC.

The asset quality core metric remains 0.0%. The credit risk exposure of this portfolio is very low due to conservative policies and high quality, comparing favorably with its peers and the Panamanian financial system.

The investment portfolio is fundamentally fixed income. Less than 5% of the securities holdings are invested in equity. Around 74% of its total investments are rated investment grade and above. MMG's investment portfolio has relative geographic concentration: 61% of the investment portfolio is domiciled in two countries (Panama and the US). As of September 2019, investments were distributed in Europe, which represents 35% of the total portfolio, and Panama (34%), followed by the US (27%). The 20 largest exposures in the investment portfolio (includes securities and deposits in banks) represent 61% of this portfolio, while 93% of the balance of these 20 exposures is invested in investment-grade securities. As the global markets are facing downside risks, pressures on the investment portfolio quality could come initially from the Latin America exposures.

Fitch considers MMG's asset quality will remain one of its main strengths. The asset-management business will continue to be an important revenue generator. However, a larger proportion of the loan portfolio in total assets compared to historically is likely given loan growth projections. Credit-quality pressures coming from a relevant growth rate could be mitigated by the characteristics of the market niche served, and the conservative credit policies. Fitch believes the bank would continue to have better asset quality than its peers and the banking system in Panama.

Loan Growth



Source: Fitch Ratings, MMG

Earnings and Profitability

MMG's profitability, as measured by the core metric, compares favorably with most of its peers. This metric, operating profits/RWA, was 4.9% as of September 2019 (system average as of June 2019: 1.4%). As of September 2019, other profitability metrics (ROAA: 2.1%; ROAE: 18.4%) are higher than the June 2019 system average (ROAA: 1.5%; ROAE: 12.3%). This profitability is supported by low loan impairment charges, and a better operational efficiency than peers. Under the non-bank financial institution criteria, the core metric, EBITDA to fee revenue, has been historically and consistently high (above 50%).

The bank has income diversification that benefits its risk profile thanks to a lower reliance on a single business line. Unlike for its banking peers, historically more than 50% of MMG's gross revenues come from non-interest income, mainly management fees charged on MMG's off-balance-sheet AUM, and then banking services and investment banking fees. As of September 2019, around 38.7% of total combined income (interests plus net fees/commissions) comes from the fees charged, mostly on the asset management business, and then banking services. However, interest income on loans and on investments represented 37.2% and 24.1% of these combined revenues, respectively.

Operational efficiency has been under pressure in recent years due to the execution of different projects, but it is better than the local system average (comparing September 2019 and June 2019, respectively), according to efficiency indicators. For FY20, MMG will seek to improve its operational efficiency towards FY17 levels, according to its projected metrics.

Fitch expects that MMG's profitability could face pressure depending on the extent of the unfavourable operating environment deriving from the coronavirus pandemic. According to MMG's projections, interest from loans would become the bank's main source of income, supported by the growing participation of its loan portfolio; however, commissions from the asset management business would remain relevant.

Solid Capitalization

MMG's capitalization is ample to continue supporting its growth, providing strong unexpected loss-absorption capacity. As of September 2019, MMG's capitalization core metric, FCC/RWA, was similar to FY18's (25.4% and 25.9%, respectively), and above the system average (June 2019: 16.1%).

This capital level has also allowed MMG to manage an increasing dividend payout ratio; the last one was the highest among the periods analyzed (FY19: 76.3%; FY18: 65.5%).

Under a potential scenario in which assets shrank, MMG's capital adequacy ratio could remain at a similar level in the short term.

Non-Diversified Funding

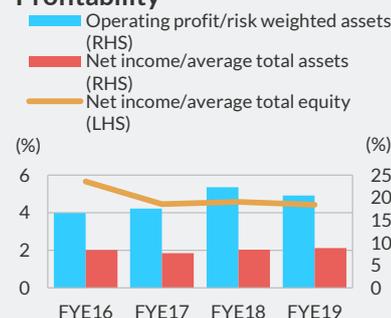
The core metric, loans to customer deposits, continues to increase due to a combination of loan growth and deposit contraction. As of September 2019, this indicator was 51.6%, which is below the system average (June 2019: 94%) and almost all of its peers.

Customer deposits remain the main source of funding, although decreasing in size. As of September 2019, these deposits represented 84.9% of total funding. Due to its relative size and market niche focus, the customer deposits structure is concentrated in a small number of clients. The 20 largest depositors accounted for a moderate 17.9% as of September 2019. This concentration has been decreasing in recent years.

MMG also funds its operations through short-term credit lines from four international financial entities and one Panamanian public bank, as well as short-term unsecured issues. MMG plans to keep these types of funding to the lowest possible, and expand its customer deposits base.

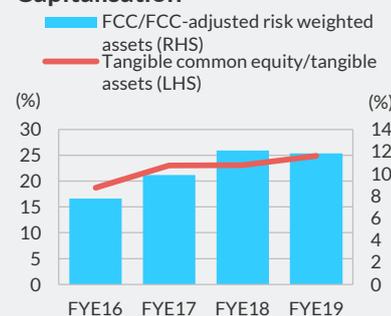
The bank's liquidity is adequate. As of September 2019, liquid assets (cash plus available-for-sale securities) covered 37.8% of total deposits and 27.8% of total assets. The bank's internal policies require that credit facilities are available to keep asset-liability mismatches under control.

Profitability



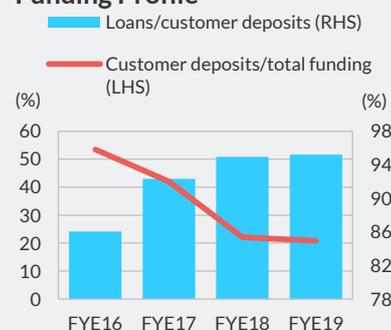
Source: Fitch Ratings, MMG

Capitalisation



Source: Fitch Ratings, MMG

Funding Profile



Source: Fitch Ratings, MMG

Sovereign/Institutional Support Assessment

The Support Rating of '5' and the Support Rating Floor of 'NF' reflect that, although possible, external support for MMG cannot be relied on given Panama's longstanding dollarized economy and lack of a lender of last resort.

Banks Ratings Navigator		Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating	
Navigator date:	March 2020	aaa									aaa	AAA	AAA	
Last rating action:	13 Feb 2020	aa+									aa+	AA+	AA+	
Sector Details:		aa									aa	AA	AA	
Bank sector:	Trading & Investment	aa-									aa-	AA-	AA-	
Region:	EM Americas	a+									a+	A+	A+	
Country:	Panama	a									a	A	A	
Country IDR:	BBB Negative	a-									a-	A-	A-	
Last action:	06 Feb 20 Affirmed	bbb+									bbb+	BBB+	BBB+	
Country ceiling:	A	bbb									bbb	BBB	BBB	
Macro prudential indicator:	1	bbb-									bbb-	BBB-	BBB-	
Bank systemic indicator:	bbb	bb+									bb+	BB+	BB+	
Bank Rating History		bb									bb	BB	BB	
Viability Rating (VR)		bb-									bb-	BB-	BB-	
13 Feb 20	bbb- Affirmed	b+									b+	B+	B+	
09 Dec 19	bbb- Affirmed	b									b	B	B	
14 Dec 18	bbb- Affirmed	b-									b-	B-	B-	
Issuer Default Rating (IDR)		ccc+									ccc+	CCC+	CCC+	
13 Feb 20	BBB- Negative Affirmed	ccc									ccc	CCC	CCC	
09 Dec 19	BBB- Stable Affirmed	ccc-									ccc-	CCC-	CCC-	
14 Dec 18	BBB- Stable Affirmed	cc									cc	CC	CC	
Support Rating Floor (SRF)		c									c	C	C	
09 Dec 19	NF Affirmed	f									f	NF	D or RD	
14 Dec 18	NF Affirmed	Support Rating Floor		Value		Drivers & Sensitivities								
23 Mar 18	NF New Rating	Typical D-SIB SRF for sovereign's rating level (assuming high propensity)		BBB to BB+		Operating Environment High Influence								
Bar Chart Legend:		Actual country D-SIB SRF		NF		MMG's ratings are highly influenced by a potential deterioration of the operating environment, currently assessed one notch below the sovereign, at 'bbb-'. Reductions in operating environment would impact most quantitative rating factors that should be reflected on its VR.								
Vertical bars = VR range of Rating Factor		Support Rating Floor:		Support Factors		Consolidated Business Profile & Risk Appetite Increase								
Bar Colors = Influence on final VR		Positive		Neutral		Negative		MMG's VR is highly influenced by its relevant participation in the asset management industry and a consolidated business model. VR is also significantly influenced by an increase in its risk appetite, which magnitude would eventually reflect on its financial performance.						
■ Higher Influence		■ Moderate Influence		■ Lower Influence		Robust Capitalization								
▲ Rating Factor Outlook		▲ Positive		▲ Negative		FCC is 25%, comparing favorably within the Panamanian financial industry. This capital position, underpinned by its ability to generate recurring earnings, gives room for asset growth as long as this is duly controlled.								
⬆ Evolving		⬆ Stable		⬆ Evolving		⬆ Stable		High Asset Quality						
Peer Ratings bars = Count of banks		4 EM Americas Trading & Investment		1 Panama Trading & Investment		MMG's balance sheet contains high-quality assets in both the investments and loans portfolios. There are no NPLs, and a high proportion of the securities are investment-grade. Loan portfolio is moderately concentrated in the 20 largest debtors.								
Applicable Criteria & References		Bank Rating Criteria (Oct 2018)		Macro-Prudential Risk Monitor (Oct 2019)		Short-Term Ratings Criteria (May 2019)		Solid Profitability Metrics						
Analysts		Bertha Perez Wilson (+52 81 8399 9161)		Rodrigo Contreras (+506 2296 9182)		Profitability is still strong relative to peers. This is supported by low loan impairment charges and a better operational efficiency than peers.								
		Government ownership		Funding guarantees and legal status		Diversified and Volatile Funding Structure								
		Policy banks		Government ownership		Funding has been diversifying in recent years; however, customer deposits continue to be the main source of funds. This deposits structure is moderately concentrated in the 20 largest depositors.								
		Systemic importance		Liability structure of bank		Weakening in Operating Environment								
		Liability structure of bank		Ownership		In light of a potential sovereign downgrade, a negative revision of the operating environment score could be triggered only if there is a sustained economic deceleration or increased unemployment, which could result in deterioration in the creditworthiness of domestic borrowers.								
		Specifics of bank failure		Policy banks		Deterioration in Asset Quality or Financial Profile								
		Policy banks		Government ownership		Ratings would be downgraded if there is a substantial deterioration in asset quality or losses derived from its assets under management that lead to a materialization of the reputational risk, or if its Operating Profit and FCC ratios fall below 3% and 16%, respectively.								

FitchRatings MMG Bank Corporation

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

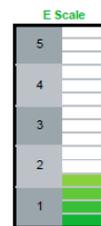
MMG Bank Corporation has 5 ESG potential rating drivers

- ➔ MMG Bank Corporation 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	5	issues	3		
not a rating driver	4	issues	2		
	5	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management, Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management, catastrophe risk, credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



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.

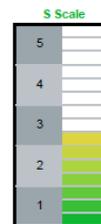
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far 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.

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.

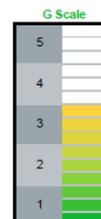
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
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; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
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	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



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.

Environmental, Social and Governance Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3 – 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.

Income Statement

	30 Sep 19			30 Sep 18		30 Sep 17		30 Sep 16	
	Year end (USDm) audited - unqualified	Year end (PABt) audited - unqualified	As % of risk weighted assets	Year end (PABt) audited - report not seen	As % of risk weighted assets	Year end (PABt) audited - unqualified	As % of risk weighted assets	Year end (PABt) audited - unqualified	As % of risk weighted assets
1. Gross interest and dividend income	22	21,808.4	7.4	19,749.5	7.2	15,778.1	4.8	13,994.1	3.8
2. Total interest expense	9	8,627.3	2.9	7,499.3	2.7	4,288.0	1.3	2,801.3	0.8
3. Net interest income	13	13,181.1	4.5	12,250.2	4.5	11,490.1	3.5	11,192.8	3.0
4. Net fees and commissions	14	13,777.9	4.7	14,361.4	5.2	13,363.3	4.0	12,799.5	3.4
5. Trading and investment income	1	861.4	0.3	476.3	0.2	885.1	0.3	1,056.5	0.3
6. Other non-interest operating income	1	547.2	0.2	325.6	0.1	604.2	0.2	633.3	0.2
7. Total non-interest operating income	15	15,186.5	5.2	15,163.3	5.5	14,852.6	4.5	14,489.3	3.9
8. Total operating income	28	28,367.6	9.6	27,413.5	10.0	26,342.7	8.0	25,682.1	6.9
9. Personnel expenses	8	7,573.6	2.6	7,087.4	2.6	6,563.4	2.0	5,428.4	1.5
10. Other operating expenses	6	6,321.1	2.1	5,582.4	2.0	5,851.2	1.8	5,434.1	1.5
11. Total non-interest expenses	14	13,894.7	4.7	12,669.8	4.6	12,414.6	3.8	10,862.5	2.9
12. Equity-accounted profit/loss - operating	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
13. Pre-impairment operating profit	14	14,472.9	4.9	14,743.7	5.4	13,928.1	4.2	14,819.6	4.0
14. Loan impairment charge	0	0.0	0	64.1	0.0	31.3	0.0	62.6	0.0
15. Securities and other credit Impairment charges	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
16. Operating profit	14	14,472.9	4.9	14,679.6	5.3	13,896.8	4.2	14,757.0	4.0
17. Non-operating/non-recurring income/expense	0	50.1	0.0	0.0	0	0.0	0	n.a.	n.a.
18. Pre-tax profit	15	14,523.0	4.9	14,679.6	5.3	13,896.8	4.2	14,757.0	4.0
19. Tax expense	1	1,417.8	0.5	1,441.9	0.5	1,376.5	0.4	1,421.9	0.4
20. Profit/loss from discontinued operations	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
21. Net income	13	13,105.2	4.5	13,237.7	4.8	12,520.3	3.8	13,335.1	3.6
22. Other comprehensive income	1	722.4	0.2	-1,261.4	-0.5	1,082.2	0.3	1,614.6	0.4
23. Total comprehensive income	14	13,827.6	4.7	11,976.3	4.4	13,602.5	4.1	14,949.7	4.0
Exchange rate		USD1 = PAB1		USD1 = PAB1		USD1 = PAB1		USD1 = PAB1	

Source: Fitch Ratings

Balance Sheet

	30 Sep 19			30 Sep 18		30 Sep 17		30 Sep 16	
	Year end (USDm)	Year end (PABt)	As % of assets	Year end (PABt)	As % of assets	Year end (PABt)	As % of assets	Year end (PABt)	As % of assets
Assets									
A. Loans									
1. Gross loans	245	244,799.5	38.0	250,863.1	37.9	226,373.9	34.7	147,256.8	20.8
2. Less: Loan loss allowances	0	250.8	0.0	208.4	0.0	144.3	0.0	112.9	0.0
3. Net loans	245	244,548.7	37.9	250,654.7	37.9	226,229.6	34.7	147,143.9	20.7
4. Memo: Impaired loans included in gross loans above	0	0.0	0	0.0	0	0.0	0	0.0	0
5. Memo: Specific loan loss allowances	n.a.	n.a.	n.a.	187.7	0.0	136.2	0.0	n.a.	n.a.
6. Memo: Gross retail loans	39	39,345.2	6.1	75,521.0	11.4	54,956.9	8.4	31,432.8	4.4
B. Other earning assets									
1. Loans and advances to banks	110	110,058.7	17.1	94,523.7	14.3	136,189.3	20.9	183,866.7	25.9
2. Reverse repos and securities borrowing	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
3. Derivatives	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
4. Securities	277	276,947.5	43.0	303,029.9	45.8	275,245.8	42.2	363,396.8	51.2
5. Other earning assets	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
6. Total earning assets	632	631,554.9	98.0	648,208.3	97.9	637,664.7	97.8	694,407.4	97.9
C. Non-earning assets									
1. Cash and due from banks	1	634.6	0.1	663.7	0.1	569.7	0.1	316.8	0.0
2. Foreclosed assets	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
3. Goodwill and other intangibles	2	1,755.4	0.3	1,572.8	0.2	1,590.1	0.2	1,635.8	0.2
4. Other assets	11	10,718.1	1.7	11,330.0	1.7	11,992.5	1.8	12,847.1	1.8
5. Total assets	645	644,663.0	100.0	661,774.8	100.0	651,817.0	100.0	709,207.1	100.0
Liabilities and equity									
D. Interest-bearing liabilities									
1. Total customer deposits	474	474,006.2	73.5	493,677.5	74.6	526,840.8	80.8	610,856.6	86.1
2. Deposits from banks	64	63,996.9	9.9	39,518.3	6.0	29,657.9	4.6	25,004.4	3.5
3. Repos and securities lending	0	0.0	0	0.0	0	7,136.3	1.1	1,639.8	0.2
4. Commercial paper and short-term borrowings	10	10,012.3	1.6	21,747.2	3.3	9,000.0	1.4	0.0	0
5. Total long-term funding	10	10,000.8	1.6	23,399.7	3.5	0.0	0	n.a.	n.a.
6. Trading liabilities	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
7. Total funding	558	558,016.2	86.6	578,342.7	87.4	572,635.0	87.9	637,500.8	89.9
8. Derivatives	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
9. Total funding and derivatives	558	558,016.2	86.6	578,342.7	87.4	572,635.0	87.9	637,500.8	89.9
E. Non-interest bearing liabilities									
1. Other liabilities	10	10,226.0	1.6	10,660.5	1.6	7,708.3	1.2	8,355.1	1.2
2. Total liabilities	568	568,242.2	88.1	589,003.2	89.0	580,343.3	89.0	645,855.9	91.1
F. Hybrid capital									
1. Pref. shares and hybrid capital	0	0.0	0	0.0	0	0.0	0	n.a.	n.a.
G. Equity									
1. Total equity	76	76,420.8	11.9	72,771.6	11.0	71,473.7	11.0	63,351.2	8.9
2. Total liabilities and equity	645	644,663.0	100.0	661,774.8	100.0	651,817.0	100.0	709,207.1	100.0
3. Memo: Published equity incl. pref. shares and hybrid capital accounted for as equity	76	76,420.8	11.9	72,771.6	11.0	71,473.7	11.0	63,351.2	8.9

Balance Sheet (Cont.)

	30 Sep 19			30 Sep 18		30 Sep 17		30 Sep 16	
	Year end (USDm)	Year end (PABt)	As % of assets	Year end (PABt)	As % of assets	Year end (PABt)	As % of assets	Year end (PABt)	As % of assets
4. Memo: Fitch Core Capital	75	74,665.4	11.6	71,198.8	10.8	69,883.6	10.7	61,715.4	8.7
Exchange rate		USD1 = PAB1		USD1 = PAB1		USD1 = PAB1		USD1 = PAB1	

Source: Fitch Ratings

Summary Analytics

	30 Sep 19 Year end	30 Sep 18 Year end	30 Sep 17 Year end	30 Sep 16 Year end
A. Interest ratios				
1. Interest income/average earning assets	3.6	3.1	2.4	2.2
2. Interest expense/average interest-bearing liabilities	1.6	1.3	0.7	0.5
3. Net interest income/average earning assets	2.2	1.9	1.7	1.7
4. Net int. inc less loan impairment charges/av. earning assets	2.2	1.9	1.7	1.7
B. Other operating profitability ratios				
1. Operating profit/risk weighted assets	4.9	5.4	4.2	4.0
2. Non-interest expense/gross revenues	49.0	46.2	47.1	42.3
3. Loans and securities impairment charges/pre-impairment op. profit	0.0	0.4	0.2	0.4
4. Operating profit/average total assets	2.3	2.3	2.0	2.2
5. Operating profit/average equity	20.3	21.1	20.6	26.1
6. Non-interest income/gross revenues	53.5	55.3	56.4	56.4
7. Non-interest expense/average total assets	2.2	1.9	1.8	1.6
8. Pre-impairment op. profit/average equity	20.3	21.2	20.7	26.2
9. Pre-impairment op. profit/average total assets	2.3	2.3	2.1	2.2
C. Other profitability ratios				
1. Net income/average total equity	18.4	19.1	18.6	23.6
2. Net income/average total assets	2.1	2.0	1.8	2.0
3. Net income/risk weighted assets	4.5	4.8	3.8	3.6
D. Capitalization				
1. FCC/FCC-adjusted risk weighted assets	25.4	25.9	21.2	16.6
2. Tangible common equity/tangible assets	11.6	10.8	10.8	8.7
3. Basel leverage ratio	n.a.	n.a.	n.a.	n.a.
4. Common equity Tier 1 capital ratio	n.a.	n.a.	n.a.	n.a.
5. Fully loaded common equity Tier 1 capital ratio	n.a.	n.a.	n.a.	n.a.
6. Impaired loans less loan loss allowances/ fitch core capital	-0.3	-0.3	-0.2	-0.2
7. Risk weighted assets/total assets	45.7	41.5	50.6	52.3
8. Growth of risk-weighted assets	7.2	-16.9	-11.0	58.7
E. Loan quality				
1. Impaired loans/gross loans	0.0	0.0	0.0	0.0
2. Growth of gross loans	-2.4	10.8	53.7	25.2
3. Loan loss allowances/impairment loans	n.a.	n.a.	n.a.	n.a.
4. Loan impairment charges/average gross loans	0.0	0.0	0.0	0.1
5. Net charge-offs/average gross loans	n.a.	0.0	0.0	0.0
F. Funding and liquidity				
1. Gross loans/customer deposits	51.6	50.8	43.0	24.1
2. Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.
3. Customer deposits/total funding (excluding derivatives)	84.9	85.4	92.0	95.8
4. Net stable funding ratio	n.a.	n.a.	n.a.	n.a.
5. Growth of total customer deposits	-4.0	-6.3	-13.8	7.5

Summary Analytics (Cont.)

	30 Sep 19	30 Sep 18	30 Sep 17	30 Sep 16
	Year end	Year end	Year end	Year end
6. Fitch QJD/risk-weighted assets	0.0	0.0	0.0	0.0
7. Net loans/customer deposits	51.6	50.8	42.9	24.1

Source: Fitch Ratings

Reference Data

	30 Sep 19		30 Sep 18	30 Sep 17	30 Sep 16
	Year end (USDm)	Year end (PABt)	Year end (PABt)	Year end (PABt)	Year end (PABt)
A. Average balance sheet					
1. Average gross loans	243	242,771.4	240,447.3	186,815.4	130,694.7
2. Average earning assets	606	605,651.6	638,237.7	666,036.1	650,930.2
3. Average total assets	620	619,629.4	651,739.6	680,512.1	665,067.8
4. Average interest-bearing liabilities	540	539,559.4	573,947.1	605,067.9	596,996.5
5. Average equity	71	71,172.5	69,431.6	67,412.5	56,609.4
6. Average customer deposits	472	471,976.4	512,501.1	568,848.7	579,632.7
7. Average risk weighted assets	292	292,237.1	296,826.0	350,577.7	280,174.0
B. Risk weighted assets					
1. Risk weighted assets	294	294,304.9	274,494.6	330,110.6	371,044.8
2. Fitch Core Capital adjustments for insurance and securitisation risk weighted assets	n.a.	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital adjusted risk weighted assets	294	294,304.9	274,494.6	330,110.6	371,044.8
4. Other Fitch adjustments to risk weighted assets	n.a.	n.a.	n.a.	n.a.	n.a.
5. Fitch adjusted risk weighted assets	294	294,304.9	274,494.6	330,110.6	371,044.8
C. Fitch Core Capital reconciliation					
1. Total equity as reported (including non-controlling interests)	76	76,420.8	72,771.6	71,473.7	63,351.2
2. Fair-value adjustments relating to own credit risk on debt issued	0	0.0	0.0	0.0	0.0
3. Non-loss-absorbing non-controlling interests	0	0.0	0.0	0.0	0.0
4. Goodwill	0	0.0	0.0	0.0	0.0
5. Other intangibles	2	1,755.4	1,572.8	1,590.1	1,635.8
6. Deferred tax assets deduction	0	0.0	0.0	0.0	0.0
7. Net asset value of insurance subsidiaries	0	0.0	0.0	0.0	0.0
8. First loss tranches of off-balance sheet securitizations	0	0.0	0.0	0.0	0.0
9. Fund for general banking risks if not already included and readily convertible into equity	0	0.0	0.0	0.0	0.0
10. Fitch Core Capital	75	74,665.4	71,198.8	69,883.6	61,715.4
D. Fitch qualifying junior debt buffer reconciliation					
1. Subordinated borrowing	0	0.0	0.0	0.0	n.a.
2. Pref. shares and hybrid capital	0	0.0	0.0	0.0	n.a.
3. Fitch adjustments to qualifying junior debt	0	0.0	0.0	0.0	0.0
4. Fitch qualifying junior debt buffer	0	0.0	0.0	0.0	0.0
Exchange rate		USD 1 = PAB1			

Source: Fitch Ratings

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