

Multibank, Inc.

Update

Key Rating Drivers

Multibank's IDR and Outlook Mirror Parent's: Multibank, Inc.'s Long-Term IDR and Rating Outlook are aligned with those of Banco de Bogota, S.A. (BB+/Stable), as Fitch Ratings expects any additional fallout from the pandemic to be manageable at current rating levels.

Support-Driven Ratings: Multibank's ratings reflect the willingness and ability of parent Banco de Bogota (BB+/Stable) to provide support, should the need arise.

High Importance of Role in Group: Fitch's assessment of Banco de Bogota's propensity to support Multibank mainly reflects the key and integral role of its Panamanian subsidiary within the group in terms of the business model and regional strategy. The assessment also considers the reputational risk that the default of the subsidiary could involve, including materially damaging the group's franchise.

Good Business Profile: Multibank's Viability Rating (VR) considers the bank's business profile as a high importance factor, given the sound franchise, albeit medium sized, and the benefits of its strong customer relationships as the bank is integrated with Grupo Aval.

Financial Profile: Fitch also considers the bank's moderate CET1 to RWA levels of 11.6% at 3Q21, which is above its pre-pandemic average (2017-2019 average: 11.3%). In addition, Fitch considers the bank's improved asset quality (past-due loans to gross loans at 3Q21: 1.9%; 2020: 2.1%) and profit generation, as well as its well-diversified and stable funding.

Rating Sensitivities

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

- A downgrade of Multibank's IDR and senior unsecured debt can only occur if both its VR and Shareholder Support Rating (SSR) are downgraded.
- A downgrade of Multibank's SSR could result from a downgrade of Banco de Bogota's IDR or a reduced propensity of the parent to support its subsidiary, both of which are unlikely at present.
- Multibank's VR could be downgraded as a result of a sustained deterioration of profitability (operating profit to RWA below 0.5%) and asset quality ratios that undermine the bank's financial performance, driving a decline in its CET1 ratio consistently below 10%, that leads to a downgrade of the business profile assessment score.

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

- Positive rating actions on Multibank's IDRs, senior unsecured debt rating and SSR could be driven by positive rating actions on Banco de Bogota's IDR.
- Positive rating actions on Multibank's IDRs and senior unsecured debt rating could be driven by positive rating action on its VR. Multibank's VR could be upgraded upon the sustained strengthening of the business profile, along with capitalization levels, with CET1 at least at 15%.

Ratings

Foreign Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Local Currency	
Viability Rating	bb+
Shareholder Support Rating	bb+
National	
National Long-Term Rating	AA(pan)
National Short-Term Rating	F1+(pan)
Sovereign Risk	
Long-Term Foreign-Currency IDR	BBB-
Long-Term Local-Currency IDR	BBB-
Country Ceiling	A-
Outlooks	
Long-Term Foreign-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable

Applicable Criteria

[Bank Rating Criteria \(November 2021\)](#)

Related Research

[Fitch Revises Panama's Outlook to Stable; Affirms IDRs at 'BBB-' \(January 2022\)](#)

[Fitch Ratings 2022 Outlook: Latin American Banks \(December 2021\)](#)

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Debt Rating Classes

Rating Level	Rating
Senior Unsecured: Long Term	BB+

Source: Fitch Ratings.

Multibank’s outstanding senior unsecured obligation rating is identical to the company’s IDR, as the likelihood of default on the obligations is the same as for Multibank overall, due to the absence of subordination and specific guarantees. See Fitch’s “Bank Rating Criteria” for details.

Significant Changes

Economic Recovery Reduces Pressure on Bank Performance

Fitch has revised to stable from negative the trend of the Panamanian banking operating environment (OE), affirming it at 'bb+'. This reflects the better than expected economic recovery and lower risks of fiscal or economic pressures affecting recovery prospects of bank financial performance. Fitch estimates GDP growth of 15% and 7% for 2021 and 2022, respectively, while the unemployment rate has followed a downward trend, reaching 11% as of October 2021. Likewise, Fitch believes that loan deterioration risks due to the still-high proportion of modified loans (17.4% of total loans at November 2021) can be evaluated in the financial profile of each entity, since loan relief measures ended in September 2021. Fitch believes normalizing modified loan payments remains the banks' main challenge in 2022.

Shareholder Support

Fitch views Banco de Bogota’s willingness and ability to provide support as high, because Multibank plays a core and long-term strategic role as the only direct Panamanian subsidiary within the group, in terms of the business model and regional strategy, providing key services in a market considered to be core.

Multibank’s Stable Rating Outlook mirrors Banco de Bogota’s, indicating that Fitch expects any additional fallout from the pandemic to be manageable at current rating levels. Multibank’s Long-Term IDR and Rating Outlook are equal to those of the ultimate parent, Banco de Bogota.

Shareholder Support Rating KRDs	
Parent IDR	BB+
Total Adjustments (notches)	0
Shareholder Support Rating:	bb+
Shareholder ability to support	
Shareholder Rating	BB+/ Stable
Shareholder regulation	1 Notch
Relative size	1 Notch
Country risks	1 Notch
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	1 Notch
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	2+ Notches

The colors indicate the weighting of each KRD in the assessment.

■ Higher influence
 ■ Moderate influence
 ■ Lower influence

Ratings Navigator

Multibank, Inc.							ESG Relevance:	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Institutional	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%	aaa	aaa	aaa	AAA
							aa+	aa+	aa+	AA+
							aa	aa	aa	AA
							aa-	aa-	aa-	AA-
							a+	a+	a+	A+
							a	a	a	A
							a-	a-	a-	A-
							bbb+	bbb+	bbb+	BBB+
							bbb	bbb	bbb	BBB
							bbb-	bbb-	bbb-	BBB-
							bb+	bb+	bb+ Sta	BB+ Sta
							bb	bb	bb	BB
							bb-	bb-	bb-	BB-
							b+	b+	b+	B+
							b	b	b	B
							b-	b-	b-	B-
							ccc+	ccc+	ccc+	CCC+
							ccc	ccc	ccc	CCC
							ccc-	ccc-	ccc-	CCC-
							cc	cc	cc	CC
							c	c	c	C
							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red.

Higher influence Moderate influence

Summary Financials and Key Ratios

	Nine Mos. - Third Quarter 9/30/21		2020	2019	2018
	USD Mil.	PAB Mil.	PAB Mil.	PAB Mil.	PAB Mil.
(Years Ended Dec. 31)	Unaudited	Unaudited	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
Summary Income Statement					
Net Interest and Dividend Income	74	74.2	90.9	116.0	130.3
Net Fees and Commissions	13	13.0	16.4	21.8	24.3
Other Operating Income	17	17.3	29.6	34.8	23.2
Total Operating Income	105	104.5	136.9	172.6	177.8
Operating Costs	63	62.5	86.4	92.8	100.0
Pre-Impairment Operating Profit	42	42.0	50.5	79.8	77.8
Loan and Other Impairment Charges	30	30.0	81.8	25.3	8.9
Operating Profit	12	12.0	(31.3)	54.5	68.9
Other Non-Operating Items (Net)	N.A.	N.A.	N.A.	N.A.	(0.1)
Tax	0	0.3	(8.5)	6.0	11.9
Net Income	12	11.7	(22.8)	48.5	56.9
Other Comprehensive Income	(18)	(18.3)	(12.1)	19.6	(16.6)
Fitch Comprehensive Income	(7)	(6.6)	(34.9)	68.1	40.3
Summary Balance Sheet					
Assets					
Gross Loans	3,470	3,470.3	3,224.7	3,474.7	3,456.6
- of which Impaired	67	67.0	67.7	50.8	43.4
Loan Loss Allowances	71	71.2	49.8	54.6	44.8
Net Loan	3,399	3,399.1	3,174.9	3,420.1	3,411.8
Interbank	144	143.5	182.2	231.2	294.8
Derivatives	0	0.2	9.6	N.A.	1.1
Other Securities and Earning Assets	929	929.0	1,058.9	697.2	833.8
Total Earning Assets	4,472	4,471.8	4,425.6	4,348.5	4,541.5
Cash and Due from Banks	21	20.9	20.6	23.9	27.2
Other Assets	349	349.2	432.7	369.2	327.2
Total Assets	4,842	4,841.9	4,878.9	4,741.6	4,895.9
Liabilities					
Customer Deposits	2,965	2,964.8	3,051.3	2,811.9	2,937.5
Interbank and Other Short-Term Funding	45	44.6	80.4	86.2	790.3
Other Long-Term Funding	1,220	1,219.8	1,017.1	1,028.3	438.4
Trading Liabilities and Derivatives	5	4.9	6.2	5.8	3.8
Total Funding and Derivatives	4,234	4,234.1	4,155.0	3,932.2	4,170.0
Other Liabilities	187	186.5	295.4	231.3	202.9
Preference Shares and Hybrid Capital	8	8.0	8.0	110.0	110.0
Total Equity	413	413.3	420.5	468.1	413.0
Total Liabilities and Equity	4,842	4,841.9	4,878.9	4,741.6	4,895.9
Exchange Rate		USD1 = PAB1	USD1 = PAB1	USD1 = PAB1	USD1 = PAB1

N.A. – Not applicable.

Source: Fitch Ratings, Fitch Solutions, Multibank.

Summary Financials and Key Ratios

(%, Years Ended Dec. 31)	9/30/21	2020	2019	2018
Ratios (Annualized as Appropriate)				
Profitability				
Operating Profit/Risk Weighted Assets	0.6	(1.2)	1.8	2.3
Net Interest Income/Average Earning Assets	2.2	2.1	2.6	2.9
Non-Interest Expense/Gross Revenue	59.8	63.1	53.8	56.2
Net Income/Average Equity	3.8	(5.2)	10.9	14.5
Asset Quality				
Impaired Loans Ratio	1.9	2.1	1.5	1.3
Growth in Gross Loans	7.6	(7.2)	0.5	8.4
Loan Loss Allowances/Impaired Loans	106.3	73.6	107.5	103.2
Loan Impairment Charges/Average Gross Loans	1.2	2.1	0.8	0.3
Capitalization				
Common Equity Tier 1 Ratio	11.6	12.2	13.0	10.8
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	N.A.	N.A.	13.6	12.0
Tangible Common Equity/Tangible Assets	7.8	8.2	9.6	8.3
Basel Leverage Ratio	7.2	7.3	8.8	7.1
Net Impaired Loans/Common Equity Tier 1	(1.3)	5.5	(1.0)	(0.4)
Net Impaired Loans/Fitch Core Capital	N.A.	N.A.	(0.9)	(0.4)
Funding and Liquidity				
Gross Loans/Customer Deposits	117.1	105.7	123.6	117.7
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	70.0	73.4	69.7	68.7
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable.
 Source: Fitch Ratings, Fitch Solutions, Multibank.

Environmental, Social and Governance Considerations

FitchRatings

Multibank, Inc.

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Multibank, Inc. has 5 ESG potential rating drivers → Multibank, Inc. 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.	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	E Scale	
GHG Emissions & Air Quality	1	n.a.	n.a.	5	
Energy Management	1	n.a.	n.a.	4	
Water & Wastewater Management	1	n.a.	n.a.	3	
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2	
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1	

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale	
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5	
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4	
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3	
Employee Wellbeing	1	n.a.	n.a.	2	
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1	

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale	CREDIT-RELEVANT ESG SCALE How relevant are E, S and G issues to the overall credit rating?
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	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.
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	Irrelevant to the entity rating but relevant to the sector.
				1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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