

20 de marzo de 2013

Licenciado
Roberto Brenes Pérez
VP Ejecutivo y Gerente General
Bolsa de Valores de Panamá
Ciudad

Estimado Licenciado Brenes:

Nos complace informarle que el pasado 18 de marzo la agencia calificadora de riesgo internacional Standard & Poor's asignó grado de inversión internacional al Global Bank Corporation y Subsidiarias, aumentando la misma de "BB+/B a BBB-/A-3", con perspectiva estable.

Entre los factores que contribuyeron para alcanzar el aumento en la calificación, se destacan el fortalecimiento del capital del Banco y la expectativa de que la generación de utilidades continúe soportando sus niveles de capital; la buena calidad de la cartera crediticia, que ha reflejado baja morosidad durante los últimos cinco años y una mejora en su diversificación de ingresos, lo cual provee estabilidad a las utilidades del banco.

También se destacó la adecuada gestión de riesgo, la cual se espera se mantenga aún con un crecimiento de la cartera de préstamos.

Para mayor referencia, adjuntamos copia del informe emitido por la calificadora antes mencionada.

Con un cordial saludo,


Jorge Vallarino S.
Gerente General

JMS/cbddd

Adj.

RatingsDirect®

Research Update:

Global Bank Corporation y Subsidiarias Ratings Raised To 'BBB-/A-3' From 'BB+/B' On Improved Earnings; Outlook Stable

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Table Of Contents

Overview

Rating Action

Rationale

Outlook

Ratings Score Snapshot

Related Criteria And Research

Ratings List

Research Update:

Global Bank Corporation y Subsidiarias Ratings Raised To 'BBB-/A-3' From 'BB+/B' On Improved Earnings; Outlook Stable

Overview

- Panama-based Bank GBC's risk-adjusted capital improved in 2012 and is expected to remain well above 7.0% during 2013 and 2014.
- We are raising our global scale ratings on GBC to 'BBB-/A-3' from 'BB+/B'.
- We expect GBC to maintain its good market position while improving its revenue diversification by lines of business. Risk-adjusted capital will remain adequate during the next two years.

Rating Action

On March 18, 2013, Standard & Poor's Ratings Services raised its global scale issuer credit ratings on Global Bank Corporation y Subsidiarias (GBC) to 'BBB-/A-3' from 'BB+/B'. Its stand-alone credit profile (SACP) is 'bbb-' which is the same as its long-term issuer credit rating (ICR), and reflects no external support. The outlook is stable.

Rationale

The rating action follows an improvement in our capital and earnings assessment on GBC, which stems from a higher-than-expected risk-adjusted capital (RAC) ratio projected for the next two years. Therefore, the ratings on GBC now reflect its "adequate" capital and earnings (as defined by our criteria), "adequate" business and risk positions, "average" funding within the Panamanian banking industry and "adequate" liquidity.

Under our bank criteria, we use our Banking Industry Country Risk Assessment's economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for a commercial bank operating only in Panama is 'bbb-', based on the country's economic risk score of '6' and an industry risk score of '5'. Panama's economic risk assessment reflects high levels of household debt and a limited ability to take on additional loans, which in our view, results from the country's low per capita GDP. Although the country has become increasingly resilient and diversified over the past decade and it has shown adequate GDP growth rates over the past five years, our economic risk assessment also considers Panama's small domestic market which leads to its high reliance on

global and regional economic activity to fuel its growth. Our industry risk assessment recognizes that Panama adequately regulates financial institutions; this has fostered the stability of its financial system. Despite high leverage levels, Panama engages in oversight and implements international standards. There are some minor exceptions to this policy, but Panama's major banks' conservative management mitigates these. Nevertheless, our industry risk assessment remains limited by the absence of a lender of last resort in the country. Although we believe the government might provide some sort of support to its major banks during times of stress, there is uncertainty regarding how and who would receive this support in the event of an adverse economic scenario.

In our opinion, GBC maintains an "adequate" business position. This is supported by its good presence in the Panamanian banking system. As of December 2012, GBC had a 7.9% market share, considering the industry's total loans located in Panama. GBC's business volumes continue to grow and the bank maintains an adequate market position in most of its core businesses. For instance, the bank is third in commercial loans (with high orientation toward corporates) with a market share around 9% in the local market. We believe GBC will be challenged to strengthen its market position while maintaining its adequate profitability levels, especially if funding rates increase under the current environment of low lending rates. In 2013, GBC's growth should surpass its peers, and therefore its adequate market position will continue to increase.

GBC is improving its revenue diversification. As of December 2012, its interest income represented 73% of total revenues, fee income 18%, and other income (insurance, brokerage, investment banking services, etc.) 9%. Although GBC is oriented toward lending activities, its other business activities supply adequate revenue diversification, providing stability for the bank's profitability levels. We believe GBC's business position is not affected by its still developing geographic diversification, given that it operates in Panama (BBB/Stable/A-2) where economic prospects are promising and banking regulation is satisfactory.

GBC's capital and earnings improved to "adequate" from "moderate," as the later should show a higher-than-expected RAC ratio for 2013 and 2014. At fiscal year-end 2012, GBC's RAC ratio stood at 7.9% and, according to our forecast, this ratio should be above 8.0% during the next two years. Our previous forecasts reflected a "moderate" RAC ratio (below 7.0%) for 2012 and 2013. However, lower-than-expected credit risk weighted assets are the main driver for a stronger RAC. GBC's has moderated its loan growth strategy and will likely continue to do so as Panamanian economic growth moderates during the next two years and should even to 6.8% in 2013 and 5.5% in 2014, from an estimated 10.0% in 2012. In addition, our RAC ratio incorporates the bank's cash collateral for different asset classes, an important component within the bank's lending policies, which somewhat offsets GBC's loan growth.

The bank's internal generation capacity supports its total adjusted capital (TAC) Also, according to our hybrid capital criteria, as its adjusted common

equity (ACE) grows, GBC's hybrid instruments will be fully included within its TAC starting in 2013. The main assumptions behind our forecasts during 2013 and 2014 are:

- Loan growth around 18%-20%;
- Nonperforming assets (NPA equals past due loans and repossessed assets) around 1.0%, fully covered by reserves and charge-offs around 0.5% of total loans;
- Return-on-assets around 1.5% and credit loss provisions to preprovision operating income around 25%;
- Non-interest expenses to operating revenues around 45%; and
- Payout ratio will remain below 15%.

We believe GBC's risk position is "adequate" as it has satisfactorily managed growth and changes in its risk positions. Even though the bank has surpassed most of its peers in terms of growth, we don't believe the bank is aiming to take on riskier exposures. During fiscal year 2012, GBC's loans increased by 19.5% after growing about 21% in previous years. For 2013 and 2014, we expect the bank to moderate its loan portfolio growth and we do not consider significant changes in GBC's exposure.

GBC's loan portfolio is concentrated in the commercial segment, 69% of total loans as of December 2012, which consist primarily of corporate loans (44% of commercial loans), construction (15%), agriculture (12%) and factoring (12%). The construction sector is our main concern due to its sensitivity to economic downturns. However, GBC is focused on middle market residential developers, which are less sensitive to asset bubbles as compared to developers oriented to the high-end segment. Despite the high participation of commercial loans with the bank's loan portfolio, customer concentrations have been improving. As of December 2012, its top 20 customers represented 22% of commercial loans and 16% of total loans. On the other hand, retail loans are distributed among mortgages, representing 44% of total retail loans, personal loans represent 37%, auto loans 16%, and the remaining retail loans are credit cards. In our view, the high participation of payroll products within total retail loans, along with the bank's increasing expertise in this sector, will continue to support its good asset quality.

GBC's historic low credit losses also support its risk position; this assessment includes the bank's response to the 2008 global financial crisis. The bank's net charge-offs during the past five fiscal years have averaged 0.4% of total loans, and we expect them to remain below 0.5% during the next 12-24 months. In addition, nonperforming assets (NPAs equal past due loans plus repossessed assets) have averaged 1.0% in the last five fiscal years. During the first half of the fiscal year 2013, GBC's NPAs stood at 1.1%, and we expect this ratio to remain around 1.0% during 2013 and 2014.

In our opinion, GBC has "average" funding and "adequate" liquidity. The bank has a diversified funding base, mainly made up of core customer deposits (70% of its funding base as of December 2012), and by loans provided by international and multilateral banks (12%), corporate bonds (9%), interbank

deposits (3%), subordinated bonds (3%), commercial paper (2%), and repos (1%). Despite the relatively high participation of deposits within GBC's funding base, its loan portfolio is growing at a faster pace with respect to deposits. Therefore, we expect the bank's loans-to-deposits ratio will remain above 100% during the next two years, as it has in previous years. However, GBC's pulverized deposit base is a positive factor. More than 60% of these deposits are retail, mainly concentrated in time deposits (65% as of December 2012). In addition, the top 20 depositors represent 16% of total deposits, which we consider adequate.

GBC continues to improve its funding diversification; in 2012, GBC issued a secured long-term covered bond in the international market (please see "Global Bank Corp. \$200 Million Fixed-Rate Notes Series 2012-1 Assigned 'BBB-' Rating," published on RatingsDirect, Oct. 5, 2012). This issuance also supports its asset-liability maturity gap. We believe the bank still has room for further funding diversification through senior unsecured or subordinated debt issuances in the local market, accessing longer-term resources.

We consider GBC's liquidity as "adequate." As of December 2012, the bank's liquid assets (cash on hand plus liquid securities- available for sale) to total deposits stood around 30%. In addition, its liquid assets represented around 50% of its retail and 80% of its wholesale deposits.

GBC's SACP ('bbb-') reflects no external support, either from its parent company, G.B. Group Corp. (NR) or the government. In our view, GBC's systemic importance is moderate, and Panama is an unsupportive sovereign.

Outlook

The stable outlook reflects our expectation that GBC will maintain its "adequate" business position supported by its good market position in the Panamanian banking system and improving revenue diversification by business lines. We also expect the bank's RAC ratio to remain around 8.0% during the next two years, considering our base-case assumptions. The bank should maintain adequate credit quality metrics, based on its conservative underwriting policies and its adequate provisioning practices. We believe NPAs and net charge-offs will remain around 1.0% and 0.5%, respectively, during the next two years, with reserves fully covering the NPAs.

We could lower the ratings if GBC's RAC ratio fell to below 7.0%. Higher-than-expected loan growth, accompanied by more relaxed underwriting standards, resulting in a weaker risk position could also lead to a downgrade. Finally, if its risk appetite and strategies become more aggressive and bring risks to the bank's future competitiveness in the marketplace and to its financial position, and affect its business position, this could also trigger a downgrade. We do not expect an upgrade in the next 12 to 18 months.

Ratings Score Snapshot

| | |
|-----------------------|--------------------------|
| Issuer Credit Rating | BBB-/Stable/A-3 |
| SACP | bbb- |
| Anchor | bbb- |
| Business Position | Adequate (0) |
| Capital and Earnings | Adequate (0) |
| Risk Position | Adequate (0) |
| Funding and Liquidity | Average and Adequate (0) |
| Support | 0 |
| GRE Support | 0 |
| Group Support | 0 |
| Sovereign Support | 0 |
| Additional Factors | 0 |

Related Criteria And Research

- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011

Ratings List

| | | |
|--|-----------------|--------------|
| Upgraded | To | From |
| Global Bank Corporation y Subsidiarias | | |
| Counterparty Credit Rating | BBB-/Stable/A-3 | BB+/Stable/B |

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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