



## Fitch Revises Grupo ASSA and Banco La Hipotecaria's Outlook to Negative After Sovereign Action

Fitch Ratings - Monterrey - 18 February 2020:





Fitch Ratings has revised the Rating Outlook on the Long-Term Issuer Default Ratings (IDRs) of Grupo ASSA and Banco La Hipotecaria, S.A. to Negative from Stable, and has affirmed their IDRs at 'BBB-' and 'BB+', respectively. In addition, Fitch has affirmed Banco La Hipotecaria's Viability Rating (VR) at 'bb-'.

These rating actions follow Fitch's Outlook revision of Panama's Long-Term IDRs to Negative from Stable (Fitch Revises Panama's Outlook to Negative; Affirms IDR at 'BBB,' dated Feb. 6th, 2020). In light of a potential sovereign rating downgrade, the downgrade of a Panamanian operating environment's score could be triggered only by a sustained deceleration of economic growth or from pressure on macroeconomic metrics, which could influence performance across the financial institutions.

Consequently, Grupo ASSA's Negative Rating Outlook reflects increased downside risks for the multi-jurisdictional operation and performance, given the potential impact that operating environments in Negative Outlook such as Panama, Nicaragua and Costa Rica could have on Fitch's blended operating environment assessment, which is a higher importance factor for the rating.

Banco La Hipotecaria's Negative Rating Outlook mirrors the Rating Outlook revision of parent Grupo ASSA. A full list of the rating actions follows at the end of this release.

### RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Banco La Hipotecaria, S.A.	LT IDR BB+  Affirmed	BB+ 
	Viability bb- Affirmed	bb-
Grupo ASSA, S.A.	LT IDR BBB-  Affirmed	BBB- 

### Key Rating Drivers

Grupo ASSA : Grupo ASSA, S.A. y Subsidiarias' IDRs are highly influenced by the regional operating environment, due to its business risk exposure across countries with different macroeconomic conditions. The ratings also reflect Grupo ASSA's company profile as a holding company primarily invested in the insurance business, in addition to its majority stake in two banking operations and a non-controlling stake in several Panamanian companies.

Banco La Hipotecaria: Banco La Hipotecaria's IDR reflects the probability of support from its ultimate shareholder, Grupo ASSA, if required. The bank's VR was affirmed at 'bb-'. Fitch does not foresee a downgrade of the VR in the event of a downgrade of the Panamanian operating environment.

## NATIONAL RATINGS

No changes are expected in Banco La Hipotecaria's National scale ratings in light of a potential downgrade of the sovereign, since these ratings are local relative rankings of creditworthiness within a particular jurisdiction. Fitch does not expect these relativities to change in the event of a moderate downgrade in the sovereign rating; therefore, no rating actions have been taken on the national scale ratings.

## RATING SENSITIVITIES

Grupo ASSA: The IDRs are sensitive to changes in Fitch's assessment of Grupo ASSA's multi-jurisdictional operating environment. Grupo ASSA's IDR would also be sensitive to significant and consistent weakening of its financial profile resulting from deterioration of its main subsidiaries or core investments from a relevant weakening of the operating environments in which it operates.

Banco La Hipotecaria: Changes in Banco La Hipotecaria's IDR would reflect modifications in its shareholder's risk profile or changes in the assessment of its ability, or willingness, to provide support to its subsidiary.

## Summary of Financial Adjustments

Banco La Hipotecaria: Intangibles, deferred tax assets and other deferred assets were deducted from the Fitch Core Capital, as Fitch believes those are non-loss absorbing assets.

## ESG 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.

Grupo ASSA and Banco La Hipotecaria have an ESG credit relevance score of 4 for Group Structure driven by an organizational structure more complex than other issuers'. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

## FITCH RATINGS ANALYSTS

Primary Rating Analyst  
German Valle Mendoza  
Associate Director  
+52 81 8399 9116  
Fitch Mexico S.A. de C.V.  
Prol. Alfonso Reyes No. 2612, Edificio Connexity, Piso 8, Col. Del Paseo Residencial,  
Monterrey 64920

Primary Rating Analyst  
Bertha Patricia Cantu Leal  
Director  
+52 81 8399 9128  
Fitch Mexico S.A. de C.V.  
Prol. Alfonso Reyes No. 2612, Edificio Connexity, Piso 8, Col. Del Paseo Residencial,  
Monterrey 64920

Secondary Rating Analyst  
Nadia Calvo  
Associate Director  
+503 2516 6611

Secondary Rating Analyst  
Jose Berrios  
Associate Director  
+1 212 908 9189

Committee Chairperson  
Veronica Chau  
Senior Director  
+52 81 8399 9169

## **MEDIA CONTACTS**

Elizabeth Fogerty  
New York  
+1 212 908 0526  
[elizabeth.fogerty@thefitchgroup.com](mailto:elizabeth.fogerty@thefitchgroup.com)

## **Applicable Criteria**

Non-Bank Financial Institutions Rating Criteria (pub. 12 Oct 2018)  
Bank Rating Criteria (pub. 12 Oct 2018)

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