

GRUPO ASSA, S. A.

Acceso a Internet <http://www.assanet.com>

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RECIBIDO POR F. GONZALEZ

Licenciada
MARELISSA QUINTERO DE STANZIOLA
Superintendente
SUPERINTENDENCIA DEL MERCADO DE VALORES
Ciudad

Estimada Lic. de Stanziola:

Por este medio le informamos que la agencia Fitch Ratings, ha otorgado a Grupo ASSA, S. A., las siguientes calificaciones internacionales:

- Calificación de Largo Plazo IDR 'BBB-'
- Calificación de Corto Plazo IDR 'F3'

La perspectiva de la calificación de largo plazo, es Estable.

Atentamente,



STANLEY A. MOTTA C.
Presidente de la Junta Directiva

SAMC/iqz

c Bolsa de Valores de Panamá

Handwritten initials

21 Mar 2019 | Affirmation

Fitch Affirms Grupo ASSA's IDRs at 'BBB-'; Outlook Stable

Fitch Ratings-Monterrey-21 March 2019: Fitch Ratings has affirmed Grupo ASSA, S.A.'s Long-Term Issuer Default Rating (IDRs) at 'BBB-' with a Stable Rating Outlook. In addition, Fitch has withdrawn the company's Support Rating (SR) and Support Rating Floor (SRF) as these are no longer considered applicable to Grupo Assa's rating under Fitch's non-bank financial institutions rating criteria. A full list of rating actions follows at the end of this release.

The withdrawal of the SR and SRF also reflects Fitch's view that there is a limited likelihood of Grupo ASSA receiving external extraordinary support from either the sovereign or institutional sources, considering its business profile.

KEY RATING DRIVERS

IDRs

Grupo ASSA's ratings are based on its intrinsic credit profile. The operating environment has a high influence on the ratings due to the company's relevant proportion of business risk exposure across different countries with diverse macroeconomic conditions. Grupo ASSA's creditworthiness also reflects its company profile as a Holding Company primarily invested in the insurance business, a majority stake in two banking operations and non-controlling stake in large Panamanian companies.

Fitch considers the level of correlation between regional countries to be moderate, although political turmoil in Nicaragua in 2018 has reduced performance at a consolidated level. Grupo ASSA is based in Panama, where close to 50% of the group's revenues are generated. However, it has a considerable footprint in other Central American countries with lower ratings such as Nicaragua, the second largest contributor in terms of revenues (27%), and both Costa Rica and El Salvador, which each contribute 8%.

Grupo ASSA's business model is relatively diversified as consolidated revenues rely on net written premiums and other income generated by the insurance business (44%), interest income from two banking operations (34% of revenues) and dividends from its non-controlling stake in holding companies with exposure to the aviation sector and financial sector in Panama. Grupo ASSA benefits from its dominant position in the insurance business in Panama and its regional presence with small to medium-size market shares outside Panama.

Net income to average assets stood close to 1.8% according to preliminary results as of December 2018 down from 2.8% average for 2017-2016. The reduction in net income was largely driven by Nicaragua's political instability including BDF's goodwill write-off (USD9.8 million) as well as lower performance at the bank. Fitch expects that in 2019 Grupo ASSA's performance will benefit from the acquisition of the Panamanian branch of Assicurazioni Generali S.p.A (Generali), which was acquired in the second quarter of 2018.

Fitch views capitalization as reasonable and commensurate with the 'bb' category. On a non-consolidated basis Grupo ASSA does not have financial liabilities as debt is acquired at the subsidiary level. On a consolidated basis, gross debt to tangible equity was roughly 0.70x as of December 2018.

Fitch considers upstream dividends and interest income from subsidiaries and investments as adequately covering interest expenses from subsidiaries. Grupo ASSA receives dividends primarily from its non-controlling investments (more than 80%) followed by its insurance business grouped under ASSA Tenedora. As of December 2018, close to 46% (December 2017: 52%) of the funding sources came from customer deposits. Stability of funds in Nicaragua has been impacted by the political turmoil as deposits declined close 20% for the banking system and 16% for Banco de Finanzas YoY as of December 2018.

RATING SENSITIVITIES

IDRs Grupo ASSA's IDR would be sensitive to significant and consistent weakening of its financial profile resulting from deterioration of its main subsidiaries or core investments. Ratings could be pressured downward if the ratio of net income to average assets falls consistently below 2%, especially if combined with further deterioration of the operating environment or an increase of gross debt to tangible equity consistently above 0.80x.

There is limited upside potential given the current operating environment and financial profile.

Fitch has taken the following rating actions:

Grupo ASSA

- Long-Term IDR affirmed at 'BBB-'; Outlook Stable;
- Short-Term IDR affirmed at 'F3';
- Support Rating at '5' withdrawn;
- Support Rating Floor at 'NF' withdrawn.

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Additional information is available on www.fitchratings.com

Applicable Criteria

[National Scale Ratings Criteria \(pub. 18 Jul 2018\)](#)

[Non-Bank Financial Institutions Rating Criteria \(pub. 12 Oct 2018\)](#)

Additional Disclosures

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