FitchRatings

Ueno Bank SA

Banks
Retail & Consumer Banks
Paraguay

Key Rating Drivers

IDRs Driven by Intrinsic Creditworthiness: Ueno Bank SA's (Ueno) 'bb' Viability Rating (VR) drives its Issuer Default Rating (IDRs). Paraguay's stable operating environment (OE) and Ueno's strong capitalization metrics post-merger relative to similarly rated international peers (universal/commercial banks rated in 'bb' category) and the system average highly influence the bank's ratings. The VR also considers its moderate, albeit small on a regional basis, franchise in Paraguay, sound asset quality, strong profitability, and stable and moderately concentrated funding.

Modest Franchise: Ueno focuses on the retail banking sector, primarily SMEs, using a fully digital onboarding process to drive growth and scale its business model, according to Fitch Ratings. Ueno's VR reflects a strengthened franchise post-merger with Vision Banco (Vision), resulting in a 5.6% market share of total assets, 5.8% in deposits and 4.2% in loans as of October 2024. The bank now serves nearly two million clients, the largest in the banking system. The merger multiplied Ueno's balance sheet by 4.5x, establishing it as a mid-tier institution in Paraguay.

Strong Capitalization: Fitch considers Ueno's capitalization a key financial strength. Post-merger, the bank's Fitch Core Capital (FCC) ratio rose to 18.3%, exceeding the peer average of 16.2% in 2023. Fitch anticipates Ueno's capitalization will remain robust due to earnings retention and high transaction and credit lending volumes. We expect the FCC ratio to remain within 18%-19% in 2025, as Ueno benefits from higher net income despite increased risk weighted-assets (RWAs) from a 35% loan growth.

Good Asset Quality: Ueno's asset quality is sound, with nonperforming loans (NPLs) at 0.76% (impaired loans over gross loans) in 3Q24, down from the 2020-2023 average of 2.45% and 5.2% in 2019. Fitch attributes this trend to Ueno's strong underwriting standards and risk controls, supported by strong investments in systems and technology.

A high loan loss reserve over impaired loans ratio at 9.8x as of 3Q24 reflects provisions transferred from former Vision bank to Ueno's balance sheet and separate accounting for legacy NPLs. Fitch believes Ueno's good risk profile and robust technology will help to maintain sound asset quality despite post-merger risks.

Improved Profitability: Ueno reached a strong 7.33% operating profit/RWA ratio as of 3Q24 post-merger, driven by a solid net interest margin and strong credit card-related fees from Vision. The bank's efficiency (non-interest expense/gross revenues) improved to 56.3% as of 3Q24, better than the four-year average of 62.7% due to cost-efficient non-banking branches.

Fitch expects Ueno's profitability to remain strong, supported by its improved franchise, stable Paraguayan OE, higher net interest margin (NIM), credit card fees, and lower funding costs, despite increased RWA from loan growth.

Stable Funding: The bank relies predominantly on customer deposits, which made up 85% of its funding as of 3Q24. This reliance allows the entity to maintain an adequate funding cost. The bank's funding is complemented by senior unsecured debt, subordinated debt and approved credit lines with several local financial institutions.

The loan-to-deposit ratio was 72.7% and has remained relatively stable compared to peers. Ueno has a mildly concentrated deposit base, with its top 10 depositors representing 14% of total deposits in the same period.

Ratings

Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB
Short-Term IDR	B
Viability Rating	bb
Government Support Rating	b+
Sovereign Risk (Paraguay)	
Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BB+
Country Ceiling	BBB–
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Paraguay at 'BB+'; Outlook Stable (October 2024)

Analysts

Robert Stoll
+1 212 908 9155
robert.stoll@fitchratings.com

Cristian Oyanedel
+56 2 3321 2910
cristian.oyanedel@fitchratings.com

Rating Sensitivities

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

VR, IDRs and Government Support Rating

- A sustained deterioration in Ueno's FCC ratio to a level below 13% or the bank's operating profit to RWA ratio falling and remaining below 2% could be negative for creditworthiness.
- The Government Support Rating (GSR) could be downgraded if Fitch believes that the government's propensity to support the bank has declined due a material loss in the market share of customer deposits.

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

VR, IDRs and Government Support Rating

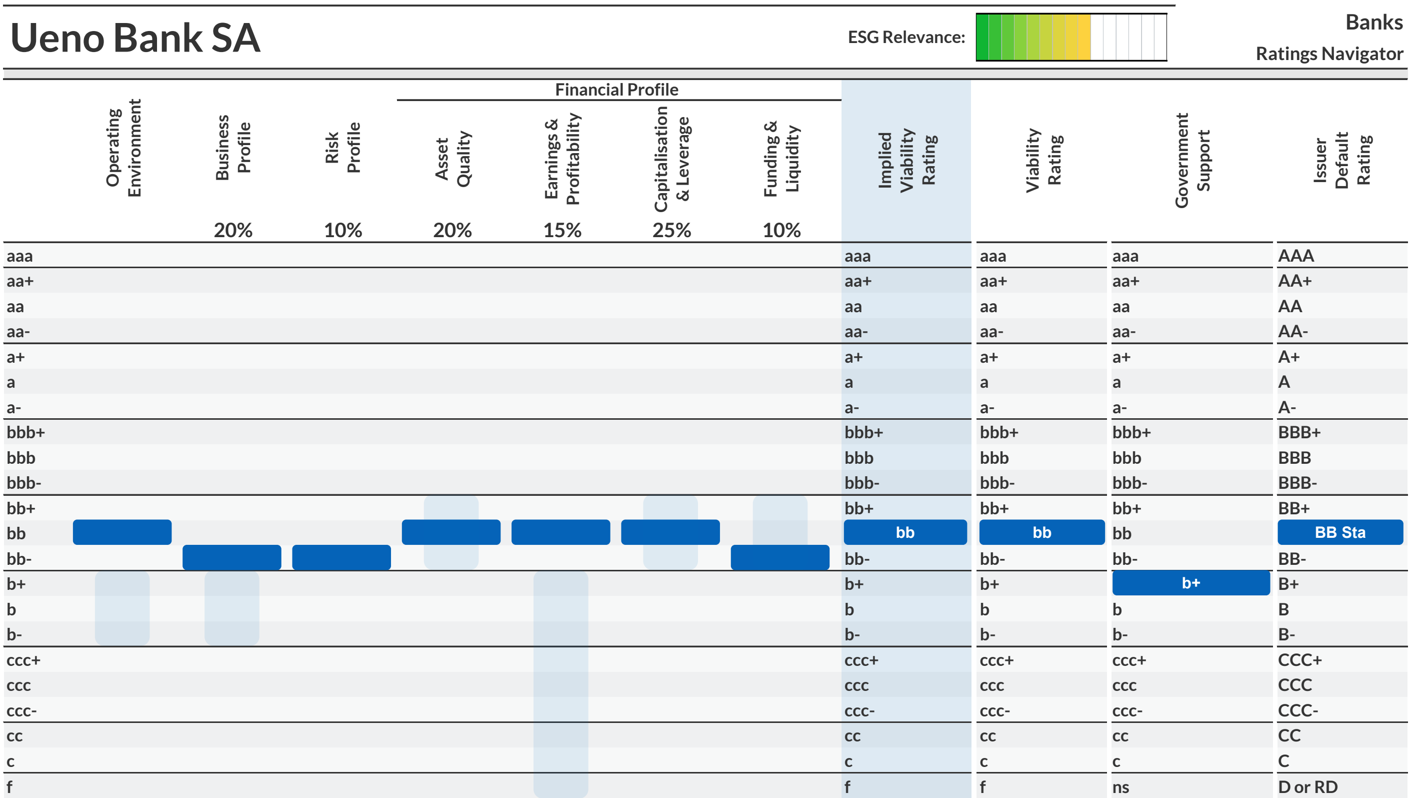
- A consolidation of their business model and risk structure post-merger that leads to an improvement in the bank's overall financial profile.
- An upgrade of the GSR is limited and could only occur over time with a material gain in the bank's systemic importance.

Other Debt and Issuer Ratings

Government Support Rating

UENO's GSR of 'b+' reflects Fitch's opinion that a default of the bank could result in contagion risks for the rest of the system. This is because it is considered a domestic systemically important bank (D-SIB) by the Central Bank of Paraguay (BCP) and has the largest position in terms of the number of clients within the banking system. However, the GSR also reflects that there is limited probability of support being forthcoming because of significant uncertainties about the ability or propensity of the government to do so.

Ratings Navigator



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. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The Operating Environment score of 'bb' has been assigned above the 'b' category implied score due to the following adjustment reasons: Sovereign Rating (positive).

The Business Profile score of 'bb-' has been assigned above the 'b' category implied score due to the following adjustment reasons: Business Model (positive).

The Earnings & Profitability score of 'bb' has been assigned above the 'b' category implied score due to the following adjustment reasons: Historical and Future Metrics (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Paraguayan banks are influenced by a stable OE. Fitch's OE assessment is based on two key metrics: Fitch Operational Risk Index (ORI) and GDP per capita. The agency believes these metrics have the greatest explanatory power in determining the financial institution's ability to generate business volumes with acceptable risk levels. As of July 2024, Paraguay's GDP per capita was USD6,200 and Fitch's ORI percentile rank was 29.5%. The OE assessment is benefited by a positive deviation factor of the country's sovereign rating at 'BB+'/Stable.

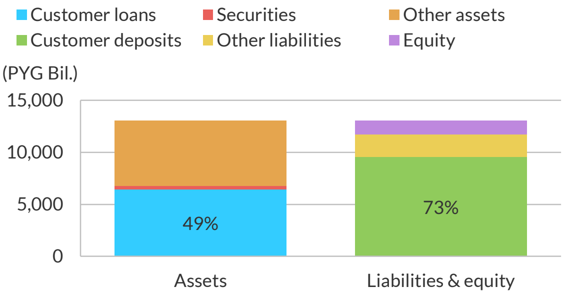
On October 22, 2024, Fitch affirmed Paraguay's Long-Term Foreign -Currency IDR at 'BB+'/Stable. Paraguay's ratings reflect its track record of broadly prudent and consistent macroeconomic policies, low government debt relative to rating peers despite an increase in recent years, and robust external liquidity. Its ratings are mainly constrained by weak governance indicators, a shallow local capital market that narrows fiscal financing flexibility, and vulnerability to adverse climactic shocks reflected in high GDP volatility. The administration of President Santiago Peña took office in August 2024, signalling broad economic policy continuity under the Colorado Party, which also won majorities in both houses of congress.

Fitch's forecast for GDP growth of 4.5% in 2024 and 2025 is supported by a pipeline of large investment projects in pulp (i.e. Paracel), green hydrogen and biofuels. Paraguay's financial system comprises 390 financial institutions, including 18 licensed banks that hold assets equivalent to 91% of the country's GDP and 70% for the banking sector. Three foreign and two domestically owned banks account for almost two thirds of the banking sector assets and are classified as systemically important. Significantly, the country's cooperative sector represents its second largest group of financial institutions, and its three largest entities hold assets similar than those of some of the small banks. Deposits make up 90% of funding of the country's banking system, with household and corporate deposits insured up to about 5x income per capita, which is in line with neighbouring countries. The steady rise in the ratio of bank deposits to GDP in recent years (from 40% in 2017 to 51% in 2020) suggests that low coverage of total deposits has not acted as an obstacle to financial deepening.

Paraguay's banking system is not the strongest in Latin America, yet it offers many opportunities to expat investors and dual residents. Paraguayan banks are somewhat unsophisticated, and the country has never considered itself, or been sought out as, an offshore banking center, which represents a significant advantage due to the proliferation of sanctions and blacklists. Paraguay continues to be a mainly cash-based economy, where many locals distrust banks. Wealthy nationals tend to store funds in Switzerland, the United States and other jurisdictions. Traditional banks do not cater to poorer Paraguayans, leading to a recent surge in alternative financial solutions for this demographic. Therefore, the main audiences for banks in Paraguay are local businesses and the country's growing middle-class, to whom they provide a limited range of services.

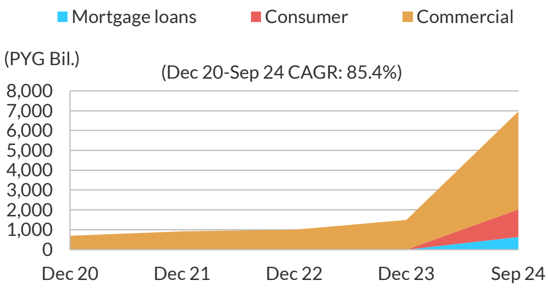
Paraguay's banking is relatively concentrated. The system has seen a strong growth over the past five years, following several merger and acquisitions and economic growth of the country. The financial system is comprised of 17 financial institutions, including Banco Nacional de Fomento (BNF), which is owned by the government. The banking system operates mostly on short-to medium-term credit in both local and foreign currency. Overall, the banking sector is profitable and well capitalized. Trade finance is an important service provided by the banks. Soy beans and corn are relevant exports, as are beef and other animal products.

Balance Sheet
(Ended Sep. 2024)



Source: Fitch Ratings, Fitch Solutions, Ueno Bank

Loan Book Breakdown



CAGR - Compound annual growth rate.
Source: Fitch Ratings, Fitch Solutions, Ueno Bank

Business Profile

Fitch's 'b' assessment of Ueno's implied business profile is based on the bank's four-year average total operating income (TOI) of USD22 million, which is below the USD300 million level that aligns with a current OE assessment of 'bb'. In Fitch's forward-looking opinion, the post-merger bank would probably reach a TOI around USD150 million. Fitch positively considered the Business Model as a deviation factor, in accordance with its relevant criteria, to arrive at the 'bb-' score.

Franchise

Following the merger with Vision, Ueno is now a medium-sized player in Paraguay's financial sector, ranking fifth in assets (5.6% market share), loans (4.2%) and deposits (5.8%) as of October 2024. Originally known as Financiera El Comercio S.A.E.C.A., the institution has been operating since 1976, focusing on SMEs, personal loans, microcredits, housing and consumer loans, savings accounts, and both personal and corporate cards and checks. In 2021, after Grupo Vázquez S.A.E. acquired the majority of shares, it was renamed Financiera Ueno S.A.E.C.A. Ueno was officially established on December 20, 2021, marking a new chapter in the 45-year history of Financiera El Comercio. Ueno received its banking license on November 22, 2023, as Ueno Bank S.A., emphasizing a simple, fully digital onboarding process that provides immediate access to retail and corporate banking solutions, bypassing the need for traditional branches and using cost-efficient non-banking branches as productive units for its digital business.

Key business products include the following.

- Ueno Personas offers savings accounts, a Mastercard duo card, 24/7 bank transfers, payment solutions, digital loan management in PYG or USD, quick insurance quotes, and retail banking services.
- Ueno Empresas provides corporate and SME banking, fee-free corporate savings accounts, payroll solutions, wire transfers, service payments, corporate loans, factoring, trade finance, and other financing options, along with access to UENO's full range of services such as investments, insurance and fiduciary solutions.

On June 28, 2024, Ueno merged with Vision through absorption, with Vision as the absorbed entity. Vision, with over 30 years of experience, was a medium-sized bank with around 4% to 4.5% market share in loans and deposits, mainly targeting the SME sector through 68 branches and serving over 1 million clients. Ueno became the legal successor in June 2024. All Vision branches were replaced by Ueno's efficient, lightweight locations by July 2024. This transition leveraged a branchless banking model to enhance inclusivity via digital channels. Despite differing core banking systems, Ueno's remains in place, which has been progressively strengthened over the years.

Organizational Structure

Grupo Vázquez S.A.E., the majority shareholder of Ueno (84.3%), is a business group that originated in 1945. With nearly 80 years of experience in Paraguay, Grupo Vázquez is a leading economic conglomerate group in Paraguay, focused on providing disruptive solutions to its clients, using technology as the main driver. Grupo Vázquez has four business segments: financial services, technology, agriculture and livestock, and entertainment. The remaining stake belongs to Oikocredit (4.37%), a worldwide cooperative and social investor that provides funding to sustainable investments; Triodos Bank (1.51%), a Netherland-based entity and one of the world's leading sustainable banks; and other local investors (9.82%).

Management Quality and Corporate Governance

According to Fitch, Ueno possesses a senior management team that is experienced and credible. The executive leaders have extensive professional backgrounds and numerous years in banking and the financial sector. Prior to becoming a bank in 2023, Ueno had a 45-year history in the financial industry, providing commercial and consumer loans. Ueno adheres to current regulations and best practices, boasting a comprehensive risk management area, a risk committee, an assets and liabilities committee (ALCO), and a technologically driven risk management system. These committees recommend actions for risk mitigation and oversee mechanisms to maintain a risk profile aligned with the business strategy.

The bank publishes audited financial statements annually. The Internal Audit Committee oversees compliance using internal accounting controls and following an annual plan. Internal audit and control are responsible for mapping processes, suggesting, designing, and implementing efficient key controls, verifying their effectiveness, and ensuring regulatory compliance. The Compliance Committee ensures adherence to banking laws, regulations, and anti-money laundering laws.

Fitch believes the bank has established adequate and effective corporate governance, following industry best practices. Its management and control bodies include a board of directors, which is the highest authority and consists of five regular directors and two alternate directors, all with a solid track record in the financial system.

Strategy Objectives and Execution

The management's strategy centers on significant investment in technological assets, enabling the bank to manage large-scale operations with reduced credit costs and the financial flexibility to support growth and high transaction volumes. In addition, Ueno has developed its ESG strategy over the years, aligning with the United Nations Sustainable Development Goals that directly relate to its business operations. Ueno expects to maintain this commitment post-merger.

The strategy also facilitates a smooth post-merger integration of systems, employees, digital channels, budgeting, and related synergies and cost efficiencies. The merged bank offers a value proposition that integrates Ueno's strong digital services and technological focus in the corporate sector with Vision's strategy, physical presence across the country, local talent, and substantial SME client base. The focus is on simplifying processes through innovation and technology, including consumer apps, process automation and AI. The merged-bank aims to reach unbanked population and promote financial inclusion in the country.

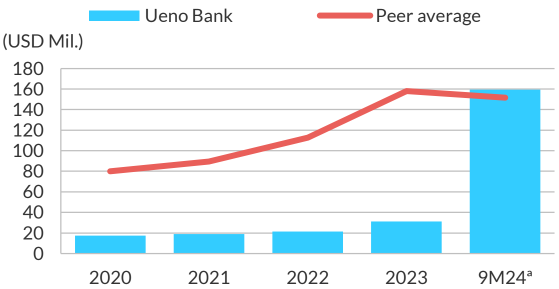
Merger Rationale

The main rationale for the merger considered the following:

- adding the largest share of the consumer and SME clients (which Vision had), with 1 million clients and 68 branches, boasting the largest SME loan portfolio in Paraguay, pushing commercial loans to about 71%, mainly in SMEs.
- expanded footprint and growth in payments network given Vision's large number of non-bank correspondents ("CNBs");
- economies of scale, reduced funding costs, increased credit card presence and, therefore, improvement on financial and service margins; and
- additional business opportunities to other complementary business units within Ueno's self-reinforcing ecosystem.

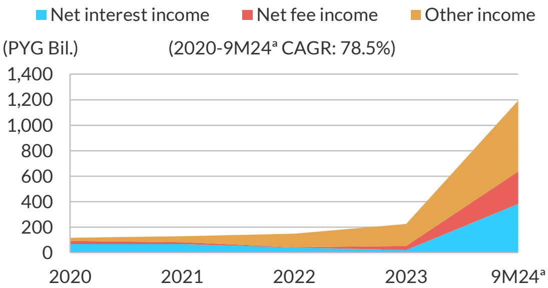
The merger enhances nationwide coverage with a network of intelligent ATMs, duo card vending machines, non-banking correspondents and innovative experience centers in major cities for 24/7 service, promoting self-management and personalized assistance options.

Total Operating Income



ª Annualized.
Source: Fitch Ratings, Fitch Solutions, banks

Revenue Breakdown



ª Annualized. CAGR - Compound annual growth rate.
Source: Fitch Ratings, Fitch Solutions, Ueno Bank

Risk Profile

Underwriting Standards

The board of directors is responsible for the credit, market and operational risk policies of the bank. According to Fitch, there is a good level of commitment of the board of directors in audit and risk related matters.

Ueno, in compliance with current regulations and best practices, has a comprehensive risk management department, a risk committee, an assets and liabilities committee (ALCO) and a risk management system. These will recommend actions for risk mitigation, transfer or avoidance, as well as monitoring mechanisms to maintain a risk profile consistent with the business strategy. The risk management department is independent from the risk-taking areas and has its own activities and attributions.

The structure of the audit department and committee separates internal audit and internal control to ensure the achievement of objectives by segregating the work teams. On one hand, there are those responsible for mapping processes and suggesting the design and implementation of more efficient key controls. On the other hand, there is the area responsible for verifying that the controls work and determining their operational effectiveness along with applicable regulatory compliance.

The credit risk management process relies on the risk department and its specialized areas, such as admission risk, control risk management, and market and liquidity risks control. In the corporate banking, credit risk is individually assessed using expert tools together with risk analysts' expert judgement.

Overall, the bank's risk management is primarily based on compliance with local regulations. Ueno uses tools, controls and reporting systems to ensure adherence to regulatory and institutional norms, whether they are general, global, individual or temporary.

Portfolio Provisions

The Superintendence Bank in Paraguay classifies as impaired all loans with interest and payments that are overdue by 60 days or more. Required reserves depend on the risk categories, and minimum levels vary depending on the type of loan. The commercial portfolio provisions are determined according to the six regulatory categories based on the assessment of the client payment capacity or a group of debtors composed of related entities, within all of its obligations. A BCP standard of the amending Resolution No. 1/2007 requires that the first one (category 1) is divided into three sub-categories for the purpose of provisions inputs.

The bank has experienced significant growth recently due to its business model and risk appetite for inorganic growth through the merger with Vision. As of YE23, the loan portfolio grew by 50%, above the industry average. The bank's loan portfolio grew significantly (365%) and above the industry after the merger.

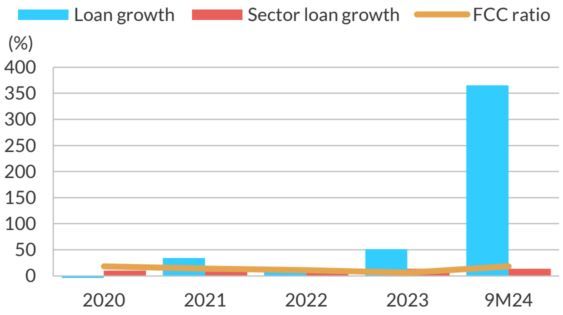
Market Risk

The entity's appetite for market risk is consistent with its conservative strategy. The market and liquidity risk control unit is responsible for measuring, monitoring and controlling the policies and limits of market risk, structural interest rate risk and liquidity risk. The exposure and deviations are reported to the ALCO. The limits control is handled independently by the financial and market risk department, which uses value at risk (VaR), economic value sensibility (PV01) and back-testing tools as main risk measurements. In addition, the bank performs scenarios analysis, using liquidity stress testing and a liquidity contingency plan, among others tools. The internal interest rate risk model is based on the GAP, which affect interest rate sensitivities in the financial margin and equity (in local currency and foreign exchange). This is monitored frequently.

Foreign Exchange Risks

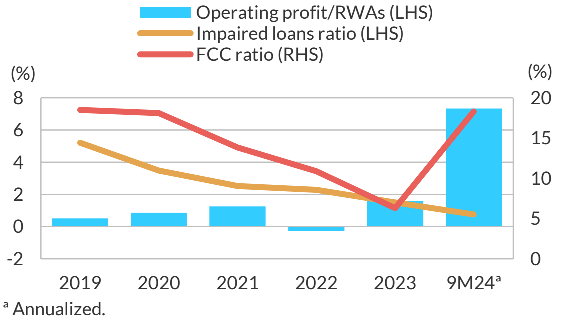
The internal exchange risk management model used is a VaR model with a 99% confidence level, with an exponentially weighted moving average approach and a one-day position settlement period with a USD100,000 maximum daily exposure. This is reported weekly to the relevant departments. Stress testing calculation is carried out on a monthly basis.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, Ueno Bank

Performance Through the Cycle



ª Annualized.
Source: Fitch Ratings, Fitch Solutions, Ueno Bank

Financial Profile

Asset Quality

Ueno's asset quality has remained stable, with a declining trend in its NPL ratio and robust loan loss reserves (LLR) following the merger. The four-year average NPL ratio of 3.12% was influenced by trends in earlier years (2019-2020). However, improvements in credit risk management and collection tools, enhanced by IT systems, have led to better trends since 2022. After the merger, NPLs fell below 1%, and the LLR/impaired loans ratio increased significantly to 9.8x, which reflects the provisions transferred from former Vision to Ueno's balance sheet and separate accounting for legacy NPLs. Accordingly, aiming to facilitate the merger process and guarantee financial stability, the BCP offered several flexibilities to former Vision's overdue loans to soften the impact on Ueno's financial profile.

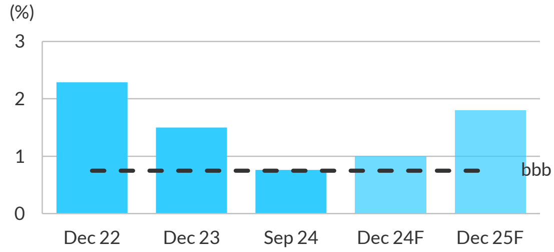
Ueno has also experienced strong growth in fiduciary rights, reaching PYG2.5 trillion (about USD320 million). This growth is supported by a trust established for merger-related expenses and investments, which has a long amortization period. The commercial loan portfolio is diversified, reducing risk exposure to any single industry. Major sectors include retail commerce (15%), agriculture (15%), personal services (9%) and wholesale commerce (9%). Portfolio concentration is moderate, with the top 20 debtors representing 20% of total loans and 1.0x of FCC.

The investment portfolio is liquid and has good quality. It comprises sovereign bonds (56%), central bank bills (28%), certificates of deposits (11%) and corporate bonds (6%).

Fitch views Ueno's strong risk profile, bolstered by advanced technology, as effective in enhancing risk controls for a relatively higher-risk portfolio compared to larger peers with greater corporate lending exposure. This enables the bank to maintain solid asset quality throughout the credit cycle. However, post-merger, the bank faces the challenge of managing a larger loan portfolio volume to sustain stable and good asset quality.

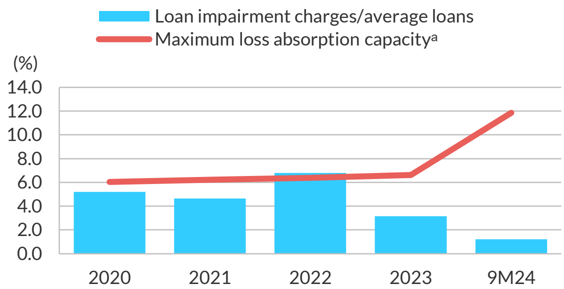
Impaired Loans/Gross Loans

Ueno Bank



F - Forecast.
Source: Fitch Ratings, Fitch Solutions, banks

P&L Loss Absorption Capacity



[a] Pre-impairment operating profit/average loans.
Source: Fitch Ratings, Fitch Solutions, banks

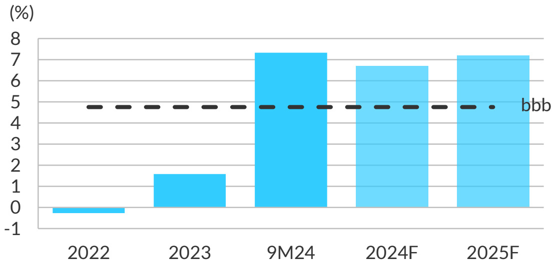
Earnings and Profitability

Ueno's operating profit/RWA ratio reached a robust 7.3% as of 3Q24, driven by a strong NIM and substantial credit card-related fees from the former Vision. The four-year average Fitch core ratio of 0.86% before the merger reflects the bank's historically flat and somewhat volatile profitability, although it increased significantly from 2023 due to higher operating income. Fitch expects the operating profit/RWA ratio to align more with a 'bb' category range in the future, including fiscal year 2024 data. This is due to anticipated higher fees from the credit card business, as Ueno has become the largest bank in Paraguay in number of credit cards.

In 2023, loans grew by 50%, outpacing the system's and the bank's previous low growth levels, as part of Ueno's strategy to expand its market share in the SME sector. Efficiency remains a strategic goal, with the branchless model helping to save costs and increase business volumes.

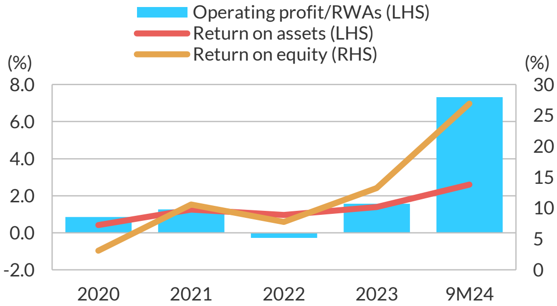
Fitch believes the bank's profitability will continue to deliver positive results, supported by its enhanced franchise and a stable OE in Paraguay. Fitch expects the operating profit/RWA ratio to remain high at 7% in 2025, driven by higher NIMs, credit card fees and a relatively lower cost of funds, despite increased RWA from loan growth.

Operating Profit/Risk-Weighted Assets
Ueno Bank



F - Forecast.
Source: Fitch Ratings, Fitch Solutions, banks

Profitability Summary



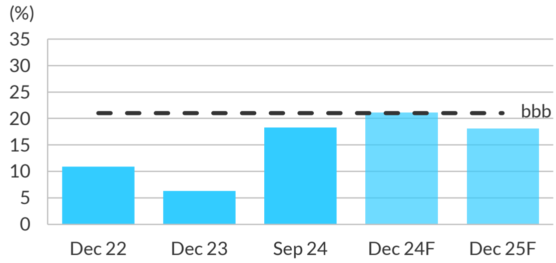
Source: Fitch Ratings, Fitch Solutions, Ueno Bank

Capitalization and Leverage

Fitch considers Ueno's capitalization a key financial strength. Post-merger, the bank's FCC ratio rose to 18.3%, exceeding the peer average of 16.2% in 2023. The FCC was low in recent years because, before the merger, the bank had a low amount of capital compared to its RWAs. Fitch anticipates Ueno's capitalization will remain robust due to earnings retention, high transaction levels and credit lending volumes. We expect the FCC ratio to remain within 18%-19% in 2025, as Ueno benefits from higher net income despite increased RWAs from a 35% loan growth.

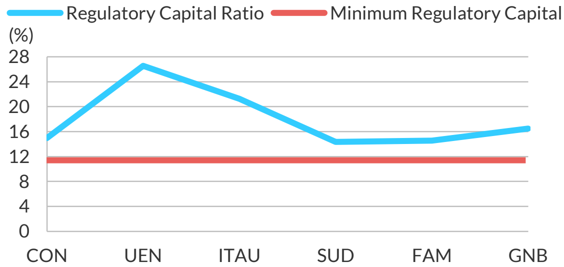
Ueno's shareholders, Grupo Vázquez, have demonstrated strong commitment by injecting capital. Paraguayan banks are required to maintain a minimum total regulatory capital above 12% for Tier1+Tier2 capital. Fitch believes Ueno has sufficient capital buffers to meet this requirement and remains well above the regulatory capital threshold.

FCC Ratio
Ueno Bank



F - Forecast.
Source: Fitch Ratings, Fitch Solutions, banks

Regulatory capital
(Septiembre 2024)



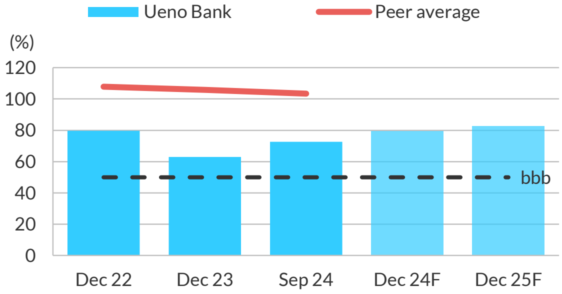
Regulatory capital: CET1+T2. Min.regulatory capital:12%
Source: Fitch Ratings, Fitch Solutions.

Funding and Liquidity

The loan-to-deposit ratio was 72.7% and has remained relatively stable compared to peers. The bank relies predominantly on customer deposits, which comprised 85% of its funding as of 3Q24 after the merger (mainly time deposits and demand deposits). This reliance on deposits allows the entity to maintain an adequate funding cost. The bank's funding is complemented by senior unsecured debt, subordinated debt and approved credit lines with several local financial institutions. However, the bank has not yet accessed international markets issuances. Ueno aims to continue diversifying its funding sources, searching for potential foreign opportunities for funding when possible.

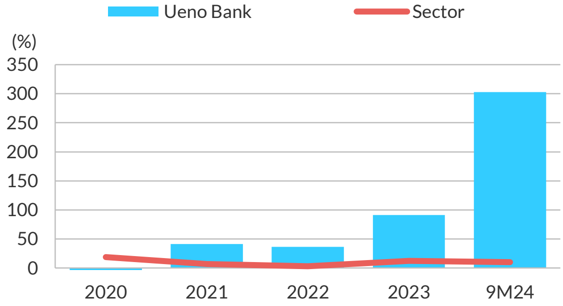
Ueno has a mildly concentrated deposit base, with its top 10 depositors representing 14% of total deposits as of 3Q24. In addition, the bank has a well-matched asset and liabilities structure. Deposits are mainly in local currency, with 27% in USD and 73% in PYG.

Gross Loans/Customer Deposits



F - Forecast.
Source: Fitch Ratings, Fitch Solutions, banks

Deposit Growth



Source: Fitch Ratings, Fitch Solutions, banks

Additional Notes on Charts

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bb' category.

Financials

Summary Financials and Key Ratios

	September 30, 2024		December 31, 2023	December 31, 2022	December 31, 2021
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	Year End	Year End	Year End
	(USD Mil.)	(PYG Mil.)	(PYG Mil.)	(PYG Mil.)	(PYG Mil.)
	Not Disclosed	Not Disclosed	Not Disclosed	Not Disclosed	Not Disclosed
Summary Income Statement					
Net interest and dividend income	37	287,600.6	20,044.3	39,896.5	66,808.5
Net fees and commissions	24	189,451.6	33,185.5	4,142.2	16,358.3
Other operating income	54	417,841.9	173,369.1	105,342.5	46,031.6
Total operating income	115	894,894.1	226,598.9	149,381.2	129,198.4
Operating costs	65	503,467.3	150,070.0	88,349.7	79,787.4
Pre-impairment operating profit	50	391,426.8	76,528.9	61,031.5	49,411.0
Loan and other impairment charges	5	39,404.9	36,572.8	65,172.6	36,840.0
Operating profit	45	352,021.9	39,956.1	-4,141.1	12,571.0
Other non-operating items (net)	-21	-164,933.2	-5,508.4	21,017.1	4,134.3
Tax	4	28,662.6	3,086.4	2,246.3	2,128.9
Net income	20	158,426.1	31,361.3	14,629.7	14,576.4
Other comprehensive income	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch comprehensive income	20	158,426.1	31,361.3	14,629.7	14,576.4
Summary Balance Sheet					
Assets					
Gross loans	893	6,961,555.2	1,495,969.1	990,880.2	924,899.2
- of which impaired	7	52,808.3	22,472.6	22,701.8	23,260.7
Loan loss allowances	66	517,322.2	28,572.3	27,831.7	31,106.0
Net loans	827	6,444,233.0	1,467,396.8	963,048.5	893,793.2
Interbank	11	83,316.5	81,494.6	69,289.9	54,585.4
Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.
Other securities and earning assets	45	353,798.2	13,209.4	43,149.7	26,193.7
Total earning assets	883	6,881,347.7	1,562,100.8	1,075,488.0	974,572.3
Cash and due from banks	217	1,691,769.2	702,196.3	123,756.7	152,837.7
Other assets	576	4,488,896.4	857,125.7	590,456.2	120,041.3
Total assets	1,676	13,062,013.4	3,121,422.8	1,789,701.0	1,247,451.3
Liabilities					
Customer deposits	1,229	9,575,588.8	2,378,125.4	1,242,840.4	909,366.2
Interbank and other short-term funding	5	36,588.1	2,307.9	1,350.5	0.0
Other long-term funding	217	1,694,710.0	407,882.6	301,368.3	164,183.2
Trading liabilities and derivatives	N.A.	N.A.	N.A.	N.A.	N.A.
Total funding and derivatives	1,451	11,306,886.9	2,788,315.9	1,545,559.3	1,073,549.4
Other liabilities	58	452,689.1	48,321.5	25,717.6	16,960.4
Preference shares and hybrid capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total equity	167	1,302,437.4	284,785.4	218,424.1	156,941.5
Total liabilities and equity	1,676	13,062,013.4	3,121,422.8	1,789,701.0	1,247,451.3
Exchange rate		USD1 = PYG7793.345	USD1 = PYG7278.37	USD1 = PYG7331.26	USD1 = PYG6879.105

N.A. – Not applicable.
Source: Fitch Ratings

Summary Financials and Key Ratios

	September 30, 2024	December 31, 2023	December 31, 2022	December 31, 2021
Ratios (%, annualized as appropriate)				
Profitability				
Operating profit/risk-weighted assets	7.3	1.6	-0.3	1.3
Net interest income/average earning assets	8.7	1.6	3.9	7.8
Non-interest expense/gross revenue	56.3	66.2	59.1	61.8
Net income/average equity	26.9	13.3	7.8	10.6
Asset quality				
Impaired loans ratio	0.8	1.5	2.3	2.5
Growth in gross loans	365.4	51.0	7.1	34.4
Loan loss allowances/impaired loans	979.6	127.1	122.6	133.7
Loan impairment charges/average gross loans	1.2	3.2	6.8	4.6
Capitalization				
Common equity Tier 1 ratio	N.A.	N.A.	N.A.	N.A.
Fully loaded common equity Tier 1 ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital ratio	18.3	6.3	10.9	13.8
Tangible common equity/tangible assets	10.0	9.1	12.2	12.6
Basel leverage ratio	N.A.	N.A.	N.A.	N.A.
Net impaired loans/common equity Tier 1	N.A.	N.A.	N.A.	N.A.
Net impaired loans/Fitch Core Capital	-39.6	-3.8	-3.1	-5.7
Funding and liquidity				
Gross loans/customer deposits	72.7	62.9	79.7	101.7
Gross loans/customer deposits + covered bonds	N.A.	N.A.	N.A.	N.A.
Liquidity coverage ratio	N.A.	N.A.	N.A.	N.A.
Customer deposits/total non-equity funding	84.7	85.3	80.4	84.7
Net stable funding ratio	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable.
Source: Fitch Ratings

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bb+ or bb
Actual jurisdiction D-SIB GSR	bb+
Government Support Rating	b+
Government ability to support D-SIBs	
Sovereign Rating	BB+/ Stable
Size of banking system	Neutral
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colors indicate the weighting of each KRD in the assessment.
Higher influence | Moderate influence | Lower influence

Environmental, Social and Governance Considerations

FitchRatings **Ueno Bank SA**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Ueno Bank SA has 5 ESG potential rating drivers

- Ueno Bank SA 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.

			ESG Relevance to Credit Rating
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) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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 relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h 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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
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
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

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.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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