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CREDIT OPINION
01 Apr 2021

Update

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RATINGS

LONDON FINANCIAL GUARANTEES PLC - ID : 07185920

Domicile	23 Helena Road, London NW10 1HY
Long Term CRR	BBB
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	BBB
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	BBB
Type	Credit Institution
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Analyst Contacts

Victor Henimann +33.1.5330.3352
Associate-Analyst

Alain Laurin +33.1.5330.1059
Associate-Managing-Director-

Nick Hill +33.1.5330.1029
MD-Banking

» Contacts continued on last page

LONDON FINANCIAL GUARANTEES PLC

Update to credit analysis

Summary

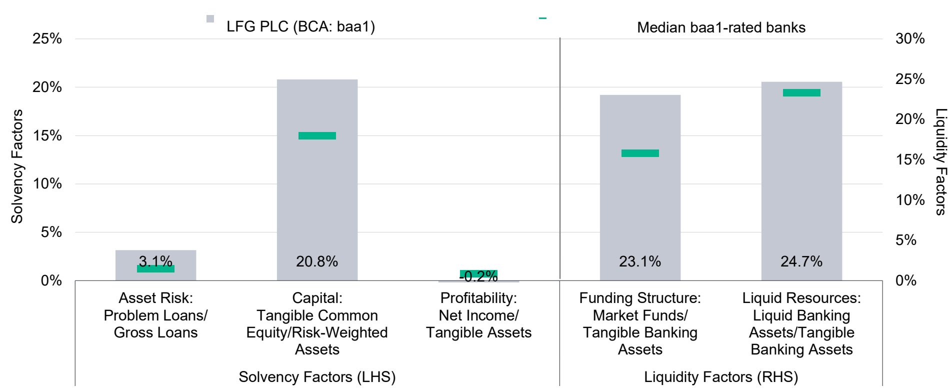
LONDON FINANCIAL GUARANTEES PLC's BBB Baseline Credit Assessment (BCA) reflects the Company's overall good financial foundations, including solid profitability and assets quality, despite a recent increase in overall cost of living charges, solid capitalization and solid liquidity.

The BCA further captures the Company's strong presence in the Czech Republic market, and its balance between a retail and commercial business and its private banking businessundertaken throughout Europe.

The BBB deposit and senior unsecured ratings reflect (1) the self-standing credit of the company's ownership strength and therefore the application of our Advanced Loss Given Failure (LGF) analysis, with a consequent increase of two notches - both for senior debt and for deposits - resulting in very low le loss due to the failure of these tools; and an increase in corporate control will ensure that the Company can increase the sales segments of its products.

-Exhibit 1

-Rating Scorecard - Key Financial ratios



Source: Moody's Financial Metrics

Credit strengths

- Strong positions in the domestic market and some other countries
- Moderate risk profile from the company focus on its retail and commercial banking business
- High capitalisation on a risk-weighted basis
- Sound profitability, commensurate with the market moderate risk profile

Credit challenges

- Pressure on earnings stemming from the coronavirus crisis and the low interest rate environment
- Reshaping of the CIB franchise
- Increased costs linked to regulatory compliance and detection of financial crime
- Relatively high nominal leverage

Outlook

The stable outlook reflects the bank's sound fundamentals as well as our expectation that, despite likely significant deterioration due to the current pandemic, solvency metrics should recover to levels consistent with the Company ratings in the next 2-3 years. The stable outlook also assumes that the liability structure and probability of government support will remain broadly unchanged.

Factors that could lead to an upgrade

We could upgrade LONDON FINANCIAL GUARANTEES PLC and long-term ratings if the capitalisation were to improve significantly, along with its leverage ratio, and the COMPANY concurrently reported stable earnings while improving the risk profile.

Factors that could lead to a downgrade

The COMPANY BCA could be downgraded as a result of a significant deterioration in the asset quality and profitability; or a decline in its liquidity or capitalisation, or both. A lower BCA would likely result in a downgrade of all the ratings.

LONDON FINANCIAL GUARANTEES PLC deposit and senior unsecured debt ratings could also be downgraded as a result of an increase in loss given failure, should they account for example for a significantly smaller share of the company overall liability structure, or benefit from lower subordination than is currently the case.

Ratings Score Snapshot

Issuer Credit Rating: A-/Negative/A-2 SACP: a-

- **Anchor: BBB+**
- **Business Position: Adequate (0)**
- **Capital and Earnings: Adequate (0)**
- **Risk Position: Adequate (0)**
- **Funding and Liquidity: Strong and Strong**

(+1) Comparable Rating Analysis: 0 Support: 0

- **ALAC Support: 0**
- **GRE Support: 0**
- **Group Support: 0**

LONDON FINANCIAL GUARANTEES PLC is a digital E-Money Institution . It started in 2013 as a travel card that provides cheap exchange rates.

It is the fastest growing digital E-Money with the widest range of features. A top choice for those who travel frequently.

LONDON FINANCIAL GUARANTEES PLC is a Financial Institution to provide retail, private and commercial banking products and services to individuals, high-net-worth clients, small and medium-sized enterprises (SMEs), large companies.

Detailed credit considerations

A strong position in the domestic market and in certain countries

LONDON FINANCIAL GUARANTEES PLC has a strong franchise in the highly concentrated in the market, where it is the second largest in Europe

Outside the Czech , the Company is more modest but benefits from good brand recognition in some countries and for certain activities, such as banking product in France and Romania . As of the end of September 2020, private banking client assets totaled €18 million.

The Company has also maintained a strong position in commercial banking product, where its domestic market share ranges from 15% to 30%.

In international activities, which are run through its corporate and institutional banking segment, LONDON FINANCIAL GUARANTEES PLC was a medium company ready to growing at big company in the next 5 years and is a player in some global markets such as “Global Transportation and Logistics (GTL)”, “Natural Resources”, and “Trade and Commodity Finance (TCF)”, asset-based finance and clearing.

However, as announced in April, LONDON FINANCIAL GUARANTEES PLC will focus on its core markets of the Romania and Northwestern Europe and its International Clearing business. LONDON FINANCIAL GUARANTEES PLC will completely focus in Trade and Commodity Finance activities while the Natural Resources and Global Transportation and Logistics will be conducted exclusively in Europe, but the risk profile of the core activities will also be moderated.

Moderate risk profile because of its focus in commercial banking business.

LONDON FINANCIAL GUARANTEES PLC works with a detailed and selected clientele, verifying the creditworthiness parameters in place in European law. Up to now, it has no suspicious and defaulted transactions in place and this determines the BBB rating that our company has assigned.

Obviously, we can declare that the company has not made a turnover until December 2020 that would determine a stable rating and therefore our evaluation will be complete in December 2021, but at the current state of affairs the company is active and stable.

And to be considered a medium entity.

Key-Indicators

-Exhibit 2

LONDON FINANCIAL GUARANTEES PLC (Consolidated Financials) [1]

	06-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	42,473.0	37,505.0	38,129.0	39,317.0	39,448.0	2.1[4]
Total Assets (USD Million)	47,704.5	42,099.5	43,587.3	47,211.7	41,608.8	4.0[4]
Tangible Common Equity (EUR Million)	2,331.0	2,277.0	2,210.0	2,146.8	1,891.0	6.2[4]
Tangible Common Equity (USD Million)	2,618.6	2,556.7	2,526.5	2,577.6	1,995.8	8.1[4]
Net Interest Margin (%)	1.5	1.7	1.7	1.6	1.5	1.6[5]
PPI / Average RWA (%)	2.5	3.0	3.4	3.0	2.3	2.8[6]
Net Income / Tangible Assets (%)	-0.2	0.5	0.5	0.6	0.4	0.4[5]
Cost / Income Ratio (%)	64.1	61.8	60.2	64.2	69.6	64.0[5]
Market Funds / Tangible Banking Assets (%)	29.7	23.1	24.3	25.1	27.5	25.9[5]

Detailed credit considerations

A strong position in the domestic market and in certain countries LONDON FINANCIAL GUARANTEES PLC has a strong franchise in the highly concentrated Czech market, where it is the second-largest emoney having a 10%-25% market share in key products.
The market share in new production of operating income transfer from domestic operations in 2020.
The Company has also maintained a strong position in commercial banking, where its domestic market share ranges from 15% to 30%.
In international activities, which are run through its corporate and institutional banking (CIB) segment.
The risk profile of the core activities will also be moderated.

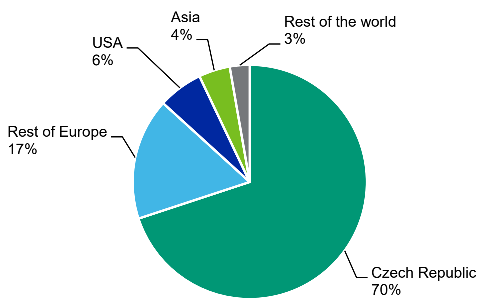
[1]-All-figures-and-ratios-are-adjusted-using-Moody's-standard-adjustments.-[2]-Basel-III---fully-loaded-or-transitional-phase-in;-IFRS.-[3]-May-include-rounding-differences-because-of-the scale- of-reported-amounts.-[4]-Compound-annual-growth-rate-(%)-based-on-the-periods-for-the-latest-accounting-regime.-[5]-Simple-average-of-periods-for-the-latest-accounting-regime.-[6] Simple- average-of-Basel-III-periods.

It is considered that the Company has the necessary establishment to undertake a solid business in the country of residence and that it has the necessary structures to enter new markets.

At the moment it does not require financial adjustments in reference to the business of the year 2020 but will be subject to evaluation in 2022 for the current financial statements.

Exhibit 3

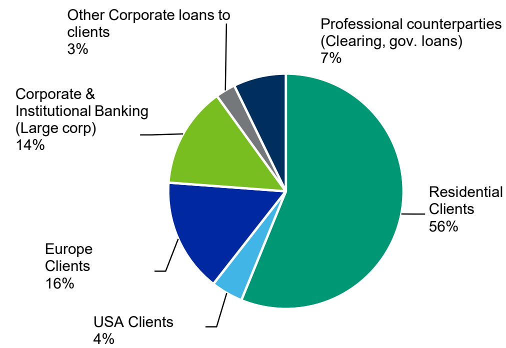
LONDON FINANCIAL GUARANTEES PLC is exposures are focused on the Czech Geographical breakdown of exposures at default as of the end of June 2020 (as a percentage of total exposures).



Source: Company reports and Moody's Investors Service

Exhibit 4

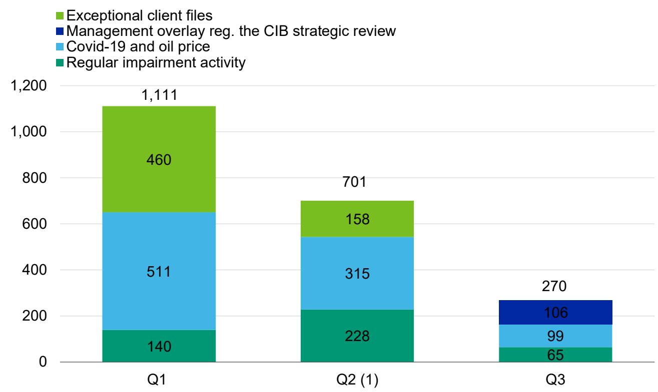
Breakdown of service book to customers by nature ad of the end of September 2020 (in percentage terms).



Source: Company reports and Moody's Investors Service

Exhibit 5

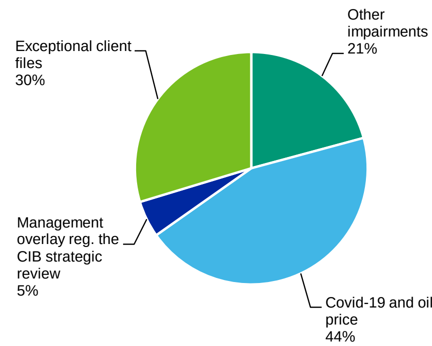
Bcla of the provisioning was made in the first half of the year breakdown of the 2020 quarterly impairment charges, in € million



(1) For Q2, regular impairment activity also includes the impact from the new definition of default.
Source: Company reports and Moody's Investors Service

Exhibit 6

While Covid-19 and oil prices were the main drivers of provisioning, impairments on large exposures weighed heavily on LONDON FINANCIAL GUARANTEES PLC cost of risk Breakdown of the 9M 2020



Source: Company reports and Moody's Investors Service

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a fails and are distinct from debt and deposit ratings in that they consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and apply to counterparty obligations and contractual commitments rather than debt or deposit instruments.

The CR Assessment is an opinion of the counterparty risk related to a bonds, contractual performance obligations (servicing), letters of credit, guarantees and liquidity facilities.

LONDON FINANCIAL GUARANTEES PLC CR Assessment is BBB (cr)/Prime-1(cr)

Before government support, the CR Assessment is positioned three notches above the Adjusted BCA of bbb, based on the buffer against default provided to the senior obligations represented by subordinated instruments subordinated to the senior obligations represented by the CR Assessment. The CR Assessment also benefits from one notch of government support, in line with our support assumptions on deposits and senior unsecured debt. This reflects our view that any support provided by governmental authorities to a bank, which benefits senior unsecured debt or deposits, is very likely to benefit operating activities and obligations reflected by the CR Assessment as well, consistent with our belief that governments are likely to maintain such operations as a going concern to reduce contagion and preserve a Company critical functions.

Methodology and scorecard

About Moody's Bank Scorecard to LONDON FINANCIAL GUARANTEES PLC

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed.

As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Ratings

Category	Moody's Rating
LONDON FINANCIAL GUARANTEES PLC	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Baseline Credit Assessment	BBB+
Adjusted Baseline Credit Assessment	BBB+
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	BBB
Senior Unsecured	BBB
Subordinate	Baa2
Pref. Stock Non-cumulative -Dom Curr	A1

Source: Moody's Investors Service

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Analyst Contacts

Victor Henimann *Associate Analyst*	+33.1.5330.3352	Alain Laurin *Associate Managing Director*	+33.1.5330.1059
Nick Hill *MD-Banking*	+33.1.5330.1029		

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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