

CREDIT OPINION

01 Apr 2021

Update

 Rate this Research

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

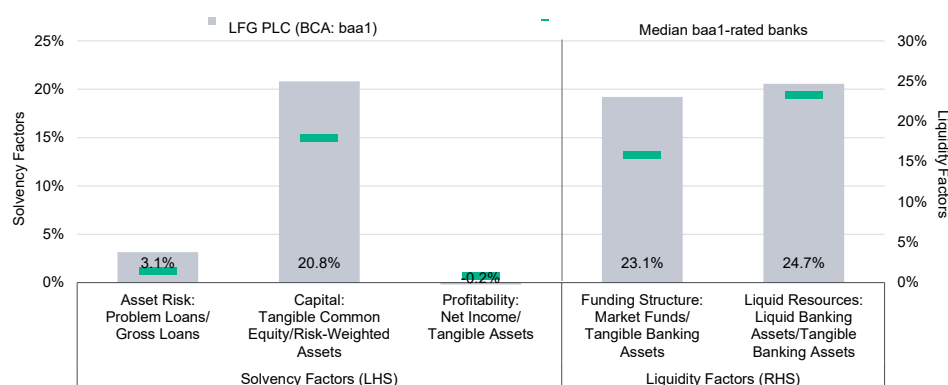
LONDON FINANCIAL GUARANTEES PLC's BBB Baseline Credit Assessment (BCA) reflects the Company's overall good financial foundations, including solid profitability and assets quality, despite a recent increase in overall cost of living charges, solid capitalization and solid liquidity.

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 business undertaken 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 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.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

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.

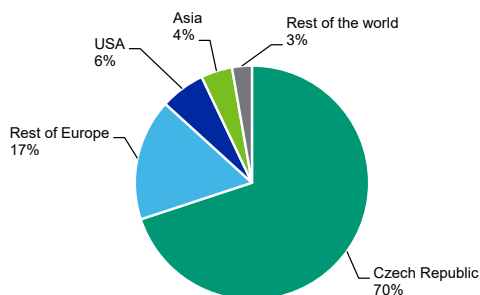
[1]-All-figures-and-ratios-are-adjusted-using-Moody's-standard-adjustments.-[2]-Basel-III---fully-loaded-or-transitional-phase-in;-IFRS.-[3]-May-include-rounding-differences-because-of-the scale- of-reported-amounts.-[4]-Compound-annual-growth-rate-(%)-based-on-the-periods-for-the-latest-accounting-regime.-[5]-Simple-average-of-periods-for-the-latest-accounting-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

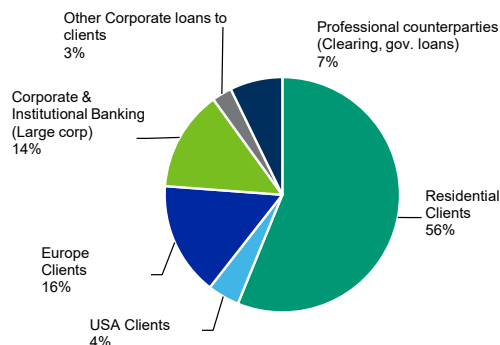
LONDON FINANCIAL GUARANTEES PLC is exposures are focused on the Czech Geographical breakdown of exposures at default as of the end of June 2020 (as a percentage of total exposures).



Source: Company reports and Moody's Investors Service

Exhibit 4

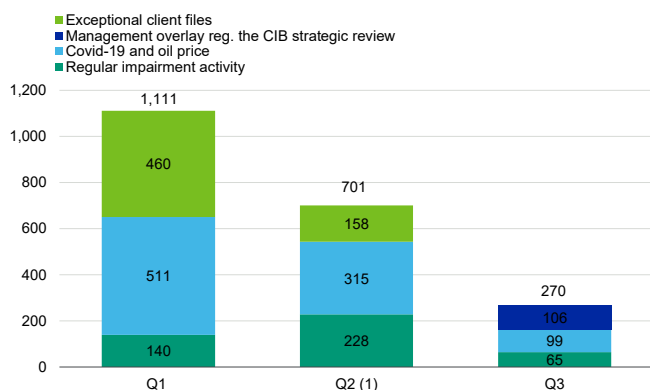
Breakdown of service book to customers by nature ad of the end of September 2020 (in percentage terms).



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

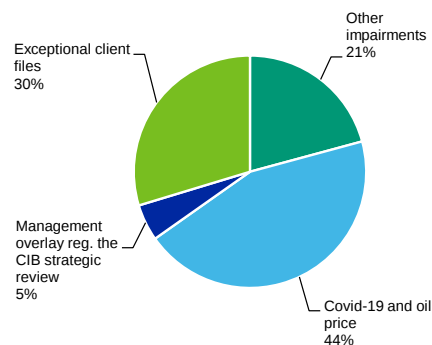


(1) For Q2, regular impairment activity also includes the impact from the new definition of default.

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

© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER

1260364

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