

## CREDIT OPINION

6 November 2020

Update

✓ Rate this Research

### RATINGS

#### BAC International Bank, Inc

Domicile	PANAMA CITY, Panama
Long Term CRR	Baa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Ba1
Type	LT Bank Deposits - Fgn Curr
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.

### Contacts

Marcelo De Gruttola +54.11.5129.2624  
AVP-Analyst  
marcelo.degruttola@moody's.com

Rodrigo Marimon +54.115.129.2651  
Bernales  
Associate Analyst  
rodrigo.bernales@moody's.com

Felipe Carvallo +52.55.1253.5738  
VP-Sr Credit Officer  
felipe.carvallo@moody's.com

» Contacts continued on last page

### CLIENT SERVICES

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

## BAC International Bank, Inc

### Update to credit analysis

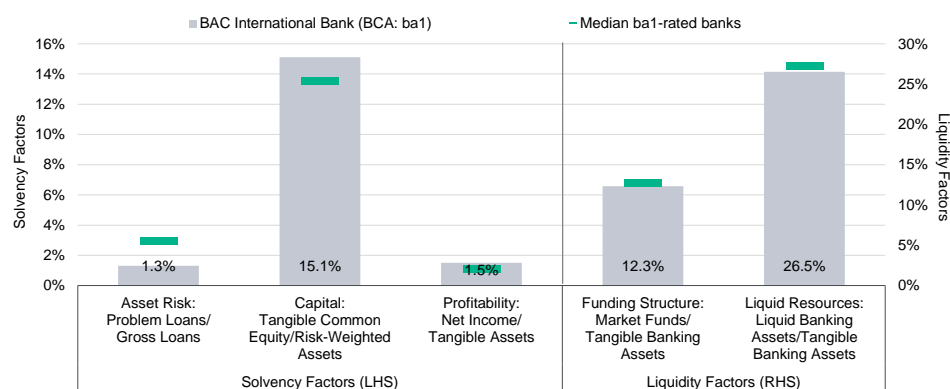
#### Summary

[BAC International Bank, Inc](#) (BAC)'s ba1 standalone Baseline Credit Assessment (BCA), as well as its Ba1 long-term local and foreign currency deposit ratings reflect the bank's strong financial fundamentals, which are partially offset by the weak operating conditions in the countries where the bank operates. The bank benefits from solid and recurring earnings supported by ample interest margins, sufficient capital buffers and a sound funding profile. The ratings also incorporate the bank's relatively low loan delinquencies despite its focus on higher-risk retail segments. Although the bank's asset quality metrics improved in the first half of 2020, our assessment of BAC incorporates a potential deterioration in asset quality driven by the significant contraction of the Central American economies as a result of the coronavirus pandemic.

BAC continues to be rated significantly above most of the sovereign ratings of the countries where it operates, as 57% of the bank's loan portfolio is located at B-rated countries (Costa Rica, Honduras, El Salvador and Nicaragua). BAC's sizeable exposure to Panama (Baa1 negative) and to a lesser extent Guatemala (Ba1 stable), the benefits from its geographical and business diversification, and its continued strong financial performance continues to support the bank's ratings.

Exhibit 1

#### Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

## Credit strengths

- » Robust profitability on the back of ample margins and healthy fee income
- » Sufficient capitalization
- » Wide deposit base amid good liquidity buffers

## Credit challenges

- » Increasing asset risks due to the pandemic outbreak
- » Weak+ weighted average Macro Profile, which constrains the bank's ratings

## Outlook

The outlook on BAC's ratings is stable as we expect the bank to maintain its fundamental strengths despite the challenging scenario.

## Factors that could lead to an upgrade

The rating could be upgraded if there were a material and sustained improvement in the operating conditions of BAC's main countries of operation, provided that the bank sustains its solid financial performance.

## Factors that could lead to a downgrade

The ratings could be downgraded if there were a deterioration in the bank's operating environment, leading the bank's asset quality to sustained deterioration and if its profitability and capitalization declined significantly.

## Key indicators

Exhibit 2

### BAC International Bank, Inc (Consolidated Financials) [1]

	06-20 <sup>2</sup>	12-19 <sup>2</sup>	12-18 <sup>2</sup>	12-17 <sup>2</sup>	12-16 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (USD Million)	25,416.0	23,965.1	22,751.7	22,018.1	20,047.6	7.0 <sup>4</sup>
Tangible Common Equity (USD Million)	2,973.6	2,467.4	2,318.3	2,255.3	1,986.3	12.2 <sup>4</sup>
Problem Loans / Gross Loans (%)	1.1	1.5	1.3	1.2	1.2	1.3 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	15.1	12.4	12.7	12.7	12.5	13.1 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	5.2	8.6	7.7	7.4	7.7	7.3 <sup>5</sup>
Net Interest Margin (%)	--	5.8	5.7	5.8	5.9	5.8 <sup>5</sup>
PPI / Average RWA (%)	--	5.0	5.3	5.1	4.8	5.1 <sup>6</sup>
Net Income / Tangible Assets (%)	1.5	1.7	1.8	1.7	1.8	1.7 <sup>5</sup>
Cost / Income Ratio (%)	55.6	56.2	54.3	55.2	57.5	55.7 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	11.4	12.3	15.9	16.8	19.0	15.1 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	30.5	26.5	26.4	25.9	24.0	26.6 <sup>5</sup>
Gross Loans / Due to Customers (%)	88.9	97.4	102.7	103.0	108.1	100.0 <sup>5</sup>

[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.

Sources: Moody's Investors Service and company filings

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](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Profile

BAC International Bank, Inc (BAC) is the largest bank in Central America. It provides banking services in Costa Rica (28% of total loans), Panama (24%), Guatemala (20%), Honduras (12%), El Salvador (11%) and Nicaragua (5%). The bank is principally focused on retail banking and reported total assets of around \$25.4 billion as of June 2020. BAC is controlled by Colombia's [Banco de Bogotá S.A.](#) (Baa2 negative, BCA ba1).

## Recent developments

The global spread of the coronavirus has resulted in simultaneous supply and demand shocks, which have materially slowed economic activity in the first half of this year. An economic recovery is [already underway](#), but its continuation will be closely tied to containment of the virus. The macroeconomic outlook for emerging market countries is more uncertain than that for advanced economies, and the strength of economic fundamentals and vulnerabilities vary widely within these countries. High-frequency data on many countries suggest that the quarter finished in June on a much stronger note, and therefore the rebound will likely be quite strong in Q3.

A number of interrelated developments could threaten the ongoing recovery. These include: (1) a renewed worsening of the pandemic that results in the reimposition of nationwide lockdown measures; (2) prolonged stagnation if the coronavirus shock turns into a balance-sheet recession, especially in emerging market countries; (3) a spillover to the financial sector, which could further exacerbate the economic crisis; and (4) intensified trade tensions and geopolitical instability.

## Detailed credit considerations

### Consistently low delinquencies, although asset risk rise amid the pandemic outbreak

BAC's consolidated nonperforming loan (NPL) ratio has remained relatively low in recent years, fluctuating between 1.1% and 1.5% since 2014, which is below peers in almost all countries where the bank operates. The bank has been able to maintain delinquencies low despite the challenging operating conditions in some of the countries where it operates -mainly Costa Rica and Nicaragua- and also despite its relatively high risk appetite given its retail focus (retail loans represent about 55% of the bank's loan book as of June 2020). BAC's strong asset-quality metrics reflect management's deep knowledge of the bank's markets and the proactive treatment of problem loans.

The bank's NPL ratio reached a minimum of 1.1% in June 2020. However, similar to peers in the region, BAC's lending activities were strongly influenced by deferral programs in H1 2020 that helped reduce the pandemic's short-term impact on the loan portfolio. We expect asset quality to weaken in H2 2020 and into Q1 2021 as payment holidays come to a close. The bank has increased its loan loss reserves in order to face the expected deterioration in asset quality, with reserves coverage of problem loans reaching an ample 288% as of June 2020.

### Robust profitability on the back of sufficient margins and healthy fee income, offsetting higher credit costs

Higher credit costs driven by the deterioration in asset quality have affected BAC's profitability, but it has continued to report robust earnings, with an annualized return on tangible assets of 1.5% as of June 2020 compared to a 1.7% in June 2019. We expect BAC's profitability to remain pressured in the short term, mainly as a result of higher provisions ahead of expected deterioration in asset quality. However, BAC's core earnings continue to be supported by its ample interest margins, which fell only slightly to 5.5% in H1 2020 compared to 5.7% in 2019, driven by the bank's primary lending focus on credit cards and other consumer credit.

BAC managed to contain growth in its operating expense at 2% compared with that a year earlier, keeping the cost-to-income ratio relatively stable at a manageable level of 56%. BAC has been investing to enhance its electronic distribution channels, which should support the bank's market share and allow it to streamline its cost structure.

### Sufficient capitalization

The robust earnings stream has continued to support BAC's good capitalization. The bank's tangible common equity ratio has remained at an average of 12.6% between 2016 and 2019, and has increased to 15.1% as of June 2020. The recent increase was driven by the issuance on May 2020 of a \$520 million high-trigger additional tier 1 (AT1) instrument, which was 100% subscribed by the bank's ultimate parent Grupo Aval. The AT1 issuance offset the impact in the bank's capital of the extraordinarily high dividend payments in 2019 and 1H 2020, which total was \$807 million. As a result, BAC's common equity tier 1 ratio fell to 9.6% as of June 2020 from 11.5% as of 2019 year end, offset in the TCE calculation by the aforementioned AT1 issuance.

All BAC's operating subsidiaries are subject to and do comply with higher minimum total capital requirements than the 8% minimum applied to BAC as per Panamanian regulations. However, we expect regulators in each particular country to likely prevent capital transfers among subsidiaries to maintain stability within their respective banking systems.

### **Stable funding structure and good liquidity buffers**

BAC is funded by a broad base of customer deposits, consistent with its well-established banking franchise in the region, which significantly reduces refinancing and repricing risks. As a result, market funding needs remain contained at around 13% of total assets. This, combined with adequate liquidity buffers at 30% of the balance sheet as of June 2020, further supports BAC's financial flexibility.

Around 74% of the bank's assets are funded with deposits, with about 24% of that amount being sourced from individuals. As a result, market funding remains contained at around 13% of total assets. As was the case with the entire banking system, BAC's deposits in Nicaragua fell sharply following the political and social crisis that started in 2018, although this situation has stabilized since mid-2019. The bank managed to absorb the impact by increasing its borrowings from international correspondent lenders and by maintaining strong liquidity buffers.

BAC sufficient liquidity buffers reflect high liquidity reserve requirements in the countries where it operates, given the absence of a lender of last resort in its main markets. Liquid resources comprise cash, dues from banks, government debt, corporate debt and equity securities.

### **BAC's ratings are constrained by Central America's Weak+ weighted average Macro Profile**

BAC's Macro Profile is derived from a blended score, reflecting the composition of its loan portfolio as a bank operating in countries with Moderate to Weak Macro Profile scores: Panama (Moderate), Costa Rica (Weak+), Guatemala (Weak), El Salvador (Weak), Honduras and Nicaragua. The overall Weak+ Macro Profile largely reflects the region's relatively small economies, with low GDP per capita, developing institutions and lack of true lenders of last resort, which increase its susceptibility to event risks. The Macro Profile is balanced by positive economic and institutional trends during the past decade, as well as strengthening bank regulatory frameworks.

### **Environmental, social and governance considerations**

BAC's exposure to environmental risks is low, consistent with our general assessment for the global banking sector. See our [Environmental risks heat map](#) for further information.

BAC's exposure to social risks is moderate, consistent with our general assessment for the global banking sector. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which is partly mitigated by sizable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct is a further social risk. Social trends are also relevant in a number of areas, such as shifting customer preferences toward digital banking services increasing information technology cost, aging population concerns in several countries affecting demand for financial services or socially driven policy agendas that may translate into regulations that affect banks' revenue base. See our [Social risks heat map](#) for further information.

Governance is highly relevant for BAC, as it is to all participants in the banking industry. Governance risks are largely internal rather than externally driven and remain a key credit consideration that requires ongoing monitoring, as corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit a bank's credit profile. We do not have any particular governance concerns for BAC, as it shows an appropriate risk management framework commensurate with its risk appetite.

### **Support and structural considerations**

#### **Affiliate support**

Moody's assumes a very high probability of affiliate support to BAC from Banco de Bogotá S.A. in the case of need. This assumption is based on BAC's relevance in Banco de Bogotá S.A.'s regional footprint and earnings generation, illustrated by the bank's significant contribution to the parent's profitability. However, BAC derives no rating uplift from affiliate support because Banco de Bogotá S.A.'s ba1 adjusted BCA is already at the level of BAC's BCA.

### Government support

We do not incorporate government support in BAC's deposit ratings, given the lack of a true lender of last resort in its home market of Panama, which is fully and legally dollarized, as well as in its other main markets, most of which are either fully or highly dollarized.

### Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails. CR Assessments are distinct from debt and deposit ratings in that they (1) consider only the risk of default, rather than both the likelihood of default and the expected financial loss; and (2) 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 bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

#### **BAC's CR Assessment is positioned at Baa3(cr)/Prime-3(cr)**

BAC's CR Assessment, before government support, is positioned one notch above the bank's Adjusted BCA of ba1 and, therefore, above the deposit ratings. This reflects our view that the probability of default is lower than that of deposits. We believe senior obligations represented by the CR Assessment will be more likely preserved to limit contagion, minimize losses and avoid disruption of critical functions.

We do not assign any uplift from government support for the CR Assessment, in line with the deposit ratings.

### Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements. CRRs are not applicable for funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

#### **BAC's CRRs are positioned at Baa3/Prime-3**

BAC's CRRs, before government support, are positioned one notch above the Adjusted BCA of ba1 and, therefore, above deposit ratings. This reflects our view that BAC's CRR liabilities have a lower probability of default than the bank's deposits as they will more likely be preserved to minimize banking system contagion and losses, and avoid disruption of critical functions.

The CRRs do not incorporate government support, in line with our support assumptions on deposits.

## Methodology and scorecard

### About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our rating committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment 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.

## Rating methodology and scorecard factors

Exhibit 3

BAC International Bank, Inc

Macro Factors						
Weighted Macro Profile		Weak +	100%			
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.3%	baa3	↔	ba1	Expected trend	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	15.1%	baa3	↔	ba2	Expected trend	
Profitability						
Net Income / Tangible Assets	1.5%	ba2	↔	ba1	Expected trend	
Combined Solvency Score		baa3		ba1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	12.3%	ba2	↔	ba1	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	26.5%	ba2	↔	ba2		
Combined Liquidity Score		ba2		ba1		
Financial Profile				ba1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Baa1		
BCA Scorecard-indicated Outcome - Range				baa3 - ba2		
Assigned BCA				ba1		
Affiliate Support notching				0		
Adjusted BCA				ba1		
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	baa3	0		Baa3
Counterparty Risk Assessment	1	0	baa3 (cr)	0	Baa3(cr)	
Deposits	0	0	ba1	0	Ba1	Ba1

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

## Ratings

Exhibit 4

Category	Moody's Rating
<b>BAC INTERNATIONAL BANK, INC</b>	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Ba1/NP
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
<b>PARENT: BANCO DE BOGOTA S.A.</b>	
Outlook	Negative
Counterparty Risk Rating	Baa2/P-2
Bank Deposits	Baa2/P-2
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa2(cr)/P-2(cr)
Senior Unsecured	Baa2
Subordinate	Ba2
<b>ULT PARENT: GRUPO AVAL ACCIONES Y VALORES S.A.</b>	
Outlook	Negative
Issuer Rating	Ba2
ST Issuer Rating	NP

Source: Moody's Investors Service



© 2020 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 INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S 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 INVESTORS SERVICE 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 MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS 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 \$2,700,000. 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](http://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 JPY250,000,000.

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



## Contacts

Marcelo De Gruttola +54.11.5129.2624  
AVP-Analyst  
marcelo.degruttola@moodys.com

Felipe Carvallo +52.55.1253.5738  
VP-Sr Credit Officer  
felipe.carvallo@moodys.com

Rodrigo Marimon +54.115.129.2651  
Bernales  
Associate Analyst  
rodrigo.bernales@moodys.com

## CLIENT SERVICES

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