

Rating Action: Moody's assigns Counterparty Risk Ratings to 32 banks in Chile, Colombia, Paraguay, Peru and Central American countries and to 4 of their branches

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Ratings are assigned following 6 June 2018 update to Moody's Banks rating methodology

New York, June 21, 2018 -- Moody's Investors Service has today assigned Counterparty Risk Ratings (CRRs) to 32 banks in Chile, Colombia, Paraguay, Peru, Central America and the Dominican Republic, and four of their foreign branches. At the same time, Moody's assigned a Counterparty Risk Assessment (CRA) to Corporación Financiera de Desarrollo S.A. (COFIDE) and to Banco de Desarrollo de El Salvador (Bandesal). In addition, Moody's affirmed Bandesal and COFIDE's issuer ratings. In addition, the long and short-term CRAs of Banco Bilbao Vizcaya Argentaria Paraguay S.A. were upgraded to Baa3(cr) and P-3(cr), from Ba1(cr) and not prime(cr) respectively.

Moody's Counterparty Risk Ratings (CRR) 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 to 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.

RATINGS RATIONALE

Moody's said that the CRRs assigned to the aforementioned banks are in line with their CRAs.

Moody's does not consider any of the host countries of banks affected by this rating action to be jurisdictions with operational resolution regimes. Consequently, in assigning CRRs to these banks, the rating agency starts with the banks' adjusted Baseline Credit Assessment (BCA) and uses the agency's existing basic Loss-Given-Failure (LGF) approach, which provides one notch of uplift from the banks' adjusted BCAs to reflect the lower probability of default of CRR liabilities. In Moody's view, secured counterparties to banks typically benefit from greater protections under insolvency laws and bank resolution regimes than do senior unsecured creditors, and this benefit is likely to extend to the unsecured portion of such secured transactions in most bank resolution regimes. Moody's believes that in many cases regulators will use their discretion to allow a bank in resolution to continue to honor its CRR liabilities or to transfer those liabilities to another party who will honor them, in part because of the greater complexity of bailing in obligations that fluctuate with market prices, and also because the regulator will typically seek to preserve much of the bank's operations as a going concern in order to maximize the value of the bank in resolution, stabilize the bank quickly, and avoid contagion within the banking system.

The CRAs and CRRs then incorporate governmental support, which can result in additional uplift depending on the government's rating together with Moody's assessment of the respective government's willingness to provide support to the bank in question. As a result, two-thirds of the assigned CRAs and CRRs are one notch above their corresponding senior unsecured debt, local currency deposit, and/or issuer ratings. All of the remaining CRAs and CRRs are aligned with their corresponding debt, local currency deposit, or issuer ratings. This is because CRAs and CRRs for these issuers receive less uplift from government support than their debt and deposit ratings due to their higher starting points. Banco Agrícola, S.A.'s CRA and CRR are constrained by El Salvador's B1 foreign currency bond ceiling.

Moody's has assigned only foreign currency CRRs to banks in Panama and El Salvador given both countries are fully dollarized.

The affirmation of Bandesal and COFIDE's issuer rating follows Moody's decision to rate the banks using its Banks Methodology to assess both the bank's standalone credit fundamentals as well as government support.

Previously, Moody's used its Government-Related Issuers Methodology to assess government support for these issuers. The change in methodology does not have any impact on the banks' issuer ratings.

As Bandedal's standalone BCA is already in line with the government bond rating, neither its issuer rating nor its CRA or CRR receive any ratings uplift from government support. Moody's assesses a low probability that the Government of El Salvador will support Bandedal, of which it is the sole owner, considering the constraints on the government's ability to support the country's banks given the full dollarization of the economy.

For COFIDE, Moody's assesses a very high probability of government support given its government ownership -- the government support is also proven by the capitalization of multilaterals borrowings, the reinvestment of dividends, and a comfort letter issued earlier last year, in which Peru's National Government was committing to acquire up to 20% of COFIDE's CAF shares to support the entity's capitalization. This results in 6 notches of uplift to its Baa3 issuer ratings from its adjusted BCA of b3.

The following ratings were assigned to banks in Chile and their respective offshore branches:

Banco de Chile

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

Banco de Crédito e Inversiones

Local currency and foreign currency long-term Counterparty Risk Ratings of A1

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

Banco de Crédito e Inversiones (Miami Branch)

Local currency and foreign currency long-term Counterparty Risk Ratings of A1

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

Banco del Estado de Chile

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

Banco Estado, New York Branch

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

Banco Santander-Chile

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

BBVA (Chile)

Local currency and foreign currency long-term Counterparty Risk Ratings of A2

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

Coopeuch - Cooperativa de Ahorro y Crédito

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa1

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

Itaú CorpBanca

Local currency and foreign currency long-term Counterparty Risk Ratings of A2

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

The following ratings were assigned to banks in Colombia:

Banco Davivienda S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa2

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

Banco de Bogotá S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa1

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

Banco GNB Sudameris S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba1

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

Bancolombia S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa1

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

BBVA Colombia S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa1

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

The following ratings were assigned to banks in Costa Rica:

Banco de Costa Rica

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba2

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

Banco Nacional de Costa Rica

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba1

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

The following ratings were assigned to banks in Dominican Republic:

Banco de Reservas de la República Dominicana

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba3

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

The following ratings and assessments were assigned to banks in El Salvador:

Banco Agrícola, S.A.

Foreign currency long-term Counterparty Risk Rating of B1

Foreign currency short-term Counterparty Risk Rating of Not Prime

Banco de Desarrollo de El Salvador

Foreign currency long-term Counterparty Risk Rating of B2

Foreign currency short-term Counterparty Risk Rating of Not Prime

Long-term Counterparty Risk Assessment of B2(cr)

Short-term Counterparty Risk Assessment of Not Prime(cr)

The following ratings for banks in El Salvador were affirmed

Banco de Desarrollo de El Salvador

Long-term foreign currency issuer rating of B3, stable

The following ratings were assigned to banks in Guatemala:

Banco de los Trabajadores

Local currency and foreign currency long-term Counterparty Risk Ratings of B2

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

Banco Industrial S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba1

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

The following ratings were assigned to banks in Panama:

BAC International Bank, Inc

Foreign currency long-term Counterparty Risk Rating of Baa2

Foreign currency short-term Counterparty Risk Rating of Prime-2

Banco General, S.A.

Foreign currency long-term Counterparty Risk Rating of Baa1

Foreign currency short-term Counterparty Risk Rating of Prime-2

Banco Internacional de Costa Rica, S.A.

Foreign currency long-term Counterparty Risk Rating of Ba3

Foreign currency short-term Counterparty Risk Rating of Not Prime

Banco Latinoamericano de Comercio Exterior

Foreign currency long-term Counterparty Risk Rating of Baa1

Foreign currency short-term Counterparty Risk Rating of Prime-2

Global Bank Corporation and Subsidiaries

Foreign currency long-term Counterparty Risk Rating of Baa3

Foreign currency short-term Counterparty Risk Rating of Prime-3

The following ratings were assigned to banks in Paraguay:

Banco Basa S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba2

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

Banco Bilbao Vizcaya Argentaria Paraguay S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa3

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-3

Banco Continental S.A.E.C.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba1

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

Banco Regional S.A.E.C.A

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba1

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

The following assessments of banks in Paraguay were upgraded:

Banco Bilbao Vizcaya Argentaria Paraguay

Long-term counterparty risk assessment to Baa3 (cr), from Ba1(cr)

Short-term counterparty risk assessment to P-3(cr), from Not Prime(cr)

The following ratings were assigned to banks in Peru and their respective offshore branches:

Banco de Crédito del Peru

Local currency and foreign currency long-term Counterparty Risk Ratings of A3

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

Banco de Crédito del Peru, Panama Branch

Foreign currency long-term Counterparty Risk Ratings of A3

Foreign currency short-term Counterparty Risk Ratings of Prime-2

Banco Internacional del Peru -- Interbank

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa1

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

Banco Internacional del Peru (Panama Branch)

Foreign currency long-term Counterparty Risk Ratings of Baa1

Foreign currency short-term Counterparty Risk Ratings of Prime-2

Corporación Financiera de Desarrollo S.A.

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa2

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

Long term Counterparty Risk Assessment of Baa2(cr)

Short term Counterparty Risk Assessment of Prime-2(cr)

Scotiabank Peru

Local currency and foreign currency long-term Counterparty Risk Ratings of A3

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

The following ratings for banks in Peru were affirmed

Corporación Financiera de Desarrollo S.A.

Local Currency and foreign currency long-term issuer rating of Baa3, negative

What Could Change the Rating Up/Down

Chilean Banks

The CRRs of Banco de Chile, Banco Santander-Chile, Banco del Estado de Chile, and Banco de Crédito e Inversiones could be upgraded if the sovereign rating were to be upgraded; however, there is limited upward rating pressure at present given the negative outlook on the sovereign rating. The CRR of Itaú CorpBanca could be upgraded if the bank's capitalization improves. An upgrade of BBVA (Chile)'s CRR would be prompted by a combination of improvements in its capitalization and profitability, and an upgrade of the adjusted BCA of its current parent, Banco Bilbao Vizcaya Argentaria, S.A. (BBVA Spain, Deposits: A2 stable, Senior Unsecured: A3 stable, BCA: baa2). Following the completion of the bank's pending sale to Bank of Nova Scotia (Deposits: A1 negative, BCA: a3), however, an improvement in the bank's financial fundamentals will be sufficient to prompt an upgrade of the CRR. Coopeuch -- Cooperativa de Ahorro y Crédito's CRR could be upgraded if it is able to execute its five-year expansion plan without a major deterioration in its capitalization, asset quality or profitability.

The CRRs of Banco de Chile, Banco Santander-Chile, Banco del Estado de Chile, and Banco de Crédito e Inversiones could be downgraded if the Chilean sovereign rating is downgraded, in line with its negative outlook. The CRRs of Banco de Chile and Banco Santander-Chile, as well as BBVA (Chile) and Coopeuch -- Cooperativa de Ahorro y Crédito, could also be downgraded as a result of a substantial deterioration in asset quality, earnings generation, and capitalization. The CRR of Itaú CorpBanca could be downgraded if the bank's profitability weakens or asset risk increases, or if its dependence on wholesale funding does not decrease.

Colombian Banks

The CRRs of Bancolombia S.A., Banco de Bogotá S.A., and BBVA Colombia S.A. could be upgraded if the sovereign rating were to be upgraded; however, there is limited upward rating pressure at present given the negative outlook on the sovereign rating. The CRR of Banco Davivienda S.A. could be upgraded if the sovereign rating were to be upgraded together coupled with an improvement in the bank's financial fundamentals. Upward pressure on Banco GNB Sudameris S.A.'s CRR could arise from a substantial improvement in capitalization, a significant and sustainable increase in core earnings, and/or an improvement in the bank's funding structure.

The CRRs of Bancolombia S.A. and Banco de Bogotá S.A. could be downgraded if the Colombia sovereign rating is downgraded, in line with its negative outlook if their asset quality continues to deteriorate, or their capital ratios weaken. The CRR of Banco Davivienda S.A. could be downgraded if asset risk and profitability continue to deteriorate and/or the bank is unable to sustain capitalization at current levels. The CRR of BBVA Colombia S.A. could be downgraded if its liquidity position, capitalization, or profitability weaken or if the standalone BCA of its parent, BBVA Spain, were to be downgraded. Banco GNB Sudameris S.A.'s CRR could be downgraded if the bank's reliance on wholesale funding increases and/or its liquidity position deteriorates.

Central American banks

The CRRs of Global Bank Corporation and Subsidiaries (Global Bank), BAC International Bank, Inc (BAC), Banco Latinoamericano de Comercio Exterior (Bladex), Banco de los Trabajadores (Bantrab) and Banco Internacional de Costa Rica, S.A. (BICSA) would be upgraded if their financial fundamentals improve. The CRRs of Banco Industrial S.A. (Banco Industrial), Bandedal, Banco de Costa Rica (BCR), Banco Nacional de Costa Rica (BNCR), Banco General, S.A. (Banco General), Banco Agrícola and Banco de Reservas de la Republica Dominicana (Banreservas) could be upgraded if the respective sovereigns of Guatemala, El Salvador, Costa Rica, Panama and the Dominican Republic are upgraded.

The CRRs of Global Bank, BAC, Bladex, Bantrab and BICSA would be downgraded if their asset quality, profitability, and/or capital levels deteriorate. The CRRs of Banco Industrial, Bandedal, BCR, BNCR, Banreservas and Banco Agrícola, S.A. (Banco Agrícola) would be downgraded following a downgrade in the

respective sovereign ratings. Banco General's CRR would be lowered if either its financial fundamentals deteriorate, or if Panama's sovereign rating is downgraded, though this is unlikely at present given the positive outlook on the government's rating.

Paraguayan Banks

Paraguayan banks' CRR's could face positive pressure as a result of improved profitability and asset quality, as well as increased portfolio diversification. Negative pressure on CRRs could result from persistent deterioration in asset quality or a decline in profitability. Additionally, a downgrade of Paraguay's ratings and deposit ceilings would lead to lower CRRs at Banco Continental S.A.E.C.A., Banco Regional S.A.E.C.A. and Banco Basa S.A.. Banco Bilbao Vizcaya Argentaria Paraguay S.A.'s CRR could also face upward or downward pressure if the ratings of its support provider, BBVA Spain were to be upgraded or downgraded.

Peruvian Banks

Peruvian banks' CRR's could face positive pressure if their asset risk and capitalization improve. Negative pressure on CRRs could result from persistent deterioration in asset quality, profitability, and/or capital. Additionally, a downgrade of Peru's sovereign ratings would lead to lower CRRs.

The principal methodology used in these ratings was Banks published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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