

MOODY'S

RATINGS

Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Multibank, Inc.

16 Sep 2024

New York, September 16, 2024 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Multibank, Inc. and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 12 September 2024 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

Multibank, Inc.'s Ba1 long-term deposit rating is one notch above the bank's ba2 Baseline Credit Assessment (BCA), reflecting our assessment of the bank's very high probability of support from its ultimate parent, Banco de Bogotá, S.A. (Baa2 negative, ba1) if needed.

Multibank's ba2 BCA reflects the recent stabilization of the bank's financial performance in the past two quarters, as reflected in higher profitability and a slight improvement in asset quality, as well as a lower reliance on market-based funding. Furthermore, the bank has maintained robust capitalization in line with moderate growth and earnings retention, which continues to be a significant positive factor in its financial profile. Deterioration of the bank's asset quality metrics beginning in 2022, resulted in much lower profitability, due to a combination of high loan loss provisioning expenses, subdued credit growth, and a sharp increase of funding costs.

In June 2024, Multibank's problem loan ratio, measured as loans classified as Stage 3 (IFRS9), stood at 7.7% of gross loans, slightly below the 8% average in 2022-23, but

still significantly above the 4.8% at the end of 2021. Likewise, the bank's net income for the first half of 2024 rose to \$5.8 million, 4x increase compared to the same period in 2023 and indicating a positive shift in the bank's bottom-line performance following a challenging previous year. However, annualized net income still remains at a relatively modest 0.2% of tangible banking assets as of June 2024.

Multibank's strategy to diversify funding sources, strengthen its deposit base, and substitute costly bank credit lines with core deposits from individual customers, has resulted in lower market funding at 19.5% of tangible banking assets, down from 32% in 2022.

The outlook on the deposit ratings is stable, reflecting our expectation that the bank's financial metrics will remain broadly unchanged over the next 12-18 months.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Banks Methodology published in March 2024. Please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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