MOODY'S RATINGS

CREDIT OPINION

24 July 2025

Update

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RATINGS

Multibank, Inc.

Domicile	Panama
Long Term CRR	Baa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Ba1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
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.

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Multibank, Inc.

Update to credit analysis following affirmation, outlook remains stable

Summary

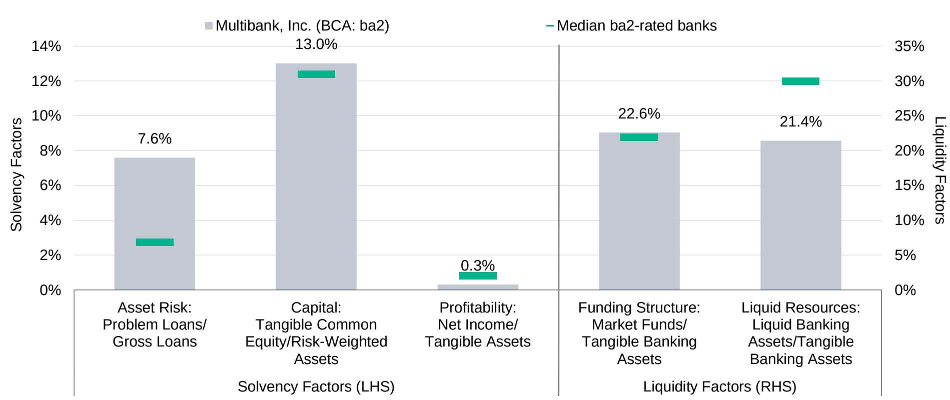
Multibank, Inc.'s (Multibank), ba2 baseline credit assessment (BCA) reflects the bank's financial fundamentals that continue on a gradual stabilization mode, reporting relative improvement in profitability and asset quality, which, however, has not yet been enough to reinforce its capital replenishment ability to support business growth. This follows a two-year period marked by significantly weakening asset quality and profitability metrics, which continue to weigh on the bank's financial profile. Without meaningful further improvements in the bank's profitability and asset quality, particularly in comparison to the evolution of Panamanian peers, downward pressure on the bank's BCA will continue to grow.

Multibank's Ba1 long-term deposit and senior unsecured ratings incorporates our assessment of a very high probability of support from its ultimate parent, Banco de Bogota S.A. (Baa3 stable, ba1) if needed, which results in a one-notch uplift from the bank's ba2 BCA.

Exhibit 1

Rating scorecard - Key Financial Ratios

Multibank's data as of 31 March 2025



Ratios are from Moody's banking scorecard. The capital ratio is as of the most recent period; the asset risk and profitability ratios are the worse for the most recent year-to-date period or the average of the last three years and the most recent year-to-date; the funding structure and liquid resources ratios are as of the most recent year-end.
Source: Moody's Financial Metrics

Credit strengths

» Stable capitalization, supported by moderate loan growth and null dividend payouts

» Benefits from its parent's management expertise, Banco de Bogotá S.A. and Grupo Aval Acciones y Valores S.A.'s (Grupo Aval, Ba2 negative) risk management policies and financial support

» Funding diversification strategy aims to limit refinancing and repricing risks

Credit challenges

» Marginal improvements in profitability and asset quality add pressure on the bank's financial profile

» High concentration in legacy single-name exposures, mostly construction and agribusiness corporates

» Low levels of loan loss reserve coverage of its Stage 3 loans relative to peers in Panama

Outlook

The stable outlook is in line with the stable outlook on Banco de Bogota S.A.'s Baa3 deposit rating and reflects our expectation that the bank's importance and very high support from its parent Colombian bank, if and when needed, will remain intact for the foreseeable future. However, Multibank's ba2 BCA remains under pressure.

Factors that could lead to an upgrade

We could upgrade Multibank's ba2 BCA if there is a sustainable improvement in its earnings generation as it restores loan growth in the next 12-18 months. A sustainable and material improvement in the level of problem loans, combined with an increase in loan loss reserve coverage that would support the loss absorption capacity would also pressure the rating upward.

Factors that could lead to a downgrade

Conversely, the ratings could be downgraded without meaningful improvements or further deterioration in the bank's asset quality metrics, resulting in higher credit losses, which would impair loan loss reserve coverage levels, profitability and capital buffers. A persistence of weak profitability could compromise the bank's capacity to replenish capital through earnings, which could be negative in the long run. A lower BCA would have limited downward pressure on the bank's deposit and debt ratings given our assumption of very high support from Banco do Bogota S.A.

Key Indicators

Exhibit 2
Multibank, Inc. (Consolidated Financials) [1]

	03-25[2]	12-24[2]	12-23[2]	12-22[2]	12-21[2]	CAGR/Avg.[3]
Total Assets (USD Million)	5,075.2	5,180.6	4,924.2	5,122.1	4,877.8	1.2[4]
Tangible Common Equity (USD Million)	460.4	453.5	449.9	440.9	422.3	2.7[4]
Problem Loans / Gross Loans (%)	6.8	7.6	7.7	8.3	4.8	7.0[5]
Tangible Common Equity / Risk Weighted Assets (%)	13.0	12.7	14.3	15.0	14.0	13.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	49.8	55.3	54.4	60.2	33.5	50.6[5]
Net Interest Margin (%)	1.6	1.5	1.6	2.3	2.2	1.8[5]
PPI / Average RWA (%)	1.6	0.9	1.0	1.9	2.0	1.5[6]
Net Income / Tangible Assets (%)	0.4	0.1	0.2	0.6	0.3	0.3[5]
Cost / Income Ratio (%)	56.8	73.4	72.9	60.4	59.3	64.6[5]
Market Funds / Tangible Banking Assets (%)	20.7	22.6	23.0	32.4	29.6	25.6[5]
Liquid Banking Assets / Tangible Banking Assets (%)	19.4	21.4	20.3	20.9	20.6	20.5[5]
Gross Loans / Due to Customers (%)	110.9	110.6	109.3	123.1	118.7	114.5[5]

[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 Ratings and company filings

Profile

Established in 1990, Multibank, Inc. (Multibank) is a diversified commercial and consumer lender based in Panama, where it holds 91% of its lending activities. Multibank provides a wide range of financial services, mainly related to corporate, investment, mortgage and consumer banking, as well as insurance, factoring and leasing services. As of March 2025, the bank was the seventh-largest lender in the country, with a 5% market share in terms of domestic loans and the ninth largest bank in terms of domestic deposits, with a 4% market share.

Multibank is a wholly owned subsidiary of Multi Financial Group Inc. (MFG), which, in turn, is a subsidiary of Multi Financial Holding Inc. MFG was acquired in May 2020 by Colombia-based Banco de Bogotá (accounting for 15% of its total assets in December 2024), ultimately controlled by Grupo Aval. Multibank benefits from Banco de Bogotá's management oversight, which enhances the bank's corporate governance, risk management and compliance standards. As of March 2025, the bank had USD5.1 billion in assets and USD3.8 billion in gross loans.

Detailed credit consideration

Large troubled exposures and tight reserve coverage continue to drive elevated asset risks

We expected Multibank's asset risk to remain elevated, despite ongoing efforts to clean up its legacy nonperforming loans (NPLs) through sizeable NPL write-offs, and very low levels of loan loss reserving.

As of March 2025, Stage 3 loans under IFRS 9 accounting standards accounted for 6.8% of gross loans, from 7.4% a year earlier, but still high, above the 4.8% at the end of 2021, and above that most of its Panamanian peers. Loans past due by more than 90 days rose to 2.8% from 2.2% in the same period.

The bank's capacity to absorb credit losses remains limited, with loan loss reserves covering just 25% of Stage 3 loans and 62% of 90-day past-due loans in March 2025. However, the bank's higher than average exposure to corporate loans and its good levels of collateral partly mitigates asset risks. Almost 70% of Multibank's portfolio is covered by some type of collateral primarily by real estate related with 53% of total loans. Historically, the banks has maintained good levels of collateral.

As of March 2025, the corporate and SME portfolio comprised 53% of total loans. Within this segment, 29% were extended to the commerce sector, 22% to construction companies, 14% to agribusiness, and 13% to manufacturing. Consumer loans and residential mortgages represented 26% and 21% of the total loan portfolio, respectively.

Likewise, as of March 2025, loan portfolio expanded 5.6% compared with the same period a year earlier, driven by the consumer (mainly credit cards and personal loans) and corporate segments which expanded 10% and 6%, respectively.

Stable capitalization, supported by moderate loan growth and null dividend payouts

Multibank's capital position has remained stable in the past two years, in line with moderate growth and earnings retention. Tangible common equity to risk-weighted assets (TCE / RWAs), our preferred capital metric, remained stable at a sound 13.0% as of March 2025.

The bank has maintained a conservative dividend policy since 2020 and limited credit risk consumption, preserving capitalization levels despite strained bottom line results in the past three years.

Efficiencies and non-interest income partly compensate loan loss provisioning and stable interest margins

Profitability, while showing early signs of recovery, remains modest. Earnings were primarily supported by non-interest income and cost efficiencies, largely derived from shared services provided by BAC International Bank, Inc (Ba1 stable, ba1), offsetting the impact of increasing provisioning expenses as the bank grows on lending businesses.

Net income nearly doubled in the first quarter of 2025 compared to the same period in 2024, yet annualized returns stood at just 0.4% of tangible banking assets. Net interest margin (NIM) remained stable at 1.6% as of March 2025 with interest income outpacing the growth of interest expenses, as the bank aims to increase its deposit base to reduce funding costs in an environment of still high interest rates. Additionally, net fee income, primarily from account management fees, foreign exchange commissions, and credit card fees, constituted a significant 20% of net revenue.

Despite the stabilization in credit performance, credit costs remain high due to a conservative approach from management to restructured loans. Loan-loss provisions represented 62% of pre-provision income or 0.9% of gross loans in March 2025, from 59% and 0.5% respectively, a year earlier. Similarly, charge-offs significantly increased in 2025 to 3.4% of gross loans, compared with the 0.7% last year.

Moreover, cost-to-income ratio stood at 57% in March 2025, down from 73% a year earlier, supporting overall bottom-line results in the quarter.

Funding diversification strategy aims to limit refinancing and repricing risks

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 20.7% in March 2025 of tangible banking assets, down from 32% in 2022. Deposits, which are still largely corporate and, thus, more expensive than retain demand deposits, are much concentrated on fixed-term deposits, representing 51% of total liabilities as of March 2025.

At the same time, the bank has maintained adequate levels of liquid assets during the past 3 years, at around 21% of tangible banking assets in March 2025. Furthermore, the bank's investment portfolio is predominantly made up of government bonds, constituting 75% of its investments, of which 81% are considered investment-grade securities. These high-quality investments serve as a protective buffer against potential stress situations.

Multibank's ratings incorporate Panama's Moderate Macro Profile

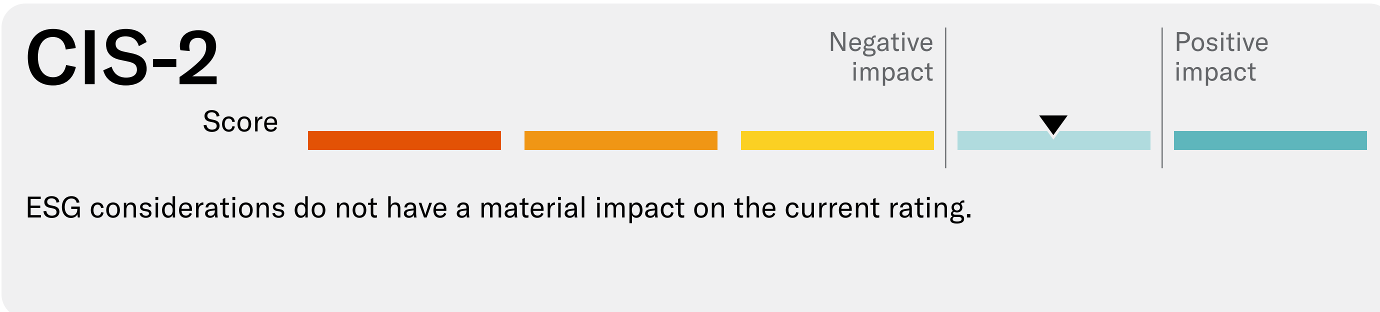
Panama's (Baa3 stable) macro profile (Moderate) reflects the country's continued robust economic performance, favorable growth prospects and broad macroeconomic stability supported by high investment rates and the key role of the Panama Canal in global trade. The long-standing commitment to dollarization has imposed some limits on macroeconomic policymaking, but it has provided a very long track record of macroeconomic stability to Panama.

Panama's credit penetration is relatively high, although we estimate that nominal GDP will continue to outpace credit growth, as it has since 2021, as still-challenging operating conditions for banks will likely continue to weigh on risk appetite. Banks' balance sheet exposure to commercial real estate (CRE), one of the most affected sectors in recent years, has decreased significantly since 2020. Despite the lack of a lender of last resort leading to riskier funding conditions, dollarization supports banks' funding by limiting exposure to external shocks derived from currency mismatches. Market funding has remained stable in the past three years and we do not expect a significant increase because of the still-moderate growth prospects. The banking sector is fragmented and some consolidation among smaller participants is likely because of strong competition and limited economies of scale.

ESG considerations

Multibank, Inc.'s ESG credit impact score is CIS-2

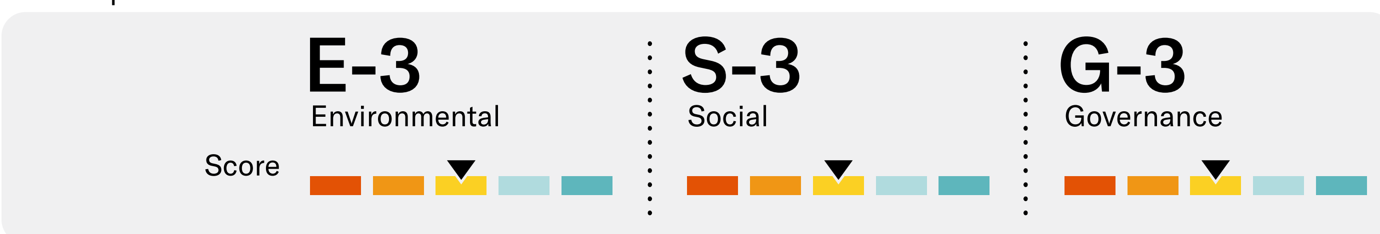
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Multibank's **CIS-2** score indicates that ESG considerations do not have a material impact on the current ratings.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Multibank faces moderate environmental risks, primarily because of its portfolio exposure to carbon transition risk as a diversified bank in Panama, and its overall low exposure to industries that are mostly affected by carbon transition risks. In line with its peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals.

Social

Multibank faces moderate social risks, associated with the bank's good conduct track record demonstrates the effective management of conduct risks by developed policies and procedures. Opportunities from financial inclusion in Panama are reflected in a better-than-industry average exposure to demographic and societal trends. Further, the bank's long track record of handling sensitive customer data as well as technology solutions and organizational measures to prevent data breaches and business disruption help to manage high cyber and personal data risks.

Governance

Multibank faces moderate governance risks. The bank has adequate corporate governance and risk management practices, further supported by the track record of its management team, that mitigates risks arising from the bank's concentrated ownership structure and a complex organizational structure, reflecting the bank's wholly owned subsidiary without brand/name association to that of its parent bank.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support considerations

Multibank's Ba1 long-term deposit and debt ratings reflects our assessment of a very high probability of support from its ultimate parent, Banco de Bogotá, in case of need, benefiting from one-notch uplift for affiliate support from its BCA of ba2.

Government support considerations

Multibank's foreign-currency Ba1 deposit ratings are in line with the bank's Adjusted BCA. We do not expect government support for privately owned banks in Panama because it is a fully and legally dollarized country with no central bank to act as a true lender of last resort.

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 5
Rating Factors

Macro Factors							
Weighted Macro Profile	**Moderate**	**100%**					

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	7.6%	ba3	↔	b2	Expected trend	Collateral and provisioning coverage
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	13.0%	baa2	↔	baa3	Access to capital	Capital retention
Profitability						
Net Income / Tangible Assets	0.3%	b1	↔	b2	Expected trend	
Combined Solvency Score		ba2		ba3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	22.6%	ba1	↔	ba2	Deposit quality	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	21.4%	ba1	↔	ba2	Quality of liquid assets	
Combined Liquidity Score		ba1		ba2		
Financial Profile		ba2		ba3		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Baa3		
BCA Scorecard-indicated Outcome - Range				ba2 - b1		
Assigned BCA				ba2		
Affiliate Support notching				1		
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	-		Baa3
Counterparty Risk Assessment	1	0	baa3 (cr)	-	Baa3(cr)	
Deposits	0	0	ba1	-		Ba1
Senior unsecured bank debt	-	-	-	-		Ba1

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

Ratings

Exhibit 6

Category	Moody's Rating
MULTIBANK, INC.	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Ba1/NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured	Ba1
ULT PARENT: GRUPO AVAL ACCIONES Y VALORES S.A.	
Outlook	Stable
Issuer Rating	Ba2
ST Issuer Rating	NP

Source: Moody's Ratings

REPORT NUMBER 1451813

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