

## Press Release

# Rating Action: Moody's assigns Counterparty Risk Ratings

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

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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

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.

### RATING RATIONALE

Moody's said that the assigned CRR is in line with the bank's CRA.

Moody's does not consider the host country of the bank to be a jurisdiction with operational resolution regime. Consequently, in assigning CRR, the rating agency starts with the bank's 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 bank's adjusted BCA 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.

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The CRR then incorporates governmental support, which can result in additional uplift depending on the government's rating together with Moody's assessment of the government's willingness to provide support to the bank.

### What Could Change the Rating Up/Down

The CRR of Banco de los Trabajadores (Bantrab) would be upgraded if its financial fundamentals improve. The CRR of Bantrab would be downgraded if its asset quality, profitability, and/or capital levels deteriorate.

The methodologies used in these ratings were Banks published in June 6 2018. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

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