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Risk Rating Methodology for Multilateral or Supranational Financial Institutions

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Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 2/15
---	------------------------	----------------	---------------

Table of Contents

1. Purpose.....	3
2. Scope	3
3. Definitions	3
4. Basic Conditions	3
Fundamentals of MFIs	3
Multilateral lending	4
5. Specific Conditions	5
Methodology	5
Strengths and limitations	7
Grading categories	8
6. Appendices	11
Appendix A: Quantitative Indicators	12

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 3/15
--	------------------------	----------------	---------------

1. Objective

To describe the risk rating methods and criteria used by PCR for multilateral or supranational financial institutions (MFIs) whose primary activity is focused on global development financing, financial stability, financial cooperation, or regional development. This methodology complements the risk rating methodologies for banks and financial institutions.

2. Scope

These risk rating criteria are applied in the preparation of the risk profile of the multilateral or supranational financial institution, assessing its financial strength or the payment capacity of its issuances, and also consider potential extraordinary support or equity intervention from any of its members (founder, member, or shareholder). MFIs are those international institutions whose members are government agencies and that devote a significant portion of their activities to development and support for beneficiary countries. A contribution to these organizations is considered multilateral if it is combined with other contributions and managed at the agency's discretion. An IFM's risk rating is based on an assessment of its role, mandate, policies, and the strength and stability of its members' relationships, as well as its status as a preferred creditor. This is then supplemented by risk factors that determine its governance, knowledge, and the experience of its managers. Additionally, specific performance factors such as solvency, risk position (project portfolio), funding, and liquidity are considered. Finally, specific guarantees that may exist for issues by a member are considered as risk-mitigating factors.

Financial institutions known as development banks, promotion banks, or second-tier banks are also rated using this methodology.

For any information, please contact us at metodologias@ratingspcr.com.

3. Definitions Multilateral

Organization

International institutions whose members are government agencies and that devote a significant portion of their activities to development and support for recipient countries. *E.g.: multilateral organization* **Multilateral support system**

This is the sum of all funds provided to and channeled through multilateral organizations; also referred to as *core* and *non-core* resources. More specifically, the multilateral aid system consists of official development assistance (*core* resources) and bilateral aid (*non-core* resources), which may be earmarked or *multi-bi*. *E.g.: multilateral aid system*

Official Development Assistance (ODA)

Consists of grants and loans provided by official agencies, intended for developing countries. ODA is channeled through Multilateral Financial Institutions and Bilateral Cooperation Agencies, which manage these funds. Based on each institution's objectives, strategic guidelines are designed to guide the execution of their budgets. *E.g.: official development assistance*

International financing

These are funds that can be invested in companies located outside the investor's country of residence. They also refer to transactions occurring between one or more countries. *E.g.: international financing*

4. Basic conditions

Fundamentals of MFIs

Most developed countries allocate a portion of their budget to Official Development Assistance (ODA) with the aim of helping less developed countries improve their economic and social conditions. Most of the funds are used to finance projects that contribute to development and the improvement of living conditions and quality of life in recipient countries. These projects are often carried out by private-sector companies and represent an attractive business opportunity.

IFMs may be supranational or intergovernmental in nature and differ from so-called NGOs (Non-Governmental Organizations), which also have an institutional structure but do not involve states or public administrations; instead, they are associations that may bring together natural or legal persons of a public or private nature, from a single state or from different states. The latter are legal entities

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 4/15
--	------------------------	----------------	---------------

that are established and operate under private law, whereas international organizations fall within the sphere of public international law.

The operational structure of the MFIs is diverse, given the large number of participating states, depending on whether they are supranational entities with financial and decision-making autonomy within the scope defined by their statutes, or intergovernmental organizations. In both cases, there is a supreme body—the Assembly or General Assembly—where all participating member states are represented and adopt the organization’s main policy guidelines. To streamline operations, certain functions are delegated to an executive body composed of a limited number of members.

The evolution of the international economy and of individual countries drove the transformation of international organizations and the emergence of new bodies with specific functions, generally of a regional or subregional nature, to address more directly the development needs of specific geographic areas. In some of these regions—such as Africa and Asia—the end of the colonial era gave way to the creation of numerous states that have altered the conditions of international relations.

To simplify this complex landscape, we can distinguish four major groups of organizations based on the similarities in their operations from a commercial and business perspective:

- **Multilateral development banks:** These institutions generally operate by providing loans to recipient countries for projects (whether government-led or private, with or without a government guarantee). Although the recipient country is responsible for implementing the projects, it must follow the procedures of the financing institution, which will oversee the project’s implementation. The Bank disburses its loans as the project progresses and the borrower incurs obligations related to its implementation.
- **External Aid Programs of certain regional organizations:** these generally operate on the basis of grants earmarked for projects. We will specifically mention the European Union, as it is one of the largest donors in the multilateral arena.
- **United Nations Procurement Agencies (more than 50 agencies and funds):** their overall objective is to facilitate development and humanitarian aid, and they generally operate on the basis of project-specific grants.
- **Bilateral cooperation agencies (including support through ministries and government cooperation agencies):** they obtain their funding from the general budgets of the respective governments and offer various financing schemes. This is generally tied aid (the project must procure most of its goods and services from companies in the donor country).

Multilateral loans

Private capital flows are considered to be highly cyclical and geographically concentrated, and it is possible that this market distortion contributes to the prevalence of multilateral loans. However, the externalities arising from the availability of information regarding the quality of the investment environment in different countries and the politicization of financing under intergovernmental ties are better-validated reasons (Rodrik, 1995).

The level of private capital flows to a country is determined by many factors, including the returns on investment projects, macroeconomic conditions, and government policies that directly affect the performance of each foreign investment. Therefore, private agents have sufficient incentives to gather detailed information regarding project performance, the economic environment, and the measures taken by governments. However, project information is often private and restricted, while information on the economic environment and policies is limited primarily by its public nature. This is why financial institutions, such as multilateral ones, are able to effectively align their principles and objectives with the collection and dissemination of the information necessary for foreign investment decision-making. In practice, MFIs establish strong partnerships with each member or beneficiary government to closely monitor the current and future state of these economies, as well as the performance of key government policies; this monitoring is ultimately vital for international finance.

However, the wide availability of information and their strong capacity regarding the performance of economies and their projects allows MFIs to agree to grant loans for the development of member economies. In this way, MFIs strengthen their monitoring capacity and mitigate the risks of such positions by establishing a better priority order for payments compared to private lenders.

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 5/15
--	------------------------	----------------	---------------

An additional role played by MFIs is their conditional function, aimed at achieving their objectives in the development of the beneficiary economies. Furthermore, these types of institutions typically prohibit any politically motivated actions or statements, thereby reinforcing their independence. In other words, the greater their level of professionalism and independent management, the more effective their oversight will be in fulfilling their mandate.

5. Specific Conditions

The evaluation of the IFM begins with the methodology used by banks and financial institutions to determine their strengths and weaknesses regarding their positioning, results, compliance, solvency, and operational efficiency. These aspects help determine their importance to their members.

Methodology

The assessment focuses on analyzing the institution's policies, experience, and governance. Next, it examines the strength of its capital relative to its risk exposure, as well as its liquidity and funding. Finally, it reviews whether there is any extraordinary support from any of the member countries.

The factors to be analyzed are:

- Mandate, role, and relationship with member countries
- Preferred creditor treatment
- Governance and experience of its administrators
- Capital and risk position
- Funding and liquidity

a. Mandate, role, and relationship with member countries

Consideration is given to the importance of its mandate and its role in the economic development of member countries or the issue for which it was created. Furthermore, it is necessary to analyze the extent to which this role can be fulfilled by other institutions. Experience is another fundamental aspect, as it allows for an assessment of its capacity to fulfill its mandate throughout the life cycle of each project it promotes.

Based on the legal relationship established—whether it involves two or more countries—relationships established through treaties are prioritized over agreements or less formal ties. Furthermore, the strength and stability of the relationship are considered, which is evaluated based on the member's intention and capacity to continue providing additional resources and its expansion to new members or beneficiaries.

b. Preferred Creditor Treatment

The PCR's approach to analyzing preferred creditor treatment or other forms of preferential treatment is based on payment behavior over the past ten years and, prospectively, by evaluating such behavior through the end of the benefit period.

Although MFIs' exposures cannot legally be honored, MFIs have historically been exempt from debt rescheduling on sovereign debt compared to private debt. This is due to the nature of their mandate, the value or importance debtors place on the benefit, and because debtors expect to receive even greater support. Now, while there have been instances of default to MFIs or payment rescheduling, these institutions have created mechanisms to mitigate such risk, such as immediately limiting access to financing from other MFIs.

On the other hand, there are MFIs with greater exposure to private debtors than to sovereigns, and depending on the level of exposure, preferential treatment may be considered limited, or even that their probability of default is higher than that of a private creditor. In these cases, there may be agreements that incentivize payment to MFIs before other creditors, such as allowing for financing restructurings.

c. Governance and Experience of Management

The assessment of an MFI's governance and management experience is based on its strategy, ownership structure, and the experience and risk management capabilities of its managers.

MFIs are not considered to be regulated or governed by any national or international law; therefore, the analysis of their strategy is based on the purpose of their own mandate. MFIs are expected to be able to achieve their financial and operational objectives. In the case of MFIs established as legal entities, their governance and audit structures, dividend policies, and private shareholder participation are analyzed. When there are

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 6/15
--	------------------------	----------------	---------------

Shareholders who have conflicts of interest with respect to the MFI’s primary purpose and who also exert significant influence over decision-making are understood to expose the institution to conflicts (such as low profit retention, corruption, and others), particularly in stress scenarios.

With regard to its managers, the level of preparation and experience related to the MFI’s main business lines and the application of sound financial management and risk policies are important. The institution’s ability to replace human capital without affecting the normal course and outcome of operations is also taken into account. The ability of its managers to successfully implement the strategic plan and any potential changes to it is also considered.

d. Capital and Risk Position

With regard to capital, the PCR analysis focuses on capital adequacy and its recent performance, as well as future projections. Since MFIs do not have minimum regulatory capital requirements, the capital ratio is calculated based on the provisions of our risk rating methodologies for financial institutions. Adjustments may be made to this ratio depending on the specific attributes of each MFI, such as preferred creditor status, higher risk exposure, portfolio diversification, or concentration by borrower. It should be noted that MFIs may be geographically concentrated or concentrated by business line since the inception of the mandate.

Projections of the capital ratio are evaluated by taking into account internal profit generation, income from new paid-in capital, and collections on loans to borrowers; in addition to expansion plans, changes in strategy, increased or decreased risk appetite, and estimates of credit default losses. For example, when profit growth does not keep pace with business growth, the capital ratio would be expected to deteriorate unless there is access to external resources.

When assessing an MFI’s risk profile, its loan repayment performance and risk management practices are taken into account. While the MFI’s status as a preferred creditor is viewed positively—as it effectively mitigates credit risk losses—it is expected that specific collateral could further mitigate the assumed risk, depending also on its liquidity. Another aspect to consider is the share of the loan portfolio allocated to the private sector, as these loans have a higher probability of default than sovereign loans. Furthermore, in the case of development finance institutions, promotion agencies, or second-tier banks, the level of risk they assume directly from borrowers in the loan portfolio is also evaluated, independent of the counterparty risk with the financed financial institution.

Risk management is based on factors such as risk tolerance level, write-off and recovery standards, the entry into new, higher-risk business lines, loan covenants, portfolio expansion into other markets, and the management of traditional risks such as interest rate, currency, derivatives, concentration, and monitoring through stress scenario analysis.

e. Funding and Liquidity

At this stage, an analysis is conducted of the strength and potential volatility of its funding structure. Furthermore, since MFIs do not have access to central bank funds or their liquidity facilities, they obtain funding through capital markets, and other MFIs may borrow from other MFIs, bilateral institutions, development banks, or even private commercial banks.

When analyzing the funding structure, the diversity of sources and access to capital markets are reviewed. Also considered are exposure to different currencies, the frequency and size of issuances, yield rates and *spreads*, and the match between liabilities and assets.

Regarding liquidity, the analysis focuses on management under normal operating conditions and the most adverse economic scenarios. The liquidity ratio used is the same as that for banking institutions developed by PCR in its financial institutions methodology. This ratio is analyzed over different time periods, and when weaknesses are identified in a given period, the review is deepened for shorter periods. Conversely, when liquidity is strong, the speed with which receivables can be liquidated within a period of less than one year is analyzed.

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 7/15
---	------------------------	----------------	---------------

Access to sources of last-resort liquidity is positively recognized in the MFI's payment capacity. Additionally, counterparty risk and payment capacity, as well as their concentration, are reviewed.

These five risk dimensions are used to determine the MFI's individual rating as an issuer. For the rating of its issues, the partial-guarantee issuance risk methodology will be used when the program includes such guarantees.

Rating Enhancers and Limiting Factors

A significant rating enhancer is the likelihood that the MFI will receive extraordinary support from member countries or other committed parties in the form of capital injections. MFIs typically establish capital call mechanisms with their members under certain circumstances that warrant it. Similarly, guarantees serve as enhancers since they enable the MFI to obtain secured capital.

For the support or guarantee to positively affect the MFI's rating, they must have a payment capacity greater than or equal to that of the MFI. The extent to which the support or guarantee can improve the rating will depend, in addition to its intent and capacity, on the legal adequacy of the support, the delivery process, and the degree of importance of the support to the MFI.

A key limitation is that when the MFI exhibits significant weaknesses in its capital and leverage, the ability to generate profits becomes more critical.

Finally, these factors could improve or limit the individual rating by up to three *notches*.

Rating Categories

- Short-term issues (ST)¹

High	1+	Securities with the highest certainty of timely payment. The issuer's short-term liquidity, protective factors, and access to alternative sources of funds are excellent.
	1	Securities with very high certainty of timely payment. Liquidity and protection factors The debtor's creditworthiness is very good. The risks are negligible.
	1-	Securities with a high degree of certainty regarding timely payment. The debtor's liquidity is good and supported by strong protective factors. The risks are low.
Good	2	Securities with certainty of timely payment. The debtor's liquidity and other aspects are solid; however, ongoing funding needs may increase total financing requirements.
Satisfactory	3	Satisfactory liquidity and other protective factors result in the security being rated as an acceptable investment. Timely payment is expected; however, the risk factors are greater and subject to variation.
Does not qualify as an investment	4	Securities with speculative investment characteristics. Liquidity is insufficient to ensure debt service. Protective factors are subject to a high degree of variation.
Default	5	Securities for which payment terms have been breached.
	E	This corresponds to securities for which there is insufficient information or the information is not representative. This scale does not allow for an opinion to be issued regarding their risk.

These categories may be supplemented, if applicable, using the symbols (+/-) to improve or downgrade, respectively, the rating achieved within categories 2 through 3 inclusive. Additionally, local scales will be identified by adding a prefix in accordance with the identification assigned to each market².

¹ In PCR, a code is established for each rating category used. For Short-Term Issues (ST), it is PCR-MET-P-510.

² The nomenclature used corresponds to the international coding based on ISO 3166-1 alpha-2, a two-letter code system.

- Medium- and long-term debt and preferred stock (LP)³

Outstanding Rating	AAA	Issues with the highest credit quality. Risk factors are virtually non-existent.
High	AA	Issues with high credit quality. Protective factors are strong. The risk is modest, though it may occasionally vary due to economic conditions.
Good	A	Issues with good credit quality. Protective factors are adequate; however, during periods of economic downturn, risks are higher and more variable.
Satisfactory	BBB	The risk mitigation factors are reasonable and sufficient to support an acceptable investment. There is considerable variability in risk during , which could lead to fluctuations in its rating.
Not Investment Grade	BB	Issues rated below investment grade. It is estimated that their financial flexibility could limit their ability to meet obligations at maturity. The quality of these issues can fluctuate frequently, so they are considered speculative.
	B	Issues rated below investment grade. There is a higher risk of default. Financial safeguards fluctuate widely depending on economic cycles, industry conditions, and the company's management's ability to navigate them.
	CCC	Bonds rated well below investment grade. They are characterized by a high risk of timely repayment. Protective factors are scarce, and the risk can be substantial in adverse conditions affecting both the industry and the company.
Default	DD	Issues where interest and/or principal payments have been missed or where the issuer has incurred other causes of default.
	DP	Preferred shares with overdue preferred dividends.
	E	Refers to those shares for which there is insufficient information or the information is not representative, making it impossible to issue an opinion on their risk.

These categories may be supplemented, where appropriate, with the symbols (+/-) to indicate an upgrade or downgrade, respectively, of the rating assigned within the range of AA through B, inclusive. Additionally, local scales will be identified by adding a prefix in accordance with the designation assigned to each market⁴.

³ The code for medium- and long-term issues and preferred shares (LP) is PCR-MET-P-520.

⁴ Based on ISO 3166-1 alpha-2, a two-letter code system.

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 10/15
--	------------------------	----------------	----------------

- Common Stock (AC)⁵

First Class	Level 1	Stocks rated in this category are likely the safest, most stable, and least risky in the market. They demonstrate a very strong ability to generate and liquidity in the market.
	Level 2	Stocks classified in this category are likely safer and less risky than most stocks on the market. They demonstrate a strong ability to generate earnings and market liquidity.
	Level 3	Stocks rated in this category likely present a level of risk similar to the market average. The combination of and the instrument's market liquidity is acceptable.
	Level 4	Stocks rated in this category are likely riskier and less secure than the market average. The combination of profit-generating capacity in terms of returns, and the instrument has low market liquidity.
Second Class	Level 5	Stocks classified in this category are likely the riskiest and least secure.

These classifications are not supplemented by the (+/-) signs. Additionally, local scales will be identified by adding a prefix in accordance with the identification assigned to each market⁶.

⁵ The code for common shares (AC) is PCR-MET-P-540.

⁶ Based on ISO 3166-1 alpha-2, a two-letter code system.

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 11/15
--	------------------------	----------------	----------------

- Financial Strength of financial institutions and insurance companies (FF)⁷

AAA	Corresponds to those entities with the highest capacity to pay their obligations under the agreed terms and deadlines, which would not be affected by potential changes in the entity, the industry to which it belongs, or the economy. Risk factors are negligible.
AA	This rating applies to entities with a very high capacity to meet their obligations on the agreed terms and within the agreed timeframes, a capacity that would not be affected by potential changes within the entity, its industry, or the economy. Protective factors are strong, and risk is modest.
A	This rating applies to entities that have a good ability to meet their obligations on the agreed terms and deadlines, but this ability is susceptible to slight deterioration due to potential changes within the entity, in the industry to which it belongs, or in the economy. Protective factors are satisfactory.
BBB	Refers to entities that have sufficient capacity to meet their obligations under the agreed terms and deadlines, but this capacity is susceptible to weakening in the event of potential changes within the entity, its industry, or the economy. Protective factors are sufficient.
BB	This rating applies to entities that have the capacity to pay their obligations on the agreed terms and deadlines, but this capacity is variable and susceptible to deterioration due to possible changes in the entity, the industry to which it belongs, or the economy, and delays in the payment of its obligations may occur. Protective factors vary widely depending on economic conditions and/or the acquisition of new obligations.
B	This rating applies to entities that have the minimum capacity to pay their obligations under the agreed terms and deadlines, but this capacity is highly variable and susceptible to deterioration due to potential changes in the entity, the industry to which it belongs, or the economy, potentially resulting in default on their obligations. Protective factors vary widely with economic conditions.
C	This category applies to entities that do not have sufficient capacity to pay their obligations under the agreed terms and deadlines, with a high risk of loss. There is a substantial risk that contractual obligations will not be paid on time.
D	This category includes entities that lack the ability to pay their obligations in accordance with the agreed terms and deadlines, and that are in actual default on such obligations, or are subject to a pending order for dissolution, liquidation, or bankruptcy.
E	This applies to entities for which there is insufficient information or the information is not representative, making it impossible to issue an opinion on their risk.

These categories may be supplemented, if applicable, by the symbols (+/-) to improve or downgrade, respectively, the rating achieved within the categories AA through B inclusive. Additionally, local scales will be identified by adding a prefix in accordance with the identification assigned to each market⁸.

6. Appendices

Appendix A: Quantitative Indicators

⁷ The code for the Financial Strength of banks and insurance companies (FF) is PCR-MET-P-570.

⁸ Based on ISO 3166-1 alpha-2, a two-letter code system.

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 12/15
--	------------------------	----------------	----------------

Appendix A: Quantitative Indicators

Risk Dimensions / Indicators	Definition	Formula
Variable		
Financial income	Amounts derived exclusively from the company's financial management in the form of interest on loans and credits granted, income from equity interests in other companies, returns on the securities portfolio or other financial investments of capital, and, finally, discounts on purchases for cash.	<i>Ingresos financieros</i>
Interest expense	This is the cost incurred by an entity for borrowed funds.	<i>Gastos de interés</i>
Net income	This is a company's total profit, calculated by taking revenue and subtracting business costs such as depreciation, interest, taxes, and other expenses.	<i>Utilidad neta</i>
Past-due portfolio	Direct loans that have not been paid off or amortized by the due date and are either past due or in judicial collection.	<i>Cartera atrasada</i>
Gross loan portfolio	Refers to the total loan portfolio of a financial institution (commercial, consumer, housing, and microenterprise loans), without deducting provisions for uncollectible loans	<i>Cartera bruta</i>
Net loan portfolio	Refers to the total loan portfolio of a financial institution (commercial, consumer, housing, and microenterprise), without deducting provisions for bad debts	<i>Cartera neta = Cartera bruta – Provisiones</i>
Refinanced and restructured portfolio	Refinanced loans are those that have undergone changes in term and/or amount compared to the original contract. Restructured loans are subject to restructuring, whether through ordinary or preventive insolvency proceedings.	<i>Cartera refinanciada y reestructurada</i>
Provisions	This refers to provisions set aside for direct loans. It is the account used to adjust the portfolio's value based on the borrower's risk classification, the type of loan, and the collateral back it.	<i>Provisiones</i>
Earning assets	This includes the amount of assets that directly generate financial income. This category includes interest-bearing cash and cash equivalents, interbank funds, trading and held-to-maturity investments, and the outstanding loan portfolio, net of accrued income and deferred income.	<i>Activo productivo = Intereses + Fondos interbancarios + Inversiones negociables + Cartera de crédito vigente</i>
Liquid assets	Includes cash on hand, funds available at the Central Reserve Bank, at companies in the national financial system, and at first-class foreign banks; net interbank assets; negotiable securities issued by the Central Government and the BCRP; and certificates of deposit and bank certificates issued by companies in the national financial system	<i>Activos líquidos = Caja + Fondos disponibles en BCR + Fondos interbancarios + Títulos del BCR + Certificado de depósito + Certificado bancario</i>
Efficiency and Management		

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 13/15
--	------------------------	----------------	----------------

Risk Dimensions / Indicators	Definition	Formula
Administrative Expenses / Productive Assets	This indicator measures the expenses over the last 12 months for personnel, the board of directors, services received from third parties, taxes, and contributions relative to the average productive assets over the last 12 months.	$\frac{\text{Gastos de administración (anualizado)}}{\text{Activo productivo (Promedio)}}$
Operating Expenses / Total Financial Margin	This indicator measures the percentage of net revenue allocated to expenses for personnel, directors, services received from third parties, taxes and contributions, depreciation, and amortization.	$\frac{\text{Gastos de operación}}{\text{Margen financiero total}}$
Administrative Expenses / Direct and Indirect Loans	This indicator measures the expenditure over the last 12 months on personnel, directors, services received from third parties, taxes, and contributions per unit of currency disbursed as direct and indirect credit.	$\frac{\text{Gastos de administración (anualizado)}}{\text{Créditos directo e indirecto (Promedio)}}$
Financial Income / Total Income	This indicator reflects the relative importance of financial intermediation in the entity's revenue generation. Both variables refer to the cumulative value for the year.	$\frac{\text{Ingresos financieros}}{\text{Ingresos totales}}$
Liquidity		
Available funds / Liabilities	This is the company's ability to meet its obligations with available funds.	$\frac{\text{Fondos disponibles}}{\text{Obligaciones}}$
Cash / Liabilities	This is the company's ability to meet its obligations with available cash.	$\frac{\text{Caja}}{\text{Obligaciones}}$
Available funds + investments / Liabilities	This is the company's ability to meet its obligations with available funds plus investments.	$\frac{\text{Fondos disponibles} + \text{inversiones}}{\text{Obligaciones}}$
Accounts Payable / Total Liabilities	Percentage of total liabilities attributable to short-term and long-term debts and financial obligations.	$\frac{\text{Adeudos}}{\text{Pasivo total}}$
Solvency		
Total capital ratio	This indicator measures equity as a percentage of total risk-weighted assets and contingent liabilities (credit risk, market risk, and operational risk)	$\frac{\text{Patrimonio efectivo}}{\text{Activos y contingentes ponderados por riesgos}}$
Total Liabilities / Capital + Reserves	This ratio measures the company's level of financial leverage.	$\frac{\text{Total pasivo}}{\text{Capital} + \text{Reservas}}$
Debt-to-Equity Ratio	It is the percentage ratio of the company's debt to its equity.	$\frac{\text{Total pasivo}}{\text{Patrimonio}}$

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 14/15
--	------------------------	----------------	----------------

Risk Dimensions / Indicators	Definition	Formula
Valuation		
Earnings per Share	This is the profit per share outstanding.	$\frac{\text{Utilidad} - \text{Dividendos de acciones preferentes}}{\text{Promedio de acciones en circulación}}$
Price-to-Earnings Ratio	This is a metric that shows how many times the earnings per share are reflected in the price of each stock.	$\frac{\text{Precio de mercado por acción}}{\text{Utilidad por acción}}$
Profitability		
Financial Margin	This is the ratio of interest income and returns earned on various financial products (investments in loans and securities) to the cost of borrowed funds.	$\frac{\text{Utilidad bruta}}{\text{Ingresos por intermediación}}$
Operating Margin	It is the ratio of operating profit to loans, expressed as a percentage.	$\frac{\text{Utilidad Operativa}}{\text{Ingresos por intermediación}}$
Net Margin	This is the ratio of net profit to sales, expressed as a percentage.	$\frac{\text{Utilidad neta}}{\text{Ingresos por intermediación}}$
Return on Assets (ROA)	This indicator measures net income generated over the past 12 months relative to average total assets over the past 12 months.	$\frac{\text{Utilidad neta (anualizada)}}{\text{Total activos (promedio)}}$
Return on Equity (ROE)	This indicator measures net income generated over the past 12 months relative to average shareholders' equity over the past 12 months.	$\frac{\text{Utilidad neta (anualizada)}}{\text{Patrimonio (promedio)}}$
Asset Quality		
Outstanding portfolio / Direct loans	Percentage of invested funds that are generating revenue for the entity relative to the total portfolio.	$\frac{\text{Cartera vigente}}{\text{Créditos directos}}$
Delinquent Portfolio / Direct Loans	Percentage of direct loans that are past due or in judicial collection.	$\frac{\text{Cartera atrasada}}{\text{Créditos directos}}$
Refinanced and Restructured Portfolio / Direct Loans	Percentage of direct loans that have been refinanced or restructured.	$\frac{\text{Cartera refinanciada y reestructurada}}{\text{Créditos directos}}$

Title: Risk Rating Methodology for Multilateral or Supranational Financial Institutions	Code: PCR-MET-P-026	Version: 01	Page: 15/15
---	-------------------------------	-----------------------	-----------------------

Risk Metrics / Indicators	Definition	Formula
Provision / Direct Loans	Percentage of direct loans covered by provisions.	$\frac{\textit{Utilidad neta}}{\textit{Total activos}}$
Provision / Delinquent Portfolio	Percentage of direct loans that are past due or in judicial collection and are covered by loan loss reserves.	$\frac{\textit{Utilidad neta}}{\textit{Total activos}}$