



## Announcement of Periodic Review: **Moody's announces completion of a periodic review of ratings of Banco Modal S.A.**

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24 Apr 2019

New York, April 24, 2019 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Banco Modal S.A. and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

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. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

Banco Modal's (Modal) B1 long-term local and foreign currency deposit ratings reflects the bank's baseline credit assessment (BCA) of b1.

Modal's b1 BCA incorporates weakening profitability triggered by an increase in operating expenses as investments in its digital banking platform intensified. The successful rollout of this strategy will benefit earnings as Modal is able to offer new products and diversify its deposit base. The b1 BCA is also constrained by a modest capital base and a loan portfolio that presents heightened asset risk because of elevated single-name concentration and market risk, despite the low loan delinquency level reported by the bank. Modal's low reliance on market funds is positive for the bank's BCA as well as the large volume of liquid assets it holds in its balance sheet.

This document summarizes Moody's 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 published in August 2018. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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