



Intercompany Financing

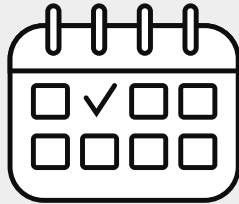
TP Economic Analysis - The ABC

A - Identify the Key Transaction Terms

Currency



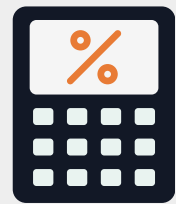
Effective Date



Term



Interest Rate



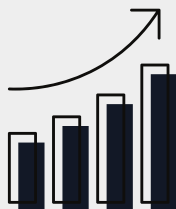
B - Determine Borrower's Credit Risk



The credit risk profile is a **key** driver of interest rates and a critical element to calibrate the search for comparables.

C- Select Reliable Market Interest Rate Data

Bonds Yield



Corporate bond yields come from transparent, actively traded markets where prices and yields (current and historical) are publicly available. Offers more data available accross currencies.

Loan Market Rates



Loan rates are negotiated individually and lack broad visibility and standardized pricing. Information is more limited accross currencies and time.



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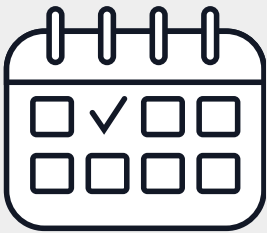
Key Terms of a Transaction

Currency



Currencies linked to stable, low-inflation economies (like JPY or USD) carry lower rates, while those associated with higher inflation or economic volatility are associated to higher rates to compensate for added risk.

Effective Date



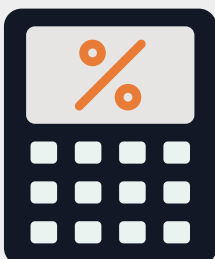
The prevailing market conditions at the effective date are key. If the effective date falls during a period of higher market rates or uncertainty, it can result in a higher interest rate.

Term



Longer-term loans often carry higher interest rates because they expose lenders to more risk overtime (such as inflation, credit risk, and economic fluctuations).

Interest Rate



Fixed-rate loans lock in a single rate for the entire term, providing predictable payments but potentially higher costs if the market expects rates to decline. Floating-rate loans adjust with market conditions—potentially lowering costs if rates drop, but posing the risk of rising payments if rates increase.