



RATING ACTION COMMENTARY

Fitch Places BAC International Bank's Ratings on Negative Watch; Subs' Ratings Unchanged

Fri 24 Sep, 2021 - 17:11 ET

Fitch Ratings - Monterrey - 24 Sep 2021: Fitch Ratings has placed BAC International Bank, Inc.'s (BIB) Long Term (LT) Issuer Default Rating (IDR) of 'BB+' and LT National Scale Rating of 'AA(pan)' on Rating Watch Negative. These actions follow the Sept. 15, 2021 announcement by BIB's ultimate parent, Grupo Aval Acciones y Valores S.A.'s (Aval), that it plans to deconsolidate Leasing Bogota S.A. Panama (Leasing BP, BIB's full owner) from Banco de Bogota S.A. (Banco de Bogota).

Fitch expects to resolve the Rating Watch upon closing of the transaction, which could take more than six months. The transaction is dependent on regulatory approval and expected to be completed during 1Q2022.

The ratings for Banco de Bogota, Aval and Multibank, Inc (Multibank) are unaffected by the announcement. Fitch expects Banco de Bogota's financial ratios to remain commensurate with its current rating even taking into consideration potential changes, especially in the bank's capitalization levels after BAC's deconsolidation. Potential financial ratios variations will be monitored by Fitch and could take several months to become clear. Aval's ratings are driven by the business and financial profile of its main operating subsidiary, Banco de Bogota. Fitch's assessment of the potential support Multibank's ratings would receive from

its parent, if required, remains unchanged by this transaction. However, if there is eventually a material change in Fitch's assessment of the capital adequacy and/or double leverage of these entities during or after the completion of the corporate reorganization, this could potentially trigger a negative rating action, although this is not the baseline scenario at present.

KEY RATING DRIVERS

According to Aval's statement, Banco de Bogota intends to separate 75% of its shares in Leasing BP in favor of its own shareholders, including Aval. The Rating Watch reflects the possibility that Fitch's assessment of Banco de Bogota's (BB+/Stable) propensity to provide support to BIB could be lower, after the transaction is completed. If Fitch's support assessment results in a downward differentiation between BIB's IDR and Banco de Bogota's IDR, BIB's IDRs and National ratings would be based on its standalone profile, reflected in its Viability Rating (VR) of 'bb'. Therefore, any potential downgrade of BIB's LT IDR would be limited to a one-notch movement at its current VR level. On the other hand, if Fitch concludes that the potential support remains unchanged, BIB's IDR would be affirmed at its current level.

Currently BIB's ratings are equalized with those of Banco de Bogota, reflecting Fitch's assessment of the potential support they would receive from their parent if required. Fitch also placed BIB's junior subordinated perpetual debt issuance's national LT rating on Negative Watch, mirroring the same action on the issuer's National LT rating. BIB's Short-Term (ST) IDR and ST National Scale rating were affirmed at 'B' and 'F1+(pan)', respectively. Fitch affirmed BIB's Support Ratings (SR) at '3', reflecting a moderate probability of support from its shareholder, given its rating, and Fitch's assessment of moderate ability and propensity to provide support to BIB if required.

Fitch also affirmed Banco BAC San Jose, S.A.'s (BAC San Jose) LT Foreign Currency (FC) and LT Local Currency (LC) IDRs at 'B+' and 'BB-', respectively and its ST FC IDR and ST LC IDR at 'B'. BAC San Jose's IDR will remain at its current levels, despite this corporate event, as Fitch's support assessment, reflected in BAC San Jose's SR of '4', will continue to be limited by the country risk. The Outlook for BAC San Jose's LT IDRs is Negative in line with the Negative Outlook on Costa Rica's sovereign rating. BAC San Jose's national ratings, including its debt issuances national ratings, are not affected by this event.

The national ratings of the rest of BAC Credomatic's subsidiaries in Central America (Banco de America Central, S.A. from El Salvador, Inversiones Financieras de America Central S.A., Banco de America Central, S.A. from Guatemala, BAC Bank, Inc., Credomatic de Guatemala,

S.A., Financiera de Capitales, S.A. and Banco de America Central Honduras, S.A.), including its debt issuances national ratings, are not affected by this corporate event.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--BIB's IDR and national ratings may be downgraded after the transaction is completed in case of a reduction in Fitch's assessment of Banco de Bogota's propensity to support its subsidiary. Any potential downgrade would be limited to a one-notch movement, given BIB's current VR of 'bb'.

--Before the transaction is completed any negative action on Banco de Bogota's IDRs would also lead to a similar action on BIB's IDRs; BIB's IDR and SR could also be downgraded if Fitch's assessment of its parent's willingness to support its subsidiary is reduced;

--BIB's subordinated perpetual bonds' National Rating would be downgraded in case of negative actions over BIB's National Ratings, as the bonds' ratings will maintain its four-notch difference respect to the issuer's National Rating;

--Negative movements in Costa Rica's sovereign ratings and Country Ceiling would lead to similar actions on BAC San Jose's IDRs and SR;

--Any perception by Fitch of significantly reduced propensity from Banco de Bogota may trigger a downgrade of BAC San Jose's IDRs and SR. A multi-notch downgrade of Banco de Bogota's IDRs would also cause a downgrade of BAC San Jose's IDRs.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Positive rating actions on BIB's IDR, National Ratings and SR are unlikely at present due to the Rating Watch Negative;

--BIB's perpetual subordinated bonds' National Rating would be upgraded in case of positive actions on BIB's National Ratings as the bonds' ratings will maintain its four-notch difference with respect to the issuer's National Rating;

--Positive actions in the BAC San Jose's ratings are unlikely in the foreseeable future. The Outlook would be revised to Stable if Fitch's assessments of the operating environment and the Costa Rican sovereign rating's Outlook are revised to Stable.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

BIB's ratings are equalized with those of Banco de Bogota (BB+/Stable), reflecting Fitch's assessment of the potential support they would receive from their parent if required

	Support	3	Affirmed	3
● junior subordinated	Natl LT	A-(pan) Rating Watch Negative	Rating Watch On	A-(pan)
Banco BAC San Jose, S.A.	LT IDR	B+ Rating Outlook Negative	Affirmed	B+ Rating Outlook Negative
	ST IDR	B	Affirmed	B
	LC LT	BB- Rating Outlook Negative	Affirmed	BB- Rating

IDR

ed

Outlook

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Priscila Garcia

Associate Director

Primary Rating Analyst

+52 81 4161 7091

priscila.garcia@fitchratings.com

Fitch Mexico S.A. de C.V.

Prol. Alfonso Reyes No. 2612, Edificio Connexity, Piso 8, Col. Del Paseo Residencial,

Monterrey 64920

Paolo Sasmay

Associate Director

Secondary Rating Analyst

+503 2516 6613

paolo.sasmay@fitchratings.com

Alejandro Garcia Garcia

Managing Director

Committee Chairperson

+1 212 908 9137

alejandro.garciagarcia@fitchratings.com

MEDIA CONTACTS

Elizabeth Fogerty

New York

+1 212 908 0526

elizabeth.fogerty@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[Metodología de Calificación de Bancos \(pub. 18 Sep 2019\)](#)

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

BAC International Bank, Inc.

EU Endorsed, UK Endorsed

Banco BAC San Jose, S.A.

EU Endorsed, UK Endorsed

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE OR ANCILLARY SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF PERMISSIBLE SERVICE(S) FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) OR ANCILLARY SERVICE(S) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

[READ LESS](#)

COPYRIGHT

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or

group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Banks Latin America Costa Rica Central America Panama
