BAC International Bank Inc. 'BBB-/A-3' Ratings Affirmed; Outlook Remains Stable

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Overview

- BAC International Bank Inc.'s (BIB) capitalization ratios have remained steady for the past few years due to its solid profitability and manageable lending volumes, which has resulted in a consistent capital buildup, even after dividend payments. We anticipate this trend will continue in the next two years, resulting in a risk-adjusted capital (RAC) ratio averaging 7.4%.
- Therefore, we revised our view of the bank's capital and earnings to a stronger category. However, the bank's 'bbb-' stand-alone credit profile (SACP) remains unchanged because we believe it already factors in BIB's adequate loss absorption capacity.
- We affirmed our 'BBB-' long- and 'A-3' short-term issuer credit ratings on BIB.
- The stable outlook reflects our expectation that BIB will maintain its leading position in Central America, wide geographic diversification, and healthy asset quality due to its conservative lending policies, stable capitalization, well-diversified funding structure, and comfortable liquidity profile.

Rating Action

On Aug. 6, 2025, S&P Global Ratings affirmed its 'BBB-' long- and 'A-3' short-term issuer credit ratings on BAC International Bank Inc. The outlook on the long-term rating is stable.

Rationale

Steady internal capital generation will enable BIB's RAC ratio to remain comfortably above 7.0%. In the past few years, BIB has benefited from steady income streams form consistent loan volume growth, stable margins, stable fees from complementary services, healthy cost of risk, and improving efficiency levels. These factors have translated to adequate profitability, which has strengthened the bank's capital, even after consistent dividend payments. The stronger capital has allowed BIB to grow its loan volumes. We expect the bank to maintain these trends and keep posting steady earnings for the next couple of years while expanding credit prudently across the different countries where it operates.

Moreover, the economies where the bank maintains a relevant presence--namely Costa Rica and Guatemala--have benefited from improving domestic economic conditions, creating more favorable business conditions and supporting the bank's operations. Our RAC ratio incorporates this positive momentum, reflecting lower capital requirements for exposures in these economies and supporting our opinion of the bank's enhanced loss absorption capacity.

For the following two years, we forecast that BIB's RAC ratio will hover around 7.4%, above our 7.0% threshold for adequate capital and earnings. We now view BIB's capital and earnings as adequate from our previous view of moderate, but this is neutral for the bank's 'bbb-' SACP.

Our base-case scenario incorporates the following assumptions:

- Loan portfolio growth of 7% for 2025 and 10% for 2026, across the different countries where the bank operates.
- Net interest margins (NIM) of about 6.5% for 2025 and 6.4% for 2026.
- Cost-to-income ratio hovering around 52% for the next two years.
- Cost of risk of 2.4% in 2025 and 2.3% in 2026, slightly above historical levels.
- Dividend payout ratio of 60% for 2025 and 2026.

In our opinion, despite the narrowing reference rates in most of the economies where the bank operates, BIB will be able to maintain stable margins due to its efforts to continue increasing its retail deposit base. This will allow the bank to fund its operations at more favorable costs and post NIMs of about 6.5% on average for the next two years. Moreover, the bank will continue working to improve its digitalization strategy in its internal operations and product offering, which will allow it to maintain favorable efficiency levels. These factors will somewhat compensate for our expectation of slightly higher levels of cost of risk due to heightened uncertainties from geopolitical and trade tensions. Overall, we anticipate BIB's return on assets to average about 2.0% during the next two years, similar to its 2024 level.

BIB will have controlled asset quality amid lingering global economic hurdles. In our view, challenging economic conditions fueled by geopolitical and trade uncertainties over the next 12-24 months in Central America could dent companies' and households' payment capacity, which could pressure BIB's asset quality metrics. However, because of BIB's conservative lending policies, a potential deterioration of these metrics will remain controlled. We anticipate nonperforming assets will inch up to about 1.5% and 1.4% in 2025 and 2026, respectively, from 1.3% in 2024--fully covered by reserves. We also credit losses to remain below 2.5%, which will allow the bank to maintain stable profitability. In addition, BIB's ample diversification in terms of borrowers and economic sectors provide additional cushion to its risk profile.

We rate BIB above Costa Rica. We expect BIB will maintain buffers to withstand potential economic headwinds in the region. This is based on the bank's conservative stance on risk-taking (as illustrated by its healthy asset quality and sound risk diversification) and its adequate funding and liquidity. Because of BIB's conservative liquidity management and sound risk diversification, we expect that the bank could withstand a hypothetical default of Costa Rica (BB-/Positive/B), where it has about 30% of its total credit exposure. Applying our stress test shows that in this hypothetical scenario, BIB would have enough financial resources to meet its liquidity outflows and would continue to meet its regulatory capital requirements.

Outlook

The stable outlook primarily reflects our expectation that BIB will maintain its leading position in Central America and its wide geographic diversification over the next 12-24 months. This will continue supporting the bank's business position, which remains its main credit strength.

Additionally, the outlook incorporates our view that the bank will keep its sound asset quality because of its conservative lending policies, stable capitalization, well-diversified funding structure, and comfortable liquidity profile with minimal refinancing risk.

Downside scenario

We could lower the rating if we no longer believe the company could withstand a sovereign stress scenario for Costa Rica. This could happen if the bank shifted its investment portfolio, significantly increased its short-term wholesale debt, or experienced a sharp contraction in its solvency levels, which we consider unlikely in the next two years.

Finally, we could lower the ratings if economic risk increases in the banking systems where BIB operates, leading to a lower anchor, although we deem this scenario as unlikely.

Upside scenario

Considering BIB's business and financial risk, along with the economic risk trends in the countries where it operates, we consider an upgrade highly unlikely in the next 12-24 months.

Rating Component Scores

Rating Component Scores

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Stable/A-3
SACP	bbb-	bbb-
Anchor	bb+	bb+
Business position	Strong (1)	Strong (1)
Capital and earnings	Adequate (0)	Moderate (0)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Costa Rica, July 18, 2025

- Banking Industry Country Risk Assessment: Panama, July 18, 2025
- Banking Industry Country Risk Assessment: Guatemala, July 2, 2025
- Banco Industrial And Banco G&TC Upgraded To 'BB+' On Same Sovereign Action And BICRA Anchor Revision; Outlook Stable, May 27, 2025
- Guatemala Upgraded To 'BB+' From 'BB' On Record Of Economic Resilience; Outlook Stable, May 23, 2025
- Costa Rica Outlook Revised To Positive On Potential Improvement In External Profile; 'BB-/B' Ratings Affirmed, Oct. 22, 2024

Ratings List

Ratings list	
Ratings Affirmed	
BAC International Bank Inc.	
Issuer Credit Rating	BBB-/Stable/A-3