

RATING ACTION COMMENTARY

Fitch Upgrades Banco Atlantida to 'B+' and Invatlan to 'B'; Outlook Stable

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Fitch Ratings - Monterrey - 27 Jun 2025: Fitch Ratings has upgraded Banco Atlantida, S.A.'s (Atlantida) Long-Term (LT) Foreign and Local Currency Issuer Default Ratings (IDRs) to 'B+' from 'B', its Viability Rating (VR) to 'b+' from 'b', and its Government Support Rating (GSR) to 'b' from 'b-'. Fitch has also upgraded Inversiones Atlantida, S.A.'s (Invatlan) LT Foreign and Local Currency IDRs to 'B' from 'B-'. In addition, Fitch has affirmed the Short-Term IDRs of Atlantida and Invatlan at 'B'. The Rating Outlook on the LT IDRs is Stable. Fitch has also upgraded Invatlan's senior debt rating.

The rating upgrades follow Fitch's view of improved creditworthiness, which prompted an upgrade of the Honduran banks' operating environment (OE) score to 'b' from 'b-' with a Stable Outlook. Fitch's assessment of the OE directly impacts Atlantida's VR.

Honduras' consistent macroeconomics dynamics have enhanced economic development, which is expected to continue sustaining Fitch's core metrics in line with the assigned OE score. The country's estimated GDP per capita for 2024 was USD3,446 and Fitch's operational risk index (ORI) percentile was 15.2% as of April 2025. These factors result in the implied score of 'b'. Fitch believes these metrics will allow Honduran banks to continue generating business volumes over the medium term, supporting their consistent financial performance.

KEY RATING DRIVERS

Leading Market Position in Honduras: Atlantida's IDRs are driven by its adequate financial performance in the Honduran banking system, which is reflected in its VR of 'b+'. The bank's VR is one notch above the 'b' implied VR to reflect its relevant and

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Stable Asset Quality Metrics: Fitch upgraded the risk profile and asset quality scores to 'b'/Stable from 'b-'/Stable. This reflects the relative stability in the nonperforming loans (over 90 days overdue)-to-total loans metric, which is expected to remain close to 2.5% during 2025. Fitch expects the improved macroeconomic dynamics in Honduras and the expected moderate loan growth strategy to support the stability of the asset quality metrics. As of 1Q25, the core asset quality metric was 2.5%, compared with the 2021-2024 average of 2.6%. Nevertheless, Fitch's assessment also considers the high concentration in the top 20 borrowers, which represented 3x the Fitch Core Capital (FCC).

Reasonable Profitability: Over the past year, Atlantida's profitability was pressured mainly by higher credit costs, resulting in an operating profit to risk-weighted assets (RWA) ratio of 1.3% at 1Q25, compared with the 2021-2024 average of 1.7%. Nevertheless, the bank's profitability indicators remain within the threshold for its current 'b-' score. Fitch expects Atlantida's profitability to improve and stabilize around 2%, supported by consistent income generation and operational efficiencies, which are expected to partially offset moderate pressures from asset quality.

Tight Capitalization: Fitch views capitalization as Atlantida's weakest financial factor and considers it tight relative to its balance sheet size. At 1Q25, the FCC to RWA ratio fell to 7.1% from 7.4% in 2024. Nonetheless, Fitch expects the core metric could slightly improve to levels close to 8%, considering the bank's moderate loan portfolio growth strategy compared with previous years, as well as consistent profit reinvestment and moderate dividend payments.

Solid Funding and Liquidity Profile: Fitch upgraded the funding and liquidity score to 'b+'/Stable, from 'b'/Stable, one notch above the OE. Atlantida's funding and liquidity position reflects its relevant market position in the Honduran banking system, underpinned by a diversified depositor base that accounted for 84.6% of total non-equity funding at 1Q25. The loan-to-deposit ratio was 93.5% in the same period, slightly below the four-year average of 93.6%. Fitch considers Atlantida's liquidity management to be prudent and anticipates no material changes to its funding and liquidity profile in the ratings horizon.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating

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--Downgrades of Atlantida's IDRs and VR could also result from continued asset quality deterioration, with an operating profit-to-RWA ratio consistently below 1% and weakened capitalization metrics that are reflected in an FCC to RWA ratio consistently below 8%.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--A positive change in Fitch's OE assessment or Fitch's view of the sovereign credit quality;

--Atlantida's IDRs have limited upside potential, as they are not expected to be rated two notches above the OE.

Government Support Rating (GSR)

High Systemic Importance: Atlantida's 'b' GSR reflects the bank's high systemic importance, with close to 20% share of system deposits. Fitch also considers the support to be restricted by the limited financial flexibility of the sovereign.

SUBSIDIARIES & AFFILIATES: KEY RATING DRIVERS

Main Subsidiary Drives Ratings: Invatlan's IDRs of 'B' reflect the creditworthiness of its main subsidiary, Atlantida (rated 'B+'). Invatlan is rated one notch below Atlantida due to its high double leverage ratio, which has consistently remained above 120%. As of YE 2024, this indicator was 156.2% and Fitch does not expect material changes over the rating horizon. Fitch's assessment also incorporates the demonstrated capacity of the subsidiaries to support Invatlan's performance.

While Atlantida has suspended dividend payments as part of its capital strengthening strategy, Fitch expects Invatlan's other Latin American operations, primarily its insurance companies and pension fund manager, to continue to provide income streams to the holding company to meet its financial commitments. However, unforeseen downturns in the economies of the countries and regions where Invatlan operates could constrain liquidity transfers from its subsidiaries.

Fitch has also upgraded the USD300 million senior secured notes to 'B', in line with Invatlan's ratings. Although these notes are senior secured, Fitch believes the collateral

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Factors that Could, Individually or Collectively, Lead to Negative Rating**Action/Downgrade**

--Invatlan's ratings will likely move in line with those of its main subsidiary, Atlantida, maintaining a one-notch difference due to its current double leverage level;

--A significant reduction in dividends transfers from Invatlan's main subsidiaries that ultimately affect its liquidity to service debt or a sustained increase of double leverage to above 200%;

--The global senior secured debt ratings would mirror any change to Invatlan's IDR;

--Increasing refinancing risks due to the upcoming debt maturity could be detrimental for Invatlan's ratings.

Factors that Could, Individually or Collectively, Lead to Positive Rating**Action/Upgrade**

--Invatlan's IDRs could be upgraded by one notch if the company's double-leverage ratio decreases at a level consistently below 120% resulting from a continued expansion financed by capital injections;

--The global senior secured debt ratings would mirror any change to Invatlan's IDRs.

VR ADJUSTMENTS

The VR of 'b+' has been assigned above the implied rating of 'b' due to the high influence of Atlantida's business profile, driven by the bank's leading local franchise.

SUMMARY OF FINANCIAL ADJUSTMENTS

Pre-paid expenses were reclassified as intangibles and deducted from total equity to reflect the low-loss absorption capacity of these assets.

Sources of Information

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

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PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Invatlan's IDRs are linked to Atlantida's IDRs.

ESG CONSIDERATIONS

Banco Atlantida S.A. has an ESG Relevance Score of '4' for Financial Transparency due to third-party disclosure that remains weaker than international best practices. This has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

Inversiones Atlantida S.A. has an ESG Relevance Score of '4' for Financial Transparency due to lagging or missing information disclosure. This has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	RECOVERY ↕	PRIOR ↕
Banco Atlantida S.A.	LT IDR		B Rating Outlook Stable
	B+ Rating Outlook Stable		
	Upgrade		
	ST IDR	B	Affirmed
			B

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LC LT IDR
 B+ Rating Outlook Stable

B Rating
 Outlook
 Stable

Upgrade

LC ST IDR B Affirmed

B

Viability b+ Upgrade

b

Government Support b

b-

Upgrade

Inversiones
 Atlantida S.A.

LT IDR

B- Rating
 Outlook
 Stable

B Rating Outlook Stable

Upgrade

ST IDR B Affirmed

B

LC LT IDR

B- Rating
 Outlook
 Stable

B Rating Outlook Stable

Upgrade

LC ST IDR B Affirmed

B

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Primary Rating Analyst

+52 81 4161 7065

benjamin.ortiz@fitchratings.com

Fitch Mexico S.A. de C.V.

Prol. Alfonso Reyes No. 2612, Edificio Connexity, Piso 8, Col. Del Paseo Residencial,
Monterrey 64920

Alejandro Tapia

Senior Director

Secondary Rating Analyst

+52 81 4161 7056

alejandro.tapia@fitchratings.com

Andres Marquez

Senior Director

Committee Chairperson

+57 601 241 3253

andres.marquez@fitchratings.com

MEDIA CONTACTS

Maggie Guimaraes

São Paulo

+55 11 4504 2207

maggie.guimaraes@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

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Inversiones Atlantida S.A.	EU Endorsed, UK Endorsed

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