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Research Update:

Credomatic International Corp. Ratings Affirmed; Outlook Stable

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Rationale

On Sept. 23, 2008, Standard & Poor's Rating Services affirmed its 'BBB/A-2' counterparty credit ratings on British Virgin Islands-based Credomatic International Corp. (CIC). The outlook is stable.

The ratings affirmation reflects the group's adequate liquidity policies; geographic diversification in Central America; its capable management team, which has prudently managed the bank; its ongoing highly profitable business; and its sound risk management. The ratings also consider a limited degree of financial support from General Electric Capital Corp. (GECC; AAA/Stable/A-1+). Offsetting these factors are the risks inherent to the credit card business and consumer loans, the rapid growth of loans, the challenge of managing expansion, and CIC's pressure on capitalization. The rating also reflects our assessment of the strategic importance of BAC International Bank Inc. (BIB; BBB/Stable/A-2) to its 49.99% owner, GECC, especially considering the limited degree of financial support GECC would provide to BIB in the unlikely event this should be necessary.

Despite the growth of its loan portfolio, the bank's liquidity and funding position are adequate. Deposit diversification and the portfolio's good performance provide sufficient cash flow. Liquidity is more stretched, as loans grew more quickly than deposits--its main funding source. We view its liquidity policy as adequate. The bank has obtained new facilities through a syndicated loan and still maintains outstanding securitized payment rights through an issuance of up to US\$400 million.

CIC has grown rapidly since 2006 not only through its acquisition of a bank and certain credit portfolios, but also with new credits, doubling its total assets and growing customer base, partly due to its joint venture with GECC. CIC is a large Central American credit card issuer and merchant voucher. It maintains a presence in Costa Rica, Honduras, Panama, and, to a lesser extent, in El Salvador, Guatemala, Nicaragua, and Mexico. CIC may continue its strategy of further expansion, but at a slower pace. In our opinion, CIC's knowledge of the region and business is a definite advantage for further sane growth.

Strong and continuous profitability with return on assets (ROA) above 3.1% during the past five years is a highlight of CIC's successful business profile, as are its strict cost controls and revamping of procedures enabling quicker credit processing. We do expect some pressure on spreads that may affect ROA levels negatively (to closer to 3%).

Asset quality, expressed as a ratio of nonperforming loans (NPLs) to customer loans was 2.63% as of June 2008--an adequate figure, especially considering that 38% of CIC's portfolio is made up of consumer loans a riskier portfolio (mainly credit cards). Risk coverage is also adequate--107% as of the same date. CIC's good underwriting standards, strong monitoring, and adequate loan portfolio management underpin its successful risk management. We will monitor any deteriorating asset quality trends as economic conditions in the region become less favorable. In our view, regional expansion, although offering good inorganic and organic growth potential, also exposes the bank to several risks including higher economic uncertainty and volatility that may challenge profitability.

Further, in supporting a larger balance sheet, CIC's capital base has decreased, with an adjusted total equity of 8.71%, down from 12.18% at the end of 2006, but remains at adequate levels for the rating level. We expect future earnings retention which, despite the relatively high dividend payout ratio, will increase its adjusted capital to historical levels by 2011.

Outlook

The stable outlook reflects CIC's strong profitability and risk governance framework, as well as the bank's strategy to increase its presence within Central America. If the bank faces deterioration in its profitability, if asset quality materially drifts and affects liquidity, and if capital does not improve or economic conditions sharply get worse in the region where it operates, this would put downward pressure on the ratings. If GECC acquires a larger share of BIB, we may raise the ratings.

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

Ratings List

Ratings Affirmed

Credomatic International Corp.

BAC International Bank Inc.

Counterparty Credit Rating

BBB/Stable/A-2

Credomatic International Corp.

Certificate Of Deposit

BBB/A-2

BAC Bahamas Bank

Counterparty Credit Rating

Foreign Currency

BB/Stable/B

Certificate Of Deposit

Foreign Currency	BB/B
BAC International Bank Inc. Certificate Of Deposit	BBB/A-2
Banco BAC San Jose, S.A. Counterparty Credit Rating	
Foreign Currency	BB/Stable/B
Local Currency	BB+/Stable/B
Certificate Of Deposit	
Foreign Currency	BB/B
Local Currency	BB+/B

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