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Summary: BAC Bahamas Bank

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Rationale

The ratings assigned to BAC Bahamas Bank (previously named BSJ International Bank & Trust Co. Ltd.) are based on the foreign currency ratings assigned to Banco BAC San Jose S.A.. BAC Bahamas is the offshore bank of BAC San José and mirrors the Costa Rican onshore bank, with the vast majority of its business and assets originated in Costa Rica, denominated in U.S. dollars, and registered offshore.

BAC Bahamas had assets of \$216 million, of which the majority were loans granted to Costa Rican companies, and around \$16 million in liquid securities. The evolution of the loan book has been adequate, maintaining historical levels of nonperforming loans and good loan-loss reserves coverage. Profitability remains adequate with ROA of 1.7% at September 2004, aided by a slightly higher interest margin and low operating expenses.

The bank received a capital injection of \$6 million during the year to support loan expansion. The loan portfolio is mainly funded by deposits. Loans and deposits are originated in Costa Rica, following BAC San José's standards.

The ratings on BAC Bahamas are constrained by the foreign currency rating assigned to BAC San José, because the ability of the Costa Rican entity to support the Bahamian bank is limited by its ability to contribute foreign currency.

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Outlook

The negative outlook on BAC Bahamas mirrors the outlook assigned to the ratings of BAC San José. All things being equal, a rating or outlook change on BAC San José would prompt a similar change on the ratings or outlook on the bank.

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