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Invatlan Downgraded To 'B' From 'B+' On High Double Leverage; Banco Atlantida 'BB-/B' Ratings Affirmed; Outlook Stable

- Honduran financial group, Inversiones Atlantida's (Invatlan) expansion through leveraged acquisitions, coupled with the low dividend contribution of its Honduran subsidiaries, has contributed to a double-leverage ratio consistently above 120%. S&P Global Ratings believes this metric is now about 130% and doesn't expect it to return to historical levels during the next 12 months.
- We believe Invatlan's credit risk profile has become more vulnerable and is characterized by an increased dependence on dividends from subsidiaries--especially from its main operating entity, Banco Atlantida S.A.--to meet financial obligations while the group pursues its expansion strategy.
- As a consequence, we lowered our long-term issuer credit rating on Invatlan to 'B' from 'B+' and affirmed our 'BB-/B' global scale issuer credit rating on Banco Atlantida.
- The stable outlook on Invatlan and Banco Atlantida reflects our expectation that both entities will continue to steadily enlarge their credit portfolios, underpinned by manageable asset quality metrics and a deposit base that will prove highly stable, large, and diversified over the next 12-24 months.

MEXICO CITY (S&P Global Ratings) July 4, 2022-- We lowered our long-term issuer credit rating (ICR) and issue-level rating on Invatlan to 'B' from 'B+'. We also affirmed our global scale 'BB-' long- and 'B' short-term ICRs on Banco Atlantida, which is the group's core subsidiary. The outlook on both entities is stable.

The rating incorporates Invatlan's status as a non-operating holding company (NOHC). The rating is now two notches below the credit quality of the group's consolidated operating subsidiaries (group credit profile or GCP of 'bb-'). One notch of this subordination reflects the NOHC's dependence on dividends from Banco Atlantida and other subsidiaries, which are required to service debt and other financial obligations. We deducted a second notch due to Invatlan's rising double-leverage ratio, which has, in recent years, remained constantly above 120%, our trigger for an additional notch of subordination. We believe a ratio above this 120% threshold reflects a more vulnerable credit risk profile, due to an increased dependency on subsidiaries' liquidity.

Banco Atlantida

ESG Credit Indicators: E-2, S-2, G-2

Related Criteria

- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [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
- [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: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), July 20, 2017

- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), July 20, 2017
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

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