

# Banco Latinoamericano de Comercio Exterior

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	Long-term	Short-term	Outlook
Moody's	Baa2	P-2	Stable
Fitch	BBB	F2	Stable
S&P	BBB	A-2	Stable

Source: Moody's, Fitch, S&P

## Background and ownership

Banco Latinoamericano de Comercio Exterior S.A. (Bladex) was incorporated in 1978 following a proposal of 23 central banks and government institutions from Latin America & the Caribbean (Latam). Today it is a multinational financial institution, headquartered in Panama with operations across Latam. It provides trade finance, loans, supply-chain, and liquidity & investment solutions. The bank's shareholder structure is split into three categories. Class A shareholders (17.4% of total) are made up of 23 Latam central banks and designated government institutions with preferred creditor status in stress scenarios. They also hold super-majority rights related to changes in the bank's articles of incorporation, thus determining overall strategy. Class B (5.7%) consists of banks and financial institutions and Class C (76.9%) is made up of private investors whose shares are listed at the New York Stock Exchange.

## Main activities

Bladex does not offer retail banking services to the general public. Instead, it pursues low risk, geographically diverse and long-lasting relationships with sizeable commercial institutions. Its stable business model has enabled it to gradually build profitability while managing its cost base effectively. Consequently, it has updated its 2023 guidance for key financial targets (table below). The two main business segments are:

**Commercial** – Short and medium-term loans, financial intermediation and fee generating activities to corporations. This represents the core of Bladex's business. As of 3Q23 this represented 89% of revenues.

**Treasury** – This business segment is less focused on revenue generation and instead manages the bank's liquidity and funding position. It mitigates interest rate, currency and price risks while also conducting interest-bearing liability management. As of 3Q23 this generated 11% of total revenues.

## Financial strength indicators

**Profitability** – Total revenues as of 9M23 amounted to USD188.3m (+66% yoy), of which 89% comprised of net interest income (NII). Bladex managed to grow its net interest margin from 1.5% a year earlier to 2.4% despite its overall conservative business strategy. Interest rate hikes by central banks certainly supported the income side while prudent cost management was another contributing factor. However, with rate hikes largely halted, future NII income growth will likely depend on the risk appetite of Bladex's lending products. Fee and commission income mostly stems from letters of credit and loan syndications, and it was the second largest income item at USD22.4m (+54.7% yoy). Overall, Bladex manages its cost base well, as reflected in the moderate 27.1% efficiency ratio compared with 34.1% one year prior. 9M23 net income was USD119.7m (+96% yoy), translating to a return on equity (RoE) of 14.4% vs 8% one year prior.

**Asset quality** – Total assets at 9M23 grew to USD10.1bn (+8.3% yoy), comprised of net loans (69% of total), cash and balances due from banks (16%) and securities (10%). The outstanding lending portfolio is generally well diversified by country and sector, in line with historical trends. Prudent underwriting standards have ensured strong asset quality metrics, with stage 3 loans remaining low at just 0.1% of gross loans, while reserve coverage was high at 5.6x. This is in part due to the nature of the high-quality commercial exposures that account for 82% of total assets. They are also predominantly short-term (69% of total) with maturities within one year, which further mitigates risks from potentially difficult operating environments.

Bladex – Key Data			
Key Ratios (%)	9M23	9M22	9M21
Tier 1 ratio	15.4	14.4	21.3
Stage 3 loan ratio	0.1	0.1	0.2
Coverage ratio (times)	5.6	5.8	4.4
Net interest margin	2.4	1.6	1.3
Cost-income ratio	27.1	34.1	39.8
RoE	14.4	8.0	5.5
Balance Sheet (USDm)			
Total assets	10,095	9,320	6,977
Total loans	6,928	7,084	5,269
Total deposits	4,242	3,423	3,382
Total liabilities	8,934	8,271	5,964
Borrowings/ debt	4,051	4,109	3,962
Total equity	1,161	1,049	1,013
Income Statement (USDm)			
Total revenues	188.3	113.5	74.3
o/w NII	167.6	98.6	61.9
Operating expenses	-51.0	-38.7	-29.6
Loan loss provisions	-17.5	-13.7	-2.1
Net income	119.7	61.0	42.6

Source: Company reports

**Funding & Liquidity** – Total liabilities, excluding equity, amounted to USD8.9bn at 3Q23 (+8.8% yoy), comprising deposits (47% of total), net borrowing and securities holdings (45%) and others (8%). The vast majority (87%) of the deposit base consists of sticky time deposits, which provides a degree of funding stability. Furthermore, deposits from Class A shareholders (Latam central banks) account for 40% of the depositor base at 3Q23, providing additional stability. Alongside its high-quality deposit base, Bladex displays broad-based and diversified market funding access having issued debt in Mexico, Panama, the U.S. and Japan. Investment grade securities amount to ~USD770m and a sizeable proportion thereof could be used in the Federal Reserve discount window to borrow additional funds if needed. Bladex's liquidity position is robust with liquid assets of USD1.5bn amounting to 15% of total assets. The liquidity position is prudently managed, mostly made up by cash and amounts due from banks placed with the Federal Reserve (92%).

Updated 2023 Guidance		
Ratios	Previous	Revised
Net interest margin	2.1% - 2.4%	2.4% - 2.5%
Fee income growth	8% - 10%	40% - 50%
Cost-income ratio	~32%	27% - 28%
Return on equity	11% - 13%	14% - 15%
Tier 1 ratio	15% - 16%	Unchanged

Source: Company reports

**Capitalisation** – As of 3Q23, Bladex's Tier 1 capital ratio stood at 15.4%, +100bps compared to the same period last year. This was driven by continuous internal capital generation from retained earnings, allowing for a consistent and recurring dividend payout policy. The bank's capital adequacy ratio, as defined by Panama's banking regulator, was 13.6% as of 3Q23, well above the regulatory minimum of 8%. Under this regulatory methodology, credit risk-weighted assets are calculated under Basel's standardised approach.

### Rating agencies' views

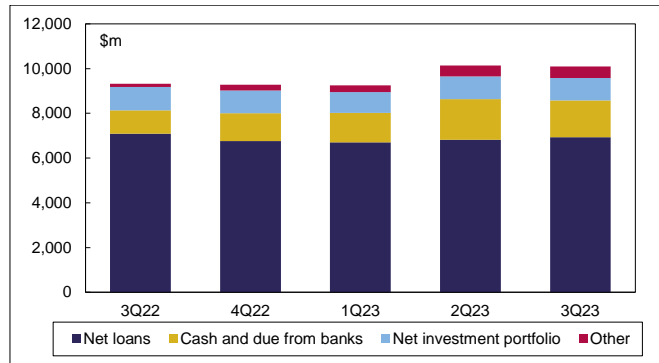
**Moody's (Dec-23):** Bladex baa2 standalone Baseline Credit Assessment (BCA) and its Baa2 foreign-currency deposit and debt ratings reflect the bank's conservative asset risk discipline and strategic plans to enhance earnings generation that will improve its profitability structure supporting capital replenishment and business expansion. At the same time, Bladex's baa2 BCA considers the bank's adequate liquidity profile and short-term loan book that provides financial flexibility amid more challenging market conditions and helps to mitigate asset risk pressures arising from weaker economic environments in some countries in Latin American, such as Peru and Colombia.

**Fitch (Aug-23):** Bladex's Issuer Default Ratings (IDRs) and national ratings are underpinned on its standalone performance captured in its 'bbb' Viability Rating (VR), which is equal to its implied VR and one notch above Panama's sovereign rating. This denotes Bladex high geographic diversification, its well-developed and specialized business model, and its conservative risk profile, which have translated into a robust asset quality despite high debtor concentrations, and consistently good capitalisation and liquidity metrics. In Fitch's opinion, Bladex's highly diversified operations by jurisdiction will continue to lead its VR to be one notch above Panama's sovereign rating, since this should counter the effects of the country's operating environment risks.

**S&P (May-23):** S&P's long-term issuer credit rating of Bladex is 'BBB' and the short-term issuer credit rating is 'A-2' with a stable outlook. The rating agency listed the following key considerations contributing to its assessment. Key strengths: i) Strong and stable capitalisation supporting expected loan growth in 2023-2024; ii) Healthier asset quality than most banks in the region thanks to high-credit-quality loan portfolio and prudent risk appetite; iii) Stable deposit base and access to diversified geographic markets to raise wholesale funding. Key risks: i) High concentration in the trade finance business, which could constrain new business opportunities; ii) Cyclical slowdown and subdued recovery in diverse Latin American economies where the bank has exposures; iii) Lagging, though rising, profitability compared with main banks in Panama and the region.

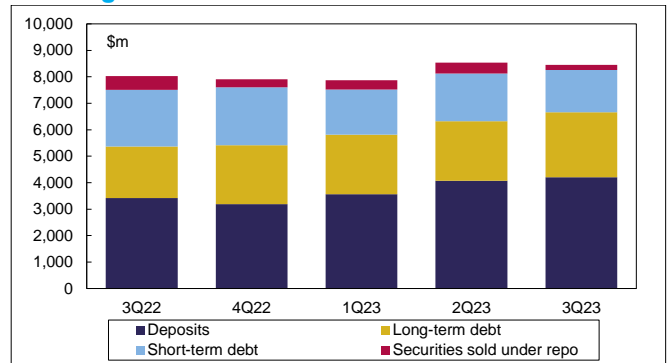
## Appendix:

### Total Assets



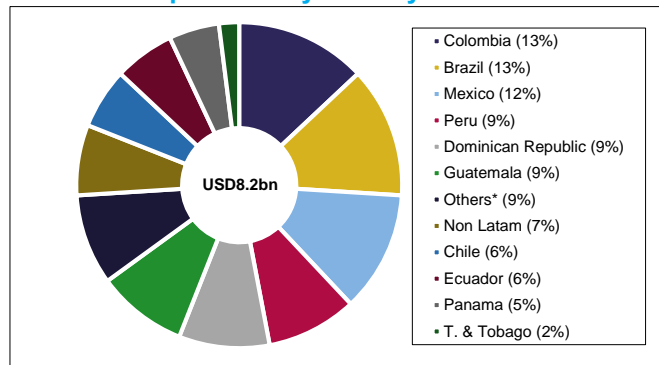
Source: Company reports

### Funding sources



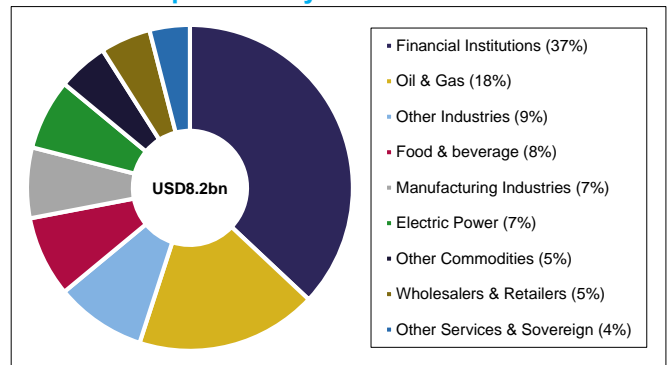
Source: Company reports

### Commercial portfolio by country at 3Q23



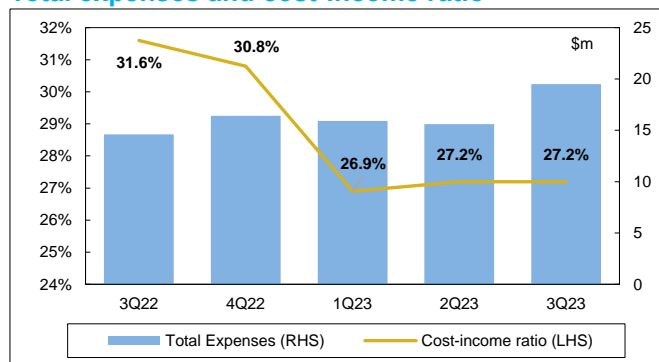
Source: Company reports; \*Costa Rica, Honduras, Paraguay and others <1%

### Commercial portfolio by sector at 3Q23



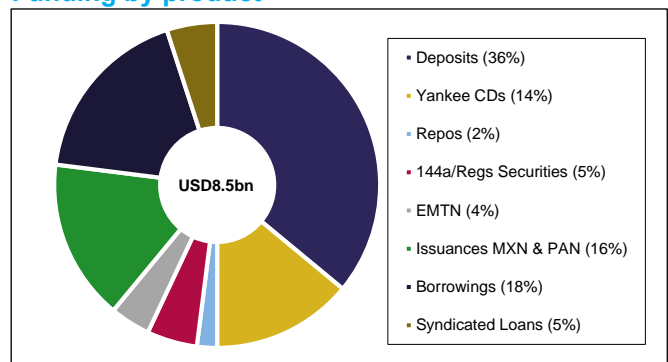
Source: Company reports

### Total expenses and cost-income ratio



Source: Company reports

### Funding by product



Source: Company reports; MXN = Mexico, PAN = Panama

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- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements\*\*.
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- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

\* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

\*\* The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

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