Bladex

Q4 2024 EARNINGS CALL

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Participants:

- Jorge Salas, Chief Executive Officer
- Ana de Mendez, Chief Financial Officer
- Samuel Canineu, Chief Commercial Officer
- Eduardo Vivone, EVP Treasury & Capital Markets
- Annette van Hoorde, Upcoming CFO

Operator:
Good morning, ladies and gentlemen, and welcome to Bladex's Fourth Quarter 2024 Earnings Conference Call. A slide presentation is accompanying today's webcast and is also available on the Investors section of the company's website, www.bladex.com. Please note today's conference call is being recorded.

I would now like to turn the call over to Mr. Jorge Salas, Chief Executive Officer. Sir, please go ahead.

Jorge L. Salas
Chief Executive Officer

Good morning, everyone, and thank you for joining us today to discuss Bladex's Fourth quarter and full year results for 2024. I'm here today with a few members of my executive team, including Jorge, who will soon assume a CFO position started this April. I will begin with an overview of what has been another record-breaking year for Bladex. Following that, I will update you on the proper strategic plan. Then Annie, our CFO, will provide a detailed analysis of our financial results for both the quarter and the year. Finally, I will discuss today's macroeconomic and trade environment and share our guidance for 2025 before we open the call for question's.

In 2024, Bladex reached a historic milestone with an exceptional performance across key metrics. Surpassing the ambitious goals we have set for the year. Building on a record year in 2023, we continue to push boundaries and achieved new heights. Throughout 2024, our commercial portfolio grew by 18%, reaching a record of $10 billion. This growth was

particularly strong in Brazil, the Dominican Republic and Guatemala, reflecting our robust expansion, profitability, and diversification.

Additionally, the health of our portfolio remained excellent with nonperforming loans close to 0 once again, highlighting our disciplined risk management practices. Similarly, deposits experienced significant increase of 23% for year-end closing balances and a 33% in average balances for the year, surpassing our guidance of 30% growth for average balances. Due to seasonal factors, deposit levels as of the end of December were slightly lower compared to those at the end of the third quarter. However, average balances continue to rise during this period.

Furthermore, for the first weeks of 2025, deposits have resumed their growth increasing their share in the bank's total funding sources. Additionally, our capital ratio remained strong with a Tier 1 capital ratio of 15.5%, which is well within our defined target range. In terms of profitability, net interest income has maintained an upward trend, supported by increased volumes and effective funding cost management, resulting in a stable net interest margin of 2.47% for the year.

In 2024, fee income also reached unprecedented levels, growing by 37% compared to the previous year. I can share more details about fees later on in the presentation. Importantly, our efficiency ratio stood below 27%, despite the investments in transformation and in line with the guidance we provided. All that combined resulted in an all-time high annual net income of $206 million marking a 24% increase from the previous year and a return on equity of 16.2%, which is 153 basis points higher than in 2023.

Moving on to Slide 2. We are now 3 years into our 5-year strategic plan, which we started executing in 2022. Clearly, results have exceeded expectations. During this period, we have achieved several critical milestones. As we have mentioned in the past, the idea of the plan has always been to take advantage of Bladex structural comparative advantages, making our bank significantly more profitable, more efficient and increasing its product offering, by changing neither the profile of our customers, large banks and corporations, nor the nature of our commercial portfolio, which remains and will remain very short term and widely diversified throughout the region. This enables us to swiftly adjust credit exposures in order to ensure that we concentrate on transactions and relationships where the risk-return balance is optimal.

The first phase of the plan now successfully concluded focused on efficiency. Today, we have a much more efficient deployment of our balance sheet in terms of use of capital in the region and overall capital levels. We have also optimized processes of the bank, allowing us to reduce client onboarding times by 52%, expand our client base by 70% and increase our deposit base by 78%.

We are currently in Phase 2 of our plan that centers in the expansion of our product offering. To that end, we are deploying the technological platforms necessary to scale our initiatives. One of these is our trade finance platform. That project is 56% complete and is scheduled to be launched in the second half of the year. This new platform will substantially transform our letters of credit units by providing a state-of-the-art digital client interface and enhancing transaction processing capabilities for working capital solutions. Additionally, our new treasury platform implementation is in its initial stage, we are finalizing adjustments with our providers to ensure a seamless rollout and expect to complete its first phase of deployment by mid-2026.

This initiative will enhance our ability to offer FX and derivative products, facilitate lending in local currencies as well as to allow to expand our range of investment products. The remarkable results we have achieved throughout 2024 are essentially the result of a successful execution of the first phase of our strategic plan, and also, to a lesser extent, of the favorable interest rate environment that we have experienced during the year. As we advance into Phase 2, we expect to see additional benefits especially from noninterest income generation as these capabilities are rolled out in the upcoming quarters.

Let me now hand it over to Annie, our CFO, for a detailed financial analysis Annie, please go ahead.

Ana Graciela de Mendez
Executive VP & CFO

Thank you, Jorge, and good morning to everyone. Let's now move to Slide 4.

Jorge just highlighted a record-breaking results for the year. with net income reaching $206 million and a return on equity of 16.2%, up from 14.7% last year. This strong performance was driven by sustained business growth, higher revenues, improved efficiency and well contained credit costs. I will now provide further details on each of these components.

Quarterly profits in 2024 consistently exceeded the $50 million mark, extending the positive trend of prior years. In the fourth quarter, our profitability continued to be supported by strong topline performance with net income reaching $51.5 million, an 11% increase year-over-year. Compared to the previous quarter, net income was down 3%, primarily due to higher expenses related to our ongoing strategic initiatives, which I will discuss shortly.

Let's now take a closer look at our balance sheet growth and other key drivers of profitability, starting with the credit portfolio on Slide 5. First, I want to clarify our approach to portfolio management. Our credit portfolio comprises both the commercial portfolio

managed by our commercial team and the investment securities portfolio managed by treasury. The commercial portfolio, which represents the bank's core business activity in Latin America includes loans and off-balance sheet instruments such as letters of credit. At year-end, our total credit portfolio stood at close to $11.2 billion, reflecting an 18% increase from the prior year, mainly driven by loan growth of $1.2 billion or 16% year-over-year.

The consistent quarterly expansion throughout the year underscores the strength of our client relationships and market demand. As shown in the bottom right chart, our commercial portfolio remains well diversified and primarily short term in nature with 73% scheduled to mature within the next year and an average remaining tenure of approximately 12 months.

This short tenure structure enables us to maintain an agile business model, allowing us to swiftly adjust exposures and optimize risk-adjusted returns. The composition of our investment securities portfolio illustrated in the top right chart, reflects a focus on investment-grade non-LatAm issuers, primarily in the U.S., thereby further diversifying our overall country risk exposure.

Additionally, this portfolio serves as a liquidity buffer as most of these securities are booked in our New York agency and are eligible collateral at the Fed discount window. The portfolio has an average remaining duration of about 2 years. Our funding structure presented in Slide 6 highlights the expansion of our deposit base, which closed at $5.4 billion at year-end, representing 54% of total financial liabilities.

As part of our strategic initiatives, Bladex has significantly increased deposits from corporate clients over recent quarters, enhancing our funding stability, while strengthening client relationships. Our Yankee CD program, which operates out of our New York agency remains a key component of this growth, representing 22% of total deposits and providing dispersion to our deposit base. Meanwhile, our longer-tenure funding stood at $2.7 billion at year-end, accounting for 27% of total financial liabilities.

Earlier in the year 2024, we executed our largest syndicated loan to date, a $400 million facility with participation from long-standing vendors across Asia, Europe and the U.S. Additionally, we remained active in the debt capital markets, particularly in Mexico, where we further solidified our role as a key foreign issuer. In February, we issued MXN 3 billion in the local market followed by a second issuance of MXN 4 billion in November.

Notably, all non-U.S. dollar funding is fully hedged, aligned with our risk appetite of not running FX risk in our balance sheet. These transactions highlight Bladex's strong access to global liquidity, reinforcing our funding profile and investor-based diversification.

Turning to our capital position on Slide 7. Bladex's equity base continues to be strengthened by robust earnings generation. In light of our strong financial results and sustained performance, our Board of Directors approved an increase in our quarterly dividend from $0.50 per share to $0.625 per share, representing a 45% payout on fourth quarter earnings. This decision reflects our confidence in Bladex's earnings trajectory and our commitment to delivering value to shareholders, while maintaining a strong capitalization, aligned with our target at current levels, ensuring financial flexibility to support strategic growth initiatives and sustain our investment-grade ratings.
Let's now discuss our P&L performance, starting on Slide 8 with the evolution of net interest income and margins. Since the launch of our strategic plan in 2022, net interest income, or NII, has nearly tripled, driven by asset growth, improved lending spreads and higher U.S. dollar interest rate environment during this period, which benefits our short-term balance sheet repricing structure.

Throughout 2024, quarterly NII consistently outperformed 2023 levels, closing the fourth quarter at $67 million, up 2% year-over-year and stable compared to the preceding quarter. Full year NII reached $259 million, an 11% increase from the prior year. This revenue growth during 2024 was largely driven by higher average loan balances, which increased by 11% annually. Net interest margin for the year stood at 2.47%, in line with our guidance and relatively stable year-over-year. Let's now review fee income performance on Slide 9. Fee-based revenue remained strong, reaching nearly $12 million in the fourth quarter and totaling for the year, marking an impressive 37% annual growth. Letters of credit fees remain a key driver, reaching $7 million in the fourth quarter and totaling $26.5 million for the year, up 24% year-over-year.

Growth in this segment reflects continued success in cross-selling process efficiencies and new client acquisitions. Loan structuring fees also had a standout quarter with 4 transactions generating $3.7 million in fees. For the full year, we executed 12 transactions, totaling $2.5 billion, generating a record $10.2 million in fees, up 38% from 2023.

With continued strength in credit commitments and other fees, Bladex's transaction-based business continues to expand. supported by enhancements in our syndications and project finance teams. This momentum is already evident in 2025 with a strong start in the first couple of months. Our loan structuring and syndications team has already closed 4 transactions across the Dominican Republic, Mexico, Costa Rica and Brazil, totaling $468 million and generating approximately $2 million in fees. Looking ahead, we see continued strength in our pipeline, supported by solid sponsors across multiple countries in the region, including those in a promising path to economic recovery such as Argentina.

Moving on to asset quality, as shown on Slide 10. Bladex's disciplined risk management framework continues to deliver outstanding credit performance. At year-end, nonperforming loans remained minimal at just 0.2% of total exposure, amounting to $17

million, with a robust reserve coverage of nearly 5x. Low-risk credits for Stage 1 comprised 96.4% of our credit portfolio, while Stage 2 credits accounted for 3.5%, all of which remain performing. Total credit provisions for the year amounted to $17.3 million, primarily driven by portfolio growth, with a portion allocated to select Stage 3 exposures. Importantly, we recorded no write-offs during the year and recovered $1.4 million from previously written-off credits.

Finally, let me provide an update on expense evolution and efficiency as shown on Slide 11. Total expenses for 2024 reached $80.5 million, reflecting an 11% annual increase. This was primarily driven by higher salary expenses due to increased headcount, aligning with our strategy to strengthen execution capabilities. Additionally, ongoing investments in technology and business initiatives, as outlined in our strategic plan contributed to the increase.

These strategic investments have supported higher business volumes, expanded product offerings and client growth over the past few years. leading to revenue growth that continues to outpace expense increases. As a result, our efficiency ratio improved to 26.5% in 2024 and compared to 27.2% in 2023. In the fourth quarter of 2024, expenses totaled close to $23 million, representing a 7%-year over-year increase and a 9% rise quarter-on-quarter. This increase reflects the continued execution of our strategy, along with the seasonal impact of higher year-end expenses.

With that, I'd like to turn the call back to Jorge. Thank you very much.

Jorge L. Salas
Chief Executive Officer

Great, Annie. Thank you. Before wrapping it up, I want to briefly refer to the macroeconomic context and in particular, to the implications for Latin America President of Trump's America First pause. There is no doubt that the U.S. foreign policy will remain crucial influencing the region's economic trajectory. There are 2 relevant dimensions here. The first one is related to the government's immigration policy. And the second is, of course, trade policy. Regarding immigration policy, we think that the mass deportations of illegal immigrants from Latin American countries may end up having a negative effect on the floor of remittances for the region, to the extent that the number of people in the U.S. who send money home is reduced. Remittances, which were $160 billion for 2024, are no doubt an economic pillar for several countries in the region, particularly in Central America. Having said that, we see the economic impact more in the medium term if mass deportations continue to exceed what they have been in previous administrations. In any case, it is something that we are permanently monitoring.

Regarding foreign trade policy and the impact of tariffs and potential tariffs, we will -- the impact will depend on how long they stay in place and the potential offset from dollar appreciation. It is hard to predict at this point what is going to end up happening. In the case of Mexico, the U.S. biggest trade partner, we believe that the end gain of the Trump administration is the renegotiation of the USMCA agreement.

This review is scheduled for 2026 and it is likely that the U.S. will use this opportunity to extract concessions. We anticipate that discussion surrounding tariffs on Canada and Mexico will persist until the eventual renegotiation of the USMCA. It is possible that such review is brought forward. This would be positive in terms of reducing economic uncertainty, as in such scenario, tariffs will not be in place long enough to have a material negative effect on the economy. But if on the contrary, they are here to stay, supply chain disruptions will occur and this, in turn, will raise inflation and lower economic activity.

It is worth mentioning that our portfolio in Mexico is predominantly short term as much as 80% short-term lending comprised of low leverage, very solid and well positioned corporations were resilient and have demonstrated the ability to withstand stress scenarios in the past. In any case, the reality is that given the short-term nature of the bulk of our credit portfolio and the presence of Bladex across different sectors and countries in the region, we are confident that we will demonstrate once again that we have the ability to very quickly and profitably relocate our exposures to those companies that will be better positioned to take advantage of the new trade dynamics in the region.

Moving on to the last slide, Slide 13. In line with that, our projections for 2025 anticipate a commercial portfolio growth of 10% to 12% and average deposits are expected to increase 15% to 17% with a net interest margin in the 2.3% area. Despite continued investments in IT platforms, we aim to maintain our efficiency ratio at around 27% and achieve a return on equity between 15% and 16%, while keeping our Basel III capital ratio between the range of 15% to 16%.

And this, of course, assumes that the dividend that we just declared is maintained throughout the course during the year. As I said, we are confident in our ability to adapt to the changes of the new trade reality, maintain operational efficiency and size profitable opportunities as they arise and they will arise.

Finally, I want to express my gratitude to our clients, our shareholders, the employees and their trust and support during 2024. Together, we have built a strong foundation for continued success. I'm going to leave it here and ask the operator to please open the call for questions. Thank you very much.

Operator, you may now open the call.

Q&A Section of the Call

Operator
Our first question comes from Ricardo Buchpiguel with BTG.

Ricardo Buchpiguel
have two here on my side. So first, can you please comment why is implying your NIM contraction estimates for 2025 in terms of Fed fund rate reduction it seems that it's pricing a little bit more than just the reduction in the reference rate. So I want to have your color on what could be eventually driving more NIM contraction.

And secondly, you mentioned that loan structure and syndication business has been performing very well in the start of the year, right? And if you could comment a little bit what could be potential drivers for this dynamic? And also taking into account a more -- potentially more active deal flow in this segment. and also the launch of the new trade finance platform this year, how should we expect fee income to perform against 2024, right? Should we have a deceleration more towards like a growth of 30%, it will be more closer to the 40% or we see more towards the 20%? Any color will be very helpful.

Jorge L. Salas
Chief Executive Officer
Ricardo, 3 great questions. The one on the net interest margin compression, you're right. It's not only Fed funds rate comprising. I'm going to let Annie speak about that. And then on syndications, we do have a very strong pipeline going forward. I'm going to let Samuel, our Chief Commercial Officer, tackle that one, and then I'll talk a little bit about fees at the end.

So, Annie, why don't you tackle the net interest margin.

Ana Graciela de Mendez
Executive VP & CFO
Sure, Jorge. Yes, as you well mentioned, we did see some tighter lending spreads towards the end of the year. We saw a more competitive market environment with Latin American issuers more active in the capital markets and much wider availability to U.S. dollar financing. In fact, for the guidance that we put in this year, we're assuming that the lending spreads remain at those level, probably we could also see some more pressure, but in our estimation, we hope to keep it away. And then like you mentioned, the second aspect would be the 100-basis point reduction that we set already lower towards the end of last year.

And that has started to impact our overall asset yields and then reducing the benefit of the equity invested in those assets. But of course, our liabilities also started to reprice also very quickly. Remember that we do have a very short-term repricing structure in our balance

sheet. So, both assets and liabilities adjust I would say, mostly within a tenure of one year or less than a year. So that's what we have been seeing.

Operator
Our next question comes from Daniel Mora with Credicorp Capital.

Daniel Mora
I have also a couple of questions. The first one is regarding margins. We have seen a very positive performance, not only in recent quarters, but in the last couple of years. But I would like to understand what will be or what is the current NIM sensitivity to interest rates? And what can we expect of NIM given the decreases in interest rates coming from the Fed? And how can we think this under the analysis that you normally present considering the volume effect and the interest rate effect because we can initially think that we should observe a normalization of margins going forward considering the decreases in rates. And I would like to understand what will be the effect of this also on profitability given that we currently observe at 16% ROE. That will be my first question.

And the second one is, given the fact that we are now in the expansion phase with the deployment of the new two initiatives and the increase of net interest income, do you have a target of what percentage can that net interest income represent of the total income compared to what we are seeing right now? And if given the strong results that we are seeing right now, we can expect of a higher ROE above the current guidance between 13% and 15% for 2026.

Jorge L. Salas
Chief Executive Officer
Daniel, on interest rate sensitivity, I'm going to let Annie, our CFO, speak to that, and then I'll tackle the second question. Annie, you want to?

Ana Graciela de Mendez
Executive VP & CFO
Okay. Yes. Thank you. So yes, you're right, and we have mentioned in several occasions that we are sensitive to market -- U.S. dollar market interest rates. So -- and to talk about the sensitivity, our sensitivity to interest rates and net interest margin is every 100-basis points movement in interest rates could have like a 12-basis points impact on our net interest margin that all translates into like 100 basis points ROE as well. That's basically because we have a floating book in both sides of the balance sheet. And so the assets and liabilities reprice very similarly, although we do have some short-term positions.

And at the end, the overall asset yield that diminishes and that is invested by -- in our equity, it has an impact. And then what we see going forward is that definitely the strategy that we are -- have in place, and that pretty much relates to your second question that

Jorge is going to address, but we do anticipate through the structured trade transactions that Sam mentioned and the deployment of new products, both noninterest and also margin related, it should be able to enhance our lending spreads and sustain the profitability.

But I'll leave it for Jorge now to continue.

Samuel Canineu
Executive VP & Chief Commercial Officer
On the syndication side, well, syndications -- these are obviously dependent on market conditions and particularly on investment and M&A activity across the region. With that said, when you look at the historical figures of that business, you can see that annual income has been around the $5 million mark. In the last couple of years, we've seen an important increase versus the historical $5 million mark very much in line with the strategic changes that are being made. We have created businesses that bring higher fees like product finance infrastructure as well as we've been bringing professionals with more experience in structuring and distributing more complex transactions, which tend to bring higher fees as well.

That is to say that we believe that the current growth our numbers should be sustainable and trending upwards of things equal, of course. Of course, with regards to other fee generating business such as the layers of credit business, like mentioned before, we continue to strengthen the basis or base not only in terms of tech development, which was already mentioned, but also very much focused on onboarding new letters of credit clients as well as a strong focus on cross-selling to existing clients. And I think we have made great strides on that and continue to see good momentum.

Jorge L. Salas
Chief Executive Officer
Thank you, Sam. That was helpful in a perfect leeway for the fee question. So, fees increased more than 30% this year -- I mean, meaning 2024, we are expecting around 10% increase for 2025 after that 30% it will really depend on syndications and the pipeline that Sam mentioned. We do foresee that the letters of credit fees will continue their upward trend as we -- as clients start onboarding our new platform. It will take some time, but we're confident that we can do at least 10% more for 2025.

Operator
Our next question comes from Ricardo Valerio.

He says, Ana and Jorge, congratulations on executing your strategic plan successfully.
up to this point I have two questions. First, how do you see the current Trump administration tariffs affecting Bladex's outlook?

Second, you have guided for around 2.30% NIM. How do you see NIS as a part of this 2025 guidance?

Jorge L. Salas
Chief Executive Officer
Okay. Thank you, Ricardo. I'm going to tackle the first one on Mexico and Mexico exposure. And then I believe that the second one was already mentioned on -- well, some of it was mentioned in the previous question by the BTG analyst. Mexico is our second biggest exposure, country-wide, it's 12% of our portfolio. Now as I mentioned, 78% of that exposure is short term. And only 10% of that exposure is placed with companies that export to the U.S.

So, I mean, these are very solid companies. We have made different stress tests, EBITDA with different levels of tariffs. And if people are comfortable about their resilience. I mean we are talking about net debt to EBITDA ratio at around 3.5x even in the stress scenario. So, these are, in general, as I said, low leverage corporations that have demonstrated resilience in past periods of uncertainty. So we're confident about our Mexico portfolio. Annie, you want to?

Ana Graciela de Mendez
Executive VP & CFO
Yes, just to comment on our projection for the NIM of 230. Like I said, we anticipate we continue having some pressure in our lending spreads. And we also are projecting for two additional Fed rate cuts 25 basis points each for the second half of the year. That's embedded in that projection. And with respect to the net interest spread or the NIS, we do foresee that, that should remain around 4 quarter levels at 169%, perhaps a couple of basis points lower than that.

Operator
Our next question comes from Patrick Brown.

Congratulations on the accident results, we see that you are already at 16% ROE according to the Slide 3. However, your guidance is 13%, 15% for 2026. Why are you expecting less profitability in the future?

Jorge L. Salas
Chief Executive Officer
Thank you for that question. Good question, and we've gotten that question before. The truth is that -- remember that the 2026 guidance you saw on Slide 3, that was given back in 2022 in an Investor Day presentation, when we launched this plan for the first time -- no, our projections back then assume a normalized level of Fed fund rates at 2.5%, which, of course, we all know has not happened, not now. With the information we have today and

considering everything else equal, we feel comfortable that the profitability will be in the higher end of that range for sure in 2026.

And the reason it's very straightforward. I mean so far, 3 years of execution, we have -- and I'm going to give round numbers here, almost double the size of the balance sheet, keeping as we've seen NPLs go to 0. We've doubled -- almost doubled income with more than triple net income. And all of this has been done without even implementing the trade nor the treasury platforms.

So, remember, as I said earlier, the purpose of the tools and the whole plan is to basically enhance the ability of this bank to scale and to bring fee income to ultimately make our results less dependent on market rate and trades. So quite honestly, it's hard not to be optimistic about the potential of this bank and this unique franchise going forward.

Operator

Our next question comes from Daniel Mora with CrediCorp.

Daniel Mora
I have just two questions. The first one is regarding the context of tariffs and the foreign credit outlook in Latin America. Just similar to the case of Mexico, I would like to understand what is the exposure -- the total exposure of the loan portfolio to trade with the United States? Or if you feel there is any more exposure regarding clients between countries that are not exposed to United States, but it still could be impacted by that context. That will be my first question.

And the second one is regarding trade finance and treasury platform. I would like to note that of each one. And also, if the deployment of those platforms will be in all the countries in which you operate? Or will you start only in a few countries.

Jorge L. Salas
Chief Executive Officer
Thank you, Daniel. Great questions. First one regarding exports to -- I mean to the U.S., it's mostly Mexico, and that's where we've done most of our stress test. So we're not worried about tariffs being imposed in other countries at this moment. Now if you think about it, if tariffs are imposed in Mexico and China, and it's not for sure at this point, this will mean that these countries will likely lose market share in U.S. imports.

So that opens the opportunity for other countries in LatAm to export to the U.S. So for example, we believe Brazil could benefit in this in the short term as a good redirect exports of oil or agriculture products to the U.S. also potentially Central America and the Caribbean countries have the potential to increase their market share in the U.S. market for food or

even light manufacturing. What I'm trying to say is that Bladex has the ability to position itself to be able to finance and take advantage of the new trade dynamics in the region because, again, of the short-term nature of the portfolio.

So, we see, from our end -- given the short-term nature, we see more opportunities here with that volatility than anything else. Sam, do you want to add something? And to the second question.

Samuel Canineu
Executive VP & Chief Commercial Officer
The platform that we're launching with CGI initially with the levels of credit, it's country agnostic. It's U.S. dollars, it's hard currency. So we could do -- it's offshore, so we could virtually do in any of the countries that we operate. What we will do is start piloting with our closest relationships or the more meaningful in that business and then start deploying to the rest of the clients. The idea is to have all of our clients operating through that platform. And with time, we believe we can get there. But of course, it will take some time.

Jorge L. Salas
Chief Executive Officer
I don't know, Daniel, if that answers your question.

Operator
Our next question comes from Valentina Marin with Bancolombia.

I have two questions. First, what countries do you expect to lead portfolio growth in 2025? Do you expect any particular focus? What would be the reason for such focus?

And second, do you expect to continue reducing provisions? What would be your target for COR in 2025, 2026.

Jorge L. Salas
Chief Executive Officer
Okay. I'm going to let Sam tackle the first one on portfolio growth. That's his area. And then I'll talk a little bit about provisions for 2025.

Samuel Canineu
Executive VP & Chief Commercial Officer
Overall, on average, we believe growth should continue to be balanced throughout the countries in which we operate. We're obviously monitoring very closely what opportunities this more volatile geopolitical context and potential escalation of trade work will bring to us. In times like this, some global investors tend to wait on the side, which could bring opportunities for us to move as always. Mexico could be one of such countries as it has

great corporations with low survive no matter what have. We also continued to see Central American conglomerates expanding outside the region, north and south. We're working hard to capture some of those opportunities to finance M&A particularly.

Finally, like our CFO already mentioned, we see a promising path of economic recovery in countries such as Argentina and now Salvador, we don't plan to move aggressively in those countries, but there could be good opportunities to grow from where we are today with the best credits in each of those countries.

Jorge L. Salas
Chief Executive Officer
Great. Sam, thank you. Regarding reserves, remember, reserves our model base. I believe reserves in 2023 were right below $30 million, it was $28 million, and keep in mind that we had on non-bank nonperforming loan there in Mexico that took both of the hit in 2023. 2024, it was $17 million. So given that we are projecting a similar growth and similar country mix, we believe that reserves for 2025 should be around what they were for 2024. So in the $17 million to $20 million.

Are there any other questions?

Operator
Our next question comes from David [Lefkowich] .

Unknown Analyst
Thank you very much, and congratulations on the great result in 2024. I have three questions. The first question is some of what has been said in today's presentation implies a concentrated portfolio. So, I'd like to know what is the largest concentration you have and how you manage loan concentration?

Second question, there was a great increase in credit commitment fees this year. And I'd like to know if that implies any changes in the portfolio makeup for next year.

And finally, third question, most of your investment portfolio is 92% of it is held to maturity securities, and in which country is most of this held-to-maturity portfolio held? And are there any changes contemplated.

Jorge L. Salas
Chief Executive Officer
Thank you very much. Very good questions. First one regarding long concentration. First of all, keep in mind, this is a wholesale bank. So, we're naturally concentrated because of the nature of the business. We are, as you saw, very diversified in terms of countries and

also in terms of sectors, we feel very comfortable that our top exposures are either sovereign companies, normally short term or have very strong collateral.

So, concentration is always something that we are monitoring at the credit committee level, at the risk level and also at the board. Regarding second question was about -- can you remind me what the second question was, sorry? I'm going to let Sam talk about commitment fees. They have increased, and we expect a good performance of the commitment fees to the extent that we're growing our project finance business. But Sam, you can probably give more color on that?

Samuel Canineu
Executive VP & Chief Commercial Officer
Sure. I think first is, I think it's important to make clear that we're not the typical wholesale banking that are -- have a very active or material book of contingency lines or backstop facilities, RCF. We don't have much of those. We don't look for those. The nature of our commitments they come from, yes, they are growing from the project finance parts that typically when a project -- when we fund a project, not the needs of the projects are being disbursed as construction builds up.

So, there is some delay drawdown term loans as we call, and those are, yes, project finance is still very small on the -- in terms of the total book, but that business is growing. Also, what is growing with the growth of the letters of credit business, we're seeing also opportunities to -- in some of the tenders around the countries that we operate, some of the traders asked for our commitment right before the tender open. So those are very short-term commitments, and we like those. And also that guarantees that we're going to be the bank of choice for the issuance of the letter of credit that we look for those.

So, I think that's another source of where those are coming. And third, that's important than the others, but also we continue to be on the lookout in the secondary market. And we have found over the last few years, some really good opportunities to buy committed facilities at discounts and there as some of the numbers or the growth they come from those, let's say, opportunistic purchases as well. So, I think this is what a bit of the picture on the commitment business side.

Jorge L. Salas
Chief Executive Officer
The third question was regarding the investment portfolio that is, in fact, both of it held to maturity. It's mostly in the U.S. I'm going to let our Head of Treasury and Capital Markets, I give a little bit more color on that, Eduardo, you want to share some thoughts.

Eduardo Vivone
Executive Vice President of Treasury & Capital Markets

Yes. Thank you, Jorge. As Jorge explained, I mean, most of the portfolio is held who have issues outside of Latin America. It's a portfolio of very short duration, average duration is two years. And most of it is investment grade more than 80% we see this portfolio as a solo diversification of credit exposures outside of the region. It must be remembered that by our bylaws, we can only land in member countries. But this portfolio with this predominantly invested outside the region provides a source of diversification.

And as Annie explained before, also because most of these -- I mean, I would say, all of these bonds are global and most of them are investment grade, they're also a vehicle through which we can access the Fed discount window in a situation of market disruption. So, in short, most of the exposures are U.S., minor exposure in European and Japanese issuance and mostly more than 80% investment grade. Thank you.

Operator
That's all the questions we have for today. I'll pass the line back to Jorge Salas for their concluding remarks.

Jorge L. Salas
Chief Executive Officer
Thank you, Sofia. Before we conclude today's call, I want to take a moment to acknowledge someone very special to Bladex. As we announced back in November, after an extraordinary 35-year career in Bladex, Annie, our CFO, has decided to step down. While she remains with us until April, ensuring a smooth transition, this has been her last earnings call. Annie has been an integral part of Bladex's leadership, driving the bank's financial performance with excellence, integrity and true commitment to our strategic vision.

Under her help, we have delivered record-breaking results, as you've seen, and position the bank for continued success. On behalf of the entire management team and the Board, I want to extend my deepest gratitude to Annie for her years of dedication and invariable contributions. Annie, we will miss your leadership, but more than anything, we will miss you as a colleague and as a friend.

At the same time, I want to take this opportunity to welcome Annette as she steps into her new role. Annette brings a wealth of experience and deep knowledge of our business, and I have no doubt that she will continue to build on the strong foundation that Annie has established. Annie you want to say a words?

Ana Graciela de Mendez
Executive VP & CFO
Sure. Thank you, Jorge, and thank you all. It has been an incredible journey at Bladex. I am deeply grateful for the privilege of working with such a talented, committed team. These past years have been filled with challenges, milestones and achievements that I am

immensely proud of. I want to thank our investors, our board, my colleagues and especially my team for their support, trust and collaboration.

Bladex is an excellent position -- is in an excellent position for the future. And I have no doubt that the bank will continue to thrive under Jorge's leadership and the outstanding team we have built. I am especially delighted to see my close colleague and dear friend Annette, take on this role, confident that her expertise and vision will continue driving Bladex forward. Thank you all. Annette, please.

Annette Van Hoorde
Hi, everyone. Thank you, Jorge, and thank you, Annie. While Annie leaves big shoes to fill, I am honored to step into her role and continue building upon the strong foundation she has helped established. Over the past months, I have the privilege of working closely with Annie and our guidance, knowledge and leadership have been invaluable. I look forward to continuing to execute our strategy and drive long-term value to our shareholders, clients and stakeholders. Annie, on behalf of the entire team, I wish you all the best in your next chapter and thank you for everything you have to for Bladex.

Jorge L. Salas
Chief Executive Officer
Thank you, both. And I think this concludes the call. Thank you, everyone, and I'll see you in the next call. Goodbye.

Ana Graciela de Mendez
Executive VP & CFO
Thank you. Good day.

Operator
Thank you. Bladex's conference call is now closed. You may disconnect and have a nice day.