

Bladex

Q3 2025 EARNINGS CALL

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Participants:

- Jorge Salas, Chief Executive Officer
- Annette van Hoorde, Chief Financial Officer
- Samuel Canineu, Chief Commercial Officer
- Eduardo Vivone, EVP Treasury and Capital Markets

Conference Call Participants

Iñigo Vega Zabala - Jefferies

Ricardo Buchpiguel - Banco BTG Pactual S.A., Research Division

Daniel Mora - CrediCorp Capital, Research Division

Andres Soto - Santander Investment Securities Inc., Research Division

Mario Estrella – Itau Research Division

Operator

Good morning, ladies and gentlemen, and welcome to Bladex Third Quarter 2025 Earnings Conference Call. A slide presentation is accompanying today's webcast and is also available in the Investor Relations section of the company's website, www.bladex.com. Please note that 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 Salas

Chief Executive Officer

Good morning, everyone, and thank you for joining us to discuss our third quarter results. I'll start with the quarter's highlights, and then Annette will walk you through the financials in detail. After that, I will briefly comment on the region's economic outlook and also provide an update on the implementation status of the 2 main IT platforms that underpin our path towards scalability and enhanced fee generation. After that, we will open the call for questions.

Despite the more challenging environment marked by rate cuts, high regional liquidity and wide open capital markets for Latin American issuers at historically tight spreads, we delivered very solid results in the third quarter, fully aligned with our expectations and guidance. And I'm particularly proud of the fact that in mid-September, we successfully issued our first additional Tier 1 capital instrument. The deal was led by JPMorgan and Bank of America as joint book runners and was more than 3x oversubscribed. It attracted investors across Latin America, the United States, Canada, Europe and the Middle East. I want to recognize Annette, our CFO, for her leadership in this landmark transaction for Bladex. Annette will cover the details shortly. The objective of this additional Tier 1 capital is straightforward, to strengthen our capital base to support the very robust pipeline of high-value transactions we are building and executing. This will ensure we sustain growth through the remainder of this year and into the future.

Now turning to our commercial portfolio. Balances were stable quarter-over-quarter and up 12% year-over-year, driven by loan origination in Mexico, Guatemala and Argentina. Notably, the commercial team has continued to onboard new clients. As a matter of fact, new client onboarding is up 7% year-to-date. Regarding funding, deposits rose 6% quarter-on-quarter and 21% year-on-year with a quarter end record of \$6.8 billion. The quarter also benefit from another significantly oversubscribed issuance in the Mexican debt capital markets, allowing us to secure medium-term funding at highly competitive terms. On the P&L front, interest income was stable quarter-over-quarter despite the impact on rate cuts and ample market liquidity. Noninterest income performed well, down sequentially given the one-off transaction we highlighted last quarter, but up 40% year-over-year, supported by strong activity in both letters of credit and our syndication and structuring team.

During the third quarter, Bladex acted as sole lead arranger in the acquisition financing of CEMEX Panama by a leading Dominican business group, another clear example of how Bladex supports intra-regional expansion across Latin America. Our net interest margin showed a slight decline of 4 basis points down to 2.32%, but still remains above our full year guidance. This stability on margins is a reflection of proactive portfolio management, including a shift towards corporate clients that now represents 73% of our portfolio versus 68% last quarter and a healthy momentum in medium-term transactions, all without extending the average duration of our commercial exposures, which remains slightly below 14 months.

Operating expenses were stable, and our efficiency ratio closed at 25.8%, even better than our full year guidance of 27%. We closed a solid quarter with \$55 million in net income and a 15% return on equity. The quarter-over-quarter decline in ROE reflects the one-off transactions referenced in Q2 as well as the dilution from the increase in the capital base resulting from our AT1 issuance. If you exclude these 2 effects, it is very clear that the performance is consistent with the guidance for the year.

Let me now hand it over to Annette for a more detailed look at the financials. Annette, please go ahead.

Annette van de Solis

Executive VP & CFO

Thank you, Jorge, and good morning, everyone. Let me walk you through the main financial highlights for the third quarter, which once again reflects disciplined execution and solid results, supported by resilient margins and strong fee generation, while further strengthening our capital

and funding base, all of this while navigating a more competitive environment with abundant liquidity and continued rate cuts.

Let me start with capital, given the relevance of the AT1 issuance this quarter. In September, we executed a \$200 million perpetual non-call 7 Additional Tier 1 or AT1. Market conditions were exceptionally constructive for this asset class, and we timed the issuance to capture a favorable window with comparable AT1s trading near historical tight spreads and well below our estimated cost of equity. This instrument is Basel III compliant and meets local regulatory requirements and under IFRS, it is recorded as equity, further strengthening our capital base. Its perpetual non-call 7 structure provides the optionality to recap the instrument over the next 2 years if additional capital is required, while still in full compliance with local regulation, giving us the flexibility to support portfolio growth and capture opportunities across the region while maintaining a solid capital position.

Following this transaction, our regulatory capital adequacy ratio rose to 15.8% and our Basel III Tier 1 ratio increased to 18.1%, both comfortably above internal targets and well ahead of regulatory minimums. This additional layer of capital reinforces our strong positions and keep us well prepared to execute on our growth plans. In line with these solid fundamentals, the Board approved a quarterly dividend of \$0.625 per share, consistent with recent quarters, representing a 42% payout ratio, reaffirming our confidence in the bank's sustainable earnings capacity.

Let's now take a look at earnings and returns. Third quarter's net income totaled \$55 million compared to \$64 million in the previous quarter, which included the extraordinary syndication fee from the Staatsolie transaction booked in the second quarter. This quarter's performance translate into a return on assets of 1.8% and a return on equity of 14.9%, fully in line with our full year guidance of 15% to 16%. The decline in ROE versus the prior quarter mainly reflects the impact of the AT1 issuance in late September, which increased our equity base ahead of deployment as well as the one-off fee recognized last quarter, which boosted those results.

Looking at the first 9 months of the year, ROA stood at 1.9% and ROE at 16.2%, highlighting the bank's solid and consistent profitability. As mentioned earlier, the AT1 is recorded as equity under IFRS, expanding the denominator and mechanically diluting the ROE. On this basis, our reported ROE was 14.9% for the quarter and 16.2% year-to-date. To provide additional clarity, we also calculated an adjusted return on equity, which excludes the AT1 from the denominator, reflecting the return to our shareholder base. These metrics provide a clear view of underlying profitability from a shareholders' perspective.

Under this measure, the adjusted ROE was 15.1% for the quarter and 16.3% year-to-date, with the slight difference versus reported ROE, mainly reflecting timing as the transaction closed late in September and its full effect will be seen next quarter. As we deploy the new capital into medium-term pipeline, we expect returns to normalize to our historical levels, reaffirming the strength and consistency of Bladex earnings model. Overall, this result confirm that Bladex profitability is driven by a diversified and recurring earning base, not dependent on one-off transactions and that our strategy continues to deliver sustainable, predictable returns.

Let's move on to the credit portfolio. Total credit portfolio reached \$12.3 billion, a new all-time high, up 1% from the previous quarter and 13% year-over-year, supported by growth across loans, contingencies and investments while maintaining a conservative liquidity position. Our commercial portfolio, which includes loans and contingencies stood at \$10.9 billion, reflecting a slight growth quarter-over-quarter and up 12% year-over-year. Within this total, the loan portfolio closed at \$8.7 billion, an increase of 2% from June and 8% compared to last year, reflecting steady client demand, despite high market liquidities and tighter capital market spreads. In this environment, we

continue to prioritize disciplined short-term origination during the quarter, complemented by the execution of our medium-term pipeline. This moderation in growth also reflected prudent balance sheet management, leading up to the AT1 issuance as we maintain a capital cushion while the transaction timing was being finalized. Now that the transaction has been completed, we are well positioned to resume disciplined expansion in the coming quarters.

On the contingent business side, which includes letter of credits, guarantees and credit commitments, balances closed the quarter at \$2.1 billion, down 4% from the previous quarter after a very strong first half, but still 33% year-over-year. What is important is that our letter of credit business continued to grow, both in average volumes and fee income, showing healthy underlying activity. Letter of credits remain central to this business line, directly supporting our mission of facilitating regional trade flows, while commitments have evolved into a resilient income source as we continue to structure medium-term transactions that foster lasting client relationships. With our new trade finance platform implemented, we are prepared to support higher transaction volumes of letter of credit and expand our client base. In terms of performance by country, Guatemala, Mexico and Argentina were the main drivers of growth this quarter, reflecting healthy commercial activity and strong client engagement in these markets.

Looking at the commercial portfolio diversification, financial institutions remain our largest exposure, representing about 1/4 of total credits, while our exposure to corporate clients continue to grow across sectors and countries. This mix help us to stabilize margins and reinforce the resilience of our earning base. Overall, our commercial portfolio continues to expand with discipline, supported by the successful completion of the AT1 issuance, growth across key markets and a well-diversified client base that positions us to capture new opportunities ahead.

Now turning to the investment portfolio and liquidity. The investment portfolio totaled \$1.4 billion, up 4% from the prior quarter and 18% year-over-year, consistent with our liquidity strategy. It remains predominantly investment grade, about 88% of the portfolio and is largely composed of non-Latin American issuers, providing both credit diversification and a reliable source of contingent liquidity. The portfolio is short in duration by design with an average maturity of about 2 years and is primarily held through our New York agency, where these securities are eligible as collateral at the Federal reserve discount window. Liquidity ended the quarter at \$1.9 billion, representing 15.5% of total assets, in line with our target range. As of September 30th, 95% of liquidity was placed with the Federal reserve, highlighting our prudent and proactive liquidity management. Together, our high-quality, well-diversified investment portfolio and a strong cash position with the Federal reserve provides a robust liquidity foundation and the flexibility to fund new opportunities while maintaining a prudent balance sheet strategy.

Let's now look at asset quality. Credit quality remains remarkably strong. By the end of the quarter, 97% of total exposures were classified as Stage 1, reflecting low credit risk across the portfolio, while nonperforming loans stayed near 0 at just 0.2% of total credit. Our coverage ratio remained above 5x, confirming the strength and resilience of our asset base. Provisions charges totaled \$6.5 million, slightly higher than in the previous quarter, mainly reflecting the reclassification of a single client exposure from Stage 1 to Stage 2. With this, total allowances reached \$101.5 million or 0.8% of total exposures, fully consistent with our prudent and proactive credit management approach. All-in-all, credit portfolio remains solid and well diversified with Stage 3 exposures stable at 0.2% and overall asset quality remaining very strong.

Let's move on to funding, where we continue to see strong momentum in deposit growth. Deposits continued their strong upward trend, growing 6% quarter-over-quarter and 21% year-over-year, reaching \$6.8 billion and now accounting for 2/3 of total funding, the highest share in Bladex's

history. Deposit growth was driven by corporate clients' deposits, which rose over 26% from June, supported by cross-selling efforts, while higher balances from financial institutions also contributed to the overall growth. At the same time, Class A shareholders' deposits remained stable, providing an anchor of funding stability. This performance highlights the depth of our client relationships and the success of our Yankee CD program as a diversification strategy, which continues to lower our overall cost of funds.

In July, we issued MXN 4,000 in the local market. The deal was very well received and oversubscribed, giving us a competitive cost and further diversifying our funding base. The proceeds were swapped to U.S. dollars, which provided a cost-efficient source to fund new business opportunities. The favorable evolution of our deposit base, combined with the proceeds from the AT1 issuance provided the resources to repay our \$400 million benchmark bond that mature in mid-September. And looking ahead, we continue to monitor medium-term funding opportunities to further diversify our investor base and maintain an efficient cost of fund structure. This combination of strong deposit growth and continued access to market funding has strengthened our liability profile, making it more diversified, stable and well aligned with the growth of our commercial portfolio.

Moving now to net interest income and margins. Net interest income remained stable at \$67.4 million, showing resilience despite margin pressure from higher market liquidity and the gradual impact of lower reference rates. Our net interest margin stood at 2.32%, down 4 basis points from the second quarter, while the net interest spread narrowed from 1.70% to 1.64%. This slight margin compression is the result of a short-term liability sensitive position in the context of an inverted yield curve. It also captures the initial impact of the recent Fed rate cuts on our liquidity balances, which will be followed by the repricing of the remaining assets and liabilities in the upcoming months, consistent with our largely neutral positions to base rate movements. These effects were partially offset by a lower cost of funds, supported by continued deposit growth, greater funding diversification and disciplined loan origination across the portfolio. Overall, margins remained stable and well managed, reflecting disciplined pricing, a strong funding base and the resilience of our core earnings models.

Now let's turn to noninterest income. Noninterest income totaled \$15.4 million for the quarter, following the record level we reached in the second quarter. If we exclude the extraordinary fee from the Staatsolie transaction last quarter, this would have been a new record with results stronger than our historical quarterly fee results with contribution across all line of business. Fee income this quarter was led by letter of credits and credit commitments, reflecting healthy trade activity and client engagement. As announced last quarter, we launched our new trade finance platform. And while we are still in the fine-tuning phase, this marks a major step towards future scalability. The platform is expected to be fully optimized by the end of the year, enabling us to process higher transaction volumes and enhanced client experience, reinforcing our competitive position in trade finance.

In syndications, we closed 4 transactions totaling \$431 million, including new originations and upsized deals across Panama, Costa Rica, Paraguay and El Salvador. Among them was the acquisition financing for CEMEX Panama, where Bladex acted as the sole lead arranger. Together, these operations generated around \$2 million in fees, reflecting the depth and strength of our structuring and distribution capabilities across the region. As we expand our presence in structured medium-term transactions, credit commitment continue to grow as a relevant and stable source of fees since many of these deals include committed facilities as part of their structure. We also saw additional contributions from the other noninterest income sources. Our

secondary market distribution desk generated almost \$1 million in loan sales this quarter and about \$2.5 million year-to-date. We expect this figure to continue rising over time as our deal flow expand and market activity remains strong.

In addition, our treasury team closed a large interest rate swap tied to a project finance deal we led in Peru, a transaction that validates our growing project finance and infrastructure strategy. This type of business not only brings healthy margins and structuring fees but also creates cross-selling opportunities in areas like derivative. These early derivative transactions mark an important first step in building our treasury-related noninterest income business, positioning the bank to capture future hedging and risk management opportunities once the NASDAQ platform goes live in the second half of 2026. Overall, fees and noninterest income are gaining strong momentum, supported by recurring fees, broader diversification and solid activity in trade and syndications, they now account for around 19% of total revenues, up from 14% last year and will continue to grow as new platforms and client solutions drive the next phase of our diversification strategy.

Finally, let's look at expenses and efficiency. Operating expenses totaled \$21.3 million, about \$0.5 million above last quarter, reflecting a 2% sequential increase. This was mainly driven by higher personnel expenses related to compensation adjustments and new hires supporting strategic projects, partially offset by lower operational costs. As several technology and strategic initiatives move into production, we expect depreciation costs to begin rising next quarter. Our efficiency ratio closed at 25.8%, slightly better than our guidance of 27%, and we continue to expect to end the year within that range. This demonstrates our ability to grow revenues faster than expenses while continuing to invest in modernization and future growth. Overall, Bladex continues to operate with one of the best efficiency levels among the regional peers, a reflection of disciplined cost management and our focus on sustainable growth.

That concludes my reviews of the financials. I will now turn the call back to Jorge for his closing comments.

Jorge Salas

Chief Executive Officer

Thanks very much, Annette. Very clear, great job. The global economy is adapting to a more protectionist trade setting. Recent agreements have tempered some tariff pressures and push growth expectations higher as recession risks have largely faded. Having said that, volatility persists. This is visible in international financial market swings and a stronger safe haven demand, including gold. In the United States, our base case continues to be a soft landing. However, inflation remains above target and could face upside risk from tariff tensions. In our view, this limits the scope for rate cuts and points to a structurally higher terminal rate than in the prior cycle. Latin America, however, has largely remained insulated from global trade frictions, supporting stable growth in 2025, although with significant variations across countries. The IMF now projects 2.4% growth for the region in 2025 and 2.3% in 2026, with the 2025 upgrade led by stronger performance in several economies, especially Mexico, where recession risks have diminished.

As usual in Latin America, inflation is advancing unevenly. Most of Central America has converged faster to inflation targets, allowing lower policy rates, while the larger economies in South America and Mexico are normalizing at a slower pace, leaving less room for further interest rate cuts. For trade, the outlook is mixed. Tariff noise and policy uncertainty weighed on Mexico and parts of

Central America, while nearshoring and supply chain diversification continue to create structural opportunities, particularly in manufacturing and agribusiness. In this context, Bladex is well positioned to help clients navigate uncertainty and capture these opportunities through medium-term structured solutions in our trade finance expertise, reinforcing our role as a trusted partner in cross-border flows.

Next slide, please. Let me now close with a quick update on strategy execution. Since launching our strategic plan in 2022, we have strengthened our operating capabilities to support a meaningful growth in volumes and profitability. At the same time, we have developed new business lines to raise noninterest income and diversify revenue sources. As we announced last quarter, reaching full operational capacity on our new trade finance platform powered by CGI will take until next year. That said, the first quarter operation with the new platform is already delivering tangible results, higher transaction volumes and faster cycle times, including shorter processing times for letters of credit. These early outcomes enhance the client experience and improve our operational leverage.

Also, as you probably saw, we recently announced our partnership with Nasdaq's Treasury and Capital Markets platform. We selected its front-to-back cloud-enabled API-driven solution to scale treasury and capital markets. The state-of-the-art platform supports client hedging in FX and rates, broadens local currency and structured funding and automates core workflows, enhancing speed, controls and risk management. Teams from both Bladex and Nasdaq are already making good progress on the implementation, and we expect to have the first phase fully operational by Q3 2026.

Moving on to the next and final slide. Just to note here that based on year-to-date performance, we reaffirm our full year guidance. With that, let's open the line for your questions.

Question-and-Answer Session

Operator

Our first question comes from **Inigo Vega with Jefferies**.

Inigo Vega

A couple of very short questions. One is on capital. Obviously, you got the AT1. You moved from a capital ratio of 15% to 18%, so I'm wondering if you can give some color on what is your new target in terms of capital ratios once you've done this AT1? And if you answer me like we're going back to 15%, what is the timing to deploy that capital, like how many quarters, how many years you could go back to, if you say 15%?

The other question is on credit quality. I mean, I can see that Stage 3 remains very low. I think you commented that there's been a pickup on Stage 2. I mean, running the numbers, I get to something like 20 basis points more of Stage 2, which is like \$50 million. So if you can sort of explain what is the visibility on that ticket, how concerned? And what is the sort of probability of default? I guess classifications of Stage 1 to Stage 2 is basically the day-to-day, but if you can give

some color on that would be helpful. And probably the last one is, I reckon that you are working on a new stake plan. Do you have any timing in terms of announcing the new stake plan?

Jorge Salas

Chief Executive Officer

Inigo, good questions, as always. Regarding the capital, you're right. I mean, our target remains unchanged in the mid-teens and 15%. The AT1 transaction was more about having dry powder to deploy, as we said, on the pipeline. In terms of that deployment, we expect to put that additional capital to work over the, I would say, the 12, 18 months. That's the time -- that's a normal life cycle that takes between origination, structuring and syndicating the medium-term deal. So obviously, we'll prioritize risk-adjusted fee accretive opportunities, but the bottom line is the targets remain unchanged, and we will deploy it in the next year to 1.5 years. So there's no impact on the guidance that we've communicated, the long-term guidance.

In terms of increase in Stage 2, you're right, it was driven by mainly one client. In terms of how worrisome, Inigo, I'll put it this way. It's short term, it's trade finance exposure, which is what we do. It's primarily letters of credit to support imports for essential goods for the country. All facilities are uncommitted. They are maturing quarter-by-quarter. The client is current. We have increased reserves as we do with every loan that falls into Stage 2, we're monitoring closely. But importantly, even when running the stress scenarios with the info we have today and given the size and the terms, this will have no effect on our ROE we've indicated for the year. And that's why we just ratified the guidance. So in short, we're being prudent. We're on top of it, but business as usual and the bank remains strong. As far as the Investor Day, we're in the final stages of approval of our 2030 strategy and vision by the Board. And we're super excited to host the new Investor Day with the 2030 vision in Q1, I mean, right after we have the full year 2025 results. So right after we published the first quarter -- I mean, the end of the year 2025 by the end -- I guess by the end of the first quarter, we'll share the 2030 plan.

Operator

Our next question comes from **Ricardo Buchpiguel from BTG Pactual**.

Ricardo Buchpiguel

Banco BTG Pactual S.A., Research Division

I have a couple of questions here on funding. The bank deposit franchise has been growing very strong recently, especially in the last quarter and its funding cost is a bit below the bank's overall borrowing cost, right? So I just wanted to understand whether this deposit could mainly help to lower the short-term funding cost over time or if that could eventually help to reduce long-term funding instances, bringing more meaningful reduction on NIMs? And also will be great if you could comment on the opportunity to improve the funding cost with operational deposits, right? You already make several payments into our customers' account when you're granting loans. And I understand you already have been investing in this banking account offering. So I'd like to understand whether we can see further funding cost gains as kind of a low-hanging fruit over the next couple of years?

Jorge Salas**Chief Executive Officer**

So let me start with the second question first on operational deposits. You're right. We see it as a low-hanging fruit. That's something that Bladex, despite being a trade bank, we don't have too much of operational deposits. Of course, that involves some basic cash management capabilities that we're building. How are we going to do it? How much of that are we going to do? That's a big part of what the Investor Day is going to be telling about on Q1. So you have to wait until our Investor Day for that, but it could be a very significant upside there in terms of cost of funds.

Regarding the shorter term question on funding, it's true. I mean, this quarter, first of all, we had the AT1, and that helps, of course, there was an influx of \$200 million. Then we increased deposits as obviously the more efficient cost of funding avenue that we have. And also, we have an issuance in Mexico also at very good rates even when swapped to dollars. So that was part of the increase in the -- I mean, the benefit in cost of funds that we had this quarter. I don't know, Annette, if you want to complement that.

Annette van de Solis**Executive VP & CFO**

As Jorge mentioned, funding keeps being complemented by the participation of deposits. We feel confident that going forward, as we increase our cross-selling capabilities, we're able to keep growing our depositor base organically as we do the cross-selling and also as we increase our client base as part of the strategic plan. So we are projecting growth in the organic deposit balances. And for the upcoming years, as part of the strategic plan, as Jorge mentioned, this will be further complemented with more powerful deposits from a cost point of view, even though these are new to the balance sheet.

Ricardo Buchpiguél**Banco BTG Pactual S.A., Research Division**

Very clear. I'm just wondering that when I see the average balance of your interest-bearing liabilities that you have like around like \$2.6 billion in terms of long-term borrowings, right? I wanted to understand eventually if this component of the funding would be more diluted over time and this would improve your overall funding cost even without the benefits of the operational deposits or it should grow like kind of in a similar weight over time, like since it has a more long-term duration. What can we expect here? Like can the time deposits help to lower the funding cost on this kind of longer part of the funding?

Annette van de Solis**Executive VP & CFO**

Yes, Ricardo. I mean, as we have mentioned before, we always maintain a very well structured funding profile, maintaining a percentage of funding in medium-term transaction and that we are

planning to do so. Here, I will pass the word to Eduardo from our treasury that can comment on the different possibilities that we're seeing that will strengthen our medium-term funding structure.

Eduardo Vivone

Executive Vice President of Treasury & Capital Markets

Yes. Just to make it very, very short. I mean, on the one hand, deposits have been growing and the share of the total funding, as you have seen, -- the incorporation of operational deposits by definition, are much more stable will very likely allow us to reduce the participation of medium-term funding. But until that happens, medium-term funding will continue to have a similar participation in funding mix because, as Annette said, we want to maintain a healthy maturity of our profile of our liabilities. Having said that, they have been gaining significant share as compared to other short-term sources of funding. So the expectation is that we will see efficiency -- the cost of funding gaining efficiency in the next -- in the forthcoming months. And I would say that the key to reduce reliance on medium-term funding will be the growth of operational deposits. But doesn't mean that deposit will not benefit the overall cost of funding in other ways because they have been replacing other short-term sources of funding that were more costly for the bank.

Operator

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

Daniel Mora

CrediCorp Capital, Research Division

I have just 2 questions. The first one is regarding loan growth. I would like to understand where do you see the most interesting growth opportunities to deploy the AT1 capital? Is there any market that is gaining your attention? Is Argentina a new option after the election results in the last weekend? That will be my first question. The second one is regarding NIM, considering that you reduced the sensitivity to interest rates, what should be the NIM performance from current figures considering, one, the movement in interest rates; and two, the funding changes that you have been mentioning during the presentation?

Jorge Salas

Chief Executive Officer

Daniel, so the first question in terms of opportunities to deploy our capital in the pipeline, we're going to let Samuel, our Chief Commercial Officer, respond that. But yes, we're being very cautious in Argentina. Argentina is one of those countries, and I'm going to let Sam give a little bit more color on that pipeline. And then Annette will tackle the net interest margin question. Sam?

Samuel Canineu

Executive Vice President of Business

Sure. Well, we continue to see good momentum in the Central America region across the board. We're seeing a strong fit in that region with our enhanced capabilities of our structured trade and working capital solutions business with our project finance infrastructure business and also our acquisition financing and syndication capabilities. There are less competitive pressure in that market, in that region compared to South America. And of course, we see this positively and we drive resources accordingly.

In South America, while we are ready to -- we have more dry powder now with the AT1 to tap potential opportunities that may arise from increased volatility in countries that will go through presidential elections next year, and there are a few, I would say that we see a more balanced growth in South America. We think it's important to say we keep building our pipeline for more structured transactions and syndicated ones in line with our target to continue to grow fees. I think also important that we are starting to see as we build up our derivative capabilities, the pipeline is starting to grow there, and we hope to continue to show a gradual increase in that line of the business as well.

Going to Argentina, yes, we actually grew the last quarter. Argentina, I think we're still -- as Jorge referred to, we're still very selective, and we are quite pleased with the quality and return for risk of our current exposure. We really only work with the top tier names, ones whom we have worked for years. We're mostly focused on exporters, dollar-generating sectors, oil and gas and soft commodities. And while the quality of our exposure is not necessarily affected by an eventual change of government, we're very positive with the recent win of the ruling party in the latest elections, and that should bring good opportunities for us to grow hopefully next year.

Jorge Salas

Chief Executive Officer

Net interest margin, right?

Annette van de Solis

Executive VP & CFO

Yes, sure. Regarding your questions regarding NIM, obviously, the bank has been very successful at managing its assets and liability very proactively, and this is something that we'll keep doing. We have improved our mix, both in the asset and liability side, increasing our exposure to corporates, increasing some of the medium-term transactions that we have been talking about that not only are very accretive from a margin point of view, but also from a fee point of view, trying to mitigate our impact of interest rates in our bottom line. So we'll keep doing that. Obviously, on the assets -- on the liability side, we are doing the same thing, increasing the percentage of the deposits as part of the total funding of the bank. And as Eduardo just previously described, deposits will keep being an important part of the growth of the liabilities in the upcoming months.

Regarding the operational deposits, we'll see those increasing gradually as we execute the new strategic plan, and we'll share more information about that in the Investor Day. Nonetheless, we are expecting interest rate cuts going forward. So those will have an impact on the NIM. And what we have shared before that the sensitivity of the -- about 100 basis points in rate cuts will impact

our NIM in around 12 to 13 basis points. So that's what we can share right now regarding the NIM, but for the 2025, we are maintaining our NIM guidance of 230 for the year.

Operator

Our next question comes from **Mario Estrella from Itau.**

Mario Estrella

Just one question on -- I mean, I had a question about the NIM, but I guess it's already answered. So I'm focusing on the evolution of the deposit composition. I saw that the corporations actually increased their share from 30% to 35% in just 1 quarter, right? So that's -- I mean, that seems like a huge impact very rapidly, right? So I just want to understand, I mean, how positive -- if it's positive for the cost of funding? And how should we -- how should that evolve going forward? I mean what's behind that? I mean, I know that you talk about your relationship with many clients, but -- that seems like a huge advance in just 1 quarter, right? So I just wanted to understand what's to come going forward and how that should impact the cost of funding?

Annette van de Solis

Executive VP & CFO

Mario, I think Eduardo was very clear about the growth of the deposits coming from different type of exposures. They are all growing proportionately. But as we grow our client base on the commercial side, and we are working on the cross-selling efforts, we are seeing those translate as well into our depositor balances. And that's kind of the reason why you see the growth in the corporate section of the deposits. This is not a one-off. This is the result of working with our clients, working the cross-selling capabilities as we develop and foster more strong relationship with our clients, we're seeing that translated into our deposit balances as well.

Jorge Salas

Chief Executive Officer

I would just add, I mean, if you zoom out, Mario, a little bit and you look at this sort of the broader picture with the 5-year back, I mean, believe it or not, our client deposits were minimal. I mean they've been growing because we basically changed the incentive structure and now simply the commercial team, the front line has some KPIs in their balance scorecards that simply foster this. And that will continue to be the case going forward.

Mario Estrella

That's very clear. And just to be clear, I mean, those deposits are remunerated close to the Fed rates, right, or the software rate?

Jorge Salas

Chief Executive Officer

Mostly market rates, yes.

Operator

Our next question comes from **Andres Soto from Santander.**

Andres Soto

Santander Investment Securities Inc., Research Division

My first question is regarding the growth in clients that Jorge mentioned at the beginning of the call. I heard an increase in 7% in new client onboarding year-to-date. I would like to understand what is the profile of those clients? Number one. Number two, if you expect this strategy to continue, are you expecting to add clients or growth ahead is mostly based on doing more business with your existing client base and benefiting from increased trade across the region?

Jorge Salas

Chief Executive Officer

Yes, 7% growth in onboarding so far year-to-date. The profile is the same, Andres. So we're not changing our client profile. Going forward, we do expect growth, and I'm going to let Sam talk a little bit about where are we seeing more potential of client growth. And it's basically -- I mean, the 2 biggest economies in Latin America. Sam, do you want to put some color there?

Samuel Canineu

Executive Vice President of Business

Sure. When it comes to -- first of all, I think we're always looking to grow our client base, and that's how we help to be concentrate, which is one of our objectives. I think our clients -- the 7%, I think, is very balanced. I think balanced in terms of all the countries we operate. But I think what is important to mention there is the new clients are very tied to our enhanced product capability. Most of the clients that we are onboarding are clients that have been there that we know for a while, we want to get in, but we didn't have the right product suite to be able to add value to them to be very transparent. And as we develop new products, we start to have a product offering that is more attractive to them and profitable enough for us, right, to be able to onboard such clients. For example, this year, I think I would say probably in terms of percentage, the biggest growth has been on the letters of credit business. So both in terms of new clients, which were not active before, but also in terms of cross-sell.

And I think to the second point you made, we -- of course, I think it's cheaper to cross-sell, it's more efficient to cross-sell to existing clients, and we are very strongly focused on that, but we also see opportunity to continue to grow our client base. So in terms of speed of growth or quantity, it is really -- it's hard to say. Again, we know -- I would say that we almost know all the players that we want to bank, right? LatAm is not such a great region in terms of number of corporations that fit our credit profile. But we have a very, I would say, target plan to where we want to get in, and there's many names that are in our pipeline that we're about to onboard. So I think we hope to continue to onboard new clients as we did in the past.

Jorge Salas

Chief Executive Officer

And it's both FIs and corporate, but perhaps more corporates.

Andres Soto

Santander Investment Securities Inc., Research Division

Perfect. That's very clear. And then can you give us a sense of what is your current market share?

Jorge Salas

Chief Executive Officer

That's a hard question and a very good question. If you take the profit pools of dollar financing in LatAm, then you get about between \$5 billion and \$6 billion in dollar financing and letters of credit. Our revenues are around \$300 million. So you do the math there. We have obviously more share if you consider the smaller countries, Central America and the Caribbean than the bigger countries. If we take share as dollar financing in terms of loans and trade finance in general, that will be my answer. I don't know, Sam, do you want to complement that?

Samuel Canineu

Executive Vice President of Business

I think the message maybe is that I think we still have a low market share. We don't measure our business by market share. I think in wholesale banking, that is our business. I think we don't -- it's very dangerous to try to grow by gaining market share. We try to grow by really onboarding the clients profitably. We don't even measure so much what our market share is. I think there is an opportunity to grow as we lower our cost of funds. I think then we could enter clients that today we cannot tap because we're not competitive enough. But as the cost of funds start coming down, we could enter that -- those clients more competitively, so I think that could grow our market share. But the message is, yes, it's not -- I would say, it's not that -- we don't target growing market share. We target to grow and grow profitably.

Andres Soto

Santander Investment Securities Inc., Research Division

That's helpful. And my second other question is regarding the asset quality and the Stage 2 that we saw this quarter. I would like to understand a little bit more about what was the reason why you had to move to Stage 2? And I understand the client is still current. A little bit more about the profile and what to expect going ahead.

Jorge Salas

Chief Executive Officer

Yes. I mean the definition of Stage 2 is clients, again, that are current, but the conditions have deteriorated. And that's exactly what's going on with this client in the petrochemical sector.

Andres Soto

Santander Investment Securities Inc., Research Division

Is it specifically to this client or it is more sector-based, country-based? What is the driver?

Jorge Salas

Chief Executive Officer

No, I mean we review the whole portfolio. This is a single case. There's nothing systemic about the country or the sector, if that's the question. And we feel very comfortable with -- again, with the information that we have today and the scenarios that we run, that's why we're confirming guidance and profitability guidance in particular for the year.

Andres Soto

Santander Investment Securities Inc., Research Division

For as long as the client remain current, no additional provisions will be required, correct?

Jorge Salas

Chief Executive Officer

No, I mean the client -- we have proactively provisioned as we do with every client that falls in Stage 2. Even including that provision, we're ratifying the guidance is what I'm saying.

Samuel Canineu

Executive Vice President of Business

I think maybe to complement with the information that we have available, I think we're well provisioned for that specific name, and it's very straightforward. As there are rating downgrades, like in our models, a certain rating downgrade takes to Stage 2. And this is -- and that's what happened but the client, as Jorge said, is current and our exposure is short-term trade, and we expect to collect.

Jorge Salas

Chief Executive Officer

As a matter of fact, in this same quarter, we -- there was some -- actually, our biggest exposure in Stage 2 was fully repaid and that went out of Stage 2. So I mean there's a lot of moving parts in Stage 2 provisions.

Operator

Our next question is from Arthur Byrnes, Deltec Asset. What types of loans constitute your 15% exposure to oil and gas? And what type of business are you doing in Argentina?

Eduardo Vivone**Executive Vice President of Treasury & Capital Markets**

Okay. I'll take that one. That's a good question. I would say oil and gas is a key sector for us and we are seeing excellent opportunities to continue to grow and is a great fit with our product suite. Not as important, along with financial institution is probably the sector that we have built the most knowledge throughout the years. In terms of what type of loans we're doing, say it's a combination, very short-term trade-related exposure to national oil companies in several of the countries that we operate. I dare to say that we have the widest coverage in such names in Latin America compared to any other bank, which makes us a key counterparty to the global trading companies that wants to discount their sales to such companies, which is something we do much more profitable than if we sometimes lend directly to those companies. So this is a very important source of business. It's short term. Some of those clients, we've been doing for over 20 years. So we have built a lot of experience in doing the business, and I would say it's the bulk of our exposure.

Of course, then on the more longer term, on the CapEx financing for such companies, I think we've also been active in financing CapEx. We're, of course, much more selective for medium-term exposure. Those are typically secured where like, for example, when we're financing E&P players, we're looking the ones with the projects that have the lift costs, the more competitive that could sustain prices of low cycle in terms of oil prices, also fields that are not very difficult to extract and with the right operators, the right partners. So we've been doing some of that. I think we're also growing our project and infrastructure business into midstream, which is, I would say, a low-risk sector, which very moderate, if no construction risk, no demand risk and typically no price risk. We, as a bank, we don't like to take commodity price risk. And as we work and expand our oil and gas portfolio, that's something we look at very carefully.

Operator

Thank you very much. That's all the questions we have for today. I'll pass the line back to the Bladex team for their concluding remarks.

Jorge Salas**Chief Executive Officer**

Well, thank you, everybody, for joining. I mean this was clearly a very strong quarter for Bladex. We're very happy with the execution and progress we're making on the 2 platforms. The pipeline, as I said, remains robust, and we are confident in delivering the full year guidance. Thank you, everybody, for joining, and we look forward to speaking with you in the next quarter and then also on the Investor Day, hopefully, before the end of March. Thank you.