# Bladex

**Q1 2023 EARNINGS CALL**

**Date:** 19.4.2023

**Participants:**

- Jorge Salas, Chief Executive Officer
- Ana de Mendez, Chief Financial Officer
- Eduardo Vivone, Head of Treasury and Capital Markets
- Samuel Canineu, Chief Commercial Officer
- Carlos Raad, Investor Relations Officer

Michael:

Good morning and welcome Bladex first quarter 2023 earnings conference call. A slide presentation is accompanying today's webcast and is available on the investor section of the company's website, www.bladexcom. There will be an opportunity for you to ask questions at the end of today's presentation. Please note that the conference call is being recorded. As a reminder, all participants are on listen only mode. I'll now would like to turn the call over to Mr. Carlos Raad, the Investor Relations Officer. Please go ahead sir. Line is yours.

Carlos Raad:

Good morning everyone, and thanks for joining our first quarter 2023 earnings call. Before we begin our presentation, allow me to remind you that certain statements made during the course of this discussion may constitute forward-looking statements which are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to materially defer, including factors that may be beyond the company's control. For a description of this risk, please refer to our filings with the US Securities and Exchange Commission and our earnings release. Speaking on today's call is our CEO Jorge Salas, and our CFO Ana de Mendez. Also joining us today are some of my colleagues from the executive team that will be available for the Q and A. With this, let me turn the call to Jorge. Please go ahead.

Jorge Salas:

Thank you Carlos, and good morning everyone. I will start today by providing a high level summary of our results as well as an overview of some key metrics on the execution of our strategic plan. After that, Annie, our CFO, will discuss results in more detail. Later I will share some assessment of the current global macro scenario as well as its effect on Bladex. And finally, I will update you all on our guidance for the year. Then we will open the call for questions.

Moving on to slide two, so this slides provides a summary of our results for the quarter. As anticipated in our last quarter results call, our focus for 2023 is on profitability rather than growth. Results for this quarter are a clear reflection of that emphasis. Both our treasury unit and our renewed commercial team had a very strong performance despite the challenging environment of the last few months, the results speak for themselves. Record net interest income for the quarter was $52 million, more than double compared to Q1 2022. Net interest margin was at 41%. Again, that is over a hundred basis points higher than the same last year. On top of that fee income was also strong, particularly but not only letters of credit fees, which as a trade bank are an essential part of our business model. All this resulted in a net income for the quarter of $37 million more than three times the same period of last year. Quarterly return on equity was 13.7%. Consistent with our guidance, the loan book was essentially flat for the quarter, but our loan portfolio remains healthy with a robust and diversified pipeline.

Moving on to the next slide, slide three please. Our strong performance this quarter is the result of a carefully executing and well-thought-out strategy designed to capitalize on the strong upside potential of our unique business model. Let me briefly share with you four key metrics that are part of our frontline KPIs for the year. Onboarding time, new clients, incremental deposits and fee generation from our letters of credit business. Our commercial team continues to expand our client base through our new streamlined client onboarding process. We have reduced onboarding time by 46% already, which has allowed us to add 4% new clients last quarter. We have not and will not change our customer profile. We will only serve top tier corporations and banks in the region. But expanding our client base has allowed us to enhance lending spreads in a more challenging macro scenario.

As you see in the bottom left part of the slide, climb deposit screw 12% quarter on quarter, both class A shareholders and corporate clients including financial institutions, grew deposits, and our Jenkins CD program also had a favorable performance in the last quarter, an additional demonstration of the resilience of our funding base during challenging times. Importantly, deposits are clearly our most cost-efficient source of funding. So to the extent they represent only 45% of total funding, there is still significant upside potential here that our plan intends to capture. Finally, as you see in the graph below, fees from our letters of credit unit keeps growing steadily quarter after quarters. Fees for Q1 were close to $4 million, up 18% from a year ago. Behind this growth, there's also a new streamlined process designed to accommodate the increased volume we're seeing over quarter after quarter. I'm going to leave it here for now and let Annie discuss the results in more detail.

Ana de Mendez:

Thanks, Jorge. Good morning to everyone. So now let me discuss the underlying drivers and trends of our first quarter 23 results starting on slide four. As Jorge just mentioned, we continued on a solid trend of bottom line results with net income reaching $37 million for the quarter, resulting in a remarkable 13.7% annualized ROE. This result reflect the continued growth of top line revenues given a positive trend in lending spread and a favorable interest rate gap position, which continues to benefit from the latter increases in US dollar market rates since the beginning of year.

Let me now walk you through our balance sheet and profit and loss line items to better explain these results. So let's turn to slide five. Total assets remain stable quarter on quarter at $9.2 billion up by 9% from a year ago. As we mentioned in our last call, throughout most of 2022, we saw strong long growth due to the synergies generated by the incorporation of new clients combined with the boost in commodity prices and trade flows. We also anticipated lower lending balances toward year-end 2022 and entering into 2023, given the more challenging macro outlook while remaining focused on optimal

capital allocation and increased returns while preserving a sound capital position. As such, loan portfolio balances reaching $6.7 billion at quarter end were slightly lower than the previous quarter by 1%, but still up by 3% from the year before.

The banks lending business is complimented by an investment securities portfolio allowing for further diversification of exposures by country with an ending balance of $940 million in book value at quarter end. Of this total, 96% or $901 million are held to maturity and accounted for at amortized costs for which no mark to market is recognized in the balance sheet or income statement. Nonetheless, the calculated market value for this portfolio at March 31st represents 96% of its book value and it's mark to market is equivalent to approximately 3.3% of the bank's equity and 2.8% of its liquid assets. The remaining $39 million in investment securities are recognized at fair value through other comprehensive income in equity with a mark to market representing merely 54 basis points or $211,000 at quarter end. The banks cash and different banks mostly in the form of placements with the New York Federal Reserve stood at 14% of total assets and 37% of deposits at quarter end, denoting a prudent liquidity management, particularly under the increased volatility experience towards the end of the quarter given the financial sector shake up.

Moving on to slide six, you can see the high turnover of our commercial portfolio with maturities amounting to four and a half billion dollars for the quarter, representing about 59% of the total, and disbursements for a similar amount. This distinctive trade of our business models, which repeats every quarter, allows us to quickly pick up lending spreads and market rate trends, which has been consistently the case over the last several quarters capturing the upward trend in both. So average lending spread over the market base rate mostly suffered for the first quarter of '23, stood at 2.99% denoting and 80 basis points increased from a year ago and up by 18 basis points from the proceeding quarter. Aside from loans, the commercial portfolio includes off balance sheet exposure mainly related to letters of credit business closely tied to trade activity, which increased by 16% from the proceeding quarter and by 29% annually to $1.1 billion, for a total commercial portfolio balance at 7.8 billion up 1% from the preceding quarter and which was 6% above last year levels. Average duration of the portfolio remains short at close to 12 months with 69% maturing within the next year.

Continuing on to slide seven in a scenario of heightened uncertainty given the recent turmoil in the US and European financial sectors, the resiliency of Bladex's funding structure has once again been tested and verified as the bank increased its deposit base during the quarter to $3.6 billion up by 12% from December '22 levels and up by 10% from a year ago, as Jorge just commented. Deposits have historically represented an important and resilient source of funding throughout economic cycle. A large portion of which coming from the Latin American central banks are class A shareholders who place a share of their international reserve with Bladex. In addition, the bank has in place a Yankee CD program that has been successfully growing in volume and provide granularity and further diversification to our deposit base. Apart from deposit, we continue to have ample availability of bilateral credit lines from many correspondent banks worldwide, as well as continuous access to debt capital markets and the global syndicated loan market.

Turning now to slide eight, our capitalization at quarter end stood at similar levels from year end 2022, as we committed to a sound capital position continuing to favor margin expansion through optimization of portfolio mix and risk adjusted returns over loan growth, as was the case in the proceeding quarter as well. The board recently declared a dividend of 25 cents per share, an amount on change from proceeding quarters.

Now turning to slide nine, we present the sustained positive trend in net interest margin and net interest spread driving strong line performance. Let me first refer to the net interest spread, which is the average rate differential between assets and liabilities reaching 1.82% in the first Q '23, an increase of 19 basis points from the preceding quarter and of 67 basis points from the first quarter of last year. This increase in NIS reflects both increased lending spreads and positive market based rate differential between assets and liabilities, reflecting our short-dated asset sensitive interest rate gap and which will tend to decrease once market rate interest rates stabilize. Net interest margin representing net interest income divided by average interest earning assets reached 2.41% in first Q '23, an increase of 30 basis points from the preceding quarter and of 109 basis points from last year, supported by both higher net interest spread and by the impact of increasing market rates on the overall yield of assets financed by the bank's equity.

Moving on to slide 10, we can see that the overall impact of rate increases on assets and liabilities supported by higher lending spread and market rates as just stated, was the driver of net interest income increased during the first quarter of 2023. So the NII increase on account of higher rates was $6.9 million. This effect was partly offset by the net impact of average volume variations accounting for a decline of $3.7 million in NII with respect to the preceding quarter. This was mainly the net result of a $488 million or 7% decrease in average lending balances. While average liquidity balances increased by $84 million or 7%, somewhat compensated by the reduction of $404 million or 5% in average funding volume.

On slide 11, fee income from letters of credit have shown an increase in quarterly trend for the last several quarters as we have seen rated activity in the LC business with increased volumes, transactions and clients, as Jorge mentioned. The other main component of fee generation for the bank relates to the structuring and syndication business. Given its transaction based nature, this activity should be analyzed annually rather than on a quarterly basis. We didn't see much activity during this first quarter in part also explained by seasonality, but we do have a pipeline of transactions that should bear results in coming quarters, bringing annual fees at similar levers than in 2022. As shown on slide 12, asset asset quality remains robust having eight and a half billion dollars or 98% of the total credit portfolio categorized as low risk under stage one as defined by IFRS9. Accounting for another one and 5% were credits classified as stage two for a total of $133 million. An amount that has come down from $147 million in the preceding quarter and from 289 million last year.

Stage two exposure consists of closely monitored credits which have experienced increased risk since origination but are still performing. Finally, stage three for impaired credits represent merely 0.4% of total exposure, for a total of $35 million, an amount unchanged from the proceeding quarter. Overall, total reserve coverage is more than two times the balance of impaired credits. Total credit provision charges for the first quarter of 2023 amounted to $6.3 million, mostly related to increased individually allocated allowances to stage three credits as well as to an increase of stage two reserves on certain investment securities that were downgraded internally.

On slide 13, we can see a positive trend in the bank's efficiency, reaching a cost to income level below 27% for the first quarter of '23 as solid revenue growth has consistently overcompensated higher expenses by design. During the first quarter total expenses were down from the preceding quarter on the account of slower pace in administrative expenses, which is usual during the first quarter of the year. Salaries and employee related expenses on the other hand remained relatively stable on a quarter on quarter basis and present an annual increase due to hire salary base on new hires during 2022.

Congruent with our focus on strengthening Bladex's execution capabilities as delineated in our strategic plan. I will now leave it here and turn the call back to Jorge. Thank you.

Jorge Salas:

Thank you Annie. We anticipate this 2023 to be a year of transition towards slower growth, eventually lower interest rates and slightly lower inflation rates, although still above target levels. We recognize that the timing and scope for the turning point in interest rates remains unclear, but we anticipate this shift will occur towards the end of this year. Our business model characterized by very short term duration and essentially a matched book with assets and liability sharing similar, although not identical centers provide a strong advantage in the current banking landscape. As Annie explained before, the fact that we are able to swiftly position or balance sheet to be slightly asset sensitive or liability sensitive depending on the rate environment outlook has proven to be particularly beneficial recently.

As far as the region we operate in, in general, we believe contagious risk for Latin American banks should be limited for three main reasons. One, they have minimal exposure if any to US regional banks, banks in the region have substantial level of local retail deposits, and of course the duration of their securities portfolio tends to be much shorter than those of US banks. In 2022, the Latin American economies outperform growth expectations despite the global challenges, but growth forecast for 2023 have been revised downwards due to financial conditions, lower commodity prices, and overall global economic uncertainty. Despite this headwinds, foreign trade levels remain robust. The macroeconomic and financial outlook for Latin American countries is still far from being balanced and stable. We see a challenging transition from peak to below trend growth GDP levels, and we see inflation decreasing but still remaining above target rates just like in the US.

Although challenging particularly from a credit risk standpoint, the current context also provide substantial opportunities for Bladex for several reasons. One, high trade levels increase demand for trade finance, our core business. Two, the fact that domestic interest rates in LATAM are in most cases significantly above than those in the US have increased the demand for dollar denominated financing and we are essentially a dollar denominated lender. And we see larger global institutions limiting their exposure in the region in times of increased volatility leaving us with less competitions for our clients. We will keep taking advantage of the opportunities that this context provides without relaxing our credit underwriting standards.

Now, given our recent performance and particularly the fact that we are already in the higher range of our last net interest margin guidance, that is closer to 2.4%, today we are updating our 2023 ROE guidance from an original 10 to 11% range to a new higher range that we anticipate to be between 11 and 13% by year-end. In closing, we remain committed to enhancing profitability this year by prioritizing strategic investment in operational efficiency, and we are optimistic about the execution of our strategic plan. I'm going to leave it here and now open the call for questions. Thank you. Operator.

Michael:

Thank you very much for the presentation. We'll now be moving to the Q and A part of the call. If you're logged in by the telephone, please press star two. That's star two for any questions. If you're dialing in via the web, you may ask a voice or a text question. We acknowledge all the text questions that have already come in. We'll give a minute or so further the questions to come in. Okay, the first question, we'll read a few text questions first. The first question is from Mr. Patrick Brown, individual investor. "Great results, congratulations. Is this level of profitability a new normal for Bladex? Is it sustainable in a

lower interest rate environment? And my second question, what is the rationale behind not increasing your dividend policy back to the pre-pandemic levels?"

Jorge Salas:

Hi, so thank you for your thank two questions, on with the first one first, as we detail in our investor day back in November, and I remind you all that the webcast is in our website, our strategic plan is designed to tap into five major upside opportunities, and this will yield incremental profitability without changing the essence of our business model. And these opportunities we've been reporting on them in our mainly one, increasing our customer base and our cross help penetration, and we've been reporting on that for the last year and this quarter as well. Two, changing our funding mix to be more heavy on deposits as opposed to other sources. We've said over and over that the deposits are our most efficient source of funding and we've been growing that systematically. Three, operational efficiency, re-engineering some key processes have yielded great results and we're already seeing that. Four is turning basically our treasury unit in more of a client solutions platform to generate additional fee income. That's an important project of this year and we'll be reporting on that as time goes by.

And then fifth and probably the most important one is adding structured trade finance solutions to our plain vanilla products. This will be supply chain finance solutions that will enable us to increase margins without incremental credit risk as we take advantage of the opportunities in the supply chain of our clients. I think we think that all this together with active balance sheet management will assure that we reach sustainable mid-teens ROE over the long run as we communicated in our investor day. Second question was I think regarding, I think it was two questions, right? Question was on dividends? Yes-

Michael:

The second question, "What is the rationale behind not increasing your dividend policy to pre-pandemic levels?"

Jorge Salas:

Yeah, good question as well. Consistent with the guidance that we gave, as I said in the investor day, the bank is clearly in growth mode. This year growth will be moderate given the headwinds in the region, but make no mistake, the bank is in growth mode. We are currently operating at the lower end of our capital ratio guidance that was between 15 and 16%. This is the capital ratio that we feel we need to operate in the region we operate, and we will remain strongly capitalized and not risk our investment grade rating by any means. Having said that, the board has, as I always say, ongoing discussions on capital management always with the long term view. Alternatives on capital management that are discussed at the board level include issuing 81 hybrid type instruments depending on marketing conditions, potential extraordinary dividends in case we have exceptional returns, and even additional buybacks depending on market conditions. So all that has been discussed at the board level.

Michael:

Okay, thank you very much, Jorge. Yes, we'll be proceeding to the next text question. This question is from Mr. Jeffrey Otto from Jeffrey Otto CPA. "Congratulations on your continued execution of your business plan. As a long-term investor, I truly appreciate your work. Thank you. Regarding net interest margin, you leveraged it up in late 2021, capturing the 2022 '23 increase in interest rates against prior and lower cost of funds. Could you please give us a little bit more insight as the timing of your debt

maturities and the difference between your existing cost of funds and what the approximate cost and rate would be in today's environment?"

Jorge Salas:

That's a very good question as well. Thank you so much. Since it's related to funding and cost of funds, I'm going to turn it to Eduardo Vivone, our Head of Treasury and Capital Markets. Eduardo, you want to tackle that?

Eduardo Vivone:

Yes. Thank you Jorge. The first significant maturities for the bank are US bond and a couple of Mexican issuances that will take place in late 2024 and 2025. Having said that, the bank maintains a practically match book in terms of contractual maturities and will continue to monitor markets to seize any new opportunities that debt capital markets may provide to further reinforce our already robust funding base.

As regards to cost of funds, which I believe was the second part of your question, I would say that considering the short average tenure of our balance sheet in terms of spread, our current funding level are a good reflection of the costs the bank has to face in the market in the current environment. As regards to interest rate gap, the bank took advantage of a low interest rate environment in 2020, 2021, 2022 fixed rate medium term transactions that have resulted in a positive average gap allowing assets to reprice faster than liabilities. The benefits of this gap approximately 25 basis points as of today is expected to narrow as interest rates reach they are peaked. Having said that, the bank maintains more than $1 billion of very low cost fixed rate liabilities that are repriced beyond the next 12 months. I hope I have answered your questions. If there's anything else, please let me know.

Jorge Salas:

Very good.

Michael:

Okay, thank you very much. We'll now take the voice question from Mr. Iñigo Vega from Nau. Please go ahead sir. Your line is open.

Iñigo Vega:

Hi, good morning Jorge and Ana. I got a question on net interest margins, which has been a positive surprise I will say. You were guiding between two and 2.4 for the full year. Now you said we are 2.4 already, which means that the return equity will go instead of 10-11 to 11-13. How do I need to think about net interest margins during the rest of the year? I notice a lot of moving pieces. I know there's interest rates and there's uncertainty. But leaving aside the interest rates in the States and especially on the lending spread, the lending spread looks very fixed, which is more than the sort of target you have. How do I need to think about data spread in the next few quarters? I guess there's risk appetite, there's the optimization plan, and there's the market environment. But if you can give us some color on how do you expect the margins aside from the interest rate cycle in the States? Thank you.

Jorge Salas:

So to thank you Iñigo. So we are a clearly a dollar denominated lender. All of our assets and liabilities, most of them are floating, so interest rate levels in the US have direct effect on our spreads. I'm going to turn the... Annie can probably give a more detailed answer and perhaps when we talk at base rates and how we're looking at them. And then when we think about spreads, I'm going to turn it to Samuel for more of a short term view of what we're seeing this year's in terms of spread in the region. Annie, you want to tackle?

Ana de Mendez:

Yes, thank you Iniago. Good day. And yes, I know you mentioned to leave out the effect of a US dollar interest rate, but like Jorge said, that's a big portion. Like Eduardo just mentioned before, we did position the bank towards late 2021 and the beginning of 2022 with an important amount of debt that we place at fixed rates and that are going to reprice even beyond next year. And continuously we have seen that the increases in interest rates as they are laddered, they have had an increasing impact, a positive impact in our net interest margin over the last several quarters. We actually saw that peaked this quarter. And like Eduardo just mentioned, that differential today amounts to about 25 basis points, which is in terms of net interest margin.

As interest rates level off, we should start to see some pickup in terms of the funding costs, but it'll also take time because of the maturities of the debt that we have going forward. And in terms of the base rate differentials as well as the spread that I'm going to give the word to Sam now, you have to remember that every quarter we have a turnover of our book of about half, or even more than half of the book that's maturing the loan book. And a lot of it happens also on our liability side. So we are definitely able to pick up any trend both in our base rates or market rates and in our spreads. Like Eduardo said, we do see stable spreads in our funding cost. We haven't seen any increase there even recently with the recent turmoils in the financial sector in the US or Europe. And now I can give Sam the way now to talk a little bit about our lending spread, which we also saw increase importantly over the last several quarters, particularly in the boom of commodity prices of last year. Sam, please.

Samuel Canineu:

Yeah, no, sure. I think first of all, when we look at, and Annie touched on this point, when we look at our business model giving the very short tenure of our book, it's hard to make any prediction on let's say medium term spreads because it can change very fast upwards as we've seen, and of course downwards depending on the market condition. What I can say is that everything and back a little bit about the strategy that we've been doing is about increasing our cost opportunities, increasing currency in our loan book to be less subject to changes in market conditions, even for the short term book.

I would say the level of spread that we have reached up to now has a lot to do with those changes in, I would say in our business model or improvement of our business model, all the new clients we have added, as well as of course capturing the market conditions, particularly the increasing commodity price. We saw a first quarter in this year of a lower demand across the region because of the just economic environment, a lower prices of commodities, but we were still able to sustain margins because we just have more clients now to choose from. I think when I look the next quarters, I think I don't see as much as upside in increasing margins because we're not changing our credit profile on country. We're very aware of what's going on and we're not going to take more risks than desired. So the challenge and the objective is to sustain the current spreads that we have been achieving so far. And I think we have been doing a good job so far and I don't expect to change materially from that.

Jorge Salas:

Hope that answers your question, Iniago. I would only stress the ability of this bank given the short term nature and the repricing to shift from slightly asset sensitive to liability sensitive in case we see the rates pivoting in one way or another.

Iñigo Vega:

Super clear. Thank you very much.

Jorge Salas:

Thank you.

Iñigo Vega:

Thank you.

Michael:

Okay, thank you very much. Our next question is a voice question from Andrea Atuesta from Bancolombia. Please go ahead Ma'am. Your line is open.

Andrea Atuesta:

Hello, good morning and thank you for taking the question. I just have one question regarding the guidance taking into account the positive dynamics of the results at the beginning of 2023. Can you please repeat the guidance of your main indicators by the end of the year? And I also want to know if these guidance contemplate the new trends and the recovery of the international trade that we are beginning to watch in Latin America. Thank you very much.

Jorge Salas:

Thank you, Andrea, for your question. I'm going to start by the last part. First, GDP growth for Latin America, it will be slowing down. This year we expect 1.2% GDP growth, two more in the order of 2% for 2024 according to IMF. So we see a GDP growth slow down in the region. On the other hand, trade for the region, imports plus exports is estimated to grow 2% this year and almost 4% next year. So that as far as a region, and I must say that trade levels in Latin America are at record highs. Trade in 2022 was almost $3 trillion, and that's 57% higher than what had in 2020 and almost 30% higher than what we had pre-pandemic. So trade is a very important driver for us, and it is at record levels and growing this year.

As far as our guidance for 2023, as I mentioned, capital will remain between 15 and 16%. Net interest margin we mentioned between 2.1 and 2.4%. We're already at the higher end of that range. Fees, as Annie mentioned before, growing between eight and 10% as have they have done traditionally, and that includes syndication and letters of credit fees. Efficiency is still improving, but it's even better than we originally anticipated because of the increase in revenues. And what we did change was our ROE for the year, what we initially said between 10 and 11%. And now we're saying giving what we're seeing and

especially our first quarter results more in line with between 11 and 13% for the year, that's our guidance. Do we have any additional questions? Hope that answers your questions.

Michael:

Yes, thank you very much. We'll be now moving to text question from Mr. Ricardo Vallarino, individual investor. "Congratulations on an excellent record setting quarter. Two things that really jumped out to me were the efficiency ratio of 26.9% and net interest spread of 1.82%. Could you elaborate on how you see these two behaving for the rest of your strategic plan?

Jorge Salas:

I think we focused on that before. The way the plan is designed, Ricardo, is to take advantage of the spread. Now, of course, while they are there, we have achieved a more efficient capital level. We have increased our customer base. Our cross sale is also improving. But the real key to the plan is what I mentioned before regarding additional fee income on treasury products and also structure trade finance, supply chain finance type solutions. That is where we were going to have additional margins and you're going to see, and that's what we're working on now, and that should compensate for headwinds in the future. So we do see, we are confident that we are executing our plan as we thought. And we do believe that we will achieve mid-teen ROEs in a sustainable manner by 2026.

Michael:

Thank you very much for the answer. Our next question is a voice question from Mr. Jim Marrone from Singular Research. Please go ahead, sir. Your line is open. Just once again, Jim Marrone from Singular Research. We detected a question from your line. Your line is open. Please go ahead.

Jim Marrone:

Yes. Thank you for taking my call. You may have touched upon it again, but if you could just reiterate, you did a great job in managing the book. You've explained well the interest rate sensitivities on both your assets and liabilities. But if you could just provide a little bit of color in terms of your clients' books, what are you hearing from your clients in terms of higher rates, the inflation impact and the increased risk of perhaps default? And Bladex approach to perhaps higher credit risk going forward With regards to your provisions? If you could just provide a little bit of color what you're hearing from clients in terms of their books as well as your approach to handling the book. Thank you.

Jorge Salas:

Let me just say a couple things and then I'll turn it to our head of commercial unit, Sam Canineu. There is no doubt that sustaining these levels of interest rates will have a credit effect on clients that are over leveraged in the region. And our plan accounts for that. And our level of provisions account for that. Good news is that we have the ability to shift our exposures to clients that are less leverage in case we need it in different countries and in different sectors. As far as interest rates in the US and our clients accessing capital markets, we're also seeing some of that recently. And that's where we see our true competitions is perhaps even more capital markets than other international banks or even local banks. But I'm going to let Sam-

Samuel Canineu:

Yeah, sure. Well, I think the good news about the current environment is that in our business model, I think over the years there's always a country which we're present there is facing what, let's say the rest of the globe is facing right now. So there's nothing new on how we operate. And this is part of our selection criteria for client sectors, countries in the moment that we enter, the moment we exit as well as the average life of our book. So with that said, of course right now we see in the region the combination of recessionary environment and high interest rates. Of course there are certain sectors like retail among others that are suffering more. We have no exposure to those sectors, and therefore we're not really seeing an issue. I think we stress a lot, particularly when we go to medium term, we stress a lot interest cover ratios as well as debt leverage ratios. So whatever is more, let's say permanent financing or long term financing, our book is very healthy and all of our clients should sustain the current environment without a problem.

I think of course, I like to also focus on the opportunity that this brings us, because right now when we see a lot of banks in the market more with concerns over the portfolio, we can focus on really helping good companies that have seen a drop in liquidity from banks to have to worry about problem loans. And that gives an ability to step in and add great clients. So I think this is, again, net positive for us. Thank you.

Michael:

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

Jorge Salas:

I just want to thank everybody for your very good questions. We are optimistic about the future and the execution of our plan, and we are confident that this positive trend will continue going forward. Thank you very much.

Michael:

Thank you very much. This concludes today's conference call. We'll now be closing all the lines. Thank you very much and goodbye.