

# Banco Latinoamericano de Comercio Exterior, S.A.

## Update

### Key Rating Drivers

**Ratings Driven by Standalone Profile:** Banco Latinoamericano de Comercio Exterior, S.A.'s (Bladex) Issuer Default Ratings (IDRs) and national ratings are based on its intrinsic creditworthiness as denoted in its 'bbb' Viability Rating (VR), which is equal to its implied VR. This evidences Bladex's high geographic diversification, well-developed and specialized business model and conservative risk profile, which have translated into robust asset quality and consistently good capitalization and liquidity metrics.

**Multijurisdictional Operating Environment:** Bladex maintains credit operations in more than 25 countries. This highlights its wide geographical diversity and strong ability to manage different operating environments (OE), adapting its portfolio relatively quickly toward markets with lower risk and more favorable opportunities.

**Notably Business-Oriented Profile:** Bladex's business model, which focuses on short-term loans and top tier clients, together with robust corporate governance and the experience, depth and credibility of its management, has resulted in a highly recognized regional franchise with sound and enduring relationships with clients, comparing favorably with regional institutions. Its four-year average total operating income is USD159.3 million.

**Robust Risk Profile:** Effective execution of the bank's low-risk strategy, which consistently directs its credit portfolio toward high quality assets in defensive jurisdictions and sectors, underpins its conservative risk profile. This is reflected by strong financial performance in recent years, highlighting in 2023, despite debtor concentration that is inherent in its model and challenges involving some low-rated OEs.

**Strong Loan Quality:** Bladex's nonperforming loans (NPLs; in Stage 3) metric was 0.1% in 2023, decreasing from 0.4% in 2022 (YE19–YE21: 0.5%). Fitch estimates loan quality will remain solid through the rating horizon; this is supported by Bladex's robust risk profile as reflected in consistent and sound underwriting standards, coupled with its focus on top tier clients.

**Profitability with Favorable Evolution:** Profitability maintained its upward trajectory in 2023, evidencing effective execution and achievement of strategy benefits. The operating profit-to-risk-weighted assets (RWA) ratio was 1.9% (YE22: 1.1%). Fitch expects profitability to remain similar to levels recently observed through the rating horizon.

**Stable Capital Levels:** The bank's common equity Tier 1 ratio (CET1) maintained relative stability at 15.4% in 2023, compared with 15.3% in 2022. This reflects a slowdown in loan growth and RWA, along with high internal capital generation resulting from very good results in 2023, translating into favorable equity levels. This provides the bank with headroom to absorb potential impacts stemming from unexpected losses, in Fitch's view.

**Solid Funding Profile:** Bladex's differentiated and diversified financing structure supports a specialized business model and stands out from regional institutions. This has been further strengthened, providing the entity with room to face adverse conditions. It is characterized by a very high quality deposit base, a short-term balance structure and very broad access to various funding sources in international markets, also encompassing contingent resources. Deposits grew significantly as of December 2023, accounting for 48.8% of total funding. This is complemented by repos, senior unsecured debt and borrowings from a wide range of international institutions.

### Ratings

#### Foreign Currency

Long-Term Issuer Default Rating BBB  
Short-Term Issuer Default Rating F2

Viability Rating bbb

Government Support Rating ns

#### National Rating

National Long-Term Rating AAA(pan)  
National Short-Term Rating F1+(pan)

#### Sovereign Risk (Panama)

Long-Term Foreign Currency Issuer Default Rating BB+  
Country Ceiling A+

### Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating Stable  
National Long-Term Rating Stable  
Sovereign Long-Term Foreign Currency Issuer Default Rating Stable

### Applicable Criteria

[Bank Rating Criteria \(March 2024\)](#)

[National Scale Rating Criteria \(December 2020\)](#)

### Related Research

[Major Panamanian Banks – 2024 Peer Review \(March 2024\)](#)

[Latin American Banks Outlook 2024 \(December 2023\)](#)

### Analysts

Adriana Beltran  
+52 81 4161 7051  
[adriana.beltran@fitchratings.com](mailto:adriana.beltran@fitchratings.com)

Nadia Calvo  
+503 2516 6611  
[nadia.calvo@fitchratings.com](mailto:nadia.calvo@fitchratings.com)

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Bladex's ratings could be downgraded if the OE risks materially increase, leading to significant deterioration in loan portfolio quality and profitability that in turn pressures the CET1-to-RWA ratio to a level consistently below 13.0%.
- A change in the bank's risk profile that results in increased exposure to higher risk countries or sectors and weakens Fitch's OE assessment would trigger a downgrade of its ratings.
- Given that the Government Support Rating (GSR) is at the lowest level on the scale, there is no downside potential for this rating.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Bladex's ratings could be upgraded if its asset diversification strategy sustains improvement in the OE weighted score, in turn improving profitability (operating profit to RWA) consistently above 1.5% and the CET1-to-RWA ratio steadily above 17%.
- Material reductions in concentrations per debtor could improve Fitch's assessment of the bank's asset quality and risk profile, benefiting the VR.
- Bladex's national ratings are at the highest level on the national rating scale and, therefore, have no upside potential.
- Because Panama is a dollarized country with no lender of last resort, an upgrade to Bladex's GSR is unlikely.

## Other Debt and Issuer Ratings

Rating Type	Rating
Panama: Long-Term Senior Unsecured Debt	AAA(pan)
Panama: Short-Term Senior Unsecured Debt	F1+(pan)
Mexico: Long-Term Senior Unsecured Debt	AAA(mex)
Mexico: Short-Term Senior Unsecured Debt	F1+(mex)

Source: Fitch Ratings

**Debt – Issues in Panama:** The bank's rotating corporate bonds (bonos corporativos rotativos) issued in the Panamanian market are rated in line with Bladex's national ratings since the senior debt is unsecured and, in Fitch's view, its likelihood of default is equal to that of the bank's remaining senior unsecured obligations. These bonds are a direct and unsubordinated obligation for Bladex.

**Debt – Issues in Mexico:** Bladex has debt issuance in Mexico, which Fitch rates 'AAA(mex)' and 'F1+(mex)'. This debt is not guaranteed; therefore, it ranks as equal with other Bladex debt. The bank's senior unsecured debt national ratings reflect the entity's intrinsic credit strength compared to other issuers rated in the Mexican market.

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- The senior unsecured debt national ratings in Panama would reflect any downgrade to Bladex's national ratings.
- The senior unsecured debt national long-term rating in Mexico could potentially be downgraded in the event of a downgrade to Bladex's Long-Term IDR, while the short-term national rating could decrease due to a multi-notch downgrade of Bladex's IDR. National ratings indicate credit quality relativities within a jurisdiction, which in this case are relative to other debt issuers in Mexico.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- There is no upside potential for the senior unsecured debt national ratings in Panama and Mexico since the debt ratings are at the highest level on the national rating scale.

## Significant Changes from Last Review

Bladex recently announced a \$50 million share repurchase program to be executed over time, as well as the approval of an increase in the quarterly cash dividend per share that, in Fitch's view, does not affect its ratings. Bladex's board of directors authorized this share repurchase program to return to shareholders excess capital that is not required to

sustain Bladex's financial performance and support future growth following outstanding results in 2023. The CET1-to-RWA ratio (2023: 15.4%), a main driver of Fitch's VRs, would remain commensurate with the agency's assessment of a 'bbb' capitalization factor score, as Fitch estimates, pro forma, that this ratio would likely remain above 14% on a post-buyback basis.

Fitch's expectation that Bladex's ratings will not be affected is supported by the bank's solid shareholder base and track record with prior share buyback programs. Bladex completed its most recent share repurchase program in 2021, after which its capital and CET1 ratio were not affected and remained above 19%. Fitch expects that, as in 2021, the current buyback will not be debt-funded. Fitch anticipates this buyback would not be executed in the short term and, furthermore, that Bladex could carry it out without affecting its robust liquidity.

### Ratings Navigator

	Operating Environment	Business Profile	Risk Profile	Financial Profile			Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating	
				Asset Quality	Earnings & Profitability	Capitalisation & Leverage					Funding & Liquidity
		20%	10%	20%	15%	25%	10%				
aaa								aaa	aaa	aaa	AAA
aa+								aa+	aa+	aa+	AA+
aa								aa	aa	aa	AA
aa-								aa-	aa-	aa-	AA-
a+								a+	a+	a+	A+
a								a	a	a	A
a-								a-	a-	a-	A-
bbb+								bbb+	bbb+	bbb+	BBB+
bbb								bbb	bbb	bbb	BBB Sta
bbb-								bbb-	bbb-	bbb-	BBB-
bb+								bb+	bb+	bb+	BB+
bb								bb	bb	bb	BB
bb-								bb-	bb-	bb-	BB-
b+								b+	b+	b+	B+
b								b	b	b	B
b-								b-	b-	b-	B-
ccc+								ccc+	ccc+	ccc+	CCC+
ccc								ccc	ccc	ccc	CCC
ccc-								ccc-	ccc-	ccc-	CCC-
cc								cc	cc	cc	CC
c								c	c	c	C
f								f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upward or downward to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

### VR - Adjustments to Key Rating Drivers

- The Business Profile Score of 'bbb' has been assigned above the 'bb' category implied score due to the following adjustment reasons: Business Model (positive), Market Position (positive) and Strategy and Execution (positive).
- The Asset Quality Score of 'bbb+' has been assigned below the 'a' category implied score due to the following adjustment reason: Concentrations (negative).
- The Funding and Liquidity Score of 'bbb+' has been assigned above the 'b' and below category implied score due to the following adjustment reasons: Liquidity Coverage (positive) and Nondeposit Funding (positive).

## Financials

### Summary Financials

	2023 (USD Mil.)	2022 (USD Mil.)	2021 (USD Mil.)	2020 (USD Mil.)	2019 (USD Mil.)
(Years ended as of Dec. 31)	Unaudited	Audited – unqualified	Audited – unqualified	Audited – unqualified	Audited – unqualified
<b>Summary income statement</b>					
Net interest and dividend income	233.2	148.0	86.8	92.5	109.5
Net fees and commissions	32.5	19.8	18.3	10.4	15.6
Other operating income	0.4	-1.1	-0.2	-3.4	2.0
<b>Total operating income</b>	<b>266.1</b>	<b>166.7</b>	<b>104.9</b>	<b>99.5</b>	<b>127.1</b>
Operating costs	72.4	55.1	39.8	37.3	40.5
Pre-impairment operating profit	193.7	111.6	65.1	62.2	86.6
Loan and other impairment charges	27.5	19.6	2.4	-1.4	0.5
Operating profit	166.2	92.0	62.7	63.6	86.1
<b>Net income</b>	<b>166.2</b>	<b>92.0</b>	<b>62.7</b>	<b>63.6</b>	<b>86.1</b>
Other comprehensive income	-0.7	19.7	-11.8	2.0	-2.3
Fitch comprehensive income	165.5	111.7	50.9	65.6	83.8
<b>Summary balance sheet</b>					
<b>Assets</b>					
<b>Gross loans</b>	<b>7,279.9</b>	<b>6,815.6</b>	<b>5,739.9</b>	<b>4,916.3</b>	<b>5,893.1</b>
- of which impaired	10.1	30.1	10.6	10.6	61.8
Loan loss allowances	59.4	55.2	41.5	41.2	99.3
<b>Net loans</b>	<b>7,220.5</b>	<b>6,760.4</b>	<b>5,698.4</b>	<b>4,875.1</b>	<b>5,793.8</b>
Interbank	2,044.1	1,233.7	1,249.5	859.5	1,155.2
Derivatives	157.3	68.2	10.8	27.8	11.2
Other securities and earning assets	1,022.2	1,023.7	831.9	401.3	92.3
<b>Total earning assets</b>	<b>10,444.1</b>	<b>9,086.0</b>	<b>7,790.6</b>	<b>6,163.7</b>	<b>7,052.5</b>
Cash and due from banks	3.3	7.9	3.5	4.3	23.0
Other assets	296.4	190.0	244.0	120.9	174.2
<b>Total assets</b>	<b>10,743.8</b>	<b>9,283.9</b>	<b>8,038.1</b>	<b>6,288.9</b>	<b>7,249.7</b>
<b>Liabilities</b>					
Customer deposits	4,451.0	3,205.4	3,037.5	3,138.8	2,888.4
Interbank and other short-term funding	2,034.8	2,494.7	2,009.6	391.6	1,636.2
Other long-term funding	2,627.4	2,222.3	1,722.1	1,585.3	1,522.7
Trading liabilities and derivatives	40.6	33.8	28.5	9.2	14.7
<b>Total funding and derivatives</b>	<b>9,153.8</b>	<b>7,956.2</b>	<b>6,797.7</b>	<b>5,124.9</b>	<b>6,062.0</b>
Other liabilities	386.2	258.4	248.6	126.1	171.5
Total equity	1,203.8	1,069.3	991.8	1,037.9	1,016.2
<b>Total liabilities and equity</b>	<b>10,743.8</b>	<b>9,283.9</b>	<b>8,038.1</b>	<b>6,288.9</b>	<b>7,249.7</b>
Exchange rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

Source: Fitch Ratings, Fitch Solutions, Bladex

## Key Ratios

(Years ended as of Dec. 31)	2023	2022	2021	2020	2019
<b>Ratios (annualized as appropriate)</b>					
<b>Profitability</b>					
Operating profit/risk-weighted assets	1.9	1.1	1.0	1.2	1.5
Net interest income/average earning assets	2.4	1.7	1.3	1.4	1.6
Noninterest expense/gross revenue	27.2	33.1	37.9	37.5	31.9
Net income/average equity	14.7	9.0	6.1	6.2	8.6
<b>Asset Quality</b>					
Impaired loans ratio	0.1	0.4	0.2	0.2	1.1
Growth in gross loans	6.8	18.7	16.8	-16.6	2.0
Loan loss allowances/impaired loans	588.1	183.4	391.5	388.7	160.7
Loan impairment charges/average gross loans	0.4	0.2	0.0	0.0	0.0
<b>Capitalization</b>					
Common equity Tier 1 ratio	15.4	15.3	19.1	26.0	19.8
Fitch Core Capital ratio	N.A.	N.A.	N.A.	20.0	17.1
Tangible common equity/tangible assets	11.2	11.5	12.3	16.5	14.0
Basel leverage ratio	9.7	9.7	10.8	14.1	12.2
Net impaired loans/common equity Tier 1	-4.6	N.A.	N.A.	N.A.	N.A.
Net impaired loans/Fitch Core Capital	N.A.	N.A.	N.A.	-3.0	-3.7
<b>Funding and Liquidity</b>					
Gross loans/customer deposits	163.6	212.6	189.0	156.6	204.0
Liquidity coverage ratio	205.8	167.5	199.2	249.0	131.0
Customer deposits/total non-equity funding	48.8	40.5	44.9	61.4	47.8

N.A. - Not applicable

Source: Fitch Ratings, Fitch Solutions, Bladex

## Government Support

Bladex's GSR indicates that external support, although possible, cannot be relied upon given Fitch's view of Panama's limited ability to support the banking system's large size in terms of economy. The GSR also reflects a weak support stance due to Panama's lack of a lender of last resort.

## Environmental, Social and Governance Considerations

### FitchRatings Banco Latinoamericano de Comercio Exterior, S.A.

Banks  
Ratings Navigator

#### Credit-Relevant ESG Derivation

Banco Latinoamericano de Comercio Exterior, S.A. has 5 ESG potential rating drivers	key driver	0	issues	5	
<ul style="list-style-type: none"> <li>➔ Banco Latinoamericano de Comercio Exterior, S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.</li> <li>➔ Governance is minimally relevant to the rating and is not currently a driver.</li> </ul>	driver	0	issues	4	
	potential driver	5	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

#### Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management, Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

**How to Read This Page**  
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

**The Credit-Relevant ESG Derivation table's far right column** is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

**Classification of ESG issues** has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

#### Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

#### Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

#### CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/topics/esg/products#esg-relevance-scores](http://www.fitchratings.com/topics/esg/products#esg-relevance-scores).

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