

Research Update:

Banco Latinoamericano de Comercio Exterior (Bladex) Upgraded To 'BBB+' On Robust Risk Management; Outlook Stable

June 18, 2026

Overview

- Banco Latinoamericano de Comercio Exterior S.A. (Bladex) has maintained superior credit risk management. Its nonperforming asset and write-off ratios are consistently below 1%; it has a well-diversified portfolio across geographies, economic sectors, and client profiles; and it has resilient earnings and strong capital adequacy, which give it ample capacity to absorb unexpected credit losses.
- The bank has been proactive with its asset reallocation strategy. It's shifting toward lower-risk economies with strong growth and stable economic risk profiles while reducing exposure to high-volatility jurisdictions.
- We raised our long-term issuer credit ratings on Bladex to 'BBB+' from 'BBB' and affirmed our short-term issuer credit ratings at 'A-2'.
- The stable outlook reflects our expectation that the bank will maintain superior asset quality indicators (relative to those at its regional peers) and keep its risk-adjusted capital ratio above 10% over the next 12-24 months. It also reflects the bank's dynamic policy of shifting its credit exposures to countries with better economic risks.

Rating Action

On June 18, 2026, S&P Global Ratings raised its long-term issuer credit ratings on **Banco Latinoamericano de Comercio Exterior S.A.** (Bladex) to 'BBB+' from 'BBB' and affirmed its short-term issuer credit ratings at 'A-2'. The outlook on the long-term ratings is stable.

At the same time, we upgraded Bladex's senior unsecured notes to 'BBB+' from 'BBB' and its Tier 1 hybrid notes to 'BB' from 'BB-'.

Rationale

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We revised our risk position assessment on Bladex to strong from adequate, reflecting, in part, the bank's superior asset quality--which we think it'll maintain. As of March 2026, the bank had notably robust asset quality indicators: a nonperforming assets (NPA) ratio of 0.30%, a net charge-off (NCOs) ratio of 0%, and a coverage ratio exceeding 400%. The latter is consistent with the bank's historical performance, with minimal credit losses and ample earnings capacity to absorb any unexpected credit losses.

We think asset quality at Bladex will remain stable and significantly healthier than asset quality at its main regional peers. We forecast an NPA ratio at approximately 0.30%, charge-offs below 0.5%, and reserve coverage above 300% over the next two years.

The revision of our risk position assessment also accounts for Bladex's robust diversification, which also supports solid credit portfolio performance. Bladex continues to benefit from a well-diversified loan portfolio spanning various geographies, economic sectors, and client types. This positions it favorably against the broader Panamanian banking system and other regional peers. This resilience is underpinned by prudent risk management policies and a predominantly short-term portfolio, with around 70% of commercial loans maturing within one year.

While Bladex's single-name concentration is notable, the risk is effectively mitigated by an average loan duration of only 14 months for its top 20 exposures, and by the high credit quality of the borrower base. Approximately one-third of the top 20 exposures are sovereign entities with strong government support, while the remainder are systemically important financial conglomerates or corporations with strong creditworthiness.

Furthermore, Bladex has a long track record of having minimal delinquencies among its top 20 clients--performance that enhances credit resilience during adverse macroeconomic cycles.

Last, Bladex has been proactive with its asset reallocation strategy. The bank proactively recalibrates credit exposures as needed while maintaining a disciplined focus on high-quality credits across the region. The latter has also resulted in historically controlled delinquency levels and minimal credit losses.

Bladex's diversified portfolio drives consistent loan and deposit growth, resulting in steady operating revenue generation. By operating across multiple regions, the bank effectively mitigates the risks associated with local economic fluctuations, and its focus on a predominantly short-term portfolio allows for rapid adaptation to changing market conditions. Recently, Bladex has seen a stable growth rate above 10% for operating revenue--it was 11.7% as of March 2026, year on year, primarily driven by stable net margins at 2.2%.

Furthermore, the bank's strategic focus on efficiency and prudent risk management has also fueled significant growth, with the loan portfolio expanding 9.15% and total deposits increasing 22.57% in 2025. Underpinning this is a sticky customer base made up of large corporations (62%), financial institutions (27%), and sovereign and quasi-sovereign entities (11%).

Looking ahead, we expect the bank to maintain a similar composition by economic sector in its credit portfolio, with no meaningful strategy shifts.

We expect continued stability in Bladex's capitalization, with a projected risk-adjusted capital (RAC) ratio of approximately 12% for 2026-2027. Its 2025 net income growth of 10% (to \$227 million) and its return on equity of 16.10% illustrate its strong earnings generation, and that return on equity significantly exceeded the 13%-15% target in its strategic plan.

We anticipate loan portfolio growth of approximately 10.5% in 2026 and a stable net interest margin of around 2.20%, aided by the bank's ability to constantly reprice its short-term loan

portfolio. Our projections also assume manageable asset quality, with an NPA ratio below 0.5%, a coverage ratio exceeding 300%, and a cost-to-income ratio of approximately 28%.

Furthermore, Bladex maintains a flexible capital management strategy, including a stable dividend policy and a \$50 million share buyback program that's designed to be used only if Tier 1 capital exceeds 15%-16% and if the market price doesn't reflect the bank's intrinsic value.

There are structural strengths in the bank's business model and funding composition that our funding and liquidity assessment doesn't fully capture. Because of this, we maintain a positive comparable rating analysis (CRA) adjustment.

As of March 2026, approximately 30% of deposits were held by regional central banks, many of which also serve as relevant shareholders. This ownership structure creates a significant incentive for shareholders to support available funding, ensuring high stability and stickiness within the deposit base. As a result, this provides Bladex with financial flexibility to pursue credit portfolio growth and maintain robust liquidity levels while it continues to diversify its funding through the international capital markets.

The anchor--or starting point--for our rating on Bladex remains 'bb+', given Bladex's blended country-risk exposures. This reflects the weighted-average economic risk in the countries where the bank has exposure through its loan book and its long-term securities portfolio. The anchor also reflects the industry risk for the Panamanian banking system, which Bladex is a part of.

As of March 2026, Bladex had a commercial portfolio with exposures in more than 15 Latin American countries. The bank's largest exposures by loans and securities were Guatemala (14%), Brazil (12%), Colombia (12%), and Mexico (11%), while its exposure to developed economies was 7%. Notably, Bladex's exposures are dynamic according to the bank's strategy. And given the short-term nature of its loan portfolio, the bank can reallocate in a relatively short period, in case it's needed.

Likewise, liquid, high-quality debt instruments make up the bank's credit investment portfolio (56% of which is U.S. securities).

Outlook

The stable outlook for the next 12-24 months reflects our expectation that the bank will maintain superior asset quality indicators (relative to those of its regional peers) while keeping its RAC ratio consistently above 10%. It also reflects the bank's dynamic policy of shifting its credit exposures to countries with better economic risks.

Downside scenario

We could lower the ratings if asset quality worsens more than we expect or if the RAC ratio falls below 10% (potentially because of a change in risk appetite that affects revenue generation and, in turn, the bank's capital base).

Furthermore, a significant shift in geographic exposure toward higher-risk jurisdictions could weaken the bank's blended economic risk and the anchor for our ratings.

Upside scenario

We could upgrade Bladex if the projected RAC ratio is consistently above 15% in the next 12-24 months because of a consistent increase in its internal capital generation that bolsters its capital base. Additionally, the bank would have to maintain a prudent risk appetite, a sound risk position

(with asset quality metrics in line with historical levels), a stable deposit base, and adequate liquidity.

Rating Component Scores

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Issuer Credit Rating	BBB+/Stable/A-2
SACP	bbb+
Anchor	bb+
Business position	Adequate (0)
Capital and earnings	Strong (1)
Risk position	Strong (1)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	1
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Related Criteria

- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), May 5, 2026
- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Ratings List

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Ratings List

Upgraded

	To	From
<u>Banco Latinoamericano de Comercio Exterior S.A.</u>		
Issuer Credit Rating	BBB+/Stable/A-2	BBB/Stable/A-2
Senior Unsecured	BBB+	BBB
Junior Subordinated	BB	BB-

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