Bladex (NYSE: BLX)

Q1 2026 Earnings Call Transcript

Tuesday, April 28, 2026 | 11:00 PM ET

Call Participants

EXECUTIVES

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Natalia Corfield
JP Morgan

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Bladex's First Quarter 2026 Earnings Conference Call. A slide presentation is accompanying today's webcast and is also available on the Investors section of the company's website, www.bladex.com. [Operator Instructions]. Please note today's conference call is being recorded. [Operator Instructions]. I would now like to turn the call over to Mr. Jorge Salas, Chief Executive Officer. Sir, please go ahead.

Jorge L. Salas

Chief Executive Officer

Good morning, everyone, and thank you for joining us today to discuss Bladex' results for the first quarter of 2026. I will begin with A brief overview [indiscernible] our CFO, will walk you through the financials in greater detail. After that, I will come back with an update on strategy execution, some thoughts on the macro environment, and our outlook for the rest of the year. Finally, we will open for questions, [indiscernible] with a very strong quarter in terms of balance sheet growth, while maintaining solid profitability in a highly competitive environment with very tight spreads and wide open capital markets for LatAm issuers. The highlight of the quarter was the continued expansion of our commercial portfolio. We reached a record of $12 billion or 8% quarter-over-quarter and 13% year-over-year.

This was fully in line with the growth path we have been discussing in previous quarters and supported by the additional capital flexibility provided by the AT1 issuance completed last year. Growth was driven mainly by medium-term transactions across Colombia, Brazil and Guatemala. On the funding side, deposits once again reached record levels, closing the quarter at $7.3 billion, up 11% quarter-over-quarter and 25% year-over-year. This strong performance was broad across all [indiscernible] segments with Janke CDs standing out surpassing $1.7 billion. This reflects continued client activity, strength of our franchise and our ability to continue growing deposits at very competitive spreads, which has also helped support margins in the current rate environment. Turning to revenues.

Net interest income totaled $70 million, down slightly in the quarter as the balance sheet continues to absorb the full repricing of last year's rate cuts. Latin America has been one of the more resilient regions in a volatile global environment. That has translated into strong liquidity, tighter spreads and increasing competition. Even in that context, we were able to maintain our net interest margin at 2.34% supported by disciplined balance sheet management. Strong asset growth deposit increase and active liquidity management helped offset pressure on spreads. Fee generation in the first quarter typically runs below fourth quarter levels in our 2 main fee businesses, letters of credit and syndications. So this seasonal pattern is not unusual.

Importantly, when compared with the first quarter of last year, the underlying trend remains clearly positive. We continue to see healthy pipeline in fees for the second quarter, which is consistent with how activity is evolving. Expenses also reflected the usual seasonality at the start of the year. That said, we do expect expenses to increase slightly over the coming quarters as we continue to execute the investment plan contemplated for the rest of the year. Efficiency levels for 2026 will remain within guidance at roughly 28%. Net income for the quarter reached $56.4 million. Return on equity was 14.2%, and our Tier 1 ratio closed the quarter at 17.9%, allowing us to continue supporting growth from a position of strength. So overall, this was a quarter of strong growth and solid profitability despite a more competitive revenue moment.

With that, let me now hand it over to Annette for a more detailed review of the financial results. Annette, please go ahead.

Annette van Hoorde de Solís

Executive VP & CFO

Thank you, Jorge, and good morning, everyone. Let me walk you through financial highlights for the first quarter of 2026. From a financial perspective, this quarter represents a solid start of the year. We continue to grow the balance sheet with discipline while maintaining stable profitability in a lower rate environment, supported by continued

strengthening of our funding mix and solid fee generation despite first quarter seasonality. Starting with earnings and returns. Bladex delivered net income of $56.4 million, up 9% year-over-year and probably stable quarter- over-quarter, reflecting the consistency of our core earnings generation. Importantly, return on average assets remained stable at 1.8% even as we continue to grow the balance sheet. This reflects the bank's ability to expand while preserving sustainable profitability.

2026 Return on adjusted equity stood at 14.2% in line with the previous quarter and within our 2026 guidance range, reflecting stable earnings generation. As usual, first quarter results should be assessed in context. The period is typically seasonally softer, particularly for fee income. And this quarter, we operated in a lower interest rate environment will naturally play some pressure in spreads returns. As we will see through today's presentation, despite this backdrop, our first quarter performance reflected the benefits of disciplined balance sheet growth, stable net interest income continue funding optimization and higher fee generation compared to the same period last year. Let's now turn to balance sheet growth and commercial activity.

The commercial portfolio reached $12 billion, increasing 13% year- over-year with growth across both loans and contingencies. Within this total, loan balances closed at $9.7 billion, reflecting continued execution of our commercial pipeline, while contingent exposures reached $2.1 billion. The quarter's performance was supported by the execution of a strong pipeline of medium-term transactions, including activity originated through our structuring and distribution team. At the same time, our focus remains on selective origination and efficient capital rotation with 64% of our exposures maturing in less than 1 year, supporting flexibility, disciplined risk management and repricing capacity. From a composition perspective, diversification remains a key strength.

Country exposures are well distributed with no single country representing more than 15% of total exposure. Guatemala, Brazil, Colombia and Mexico remain among our main markets, while the overall mix reflects a balanced regional footprint. Industry diversification also remains strong. Financial institutions represent 25% of total exposure, while corporate lending is well spread across sectors linked to regional economic activity and trade flows. Starting this quarter, our commercial exposure include a small bond position, focused on LatAm issuers, recorded at fair value through OCI, totaling $234 million. This represents a tactical capital deployment tool, allowing us to selectively capture opportunities within our existing credit framework while continuing to prioritize loan growth.

The fair value OCI classification also provides flexibility to manage these positions over time, including adjusting exposures as credit or market conditions of consistent with our risk-adjusted returns objective. With that, let me now turn to liquidity and the investment portfolio. As we continue to grow the balance sheet, maintaining a strong liquidity position remains a key part of our funding and risk management discipline. At quarter end, liquid assets, $2 billion, representing 14.5% of total assets. remaining well within regulatory requirements and providing flexibility to support commercial growth while preserving prudent liquidity buffers.

The composition of liquidity remains highly conservative, with around 80% placed at the Federal Reserve Bank of New York and the remainder primarily held with high- quality counterparties and multilateral institutions. The treasury investment portfolio closed the quarter at $1.44 billion, increasing 14% year-over-year. The investment book remained 96% investment grade. Geographically diversified outside Latin America and short in duration with an average maturity of approximately 1.5 years. These characteristics make it a strong complement to our liquidity structure, providing earnings support and contingent funding capacity as these securities are eligible for access to the feel reserve discount window through our New York agency.

Overall, liquidity and investment continue to provide flexibility, resilience and earnings support as we grow the balance sheet. Turning to asset quality. Credit quality remains strong and stable, consistent with the bank's disciplined approach to origination, underwriting and ongoing monitoring. At quarter end, total credit exposure reached $13.5 billion, with the vast majority remaining in Stage 1, representing 97.5% of total exposure. Stage 2 exposures represented 2.2% or approximately $300 million, while Stage 3 remained minimal at 0.3% or around $39 million. This continues to reflect the high quality profile of the credit book. From a reserve perspective, total allowances reached $112 million with a coverage ratio of 0.83%, broadly stable compared to the previous quarter.

In addition, coverage of impaired credit remained strong at 2.9x, reflecting a prudent reserve position. The increase in Stage 2 during the quarter primarily reflects our proactive credit assessment of selected exporters in the context of a somewhat more challenging operating environment. Importantly, infra credits remained stable and no material credit events were recorded during the quarter. Asset quality, therefore, remains a core strength of the bank, supported by credit exposures for reserve coverage and continued proactive risk management. Let's now move to the funding side of the balance sheet. We continue to see strong momentum in deposit growth, which remains the foundation of our funding [indiscernible].

Deposits reached a record level of $7.3 billion, representing 63% total funding, increasing both in scale and relevance within our liability structure. Growth was broad-based, driven by corporate deposit, financial institutions and multilateral clients, while Class A 2026 shareholder deposits continue to provide a stable and efficient anchor. In addition, [indiscernible] cities reached a record level of $1.7 billion, further enhancing the diversification and duration of our deposit base. As a result, Deposits continue to support balance sheet growth through a more stable and cost-efficient funding structure, which remain an important driver of our ability to sustain margins within our guidance expectation. Beyond deposits, we continue to actively diversify our medium-term funding sources.

During the quarter, we executed an additional tranche under our Middle Eastern syndicated loan alongside other bilateral transactions for standing recently, we completed another successful issuance in the Mexican market of roughly $250 million, which was flat into U.S. dollars at a cost well over U.S. dollar curve. [indiscernible] quality, diversification and duration of our funding while reinforcing the role of deposits in supporting both margins, sustainability and balance sheet. Let me now turn to capital. Our capital position remains strong and well above our target levels, providing to support continued balance sheet growth. At quarter end, our Basel III Tier 1 ratio increased to 17.9% from 17.4% at year-end 2025. While our regulatory capital adequacy ratio under Panama's banking framework stood at 14.7%, well above the regulatory minimum.

It is important to note that these 2 ratios are based on different methodologies and therefore, do not really move in the same direction quarter-to-quarter. The Panama regulatory ratio follows a more standardized framework, while the Basel III ratio is more risk sensitive and better capture changes in the underlying risk profile of our exposures. In the first quarter, the increase in the Basel III ratio was driven by lower risk-weighted asset intensity, reflecting the regular provision of our internal risk parameters, incorporating the continued strong performance of the credit book. Looking ahead, we continue to expect disciplined capital deployment through 2026, [indiscernible] in line with our broader strategic execution.

As capital is deployed, we will expect Basel III Tier 1 ratio to gradually move towards our 15% to 16% Tier 1 guidance range, which remains the appropriate operating level for the bank. Our capital position remains strong and continues to provide [Kampo] capacity to support [indiscernible] performance and rate reshape by several dynamics. The rate cuts implemented in the quarter of 2025 had had some impact on. [indiscernible] balance sheet growth more efficiently, reinforcing a more stable and cost-efficient funder. Taken together, these factors demonstrate the resilience of our margin performance and the benefit of actively managing both sides of the balance sheet. Let me now turn to fee income.

In the third quarter, fees and commissions reached $13.1 million, up 24% year-over-year, despite this being a seasonally softer period for fee generation. Let of credits and guarantees remain the main source of is generating $7.4 million in the quarter. This activity means closely tied to our core trade finance business. First quarter was affected by seasonality, but we see a good momentum as we move to the second quarter, supported by higher transaction volumes and increasing but gradual benefits of our trade platform. Credit commitments and other commissions were another important contributor, reaching $2.7 million, more than doubling compared to the same period last year. This reflects the growing relevance of medium-term transactions and committed facilities within our client offering.

Our structuring and distribution team also continued to contribute to fee income, generating $3.1 million during the quarter, supported by 2 transactions closed in Costa Rica and Colombia. Importantly, this was a shift despite some transactions closing shifting from the first quarter into the second quarter. While fee recognition in this business can

vary depending on execution timing, the syndicated loan pipeline remains solid. In addition, client derivatives are a part of our strategy to further diversify noninterest income. We are seeing growing client demand, particularly in connection with transaction execution. The pipeline remains active. And while the timing of individual transactions may shift across quarters, we expect this business to begin contributing more visibly as execution builds over the upcoming quarters.

Taken together, fee income continues to show solid growth and increasing diversification, supported by trade-related activity, committed facilities and restructuring capabilities with gradual contribution from client derivative as activity built through the year. To close, let me turn to operating expenses and efficiency. Operating expenses for the quarter were $22 million, reflecting the usual first quarter seasonality, while also incorporating the impact of the strategic initiatives that have moved into production, including higher depreciation, IT-related expenses and the talent required to support execution. In that context, the first quarter expense base reflects the operating impact of initiatives already underway.

The efficiency ratio for the quarter was 26.5% and remaining well aligned with our full year guidance of approximately 28%, and reflecting the bank's ability to a strategic investment while maintaining cost discipline. As we move through the year, we will continue selectively in technology capabilities, talent and execution capacity required to deliver on our strategic priorities while maintaining a strong focus on rating efficiency. In conclusion, first quarter reflected disciplined balance sheet growth, resilient margins, strong fee generation, relive to seasonal patterns, continue funding momentum and a solid capital position. With that, I will now turn the call back to Jorge for his closing remarks. 2026

Jorge L. Salas

Chief Executive Officer

Thank you very much, Annette. Let me briefly touch on strategy execution and make a couple of comments on the environment we're operating in. We continue to make good progress on our letters of credit platform. Processing times have consistently come down from almost 5 hours to about 1 hour per transaction. This productivity improvement has allowed us to handle smaller tickets profitably, deepen penetration with existing clients as we start to scale the letters of credit business. As outlined in our Investor Day last month, transactional deposits are a key component in the new phase of our strategy. In that sense, we have already onboarded our first correspondent banking client still in pilot phase, and we're currently working on the second one.

We now have the governance in place to incorporate additional corresponding banking clients during the year in a disciplined way. And we continue to see strong pipeline of interested financial institutions in the region for these services, which we see, of course, is very encouraging. Turning to the macro environment. While global geopolitical and financial conditions have clearly become more volatile. Our region continues to show resilience supported by healthy fundamentals, stable trade flows and a positive investor sentiment. The reason is clear. Latin America's direct trade [indiscernible] Persian Gulf is very limited, and the region as a whole, a net commodity exporter. Higher curity prices are historically beneficial for Bladex. Obviously, net commodity importers, mainly Central America and Caribbean countries, will face some headwinds.

The ultimate question, of course, is how long will this last? In any case, our view is that this environment reinforces the importance of disciplined lending and highlights the value of our ability to actively adjust regional exposures given the short-term duration of our lending portfolio. So when we look at the year as a whole, our view remains unchanged. The first quarter was consistent with our expectations, and we continue to make progress on the strategic front that support the next phase of the bank. For that reason, and based on what we have seen so far in the year, we reaffirm our full year guidance. We do so with confidence while remaining realistic about the competitive environment and the external conditions.

With that, please open the call for questions, operator.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Inigo Vega with Jefferies.

Iñigo Vega Zabala

Jefferies LLC, Research Division

Just a couple of comments on 2 areas: one, level of worry on the 70 bps sequential increase in Stage 2 loans in the quarter; and second, why RWAs under et are down 2% quarter-on-quarter when commercial portfolio is up 80% quarter-on-quarter, only RWAs and Panama aligned with asset growth.

Jorge L. Salas

Chief Executive Officer

Yes. Thank you, Inigo. I'll tackle the first question on asset quality, and I'm going to let Annette, our CFO, tackle the capital ratios questions. The short answer is we're not worried. Asset quality remains very strong. The Stage 2 increase reflects more of a proactive risk management approach than any deterioration. We're just being more cautious on selected exposures basically in Brazil.. But we do expect normalization rather than deterioration going forward. I mean, the cost of risk is consistent with a disciplined underwriting of life and that, as I always say, has not changed and will not change. Annette, do you want to talk about capital ratios?

Annette van Hoorde de Solís

Executive VP & CFO

Sure. Yes. As we mentioned in the call, the — we follow 2 different methodologies. One is the regulatory methodology as a bank regulated by the Sprint [indiscernible] banks, and we also for reference purposes to also file a Basel III Tier 1 ratio, and these are different methodologies. The Panamanian local regulator issue is based on a more standardized approach, where the exposures are assigned regulatory risk weights based on their categories. While the Tier 1 ratio is more resensitive inflects more directly the underlying risk profile of the portfolio, including the borrower quality, country risk, tenor, profitability of default and other characteristics. This is why these 2 ratios can move differently in a given quarter.

In the first quarter, our asset ratio improved despite the balance sheet growth because of the risk-weighted asset intensity that we had in the portfolio. This is reflected on the strong historical credit performance that we have that incorporated — this was incorporated in the regular revision of our internal risk parameters. Also, the Ecuador country upgrade during the quarter also lacked the Basel III ratio and obviously, the quality and the mix of the new exposures that we put in the balance sheet also affect the Basel ratio. On the other hand, the equity — the Ecuador rate that was given, it is reflected in the Basel framework as we mentioned before, but it does not have the same impact under the Panamanian ratio. And this is 1 of the reasons why these 2 ratios behave differently from 1 quarter to the other.

Looking ahead, however, we still expect Basel III Tier 1 ratio to gradually normalize toward our 15% to 16% target range as we continue to deploy the capital while maintaining ample capacity for disciplined expansion.

Jorge L. Salas

Chief Executive Officer

Yes. I think I'd say. I mean the main point is growth in assets that's not necessarily imply higher capital consumption. It's more about quality and mix are critical.

Operator

Our next question comes from Ricardo Buchpiguel with BTG.

Ricardo Buchpiguel

Banco BTG Pactual S.A., Research Division

I have two here on my side. So first, as you mentioned in the presentation, you saw a higher concentration of credit transactions coming out more towards the end of the quarter, which had a negative impact on NIM. So it would be helpful if you could comment on what would be the like excluding this effect? Just so you can think a little bit about how is the starting point for NIM in Q2? 2026 And everyone can have their own assumption in terms of rate, but the baseline is also helpful. And for my second question, during the quarter, we saw a strong sequential growth in credit commitments and guarantees in the balance sheet and when we've seen the revenues, we saw a 14% quarter-over-quarter reduction, right?

So it would be great if Sam could walk us through in more details how the the monetization cycle of this product works and how seasonality plays out throughout the year so we can have a better [indiscernible] on this line.

Jorge L. Salas

Chief Executive Officer

Okay. Sam, you want to talk about the commitments and Annette will talk about NII.

Samuel Canineu

Executive Vice President of Business & Chief Commercial Officer

Sure. Thanks for the question, Ricardo. I'll start with the your question on commitments, and then I can talk a little bit about the overall credit — letters of credits and guarantees also business evolution. So our — the commitment fees that you see there is come from committed but funded exposure that is indeed growing and is in line with the expansion of our project finance in infrastructure and syndicated loan businesses. For Project Finance and Infra, for example, is very common that part of the facility amount will be disbursed not in 1 go, but rather as CapEx is being deployed. On syndicated loans, those tend to be bigger facilities. So it's common to give the client a couple of months to fund the transaction. Also, it's — those are commitments that will be funded in due time.

There will be loans and the commitment period in those cases is much shorter than the tenor of the actual facilities. And most importantly, of course, it generates fees, and those tend to be 30% to 40% at the low margin. I think finally, and important, the commitment fees — the commitments that we have there, they are not to liquidity backstop facilities, which is a type of exposure that we don't like as they tend to be used when the underlying credit has deteriorated. So bottom line there is, yes, it's very much commitment fees should continue to grow as the project and anticipated business growth. In terms of letters of credit and guarantees, yes, the reduction in this quarter versus the previous quarter is — or previous 2 quarters is more in line with seasonality.

I think there are certain types of letters of credit that they are issuing more start meet the second and third quarter. So we — this is a business that will continue diet-focus as you know, and more new clients, and we do expect to pick up or return to normal levels as the year passes. So I think that's important to mention as well.

Annette van Hoorde de Solís

Executive VP & CFO

Yes. Ricardo, thank you for your questions. Regarding the NIM and NII during the first quarter, as we mentioned in the call, we've been proactively managing our balance sheet, both the asset side and reliability, which allow us to maintain a resilient NIM as we execute through the year. We mentioned our current NIM is affected by the rates that we gave towards the end of 2025. And this has an impact in this quarter, NIM. It also — it is affected by the ample liquidity and competition for asset quality in the region. So we are seeing that, especially in the short term of our lending exposure, and also the fact that, as we mentioned in the call, some of this growth was towards the end of the quarter. So we're hoping — we're expecting that growth to reflect in the upcome quarter, providing a sustainable net interest income to the bank.

We were able to offset some of these negative pressures by deploying steadily the execution of the medium-term transactions on the loan side, which provides a more stable balances and also margins was also offset by the growing dissipation of deposits and also the efficient liquidity management within the balance sheet. So with this NIM of around 2.3%, which remains within our guidance, we feel confident that this — the guidance for 2026 will remain

around $230 million, as we have mentioned before, more importantly, it is also important retain consideration that we are complementing our revenues with the growth of the fees, as Sandi mentioned, in order to make the bank less sensitive to rate movements and provide a more stable profitability for the bank.

Ricardo Buchpiguel

Banco BTG Pactual S.A., Research Division

That's very clear. And if I may do like a quick follow-up on this last point. Assuming that if you get your scenario where you don't have rate cuts not only in Q2 but throughout this year. Do you believe there is upside risk to the guidance, both in NIM and ROE.

Annette van Hoorde de Solís

2026 Executive VP & CFO Well, As we are seeing, as we've been mentioning for the last couple of quarters, we are seeing — we see that as an upside, although we have seen a lot of pressure on margins. So I think most likely, I mean, we're already seeing a benefit from the higher for longer rates. However, I mean, this has been offset a little bit by the pressure we have seen on the loans origination. Now I was saying it has remained kind of like a neutral impact.

Operator

Our next question comes from Natalia Corfield with JPMorgan..

Natalia Corfield – JP Morgan

I am going to go back to capitalization. Just to be sure on the decline on your Panama ratio and also wouldn't be this ratio, the Panamanian on more relevant than the Basel III since you were — like since your requirements are based on Panama. Those are have my 2 questions.

Annette van Hoorde de Solís

Executive VP & CFO

Both methodologies are important to the bank. Obviously, we are a local bank in Panama regulated by a [indiscernible] and is our priority not only to comply with the ratios but have ample buffers versus the minimum requirements and that has been the way the bank manages ciliation levels. And yes, we are — and our AT1 transaction is based on our regulatory ratio, which we allow and major closely. The fact that we include our Basel III ratio and in all our presentations to investors, this provides a more standardized reference point for investors to be able to compare to other peers in the region. Since as we mentioned in the call, the methodologies are not different and some characteristics of our balance sheet are not very well perceived by the local regulator ratio.

But basically, those are the 2 reasons why we follow and comply with both methodologies.

Natalia Corfield – JP Morgan

Perfect. And then if you could go again to the reasons for the decline on the Panamanian ratio, that would be great.

Annette van Hoorde de Solís

Executive VP & CFO

This responds directly to the growth of the balance sheet that we saw between the fourth quarter and the first quarter, which was around 8%.

Jorge L. Salas

Chief Executive Officer

But it's almost independent of the country risk and...

Annette van Hoorde de Solís

Executive VP & CFO

Yes.

Jorge L. Salas

Chief Executive Officer

That's why we talk the other one.

Annette van Hoorde de Solís

Executive VP & CFO

Doesn't [indiscernible] improvement some of our assets. Yes. Yes, it is very neutral to all the exposure outside Panama, especially the corporate positions, does differentiate between ratings or if it's investment grade or not investment grade, so those are the characters that the Basel III does incorporate into the calculation. While the 2026 Domanian ratio is more for local banks. And it's more detail about the positions you have locally than the positions that you have first quarter.

Jorge L. Salas

Chief Executive Officer

Yes. It's almost designed for almost for local banks with with a larger local exposure. And in that sense, Blix is an outlier in Panama. I mean our Panama exposure, as you know, is the 5% today..

Natalia Corfield – JP Morgan

Okay. No. Understood. I'll just make a point that the Basel III is great that you do it, but looking through Latin America, I've seen that each country has its own Basel III regulations like I think it's — each country adapted. And then also, your effort to be able to display something that's comparable. But at the end of the day, I find hard to compare portions across Latin America. Just a comment. But thank you very much for your answers.

Operator

Our next question comes from Andres Soto with Santander..

Andres Soto

Santander Investment Securities Inc., Research Division

My first question is regarding your top line growth. We saw a strong performance this quarter. And at the same time, you're using a offer competitive environment. At what point do you believe this competition will make a dent on your loan growth expectations? Or you believe that the readjusted returns that you are getting now are attractive, and you will continue to grow at the current pace. Or is your growth driven by the new products that you're introducing in your product offering?

Jorge L. Salas

Chief Executive Officer

Thank you, Andres, I'm going to let Sam our Chief Commercial talk about growth in the lending portfolio.

Samuel Canineu

Executive Vice President of Business & Chief Commercial Officer

Thanks, Andreas. I think we're very confident to follow to meet our guidance in terms of growth for the year. As you know, our exposure is very short term. So things — the landscape can change quarter-to-quarter. With that said, we have some ways to mitigate that, which is on one side build a solid medium-term more value-added pipeline, which is the case right now. in project finance infrastructure, in syndicated loans. I think so we're well I think, prepared for to continue deploying the speed that we're deploying and according to the guidance. And we've also been working very hard to build the short-term pipeline, which is the pipeline for short-term transactions that is more, I would say, even more affected by the competitive landscape.

I think the way to do that is through our product strategy that we have spoke a lot about in our Investor Day, particularly restructure trade and working capital solutions that also been growing at a good speed. And with, I would say, promising pipeline. I think last but not least, I think the increase in oil prices come as a good tailwind in that

respect, right? Because a lot of our short term or part of our short-term exposure is really financing cargoes, and those cargoes are bigger in size right now. So that helps us as well..

Jorge L. Salas

Chief Executive Officer

Okay. So Andres, it's very important for us. the quality and the durability of earnings is what is important, not just scale, not just scale..

Andres Soto - Santander

That's very clear. And connecting this with my question on fees. We also saw a strong fee on a year-over-year basis. And I appreciate the explanation that Sam provided regarding these products being fee reach and providing for those upfront and then on lending down the road, is the current pace for fee income growth sustainable, given the strategy for entering to the products such as better credit syndication, et cetera. Or are there any one-offs in the quarter that we should normalize going forward? 2026

Jorge L. Salas

Chief Executive Officer

No, no one-offs. I mean, the first quarter is typically, as net mentioned a minute ago, softer than than most in both of our fee businesses — so the point is some transactions shifted into the same quarter. So it's more a timing effect than a slowdown. Fees — as you mentioned, fees are up 24% year-on-year. So the momentum is good. And I guess the bottom line is that fees are becoming a more structural revenue component over time. So no one-off up to now and something comes, of course, we'll mention it as a one-off. But we're confident with the guidance on fees..

Andres Soto – Santander

My question was actually sort of the opposite sense, given that the strong performance at that was looking for nonrecurring factors explaining the 24% year-on-year growth on the fee income side.

Operator

Our next question comes from Daniel Mora with CrediCorp Capital..

Daniel Mora

CrediCorp Capital, Research Division

The first one is considering that percent of the portfolio is related to oil and gas? Did you see or do you see any tailwinds or headwinds derived from the conflict between United States and Iran or if there is any other sector or country that should be heavily impacted, but the high international oil prices. I know that you mentioned a couple of points on this matter, but if we can go deeper, it will be great. And my second question is what will be those elements that could take the 2026 ROE closer to the upper band of the guidance, considering that loan growth has been quite strong NIM despite the pressure on interest rate has been — you have been able to defend the NIM and fees even though the first quarter is is softer due to seasonality effects. It continued to grow by double-digit, 25%.

So given this strong performance, what could be even better to take the ROE to 15%.

Jorge L. Salas

Chief Executive Officer

Sam, do you want to go ahead and talk about the oil and gas-related exposure?

Samuel Canineu

Executive Vice President of Business & Chief Commercial Officer

I think is a great question. I think on a net basis, it's more — much more of a tailwind rather than a headwind. The reason why is, for example, on the, let's say, exposure that is more long term, that tends to be linked to E&P investments. They are — we're financing the lowest cost producers in the region, the most competitive fields. And of course, with the current, even though the oil prices are more on a spot basis rather than, let's say, long-term

forwards, but they are very positive for them. So I think it's — it reduces the risk of the portfolio. On the other hand, as I mentioned also for the business, the trade business that is very short term, the size of the cargoes, the typical cargo is higher, so the demand tends to be higher. So I think positive in that sense.

Of course, part of our business is we're taking risk on the importers of petroleum products, mostly in Central America, yes, you could argue that, that can be increased inflation in those countries and reduce profitability. But in that — those cases, we're really dealing with from the most place — in most cases, national oil companies are very solid countries, which, let's say, it's more beneficial that we're financing bigger amounts than the tremental that can impact their their numbers, their credit quality. So I think on a net-net basis, definitely positive.

Jorge L. Salas

Chief Executive Officer

I think the short term of a portfolio and the ability to reprice and reposition quickly is the key. I mean the focus for Bladex is not predicting geopolitics, but managing how shocks transmit into spread trade flows and client risk, and we have the ability to do that, and we've been showing that. I think your second question was about upside.

Annette van Hoorde de Solís

Executive VP & CFO

2026 Upside.

Jorge L. Salas

Chief Executive Officer

Upside on the ROE guidance. I guess it's a balance between higher for longer and the margin and the margin pressures. I mean you have both playing at the same time and let's see what ends up happening. I mean it's hard to predict that at this point..

Operator

Our next question comes from Patrick Abraham with [indiscernible]

Patrick Abraham – Bulwark Capital

Has the bank started looking at Venezuela as an opportunity for investment. And what is your outlook for the country?

Jorge L. Salas

Chief Executive Officer

Yes. [indiscernible], it's a good question. I mean, Venezuela might represent an upside scenario for Bladex. It is not included in our projections of today. I mean, we are very actively assessing the risks and the opportunities. Baldex used to be reactive in Venezuela, in the oil and gas sector and also with FIs and LCs I mean Venezuela used to at some point to represent between 4% and 5% of our total portfolio. Today, our exposure is 0. We know the country well. And it's more a matter of timing and when to go back in.

Operator

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

Jorge L. Salas

Chief Executive Officer

Well, thank you all for your questions and your time today. We appreciate your continued interest in our bank because the year started in line with our expectations, and we remain focused on executing with discipline. Thank you again, and have a good day..

Operator

This concludes today's conference call. You may now disconnect.