Bladex

ANNUAL REPORT 2016

Third set of locks of the Panama Canal

CONTENT

Inaugural transit of the third set of locks of the Panama Canal

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders:

The year 2016 was marked by several unexpected events that contributed to a highly volatile macroeconomic environment, both in emerging and developed economies.

Taking stock of our Region, the elevated levels of political instability in Brazil, notorious corruption scandals and the strong devaluation of local currencies are just some of the examples of the challenges that impacted our business environment.

From a global perspective, two of the most significant events were certainly the United Kingdom's decision to leave the European Union and the outcome of the U.S. elections, examples of political change that brought onto the international agenda issues such as nationalism and protectionism, combined with a more populist approach that we had not experienced in the developed markets.

These events adversely impacted the international markets and are expected to continue being relevant in the years to come.

2016 marked the third year since Latin America entered into a strong correction phase with stagnant regional GDP, a cumulative trade flow reduction of over 20% and a 38% downward adjustment in the weighted price of the most important raw materials produced in the Region.

Within this challenging environment, the Bank was particularly affected by a prolonged negative credit cycle that mainly impacted countries such as Colombia and Brazil and, to a lesser extent, Paraguay and Uruguay. As a result, we had to absorb losses and strengthened our provision levels for non-performing credits, which led to a drop of the Business Profit of 8% in 2016 compared to 2015, and a return on equity just below 10%.

Despite these challenges, I would like to highlight that Business Profit reached US$91.5 million in 2016, once again demonstrating the Bank's capacity to produce sustainable positive results, even in the face of a prolonged challenging backdrop.

Particularly, I would like to stress the following elements relating to the Bank's financial performance in 2016: the growing relevance of our syndication franchise in Latin America with a well above average market performance; our efforts to diversify credit risk by country, sector and client following a back-to-basics approach, i.e., focusing on trade finance; our effective management of assets and liabilities with positive impact on the generation of net interest income; and a significant improvement in our efficiency levels. All this has contributed to compensate higher provisions, leading to just a moderate decrease in Business Profit.

Furthermore, I am pleased to reaffirm our commitment to always sharing the results generated by the Bank with our shareholders. In 2016, we paid an annual dividend of US$1.54 per share, which along with a 14% appreciation of the share price brought the total return to shareholders to nearly 20%. We were also able to strengthen our already very solid capitalization, maintain structurally sound and cost effective funding, and pursued very effective asset/liability management. These elements strengthen the Bank´s ability to respond to a volatile environment and provides the groundwork for portfolio growth as market conditions improve.

I would like to take this opportunity to once again emphasize Bladex´s steadfast determination to fulfill its vision of "being recognized as a leading institution focused on driving trade and the regional integration of Latin America." The goals we set strive for not only very demanding efficiency and profitability performance, but also for offering unparalleled financial solutions to our clients to support the development and expansion of our Region, generating sustainable, growing results for our shareholders.

I would also like to highlight the special emphasis placed by the Board of Directors on Corporate Governance during 2016, with greater interaction with Management to monitor business management through constant contact between the dedicated Board Committees with the Bank´s Senior Management. On the other hand, the Board also strengthened the so called "second line of defense" focused on monitoring and internal control tasks. In this regard, it is worthwhile to mention organizational changes such as in the Legal Area, which now incorporates the Compliance Area, and the establishment of an Anti-Money Laundering Committee, with the participation of two Board Directors, whose mission is to ensure the proper functioning of ongoing prevention and surveillance policies, in compliance with the provisions of Article 4 of Rule 10-2015 of the Superintendency of Banks of Panama ("SBP").

Always true to our high corporate values of Integrity, Commitment, Respect, Humility, and Excellence, we remain committed to continue supporting the communities where we operate in Latin America, reflecting our holistic vision of corporate social responsibility.

It is with pride that I report that, once again this year, we successfully continued the social program of our Fundación Crece Latinoamérica, focused on providing educational and personal growth opportunities to children and young people from the most vulnerable sectors of our communities, with the support of Bladex's volunteer committee. In 2016, we invested a total of US$541,159 in 14 projects implemented in eight countries in the Region, benefitting around 9,000 children and young people, reaching 5,500 individuals more than in 2015. This significant increase has been supported by the new partnerships entered into between our Fundación Crece Latinoamérica and NGOs in Argentina, Colombia, Ecuador, Honduras, and Nicaragua, some of which are led by banks and companies with which Bladex maintains fruitful business relationships.

I cannot end this letter without sharing with you my deep conviction that Bladex is on the right track to succeed in its goals, and that we will continue supporting business management, steering Bladex's financial performance and results. Within a still quite challenging scenario in different fronts, which compels us to continue with a very prudent decision-making approach, we seek to maintain our tradition of growing results with a solid credit portfolio, while always remaining committed to our fundamentals of security and strength in our operations.

I would like express my deep appreciation to our clients and to you, our shareholders, for your consistent support.

Gonzalo Menéndez Duque
Chairman of the Board of Directors

The Panama Canal is an important route of world trade

MESSAGE FROM THE CEO

Dear Shareholders:

We made considerable progress towards our goal of building a more relevant institution in 2016. Our objective is to develop and consolidate a business model focused on achieving our vision of becoming a leading bank in the financing of foreign trade and regional integration across Latin America that delivers consistent profitability amid the economic fluctuations in the Region.

A Complex Business Environment

Last year did not bring about the expected return of good times contrary to the more optimistic views at the beginning of 2016. It was rather a complex environment for the regional economies, as well as for foreign trade in particular. Some of the Region's important economies experienced continued recession, resulting in yet another year of lesser trade dynamism which impacted negatively the foreign trade flows across most of the Region, once again putting our business model to the test.

Strengthened Financial Performance

Despite this difficult backdrop, the Bank's Net Income increased 2% year-on-year to US$172 million, in spite of a moderate decrease in average Commercial Portfolio balances. We were able to manage effectively net interest margin and net interest spread, reaching levels of 2.08% and 1.84%, respectively, ratios far above those achieved by the Bank over many years. On the internal front, operating expenses were well under control, including a decrease in 2016's variable compensation, both resulting in an Efficiency Ratio well below our target objective of 30%. The Bank's Business Net Income reached US$91.5 million, a decrease of 8% versus 2015, leading to a return on average equity of 9.2%, a 1.2% decrease compared to 2015.

Our loan syndication and structuring business has already proven its capacity to contribute to fee income generation, increasing the number and volume of transactions closed in 2016, a very weak year for the Region's capital markets, which has strengthened our franchise. We continued investing in this area to further grow this business, and are well positioned to benefit in a somewhat more favorable environment going forward. At the same time, we launched new initiatives to develop products and services in 2016, as we continue to work to develop additional capabilities towards fee income generation that will eventually enable us to increase the diversification of revenue streams.

Although the above performance metrics do show a certain degree of robustness of our business model in a highly challenging environment, we cannot be truly satisfied until we achieve, at a minimum, double-digit return on average equity, regardless of where we may be in the Region's economic and credit cycle. We are therefore determined, now more than ever before, to redouble our efforts to achieve this goal, mainly in the fee income generating business areas, as well as in the prevention and mitigation of credit losses.

Credit Quality

The year 2016 was marked by significant challenges for credit quality due to increased risk in the Region in general and impaired loans in particular. While we proactively implemented actions to safeguard credit quality, decisively reducing credit exposures in countries such as Brazil and sectors such as crude oil production, we were not able to remain completely immune to certain exposures. This led us to realize losses of nearly US$24.6 million already identified and provisioned in 2015, and to increase credit provisions for a second consecutive year to reflect specific credit risks, both of which represent fairly unusual events in our business. As a consequence this meant a net annual increase in provisions for expected credit losses of US$17 million in 2016 compared to 2015.

Naturally, we continue to monitor the restructuring process in each of these few cases, seeking to minimize realized losses and applying all the lessons learned to our active credit portfolio management model.

Outlook for 2017

Looking to 2017, the prudent use and allocation of the available capital is going to be crucial for obtaining attractive returns. During the last two years we were more focused on managing the existing portfolio rather than growing business scale, owing to the modest economic backdrop. Our efforts going forward will be focused on growing our business with a larger number of clients along the trade value chain, as well as striving for a greater dispersion of risk in order to continue diversifying and mitigating the impact of potential losses, should they occur. We will continue to improve efficiency in the processes of prospecting, onboarding and monitoring of clients. Considering our positive track record in reducing operating expenses by improving productivity, we are convinced that we will be able to lay the foundation for sustained portfolio growth.

The economic recovery shaping up for the Region in 2017, as well as the sustained increase of base interest rates, bode well for stronger portfolio growth, improved margins and should allow us to generate more dynamic income growth.

We expect to increase our Commercial Portfolio by around 10% in 2017, which would represent a significant change compared to the average growth achieved over recent years. At the same time, and with operating efficiency levels that should decidedly stay below 30%, we expect to regain double-digit return levels on average equity.

Conclusion

We remain confident that our business model has the capacity of not only proving itself in difficult times, but also of delivering good returns and, with time to implement new sources of fee income, of generating even superior returns. We are fully focused on providing you, our shareholders, with a real and effective value proposition that continues to be complemented with an attractive dividend policy.

Rubens V. Amaral, Jr.
Chief Executive Officer

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

Bladex's Corporate Governance framework encompasses an array of structures, processes and rules and identifies the rights, relationships and responsibilities of Shareholders, the Board of Directors, Senior Management, the employees and other Stakeholders. It is based on widely accepted regulatory standards, and on internal regulations which define the responsibilities of all actors in order to comply with the framework. These guidelines are continuously reviewed and adapted to meet current rules and regulations as well as to incorporate best practices.

External Regulation

The Bank is subject to supervision by regulatory authorities in different jurisdictions, amongst them being:

- The Superintendency of Banks of Panama (SBP)
- The Federal Reserve Bank of the Unites States of America (FED)
- The New York Stock Exchange (NYSE)
- The Unites States Securities and Exchange Commission (SEC)
- The New York State Department of Financial Services (NYSDFS)
- The Mexican National Banking and the Securities and Stock Exchange Commission (Mexico)
- The Superintendency of Banks, Insurance and Pension Funds of Peru
- The Financial Superintendence of Colombia
- The Central Bank of the Republic of Argentina
- The Central Bank of Brazil

Internal Regulation

The Bank follows the following corporate regulations that constitute the framework for performance and behavior of Bladex and of all its actors:

- Articles of Incorporation
- The Bank's Bylaws
- The Board of Directors Committees Charters
- Principles of Corporate Governance and determination of a Director's independence
- Code of Ethics
- Corporate Anti-Money Laundering and Combating the Financing of Terrorism Policy
- Manuals, policies, guidelines and procedures

CORPORATE GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

Composition and election

The Board of Directors is composed of up to eleven members:

a) Three Directors are elected by the holders of Class A common shares represented by Central Banks or other Banks where the State has a majority shareholding or other government entities, from 23 Latin American countries;

b) Five Directors are elected by the holders of the Class E common shares represented by institutional and individual investors through Bladex's public listing on the NYSE;

c) Two Directors are elected by the holders of all common shares, of which one of the candidates to be elected shall be the Corporation's President and Chief Executive Officer (CEO); and

d) Provided that the number of issued and outstanding Class F shares is equal to or higher than fifteen percent (15%) of the total number of common shares issued and outstanding of the Corporation, the holders of the Class F common shares shall be entitled to elect one Director of the Corporation.

Members of the Board are elected at the Bank´s Annual Shareholder´s Meetings and each Director serves for a term of three years. Directors can be re-elected multiple times until reaching a maximum age of 70 at the day of the election.

When electing members of the Board who represent a certain class of shares of the Bank's common stock, the votes of the holders of such class of shares are counted separately. Shareholders are provided with information on Directors' qualifications and experience and other key directorship.

Function

The Board of Directors shall direct and control the business and assets of the Bank, except for those matters specifically reserved to Shareholders as established by Law, the Articles of Incorporation or the Bylaws.

The Board of Directors may grant general or special powers of attorney to Directors, employees of the corporation, and to other employees of the Organization or other persons to transact such business and affairs within the competence of the Board, the Directors, may deem convenient to entrust to each of them.

Responsibilities of the Chairman of the Board of Directors

The Chairman shall act as chairman at all the meetings of the shareholders and the Board of Directors, proposes the place and the matters to be considered at such meetings and shall cause that all sessions of the Shareholders Meetings and those of the Board of Directors are duly convened. The Chairman also handles such other matters as the Board of Directors may see fit to entrust him with. He may not hold the Office of President and CEO, Executive Vice-President – Operations and/or Executive Vice-President – Finance or the equivalents thereof, pursuant to the dispositions enacted by the SBP.

Responsibilities of the Board of Directors

The Board evaluates and determines its optimal leadership structure so as to provide an independent oversight of the Bank. Among others, its responsibilities are the following:

- Ensure compliance of the resolutions of the General Shareholders Meeting
- Submit the annual Audited Financial Statements of the Bank for consideration of the General Meeting of Shareholders
- Approve the budget and annual business and operations plan and supervise its compliance
- Analyze, review and approve the Bank's strategic plan and supervise its compliance therewith, including the Bank's short and long-term goals and objectives
- Elect the Board's Chairman, Secretary and Treasurer, or any other Board Officers
- To elect the Bank's CEO by resolution adopted with a majority of at least seven of its members
- Appoint the members of the Board's Committees, pursuant to the provisions of the Articles of Incorporation
- Ensure the Bank's activities are carried out transparently and in compliance with the highest ethical standards
- Determine dividend payments, pursuant to the law or the Articles of Incorporation.

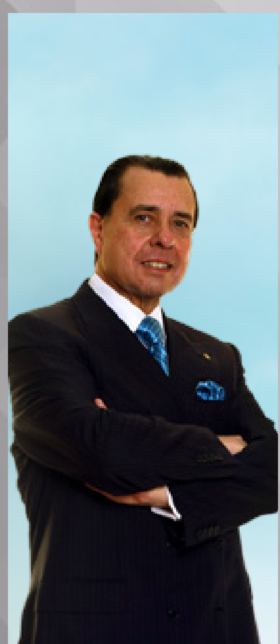
Shareholder Composition

The Bank's diverse shareholding structure is a unique feature and constitutes a significant pillar, by efficiently combining the interests and support from the Region's governments with a commercial and entrepreneurial approach, which characterizes private sector institutions that are subject to the criteria of discipline, transparency and corporate governance derived from listing its stock publicly. The Bank is focused on supporting Latin American foreign trade and integration, always upholding its main purpose of creating value for its Shareholders.

i *For more information regarding the Bank's shareholder composition, please refer to our webpage: http://www.bladex.com, in the section: Investor Relations / Corporate Governance / Ownership Composition.*

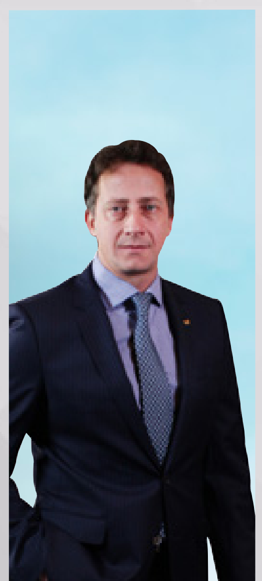
BOARD OF DIRECTORS

The Board of Directors includes five representatives for Class E shareholders, three for Class A shareholders and two Directors representing all Classes of shares.

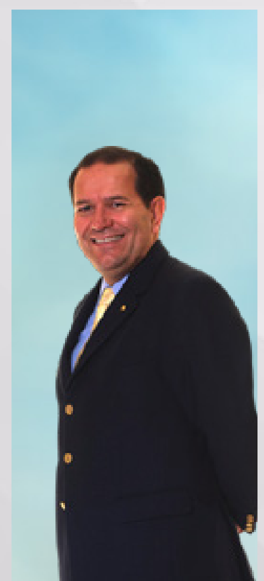


Gonzalo Menéndez Duque
Chile
All Classes

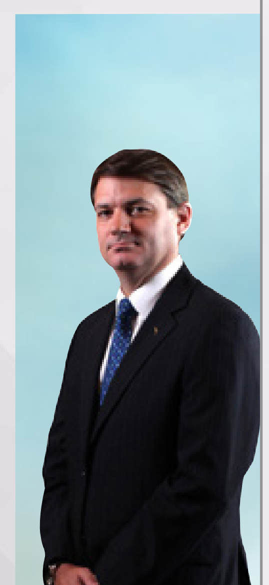
Rubens V. Amaral Jr.
Brazil
All Classes



Facundo Martínez Maino (*)
Argentina
Class A

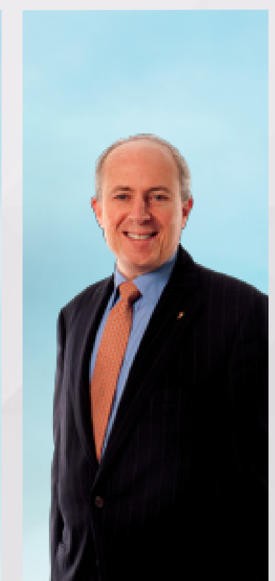


João C. de Nóbrega Pecego
Brazil
Class A

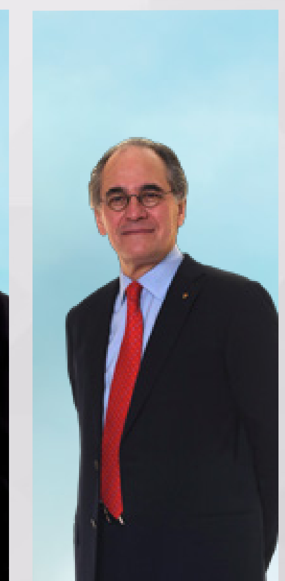


Roland Holst
Paraguay
Class A

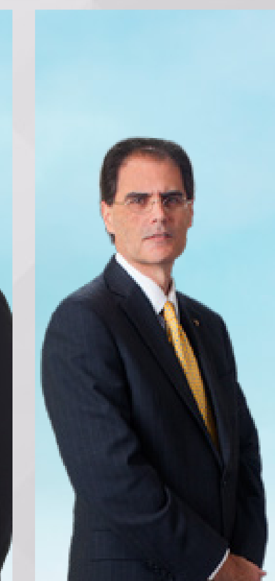
Maria da Graça França
Brazil
Class E



Mario Covo
USA
Class E



Herminio A. Blanco
Mexico
Class E



Ricardo M. Arango (*)
Panama
Class E

Miguel Heras
Panama
Class E

Members of the Board are elected for a period of three years. During the year 2016 two new Directors (*) were elected to the Board replacing Directors whose mandate had expired

BIOGRAPHIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

Gonzalo Menéndez Duque

Chairman of the Board of Directors and Director elected by all Classes of shares

He has served as a Director of the Board since 1990. In addition, he has served as Chairman of the Board in two different terms, from 1995 to 1998 and again since 2002. Mr. Menéndez Duque is a Senior Director of the Luksic companies in Chile and serves as Director of the following Luksic group holding companies: Banco de Chile since 2001, Banchile Asesoria Financiera S.A. since 2006, Banchile Seguros de Vida S.A. since the year 2000, Compañia Sudamericana de Vapores S.A. since 2011, SegChile Seguros Generales S.A. since 2017, Mining Group Antofagasta Minerals, S.A. since 1997, Antofagasta PLC since 1985, Empresa Nacional de Energia Enex S.A. since 2013, Andsberg Investment Ltd. and Andsberg Ltd. since 2007, Inmobiliaria e Inversiones Rio Claro S.A. since 2013, Holdings Quiñenco since 1996, Socofin S.A. since 2010, and Inversiones Vita Bis, S.A. since the year 2000. In addition, he serves as Chairman of the Board of Inversiones Vita S.A. and is also the Vice Chairman of Fundación Andrónico Luksic A. and Fundación Educacional Luksic since 2005. Previously, Mr. Menéndez Duque served as Director and President of several companies related to Grupo Luksic since 1985, including the following: Banco de A. Edwards and related companies, Banco Santiago, Empresas Lucchetti, S.A., Banco O'Higgins, Banchile Corredores de Bolsa S.A. and Banchile Administradora General de Fondos.

Mr. Menéndez Duque was distinguished in 2008 by the Faculty of Economics and Business of Universidad de Chile, as the most outstanding graduate, in recognition of his career and contributions to society in the business and entrepreneurial sectors of Chile and also was awarded by América Economía magazine in 1990 with the prize "Excelencia 90" as the most distinguished businessman of the year in Chile. Mr. Menéndez Duque holds a degree in Commercial Engineering and Accounting Auditor with honors from Universidad de Chile.

Rubens V. Amaral Jr.

Chief Executive Officer and Director elected by all Classes of shares

He has served as a Director of the Board and Chief Executive Officer of the Bank since August 2012. Prior to his appointment as the Chief Executive Officer, Mr. Amaral was Executive Vice President, Chief Commercial Officer of the Bank, and the alternate to the Chief Executive Officer since April 2004. He previously served as General Manager and Managing Director for North America at Banco do Brasil, New York Branch, and a Director of the Board of the Bank from 2000 to 2004. Mr. Amaral has served in various capacities with Banco do Brasil since 1975, holding the positions of Managing Director of the International Division and alternate member of the board of directors in 1998, among others. Mr. Amaral also served as a representative in banking supervision for the Central Bank of Brazil from 1982 to 1988, and in various roles at institutions in the banking industry, including Honorary President of the Global Network of Export-Import Banks and Development Finance Institutions (G-Nexid), Trustee of the Board of Trustees of the Institute of International Bankers - IIB, member of the Advisory Board of the Center for Latin America Studies at the George Washington University, member of the International Advisory Council at the Bankers Association for Finance and Trade - BAFT, and Director of the Brazilian American Chamber of Commerce, in New York.

Mr. Amaral has a degree in Economics, and he holds a special certification from the Association of Alumni of the Brazilian Superior School of War in Political and Economic Affairs.

Facundo Martínez Maino

Director elected by the Class A Shareholders

He has served as Director of the Board since 2016, when he was designated to fill the vacancy created by the resignation of Esteban Alejandro Acerbo when he left the Banco de la Nación Argentina. Mr. Martinez Maino has served as Director of Banco de la Nación Argentina since 2015. He was Chief Economist of M&S Consultores, Buenos Aires, Argentina from 2000 to 2015 and Financial Analyst of the Centre for the Studies of Productivity of the Ministry of Industry, Commerce and Mining of the Republic of Argentina from 1997 to 1999. In 1996 he worked in the Secretariat of Planning of the Council of Ministers – United Nations Program for the Development of the Republic of Argentina. Mr. Martínez Maino was a professor of Economics in the University of Buenos Aires from 1996 to 2003.

Mr. Martinez Maino holds a Bachelor's Degree in Economics from the National University of Rio Cuarto, Cordoba, Argentina and in 1997 pursued studies on Economic Development and Foreign Trade in Taiwan on a scholarship granted by the International Cooperation and Development Fund.

João Carlos de Nóbrega Pecego

Director elected by the Class A shareholders

He has served as a Director of the Board since 2010. Mr. Pecego has served as Chief Executive Officer of Banco Patagonia, Argentina since 2014. Mr. Pecego has served as President of Grupo Brasil since 2015, Director of Visa Argentina since 2012, Vice President of GPAT Compañia Financiera since 2016, Director of Patagonia Valores and Director of Banco Patagonia Uruguay since 2011. Mr. Pecego was Vice President of Banco Patagonia, Argentina from 2011 to 2014. Mr. Pecego was Regional General Manager – Head of Latin America of Banco do Brasil based in Argentina from 2009 to 2011. He has been employed by Banco do Brasil in various capacities since 1978, holding the positions of Commercial Superintendent from 2006 to 2009, Executive Manager responsible for Corporate and Project Finance from 2003 to 2006, Executive Manager of the Corporate Area of Banco do Brasil in São Paulo from 2000 to 2003, Regional Superintendent of the São Paulo Unit from 1995 to 2000, General Manager of the main agencies of Banco do Brasil in São Paulo from 1990 to 1995, and in various other capacities from 1978 to 1990.

Mr. Pecego holds a degree in Business Administration from Universidad Costa Braga, São Paulo, a postgraduate degree in Business Management from Instituto San Luiz, São Paulo and an MBA in International Business from Fundación Don Cabral, Minais Gerais and in Marketing from Pontificia Universidade Católica do Rio de Janeiro –PUC–, Rio de Janeiro.

Roland Holst

Director elected by the Class A Shareholders

He has served as Director of the Board since 2014. Dr. Holst has served as Director of the Board of Banco Central del Paraguay since 2012. He was Head of Fixed Income Research at State Street Global Markets in Boston, MA from 2007 to 2011 and Quantitative Analyst at Starmine Corp. in San Francisco, CA from 2006 to 2007. Dr. Holst was a Teaching Assistant of Econometrics, Public Finance, Finance, Program Evaluation, Macroeconomics and Labor Economics at the University of Chicago from 2003 to 2006. Dr. Holst worked at Garantia PFP, a pension fund, as Investment Manager from 1997 to 2001 and General Manager of Bolsa de Valores de Asunción, Paraguay from 1995 to 1997. He is the author of the book: Social Security and Policy Risk: Evidence of its effects on welfare costs and savings published in 2007.

Dr. Holst holds a Ph.D. in Public Policy and a Master in Economics from the University of Chicago. He also holds a Master's Degree in Economics from the Universidad Católica de Asunción, Paraguay, degrees in Economics and Agronomy from Universidad Nacional de Asunción, Paraguay and a Financial Risk Manager (FRM) certification.

Maria da Graça França

Director elected by the Class E Shareholders

She has served as a Director of the Board since 2004. Ms. França served as Director of Internal Control of Banco do Brasil from 2006 to 2007. Since 1971, she also served in various other capacities during her tenure with Banco do Brasil: as Head of North America and General Manager of Banco do Brasil, New York Branch from 2004 to 2005; Executive General Manager of the International Division in Brasilia, Brazil from 2002 to 2003; Regional Manager for the operations of the Bank in South America based in Argentina in 2002; General Manager of Banco do Brasil, Paris Branch from 1999 to 2002; Deputy General Manager of Banco do Brasil, Miami Branch from 1993 to 1999; General Manager of the department responsible for Banco do Brasil's foreign network from 1992 to 1993; Deputy General Manager for foreign exchange from 1989 to 1992; Assistant Manager within the Risk Management Area from 1988 to 1989; Assistant Manager for foreign exchange internal controls from 1984 to 1987; and employee in the Foreign Exchange Department from 1971 to 1984.

Ms. França holds a degree in Economics and Accounting from Universidad Federal de Uberlandia-Minais Gerais, Brazil.

Mario Covo

Director elected by the Class E Shareholders

He has served as a Director of the Board since 1999. Dr. Covo is the Founding Partner of DanaMar LLC in New York, a financial consulting corporation established in 2013. He was Founding Partner of Helios Advisors in 2003, Founding Partner of Finaccess International, Inc. in 2000 and of Columbus Advisors in 1995, in New York. Dr. Covo worked at Merrill Lynch from 1989 to 1995, where he was Head of Emerging Markets-Capital Markets. Prior to working for Merrill Lynch, Dr. Covo worked at Bankers Trust Company of New York from 1985 to 1989 as Vice President in the Latin American Merchant Banking Group, focusing on corporate finance and debt-for-equity swaps. Prior to that Dr. Covo was an International Economist for Chase Econometrics from 1984 to 1985, focusing primarily on Latin America.

Dr. Covo holds a Ph.D. in Economics from Rice University and a Bachelor's Degree with honors from the Instituto Tecnológico Autónomo de Mexico.

Herminio A. Blanco
Director elected by the Class E Shareholders

He has served as a Director of the Board since 2004. Dr. Blanco is the President of IQOM Inteligencia Comercial since 2005 and IQOM Strategic Advisors since 2015. IQOM Inteligencia Comercial offers business solutions on international trade, investment and regulatory affairs and provides access to the most complete database of international trade flows and regulations. IQOM Strategic Advisors is a subsidiary that supports foreign corporations interested in operating in the Mexican energy market. Dr. Blanco is member of the board of directors for CYDSA since 2004, Arcelor-Mittal Mexico since 2005, and Fibra Uno since 2011. He has also been a member of the International Advisory Committee of Mitsubishi Corporation and the Trilateral Commission since 2001. Dr. Blanco served as Secretary of Trade and Industry of Mexico from 1994 to 2000, Undersecretary for International Trade and Negotiations, and Chief Negotiator of the North American Free Trade Agreement (NAFTA) from 1990 to 1993. He was also responsible for the negotiation of the free trade agreement with the European Union, the European Free Trade Area, with various Latin American countries and with Israel from 1994 to 2003, and he launched the process that led to the negotiation of the free trade agreement with Japan.

Dr. Blanco holds a B.A. in Economics from Instituto Tecnológico de Estudios Superiores de Monterrey, an M.A. and a Ph.D. in Economics from University of Chicago, and a Doctor Honoris Causa from Rikkyo University in Japan.

Ricardo M. Arango
Director elected by the Class E Shareholders

He has served as Director of the Board since 2016. Mr. Arango is a senior partner of Arias, Fábrega & Fábrega in Panama. Since 2004, Mr. Arango has held several management and leadership positions in the firm, contributing to shape the organization into a leading Latin-American law firm, with offices in eight countries. Mr. Arango has served as a member of the board of directors of the Panama Canal Authority since 2016, as a member of the board of directors and audit committee of Banco General since 2012, and as a member of the board of directors of MHC Holdings since 2002. Mr. Arango served as a member of the board of directors of Corporación La Prensa from 2002 to 2016 and as Chairman of its Editorial Committee from 2011 to 2016. He also served as a member of the board of directors of the Panama Stock Exchange from 1999 to 2016 and as its Chairman from 2007 to 2011. He also served as Secretary of the Bank from 2002 to 2016. From 2011 to 2015, Mr. Arango served as a member of the managing partners committee of Lex Mundi, the largest network of independent law firms in the world. Mr. Arango is a member of the Latin American Business Council. From 1987 to 1995, Mr. Arango was an associate with Arias, Fábrega & Fábrega in Panama, becoming a partner in 1995. Mr. Arango's practice focuses on banking, capital markets, corporate governance, and mergers and acquisitions. He has acted as lead counsel in some of the most complex and largest financial transactions and acquisitions in Panama and Central America. From 1998 to 1999, Mr. Arango headed the Presidential Commission that drafted Panama's current securities act.

Mr. Arango holds a Bachelor's degree in Law and Political Science from the University of Panama, a Master of Laws degree from Harvard Law School, and a Master of Laws degree from Yale Law School. He was a Fulbright Scholar from 1985 to 1987. Mr. Arango is admitted to practice law in New York and Panama.

Miguel Heras
Director elected by the Class E Shareholders

He has served as a Director of the Board since 2015. Since 1999, Mr. Heras has served as Executive Director and as a member of the board of Inversiones Bahia, Ltd. in Panama, the largest investment group in Central America, focusing on the financial, infrastructure, real estate, and communications markets. He currently leads the private equity and venture capital efforts of the group. Mr. Heras also serves on various other boards throughout Latin America including Cable Onda since 2009, Sistemas de Generación S.A. (SIGSA), Televisora Nacional and Bahia Motors since 2007, and Industrias Panama Boston since 1999. Mr. Heras has served as Director of the Biodiversity Museum from 2008 to 2014, and Banco Continental de Panama from 2002 to 2007 and was also a member of its ALCO Committee. Mr. Heras was the negotiator for the acquisition of several banking institutions, and in 2007 led the negotiation for the merger of Banco Continental with Banco General to create one of the largest banks in Central America. Mr. Heras was also a member of the board of directors of Amnet Telecommunications Holdings, the leading provider of pay TV and triple play services in Central America from 2005 to 2008, Tricom from 2009 to 2014, Vice Chairman of the board of Cable and Wireless (Panama) Inc. from 1997 to 1999 and a member of the board of the Panamanian Stock Exchange from 1999 to 2005. Mr. Heras was Minister of the Treasury of the Republic of Panama from 1996 to 1998 and President of the Council on Foreign Trade. He served as Vice Minister of the Treasury from 1994 to 1996.

Mr. Heras holds a Bachelor Degree in Economics from the Wharton School of Commerce and Finance of the University of Pennsylvania.

Independence of the Board members

A Director is considered independent only when the Board of Directors has affirmatively determined that said Director has no material relationship with the Bank that may affect his or her independent judgment, considering the following applicable guidelines, rules and regulations:

i) The Regulations enacted by the SEC under the 2002 Sarbanes-Oxley Act (SOX);

ii) The criteria for rating independence, as defined in Section 303A of the Manual for Companies listed on the NYSE; and

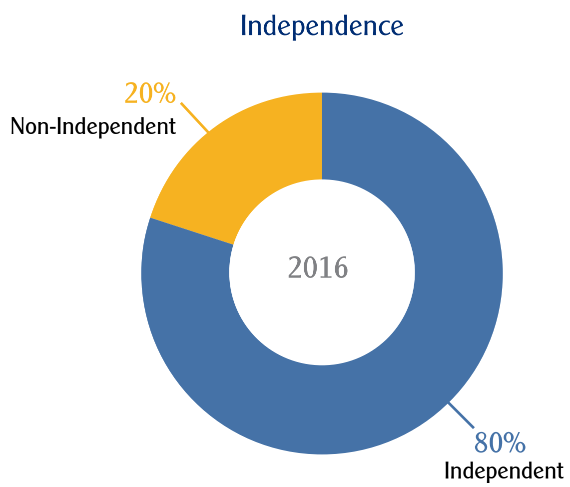
iii) The criteria for defining independence included in Rules No. 05-2011 and No. 05-2014, issued by the SBP.

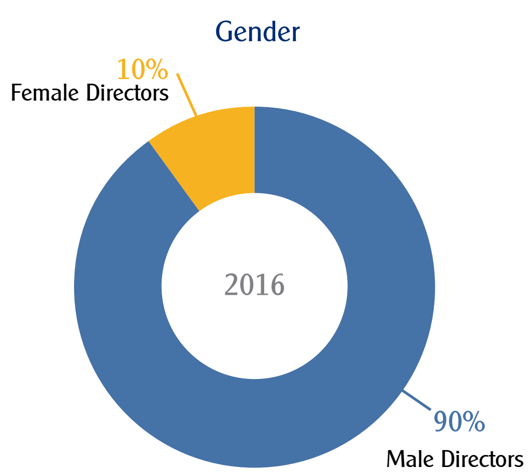
Based on the application of the above criteria, the Bank's Board of Directors has determined that a substantial majority (eight out of ten Directors) of the Board is independent, with the Bank's CEO, Mr. Rubens V. Amaral Jr., and Director Ricardo M. Arango, deemed non-independent.

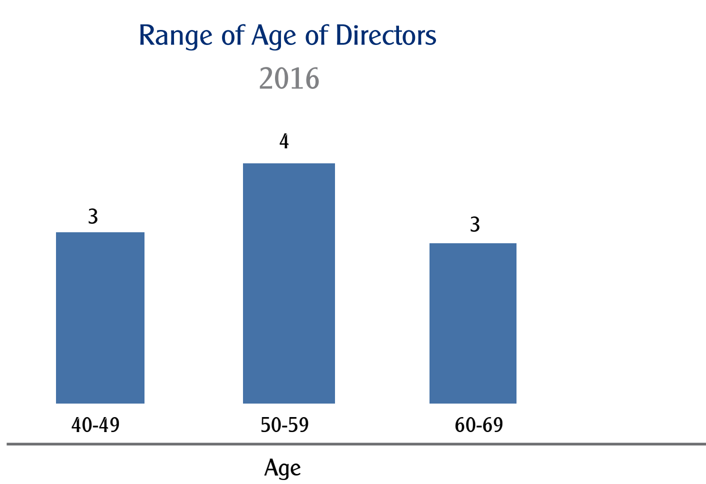
Remuneration

The Board of Directors, after consulting with the Nomination and Compensation Committee, is responsible for approving and revising the compensation plans and programs for the members of the Board and its Committees. The Board of Directors will inform at the Annual Shareholders Meeting about the compensation plans adopted for the Board of Directors and its Committees. The Directors' compensation shall consist of a portion in cash and another portion in restricted Class E shares.

DIVERSITY OF THE BOARD OF DIRECTORS





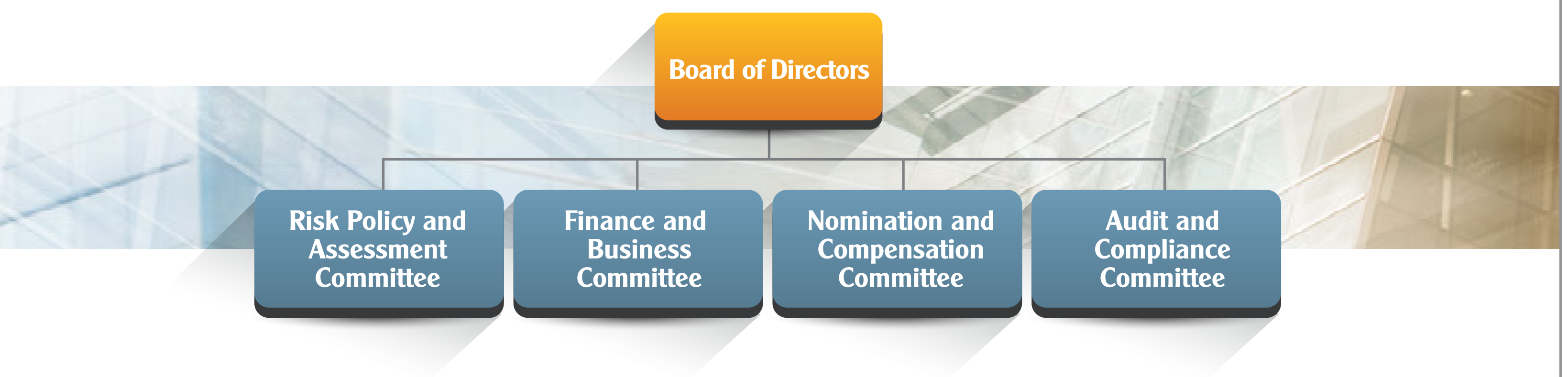


COMMITTEES AND MEETINGS

Board of Directors Meetings

Board meetings are held, at least, five times per year, as may be determined by the Board of Directors. The attendance of at least six Directors is required for quorum. For a quorum at Board Meetings, the majority of the Directors present should be independent Directors. Board Resolutions are adopted by a majority vote of the Directors attending the meeting.

The Board of Directors has established Committees to which it has delegated powers and duties, subject to the provisions in the Articles of Incorporation and the Bylaws. The Board committees consist of Directors with participation of members of the Bank's Senior Management, as set forth in the following table:



Audit and Compliance Committee

The purpose of the Audit and Compliance Committee is to provide assistance to the Board of Directors in fulfilling its oversight responsibilities regarding the processing of the Bank's financial information, the integrity of its financial statements, the internal control system over financial reporting, the performance of both the internal auditing process, as well as the firm of independent public auditors, the Bank's Corporate Governance, compliance with legal and regulatory requirements, the management of the Preventive and Regulatory Compliance function and receiving the reports and recommendations from the Bank's Prevention Committee thereto, as well as compliance with the Bank's Code of Ethics.

The Audit and Compliance Committee, in its capacity as a Committee of the Board, is directly responsible for recommending to the shareholders the renewal or replacement of the Bank's independent auditors at the Annual Shareholders' Meeting, the compensation of the independent auditors (including the pre-approval of all audit and non-audit services) and oversight of the independent auditors, including the resolution of disagreements regarding financial reporting between the Bank's management and the independent auditors. The Bank's independent auditors are required to report directly to the Committee.

Nomination and Compensation Committee

The main responsibilities of the Nomination and Compensation Committee are: assisting the Board of Directors in identifying candidates that could become members of the Board, recommending nominees for being elected at the Bank's Annual Shareholders Meeting, recommending candidates for CEO to the Board and advising about the succession planning for the Bank's Senior Management, recommending the compensation of the Board members and the members of the Board of Directors Committees, including cash compensation and compensation in restricted shares of the Bank, recommending compensation policies for the Bank's Senior Executives and other staff, including cash and compensation in restricted shares of the Bank, policies referring to the benefits plans and programs for Senior Management members and other staff, reviewing and recommending changes to the Bank's Code of Ethics; and advising Senior Management on issues related to the Bank's personnel.

Risk Policy and Assessment Committee

The Risk Policy and Assessment Committee is responsible for reviewing all policies related to the Bank's Enterprise Risk Management (credit, operational and market risk) and recommending them to the Board of Directors for their approval. This Committee also reviews and evaluates the exposure to risk according to the risk levels the Bank is willing to assume, depending on the Bank's Senior Management, including the quality and profile of the Bank's credit facilities, its exposure to and analysis of market risk and operational risk, taking into account the legal risk associated to the products and services provided by the Bank. The Risk Policy and Assessment Committee does its job by reviewing regular reports from the Enterprise Risk Management Area and through its interaction with the Executive Vice-President of that Area as well as with other members of the Bank's Senior Management.

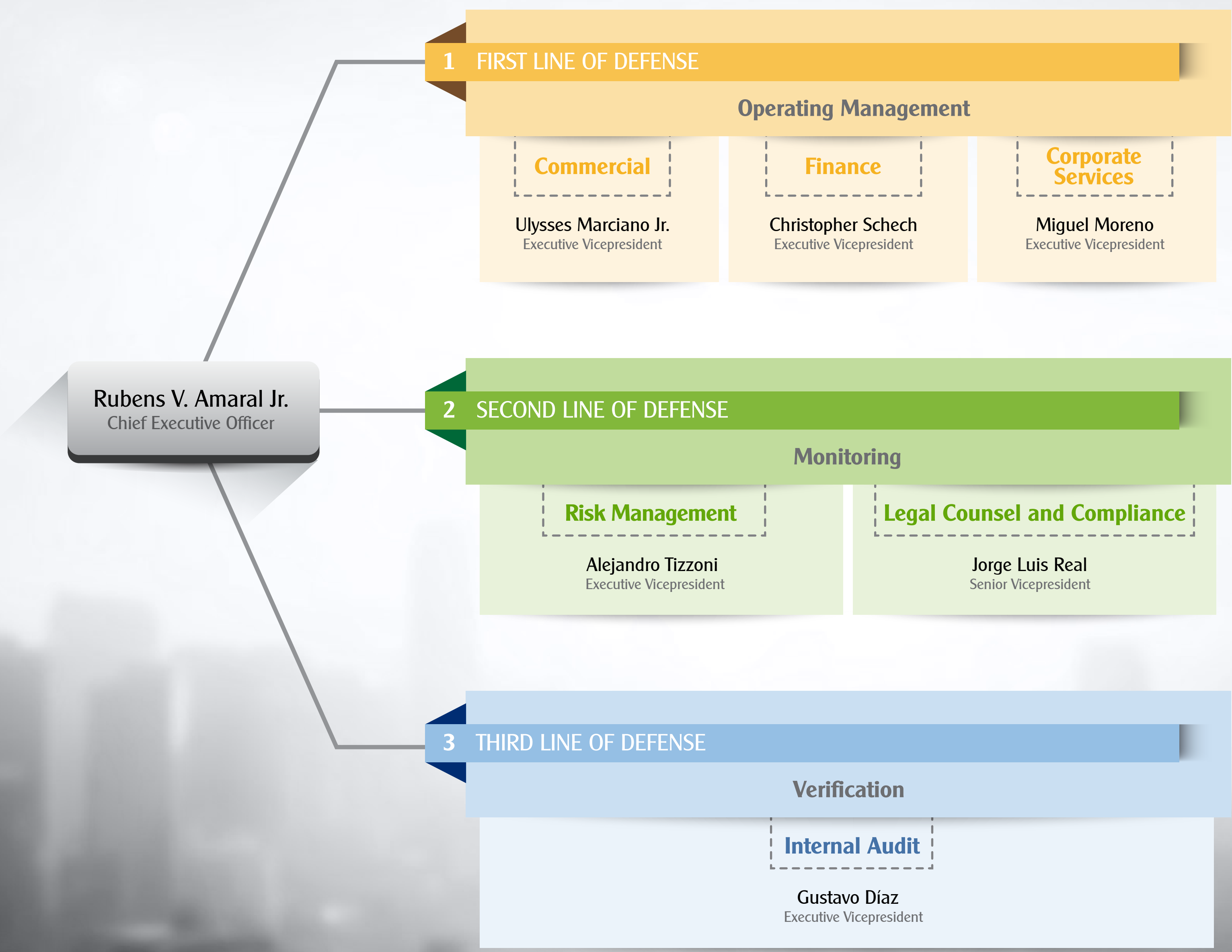
Finance and Business Committee

The fundamental role of the Finance and Business Committee is to review and analyze all issues related to the development and execution of the Bank's business and its financial management, including, among other things, capital management, assets and liabilities portfolio management, liquidity management, gap management and funding, tax related matters as well as the Bank's financial performance in general.

For more information about the charters of each of the Board's of Directors Committees, please refer to our website: http://www.bladex.com Investor Relations / Corporate Governance / Board Committee section.

SENIOR MANAGEMENT

During the last quarter of 2016, the Head of Legal Counsel and Compliance was added to the Senior Management Team, and was also appointed as Secretary to the Board of Directors since April 2016, to which the Bank's global Compliance function reports administratively. This modification of the Bank's organizational structure brought it in line with best practices in the financial sector, reinforces the Enterprise Wide Risk Management structure of the "Three Lines of Defense", while enhancing the functions of the Legal Counsel and Compliance Departments in their comprehensive support of the Bank's operations.



Responsibilities of the Chief Executive Officer

The Chief Executive Officer is the legal representative of the Bank, with the following responsibilities subject to the guidelines established by the Board of Directors:

- Oversee the daily management of the Bank's business, the conduct of its operations, the protection of its capital and the performance of all agreements and resolutions of the Board of Directors
- Appoint, promote, transfer, remove and establish the remuneration and other working conditions of the Bank's employees
- Authorize the granting of powers of attorney for the judicial and extrajudicial representation of the Bank
- Participate in the Board meetings and authorize, by means of his signature, the corporation's transactions, contracts and documents, within the parameters established by the Board of Directors
- Prepare the Bank's budget and annual business and operations plan and submit to the Board of Directors for review and approval, and execute the same
- Prepare the Bank`s long-term strategic plan and submit to the Board of Directors for review and approval, and execute the same
- Such other faculties as the Board of Directors may delegate to him. In case of a temporary or permanent absence of the President and Chief Executive Officer, the Bank's representation will be exercised by such person or persons as may be designated, from time to time, by the Board of Directors.

Remuneration

The Bank reviews and monitors compensation and benefit programs for Senior Management and employees. Certain aspects of the Bank's executive compensation program, such as the combination of performance-based short-term cash bonuses and performance-based long-term equity awards, reduce the likelihood of excessive risk-taking, and instead create incentives for Senior Management to work for the long-term growth of the Bank. Annual variable compensation is paid based on the extent to which employees meet certain individual and corporate objectives as defined by the Board of Directors. The variable compensation is paid in both cash and/or restricted stock units.

The Nomination and Compensation Committee is responsible for approving the compensation of the Bank's Board of Directors and Senior Management and ensures that the design of the Bank's compensation program is focused on the criteria of long-term Shareholder value creation and pay for performance. Equity awards enable the Bank to meet its objective of aligning the interest of its executives with that of its Shareholders.

For more information about the remunerations of the Board of Directors and Senior Management, please refer to Note 16 of the Bank's Financial Statements for the year ending December 31, 2016.

TRANSPARENCY AND ETHICS

Principle of Transparency

The Bank engages in the necessary efforts to accurately and timely disclose all important matters, including financial statements and Corporate Governance related aspects. The relevant financial information is disclosed to the market on a quarterly and annual basis.

The Board of Directors approves the quarterly un-audited financial statements, the annual financial statements and other documents, such as the Annual Report filed with the SEC (20-F). The Bank's Disclosure Committee ensures the correct application of the principle of transparency by reviewing all documents containing relevant facts about the entity prior to their disclosure to the public.

Code of Business Conduct and Ethics

The Bank has adopted a Code of Business Conduct and Ethics which contains the internal policies and guidelines needed to fulfill the Bank's Mission, and which is designed to strengthen compliance with the laws and regulations governing business operations. The Code of Business Conduct and Ethics applies to the Board of Directors, as well as to all employees of the Bank and its Subsidiaries. The Audit and Compliance Committee ensures the monitoring of the Code of Ethics. Bladex utilizes the application ethics-point to provide employees, shareholders, suppliers and any other interested party with a confidential system for reporting actual or possible violations of the Code of Ethics, as well as any irregular situation related to the work or to suspicious transactions, accounting matters, internal auditing or internal controls. The following issues should be notified through this tool:

- Accounting, internal accounting controls or auditing matters
- Suspicious activities related to violations of banking and anti-money laundering regulations
- People-related matters:
  - Conflicts of interest
  - Discrimination and harassment
  - Retaliation
  - Unsafe workplace conditions
  - Inappropriate use of electronic systems
  - Insider Trading
  - Forgery of contracts, reports or records

Transactions with Related Parties

Bladex adheres to the regulations establishing limitations on transactions considered to be Related Parties' transactions as set forth in the relevant legislation in all the different jurisdictions that apply to Bladex. Any transaction with a Related Party must be assessed in first instance by the Bank's Legal and Compliance Department, in order to determine if the transactions contravene any laws or regulations enacted by the Government of the Republic of Panama, by the SEC or any other current legal disposition in force that is applicable to the Bank.

Some of the Bank's Directors also serve as directors and executives officers of banks and/or other companies located in Latin America, the Caribbean and elsewhere. Some of those banks and/or other companies own shares of the Bank's common stock and have entered into loan transactions with the Bank, in the normal course of business. The terms and conditions of these loan transactions, including the interest rates and collateral requirements are substantially the same as the terms and conditions of comparable loan transactions entered into with other persons under similar market conditions. As a matter of policy, directors of the Bank do not participate in the approval process for credit facilities extended to the institutions in which they are executive officers or directors, nor do they participate with respect to decisions regarding country exposure limits in countries in which the institutions are domiciled.

For more information about the documents supporting our Corporate Governance, you can visit our Website: http://www.bladex.com Investor Relations / Corporate Governance / Corporate Governance Documents

BUSINESS MODEL

Bladex

MISSION

To provide financial solutions of excellence to financial institutions, companies and investors doing business in Latin America

VISION

To be recognized as a leading institution in supporting trade and regional integration across Latin America

CORPORATE VALUES

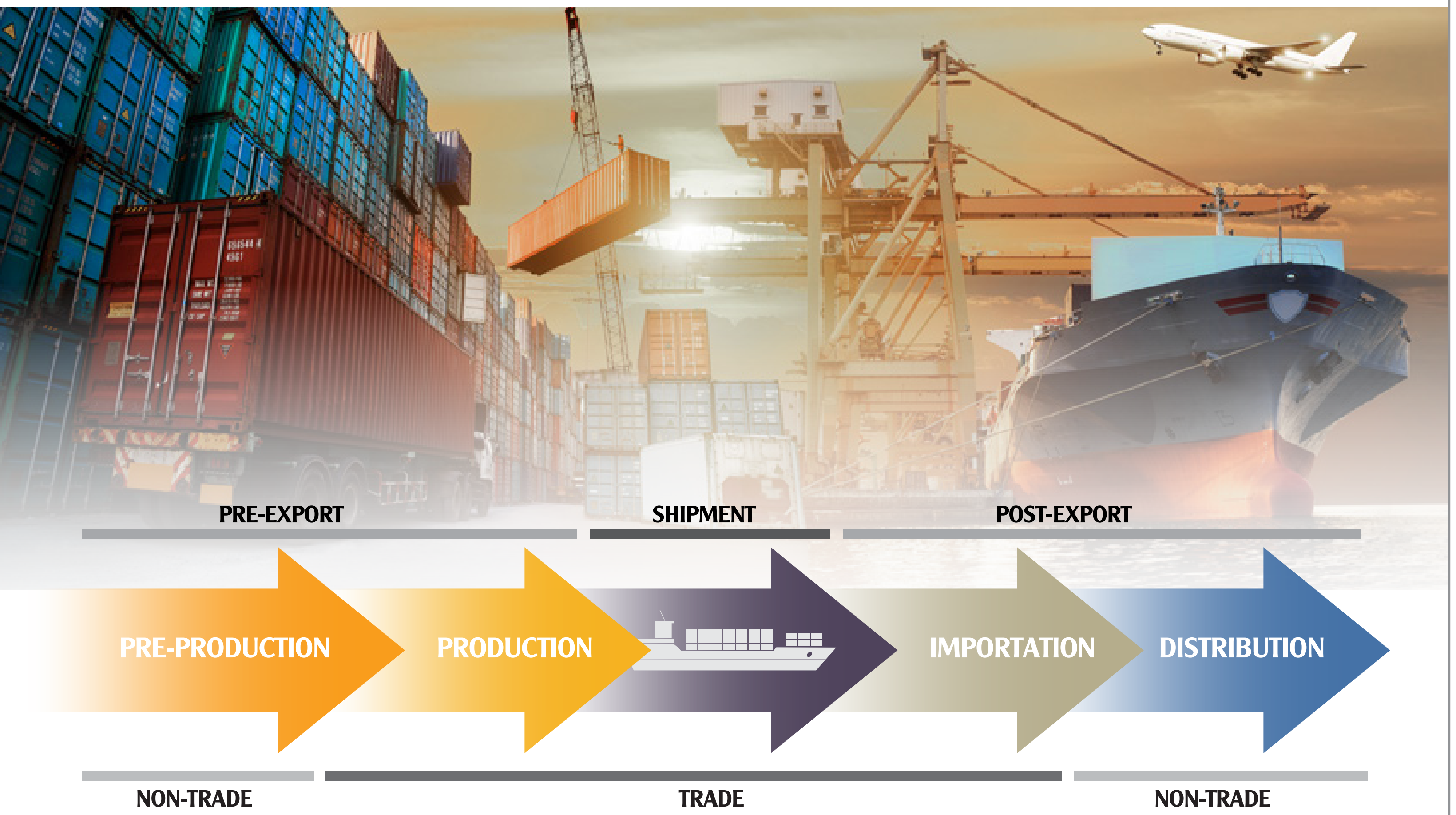
- **Integrity:** Is the foundation of our Organization centered on ethical behavior that reflects honesty and transparency.
- **Commitment:** Is the hallmark of how we work at Bladex, focused on meeting our clients' needs and creating value for our Shareholders.
- **Excellence:** Remains our overriding goal. The pursuit of quality through creativity and innovation is present in everything we do.
- **Respect:** Guides us in our behavior toward our co-workers, clients, Shareholders and the community.
- **Humility:** Is the bond that gives us strength, allowing us to appreciate the contribution of each member of the Organization toward the success and achievement of the Institution.

Bladex's value proposition fulfills its objective of supporting customers in foreign trade and regional integration in Latin America

BUSINESS OBJECTIVE

Bladex's objective is to provide financial solutions of excellence to financial institutions, corporations and investors doing business in Latin America, supporting trade and integration across the Region. The Bank offers a portfolio of trade, working capital, syndicated/structured solutions tailored to the needs and features of each customer and market, along with treasury services. Its business model focuses on providing products and services along the entire trade finance value chain. Its target client base comprises the corporations that are active in foreign trade, both on the import-side as well as on the export-side, and the domestic financial institutions that cater to these corporations with broad-based banking services.

Bladex's foreign trade focus emphasizes short-term operations, but the mandate to support regional integration also encompasses medium-term transactions. In these structured credits and syndications, Bladex effectively supports its clients with financial solutions designed to meet their needs, while offering interested entities the opportunity to participate in financing companies across many sectors in the Region.



COMPETITIVE ADVANTAGES

As a multinational bank, Bladex is a truly regional, cross-border bank operating in 23 countries that leverages a strong trade finance focus with an unrivaled commitment to Latin America. The Bank possesses extensive knowledge of business practices, risk and regulatory environments, accumulated over decades of doing business throughout the entire Region. Its network of correspondent banking institutions and access to capital markets spans the globe. Bladex provides foreign commerce solutions to a select client base of premier Latin-American financial institutions and corporations. With its unique institutional backing, strong capitalization and prudent risk management, Bladex is recognized by counterparties in many jurisdictions as a bank with preferred creditor status.

Bladex has an excellent reputational and financial track record, with strong brand name recognition in its market segment, thanks to its proven commitment to the Region, and its unique capabilities to respond effectively to clients' needs. Bladex fosters long-term relationships with its clients: 67% of the client base has been with the Bank for more than three years, 33% for more than six years.

REGIONAL PRESENCE IN LATIN AMERICA

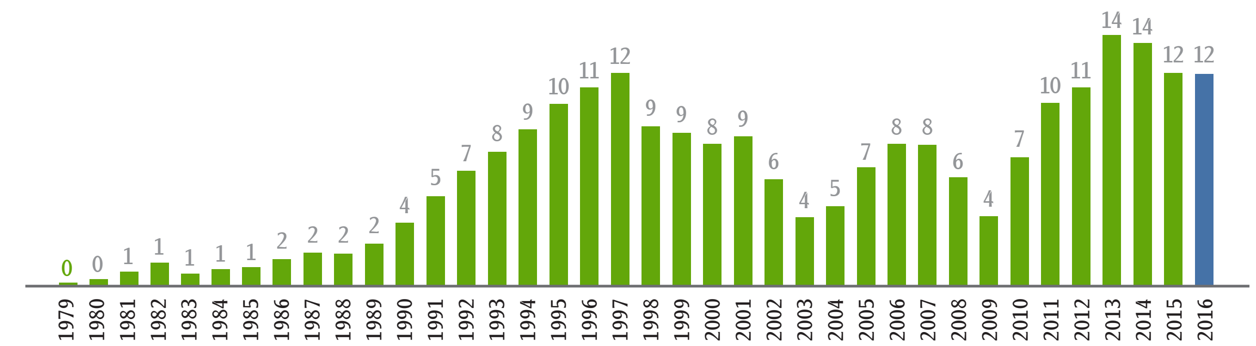
Since its inception in the late seventies, Bladex has consolidated its role as an important financing provider to Latin American financial institutions and corporations, in support of the financing of trade in the Region. The focus on business growth in the corporate segment has allowed it to expand and diversify its customer base while strengthening the range of products and services. Bladex has established a fee-generating business platform, mainly focused on structured and syndicated credits, that provides business support for customers seeking to expand their regional footprint.

Bladex operates in most of the Latin American jurisdictions, extending credit facilities to a wide range of correspondent banks and corporate customers, and continues to add leverage to its profound knowledge of the Region.

Our client base is supported both through our Head Office, strategically located in the city of Panama, the Agency in New York and representative offices in Mexico City, Monterrey, Bogota, Lima, Sao Paulo and Buenos Aires.

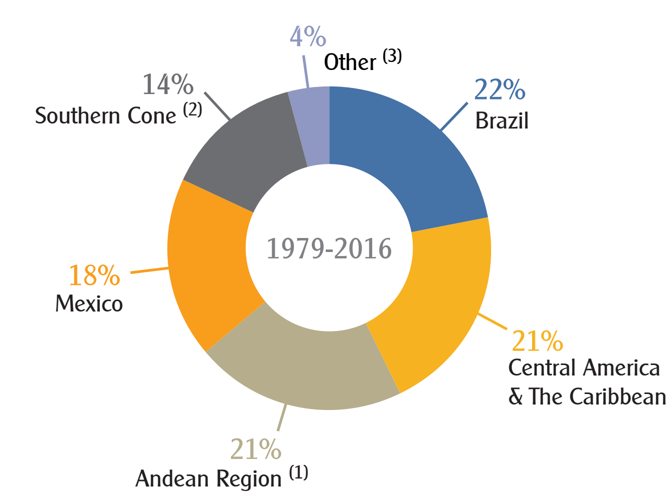
Bladex has disbursed an accumulated credit volume of more than US$243 billion, underscoring its commitment to commercial growth and development, and evolving to become a business reference in Latin American trade as an effective link between companies and banks operating in the Region.

Annual Credit Disbursements
(US$ billion)



▶ Bladex has demonstrated its capacity to position itself effectively throughout economic cycles

Accumulated Credit Disbursements by Region

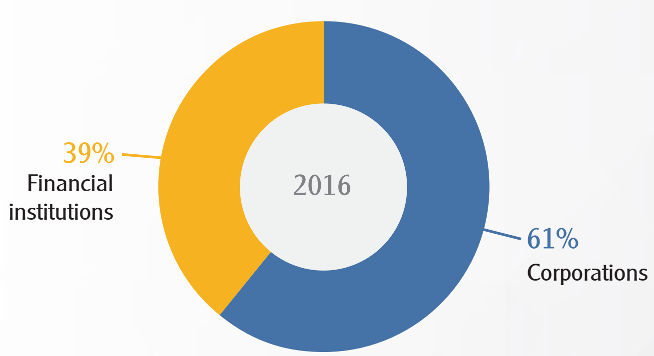


(1) Includes Bolivia, Colombia, Ecuador, Peru and Venezuela
(2) Includes Argentina, Chile, Paraguay and Uruguay
(3) Risk in countries outside the Region related to transactions carried out in the Region

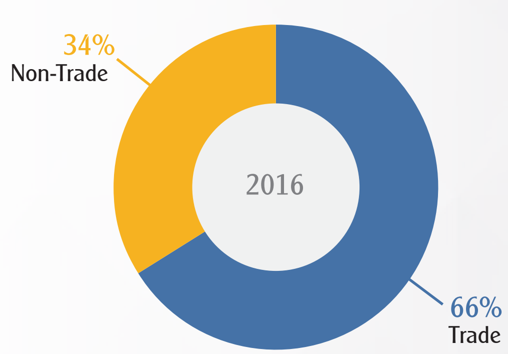
BUSINESS STRUCTURE

The Commercial Division is responsible for the Bank's core business of financial intermediation and fee generation activities relating to the Commercial Portfolio. The Bank's Commercial Portfolio includes gross loans at amortized cost, loan commitments and financial guarantee contracts, such as confirmed commercial and stand-by letters of credit, and guarantees covering commercial risk; and other assets. The majority of the Bank's loans are extended in connection with specifically identified foreign trade transactions. Through its revenue diversification strategy, the Bank's Commercial Division has introduced a broader range of products, services and solutions associated with foreign trade, including co-financing arrangements, underwriting of syndicated credit facilities, structured trade financing (in the form of factoring and vendor financing), and financial leasing.

Commercial Portfolio by Type of Client
(End-of-period)

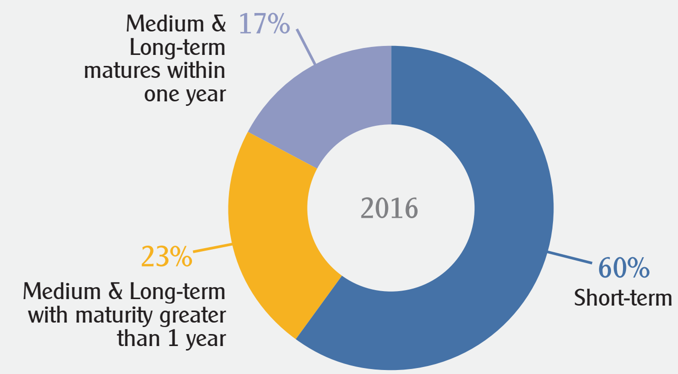


Commercial Portfolio by Type of Transaction
(End-of-period)



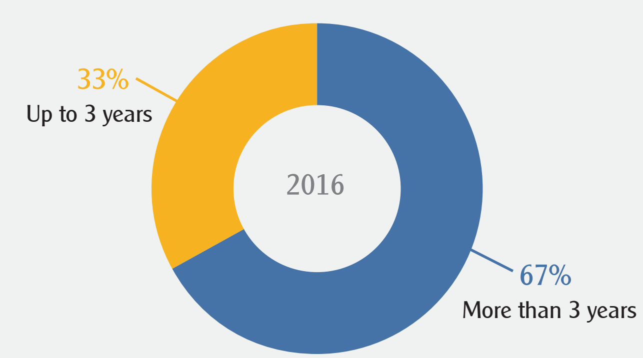
▶ The Bank is dedicated to serve customer's Latin American Markets needs for financing trade and working capital in supporting banks, as well as medium and large corporations

Commercial Portfolio by Remaining Term
(End-of-period)

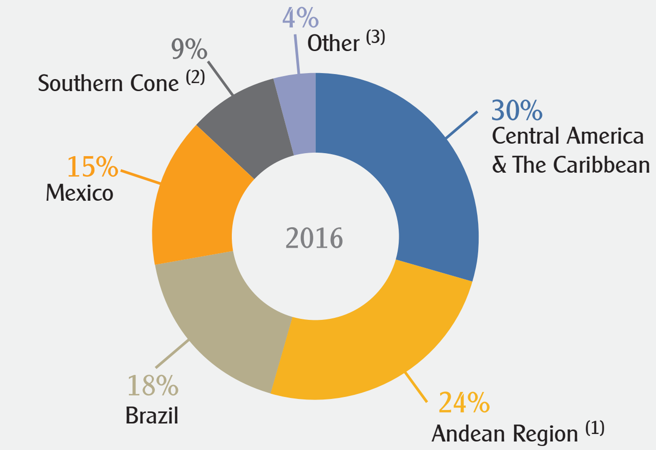


▶ Long-Term relationships with our customers foster loyalty and recurring business

Commercial Portfolio Aging Profile of Clients
(End-of-period)

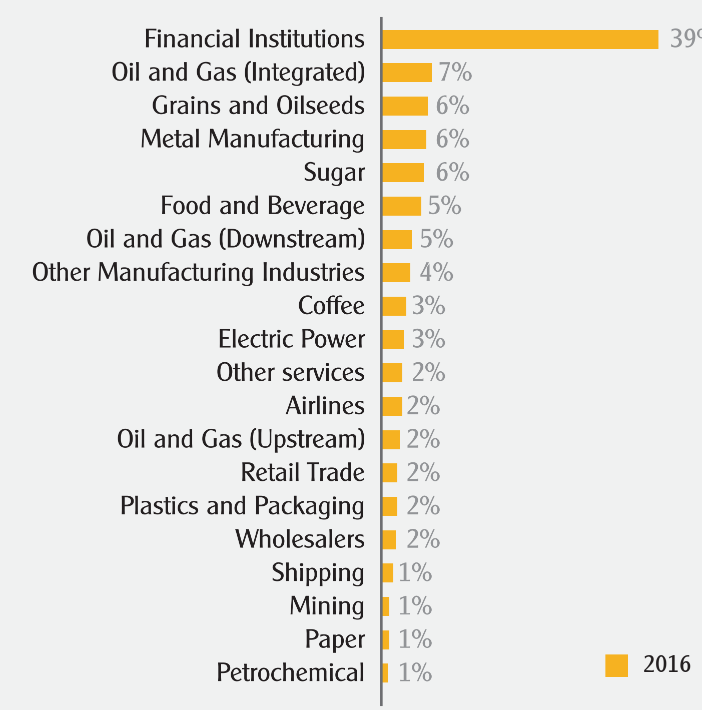


Commercial Portfolio by Region
(End-of-period)



(1) Includes Bolivia, Colombia, Ecuador, Peru and Venezuela
(2) Includes Argentina, Chile, Paraguay and Uruguay
(3) Other corresponds to risk in countries outside the Region related to transactions carried out in the Region

Commercial Portfolio by Industry Sectors
(End-of-period)



▶ Bladex has a well-diversified credit portfolio, across a variety of industries, concentrated on strategic sectors of each country with solid economic fundamentals and sustainable competitive advantages

BUSINESS SEGMENTATION

Bladex´s clients include an extensive base of Latin American financial institutions, corporations and, to a lesser extent, medium sized companies.

By industry sector, and excluding the financial sector, Bladex's portfolio is concentrated on those sectors that are most representative in regards to export and import activities. In 2016, and in reflection of these trade flows, our portfolio was mainly focused on soft commodities, hard commodities (energy, minerals and others) as well as other industrial sectors mainly transportation and manufacturing.

Client Base

Financial Institutions

Among top 10 in their respective markets

Significant corporate banking activity/ client base

Corporations

US Dollar generation capacity

Growth oriented beyond their domestic market

Focus on the medium and high segments of each industry

Regions

Mexico

Central America and The Caribbean

Brazil

South America:

Southern Cone [1]

Andean Region [2]

[1] Includes: Argentina, Chile, Paraguay and Uruguay

[2] Includes: Bolivia, Colombia, Ecuador, Peru and Venezuela

Industry Sectors

Strategic Focus on:

Oil and Gas

Agribusiness

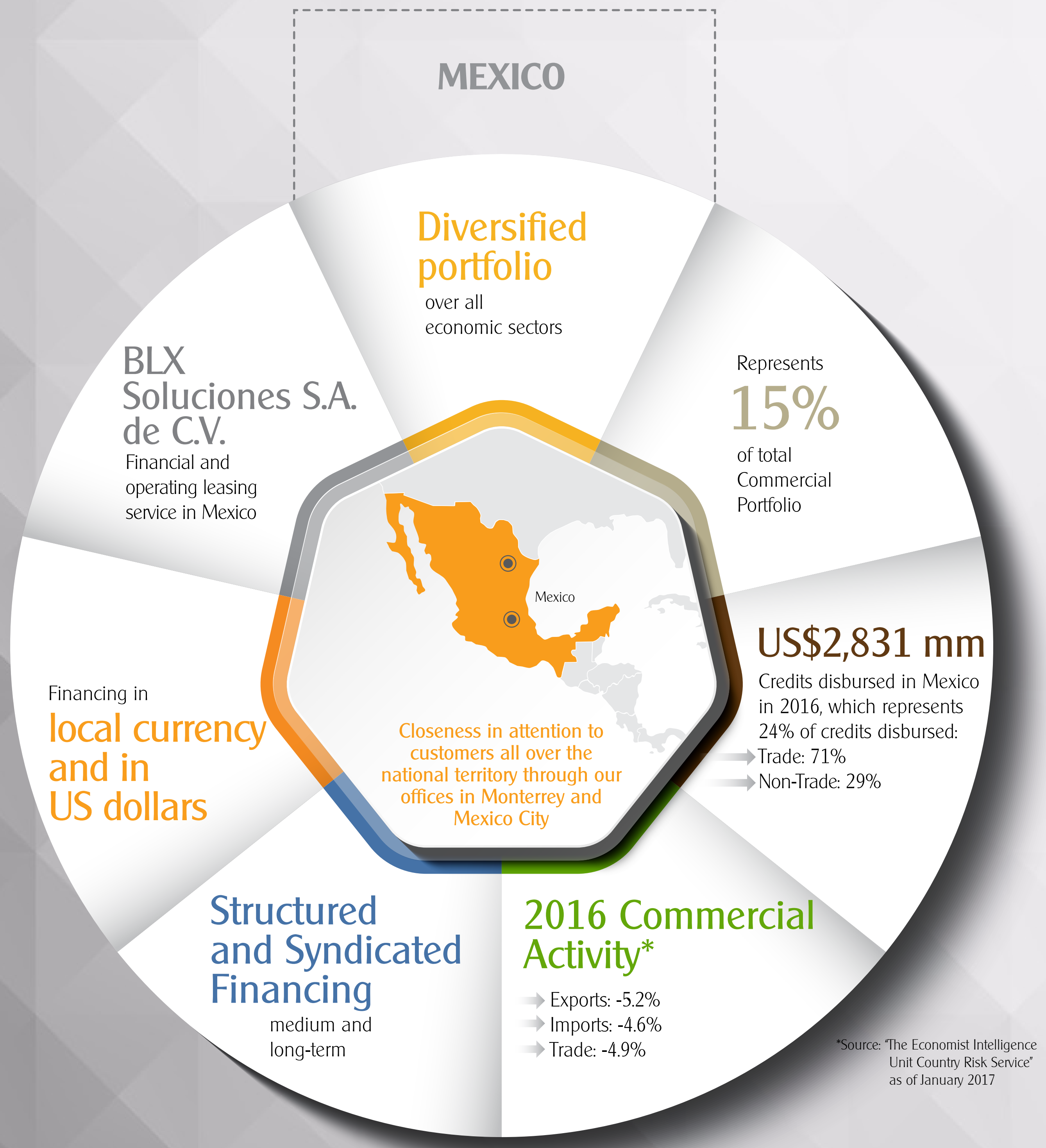
Food Processing

Manufacturing

Well-diversified in other sectors

FINANCIAL INTERMEDIATION BUSINESS

Following are the highlights regarding the main sub-regions into which the Bank has segmented its portfolio geographically: Mexico, Central America and the Caribbean, Brazil, Southern Cone and Andean Region.



2016 Highlights

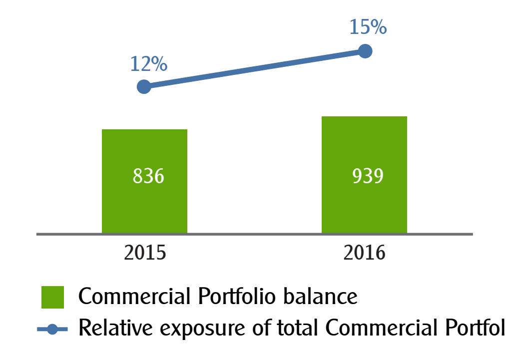
Mexico went through a number of challenges, coping with a slowdown of its main economic indicators, a weakened currency, with export-oriented sectors affected by lower international demand, and greater political uncertainty. Despite these headwinds, Bladex seized growth opportunities in this greatly diversified market, increasing the weight of Mexico's portfolio to 15% of the total Commercial Portfolio, or US$939 million at the end of 2016, from 12% (US$836 million) in 2015. On the strength of the manufacturing, chemical products and agriculture distribution sectors, among other, the trade portfolio grew to 47% from 30%.

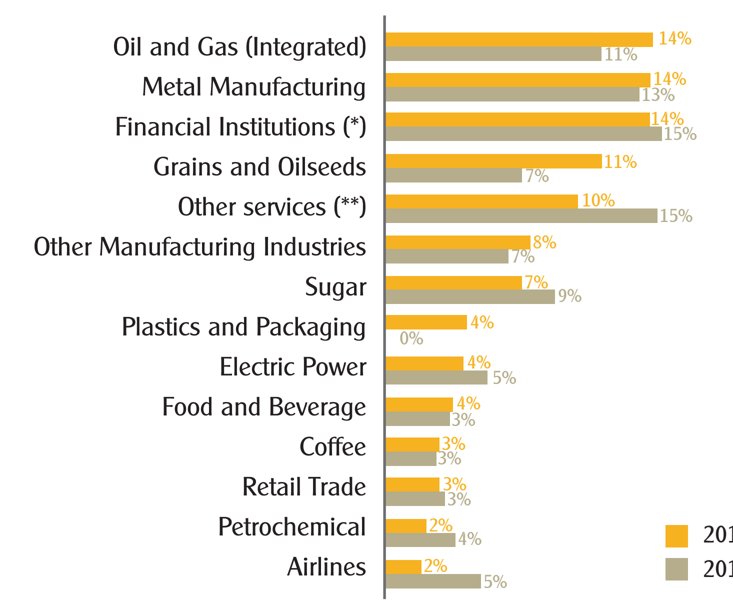
The composition of the portfolio has reflected the approach of short-term foreign trade transactions that has targeted the Bank throughout the year, ending at 44% from 21%.

The growth in the grain and oilseed sector (11%, up from 7%), integrated gas and oil sectors (14%, up from 11%), other manufacturing industries (8%, up from 7%), as well as packaging and plastics (up to 4% from 0%) was partly offset by decreases in the other services sector, related to support activities for the construction and oil and gas industry, air transportation, petrochemicals, sugar, electric power and financial institutions. A syndicated collateralized credit was executed in favor of one of the largest leasing entities in Latin America.

Our subsidiary BLX Soluciones, S.A. de C.V., SOFOM, E.N.R. provides financing solutions for the acquisition of goods through financial and operating leasing.

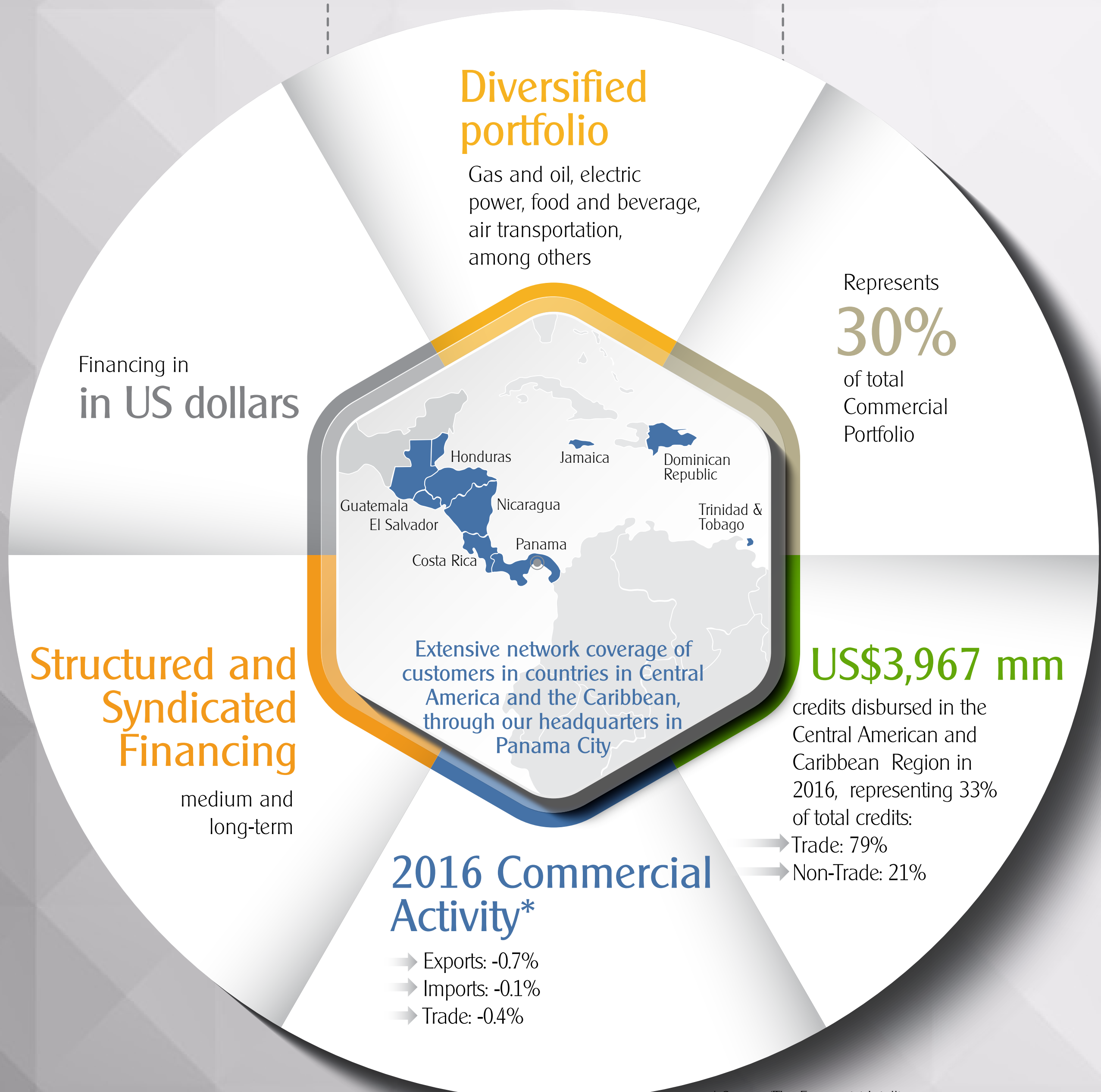
For more information regarding BLX Soluciones, S.A. de C.V., SOFOM, E.N.R. please refer to the webpage at http://www.blxsoluciones.com





(*) Corresponds to financial institutions dedicated to financial leasing / factoring.
(**) Includes support activities to sectors related to construction and oil and gas.

CENTRAL AMERICA AND THE CARIBBEAN



* Source: "The Economist Intelligence Unit Country Risk Service" as of January 2017

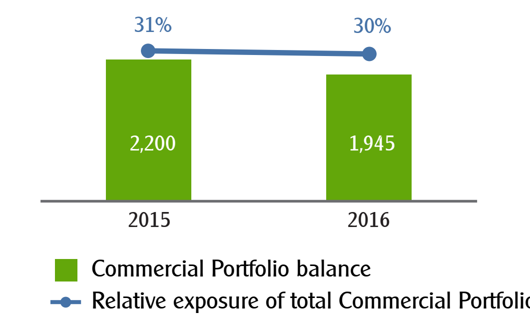
2016 Highlights

Central America and the Caribbean represented 30% of the Bank's total Commercial Portfolio, which totaled US$1.9 billion by the end of 2016, compared to US$2.2 billion at the end of 2015 (31%). This decrease was due to the net effect of the uneven dynamics of the different countries in Central America. Financial institutions represent the largest client segment (59%), while the corporate segment encompass diversified exposures in sectors such as oil and gas (integrated and downstream), followed by electric power, wholesalers, air transportation and food and beverage, among others.

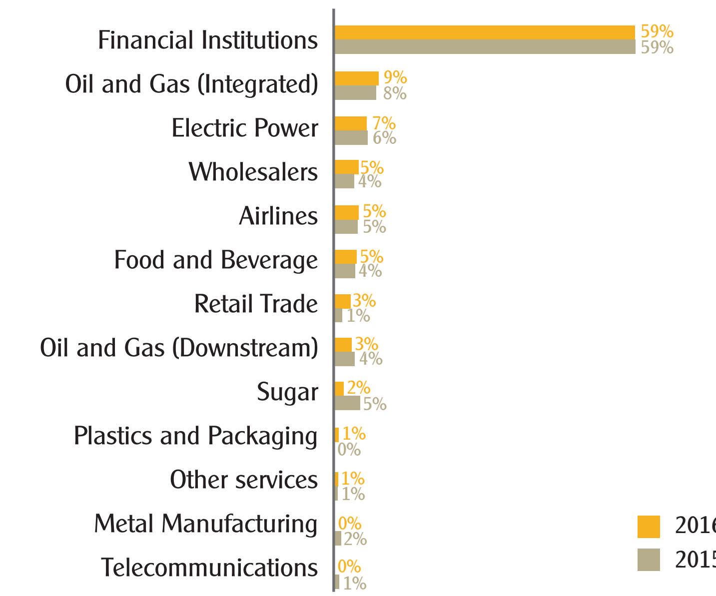
Most of the commercial activity in this region focused on trade transactions with 64% of the total Commercial Portfolio (+11 percentage points compared to 2015), of which 60% were short-term transactions.

The financing of non-trade transactions represented 36% of the total Commercial portfolio, compared to 47% a year ago. Significant syndicated operations executed in 2016 included six closed transactions for financial institutions and one transaction in favor of a corporation compared to overall three transactions in 2015, solidifying Bladex's franchise in this market.

Commercial Portfolio
(Balances at the end-of-period, US$ million)



Commercial Portfolio by Industry Sectors
(End-of-period)



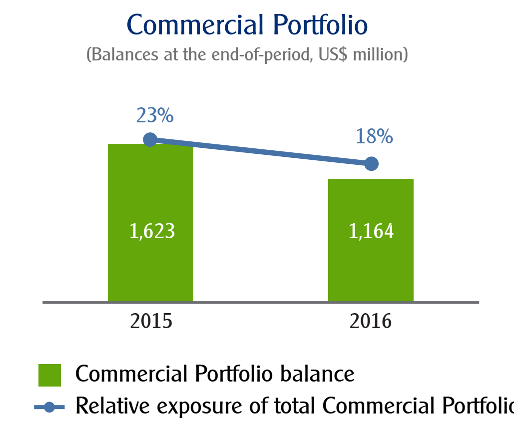
* Source: "The Economist Intelligence Unit Country Risk Service" as of January 2017

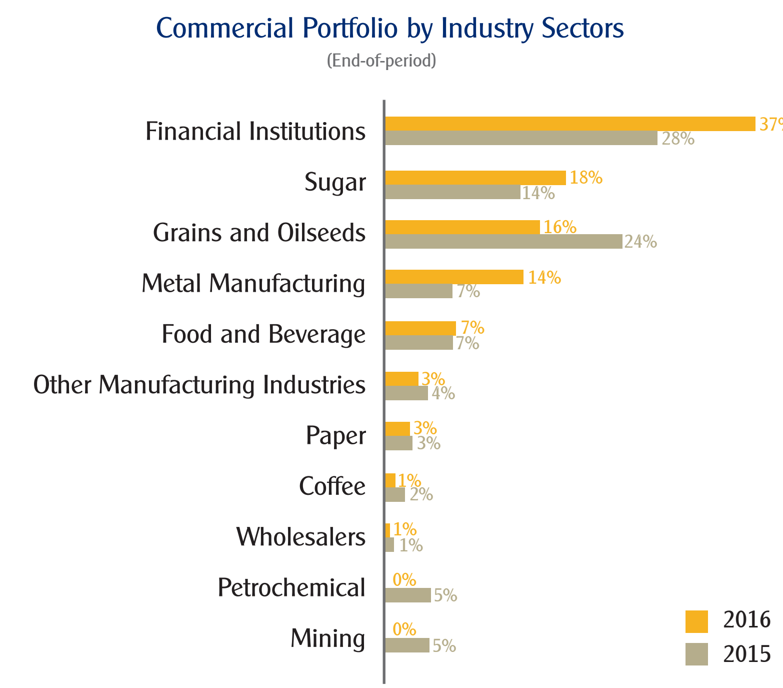
2016 Highlights

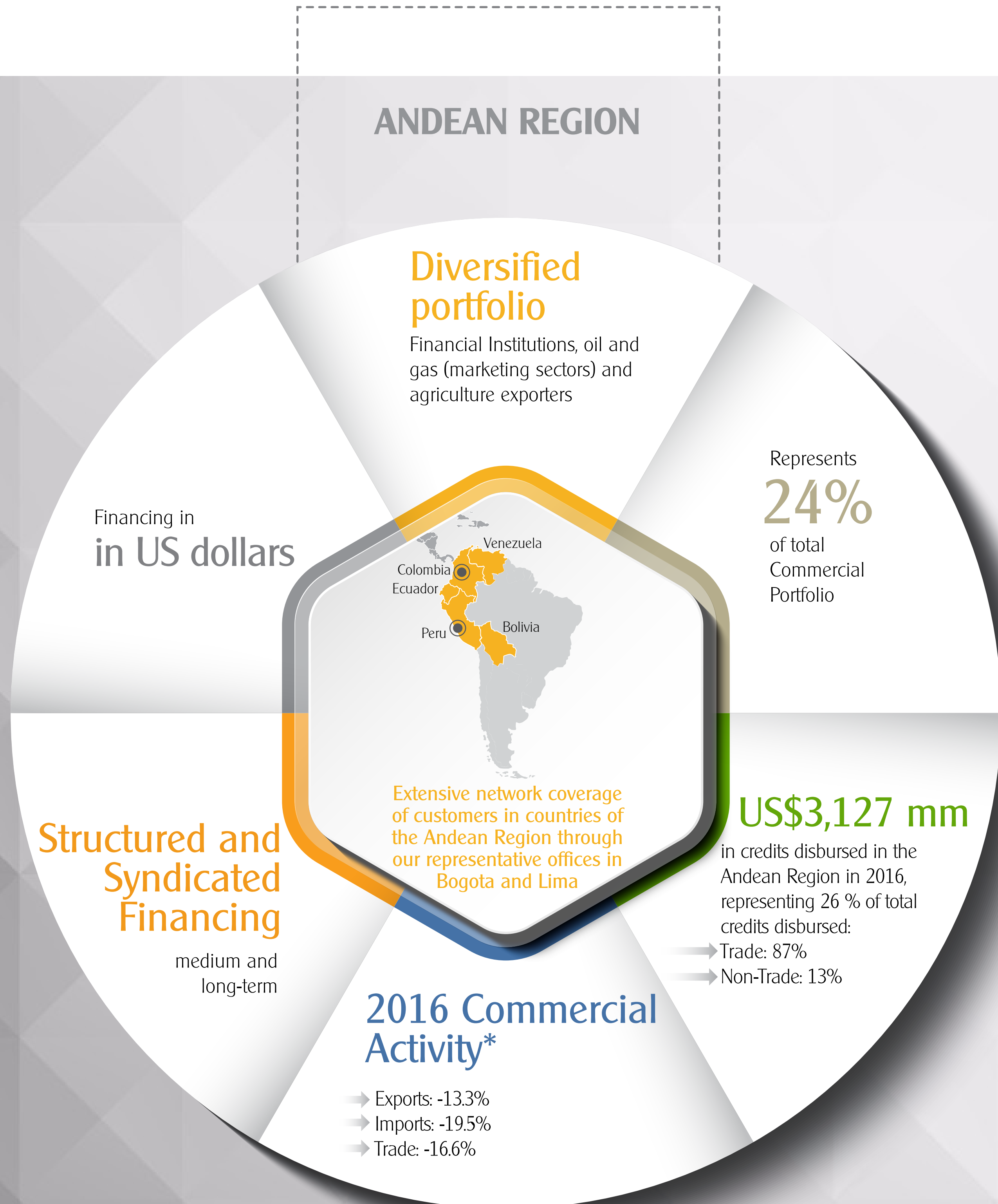
- The Commercial Portfolio in **Brazil** represented 18% or US$1.1 billion of the total Commercial Portfolio compared to 23% or US$1.6 billion in 2015. The relative weight of Brazil with respect to the Bank's total Commercial Portfolio has been decreasing for a number of years, while the Bank continues to achieve greater diversification by increasing its commercial exposure in other parts of Latin-America.

- The 2016 decrease in absolute portfolio balances in Brazil was due to continued efforts of the Bank to reduce concentration risk in a challenging economic environment. Focus remained on trade finance transactions involving companies with solid fundamentals and proven competitive advantages. 84% of the Commercial Portfolio represented trade transactions, of which 62% are short-term, compared to 78% and 46%, respectively, in 2015.

- Industry sector exposures reflected our focus on export-oriented activities, whether indirectly, through financial institutions (37%) or through direct exposure to the corporate segment (63% well diversified over industrial sectors).







* Source: "The Economist Intelligence Unit Country Risk Service" as of January 2017

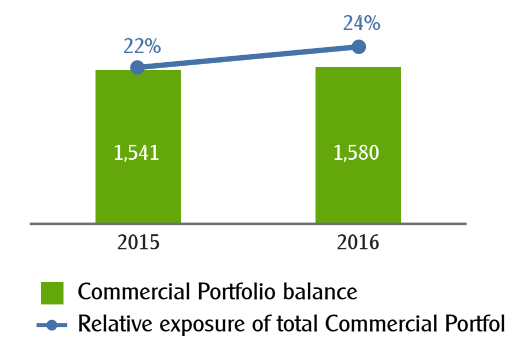
2016 Highlights

- With the commercial activities coordinated through representative offices in Bogota, Colombia and Lima, Peru, the Commercial Portfolio balance in the **Andean Region** (Bolivia, Colombia, Ecuador, Peru and Venezuela) amounted to US$1.6 billion, which represents 24% of total Commercial Portfolio, compared to US$1.5 billion or 22% as of the year end 2015. The slight increase was due to growth in Colombia and Ecuador, offset by slight decreases in Peru and Bolivia. The exposure of the Commercial Portfolio to the Andean Region represents 74% of all business in South America.

- Trade transactions in the Andean Region represent 64% of total portfolio to corporations and financial institutions of average short tenors. Industry sectors with important trade activity are financial institutions, oil and gas, coffee and others.

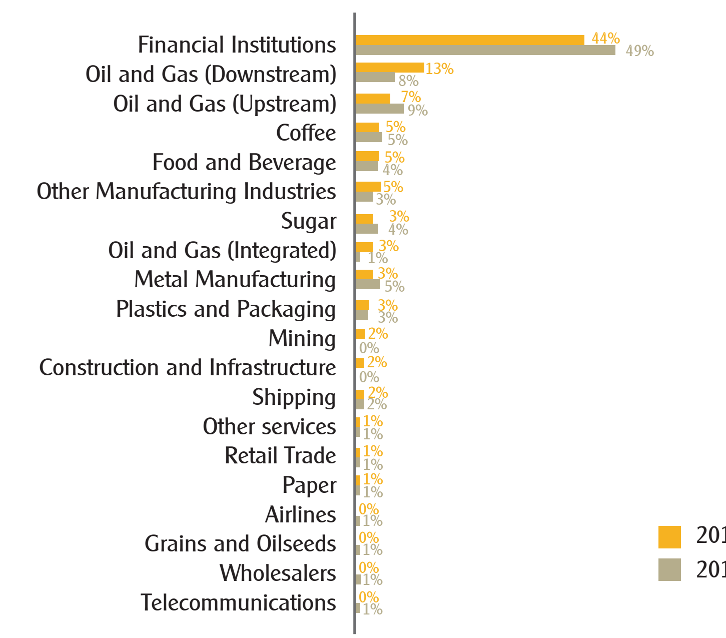
Commercial Portfolio

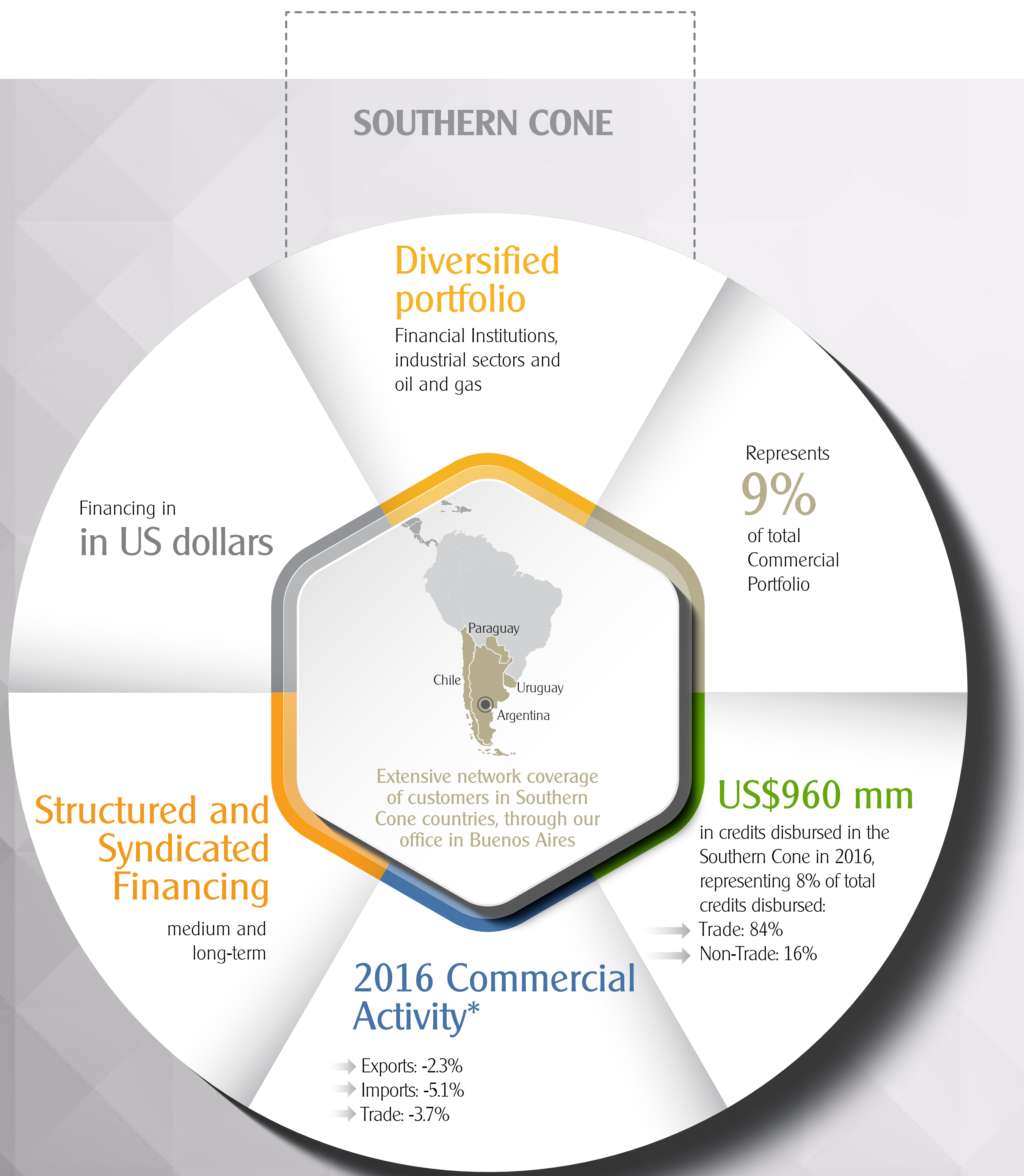
(Balances at the end-of-period, US$ million)



Commercial Portfolio by Industry Sectors

(End-of-period)

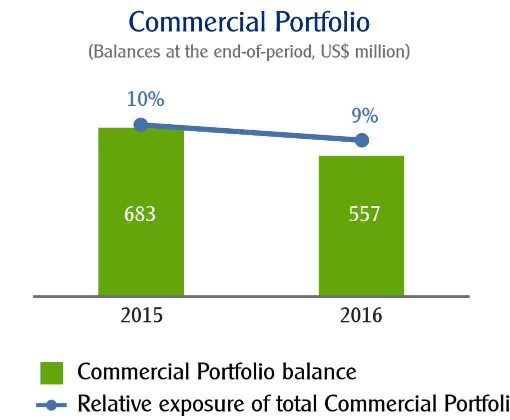


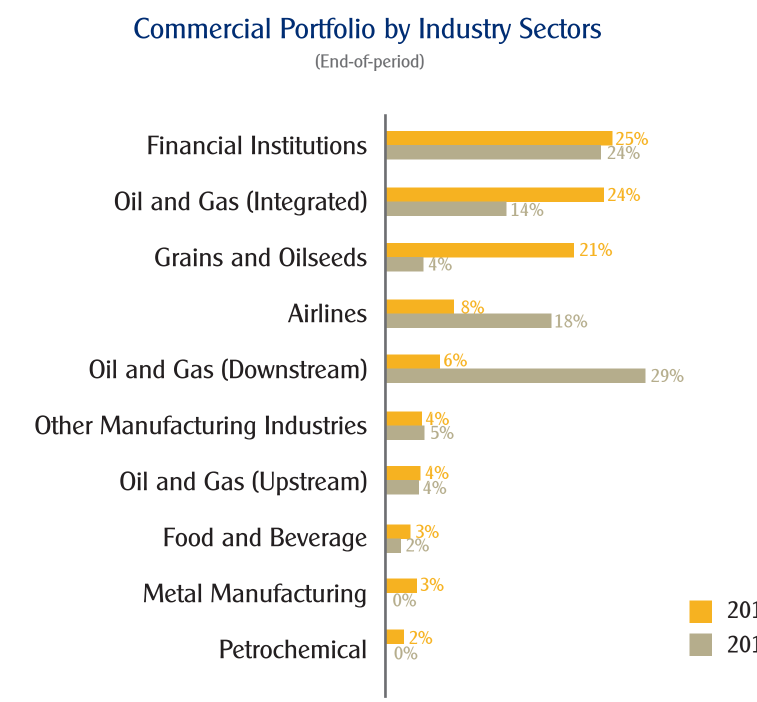


* Source: "The Economist Intelligence Unit Country Risk Service" as of January 2017

2016 Highlights

- With the commercial activities coordinated from through our representative office in Buenos Aires, Argentina
- The portfolio balance in **Southern Cone** (Argentina, Chile, Paraguay and Uruguay) amounted US$557 million, which represents 9% of total Commercial Portfolio, compared to US$683 million or 10% in 2015, as a result of decreases in Uruguay, Chile and Paraguay, which offset the growth in Argentina. The Commercial Portfolio exposure in the Southern Cone represented 26% of all business in South America.
- Trade transactions in the Southern Cone grew by 30 percentage points to 66%, mainly in the financial institutions, gas and oil sector (integrated) as well as in grains and oilseeds.
- A structured transaction in favor of a financial institution in Paraguay was successfully closed during the year 2016.





LOAN STRUCTURING AND DISTRIBUTION BUSINESS

During 2016, Bladex succeeded in demonstrating its origination and execution capacity for structured and syndicated credits, despite the fact that the volume of those transactions and club deals declined considerably in Latin America (estimated more than 40%) in the year.

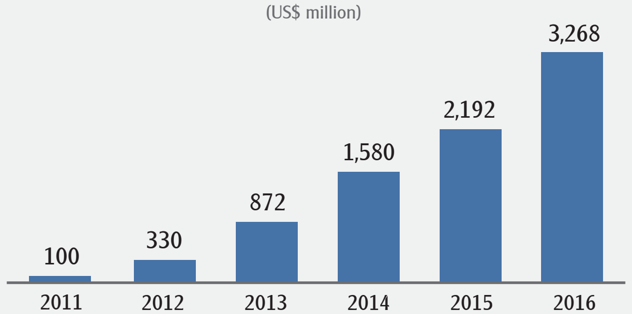
The Bank outperformed the market during the year by increasing its volume of syndicated transactions and club deals by 75% from US$612 million to US$1,076 million, generating a total of US$5.7 million in commission income for the Bank.

Bladex led and/or co-led a total of ten transactions (nine syndicated transactions and one club deal loan) compared to seven syndicated transactions executed in the year 2015. The Bank also managed to secure the participation of 21 new counterparties (financial institutions from different parts of the world) in these transactions.

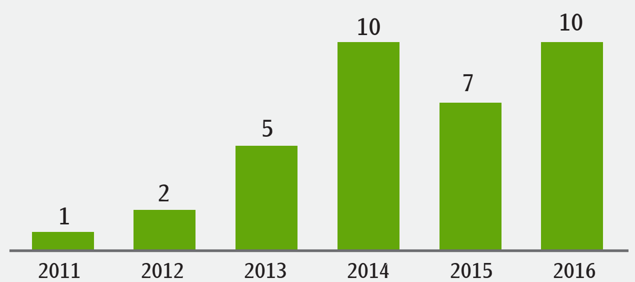
The asset distribution business in the secondary market saw the Bank execute 25 asset sale transactions with a nominal value of US$157 million, while purchasing US$49 million in assets, generating US$720 thousand in additional fee income for the Bank.

Accumulated Volume of Syndicated Transactions

(US$ million)



Number of Syndicated Transactions



Since 2011 a track record of 35 successful syndicated transactions highlights Bladex's capacity for originating and structuring, while leveraging the Bank's profound knowledge of the Region

SYNDICATED OR CLUB DEAL CREDITS EXECUTED IN 2016

December 2016
BCR
US$ 150,000,000
Club Deal
Joint Lead Arranger
Administrative Agent
Bladex
Costa Rica

Credit with a club deal structure

- The transaction was co-structured as a club deal between Bladex and Credit Suisse. Bladex also acted as the Administrative Agent of the credit.
- The proceeds from the credit will be used for trade-related purposes, and to refinance certain existing indebtedness. Additionally, this transaction broadens Banco de Costa Rica's funding base.

October 2016
Promerica Financial Corporation
US$ 223,000,000
Acquisition Finance Facility
Joint Lead Arranger
and Bookrunner
Administrative & Collateral Agent
Bladex
Panama

Medium-term syndicated credit

- This transaction is the second transaction that Bladex led or co-led for Grupo Promerica.
- Bladex acted as Joint Lead Arranger and Bookrunner, along with Credit Suisse and Deutsche Bank, and as the Administrative Agent of the credit.
- The proceeds from the credit were used to support Grupo Promerica's acquisition of Citibank's consumer credit card and consumer retail banking businesses in Guatemala.
- The transaction attracted interest from 11 financial institutions from Central America and the Caribbean.
- Promerica is a financial group with operations in Central America and the Caribbean, Dominican Republic, Ecuador and the Cayman Islands.

September 2016
Hapag-Lloyd
US$ 100,000,000
Term Loan Facility
Sole Lead Arranger
and Bookrunner
Administrative Agent
Bladex
Germany

3-year senior unsecured amortizing facility

- This medium-term transaction supports the general working capital needs of the client.
- The transaction attracted the interest of three financial institutions from Central America and the Caribbean Region, thus expanding the client's funding sources.
- Hapag-Lloyd is one of the largest shipping companies in the world, with widespread geographic presence including a very relevant Latin-American footprint.

July 2016
BANCO CONTINENTAL
US$ 100,000,000
A/B Senior Term Loan Facility
B-Loan Bookrunner
and Joint Lead Arranger
Bladex
Paraguay

Syndicated credit with an A/B structure, with three and five year terms

- This operation constitutes the second international syndicated facility co-arranged by Bladex and FMO for Banco Continental, following a US$50 million A/B syndicated term facility successfully closed in 2014.
- The transaction consists of an A-loan for US$47 million at five years and a B-loan for US$53 million at three years.
- Proceeds from the A-loan will be used for on-lending to small and medium enterprises (SMEs) and the B-Loan will be used to support the general growth of the loan portfolio.
- The B-loan attracted strong interest from eight financial institutions located in Portugal. Switzerland, the United Kingdom, Panama, Curaçao and Trinidad y Tobago, of which four represented new banking relations for Banco Continental.
- The A-loan provided by FMO and two other european development institutions: The Belgian Investment Company for Developing Countries (BIO) and Triodos Investment Management, through its inclusive finance funds.
- The amount of the B-Loan was upsize to US$53 million, from an originally target size of US$45 million.
- Banco Continental is the leading bank in Paraguay's financial system in terms of assets and loan portfolio, and the largest lender for small and medium enterprises as well as for corporate clients in Paraguay.

Teresa Gaona, The Executive Director of Banco Continental S.A.E.C.A. indicated: *"The syndicated facilities, co-arranged by FMO and Bladex, allow us to diversify our sources of medium-term funding and facilitate the financing of sustainable investments and job creation, which contribute to the country's economic and social development. The success of the transaction underscores the confidence of participating investors in the ample experience and solvency of Banco Continental S.A.E.C.A."*

July 2016
Scotiabank
US$ 125,000,000
Term Loan Facility
Joint Lead Arranger and
Bookrunner
Bladex
Costa Rica

Syndicated credit with terms of two and three years

- The transaction, co-led with Wells Fargo, was the first international syndication for Scotiabank, Costa Rica, attracted interest from different financial institutions, established in Asia, North America, Latin America, the Caribbean and Europe, broadening the bank's funding sources.
- The amount of the transaction was upsized to US$125 million (from an original amount of US$75 million) due to strong investor demand.
- The proceeds will be used to support Scotiabank Costa Rica's loan portfolio growth.
- Scotiabank, Costa Rica is the second largest, privately owned, bank in the country, when ranked by assets. Scotiabank Costa Rica is ultimately owned by the Bank of Nova Scotia (BNS), the third largest Canadian bank by assets.

Mario Vasquez, Treasury Director at Scotiabank Costa Rica, *indicated that most of the investors are new banking relationships for Scotiabank Costa Rica. "The interest from international financial institutions to participate in this credit facility for Scotiabank Costa Rica was so relevant that in the end it significantly surpassed the loan amount that was initially foreseen and it allowed us to obtain more funding resources–still within our funding needs and in line with our projections for disbursements and diversification of funding sources."*

June 2016

UNIFIN

US$ 73,500,000
Dual Currency Term Loan

Sole Lead Arranger and Bookrunner
Administrative & Collateral Agent

Bladex — Mexico

Secured bi-currency syndicated credit

- This transaction consisted of a secured dual-currency amortizing term loan for US$73.5 million, comprising a US Dollar tranche and a Mexican Peso tranche, for a three year term.
- The transaction attracted the interest of a number of Latin America financial institutions, and marks the first international syndicated loan for Unifin.
- The proceeds will be used for supporting the company's loan portfolio growth.
- Listed in the Mexican Stock Exchange (Bolsa Mexicana de Valores), Unifin was founded in 1993 and is currently the largest independent operating leasing company in Latin America.

May 2016

GLOBAL BANK
Primero la gente

US$ 135,500,000
Dual Tranche Term Loan

Joint Lead Arranger and Bookrunner

Bladex — Panama

Syndicated credit with two and three year terms

- This syndicated credit, co-led with Citibank and Mizuho, attracted several financial institutions from Japan, Taiwan, the United States and Latin America, and was upsized to US$135.5 million from an original amount of US$104 million due to strong investor demand.
- The funds were used for replacing existing debt and for supporting Global Bank's loan portfolio growth.
- Established in Panama, in 1994, Global Bank is the second largest Panamanian-owned bank in terms of assets.

May 2016

BAC San José

US$ 85,000,000
Term Loan Facility

Joint Lead Arranger and Bookrunner
Administrative Agent

Bladex — Costa Rica

Syndicated loan for a three year term

- The transaction, for US$85 million, structured together with Wells Fargo, constitutes the first international syndicated facility for BAC San José and attracted the interest from nine financial institutions from Asia, the United States, South America, Central America and the Caribbean, which represented new funding sources for this bank.
- The proceeds will be used for general corporate purposes of BAC San José.
- BAC San José is a subsidiary of BAC Credomatic Inc. a leading Central American banking group with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Mexico. BAC Credomatic Inc. is owned by Grupo Aval Acciones y Valores S.A. (NYSE AVAL), Colombia's largest banking group based on total assets.

May 2016

MetroBank

US$ 40,000,000
Trade Finance Facility

Sole Lead Arranger and Bookrunner
Administrative Agent

Bladex — Panama

Syndicated credit of a three year term

- The transaction constitutes the first international syndicated facility for MetroBank, attracted several financial institutions from Curaçao, Guatemala, Panama and Trinidad and Tobago, of which all represent new sources of funding form the bank.
- The proceeds from the facility will be used to support the growth of MetroBank's trade-related operations.
- Established in Panama in 1991, MetroBank is the eighth largest Panamanian-owned bank in terms of consolidated assets and net loan portfolio.

May 2016

BANCO ALIADO

US$ 59,000,000
Term Loan Facility

Sole Lead Arranger and Bookrunner
Administrative Agent

Bladex — Panama

Syndicated credit of a three year term

- This operation constitutes the second international syndicated facility arranged by Bladex in the last two years for Banco Aliado, and attracted financial institutions from China, Curaçao, Panama, Switzerland, Trinidad and Tobago and the United States, of which some represented new relationships for Banco Aliado.
- The amount of the facility was upsized to US$59 million, from its original target of US$50 million.
- The proceeds from the facility will be used to support the growth of Banco Aliado's loan portfolio.
- Established in Panama in 1992, Banco Aliado is the fourth-largest Panamanian-owned bank in terms of consolidated assets and net loan portfolio.

BUSINESS CONTEXT AND PERSPECTIVES

Latin America is migrating towards increased exports diversification into more value-added supply chain elements

2016 Macro-Economic and Business Environment

2016 was marked by a divergent growth in the Region, which resulted in a contraction in Gross Domestic Product in Latin American (GDP) of a -0.7%. Also, the slowdown in global economic growth continued at a modest rate increase of just 3.1%. The global business environment was also impacted by opposing interest rate trends in the more developed countries, where Europe and Japan saw negative rates while in the United States, discussions at the Federal Reserve Bank were related on when to increase rates.

The combination of those factors triggered a significant fluctuation in our Region's local currency rates, with a strong depreciation in several Latin American countries, resulting in negative impacts on their economies. Other impacting events were, first the United Kingdom's decision to leave the European Union and then the result of the United States elections, aspects that have opened room for discussing the validity of the globalization model, the effectiveness of free trade agreements and protectionism, among others.

As a consequence of this more challenging economic environment, banks all over the world focused their efforts on increasing their solvency and liquidity levels, in line with the Basel III directives and amidst a global perception of increased credit risk.

Naturally, Latin–American banks also were not immune to the effects of an adverse credit cycle, even though most of them remain very well capitalized.

Consequently, non-performing loan ratios worsened across all countries, especially in Brazil and in certain sectors such as the oil industry and agrobusiness requiring banks to increase their reserve levels.

2016 Foreign Trade Peformance

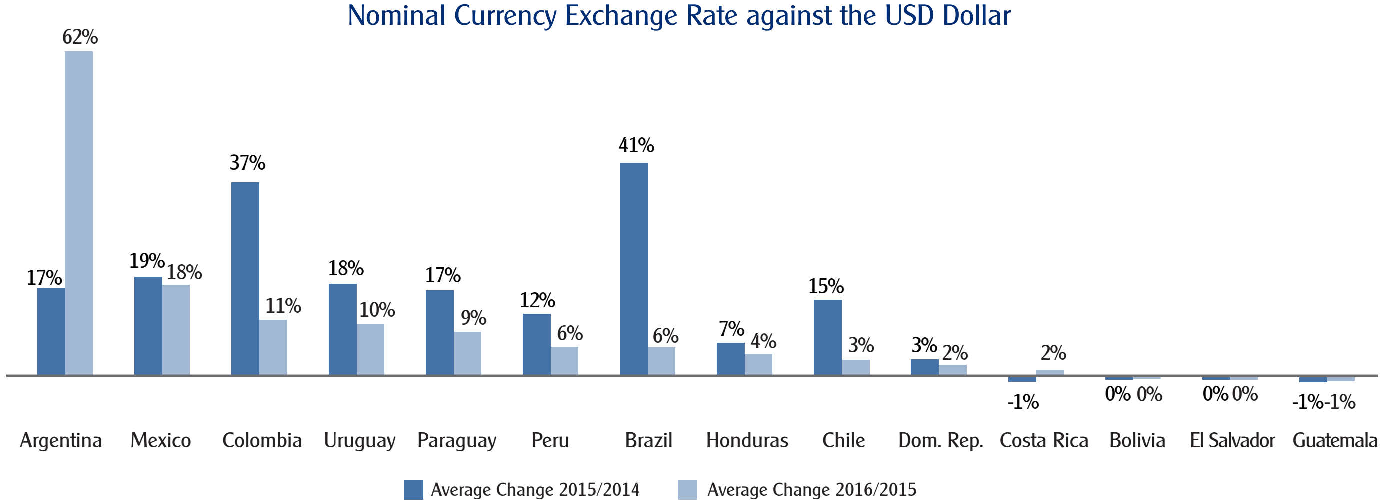
The decrease in international trade flows became noticeable in mid-2014 and has been accelerating since then due to various factors, the most relevant being the economic slow-down in China, the resulting drop in commodity prices and the generally weak growth pattern in developed countries. These effects did not pass Latin America by, as trade flows fell significantly in the Region, with exports-down 4.1%, because of less favorable terms of trade. Likewise, sluggish economic growth, mainly the recession in Brazil, contributed to a reduction of import flows, which decreased by a significant 7.5%.

Commodities play a fundamental role in Latin America, as they represent, more than 60% for Mercosur countries, 80% of the Andean Region´s exports, and more than 54% of the entire Region´s exports, according to the World Trade Organization. However, the drop in commodity prices during 2016, was attenuated versus the prior year, with some markets showing signs of a rebound, to mitigating effect.

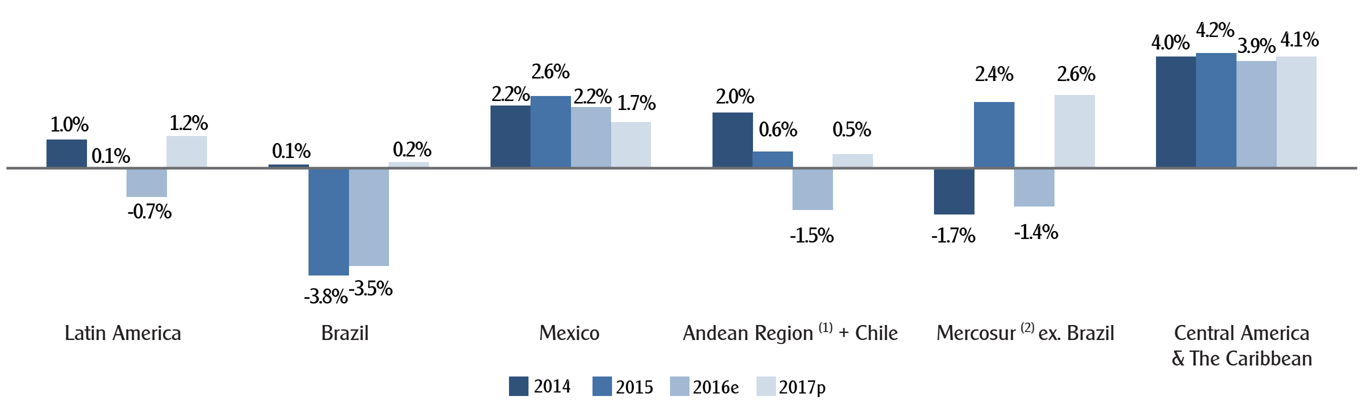
Latin America currency devaluations have also helped to improve price competitiveness, particularly in the manufacturing sector, with positive effect on interregional trade.

Latin America has entered a period of moderate growth, the speed of which will depend on greater export diversification towards more value-added areas in the productive chain. In this environment, the challenge for the Region will be to focus on the implementation of policies aimed at fostering growth by boost the diversification of exports, as well as on economic reforms aimed at eliminating inefficiencies and improving competitive capacity.

Nominal Currency Exchange Rate against the USD Dollar



Gross Domestic Product Growth by Region



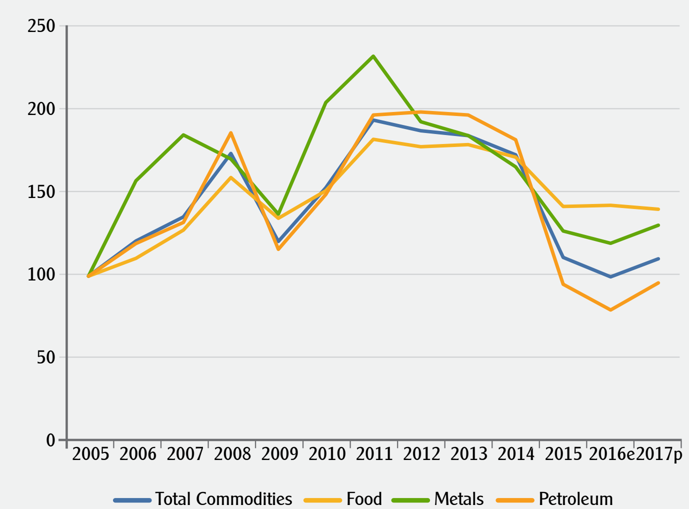
Source: International Monetary Fund, World Economic Outlook as of January, 2017.
(1) Andean Region includes Bolivia, Colombia, Ecuador, Peru and Venezuela.
(2) Mercosur includes Argentina, Paraguay and Uruguay.

2017 Business and Macro-Economic Environment Outlook

Global market expectations call with moderate economic growth of up to 3.4% in 2017. Concerns about Chinese growth development have been receding with a gradual rebalancing while commodity prices have recovered somewhat. However, 2017 will still likely be year of greater volatility as global imbalances and political tensions may help to accelerate protectionist measures posing a challenge to global integration, and the expansion of trade.

However, economic conditions in Latin America started to show signs of improvement by the end of 2016, leading to a moderately optimistic outlook for the year 2017, with stabilizing commodity prices and currency exchange rate.

Commodity Prices Index (2005=100)



Source: International Monetary Fund. Commodity prices perspectives as of January, 2017.

Latin America´s GDP is expected to grow by 1.2% in 2017, assuming world-wide demand recovers, and Brazil and Argentina manage to effectively end recession as the main regional growth catalysts. Argentina, representing one third of the projected regional recovery, has already managed to return to global capital markets, and is expected to continue with the reform efforts, enabling growth of 2.2% to 2.7% in 2017. Brazil, after a year of significant changes and decisions, should show signs of recovery, supported by fiscal consolidation measures, with expected GDP above 0% in 2017.

The Bank will focus its growth in the following countries:

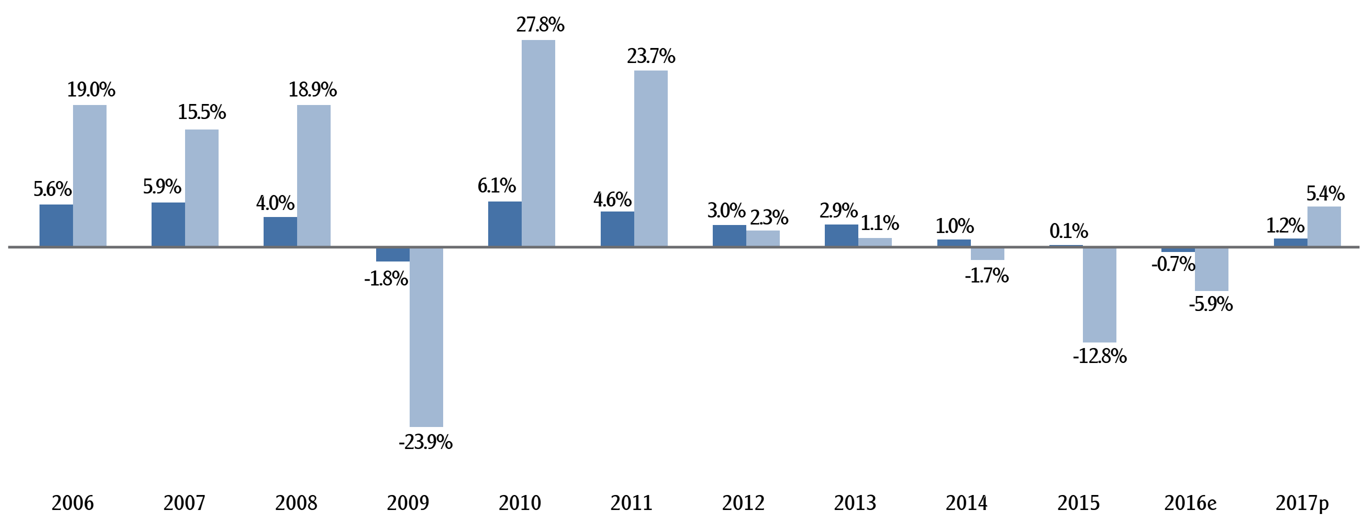
- **Colombia:** Expected to grow above 2%, benefitting from a recovery in commodity prices and the implementation of peace agreements.
- **Chile:** Expected to grow by 2%, thanks, among other things, to an improvement in commodity prices and adequate monetary policy.
- **Mexico:** Still heavily dependent on the United States as its main trade partner, also it is expected to see some benefits from the recovery of growth in the U.S., with greater competitiveness in exports driven by the weaker currency. GDP growth of between 1.3% to 2.3% is expected for 2017.
- **Peru:** Robust and diversified 4.1% growth is expected in 2017, supported by prudent fiscal administration, monetary policy and low levels of indebtedness.

Trade Growth Outlook for 2017

Latin American trade growth dynamics look to improve in 2017, with an estimated 5.4% increase, above the Region's GDP growth rate. Initial signs of a rebound in trade flows were seen towards the end of 2016, with improved container traffic statistics and an increase of U.S. and South American export orders.

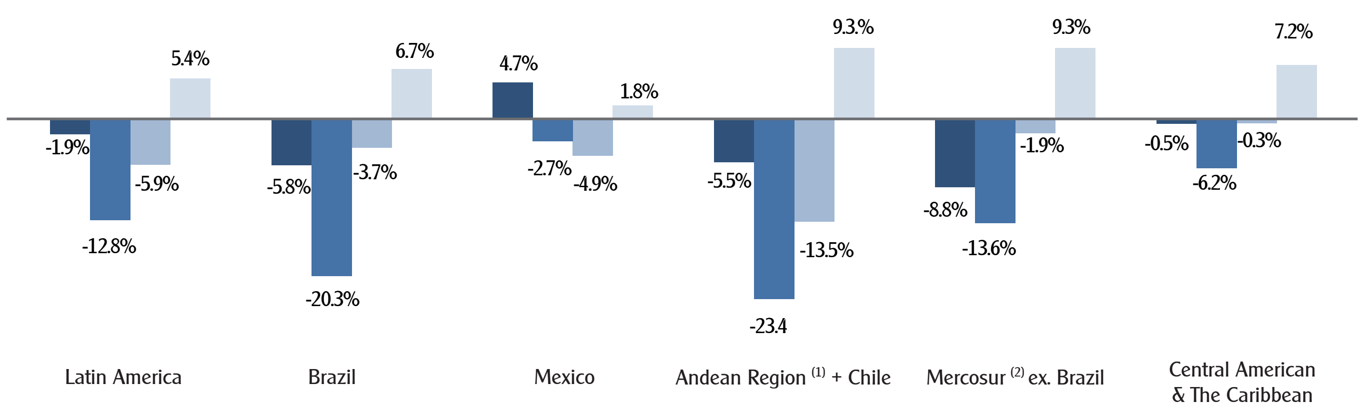
Regarding the sub-regions in Latin America, the Southern Cone and Andean Region trade flows are expected to grow at rates closer to 9%, while trade flows in Brazil, Central America and the Caribbean should grow at 7%, slightly above the regional average. Mexico trade flows grow modestly by circa 2% with downside risks.

Gross Domestic Product and Foreign Trade Evolution



Sources:
(1) International Monetary Fund, World Economic Outlook as of January, 2017.
(2) The Economist Inteligence Unit Country Risk Service as of January, 2017.

Trade Growth by Region



Source: The Economist Intelligence Unit Country Risk Service as of January, 2017.
(1) Andean Region includes Bolivia, Colombia, Ecuador, Peru and Venezuela.
(2) Mercosur includes Argentina, Paraguay and Uruguay.

FINANCIAL PERFORMANCE REVIEW

ACHIEVEMENTS

- Bladex reinforced its business focus on its core competencies in short-term trade finance, achieving greater diversification and lower concentration risk in its portfolio
- Bladex maintained fairly resilient profitability, despite lower average portfolio balances and increased provisions for expected credit losses, on strong margins and lower expenses

HIGHER NET REVENUES AS THE RESULT OF DISCIPLINED PRICING AND VERY FOCUSED ASSET & LIABILITY MANAGEMENT

Business Profit of US$92 million, -7.6% YoY and Business ROAE of 9.2%

Net Interest Income of US$155 million, +6.7% YoY, driven by an increase in Net Interest Margin (2.08%, +24 basis points)

LOWER OPERATING EXPENSES (VARIABLE COMPENSATION AND OTHER EXPENSES), WITH INCREASING INVESTMENTS IN TECHNOLOGY

Efficiency Ratio of 27% (improved of +3 percentage points), from process improvements and lower variable performance-based compensation expense

STRONG SYNDICATION AND LOAN STRUCTURING FRANCHISE IN DISMAL YEAR FOR LATIN AMERICA´S DEBT CAPITAL MARKETS

Regional franchise in Structuring and Syndications reinforced with 10 transactions in 2016 (+43%) for an amount greater than US$1.0 billion (+76%)

PRUDENT LIQUIDITY MANAGEMENT WITH AN INCREASE IN CAPITALIZATION LEVEL

Tier 1 Basel III ratio of 17.9%, +180 basis points YoY

Stable dividend per share of US$1.54, with an average annual dividend yield of 5.9%

Adequate liquidity level: LCR of 1.07x and NSFR of 1.26x

FOCUS ON TRADE PORTFOLIO

Bladex´s trade portfolio increased 10% in 2016 as Latin America trade flows decreased 5.9%

Trade portfolio increased to 66% of the Commercial Portfolio from 56% in 2015, while short-term trade transactions of up to one year represented 58% vs. 45% in 2015

77% of the total portfolio had remaining maturities of one year or less vs. 72% in 2015

SOLID FUNDING STRUCTURE WITH CONTINUED DIVERSIFICATION

Well balanced funding base with overall average funding cost trailing market rate expansion

Deposits from Class A Shareholders rose to 46% of total funding from 39% in 2015

Diversified activity in global debt capital markets:

- First Tokyo-ProBond issuance of JPY 8 billon
- Third issuance in Mexican debt capital market for MXN 1.5 billion
- Private placements of US$435 millon under the EMTN program in Asia, Europe and Latin-America

Recurring credit syndications in global markets

CHALLENGES

- A prolongued downturn in several Latin America economies, and unexpected global economic events increased volatility and credit risk in the Region

OVERALL PORTFOLIO GROWTH BELOW ORIGINAL EXPECTATIONS, WITH SELECTIVE RETREAT FROM EXPOSURES IN CERTAIN COUNTRIES, INDUSTRY SECTORS AND CLIENTS

Average Commercial Portfolio balances of US$6.8 billion in 2016, -5% YoY, on increased diversification by sector, client and country risk

Reduced exposure in Brazil to 18% of the total Commercial Portfolio, compared 23% in 2015 and 47% in 2008

INCREMENTAL PROVISIONS FOR EXPECTED CREDIT LOSSES IMPACTED P&L, STRENGTHENING RESERVE COVERAGE

Non-performing loans credit reserve coverage of 1.7 times

Ratio of total reserves for expected credit losses to total Commercial Portfolio of 1.73%

EXPECTED CREDIT LOSSES ABSORPTION CAPACITY AND CLOSE MONITORING OF NPL PORTFOLIO

US$65 million in non-performing loans represented 1.09% of total loan portfolio

Non-performing loans confined to specific countries, industries and clients:

- Industries: grains and oilseeds, wholesalers and sugar
- Countries: Brazil, Panama and Uruguay

Specific credit reserves US$35 million assigned to non-performing loans for average coverage of 54%

PROFIT OR LOSS STATEMENT ANALYSIS

2016 proved to be another challenging year for the markets in which the Bank operates, as currency devaluations and adverse macroeconomic trends created a more volatile business environment in several Latin American countries. These trends included the continued deterioration of the terms-of-trade for commodity-exporting producers, in some cases impacting company balance sheets and operations, a recessionary and inflationary environment in important economies such as Brazil, a generally heightened perception of credit and market risk affecting Latin America, and an increased level of uncertainty regarding U.S. trade and monetary policies. Despite these challenges, Senior Management believes that the Bank's financial results in 2016 demonstrated Bladex's fairly resilient core earnings generation capacity, while the Bank's exit from its participation in the investment funds, which was completed early in the second quarter of 2016, helped remove a significant element of market risk volatility.

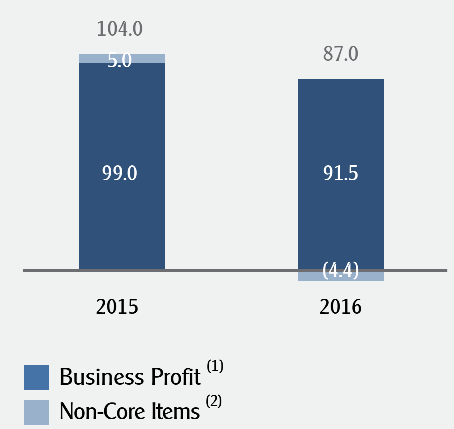
The Bank's profit for the year 2016 totaled US$87.0 million, compared to US$104.0 million in 2015. The US$16.9 million, or 16%, decrease was primarily attributable to: (i) higher impairment loss from expected credit losses ("ECL") on loans totaling US$34.8 million, compared to US$17.2 million in 2015, as the Bank recorded individually assessed lifetime ECL for certain exposures with increased credit risk undergoing restructuring and recovery efforts, along with (ii) a US$9.5 million adverse swing in non-core trading results from the Bank's former participation in the investment funds, with a US$4.4 million loss recorded in 2016 compared to a US$5.1 million gain in 2015, and (iii) a US$4.9 million year-over-year decrease in fees and commissions, mainly due to reduced activity in letters of credit, financial guarantees and credit commitments, as well as slightly lower fees from the loan structuring and syndication business in the context of a significant volume decrease in the relevant Latin American debt capital markets during the year. These factors were partially compensated by (i) higher net interest income (+US$9.7 million, or 7%) mostly driven by increased financial margins (NIM +24 basis points) that helped offset the effect of reduced average loan balances (-4% year-over-year), primarily from the Bank's efforts to reduce certain country, industry and client risk concentrations, and (ii) a US$6.0 million or 12% decrease in operating expenses from both lower performance-based variable compensation expense and cost saving activities in other expense categories.

Net Interest Income

The Bank's 2016 net interest income reached US$155.2 million, compared to US$145.5 million in 2015. The US$9.7 million, or 7%, increase in net interest income was mainly driven by a 24 basis points increase in net interest margin to 2.08% in 2016, compared to 1.84% in 2015, as higher net lending spreads and the overall effects of increased market rates overcompensated the effects of lower average interest-earning asset balances, from the Bank´s efforts to reduce lending and investment portfolio risk concentrations.

Profit for the Year

(US$ million)

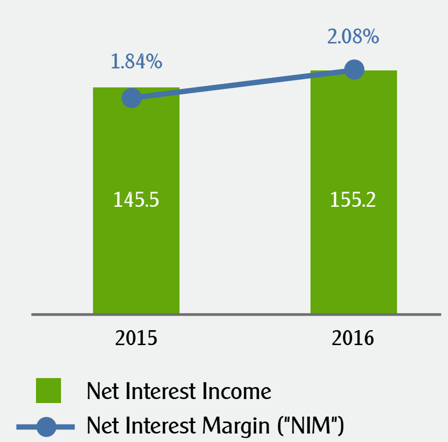


(1) Business Profit refers to Profit for the period, deducting non-core items.

(2) Non-Core Items include the net results from the participations in the investment funds recorded in the "gain (loss) per financial instrument at fair value through profit or loss" line item, other income and other expenses related to investment funds.

Net Interest Income

(US$ million, except percentages)



Fees and Other Income

Fees and Other Income includes the fee income associated with letters of credit and other contingent credits, such as guarantees and credit commitments, as well as fee income derived from loan structuring and syndication activities, together with loan intermediation and distribution activities in the primary and secondary markets.

Fees and Other Income amounted to US$16.5 million for the year ended December 31, 2016, compared to US$22.3 million for the year ended December 31, 2015. The US$5.8 million, or 26%, decrease was mostly driven by lower business activity in letters of credit, loan commitments and other financial guarantees contracts, and lower market activity in secondary market transactions, while commissions from the syndication business in the primary market were slightly lower, with an increased number of completed transactions despite overall volumes in the relevant Latin American capital markets suffering significant decreases.

Operating Expenses

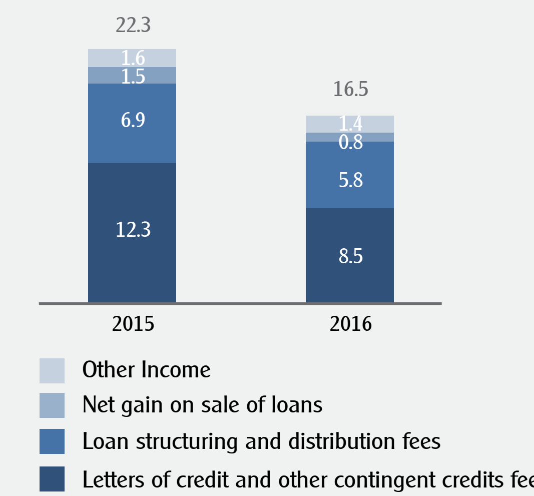
Total operating expenses include the following expense line items of the consolidated statements of profit or loss: salaries and other employee expenses, depreciation of equipment and leasehold improvements, amortization of intangible assets, and other expenses. The Bank's operating expenses totaled US$45.8 million in 2016, a US$6.0 million, or 12%, decrease year-over-year mainly attributable to lower performance-based variable compensation expense, and other cost savings resulting from the Bank´s continued focus on process improvements to increase efficiency.

Impairment Losses from Expected Losses (ECL)

Impairment losses consist of ECL on the Bank's Commercial Portfolio of loans, letters of credit, loan commitments and financial guarantee contracts, and the Investment Securities Portfolio, recorded in accordance to rule IFRS 9 which assesses credit exposures in risk categories from stages 1 to 3. In 2016, the total impairment loss from ECL amounted to US$35.1 million, compared to US$18.1 million in 2015, a US$17.0 million overall increase mainly attributable to higher allowances assigned to performing exposures based on lifetime ECL (IFRS Rule 9 Stage 2), and non-performing loans (IFRS Rule 9 Stage 3), partly offset by lower impairment from ECL on performing exposures assessed based on 12-month ECL (IFRS Rule 9 Stage 1), which resulted from both lower end-of-period portfolio balances, and the overall portfolio mix shift towards short-term trade exposures.

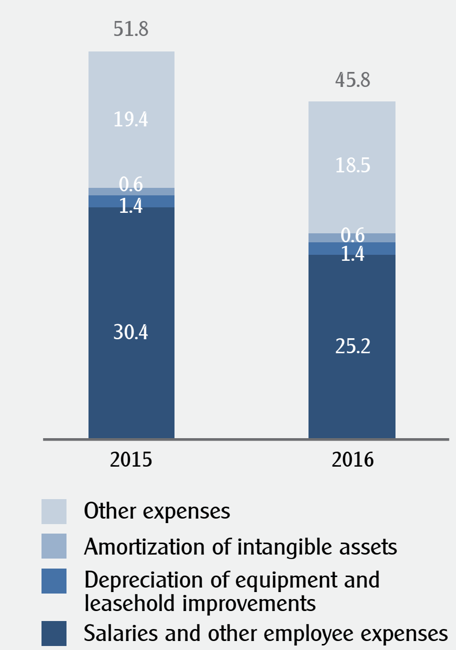
Fees & Other Income

(US$ million)



Operating Expenses

(US$ million)



RESULTS BY BUSINESS SEGMENT

The Bank's activities are managed and executed in two business segments, Commercial and Treasury. The business segment results are determined based on the Bank's managerial accounting process as defined by IFRS 8 – Operating Segments, which assigns consolidated statement of financial positions, revenue and expense items to each business segment on a systemic basis.

The Commercial Business Segment encompasses the Bank's core business of financial intermediation and fee generation activities stemming from our syndications activities for corporations, financial institutions and investors in Latin America. These activities include the origination of bilateral and syndicated credits, short-term and medium-term loans, customers' liabilities under acceptances, loan commitments and financial guarantee contracts. Profits from the Commercial Business Segment include (i) net interest income from loans; (ii) Fees and Other Income from the issuance, confirmation and negotiation of letters of credit, guarantees and loan commitments, and from loan structuring and syndication activities; (iii) gain on sale of loans generated through loan intermediation activities, such as sales in the secondary market and distribution in the primary market; (iv) impairment loss from ECL on loans at amortized cost and loan commitments and financial guarantee contracts; and (v) direct and allocated operating expenses.

At year-end 2016, the Commercial Portfolio stood at US$6.4 billion, a US$0.7 billion, or 10%, decrease compared to US$7.2 billion at year-end 2015, as the Bank reduced certain country, industry and client risk concentrations in response to unfavorable market conditions affecting these markets, and its focus on expanding its short-term trade finance exposures with favorable risk-adjusted returns. The most significant portfolio reduction was in regard to credit exposures in Brazil. Efforts to reduce concentration in that market commenced several years ago, and continued throughout 2016 with a US$0.5 billion portfolio reduction reducing its weight to 18% of the total Commercial Portfolio, at year-end 2016, compared to 23% at year-end 2015, and compared to a peak of 47% in 2008. Consequently, average Commercial Portfolio balances amounted to US$6.8 billion in 2016, a US$0.3 billion, or 5%, decrease year-over-year, compared to US$7.1 billion in 2015.

At year-end 2016, 77%, of the Bank's Commercial Portfolio was scheduled to mature within one year, up from 72% in 2015. Trade finance operations represented 66% of the Bank's Commercial Portfolio, compared to 56% in 2015, while the remaining balance consisted primarily of lending to financial institutions and to corporations engaged in foreign trade.

The Commercial Business Segment's asset quality and portfolio risk profile remained sound at year-end 2016, with a 1.09% ratio of non-performing loans to total Loan Portfolio and a 1.73% coverage ratio of total allowance for ECL on loans at amortized cost, loan commitments and financial guarantee contracts to total Commercial Portfolio, compared to 0.78% and 1.33%, respectively as of December 31, 2015.

(US$ million)	2016	2015	YoY ($mm)	YoY (%)
Commercial Business Segment:				
Net interest income	$140.4	$127.2	$13.2	10%
Net other income	16.3	21.5	(5.2)	-24%
Total income	**156.7**	**148.7**	**8.1**	**5%**
Impairment loss from expected credit losses on loans and loan commitments and financial guarantees contracts	(35.1)	(12.8)	(22.3)	174%
Operating expenses	(34.6)	(40.4)	5.8	-14%
Profit for the period	**$87.0**	**$95.4**	**($8.4)**	**-9%**

The Commercial Business Segment's profit for the year 2016 reached US$87.0 million, an US$8.4 million, or 9%, decrease compared to US$95.4 million in 2015, mainly as a result of provision for higher impairment losses from ECL totaling US$35.1 million, compared to US$12.8 million in 2015, mainly associated with individually assessed lifetime ECL on certain exposures undergoing restructuring and recovery efforts. To a lesser extent, profits for the Commercial Business Segment were also impacted by a US$5.2 million decrease in net other income, mainly due to lower fees and commissions from lesser activity in letters of credit, financial guarantees and credit commitments. These factors were partially offset by: (i) a US$13.2 million, or 10%, increase in net interest income driven by higher net lending rates, which compensated for the effects of lower average lending balances (-4% year-over-year), and (ii) a US$5.8 million, or 14%, decrease in operating expenses mostly from lower performance-based variable compensation expense and cost savings in other expense categories.

The Treasury Business Segment is responsible for the Bank's funding and liquidity management, along with the management of its activities in investment securities, as well as the management of the Bank's interest rate, liquidity, price and currency risks. Interest-earning assets managed by the Treasury Business Segment include liquidity positions in cash and cash equivalents, and financial instruments related to the investment management activities, consisting of financial instruments at fair value through profit or loss; ("FVTPL"), at fair value through accumulated other comprehensive income (loss) account ("FVOCI") and securities at amortized cost. The Treasury Business Segment also manages the Bank's interest-bearing liabilities which constitute its funding, mainly liability deposits, securities sold under repurchase agreement ("Repos"), and short- and long-term borrowings and debt.

Profits from the Treasury Business Segment include net interest income derived from the above mentioned treasury assets and liabilities, and related net other income (net results from derivative financial instruments and foreign currency exchange, gain (loss) per financial instruments at FVTPL, gain (loss) per financial instruments at FVOCI, and other income), impairment loss from ECL on investment securities, and direct and allocated operating expenses. Until the Bank´s exit from its participation in investment funds in the first half 2016, the Treasury Business Segment also incorporated the Bank's non-core results from its participation, which were shown in the other income line item "gain (loss) per financial instruments at FVTPL".

At year-end 2016, treasury business assets totaled US$1.2 billion, a US$0.4 billion, or 27%, decrease compared to US$1.6 billion at year-end 2015, resulting from lower cash and cash equivalents balances, investment securities and the final redemption of the participation in the investment funds. Securities held at FVOCI decreased to US$31 million as of December 31, 2016, from US$142 million as of December 31, 2015, as the Bank continued to decrease its holdings in that category to reduce market risk. Similarly, the portfolio of securities at amortized cost decreased to US$78 million in 2016, from US$109 million in 2015. Both securities portfolios consisted of readily-quoted Latin American securities, 90% of which represented multilateral, sovereign or state-owned risk.

(US$ million)	2016	2015	YoY ($mm)	YoY (%)
Treasury Business Segment:				
Net interest income	$14.8	$18.3	($3.5)	-19%
Net other (loss) income	(3.6)	6.9	(10.5)	-152%
Total income	**11.3**	**25.2**	**(13.9)**	**-55%**
Impairment (loss) gain from expected credit losses on investment securities	(0.0)	(5.3)	5.3	-100%
Operating expenses	(11.2)	(11.4)	0.1	-1%
Profit (loss) for the period	**$0.0**	**$8.6**	**($8.5)**	**-99%**

The Treasury Business Segment reported a marginal profit for the year 2016, compared to US$8.6 million in 2015, a decrease mostly attributable to the US$9.5 million adverse swing in non-core results from the Bank's former participation in investment funds, with a US$4.4 million loss recorded in 2016 compared to a US$5.1 million gain in 2015. The Bank´s reduced holdings in its investment securities portfolio mainly accounted for a US$3.5 million reduction in the Segment's net interest income, which was compensated by a year-over-year reduction of impairment losses from ECL on investment securities, as the Bank recorded only marginal impairment in 2016, compared to a US$5.3 million impairment in 2015.

CAPITALIZATION, PROFITABILITY AND PERFORMANCE INDICATORS

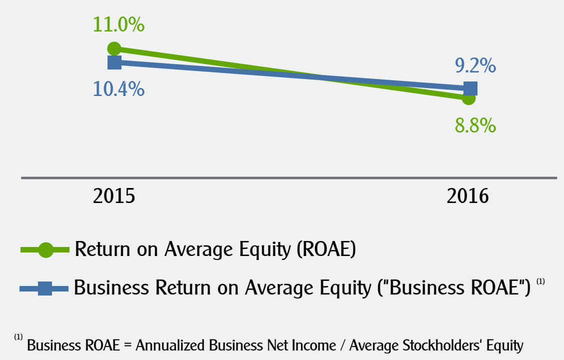
In 2016, the Bank delivered fairly resilient core business profitability mitigating higher impairment losses from ECL with expanding lending spreads, efficiency gains, prudent liquidity management, and very strong capitalization levels.

Overall return on average equity ("ROAE") reached 8.8% for 2016, compared to 11.0% for the year 2015, as a result of largely stable total income on lower earning asset balances, higher impairment losses from ECL, and adverse non-core results. Business ROAE performance, which excludes non-core results, was more resilient, at 9.2% in 2016 compared to 10.4% in 2015.

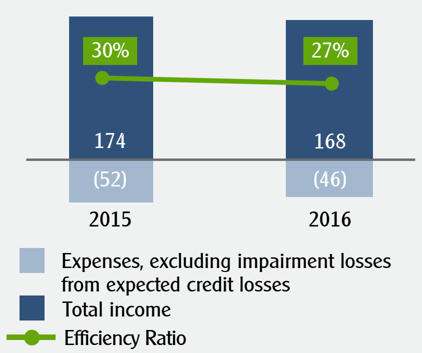
The 2016 Business Efficiency Ratio, which excludes non-core revenues and expenses, mainly from the former participation in investment funds improved to 26%, down 5 percentage points, compared to 31% a year ago, as operating expenses decreased 12% while business income increased 2%. The Bank's operating expenses to average assets ratio improved to 61 basis points in 2016 from 66 basis points in 2015.

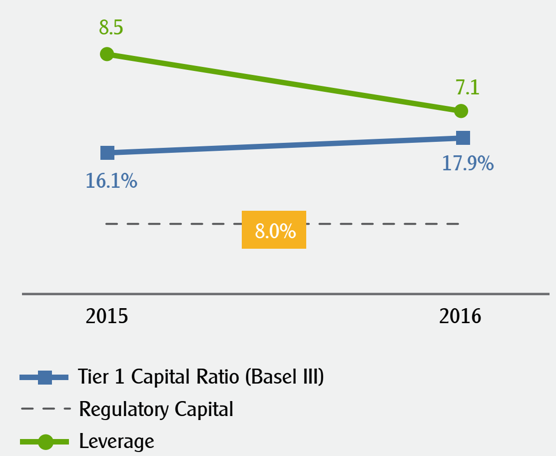
At year-end 2016, the capital ratio of total stockholders' equity to total assets was 14.1%, and the Bank's Tier 1 capital ratio according to Basel III capital adequacy guidelines was 17.9%, compared to 11.7% and 16.1%, respectively, in 2015. The 2016 leverage ratio was 7.1x compared to 8.5x in 2015. The Bank' equity consists of issued and fully paid ordinary common stock and retained earnings, with 39.2 million of common shares outstanding as of December 31, 2016.

Return on Average Equity



Efficiency Ratio
(US$ million, except percentages)



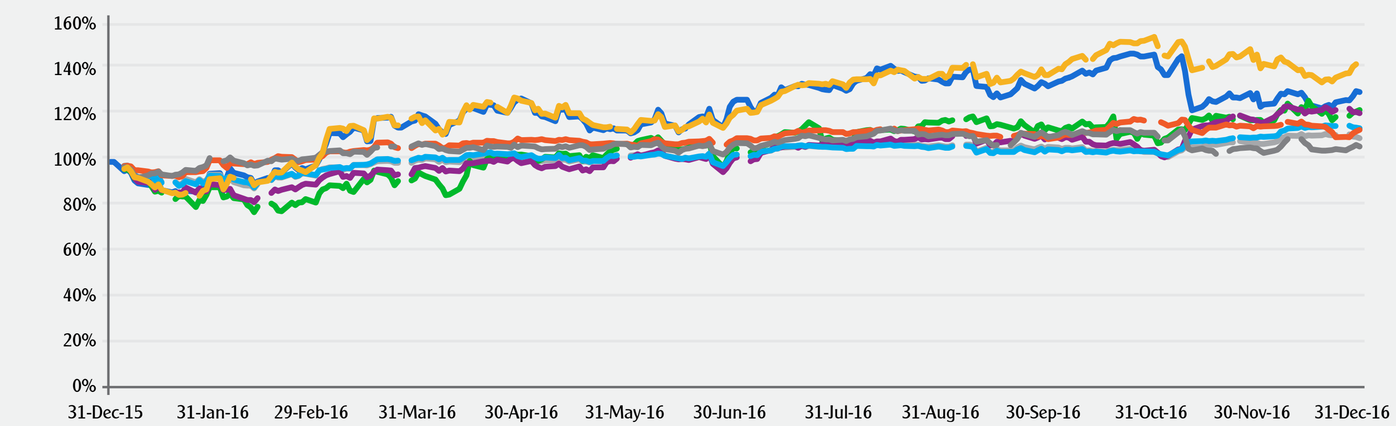


STOCK PRICE PERFORMANCE

Bladex's stock price registered an increase of 17% in 2016, outperforming most indices, valued at US$29.44 compared to US$25.93 at the end of 2015. Despite this increase, liquidity decreased modestly, with the daily average number of shares traded reaching 167 thousand, compared to an average of 171 thousand shares in 2015.

At year-end 2016, the stock traded at 1.1x book value per share (P/BV) of US$25.88 and 13.2x earnings per share (P/E), compared to 1.0x book value of US$24.97 (P/BV) and 9.7x (P/E) for the year 2015.

BLX Performance compared to Market Indexes

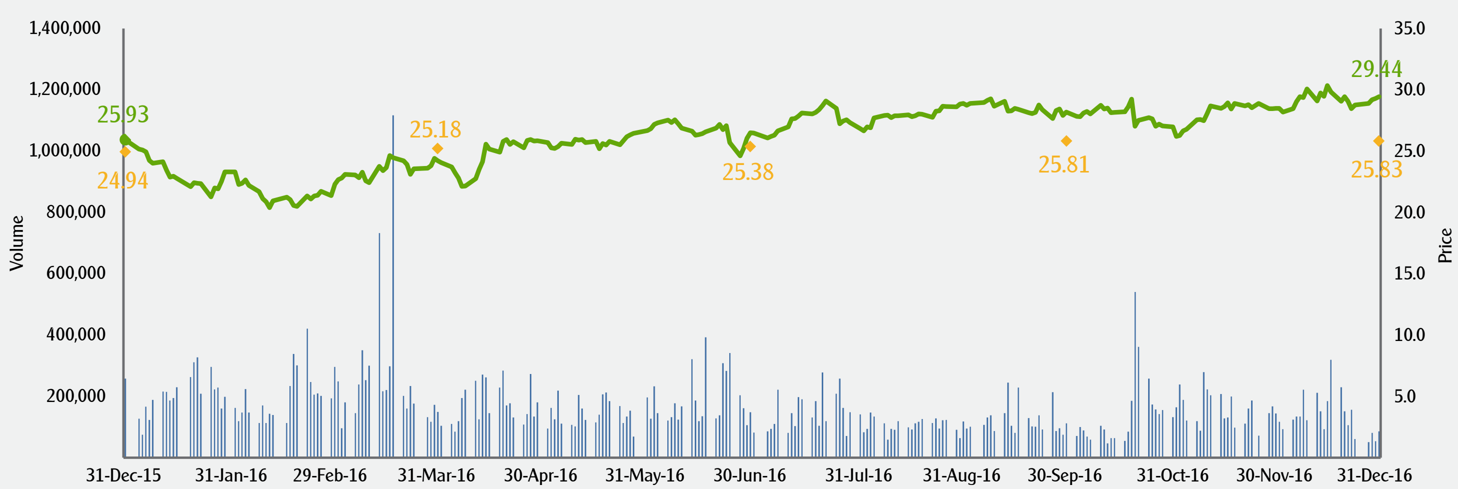


MXLA - "MSCI Emerging Markets Latin America Index"
SPX - "S&P 500 Index"
RTY Index - "Russell 2000 Index"
INDU Index - "Dow Jones Industrial Average"
IPSA Index - "Santiago Stock Exchange Index"
MEXBOL Index - "Mexican Stock Exchange Mexican Bolsa IPC Index"
IBOV Index - "Ibovespa Brasil Sao Paulo Stock Exchange Index"

Source: Bloomberg Finance LP.

MXLA Index, INDU Index, SPX Index, IPSA Index, BLX US Equity, MEXBOL Index, RTY Index, IBOV Index

Stock Price and Volume Evolution "BLX"



Source: NYSE - New York Stock Exchange.

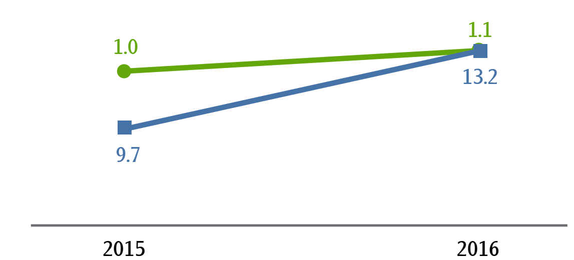
Volume Close Price ($) Book Value ($)

▶ Bladex shares offered a 2016 total rate of return of 21% compared to -10% in 2015, with superior return compared to other indices

BLX LISTED NYSE

Total Rate of Return	2016	2015
BLX US Equity	20.66%	-10.44%
Russell 2000	21.28%	-3.94%
Dow Jones Industrial Average	16.50%	0.16%
Chile (IPSA)	12.80%	-5.30%
Mexico (Mexbol)	8.50%	3.94%
Brazil (Ibov)	38.93%	-12.03%
S&P 500	11.95%	1.42%

Per Share Valuation

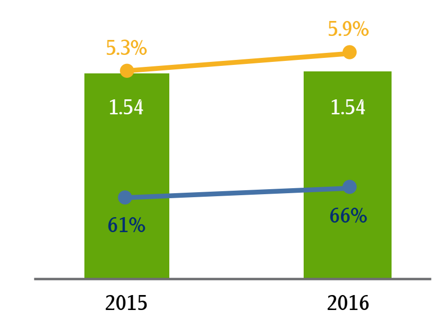


Price / Earnings per share
Price / Book value per share

DIVIDENDS

During 2016, the Bank paid dividends amounting to US$1.54 per share, or US$0.385 per share per quarter, same level as during 2015, underlining the Board of Directors' commitment to continue its established dividend approach that reflects the Bank's core business growth and development. The dividend payments provided investors with an attractive dividend yield of 5.9% in 2016, compared to a dividend yield of 5.3% for the year 2015.

Dividends



Dividend per share (USD)
Dividend payout ratio (dividend per share / business earnings per share)
Annualized dividend yield (dividend per share / average stock price)

MAIN FINANCIAL INDICATORS

Financial Information prepared in accordance with IFRS as issued by IASB

YEAR ENDED DECEMBER 31 (In US$ million, except percentages and per share amounts)	31-Dec-2016	31-Dec-2015
Profit or Loss Statement Data		
Net interest income	$155.2	$145.5
Fees and commissions, net	14.3	19.2
Derivative financial instruments and foreign currency exchange	(0.5)	(0.0)
(Loss) Gain per financial instrument at fair value through profit or loss	(2.9)	5.7
(Loss) Gain per financial instrument at fair value through OCI	(0.4)	0.4
Gain on sale of loans at amortized cost	0.8	1.5
Other income	1.4	1.6
Impairment loss from expected credit losses on loans at amortized cost	(34.8)	(17.2)
Impairment loss from expected credit losses on investment securities	(0.0)	(5.3)
Impairment loss (recovery) from expected credit losses on loan commitments and financial guarantees contracts	(0.4)	4.4
Operating expenses (1)	(45.8)	(51.8)
Profit for the year	**$87.0**	**$104.0**
Business Profit for the year (2)	91.5	99.0
Non-Core Items (3)	(4.4)	5.0
Selected Financial Position Data		
Financial instruments at fair value through profit or loss	-	53
Financial instruments at fair value through OCI	31	142
Securities at amortized cost, net	77	108
Loans at amortized cost	6,021	6,692
Treasury Portfolio (4)	108	251
Commercial Portfolio (5)	6,444	7,155
Total assets	7,181	8,286
Deposits	2,803	2,795
Securities sold under repurchase agreements	-	114
Short-term borrowings and debt	1,470	2,430
Long-term borrowings and debt, net	1,777	1,882
Total liabilities	6,169	7,314
Stockholders' equity	1,011	972
Per Common Share Data		
Basic Earnings per Share ("EPS") (US$)	2.23	2.67
Book value per common share -period end- (US$)	25.83	24.94
Common shares outstanding: (in thousand)		
Period weighted average	39,085	38,924
Period end	39,160	38,969
Performance Ratios		
Return on average stockholders' equity ("ROAE")	8.76%	10.95%
Business ROAE (6)	9.21%	10.43%
Return on average assets ("ROAA")	1.16%	1.32%
Business ROAA (7)	1.22%	1.25%
Net interest margin ("NIM")	2.08%	1.84%
Net interest spread ("NIS")	1.84%	1.68%
Efficiency Ratio (8)	27%	30%
Business Efficiency Ratio (8)	26%	31%
Capital, Liquidity & Credit Quality Ratios (In %)		
Tier 1 capital to risk-weighted assets (9)	17.9%	16.1%
Leverage (times) (10)	7	8.5
Liquid assets / Total assets (11)	14.0%	15.3%
Liquid assets / Total deposits (11)	36.0%	45.3%
Stockholders' equity / Total assets	14.1%	11.7%
Non-performing loans to gross loan portfolio	1.09%	0.78%
Write-offs to gross loan portfolio	0.32%	0.09%
Reserve for expected credit losses on loans to gross loan portfolio	1.76%	1.34%
Reserve for expected credit losses on loan commitments and financial guarantees contracts to loan commitments and financial guarantees contracts	1.37%	1.17%
Reserve for expected credit losses to non-performing loans (x times)	1.7	1.8
Market Information (TICKER SYMBOL: BLX)		
Market capitalization (In US$ billion)	1,153	1,010
Closing Price	29.44	25.93
Price / Book Value (times)	1.1	1.0
Price / EPS (times)	13.2	9.7

Notes:

(1) Total operating expenses includes the following expenses line items of the consolidated statements of profit or loss: salaries and other employee expenses, depreciation of equipment and leasehold improvements, amortization of intangible assets, professional services, maintenance and repairs, and other expenses.
(2) Business Profit refers to Profit for the period, deducting non-core items.
(3) Non-Core Items include the net results from the participations in the investment funds recorded in the "gain (loss) per financial instrument at fair value through profit or loss" line item, other income and other expenses related to investment funds.
(4) Treasury portfolio includes financial instruments at FVTOCI and securities at amortized cost, gross of the allowance for expected credit losses. Excludes the Bank's former participation in the investment funds.
(5) Commercial portfolio includes gross loan portfolio, customers' liabilities under acceptances, loan commitments and financial guarantees contracts (including confirmed and stand-by letters of credit, guarantees covering commercial risk and credit commitments).
(6) Business ROAE refers to annualized Business Profit divided by average stockholders' equity.
(7) Business ROAA: Annualized Business Net Income divided by average total assets.
(8) Efficiency Ratio refers to consolidated operating expenses as a percentage of total income. Business Efficiency Ratio refers to business operating expenses as a percentage of total income excluding non-core items.
(9) Tier 1 Capital is calculated according to Basel III capital adequacy guidelines, and is equivalent to stockholders' equity excluding certain effects such as the OCI effect of the financial instruments at FVTOCI. Tier 1 Capital ratio is calculated as a percentage of riskweighted assets. Risk-weighted assets are estimated based on Basel III capital adequacy guidelines.
(10) Leverage corresponds to assets divided by stockholders' equity.
(11) Liquid assets refer to total cash and cash equivalents, consisting of cash and due from banks, and interest-bearing deposits in banks, excluding pledged deposits and margin calls. Liquidity ratio refers to liquid assets as a percentage of total assets.

ENTERPRISE WIDE RISK MANAGEMENT

2016 was marked by a contraction of the Gross Domestic Product (GDP) in Latin America, mostly affected by the recession in the main economy in the Region, a reduction foreign in trade flows, devaluation of currencies, depressed levels commodity prices, and an increase in the level of compliance risk. This posed increased challenges in the process of identification, assessment, management and control of risks, making Risk Management play fundamental role in mitigating their impact.

Asset quality ratios of the industry, and Bladex specifically, deteriorated, resulting in an increase of the reserve coverage levels, particularly in regards to exposures in Brazil, the upstream oil and gas industry and soft commodities.

During the year, Risk Management concentrated their resources on:

- Review of the strategy of placement and business concentration
- Review of portfolio by country, industry and rating
- Adjustments to the reporting structure of the Legal and Compliance Area, as part of improvements in the onboarding and monitoring process
- Adjustments in the model of management, monitoring and credit recovery, with a greater focus on early signs of alert and preventive management
- Strengthening the area of methodology of risk
- Implementing best market practices well ahead of regulatory requirements
- Ensuring effective liquidity management under the Basel principles (e.g. Liquidity Coverage Ratio "LCR" and LIBOR base rate sensitivity exercises)

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

Risk Management is governed by basic principles that are aligned with Bladex's business model and strategy, taking into account the recommendations of regulatory bodies as well as best market practices.

- A comprehensive risk management culture throughout the Organization.
- Independence of the risk management function, covering all enterprise risks and providing an adequate separation between the units that generate the risks and those that are in charge of controlling them.
- An enterprise-wide comprehensive consideration of all risks as objective for an adequate management and control thereof. The capacity of preparing a vision covering all risks assumed is considered to be essential, as well as understanding how they are interrelated amongst them and facilitating their valuation as a whole.
- A governance model that designates owners responsible for managing and controlling each and every risk, preserving the principle of independence and with clear and coherent reporting mechanisms.
- Formulation and monitoring of the risk appetite, where Bladex determines the amount and the type of risk it considers reasonable to assume in the execution of its business strategy, as well as for the development of its business objectives, which should be compatible and coherent with the risk appetite for each relevant activity.

Ongoing improvement in the quality and effectiveness of global risk management remains a fundamental pillar of Bladex's culture and identity, as well as a driving force for sound and healthy growth of the business

ENTERPRISE RISK MAP

The recognition and evaluation of all enterprise risks is the foundation for controlling and managing them. The risk map covers the main categories where Bladex maintains is most significant exposure, whether actual or potential.

The risks are categorized in two big categories, financial and non-financial.

FINANCIAL RISKS

COUNTRY
- Nationalization
- Expropriation
- Convertibility

CREDIT
- Payment Default
- Counterparty
- Concentration
- Industry
- Segment

MARKET
- Interest Rate
- Exchange Rate

LIQUIDITY
- Pricing
- Liquidity

NON-FINANCIAL RISKS

OPERATIONAL
- Internal Fraud
- External Fraud
- Labor Policies
- Damage to fixed Assets
- Information
- System Failures (Information Technology)
- Process Failures
- Legal
- Compliance

BUSINESS
- Reputational
- Strategic
- Social
- Environmental

ENTERPRISE WIDE RISK MANAGEMENT FUNCTION RESPONSIBILITIES MODEL

Bladex has a Risk Management and Control Model for identifying, measuring and controlling risk, which is constantly strengthened and improved, and which is based on three lines of defense.

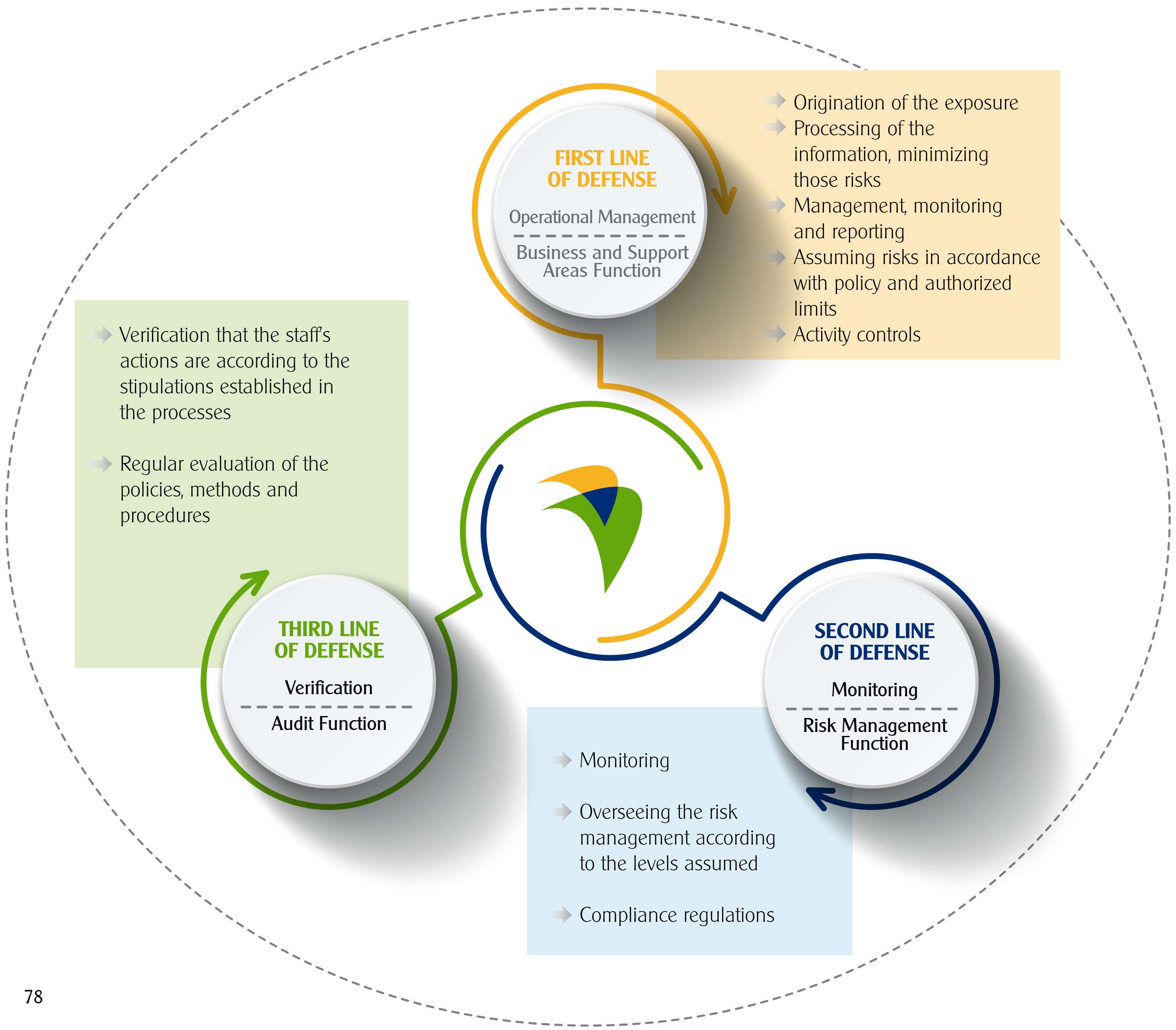
The first line of defense consists of the business units and the support areas that, as part of their activities, originate the Bank's risk exposures. These units are responsible for adequately managing, monitoring and reporting the risks generated, which are monitored in line with the authorized risk appetite and risk limits. The first line of defense has the means to identify, measure, manage and report the risks assumed.

The second line of defense consists of the Enterprise Risk Management Area and the Legal Counsel and Compliance Area which together oversee adequate risk management in accordance with the defined risk appetite level, as well as compliance with all current rules and regulations.

Internal Audit, as the third line of defense and working as the ultimate control level, periodically evaluates whether the policies, methods and procedures are adequate and tests their effective implementation.

The three lines of defense are sufficiently separated and independent from each other in order not to compromise the effectiveness of the framework, and acting in coordination towards maximizing its efficiency and leveraging its effectiveness.

Risk Policy and Assessment Committee and Board of Directors



RISK MONITORING / SUPERVISION STRUCTURE

Enterprise Risk Management Structure

The Enterprise Risk Management Area reports to the CEO and to the Risk Policy and Assessment Committee of the Board of Directors. Its primary function is to ensure a comprehensive and enterprise-wide consolidated management of the country, credit risk, market and liquidity risks, as well as the operational and technological models.

Legal Counsel and Compliance Area Structure

The Legal Counsel and Compliance Area reports to the CEO and to the Audit and Compliance Committee Board of Directors. It is responsible for the overall management of the Compliance function, applying best practices and safeguarding compliance with all the regulations and laws currently in force, including those related to the prevention of money laundering, financing of terrorism and the financing of the proliferation of weapons of mass destruction, as well as the sanctioning programs imposed or administrated by international and government agencies.

RISK PROFILE

The risk control and management model ensures that the risk profile is being kept within previously agreed levels regarding risk appetite and specific limits. It also incorporates the adoption of the necessary mitigation and corrective measures needed for keeping the risk levels in line with the defined objectives.

The main aspects concerning the risk categories include:

Risk Assessment

- Bladex identifies and evaluates the financial and non-financial risks to which it is exposed in the different geographical regions in which it operates, which are relevant to their activities.
- In a process of continuous improvement, and in order to achieve a more global and consistent vision for this process, Bladex has developed tools for identifying and assessing risks and controls, as well as for compiling all reported events and incidents. These tools aim at increasing accuracy and systematic consistency in identifying and valuating risks.

Limit Structure, Monitoring and Control

- The formulation of risk appetite exercise includes a series of metrics as well as their respective limits that express, in quantitative and qualitative terms, the maximum risk exposure the Bank is willing to assume.
- Compliance with risk appetite limits is subject to ongoing monitoring. On an at least quarterly basis, the specialized control functions report to the Board and to the Risk Policy and Assessment Committee, the adequacy of the risk profile.
- Changes in the risk appetite are translated into changes in the limits and controls used in risk management. In these cases, the risk and business areas each are responsible for verifying that limits and controls used in daily operations are adjusted in a timely fashion to prevent any non-compliance.

Scenario Analysis

- Bladex undertakes an advanced risk management approach through the impact analysis of different scenarios that may affect the Bank's operating environment. These scenarios are defined in macro-economic terms, also considering other variables affecting its operations.
- The scenario analysis is a useful tool to evaluate the Bank's resilience to certain stress scenarios or environments. It also triggers the deployment of a series of measures that mitigate the Bank's risk profile under said scenarios. The ultimate objective is to safeguard the stability of earnings as well as the liquidity and equity levels.

RISK CATEGORIES

Country Risk

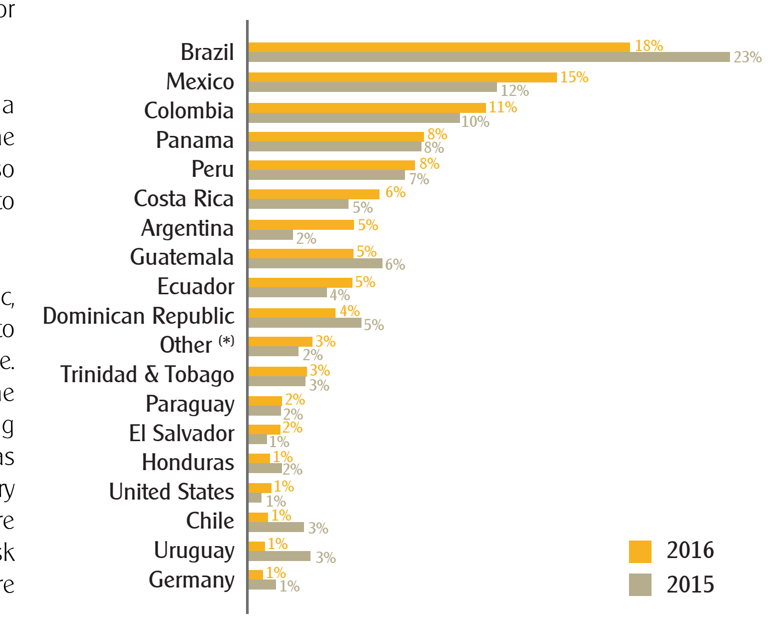
Definition: Corresponds to the inherent risk to which the Bank is exposed to in the different countries against a possible inability of payment of our clients, by an event of sovereign risk, nationalization, expropriation, or the impediment of convertibility and/or transferability of currency.

Management of Risk: Bladex's Country Risk Committee is a standing committee of the Bank for reviewing and discussing the country risk situation, and for approving exposure limits. It also analyzes the impact of the level of risk for each country in regards to the composition and risk profile of the assets originated there.

This Committee has the objective of following-up on the economic, political and social development of the countries in Latin America to which the Bank maintains or plans to establish financial exposure. It also seeks to determine any improvements or deterioration of the respective country's situation with the aim of making recommendations to the Risk Policy and Assessment Committee as required, in order to adjust in a timely manner the ratings for country risk or country limits. The evaluation and rating of the countries are proposed by the Country Risk Committee and recommended by Risk Policy and Assessment Committee to the Board of Directors, and are updated at least once a year.

Commercial Portfolio by Country Risk

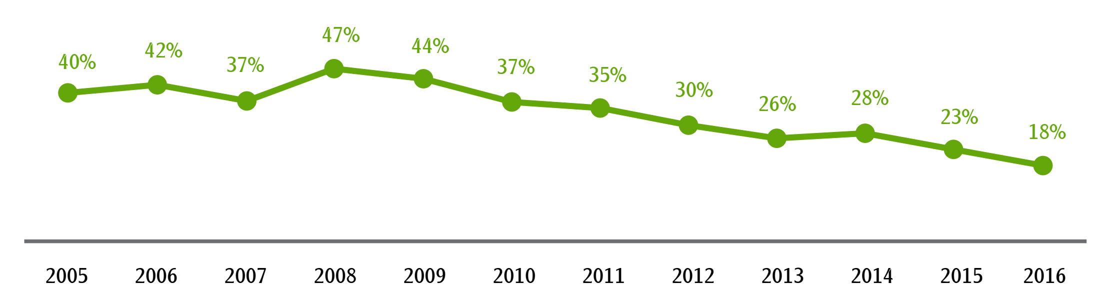
(End-of-period)



(*) Other include countries where the exposure does not exceed 1% of the current outstanding portfolio balance.

Exposure of Brazil in % of Total Commercial Portfolio

(End-of-period)



Credit Risk

Definition: Corresponds to the risk that the Bank incurs as loss or decrease asset value due to debtor's default, or improper compliance or non-compliance of the terms agreed upon in the credit agreement.

The client segments catered to by Bladex consist of corporations, financial institutions, sovereign entities and middle market companies. Clients are screened and evaluated based on a complete analysis of each entity, or group of entities (nature and size of business, countries of operation, types of products offered, length of the relationship with the customer, among many other criteria).

Management of Risk: The credit risk management process consists of identifying, analyzing, controlling and approving the risks incurred by the Bank's operation. This process involves the Business Areas and Senior Management, as well as the Risk Management Area. The Board of Directors and the Risk Policy and Assessment Committee also participate in the process, establishing the risk management policies, the limits and delegation of powers as well as approving and supervising the performance framework of the risk management function.

Credit Risk Cycle: The risk management cycle consists of two stages, Admission and Monitoring, and encompasses five phases: origination, risk assessment and analysis, annual reviews, credit monitoring and review, and credit committees.

Admission

Origination

- Senior Management, subject to Board approval, defines a strategic commercial plan, based on economic growth perspectives (GDP) and for trade flows, as well as the internal country risk rating perspectives in Latin America
- Customers are selected based on the Organization's strategic planning
- Both return as well as risk appetite are considered in the process.
- In order to achieve a greater efficiency, the Lean Six Sigma methodology has been implemented for the origination process, through different channels of treatment, considering complexity, risk rating and relationship

Risk Assessment and Analysis

- A comprehensive risk assessment is done on three levels, according to the policies and procedures:
  - Country of exposure
  - Sector of exposure
  - The customer's capacity for meeting its contractual obligations with the Bank. This includes an analysis of the credit quality, credit structure, solvency and projected return for assuming risks.

Credit Committees

- The Board of Directors, through its Risk Policy and Assessment Committee with the review / approval of country limits and special conditions (typology, term and duration)
- Internal origination / Admission Credit Committees

Monitoring

Annual Review

- The ratings assigned to the customers are reviewed regularly, incorporating new financial information and experience in the development of new business relationships.
- Frequent reviews are required for customers who trigger certain warnings and for those on the watch list.

Credit Monitoring and Review

- Provide an assessment of the overall quality of the loan portfolio, by means of a credit profile review that includes:
  - Assessments of individual loans
  - Determination of compliance with lending procedures and policies
  - Identification of gaps in the documentation

Credit Commitees

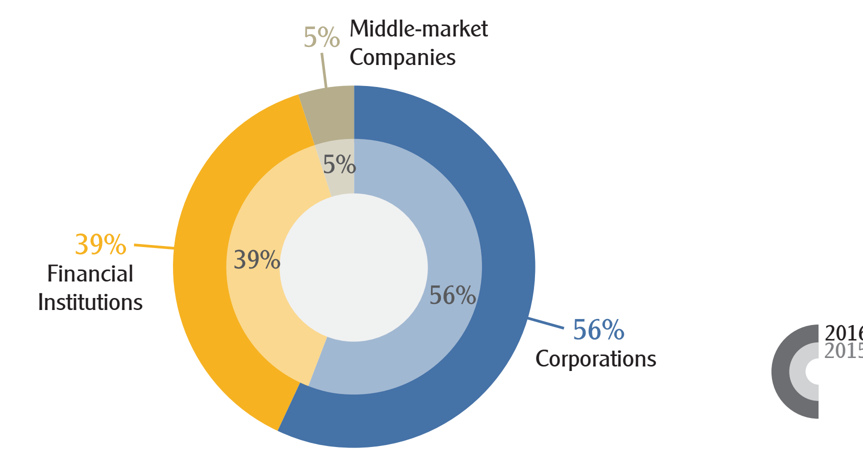
- The Board of Directors, through its Risk Policy and Assessment Committee, regarding the monitoring of the credits assets' trends and quality, as well as reports of criticized or vulnerable assets, together with reasonable and adequate credit reserves.
- Internal Committee for managing, monitoring and recovering credits (potential defaults / watch list, regular review of non-performing customers and portfolio).

Key Measures:

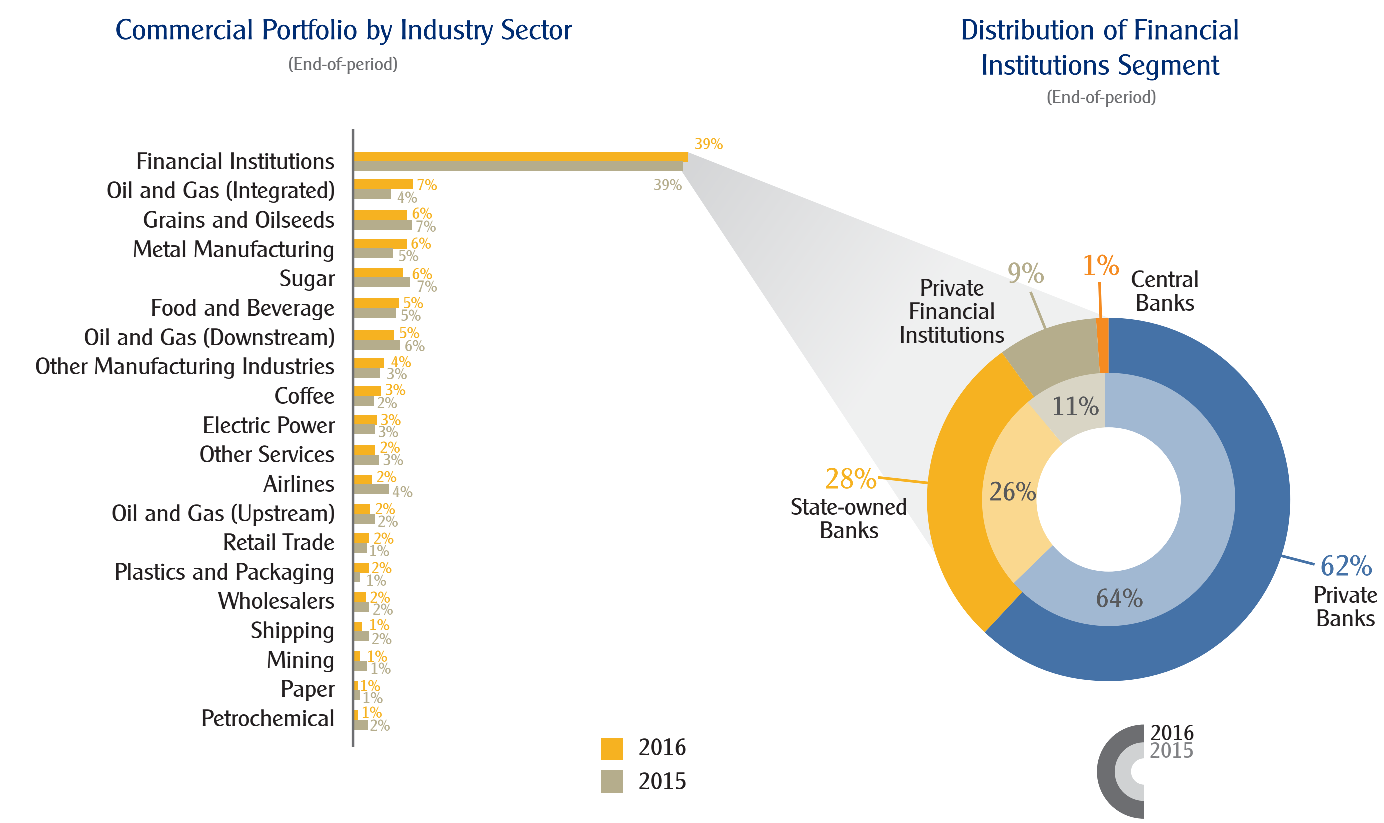
Concentration by Type of Client

Commercial Portfolio Distribution by Type of Client

(End-of-period)

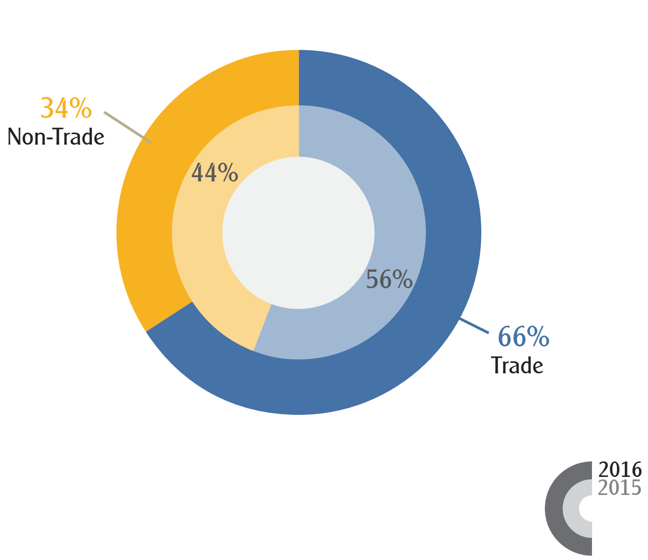


Concentration by Industry Sector



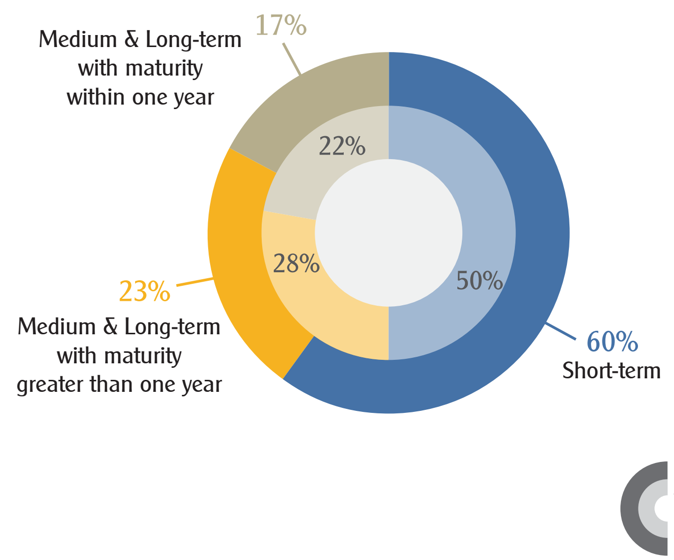
Commercial Portfolio by Type of Transaction

(End-of-period)



Commercial Portfolio by Remaining Term

(End-of-period)



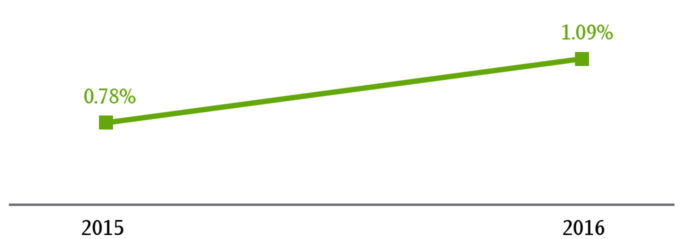
Reserve for Credit Losses Policy

Bladex utilizes an expected loss methodology for determining its credit risk allowance since 2015, following the adoption of the International Financial Reporting Standards Rule 9. Assets are classified in three stages or categories: (1- Performing – Expected Loss over 12 months; 2- Underperforming – Expected Loss over Lifetime; 3- Non-Performing – Expected Loss over Lifetime / Individual Analysis). Each of those categories is associated with an assessed credit risk profile.

A complementary judgment component may be applied as an adjustment factor to capture forward looking elements, or expectations of losses based on risks identified in the environment that may not represented in the historical data.

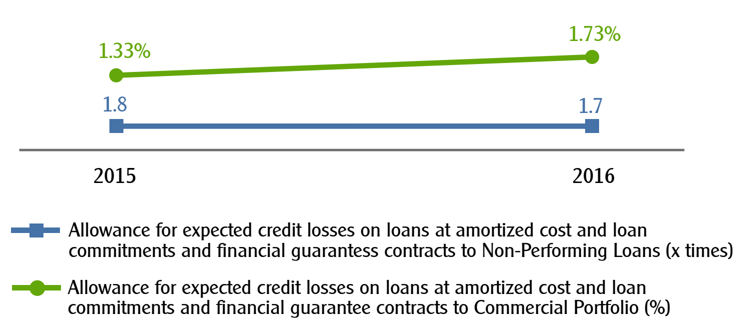
Non-Performing Loans to Total Loan Portfolio (%)

(End-of-period)



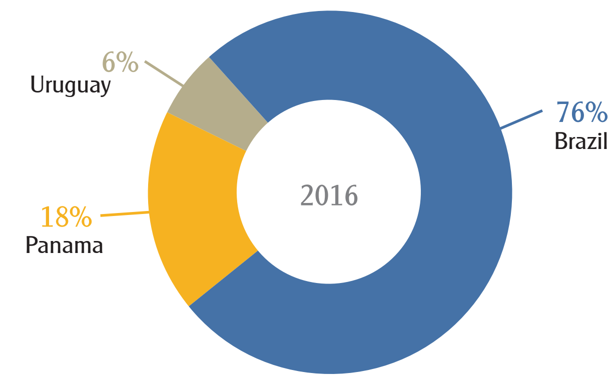
Credit Reserve Coverage

(End-of-period)



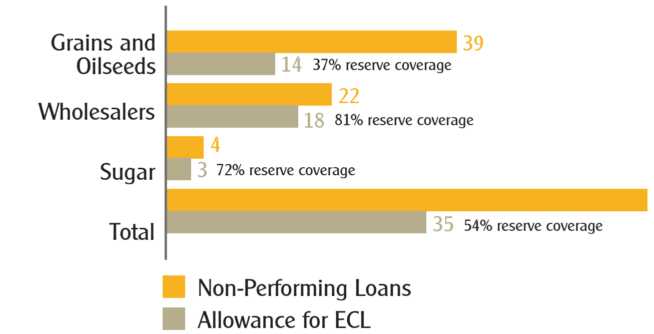
NPL Portfolio by Country Risk

(End-of-period)



NPL Portfolio and Specific Credit Allowance - by Industry

(As of December 31, 2016, in US$ million)



Market Risk

Definition: Represents the risk of the Bank incurred as decreased value of its assets, liabilities and/or revenues as the result of changes in market conditions. This risk is inherent in the financial instruments associated with the Bank's operations and activities, including loans, deposits, investment and securities at fair value, short- and long-term borrowings and debt, derivatives and trading positions.

The components of this risk include interest rate risk, inherent to the Bank's balance sheet, currency exchange risk, pricing risk, equity and fixed income volatility.

Management of Risk: The Bank manages its asset and liability positions in order to reduce the potential adverse effects on net interest income that could be the result of interest rate changes. The Bank's interest rate risk is the exposure of earnings (current and potential) and capital to adverse changes in interest rates and is managed by matching the term and re-pricing characteristics of interest rate sensitive assets and liabilities. The Bank's policy with respect to interest rate risk provides that the Bank establishes limits with regards to: (1) changes in net interest income given certain movements in interest rates and (2) changes in the amount of available equity, given a one basis point movement in interest rates.

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies. Exposure to currency risk is low given very low maximum net exposure limits established by the Board.

Most all of the Bank's assets and most of its liabilities are denominated in U.S. Dollars and hence the Bank does not incur in a significant currency exchange risk. The currency exchange rate risk is further mitigated by the use of hedging instruments.

Key Measures:

- Sensitivity analysis of the effect on the results of the Bank's operations derived from a reasonable variance in interest rates, measured in percentage points.
- AFS Stop Loss
- Currency Exchange Rate Risk
- Interest Rate Risk

Liquidity Risk

Definition: Liquidity refers to the Bank's ability to maintain adequate cash flows to fund operations, and to meet obligations and other commitments on a timely basis.

As established by the Bank's liquidity policy, the Bank's liquid assets are held in the form of interbank demand deposits, overnight funds, and time deposits with reputable central, multilateral and international banks that have A1, P1, or F1 ratings from at least two of the major internationally – recognized rating agencies and are primarily located outside of the Region. These banks must have a correspondent relationship with the Bank. In addition, the Bank's liquidity policy allows for investing in negotiable money market instruments, including Euro certificates of deposit, commercial paper, bankers' acceptances and other liquid instruments with maturities of up to three years.

These instruments must be of investment grade quality A or better and must have a liquid secondary market.

Management of Risk: The Bank performs daily reviews, controls and periodic stress tests on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and to monitor liquidity levels in relation to the macroeconomic environment. The Bank determines the level of liquid assets to be held on a daily basis, adopting the Liquidity Coverage Ratio methodology, following the Basel Committee guidelines. Additionally, the Liquidity Coverage Ratio is complemented with the use of the Net Stable Funding Ratio to maintain an adequate long-term funding structure. Specific limits have been established to control

1) cumulative maturity "gaps" between assets and liabilities, for each maturity classification presented in the Bank's internal liquidity reports, and

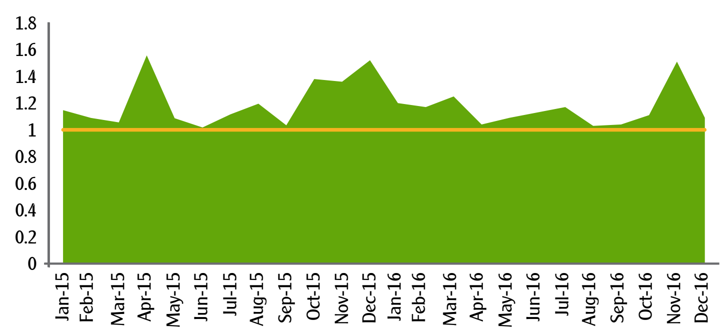
2) concentrations of deposits taken from any client or economic group maturing in one day and total maximum deposits maturing in one day.

The Bank follows a Contingent Liquidity Plan. The plan contemplates the regular monitoring of several quantified internal and external reference benchmarks (such as deposit level, Emerging Markets Bonds Index Plus, LIBOR-OIS spread and market interest rates), which in cases of high volatility would trigger implementation of a series of precautionary measures to reinforce the Bank's liquidity position. In the Bank's opinion, its liquidity position is adequate.

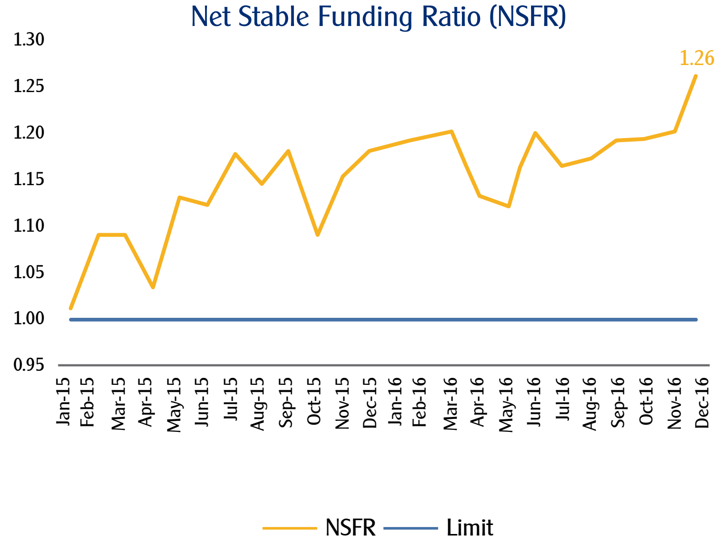
Key Measures: Quantitative tolerance and limits:

- Coverage of liabilities maturing within the next 30 days with liquid assets
- Coverage of stable funding for complying with the required funding (medium term)

Liquidity Coverage Ratio (LCR)



Net Stable Funding Ratio (NSFR)



Operational Risk

Definition: Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, legal or regulatory implications, or lead to financial loss. Bladex, as any financial institution, is exposed to operational risks.

Management of Risk: The Bank strives to manage operational risk through a framework of controls, monitoring and response to the potential risks. Controls include an effective separation of the rights of access, authorization and reconciliation procedures, employee training and evaluation, as well as internal audits.

The Bank's objective concerning operational risk management and control is focused on identification, measurement / assessment, monitoring, control, mitigation and reporting.

The Bank's priority is thus to identify and mitigate risk sources, regardless of whether there is any loss incurred or not. The measurement also contributes to the setting of priorities for managing operational risk.

The different stages of the operational risk management and control model include:

- Identifying the operational risk inherent to all activities, products, processes and systems.
- Encouraging the involvement of all employees in an operational risk management culture, by means of an adequate training throughout the whole Organization.
- Measuring and assessing the operational risk objectively, constantly and coherently, according to the regulatory standards (Basel, SBP, among others) and those of the industry.
- Ongoing monitoring of the operational risk exposures, implementing control procedures, improving the internal knowledge thereof and mitigating losses.
- Establishing mitigation measures for minimizing operational risk.

Key Measures: Expressed quantitatively with a limit in the event of losses and a comparison of the operating losses of the Bank with its reference sector.

- Self-assessment: In order to perform the identification, measure and evaluation of the operational risk, a set of quantitative and qualitative techniques and tools were developed to assess the identified risk and to obtain an evaluation through the measurement and self-assessment of the respective area or business unit.
- Tools established to allow the registration of events and incidents, risk map (identification and assessment of inherent and residual risks), selection of indicators, monitoring of the mitigation of plans and managerial systems.

Money Laundering, Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction

Definition: Banks and Trust Companies must take all measures needed to prevent that their operations and/or transactions are being carried out with funds proceeding from activities related to the crimes of money laundering, the financing of terrorism or the financing of the proliferation of weapons of mass destruction.

- **Money Laundering:** Is the process of hiding or covering up the existence, illegal source, movement, destination or illegal use of goods or funds produced by illegal activities, in order to give them an appearance of legitimacy.

- **Financing of Terrorism:** Is any form of economic activity, help or mediation that provides financial support to the activities of terrorist groups or elements.

- **Financing of the proliferations of weapons of mass destruction:** Is any form of economic activity, help or mediation that provides financial support for buying weapons that are capable of eliminating a very high number of people indiscriminately and of causing great economic and environmental damages.

Management of Risk: The Bank's Compliance Area establishes guidelines for strengthening internal controls, comprehensive risk management and the Prevention of Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction. These guidelines are kept up-to-date in order to minimize the risk deriving from not complying with current legal dispositions in force, and to ensure the integrity and transparency of the transactions carried out by the business. In light of new Anti-Money Laundering and Combating the Financing of Terrorism in the country, enacted by Law 23, dated April 27, 2015, Rules 7-2015 and 10-2015 from the SBP, recently revised by Rule 001-2017, the pertinent modifications were adopted in the Anti-Money Laundering and Know your Customer Manuals.

In its agreements signed with customers Bladex incorporates relevant elements to emphasize compliance with the regulations for the prevention of money laundering and crimes related to corruption.

Key Measures:

- Application of the "Know your Customer" policy, which covers contractual or business relationships between the Bank and its customers.

- Due Diligence for clients, with the purpose of detecting signals of irregular or unusual behavior in their activity.

- Enhanced due diligence for High Risk Clients.

- Continuously monitoring and post-disbursement transaction reviews to verify the efficiency and effectiveness of the due diligence performed.

- Independent review of compliance issues (policies and procedures) carried out by the Internal Audit Department, or by an independent qualified third party.

- Training programs for employees that leads to prevention detect and punish corrupt behaviors that tend to facilitate or promote the use of the Bank as a tool for money laundering and financing of terrorism.

- Anonymous suspicious transactions reporting system allows employees and customers to report on situations confidentially, and aims to detect, investigate and follow up on suspicious activities.

Other Risks

Social / Environmental Risk

Definition: Social Risk is the possibility that a person suffers damages caused by a social cause, arising from the conditions of the environment surrounding the individual. Economic conditions, the lack of access to education, family problems, crime and environmental pollution are just a few of the circumstances that could generate social risk. The environmental risk is related to the damages that could result from environmental factors, whether natural or provoked by humans.

Management of Risk: The Bank finances import and export transactions for all types of goods and products, with the exception of restricted items such as weapons, ammunition, military equipment, and hallucinogenic drugs or narcotics not utilized for medical purposes.

Due to their negative impact on the environment, it is the Bank's policy not to finance operations with the following characteristics:

- Trade in wildlife or products derived there from, which are regulated under CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora).

- Sawmills or purchases of sawing equipment to be used in tropical rain forests.

- Production or marketing of pesticides and herbicides subject to international restrictions or prohibitions.

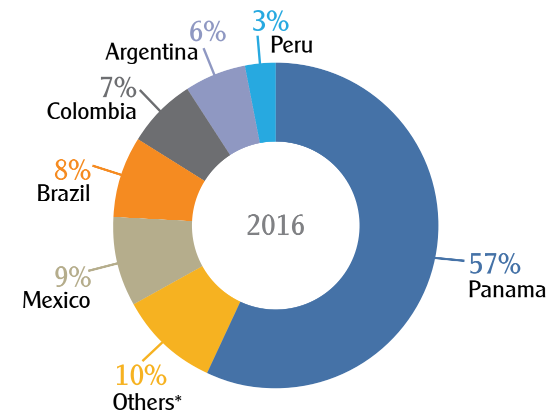
- Trading or producing substances that affect the ozone layer and that are subject to international restrictions.

HUMAN CAPITAL

At Bladex we are committed to our Human Capital, the Organization's main asset, providing a structural framework that facilitates an integration of cultures, development of know-how, strengthening of competencies, leadership, innovation and the comprehensive well-being of all employees

Countries represented at Bladex

(End-of-period)



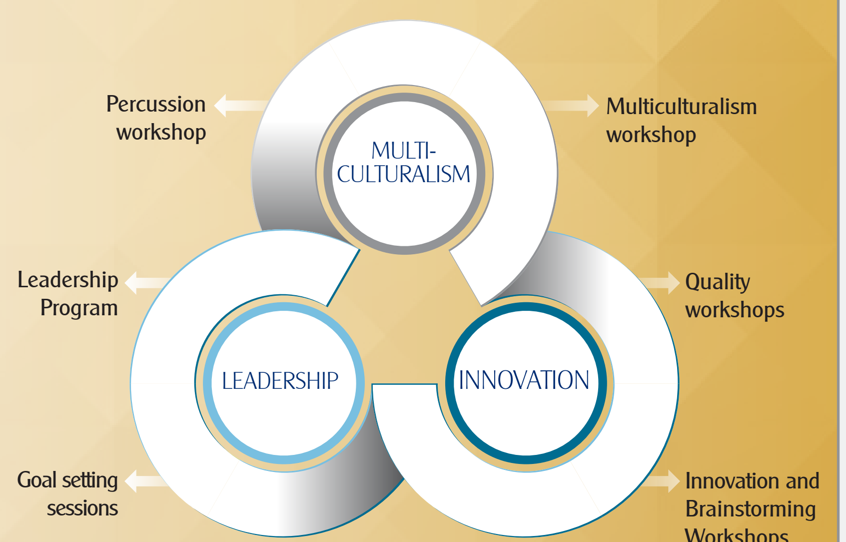
* Others: Germany, Bolivia, Chile, Costa Rica, Ecuador, Spain, USA, France, Guyana, Netherlands, Uruguay and Venezuela.

THE MULTI-CULTURAL ASPECT OF OUR HUMAN RESOURCES

Multiculturalism is one of Bladex's strengths. We were established as a company with multi-cultural capital and talent and this reality is immersed in our management. In 2016, we emphasized the importance of encouraging innovation and the generation of new ideas based on our multi-cultural heritage.

During 2016 "Bladex Day" integration workshops, the Bank organized interactive sessions about quality and innovation, highlighting our cultural differences and the benefits of having employees with different nationalities. In our Leadership Program we placed special emphasis on understanding the different ways people express themselves and communicate. This knowledge is useful to generate assertiveness and empathy during interaction with internal and external clients.

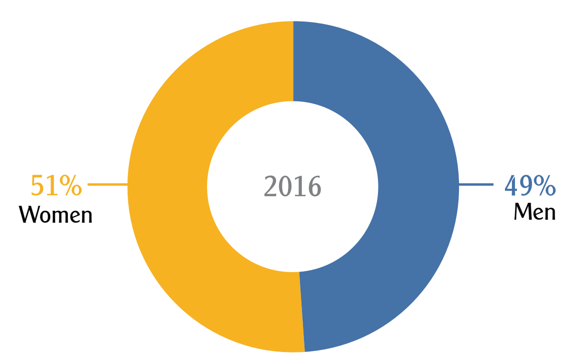
Bladex Day
Innovating and Leading through our Multiculturalism



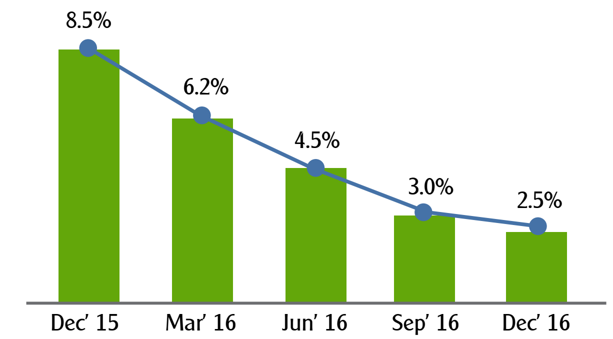
- We have a balanced workforce, where gender equality is very clear. By the end of the year 2016, 51% of the employees were women and 49% were men

Distribution of employees by gender at Bladex

(End-of-period)



Yearly Voluntary Turnover



- Keeping our employees motivated by means of incentives with recognition programs, tangible and intangible benefits and a management framework that lets them develop their know-how, skills and competencies, has brought a low voluntary turnover ratio

TRAINING AND DEVELOPMENT

Bladex's training and development programs are focused on a comprehensive development of functional competencies and on the skills required for the efficient performance of employees, as well as their interaction within the Organization as a whole.

Individual strengths are boosted by corporate training programs aiming to develop soft skills, such as emotional intelligence, time management and productivity, leadership and assertive communication, among others. The combination of functional, regulatory and corporate training programs provide employees with the knowledge and skills needed for the Bank's strategic goals.

The corporate "Know your Bladex" program consists of training sessions delivered by employees from the business and operative areas of the bank, where they provide information on their functions and responsibilities.

These sessions are focused on the impact of each area in the strategic plans, or on current market topics of our industry. During the year 2016, we presented the modules of Business, Finance, Compliance and Economic Studies with the participation of more than 38% of the employees.

The Leadership Program was focused on developing competencies in the following areas: Accountability, Commercial Planning, Influence Techniques for Leaders, Executive Communications, Leading Organizational Change and the Fundamentals of Project Management. All employees took part in at least two corporate training activities during the year.

SOCIAL CAPITAL

Fundación
Crece
Latinoamérica

Consistent with the values governing our corporate behavior, we remain committed to promoting through the Fundación Crece Latinoamérica, an active social program focused on providing educational and personal growth opportunities to children and young people from the most vulnerable sectors of the communities in which we operate. In 2016, we developed 14 projects in eight countries in the Region, benefitting an average of 9,000 children and young people, 5,500 more than in 2015

In Panama, we continue to support the work carried out by seven organizations at the national level, with particular emphasis on the Marie Poussepin Educational Center (CEMP), a school that benefits over 650 students with ages from 3 to 18 year old, from sectors at social risk in Panama City. By developing new infrastructure projects sponsored by the Bank's Foundation, the school was able to provide a nursery school since the beginning of 2016 and expand the kindergarten's capacity by adding a new classroom. Four high-school classrooms were also added, as well as a lab for the high school tourism degree program that, along with the expansion of the psychological support department and nursing area facilities, has enabled the CEMP to offer a complete quality education program.

Completion of the Marie Poussepin Educational Center high school construction project

In light of the excellent academic and community results achieved by the CEMP, the "Fundación Crece Latinoamérica", and the Ministry of Education of Panama decided to join efforts to replicate the model in the province of Colon, an area with high potential but beset by multiple social problems. As a result of efforts undertaken in 2016, the Government granted a land to build a school with the same characteristics of the CEMP. At the Hogar Divina Gracia shelter, our second largest project in the country, we built a recreational area and made additional enhancements to the infrastructure and IT equipment, providing a more comfortable environment and better conditions to carry out training for an average of 30 teenagers living there temporarily or permanently.

Over the past nine years, we have strongly supported the Parent Education Program led by the "Sociedad de Esposas de Banqueros", and this year 370 CEMP parents graduated from the program. We further support the financial literacy program run by the Panama Banking Association, that benefits 25 public schools in Panama City.

In order to benefit students from remote communities in the interior of the country, mainly from indigenous and peasant sectors, the Foundation sponsored a project to improve the facilities of the boarding school at the El Bale Community Center, where we also contributed with the acquisition of new equipment to optimize production at the sustainable farm they manage.

As part of the strategy to broaden our social work in Latin America, we covered five new countries in 2016: Argentina, Colombia, Ecuador, Honduras, and Nicaragua, through new partnerships entered into between the "Fundación Crece Latinoamérica" and local education-focused NGOs.

Parent Education Program graduation - Panama

"Sembrando Tecnología" (Sowing Technology) Program in partnership with the Fundación Wong - Ecuador

One Laptop per Child program launched in partnership with the Fundación Zamora Terán - Nicaragua

COMMUNITY VOLUNTEERING

The valuable participation of the Bank's employees is an important complement to the social programs carried out by the Fundación Crece Latinoamérica throughout the Region. Their contribution in resources, time, knowledge, and creativity has made it possible to launch educational, recreational and cultural activities, in Panama, as well as in Brazil and Peru.

Presentation of scholarships and talk on financial literacy at the CEMP - Panama

Talk on financial literacy - Peru

Education

- 110 scholarships were sponsored by employees for CEMP students - Panama.
- Five talks on financial literacy were given to junior and senior students at the CEMP.
- "7 Habits of Highly Effective Teens" workshop taught by Bank employees to graduating students of the CEMP high school tourism degree program.
- Talk on financial literacy to parents at the Héroes del Cenepa School - Peru.

CCVG - Panama

Hogar Divina Gracia shelter - Panama

Brascri - Brazil

Culture and Recreation

- Two-day tour of Panama City for 25 boarding school students from the Virgen de Guadalupe Missionary Center (CCVG) located in El Bale, province of Veraguas - Panama, as well as the delivery of audiovisual equipment, food and medications.
- Christmas parties for 650 students at the CEMP and 30 young residents at the Hogar Divina Gracia - Panama.
- Delivery of teaching materials for the reading room of the Sabiá II School, as well as a Christmas party for children at the Fundación Brascri, Brazil.

Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries

Consolidated Financial Statements as of December 31, 2016 and 2015

With the Independent Auditors Report

Banco Latinoamericano de Comercio Exterior, S.A.
and Subsidiaries

Consolidated Financial Statements
as of December 31, 2016 and 2015

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors of
Banco Latinoamericano de Comercio Exterior, S.A.

Opinion

We have audited the consolidated financial statements of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year the ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Allowance for expected credit losses on loans
See Notes 3.6 and 5.6 to the consolidated financial statements

Key audit matter

The balance of loans at amortized cost as of December 31, 2016 is US$6,020,731 thousands, an 84% of the assets of the Bank, and the balance of allowance for expected credit losses on loans is US$105,988 thousands.

These items were significant to our audit due to the significance of the balance of loans at amortized cost in the consolidated financial statements taken as a whole and the significant judgments and estimates required to determine the allowance.

For loans whose allowance for expected credit losses is determined on an individual basis, the identification of impairment events and the determination of the impaired balance requires the application of significant judgments by the Administration, particularly those in relation to expected cash flows. For collectively assessed loans, impairment measurement requires significant judgment and critical assumptions, in particular in determining the probability of default, the loss given default, and whether there has been a significant increase in the credit risk of the loan.

How the matter was addressed in the audit

Our procedures included:

- Test the design and implementation and operational effectiveness of the key controls on the process of loan impairment analysis.
- Involve specialists to determine that the methodology used by the Bank is appropriate under the framework of the International Financial Reporting Standards.

How the matter was addressed in the audit (continue)

- For loans evaluated individually, we performed the following:

  i. Tested a sample of significant loans not identified as impaired and challenged Management's assumptions about its conclusion that the loan was not impaired by reprocessing the credit rating of the loan using updated credit and financial information from the loan file and taking into consideration, when available, public information showing an impairment event.

  ii. Tested a sample of impaired loans and evaluated the impairment measurement performed by the Administration through: a) evaluating the assumptions and judgments that the Administration made to determine the value of the future cash flows that are expected to be received and (b) reprocessed the value of provisions.

- For collectively assessed loans, we performed the following:

  i. Control and substantive tests, assisted by specialists, to validate the history of defaults and recoveries of the Bank's loan portfolio, and to test the accuracy and completeness of the information used for computation and establishment of probabilities of default and historical losses given default used in the calculation of the collective allowance for expected credit losses.

  ii. Involved specialists to reprocess the methodology used by the Administration in determining the allowance for expected credit losses.

Deloitte.

Valuation of Derivative Financial Instruments
See Notes 3.7 and 5.7 to the consolidated financial statements.

Key audit matter

Derivative financial instruments used for hedging at December 31, 2016 amounted to an asset carrying value of US$9,352 thousand and a liability carrying value of US$59,686 thousand. The valuation of the derivative financial instruments of the Bank involves a degree of complexity due to the valuation techniques used and the importance of the judgments and estimates made by the Administration due to the lack of quoted market prices that can be obtained in an active market. Our audit has focused on valuation tests, including those for inclusion of collateral.

How the matter was addressed in the audit

Our audit procedures included, with the assistance of specialists in valuation of derivative financial instruments:

- Tests of design, implementation and operational effectiveness of key controls in the identification, measurement and monitoring of the risk of valuation of the Bank's derivative financial instruments, including controls on data sources, price verification and other inputs used in valuation models.
- Analysis of the variables used in the models. This work included the calculation of the fair value of a sample of derivative financial instruments using independent variables and in some cases resulted in valuations different from those calculated by the Bank, which were within the reasonable ranges.
- Tests of key inputs to the valuation model to review the results of the model.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Deloitte.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidated the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Deloitte.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonable be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Luis Castro.

Deloitte.

March 17, 2017
Panama, Republic of Panama

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Consolidated statement of financial position
For the years ended December 31, 2016 and 2015
(In US$ thousand)

	Notes	2016	2015
Assets			
Cash and cash equivalents	4,18	1,069,538	1,299,966
Financial Instruments:			
At fair value through profit or loss	5.2,18	-	53,411
At fair value through OCI	5.3,18	30,607	141,803
Securities at amortized cost, net	5.4,18	77,214	108,215
Loans at amortized cost	5.6	6,020,731	6,691,749
Less:			
Allowance for expected credit losses	5.6	105,988	89,974
Unearned interest and deferred fees	5.6	7,249	9,304
Loans at amortized cost, net		5,907,494	6,592,471
At fair value - Derivative financial instruments used for hedging – receivable	5.7,5.8,18	9,352	7,400
Property and equipment, net	7	8,549	6,173
Intangibles, net	8	2,909	427
Other assets:			
Customers' liabilities under acceptances	18	19,387	15,100
Accrued interest receivable	18	44,187	45,456
Other assets	9	11,546	15,794
Total of other assets		75,120	76,350
Total assets		7,180,783	8,286,216
Liabilities and stockholders' equity			
Deposits:	10,18		
Noninterest-bearing - Demand		1,617	639
Interest-bearing - Demand		125,397	243,200
Time		2,675,838	2,551,630
Total deposits		2,802,852	2,795,469
At fair value – Derivative financial instruments used for hedging – payable	5.7,5.8,18	59,686	29,889
Financial liabilities at fair value through profit or loss	5.1,5.8,18	24	89
Securities sold under repurchase agreement	5.8,11,18	-	114,084
Short-term borrowings and debt	12.1,18	1,470,075	2,430,357
Long-term borrowings and debt, net	12.2,18	1,776,738	1,881,813
Other liabilities:			
Acceptances outstanding	18	19,387	15,100
Accrued interest payable	18	16,603	17,716
Allowance for expected credit losses on loan commitments and financial guarantees contracts	6	5,776	5,424
Other liabilities	13	18,328	24,344
Total other liabilities		60,094	62,584
Total liabilities		6,169,469	7,314,285
Stockholders' equity:	14,15,16,19		
Common stock		279,980	279,980
Treasury stock	15	(69,176)	(73,397)
Additional paid-in capital in excess of assigned value of common stock		120,594	120,177
Capital reserves		95,210	95,210
Retained earnings		587,507	560,642
Accumulated other comprehensive loss	5.3,5.7,19	(2,801)	(10,681)
Total stockholders' equity		1,011,314	971,931
Total liabilities and stockholders' equity		7,180,783	8,286,216

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Consolidated statements of profit or loss
For the years ended December 31, 2016, 2015 and 2014
(In US$ thousand, except per share amounts)

	Notes	2016	2015	2014
Interest income:				
Deposits		4,472	2,050	1,545
At fair value through OCI		2,254	6,033	8,115
At amortized cost		239,172	212,229	203,238
Total interest income		245,898	220,312	212,898
Interest expense:				
Deposits		20,131	11,788	11,245
Short-term borrowings and debt		16,530	23,005	23,893
Long-term borrowings and debt		54,028	40,040	36,424
Total interest expense		90,689	74,833	71,562
Net interest income		155,209	145,479	141,336
Other income:				
Fees and commissions, net	21	14,306	19,200	17,502
Derivative financial instruments and foreign currency exchange	5.7	(486)	(23)	208
(Loss) Gain per financial instrument at fair value through profit or loss	22	(2,883)	5,731	2,361
(Loss) Gain per financial instrument at fair value through OCI		(356)	363	1,871
Gain on sale of loans at amortized cost		806	1,505	2,546
Other income		1,378	1,603	1,786
Net other income		12,765	28,379	26,274
Total income		167,974	173,858	167,610
Expenses:				
Impairment loss from expected credit losses on loans at amortized cost	5.6	34,760	17,248	6,782
Impairment loss from expected credit losses on investment securities	5.3,5.4	3	5,290	1,030
Impairment (recovery) loss from expected credit losses on loan commitments and financial guarantee contracts	6	352	(4,448)	3,819
Salaries and other employee expenses	23	25,196	30,435	31,566
Depreciation of equipment and leasehold improvements	7	1,457	1,371	1,545
Amortization of intangible assets	8	629	596	942
Other expenses	24	18,532	19,382	19,560
Total expenses		80,929	69,874	65,244
Profit for the year		87,045	103,984	102,366
Earnings per share:				
Basic	14	2.23	2.67	2.65
Diluted	14	2.22	2.66	2.63
Weighted average basic shares	14	39,085	38,925	38,693
Weighted average diluted shares	14	39,210	39,113	38,882

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of profit or loss and other comprehensive income
For the years ended December 31, 2016, 2015 and 2014

(In US$ thousand)

	Notes	2016	2015	2014
Profit for the year		87,045	103,984	102,366
Other comprehensive income (loss):				
Items that are or may be reclassified to consolidated statement of profit or loss:				
Net change in unrealized gain (losses) on financial instruments at fair value through OCI	19	8,078	(2,114)	2,212
Net change in unrealized losses on derivative financial instruments	19	(198)	(730)	(349)
Other comprehensive income (loss)	19	7,880	(2,844)	1,863
Total comprehensive income for the year		94,925	101,140	104,229

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity
For the years ended December 31, 2016, 2015 and 2014

(In US$ thousand)

	Common stock	Treasury stock	Additional paid-in capital in excess of assigned value of common stock	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balances at January 1, 2014	279,980	(82,008)	120,624	95,210	454,896	(9,700)	859,002
Profit for the year	-	-	-	-	102,366	-	102,366
Other comprehensive income	-	-	-	-	-	1,863	1,863
Issuance of restricted stock	-	629	(629)	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	2,573	-	-	-	2,573
Exercised options and stock units vested	-	4,392	(2,924)	-	-	-	1,468
Repurchase of "Class B" and "Class E" common stock	-	(640)	-	-	-	-	(640)
Dividends declared	-	-	-	-	(55,593)	-	(55,593)
Balances at December 31, 2014	279,980	(77,627)	119,644	95,210	501,669	(7,837)	911,039
Profit for the year	-	-	-	-	103,984	-	103,984
Other comprehensive income	-	-	-	-	-	(2,844)	(2,844)
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	3,296	-	-	-	3,296
Exercised options and stock units vested	-	2,971	(1,504)	-	-	-	1,467
Dividends declared	-	-	-	-	(45,011)	-	(45,011)
Balances at December 31, 2015	279,980	(73,397)	120,177	95,210	560,642	(10,681)	971,931
Profit for the year	-	-	-	-	87,045	-	87,045
Other comprehensive income	-	-	-	-	-	7,880	7,880
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	3,063	-	-	-	3,063
Exercised options and stock units vested	-	2,962	(1,387)	-	-	-	1,575
Dividends declared	-	-	-	-	(60,180)	-	(60,180)
Balances at December 31, 2016	279,980	(69,176)	120,594	95,210	587,507	(2,801)	1,011,314

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Consolidated statements of cash flows
For the years ended December 31, 2016, 2015 and 2014
(In US$ thousand)

	2016	2015	2014
Cash flows from operating activities			
Profit for the year	87,045	103,984	102,366
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Activities of derivative financial instruments used for hedging	21,333	(2,279)	33,338
Depreciation of equipment and leasehold improvements	1,457	1,371	1,545
Amortization of intangible assets	629	596	942
Impairment loss from expected credit losses	35,115	18,090	11,638
Net gain (loss) on sale of financial assets at fair value through OCI	356	(363)	(1,871)
Compensation cost - share-based payment	3,063	3,296	2,573
Interest income	(245,898)	(220,312)	(212,898)
Interest expense	90,689	74,833	71,562
Net decrease (increase) in operating assets:			
Net decrease (increase) in pledged deposits	(29,148)	6,546	(30,178)
Financial instruments at fair value through profit or loss	53,411	2,545	11,738
Net decrease (increase) in loans at amortized cost	650,217	(7,410)	(536,075)
Other assets	(39)	(7,738)	(5,191)
Net increase (decrease) in operating liabilities:			
Net increase due to depositors	7,383	288,775	145,358
Financial liabilities at fair value through profit or loss	(65)	37	(20)
Other liabilities	(1,774)	6,398	3,646
Cash provided by operating activities:			
Interest received	247,167	223,033	205,519
Interest paid	(91,802)	(71,972)	(70,530)
Net cash provided by (used in) operating activities	829,139	419,430	(266,538)
Cash flows from investing activities:			
Acquisition of equipment and leasehold improvements	(3,973)	(615)	(87)
Acquisition of intangible assets	(3,111)	-	(83)
Proceeds from disposal of equipment and leasehold improvements	140	32	13
Proceeds from disposal of intangible assets	-	1	7
Proceeds from the redemption of of financial instruments at fair value through OCI	107,088	151,131	62,535
Proceeds from the sale of financial instruments at fair value through OCI	102,655	118,210	223,219
Proceeds from maturities of financial instruments at amortized cost	55,240	44,923	19,883
Purchases of financial instruments at fair value through OCI	(84,153)	(86,629)	(287,770)
Purchases of financial instruments at amortized cost	(24,600)	(96,920)	(40,305)
Net cash provided by (used in) investing activities	149,286	130,133	(22,588)
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings and debt and securities sold under repurchase agreements	(1,074,366)	(448,615)	1,529
Proceeds from long-term borrowings and debt	403,489	946,084	641,138
Repayments of long-term borrowings and debt	(508,564)	(462,559)	(389,490)
Dividends paid	(60,135)	(59,943)	(54,262)
Exercised stock options	1,575	1,467	1,469
Repurchase of common stock	-	-	(640)
Net cash (used in) provided by financing activities	(1,238,001)	(23,566)	199,744
Net (decrease) increase in cash and cash equivalents	(259,576)	525,997	(89,381)
Cash and cash equivalents at beginning of the year	1,267,302	741,305	830,686
Cash and cash equivalents at end of the year	1,007,726	1,267,302	741,305

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016, 2015 and 2014

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

1. Corporate information

Banco Latinoamericano de Comercio Exterior, S. A. ("Bladex Head Office" and together with its subsidiaries "Bladex" or the "Bank"), headquartered in Panama City, Republic of Panama, is a specialized multinational bank established to support the financing of trade and economic integration in Latin America and the Caribbean (the "Region"). The Bank was established pursuant to a May 1975 proposal presented to the Assembly of Governors of Central Banks in the Region, which recommended the creation of a multinational organization to increase the foreign trade financing capacity of the Region. The Bank was organized in 1977, incorporated in 1978 as a corporation pursuant to the laws of the Republic of Panama, and officially initiated operations on January 2, 1979. Under a contract law signed in 1978 between the Republic of Panama and Bladex, the Bank was granted certain privileges by the Republic of Panama, including an exemption from payment of income taxes in Panama.

The Bank operates under a general banking license issued by the National Banking Commission of Panama, predecessor of the Superintendency of Banks of Panama (the "SBP").

In the Republic of Panama, banks are regulated by the SBP through Executive Decree No. 52 of April 30, 2008, which adopts the unique text of the Law Decree No. 9 of February 26, 1998, modified by the Law Decree No. 2 of February 22, 2008. Banks are also regulated by resolutions and agreements issued by this entity. The main aspects of this law and its regulations include: the authorization of banking licenses, minimum capital and liquidity requirements, consolidated supervision, procedures for management of credit and market risks, measures to prevent money laundering, the financing of terrorism and related illicit activities, and procedures for banking intervention and liquidation, among others.

Bladex Head Office's subsidiaries are the following:

- Bladex Holdings Inc. a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Bladex Holdings Inc. has ownership in Bladex Representacao Ltda.

- Bladex Representaçao Ltda., incorporated under the laws of Brazil on January 7, 2000, acts as the Bank's representative office in Brazil. Bladex Representacao Ltda. is 99.999% owned by Bladex Head Office and the remaining 0.001% owned by Bladex Holdings Inc.

- Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owned 99% of Bladex Investimentos Ltda., and Bladex Holdings Inc. owned the remaining 1%. This company had invested substantially all of its assets in an investment fund, Alpha 4x Latam Fundo de Investimento Multimercado, incorporated in Brazil ("the Brazilian Fund"), registered with the Securities and Exchange Commission of Brazil ("CVM", for its acronym in Portuguese). Bladex Investimentos Ltda. merged with Bladex Representacao Ltda. on April 2016, being the former the extinct company under Brazilian law and prevailing the acquiring company Bladex Representacao Ltda.

- Bladex Development Corp. was incorporated under the laws of Panama on June 5, 2014. Bladex Development Corp. is 100% owned by Bladex Head Office.

- BLX Soluciones, S.A. de C.V., SOFOM, E.N.R. was incorporated under the laws of Mexico on June 13, 2014. BLX Soluciones is 99.9% owned by Bladex Head Office, and Bladex Development Corp. owns the remaining 0.1%. The company specializes in offering financial leasing and other financial products such as loans and factoring.

Bladex Head Office has an agency in New York City, USA (the "New York Agency"), which began operations on March 27, 1989. The New York Agency is principally engaged in financing transactions related to international trade, mostly the confirmation and financing of letters of credit for customers in the Region. The New York Agency also has authorization to book transactions through an International Banking Facility ("IBF").

The Bank has representative offices in Buenos Aires, Argentina; in Mexico City, and Monterrey, Mexico; in Lima, Peru; and in Bogota, Colombia.

The consolidated financial statements have been authorized for issue by resolution of the Board of Directors dated February 14, 2017.

2. Basis of preparation of the consolidated financial statements

2.1 Statement of compliance

The consolidated financial statements of Banco Latinoamericano de Comercio Exterior, S. A. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the IFRS Interpretation Committee (formerly known as IFRIC).

2.2 Basis of valuation and presentation currency

The consolidated financial statements have been prepared on the basis of fair value for financial assets and liabilities through profit or loss, derivative financial instruments, investments and other financial assets at fair value through other comprehensive income. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges, that would otherwise be carried at amortized cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. Other financial assets and liabilities and other non-financial assets and liabilities are presented at amortized cost or on a historical cost basis.

All amounts presented in the consolidated financial statements and notes are expressed in United States of America dollars (US dollar), which is the functional currency of the Bank.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of Bladex and its subsidiaries. Bladex consolidates its subsidiaries from the date on which control is transferred to the Bank. All intercompany balances and transactions have been eliminated for consolidation purposes. Specifically, the Bank controls an investee if, and only if, the Bank has:

- Power over the investee. Existing rights that give it the current ability to direct the relevant activities of the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its return.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Bank has less than the majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016, 2015 and 2014
(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

2. Basis of preparation of the consolidated financial statements

2.3 Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognizes the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in the consolidated statement of profit or loss. Any investment retained is recognized at fair value.

In the event of a loss of control of a controlled subsidiary, the Bank applies the following procedures to remove the subsidiary from consolidation:

- Derecognition of the assets (including goodwill) and liabilities of the subsidiary
- Derecognition of the carrying amount of any non-controlling interest
- Derecognition of the cumulative translation differences, recorded in statement of changes in equity
- Recognition of the fair value of the consideration received
- Recognition of the fair value of any investment retained
- Recognition of any surplus or deficit to the consolidated statement of profit or loss
- Reclassification of the parent's share of components previously recognized in other comprehensive income to the consolidated statement of profit or loss or retained earnings, as appropriate.

3. Summary of significant accounting policies

The following are the significant accounting policies applied consistently by the Bank to all years presented in these consolidated financial statements.

3.1 Currency and foreign currency transactions

3.1.1 Foreign currency transactions

For each entity, the Bank determines the functional currency, and items included in the consolidated financial statements of each entity are measured using the functional currency.

3.1.2 Transactions and balances

Assets and liabilities of foreign subsidiaries, whose local currency is considered their functional currency, are translated into the reporting currency, US dollars, using month-end spot foreign exchange rates. The Bank uses monthly-averaged exchange rates to translate revenues and expenses from local functional currency into US dollars. The effects of those translations adjustments are reported as a component of the accumulated other comprehensive income (loss) in the consolidated statement of changes in equity.

Transactions whose terms are denominated in a currency other than the functional currency, including transactions denominated in local currency of the foreign entity with the US dollar as their functional currency, are recorded at the exchange rate prevailing at the date of the transaction. Assets and liabilities in foreign currency are translated into US dollar using month-end spot foreign exchange rates. The effects of translation of monetary assets and liabilities into US dollar are included in current year's earnings in the gain (loss) on foreign currency exchange line item.

3. Summary of significant accounting policies (continued)

3.1 Currency and foreign currency transactions (continued)

3.1.2 Transactions and balances (continued)

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Bank's net investment in a foreign operation. These are recognized in consolidated statements of other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is classified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statements of other comprehensive income, if applicable.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

3.2 Cash and cash equivalents

Cash equivalents include demand deposits in banks and interest-bearing deposits in banks with original maturities of three months or less, excluding pledged deposits.

3.3 Financial instruments

3.3.1 Date of recognition

All financial assets and liabilities are initially recognized on the trade date, the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3.3.2 Initial measurement of financial instruments

The Bank classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of these financial assets. The Bank classifies all financial liabilities as subsequently measured at amortized costs, except for those liabilities measured at fair value through profit or loss as a result of hedge accounting, as well as liabilities measured at fair value in the case of undesignated derivatives.

3.3.3 Business model assessment

The Bank makes an assessment of the objective of the business model in which the financial asset is held at a portfolio level, because this reflects the way the business is managed and information is provided to management. The information considers the following:

- The Bank's policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risk that affect the performance of the business model and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016, 2015 and 2014
(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

3. Summary of significant accounting policies (continued)

3.3.4 Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers the following:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

3.3.5 Financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets and liabilities at fair value through profit or loss include financial instruments acquired for trading purposes, and receivables (unrealized gains) and payables (unrealized losses) related to derivative financial instruments which are not designated as hedges or which do not qualify for hedge accounting.

Unrealized and realized gains and losses on assets and liabilities at FVTPL are recorded in the consolidated statement of profit or loss as net gain (loss) from financial instruments at FVTPL.

3.3.6 Financial assets at fair value through other comprehensive income (FVOCI)

These securities consist of debt instruments not classified as either securities at FVTPL or securities at amortized cost, and are subject to the same approval criteria as the rest of the credit portfolio. These securities are carried at fair value if both of the following conditions are met:

- The financial asset is held according to a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Unrealized gains and losses are reported as net increases or decreases to accumulated other comprehensive income (loss) ("OCI") in the consolidated statement of changes in equity until they are realized. Realized gains and losses from the sale of securities which are included in net gain on sale of securities are determined using the specific identification method.

3.3.7 Financial assets at amortized cost

Financial assets classified at amortized cost represent securities and loans whose objective is to hold them in order to collect contractual cash flows over the life of the instrument. These securities and loans are measured at amortized cost if both of the following conditions are met:

- The financial asset is held according to a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.8 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

3.3.9 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset and either has transferred substantially all risk and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- The Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.
- When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset or portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is extinguished, when the obligation specified in the contract is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a an extinguishment of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of profit or loss.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016, 2015 and 2014
(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

3. Summary of significant accounting policies (continued)

3.3.9 Derecognition of financial assets and financial liabilities (continued)

Impairment of financial assets – investment securities

The Bank conducts periodic reviews for all of its securities. The Bank recognizes a loss allowance for expected credit losses on investment securities measured at fair value through other comprehensive income and investment securities measured at amortized cost. If at the reporting date, the credit risk of these financial instruments has not increased significantly since initial recognition, the Bank will measure the loss allowance for those financial instruments at an amount equal to 12-month expected credit losses. However, if the Bank determines that the credit risk of those financial instruments has increased significantly since initial recognition, then it measures a loss allowance at an amount equal to the lifetime expected credit losses. If the Bank has measured a loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting year because of a significant increase in credit risk, but determines at the current reporting date that this presumption is no longer met; then it will measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date. The Bank recognizes in the consolidated statement of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance to the amount that is required to be recognized at the reporting date.

For financial instruments measured at fair value through OCI, the expected credit losses do not reduce the carrying amount in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset was measured at amortized cost is recognized in the consolidated statement of profit or loss and other comprehensive income as the accumulated impairment amount. Impairment gains or losses are accounted for as an adjustment of the revaluation reserve in the accumulated other comprehensive income, with a corresponding charge to the consolidated statement of profit or loss.

Impairment on securities is evaluated considering numerous factors, and their relative significance varies case by case. Factors considered in determining whether a detrimental impact on the estimated future cash flows of a financial asset has occurred include, but are not limited to: significant financial difficulty of the issuer; high probability of bankruptcy; granting a concession to the issuer; disappearance of an active market because of financial difficulties; breach of contract, such as default or delinquency in interest or principal; and, observable data indicating there is a measureable decrease in the estimated future cash flows since initial recognition.

If a security is no longer publicly traded or the entity´s credit rating is downgraded, this is not, by itself, evidence of impairment, but should be considered for impairment together with other information. A decline in the fair value of an investment security below its amortized cost is not necessarily evidence of impairment, as it may be due to an increase in market interest rates. Whether a decline in fair value below cost is considered significant or prolonged, must be assessed on an instrument-by-instrument basis and should be based on both qualitative and quantitative factors. However, the assessment of prolonged decline should not be compared to the entire period that the investment has been or is expected to be held.

3.4 Non-financial assets

A non-financial asset is an asset with a physical or intangible value and it is subject to the impairment guidelines prescribed in IAS 36 – *Impairment of assets.*

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

3. Summary of significant accounting policies (continued)

3.4 Non-financial assets

3.4.1 Impairment of non-financial assets

A non-financial asset is impaired when an entity will not be able to recover that asset's carrying value, either through using it or selling it. If circumstances arise which indicate that a non-financial asset might be impaired, a review should be undertaken of its cash generating abilities through use or sale. This review will produce an amount which should be compared with the assets's carrying value, and if the carrying value is higher, the difference must be written off as an impairment in the consolidated statement of profit or loss. On the other hand, if there is any indication that previously recognized impairment losses may no longer exists or may have decreased, the Bank makes an estimate of the recoverable amount. In that case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

3.5 Loans - at amortized cost

Loans are reported at their amortized cost considering the principal outstanding amounts net of unearned interest, and deferred fees and allowance for expected credit losses. Interest income is recognized using the effective interest rate method. This shall be calculated by applying the effective interest rate to the gross carrying amount of the loan, except for: a) purchased or originated credit-impaired loans. For these financial assets, the Bank applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition; and b) loans that have subsequently become credit-impaired financial assets. For these loans, the Bank shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting years.

The amortization of net unearned interest and deferred fees are recognized as an adjustment to the related loan yield using the effective interest rate method.

Purchased loans are recorded at acquisition cost. The difference between the principal and the acquisition cost of loans, the premiums and discounts, is amortized over the life of the loan as an adjustment to the yield. All other costs related to acquisition of loans are expensed when incurred.

<u>Default</u>

The Bank considers a financial asset to be in default when it presents any of the following characteristics:

- The debtor is past due for more than 90 days in any of its obligations to the bank, either in the loan principal or interest; or when the principal balance with one single balloon payment was due for more than 30 days;
- Deterioration in the financial condition of the client, or the existence of other factors with the administration to estimate the possibility that the balance of principal and interest on customer loans is not fully recovered.

The above presumptions regarding past due loans may be rebuttable if the Bank has reasonable and supportable information that is available without undue cost or effort, that demonstrate that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 or 90 days past due.

In assessing whether a borrower is in default, the Bank considers indicators that are qualitative and quantitative based on data developed internally and obtained from external sources. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

<u>Modified Loan</u>

A modified or renegotiated loan is a loan whose borrower is experiencing financial difficulties and the renegotiation constitutes a concession to the borrower. A concession may include modification of terms such as an extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, and reduction in the face amount of the loan or reduction of accrued interest, among others.

3. Summary of significant accounting policies (continued)

3.5 Loans - at amortized cost (continued)

In the renegotiation or modification of the contractual cash flows of the loan, the Bank shall:

- Continue with its current accounting treatment for the existing loan that has been modified.
- Record a modification gain or loss by recalculating the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows, discounted at the loan's original effective interest rate.
- Assess whether there has been a significant increase in the credit risk of the financial instrument, by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). The loan that is modified is not automatically considered to have a lower credit risk. The assessment should consider credit risk over the expected life of the asset based on the historical and forward-looking information, including information about the circumstances that led to the modification. Evidence that the criteria for the recognition of lifetime expected credit losses are subsequently no longer met may include a history of up-to-date and timely payment in subsequent periods. A minimum period of observation will be necessary before a financial asset may qualify to return to a 12-month expected credit loss measurement.
- Make the appropriate quantitative and qualitative disclosures required for renegotiated or modified assets to reflect the nature and effect of such modifications (including the effect on the measurement of expected credit losses) and how the Bank monitors these loans that have been modified.

The Bank recognizes a loss allowance for expected credit losses (ECL) on a loan that is measured at amortized cost at each reporting date at an amount equal to the lifetime expected credit losses if the credit risk on that loan has increased significantly since initial recognition. If at the reporting date, the credit risk of that loan has not increased significantly since initial recognition, an entity shall measure the loss allowance for that loan at an amount equal to 12-month expected credit losses.

The Bank maintains a system of internal credit quality indicators. These indicators are assigned depending on several factors which include: profitability, quality of assets, liquidity and cash flows, capitalization and indebtedness, economic environment and positioning, regulatory framework and/or industry, sensitivity scenarios and the quality of borrower's management and shareholders, among others.

A description of these indicators is as follows:

Rating	Description
1 to 4	Clients with payment ability to satisfy their financial commitments.
5 to 6	Clients with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	Clients exposed to systemic risks specific to the country or the industry in which they are located, facing adverse situations in their operation or financial condition. At this level, access to new funding is uncertain.
8	Clients whose primary source of payment (operating cash flow) is inadequate, and who show evidence of deterioration in their working capital that does not allow them to satisfy payments on the agreed terms, endangering recovery of unpaid balances.
9	Clients whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms. Due to the fact that the borrower presents an impaired financial and economic situation, the likelihood of recovery is low.
10	Clients with operating cash flow that does not cover their costs, are in suspension of payments, presumably will also have difficulties fulfilling possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

3. Summary of significant accounting policies (continued)

3.5 Loans - at amortized cost (continued)

In order to maintain periodical monitoring of the quality of the portfolio, clients are reviewed within a frequency of time between 3 and 12 months, depending on the risk rating.

The Bank's lending portfolio is comprised of the following segments: corporations, sovereign, middle-market companies and banking and financial institutions. The distinction between corporations and middle-market companies depends on the client's level of annual sales in relation to the country risk, among other criteria. Except for the sovereign segment, segments are broken down into state-owned and private.

The Bank's lending policy is applicable to all types of loans.

3.6 Allowance for expected credit losses

The allowance for expected credit losses is provided for losses derived from the credit extension process, inherent in the loan portfolio and loan commitments and financial guarantee contracts, using the reserve methodology to determine expected credit losses. Additions to the allowance for expected credit losses are made by debiting earnings. Credit losses are deducted from the allowance, and subsequent recoveries are added. The allowance is also decreased by reversals of the allowance back to earnings. The allowance for expected credit losses for loans at amortized cost is reported as a deduction of loans and, as a liability, the allowance for expected credit losses on loan commitments and financial guarantee contracts, such as, letters of credit and guarantees.

The Bank measures expected credit losses (ECLs) in a way that reflects: a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; b) the time value of money; and c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The expected credit loss model reflects the general pattern of deterioration or improvement in the credit quality of the loans. The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. There are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all loans (from initial recognition) as long as there is no significant deterioration in credit quality,

- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis. In Stages 2 and 3 interest revenue is recognized. Under Stage 2 (as under Stage 1), there is a full decoupling between interest recognition and impairment and interest revenue is calculated on the gross carrying amount. Under Stage 3, when a loan subsequently becomes credit impaired (when a credit event has occurred), interest revenue is calculated on the amortized cost, net of impairment, i.e. the gross carrying amount after deducting the impairment allowance. In subsequent reporting years, if the credit quality of the financial asset improves so that the financial asset is no longer credit-impaired and the improvement can be related objectively to the occurrence of an event (such as an improvement in the borrower's credit rating), then the entity will once again calculate the interest revenue on a gross basis.

The allowance for expected credit losses includes an asset-specific component and a formula-based component. The asset-specific component, or specific allowance, relates to the provision for losses on credits considered impaired and measured individually case-by-case. A specific allowance is established when the discounted cash flows (or observable fair value of collateral) of the credit is lower than the carrying value of that credit. The formula-based component (collective assessment basis), covers the Bank's performing credit portfolio and it is established based in a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative judgment. This analysis considers comprehensive information that incorporates not only past-due data, but other relevant credit information, such as forward looking macro-economic information.

3. Summary of significant accounting policies (continued)

3.6 Allowance for expected credit losses (continued)

Significant increase in credit risk

When assessing whether the credit risk on a loan has increased significantly, the Bank considers the change in the risk of default occurring since initial recognition. For a loan to be considered in "default", management considers criteria used in the internal credit risk model and qualitative factors, such as financial covenants, when appropriate.

At each reporting date, the Bank assesses significant increases in credit risk based on the change in the risk of a default occurring over the expected life of the credit instrument. In order to make the assessment of whether there has been significant credit deterioration, the Bank considers reasonable and supportable information that is available without undue cost or effort and comparing:

- The risk of a default occurring on the financial instrument as at the reporting date, and
- The risk of a default occurring on the financial instrument as at the date of initial recognition.

For loan commitments, the Bank considers changes in the risk of a default occurring on the 'potential' loan to which a loan commitment relates, and for financial guarantee contracts, changes in the risk that the specified debtor will default, are taken into consideration. In order to determine whether there has been a significant increase in the credit risk of the financial instrument, the assessment is based on quantitative information and qualitative information. The Bank considers the following factors though not exhaustive, when measuring significant increase in credit risk:

a) Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception; b) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life; c) An actual or expected significant change in the financial instrument's external credit rating; d) Existing or forecast adverse changes in business, financial or economic conditions; e) An actual or expected significant change in the operating results of the borrower; f) An actual or expected significant adverse change in the regulatory environment; g) economic, or technological environment of the borrower; h) Significant changes in the value of the collateral supporting the obligation; i) Significant changes, such as reductions, in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancements, among other factors incorporated in the Bank's ECLs model.

The reserve balances, for exposures on loans at amortized cost and loan commitments and financial guarantees contracts, are calculated applying the following formula:

Reserves = $\sum(E \times PD \times LGD)$; where:

- Exposure (E) = the total accounting balance at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio to account for 12-month expected credit losses and lifetime probability of default to account for more than 12-month. Default rates are based on Bladex's historical portfolio performance per rating category, complemented by International Rating Agency's probabilities of default for categories 6, 7 and 8, in view of the greater robustness of data for such cases.
- Loss Given Default (LGD) = a factor is utilized, based on historical information, same as based on best practices in the banking industry, volatility and simulated scenarios based on forward-looking information. Management applies judgment and historical loss experience. Management also applies complementary judgment to capture elements of prospective nature or loss expectations based on risks identified in the environment that are not necessarily reflected in the historical data. The allowance policy is applicable to all classes of loans and, loan commitments and financial guarantee contracts of the Bank.

3. Summary of significant accounting policies (continued)

3.6 Allowance for expected credit losses (continued)

Write-off

When the Bank has no reasonable expectations of recovering the loan, then the gross carrying amount of the loan is directly reduced in its entirety; thus, constituting a derecognition event. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

If the amount of loss on write-off is greater than the accumulated loss allowance, the differences will be recognized as an additional impairment loss.

3.7 Derivative financial instruments for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated.

The Bank uses derivative financial instruments for its management of interest rate and foreign exchange risks. Interest rate swap contracts, cross-currency swap contracts and foreign exchange forward contracts have been used to manage interest rate and foreign exchange risks respectively associated with debt securities and borrowings with fixed and floating rates, and loans and borrowings in foreign currency.

These derivatives contracts can be classified as fair value and cash flow hedges. In addition, foreign exchange forward contracts are used to hedge exposures to changes in foreign currency in subsidiary companies with functional currencies other than the US dollar. These contracts are classified as net investment hedges.

The accounting for changes in value of a derivative depends on whether the contract is for trading purposes or has been designated and qualifies for hedge accounting.

Derivatives held for trading purposes include interest rate swap, cross-currency swap, foreign exchange forward and future contracts used for risk management purposes that do not qualify for hedge accounting. These derivatives are reported as asset or liabilities, as applicable. Changes in realized and unrealized gains and losses and interest from these financial instruments are included in gain or loss per financial instrument at fair value through profit or loss.

Derivatives for hedging purposes primarily include foreign exchange forward contracts and interest rate swap contracts in US dollar and cross-currency swaps. Derivative contracts designated and qualifying for hedge accounting are reported in the consolidated statement of financial position as derivative financial instruments used for hedging - receivable and payable, as applicable, and hedge accounting is applied. In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. Each derivative must be designated as a hedge, with documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, as well as how effectiveness will be assessed prospectively. The extent to which a hedging instrument is effective at achieving offsetting changes in fair value or cash flows must be assessed at least quarterly. Any ineffectiveness must be reported in current-year earnings.

3. Summary of significant accounting policies (continued)

3.7 Derivative financial instruments and hedge accounting (continued)

Economic relationship

As the Bank enters into a hedging relationship, the first requirement is that the hedging instrument and the hedged item must be expected to move in the opposite direction as a result of the change in the hedged risk. This should be based on an economic rationale, as could be the case if the relationship is based only on a statistical correlation. This requirement is fulfilled for many of the hedging relationships carried by the Bank as the underlying of the hedging instrument matches, or is closely aligned with the hedged risk. Even when there are differences between the hedged item and the hedging instrument, the economic relationship will often be capable of being demonstrated using a qualitative assessment. The assessment considers, whether qualitative or quantitative, the following: a) maturity; b) nominal amount; c) cash flow dates; d) interest rate basis; and e) credit risk, including the effect of collateral, among others.

Hedge ratio

The hedge ratio is the ratio between the amount of hedged item and the amount of the hedging instrument. For most of the hedging relationships, the hedge ratio is 1:1 as the underlying of the hedging instrument perfectly matches the designated hedged risk. For a hedging relationship with a correlation between the hedged item and the hedging instrument that is not 1:1 relationship, generally set the hedge ratio so as to adjust for the type of relation in order to improve effectiveness.

Discontinuation of hedge accounting

The Bank discontinues hedge accounting prospectively in the following situations:

1. It is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item.
2. The derivative expires or is sold, terminated or exercised.
3. It is determined that designation of the derivative as a hedging instrument is no longer appropriate.

The Bank carries all derivative financial instruments in the consolidated statement of financial position at fair value.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized in the consolidated statement of profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedge relationship is terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively and the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of variability in cash flows attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in OCI and it is presented in the hedging reserve within equity and recognized in the consolidated statement of profit or loss when the hedged cash flows affect earnings. The ineffective portion is recognized in the consolidated statement of profit or loss as activities of derivative financial instruments and hedging. If the cash flow hedge relationship is terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively and the related amounts in OCI are reclassified into earnings when hedged cash flows occur.

3. Summary of significant accounting policies (continued)

3.7 Derivative financial instruments and hedge accounting (continued)

Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognized in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognized in the consolidated statement of profit or loss. The amount recognized in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

3.8 Repurchase agreements

Repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Bank continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Bank sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

3.9 Borrowings and debt

Short and long-term borrowings and debt are accounted for at amortized cost.

3.10 Recognition of income and expenses

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers.

Income is recognized to the extent that is probable that the economic benefits will flow to the Bank and it is reliably measured, regardless of when the payment is made. This income is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment an excluding taxes or duty.

Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time.
- Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and other management and advisory fees.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

3. Summary of significant accounting policies (continued)

3.10 Recognition of income and expenses (continued)

Fees and commissions on loans at amortized cost

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on an effective interest rate basis. These fees are regarded as compensation for an ongoing involvement with the acquisition of a financial instrument. If the commitment expires without the Bank making the loan, the fee is recognized as revenue on expiration.

Loan origination fees, net of direct loan origination costs, are deferred, and the net amount is recognized as revenue over the contractual term of the loans as an adjustment to the yield. When there are concerns about the realization of loan principal or interest, these net fees are recognized as revenue at the credit-adjusted effective interest rate for credit-impaired financial assets. Underwriting fees are recognized as revenue when the Bank has rendered all services to the issuer and is entitled to collect th e fee from the issuer, when there are no contingencies related to the fee. Underwriting fees are recognized net of syndicate expenses.
In addition, the Bank recognizes credit arrangement and syndication fees as revenue after satisfying certain retention, timing and yield criteria.

Fees received in connection with a modification of terms of a loan at amortized cost are applied as a reduction of the recorded investment in the loan. Fees earned on letters of credit, financial guarantees and other commitments are amortized using the straight-line method over the life of such instruments.

3.11 Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

	Useful life in Years
Furniture and equipment	3 to 5 years
Leasehold improvements	3 to 15 years or up to the lease term

Improvements to leased properties, under operating leases are amortized on a straight line calculated without exceeding the len gth of the respective lease contracts.

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income or other expenses in the consolidated statement of profit or loss in the year that the asset is derecognized.

3. Summary of significant accounting policies (continued)

3.12 Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful life are amortized using the straight-line method over the estimated useful lives of assets which are reviewed annually by the Bank. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the consolidated statement of profit or loss.

Bank's intangible assets include the value of computer software. Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 5 years. Gains or losses arising from the derecognition of an intangible asset is determined by the Bank as the difference between proceeds from the sale or disposal and the net carrying amount of the intangible asset and recognizing them in the results for the year in which the transaction occurs.

3.13 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the consolidated statement of financial position.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains or losses arising from a group of similar transactions.

3.14 Operating leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Banks as a lessee

Leases where the lessor do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

Bank as a sub-lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned. In the event that the contract is cancelable, they are recognized as income over the term of the lease.

3. Summary of significant accounting policies (continued)

3.15 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of profit or loss, net of any reimbursement.

3.16 Capital reserves

Capital reserves are established as an appropriation of retained earnings and are, as such, a form of retained earnings. Reductions of capital reserves require the approval of the Bank's Board of Directors and the SBP. Other capital reserves include:

- Translation reserve: The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.
- Hedging reserve: The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.
- Fair value reserve: The fair value reserve comprises the cumulative net change in the fair value of investment securities measured at FVOCI, less the ECL allowance recognized in profit or loss.

3.17 Share–based payment transactions

The Bank applies IFRS 2 for share–based payment transactions to account for compensation costs on restricted stock, restricted stock units and stock option plans. Compensation cost is based on the grant date fair value of both stock and options and is recognized over the requisite service period of the employee, using the accelerated method. The fair value of each option is estimated at the grant date using a binomial option-pricing model. When stocks options and restricted stock units vested are exercised, the Bank's policy is to reissue shares from treasury stock.

3.18 Income taxes

Current income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax laws and regulations used to compute the amount are those that are enacted or substantively enacted by the reporting date.

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract law signed between the Republic of Panama and Bladex.
- The Feeder and the Master are not subject to income taxes in accordance with the laws of the Cayman Islands. These companies received an undertaking exempting them from taxation of all future profits until March 7, 2026.
- Bladex Representacao Ltda. and Bladex Investimentos Ltda., are subject to income taxes in Brazil.
- Bladex Development Corp. is subject to income taxes in Panama.
- BLX Soluciones, S.A. de C.V., SOFOM, is subject to income taxes in Mexico.
- The New York Agency and Bladex Holdings, Inc. incorporated in USA are subject to federal and local taxation in USA based on the portion of income that is effectively connected with its operations in that country.

Deferred tax

Deferred tax is calculated based on the liability method, on temporary differences between the carrying amounts of assets and liabilities reported for financial purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the embodiment of assets and liabilities using the rate of income tax in effect on the date of the consolidated statement of financial position.

3. Summary of significant accounting policies (continued)

3.19 Earnings per share

Basic earnings per share is computed by dividing the profit for the year (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year. Diluted earnings per share measure performance incorporating the effect that potential common shares, such as stock options and restricted stock units outstanding during the same period, would have on net earnings per share. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except for the denominator, which is increased to include the number of additional common shares that would have been issued if the beneficiaries of stock purchase options and restricted stock units plans could exercise their options. The number of potential common shares that would be issued is determined using the treasury stock method.

3.20 Treasury shares and contracts on own shares

The own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognized directly in equity.

No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

3.21 Segment reporting

The Bank's segment reporting is based on the following business segments: Commercial, which incorporates the Bank's core business of financial intermediation and fee generation activities relating to the Bank's Commercial Portfolio; and Treasury, which is responsible for the Bank's funding and liquidity management, along with the management of its activities in investment securities, as well as the management of the Bank's interest rate, liquidity, price, and currency risks.

3.22 Judgments, estimates and significant accounting assumptions

The preparation of the consolidated financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowances for expected credit losses, impairment of securities, and the fair value of financial instruments. Actual results could differ from those estimates. Management believes these estimates are adequate.

Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Reserve for expected credit losses

When determining the reserve for expected credit losses, management's judgment is required for evaluating the amount and timing of future cash flows in order to determine whether credit risk has increased significantly since initial recognition, considering the characteristics of the loans and the default patterns in the past for comparable financial instruments. Changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring. The Bank uses changes in the risk of a default occurring over the next 12 months to determine whether credit risk has increased significantly since initial recognition, unless circumstances indicate that a lifetime assessment is necessary.

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3. Summary of significant accounting policies (continued)

3.22 Judgments, estimates and significant accounting assumptions (continued)

Fair value measurement

When the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 18.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments; however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Impairment losses on loans at amortized cost

The Bank reviews its individually significant loans at amortized cost at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans at amortized cost that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Impairment of investments securities measured at fair value through OCI and investment securities at amortized cost

The Bank reviews its debt securities classified as investments at fair value through OCI and investments at amortized cost at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of the investment securities. The Bank records impairment charges when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

3. Summary of significant accounting policies (continued)

3.23 Future changes in applicable accounting policies

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. IFRS 16 supersedes IAS 17 – Leases. The Bank is evaluating the potential impact of this new standard in its consolidated financial statements.

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4. Cash and cash equivalents

	December 31, 2016	**December 31, 2015**
Cash and due from banks	598,027	2,601
Interest-bearing deposits in banks	471,511	1,297,365
Total	1,069,538	1,299,966
Less:		
Pledged deposits	61,812	32,664
Total cash and cash equivalents	**1,007,726**	**1,267,302**

Interest-bearing deposits in banks

Demand deposits

As of December 31, 2016 and 2015, cash in banks balances correspond to bank deposits, bearing interest based on the daily rates determined by banks for between 0.01% and 0.77% and 0.01% to 0.35%, respectively.

Time deposits

As of December 31, 2016 and 2015, cash equivalents balances correspond to demand deposits (overnight), bearing an average interest rate of 0.83% to 0.88% and 0.40% to 0.52%, respectively.

Pledged deposits

	December 31, 2016	**December 31, 2015**
Pledged deposits:		
New York[1]	2,800	3,300
Panama[2]	59,012	29,364
Total	**61,812**	**32,664**

[1] The New York Agency had a pledged deposit with the New York State Banking Department, as required by law since March 1994.
[2] The Bank had pledged deposits to secure derivative financial instruments transactions and repurchase agreements.

5. Financial instruments

5.1 Financial instruments at FVTPL – Fair value through profit or loss

The fair value of financial liabilities at FVTPL is as follows:

	December 31, 2016	**December 31, 2015**
Liabilities		
Interest rate swaps	-	15
Foreign exchange forward	24	74
Total	**24**	**89**

5. Financial instruments (continued)

5.1 Financial instruments at FVTPL – Fair value through profit or loss (continued)

The information on the nominal amounts of derivative financial instruments at FVTPL is as follows:

	December 31, 2016			December 31, 2015		
	Nominal Amount	Fair Value Asset	Fair Value Liability	Nominal Amount	Fair Value Asset	Fair Value Liability
Interest rate swaps	-	-	-	14,000	-	15
Forward foreign exchange	1,274	-	24	1,675	-	74
Total	**1,274**	**-**	**24**	**15,675**	**-**	**89**

5.2 Investment Funds at FVTPL – Fair value through profit or loss

The Bank maintained an investment in the Alpha4X Feeder Fund (the "Feeder") which was organized under a "Feeder-Master" structure. Under this structure, the Feeder invested all of its assets in the Master which in turn invested in various assets on behalf of its investor. At December 31, 2015, the investment funds consisted of the net asset value (NAV) of Bladex's investment in the Feeder and in the Brazilian Fund.

The changes of the Bank´s investment in the Feeder were recorded in the consolidated statement of profit or loss of that fund in the "Gain (loss) per financial instruments at fair value through profit and loss" line item. The Feeder was not consolidated in the Bank's financial statements as a result of the evaluation of control as per IFRS 10 "Consolidated Financial Statements" according to which the existing rights on the fund did not give the Bank the ability to direct the relevant activities of the fund nor the ability to use its power over the investee to affect its return. At December 31, 2015 the Bank had a participation in that fund of 47.71%.

Bladex also reported the changes in the NAV of the Brazilian Fund in the "Gain (loss) per financial instruments at fair value through profit and loss" line item, which the Bank did not consolidate, because the existing rights on this fund did not give the Bank the ability to direct its relevant activities nor the ability to use its power over the investee to affect its return. This investment was adjusted to recognize the Bank's participation in the profits or losses of the fund in the line "gain (loss) per financial instruments at fair value through profit or loss" of the consolidated statement of profit or loss.

The following table summarizes the balances of investments in investment funds:

	December 31, 2016	December 31, 2015
Alpha4X Feeder Fund	-	49,585
Alpha4X Latam Fundo de Investimento Multimercado	-	3,826
	-	**53,411**

The Bank remained committed to being an investor of these funds until March 31, 2016 and was later redeemed completely.

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5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income

The amortized cost, related unrealized gross gain (loss) and fair value of securities at fair value through other comprehensive income by country risk and type of debt are as follows:

	December 31, 2016			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Corporate debt:				
Brazil	3,144	-	62	3,082
Venezuela	10,810	20	3	10,827
	13,954	20	65	13,909
Sovereign debt:				
Brazil	2,926	-	140	2,786
Chile	5,229	-	59	5,170
Trinidad and Tobago	9,283	-	541	8,742
	17,438	-	740	16,698
	31,392	**20**	**805**	**30,607**

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income (continued)

	December 31, 2015			
		Unrealized		
	Amortized Cost	Gain	Loss	Fair Value
Corporate debt:				
Brazil	31,831	-	3,000	28,831
Chile	8,205	-	209	7,996
Colombia	17,815	-	7,110	10,705
Honduras	7,195	-	61	7,134
Panama	4,648	-	73	4,575
Peru	7,339	-	64	7,275
Venezuela	18,392	-	93	18,299
	95,425	-	10,610	84,815
Sovereign debt:				
Brazil	11,625	-	1,285	10,340
Chile	10,536	-	323	10,213
Colombia	12,046	-	670	11,376
Mexico	17,272	-	681	16,591
Trinidad and Tobago	9,705	-	1,237	8,468
	61,184	-	4,196	56,988
	156,609	**-**	**14,806**	**141,803**

As of December 31, 2016, there were no securities at fair value through OCI guaranteeing repurchase transactions.
As of December 31, 2015, securities at fair value through OCI with a carrying value of $87.6 million were pledged to secure repurchase transactions accounted for as secured financings.

5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income (continued)

The following table discloses those securities that have had unrealized losses for a period less than 12 months and for 12 months or longer:

	December 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	1,805	3	3,082	62	4,887	65
Sovereign debt	5,170	59	11,528	681	16,698	740
Total	**6,975**	**62**	**14,610**	**743**	**21,585**	**805**

	December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	63,611	1,010	21,204	9,600	84,815	10,610
Sovereign debt	23,468	846	33,520	3,350	56,988	4,196
Total	**87,079**	**1,856**	**54,724**	**12,950**	**141,803**	**14,806**

The following table presents the realized gains and losses on sale of securities at fair value through other comprehensive inco me:

	December 31, 2016	December 31, 2015	December 31, 2014
Realized gain on sale of securities	221	469	1,891
Realized loss on sale of securities	(577)	(106)	(20)
Net (loss) gain on sale of securities at fair value through other comprehensive income	**(356)**	**363**	**1,871**

5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income (continued)

Securities at fair value through other comprehensive income classified by issuer's credit quality indicators are as follows:

Rating[(1)]	December 31, 2016	December 31, 2015
1-4	30,607	133,989
5-6	-	6,224
7	-	1,590
8	-	-
9	-	-
10	-	-
Total	**30,607**	**141,803**

(1) Current ratings as of December 31, 2016 and 2015, respectively.

The amortized cost and fair value of securities at fair value through other comprehensive income by contractual maturity are shown in the following tables:

	December 31, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	-	-	21,068	20,212
After 1 year but within 5 years	17,656	16,994	79,689	69,625
After 5 years but within 10 years	13,736	13,613	55,852	51,966
	31,392	**30,607**	**156,609**	**141,803**

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5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income (continued)

The allowance for expected credit losses relating to securities at fair value through other comprehensive income is as follow:

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2015	**234**	**178**	**6,737**	**7,149**
Transfer to lifetime expected credit losses	(31)	456	-	425
Transfer to credit-impaired financial assets	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(15)	(168)	-	(183)
Financial assets that have been derecognized during the year	(174)	(203)	-	(377)
Changes due to financial instruments recognized as of December 31, 2015:	(220)	85	-	(135)
New financial assets originated or purchased	28	-	-	28
Write-offs	-	-	(6,737)	(6,737)
Allowance for expected credit losses as of December 31, 2016	**42**	**263**	**-**	**305**

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2014	**701**	**1,408**	**-**	**2,109**
Transfer to lifetime expected credit losses	(5,507)	5,507	-	-
Transfer to credit-impaired financial assets	-	(6,737)	6,737	-
Transfer to 12-month expected credit losses	-	-	-	-
Financial assets that have been derecognized during the year	(277)	-	-	(277)
Changes due to financial instruments recognized as of December 31, 2014:	(5,784)	(1,230)	6,737	(277)
New financial assets originated or purchased	5,317	-	-	5,317
Allowance for expected credit losses as of December 31, 2015	**234**	**178**	**6,737**	**7,149**

(1) 12-month expected credit losses
(2) Lifetime expected credit losses
(3) Credit-impaired financial assets (lifetime expected credit losses)

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

5. Financial instruments (continued)

5.4 Securities at amortized cost

The amortized cost, related unrealized gross gain (loss) and fair value of these securities by country risk and type of debt are as follows:

	December 31, 2016			
		Unrealized		
	Amortized Cost (1)	Gross Gain	Gross Loss	Fair Value
Corporate debt:				
Brazil	4,614	-	146	4,468
Panama	3,000	-	-	3,000
	7,614	-	146	7,468
Sovereign debt:				
Brazil	11,179	37	194	11,022
Colombia	29,812	34	280	29,566
Mexico	20,541	-	1,059	19,482
Panama	8,670	198	-	8,868
	70,202	269	1,533	68,938
	77,816	**269**	**1,679**	**76,406**

	December 31, 2015			
		Unrealized		
	Amortized Cost (2)	Gross Gain	Gross Loss	Fair Value
Corporate debt:				
Brazil	1,484	-	383	1,101
Costa Rica	5,000	-	-	5,000
Panama	20,008	45	-	20,053
	26,492	45	383	26,154
Sovereign debt:				
Brazil	21,903	-	3,260	18,643
Colombia	30,599	-	1,530	29,069
Mexico	20,871	-	1,684	19,187
Panama	8,876	4	-	8,880
	82,249	4	6,474	75,779
	108,741	**49**	**6,857**	**101,933**

(1) Amounts do not include allowance for expected credit losses of $602.
(2) Amounts do not include allowance for expected credit losses of $526.

Financial instruments (continued)

5.4 Securities at amortized cost (continued)

The amortized cost and fair value of securities at amortized cost by contractual maturity are shown in the following tables:

	December 31, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	3,988	4,025	28,454	28,474
After 1 year but within 5 years	68,537	67,358	43,236	39,206
After 5 years but within 10 years	5,291	5,023	37,051	34,253
	77,816	**76,406**	**108,741**	**101,933**

As of December 31, 2016, there were no securities at amortized cost, guaranteeing repurchase transactions. As of December 31, 2015, securities at amortized cost with a carrying value of $56.3 million, were pledged to secure repurchase transactions accounted for as secured financings.

Securities at amortized cost classified by issuer's credit quality indicators are as follows:

Rating(1)	December 31, 2016	December 31, 2015
1-4	76,333	94,257
5-6	1,483	14,484
7	-	-
8	-	-
9	-	-
10	-	-
Total	**77,816**	**108,741**

(1) Current ratings as of December 31, 2016 and 2015, respectively.

5. Financial instruments (continued)

5.4 Securities at amortized cost (continued)

The allowance for expected credit losses relating to securities at amortized cost is as follow:

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2015	**348**	**178**	**-**	**526**
Transfer to lifetime expected credit losses	(43)	444	-	**401**
Transfer to credit-impaired financial assets	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(5)	(91)	-	**(96)**
Financial assets that have been derecognized during the year	(317)	(28)	-	**(345)**
Changes due to financial instruments recognized as of December 31, 2015:	**(365)**	**325**	**-**	**(40)**
New financial assets originated or purchased	116	-	-	**116**
Allowance for expected credit losses as of December 31, 2016	**99**	**503**	**-**	**602**

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2014	**276**	**-**	**-**	**276**
Transfer to lifetime expected credit losses	(178)	178	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Financial assets that have been derecognized during the year	(207)	-	-	(207)
Changes due to financial instruments recognized as of December 31, 2014:	(385)	178	-	(207)
New financial assets originated or purchased	457	-	-	457
Allowance for expected credit losses as of December 31, 2015	**348**	**178**	**-**	**526**

(1) 12-month expected credit losses.
(2) Lifetime expected credit losses.
(3) Credit-impaired financial assets (lifetime expected credit losses).

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5. Financial instruments (continued)

5.5 Recognition and derecognition of financial assets

During the years ended December 31, 2016, 2015 and 2014, the Bank sold certain financial instruments in the secondary market measured at amortized cost. These sales were made on the basis of compliance with the Bank's strategy to optimize the loan portfolio.

The amounts and gains arising from the derecognition of these financial instruments are presented in the following table. These gains are presented within the line "gain on sale of loans at amortized cost" in the consolidated statement of profit or loss.

	Assignments and Participations	Gains
For the year ended December 31, 2016	157,242	724
For the year ended December 31, 2015	92,438	422
For the year ended December 31, 2014	515,552	2,169

5.6 Loans – at amortized cost

The following table set forth details of the Bank's gross loan portfolio:

	December 31, 2016	December 31, 2015
Corporations:		
Private	2,655,910	3,254,792
State-owned	786,900	461,573
Banking and financial institutions:		
Private	1,738,999	1,974,960
State-owned	544,877	612,677
Middle-market companies:		
Private	294,045	387,747
Total	**6,020,731**	**6,691,749**

The composition of the gross loan portfolio by industry is as follows:

	December 31, 2016	December 31, 2015
Banking and financial institutions	2,283,876	2,587,637
Industrial	1,242,441	1,142,385
Oil and petroleum derived products	788,186	828,355
Agricultural	1,007,139	1,140,124
Services	419,440	670,013
Mining	54,000	110,655
Others	225,649	212,580
Total	**6,020,731**	**6,691,749**

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

Loans are reported at their amortized cost considering the principal outstanding amounts net of unearned interest, deferred fees and allowance for expected credit losses.

The amortization of net unearned interest and deferred fees are recognized as an adjustment to the related loan yield using the effective interest rate method.

The unearned discount interest and deferred commission amounted to $7,249 and $9,304 at December 31, 2016 and 2015, respectively.

Loans classified by borrower's credit quality indicators are as follows:

December 31, 2016						
	Corporations		Banking and financial institutions		Middle-market companies	
Rating[(1)]	Private	State-owned	Private	State-owned	Private	Total
1-4	1,714,936	646,797	1,457,984	259,981	174,107	4,253,805
5-6	863,937	140,103	281,015	284,896	84,938	1,654,889
7	58,673	-	-	-	-	58,673
8	4,000	-	-	-	-	4,000
9	-	-	-	-	35,000	35,000
10	14,364	-	-	-	-	14,364
Total	**2,655,910**	**786,900**	**1,738,999**	**544,877**	**294,045**	**6,020,731**

December 31, 2015						
	Corporations		Banking and financial institutions		Middle-market companies	
Rating[(1)]	Private	State-owned	Private	State-owned	Private	Total
1-4	2,644,758	351,216	1,757,668	309,559	212,746	5,275,947
5-6	558,612	110,357	217,292	303,118	174,094	1,363,473
7	46,716	-	-	-	-	46,716
8	-	-	-	-	-	-
9	-	-	-	-	-	-
10	4,706	-	-	-	907	5,613
Total	**3,254,792**	**461,573**	**1,974,960**	**612,677**	**387,747**	**6,691,749**

[(1)]Current ratings as of December 31, 2016 and 2015, respectively.

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

The following table provides a breakdown of gross loans by country risk:

	December 31, 2016	December 31, 2015
Country:		
Argentina	325,321	142,437
Belgium	4,180	12,629
Bermuda	-	19,600
Bolivia	18,318	19,911
Brazil	1,163,825	1,605,497
Chile	69,372	195,290
Colombia	653,012	620,547
Costa Rica	400,371	341,490
Dominican Republic	243,696	384,353
Ecuador	129,269	169,164
El Salvador	104,723	68,465
France	-	6,000
Germany	50,000	97,000
Guatemala	315,911	457,700
Honduras	72,319	118,109
Jamaica	7,399	16,520
Luxembourg	14,722	-
Mexico	927,041	788,893
Nicaragua	36,949	16,820
Panama	498,651	455,405
Paraguay	108,068	116,348
Peru	467,408	511,250
Singapore	70,204	11,655
Switzerland	46,000	44,650
Trinidad and Tobago	184,389	200,000
United States of America	73,083	53,516
Uruguay	36,500	218,500
Total	**6,020,731**	**6,691,749**

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

The remaining loan maturities are summarized as follows:

	December 31, 2016	December 31, 2015
Current:		
Up to 1 month	896,310	1,031,608
From 1 month to 3 months	1,300,675	1,336,901
From 3 months to 6 months	1,267,194	1,094,885
From 6 months to 1 year	551,794	1,170,114
From 1 year to 2 years	631,629	1,000,553
From 2 years to 5 years	1,211,847	967,416
More than 5 years	95,918	37,943
	5,955,367	6,639,420
Impaired	65,364	52,329
Total	**6,020,731**	**6,691,749**

As of December 31, 2016, the range of annual interest rates on loans fluctuates from 1.21% to 12.69% (2015: 0.92% to 12.35%).

The fixed and floating interest rate distribution of the loan portfolio is as follows:

	December 31, 2016	December 31, 2015
Fixed interest rates	2,709,555	3,177,147
Floating interest rates	3,311,176	3,514,602
Total	**6,020,731**	**6,691,749**

As of December 31, 2016 and 2015, 93% and 90%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

An analysis of credit-impaired balances is detailed as follows:

	December 31, 2016			2016	
	Recorded investment	Past due principal balance	Related allowance Stage 3	Average principal loan balance	Interest income recognized
With an allowance recorded:					
Private corporations	30,364	18,364	23,174	12,500	408
Middle-market companies	35,000	35,000	12,179	17,705	1,679
Total	**65,364**	**53,364**	**35,353**	**30,205**	**2,087**

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

	December 31, 2015			2015	
	Recorded investment	Past due principal balance	Related allowance Stage 3	Average principal loan balance	Interest income recognized
With an allowance recorded:					
Private corporations	51,422	4,706	20,703	9,946	230
Middle-market companies	907	907	448	7,472	49
Total	**52,329**	**5,613**	**21,151**	**17,418**	**279**

The following is a summary of information of interest amounts recognized on an effective interest basis on net carrying amount for those financial assets in Stage 3:

	December 31, 2016	December 31, 2015	December 31, 2014
Interest revenue calculated on the net carrying amount(net of credit allowance)	2,087	279	188

The following table presents an aging analysis of the loan portfolio:

	December 31, 2016							
	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total
Corporations	-	-	4,000	14,364	18,364	-	3,424,446	3,442,810
Banking and financial institutions	-	-	-	-	-	-	2,283,876	2,283,876
Middle-market companies	-	-	-	35,000	35,000	-	259,045	294,045
Total	**-**	**-**	**4,000**	**49,364**	**53,364**	**-**	**5,967,367**	**6,020,731**

	December 31, 2015							
	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total
Corporations	-	-	-	4,706	4,706	-	3,711,659	3,716,365
Banking and financial institutions	-	-	-	-	-	-	2,587,637	2,587,637
Middle-market companies	-	-	-	907	907	-	386,840	387,747
Total	**-**	**-**	**-**	**5,613**	**5,613**	**-**	**6,686,136**	**6,691,749**

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

As of December 31, 2016 and 2015 the Bank had credit transactions in the normal course of business with 16%, for both periods, respectively, of its Class "A" and "B" stockholders. All transactions were made based on arm's-length terms and subject to prevailing commercial criteria and market rates and were subject to all of the Bank's Corporate Governance and control procedures. As of December 31, 2016 and 2015, approximately 10% and 9%, respectively, of the outstanding loan portfolio was placed with the Bank's Class "A" and "B" stockholders and their related parties. As of December 31, 2016, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no Class "A" or "B" shareholder was the registered owner of more than 3.5% of the total outstanding shares of the voting capital stock of the Bank.

The allowances for expected credit losses related to loans at amortized cost are as follows:

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2015	**59,214**	**9,609**	**21,151**	**89,974**
Transfer to lifetime expected credit losses	(9,117)	9,119	-	2
Transfer to credit-impaired financial assets	(7)	(6,317)	6,324	-
Transfer to 12-month expected credit losses	2,038	(2,077)	38	(1)
Net effect of changes in reserve for expected credit losses	(39,621)	48,021	26,491	34,891
Financial assets that have been derecognized during the year	(65,640)	(16,756)	-	(82,396)
Changes due to financial instruments recognized as of December 31, 2015:	(112,347)	31,990	32,853	(47,504)
New financial assets originated or purchased	82,169	-	-	82,169
Write-offs	-	-	(18,807)	(18,807)
Recoveries of amounts previously written off	-	-	156	156
Allowance for expected credit losses as of December 31, 2016	**29,036**	**41,599**	**35,353**	**105,988**

(1) 12-month expected credit losses.
(2) Lifetime expected credit losses.
(3) Credit-impaired financial assets (lifetime expected credit losses).

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2014	**37,469**	**37,564**	**2,654**	**77,687**
Transfer to lifetime expected credit losses	(9,147)	9,147	-	-
Transfer to credit-impaired financial assets	-	(24,186)	24,186	-
Transfer to 12-month expected credit losses	101	(812)	-	(711)
Financial assets that have been derecognized during the year	(31,774)	(12,815)	-	(44,589)
Changes due to financial instruments recognized as of December 31, 2014:	(40,820)	(28,666)	24,186	(45,300)
New financial assets originated or purchased	62,565	-	-	62,565
Write-offs	-	-	(5,689)	(5,689)
Recoveries of amounts previously written off	-	711	-	711
Allowance for expected credit losses as of December 31, 2015	**59,214**	**9,609**	**21,151**	**89,974**

(1) 12-month expected credit losses.
(2) Lifetime expected credit losses.
(3) Credit-impaired financial assets (lifetime expected credit losses).

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5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes

Quantitative information on derivative financial instruments held for hedging purposes is as follows:

	December 31, 2016			
		Carrying amount of the hedging instrument		
	Nominal Amount	Asset	Liability	Changes in fair value used for calculating hedge ineffectiveness
Fair value hedges:				
Interest rate swaps	796,202	40	(2,005)	(2,199)
Cross-currency interest rate swaps	291,065	2,561	(44,944)	(19,316)
Cash flow hedges:				
Interest rate swaps	752,000	323	(1,699)	696
Cross-currency interest rate swaps	23,025	-	(1,254)	(1,313)
Foreign exchange forward	352,553	6,428	(9,653)	(5,093)
Net investment hedges:				
Foreign exchange forward	3,780	-	(131)	(415)
Total	**2,218,625**	**9,352**	**(59,686)**	**(27,640)**

	December 31, 2015			
		Carrying amount of the hedging instrument		
	Nominal Amount	Asset	Liability	Changes in fair value used for calculating hedge ineffectiveness
Fair value hedges:				
Interest rate swaps	886,631	2,549	(1,444)	647
Cross-currency interest rate swaps	214,067	322	(23,710)	14,731
Cash flow hedges:				
Interest rate swaps	870,000	230	(2,254)	(258)
Cross-currency interest rate swaps	75,889	374	(395)	215
Foreign exchange forward	247,869	3,925	(2,058)	1,867
Net investment hedges:				
Foreign exchange forward	3,818	-	(28)	28
Total	**2,298,274**	**7,400**	**(29,889)**	**17,230**

The hedging instruments presented in the tables above are located in the line item in the statement of financial position at fair value - Derivative financial instruments used for hedging – receivable or at fair value – Derivative financial instruments used for hedging – payable.

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

The gains and losses resulting from activities of derivative financial instruments and hedging recognized in the consolidated statements of profit or loss are presented below:

	December 31, 2016			
	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	627	Gain (loss) on interest rate swap	-	(1,258)
Cross-currency interest rate swaps	(1,299)	Gain (loss) on foreign exchange	-	16
		Interest income loans at amortized cost	-	(110)
Foreign exchange forward	233	Interest income – securities at FVOCI	-	-
		Interest income loans at amortized cost	(4,751)	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	1,672	-
		Gain (loss) on foreign currency exchange	9,097	-
Total	**(439)**		**6,018**	**(1,352)**

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

	December 31, 2015			
	Gain (loss) recognized in OCI (effective portion)	**Classification of gain (loss)**	**Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss**	**Gain (loss) recognized on derivatives (ineffective portion)**
Derivatives – cash flow hedge				
Interest rate swaps	35	Gain (loss) on interest rate swap	-	(229)
Cross-currency interest rate swaps	5,367	Gain (loss) on foreign exchange	-	84
Foreign exchange forward	3,511	Interest income – securities at FVOCI	(694)	-
		Interest income loans at amortized cost	(1,821)	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	166	-
		Gain (loss) on foreign currency exchange	12,539	-
Total	**8,913**		**10,190**	**(145)**
Derivatives – net investment hedge				
Foreign exchange forward	(901)		-	-
Total	**(901)**		**-**	**-**

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5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

	December 31, 2014			
	Gain (loss) recognized in OCI (effective portion)	**Classification of gain (loss)**	**Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss**	**Gain (loss) recognized on derivatives (ineffective portion)**
Derivatives – cash flow hedge				
Interest rate swaps	(1,947)	Gain (loss) on interest rate swap	-	(207)
Cross-currency interest rate swaps	(11,904)	Gain (loss) on foreign exchange	-	-
		Interest income loans at amortized cost	(4)	-
Foreign exchange forward	8,633	Interest income – securities at FVOCI	(238)	-
		Interest income loans at amortized cost	(2,011)	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	-	-
		Gain (loss) on foreign currency exchange	3,011	-
Total	**(5,218)**		**758**	**(207)**
Derivatives – net investment hedge				
Foreign exchange forward	38		-	-
Total	**38**		**-**	**-**

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5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

The Bank recognized in the consolidated statement of profit or loss the gain (loss) on derivative financial instruments and the gain (loss) of the hedged asset or liability related to qualifying fair value hedges, as follows:

	December 31, 2016			
	Classification in consolidated statement of profit or loss	**Gain (loss) on derivatives**	**Gain (loss) on hedge item**	**Net gain (loss)**
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities at FVOCI	(617)	1,593	976
	Interest income at amortized cost	(25)	2,023	1,998
	Interest expenses – borrowings and debt	4,558	(28,261)	(23,703)
	Derivative financial instruments and hedging	(2,077)	2,178	101
Cross-currency interest rate swaps	Interest income loans at amortized cost	(372)	928	556
	Interest expenses – borrowings and debt	195	(6,183)	(5,988)
	Derivative financial instruments and hedging	17,673	(16,752)	921
Total		**19,335**	**(44,474)**	**(25,139)**

	December 31, 2015			
	Classification in consolidated statement of profit or loss	**Gain (loss) on derivatives**	**Gain (loss) on hedge item**	**Net gain (loss)**
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities at FVOCI	(1,047)	1,514	467
	Interest income – loans at amortized cost	(376)	3,987	3,611
	Interest expenses – borrowings and debt	6,268	(24,026)	(17,758)
	Derivative financial instruments and hedging	(1,841)	1,688	(153)
Cross-currency interest rate swaps	Interest income – loans at amortized cost	(135)	348	213
	Interest expenses – borrowings and debt	744	(3,785)	(3,041)
	Derivative financial instruments and hedging	(19,522)	20,550	1,028
Total		**(15,909)**	**276**	**(15,633)**

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

	December 31, 2014			
	Classification in consolidated statement of profit or loss	**Gain (loss) on derivatives**	**Gain (loss) on hedge item**	**Net gain (loss)**
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities at FVOCI	(1,800)	2,345	545
	Interest income at amortized cost	(361)	3,112	2,751
	Interest expenses – borrowings and debt	3,737	(16,204)	(12,467)
	Derivative financial instruments and hedging	(994)	1,021	27
Cross-currency interest rate swaps	Interest income loans at amortized cost	(853)	1,695	842
	Interest expenses – borrowings and debt	4,538	(10,031)	(5,493)
	Derivative financial instruments and hedging	(24,335)	24,434	99
Total		**(20,068)**	**6,372**	**(13,696)**

Derivatives financial position and performance

The following tables details the changes of the market value of the underlying item in the statement of financial position related to fair value hedges:

	December 31, 2016		
Fair value hedges	**Carrying amount**	**Thereof accumulated fair value adjustments**	**Line item in the statement of financial position**
Interest rate risk			
Loans	18,514	12	Loans at amortized cost
Issuances	752,910	2,089	Short and long term borrowings and debt
Foreign exchange rate risk and FX			
Securities at FVOCI	22,468	(232)	Financial instruments at FVOCI
Loans	1,469	(618)	Loans at amortized cost
Issuances	45,647	1,189	Short and long term borrowings and debt

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5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

Derivatives financial position and performance (continued)

	December 31, 2015		
Fair value hedges	**Carrying amount**	**Thereof accumulated fair value adjustments**	**Line item in the statement of financial position**
Interest rate risk			
Loans	81,931	-	Loans at amortized cost
Issuances	750,000	-	Short and long term borrowings and debt

The following tables detail the profile of the timing of the nominal amount of the hedging instrument:

	December 31, 2016			
Risk type	**Foreign Exchange risk**	**Interest rate risk**	**Foreign exchange and Interest rate risk**	**Total**
Up to 1 month	66,149	-	-	66,149
31 to 60 days	33,393	85,000	-	118,393
61 to 90 days	24,093	60,000	-	84,093
91 to 180 days	71,533	745,080	-	816,613
181 to 365 days	109,228	160,422	189	269,839
1 to 2 years	92,115	50,000	24,948	167,063
2 to 5 years	73,311	434,500	96,218	604,029
More than 5 years	-	13,200	79,246	92,446
Total	**469,822**	**1,548,202**	**200,601**	**2,218,625**

	December 31, 2015			
Risk type	**Foreign Exchange risk**	**Interest rate risk**	**Foreign exchange and Interest rate risk**	**Total**
Up to 1 month	106,371	25,000	-	131,371
31 to 60 days	15,134	265,000	-	280,134
61 to 90 days	38,739	90,000	-	128,739
91 to 180 days	48,811	345,000	-	393,811
181 to 365 days	197,482	80,000	415	277,897
1 to 2 years	534	480,931	442	481,907
2 to 5 years	40,000	397,500	24,948	462,448
More than 5 years	-	73,200	68,767	141,967
Total	**447,071**	**1,756,631**	**94,572**	**2,298,274**

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

Derivatives financial position and performance (continued)

The following tables detail the sources of ineffectiveness for our cash flow hedge positions:

	December 31, 2016				
Type of risk hedge	**USD-OIS**	**Tenor**	**Xccy basis**	**Credit spread**	**Total Ineffectiveness**
Interest rate risk	19	-	-	604	623
Foreign exchange risk	25	-	(4)	(5)	16
Total	**44**	**-**	**(4)**	**599**	**639**

	December 31, 2015				
Type of risk hedge	**USD-OIS**	**Tenor**	**Xccy basis**	**Credit spread**	**Total Ineffectiveness**
Interest rate risk	25	(136)	-	341	230
Foreign exchange risk	(25)	-	(72)	14	(83)
Total	**-**	**(136)**	**(72)**	**355**	**147**

For control purposes, derivative instruments are recorded at their nominal amount (“notional amount”) in memorandum accounts. Interest rate swaps are made either in a single currency or cross currency for a prescribed period to exchange a series of interest rate flows, which involve fixed for floating interest payments, and vice versa. The Bank also engages in certain foreign exchange trades to serve customers’ transaction needs and to manage foreign currency risk. All such positions are hedged with an offsetting contract for the same currency.

The Bank manages and controls the risks on these foreign exchange trades by establishing counterparty credit limits by customer and by adopting policies that do not allow for open positions in the credit and investment portfolio. The Bank also uses foreign currency exchange contracts to hedge the foreign exchange risk associated with the Bank’s equity investment in a non-U.S. dollar functional currency foreign subsidiary. Derivative and foreign exchange instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counterparties that negotiate specific agreement terms, including notional amount, exercise price and maturity.

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 7.19 years.

The Bank estimates that approximately $782 reported as losses in OCI as of December 31, 2016 related to foreign exchange forward contracts, are expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2017.

The Bank estimates that approximately $1,019 of losses reported in OCI as of December 31, 2016 related to forward foreign exchange contracts are expected to be reclassified into interest expense as an adjustment to yield of hedged available-for-sale securities during the twelve-month period ending December 31, 2017.

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

Types of Derivatives and Foreign Exchange Instruments

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. The Bank has designated a portion of these derivative instruments as fair value hedges and a portion as cash flow hedges. Cross currency swaps are contracts that generally involve the exchange of both interest and principal amounts in two different currencies. The Bank has designated a portion of these derivative instruments as fair value hedges and a portion as cash flow hedges. Foreign exchange forward contracts represent an agreement to purchase or sell foreign currency at a future date at agreed-upon terms. The Bank has designated these derivative instruments as cash flow hedges and net investment hedges.

In addition to hedging derivative financial instruments, the Bank has derivative financial instruments held for trading purposes as disclosed in Note 5.1.

5.8 Offsetting of financial assets and liabilities

In the ordinary course of business, the Bank enters into derivative financial instrument transactions and securities sold under repurchase agreements under industry standards agreements. Depending on the collateral requirements stated in the contracts, the Bank and counterparties can receive or deliver collateral based on the fair value of the financial instruments transacted between parties. Collateral typically consists of cash deposits and securities. The master netting agreements include clauses that, in the event of default, provide for close-out netting, which allows all positions with the defaulting counterparty to be terminated and net settled with a single payment amount.

The International Swaps and Derivatives Association master agreement ("ISDA") and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events.

The following tables summarize financial assets and liabilities that have been offset in the consolidated statement of financial position or are subject to master netting agreements:

a) Derivative financial instruments – assets

December 31, 2016						
				Gross amounts not offset in the consolidated statement of financial position		
Description	Gross amounts assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net Amount
Derivative financial instruments-hedging	9,352	-	9,352	-	-	9,352
Total	**9,352**	**-**	**9,352**	**-**	**-**	**9,352**

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5. Financial Instruments (continued)

5.8 Offsetting of financial assets and liabilities (continued)

a) Derivative financial instruments – assets (continued)

December 31, 2015						
				Gross amounts not offset in the consolidated statement of financial position		
Description	Gross amounts assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net Amount
Derivative financial instruments	7,400	-	7,400	-	(690)	6,710
Total	**7,400**	**-**	**7,400**	**-**	**(690)**	**6,710**

The following table presents the reconciliation of assets that have been offset or are subject to master netting agreements to individual line items in the consolidated statement of financial position:

	December 31, 2016		
Description	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position
Derivative financial instruments - hedging	9,352	-	9,352
Total	**9,352**	**-**	**9,352**

	December 31, 2015		
Description	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position
Derivative financial instruments used for hedging	7,400	-	7,400
Total	**7,400**	**-**	**7,400**

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5. Financial Instruments (continued)

5.8 Offsetting of financial assets and liabilities (continued)

b) Financial liabilities and derivative financial instruments – liabilities

December 31, 2016

Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position: Financial instruments	Gross amounts not offset in the consolidated statement of financial position: Cash collateral pledged	Net Amount
Financial liabilities at FVTPL	24	-	24	-	-	24
Derivative financial instruments - hedging	59,686	-	59,686	-	(59,012)	674
Total	**59,710**	**-**	**59,710**	**-**	**(59,012)**	**698**

December 31, 2015

Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position: Financial instruments	Gross amounts not offset in the consolidated statement of financial position: Cash collateral pledged	Net Amount
Securities sold under repurchase agreements	114,084	-	114,084	(111,620)	(2,463)	1
Financial liabilities at FVTPL	89	-	89	-	-	89
Derivative financial instruments - hedging	29,889	-	29,889	-	(26,901)	2,988
Total	**144,062**	**-**	**144,062**	**(111,620)**	**(29,364)**	**3,078**

5. Financial Instruments (continued)

5.8 Offsetting of financial assets and liabilities (continued)

b) Financial liabilities and derivative financial instruments – liabilities (continued)

The following table presents the reconciliation of liabilities that have been offset or are subject to master netting agreements to individual line items in the consolidated statement of financial position:

December 31, 2016

Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position
Derivative financial instruments:			
Financial liabilities at FVTPL	24	-	24
Derivative financial instruments used for hedging	59,686	-	59,686
Total derivative financial instruments	**59,710**	-	**59,710**

December 31, 2015

Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position
Securities sold under repurchase agreements	**114,084**	**-**	**114,084**
Derivative financial instruments:			
Financial liabilities at FVTPL	89	-	89
Derivative financial instruments used for hedging	29,889	-	29,889
Total derivative financial instruments	**29,978**	**-**	**29,978**

6. Loans commitments and financial guarantees contracts

In the normal course of business, to meet the financing needs of its customers, the Bank is party to loans commitments and financial guarantees contracts. These instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated statement of financial position. Credit risk represents the possibility of loss resulting from the failure of a customer to perform in accordance with the terms of a contract.

The Bank's outstanding loans commitments and financial guarantees contracts are as follows:

	December 31, 2016	December 31, 2015
Confirmed letters of credit	216,608	99,031
Stand-by letters of credit and guaranteed –		
Commercial risk	176,177	158,599
Credit commitments	10,250	189,820
Total	**403,035**	**447,450**

The remaining maturity profile of the Bank's outstanding loans commitments and financial guarantees contracts is as follows:

Maturities	December 31, 2016	December 31, 2015
Up to 1 year	399,257	424,687
From 1 to 2 years	-	22,185
From 2 to 5 years	3,200	-
More than 5 years	578	578
	403,035	**447,450**

Loans commitments and financial guarantees contracts classified by issuer's credit quality indicators are as follows:

Rating[(1)]	December 31, 2016	December 31, 2015
1-4	145,255	276,860
5-6	193,368	170,590
7	64,412	-
8	-	-
9	-	-
10	-	-
Total	**403,035**	**447,450**

[(1)] Current ratings as of December 31, 2016 and 2015, respectively.

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6. Loans commitments and financial guarantees contracts (continued)

The breakdown of the Bank's loans commitments and financial guarantees contracts exposure by country risk is as follows:

	December 31, 2016	December 31 2015
Country:		
Argentina	-	10,145
Bolivia	190	1,261
Brazil	-	17,291
Canada	160	
Colombia	78,815	96,085
Costa Rica	2,250	-
Dominican Republic	26,787	4,527
Ecuador	172,522	88,585
El Salvador	1,305	145
Guatemala	7,000	-
Honduras	1,170	876
Mexico	11,118	46,994
Panama	39,756	136,022
Paraguay	-	43
Peru	42,764	19,018
Singapore	-	25,000
Switzerland	1,000	1,000
United Kingdom	70	70
Uruguay	18,128	388
Total	**403,035**	**447,450**

<u>Letters of credit and guarantees</u>

The Bank, on behalf of its client's base, advises and confirms letters of credit to facilitate foreign trade transactions. When confirming letters of credit, the Bank adds its own unqualified assurance that the issuing bank will pay and that if the issuin g bank does not honor drafts drawn on the letter of credit, the Bank will. The Bank provides stand-by letters of credit and guarantees, which are issued on behalf of institutional clients in connection with financing between its clients and third parties. The Bank applies the same credit policies used in its lending process, and once issued the commitment is irrevocable and remains valid until its expiration. Credit risk arises from the Bank's obligation to make payment in the event of a client's contractual default to a third party. Risks associated with stand-by letters of credit and guarantees are included in the evaluation of the Bank's overall credit risk.

<u>Credit commitments</u>

Commitments to extend credit are binding legal agreements to lend to clients. Commitments generally have fixed expiration dates or other termination clauses and require payment of a fee to the Bank. As some commitments expire without being drawn down, the total commitment amounts do not necessarily represent future cash requirements.

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6. Loans commitments and financial guarantees contracts (continued)

The allowances for credit losses related to loans commitments and financial guarantees contracts are as follows:

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2015	**2,914**	**2,510**	**-**	**5,424**
Transfer to lifetime expected credit losses	(646)	693	-	47
Transfer to credit-impaired instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit loss	(748)	1,756	-	1,008
Instruments that have been derecognized during the year	(2,631)	(326)	-	(2,957)
Changes due to instruments recognized as of December 31, 2015:	(4,025)	2,123	-	(1,902)
New instruments originated or purchased	2,254	-	-	2,254
Allowance for expected credit losses as of December 31, 2016	**1,143**	**4,633**	**-**	**5,776**

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2014	**7,079**	**2,794**	**-**	**9,873**
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Instruments that have been derecognized during the year	(6,908)	(284)	-	(7,192)
Changes due to instruments recognized as of December 31, 2014:	(6,908)	(284)	-	(7,192)
New financial assets originated or purchased	2,743	-	-	2,743
Allowance for expected credit losses as of December 31, 2015	**2,914**	**2,510**	**-**	**5,424**

(1) 12-month expected credit losses.
(2) Lifetime expected credit losses.
(3) Credit-impaired financial assets (lifetime expected credit losses).

The reserve for expected credit losses on loans commitments and financial guarantees contracts reflects the Bank's Management estimate of expected credit losses items such as: confirmed letters of credit, stand-by letters of credit, guarantees and credit commitments.

7. Property and equipment

A breakdown of cost, accumulated depreciation, additions and disposals for property and equipment is as follows:

	IT equipment	Furniture and fixtures	Leasehold improvement	Other equipment	Total
Cost:					
Balance as of January 1, 2014	3,152	2,135	7,413	548	13,248
Additions	23	13	51	-	87
Disposals	(39)	(1)	(6)	(88)	(134)
Balance as of December 31, 2014	3,136	2,147	7,458	460	13,201
Additions	368	30	179	38	615
Disposals	(138)	(175)	(225)	(41)	(579)
Balance as of December 31, 2015	3,366	2,002	7,412	457	13,237
Additions	1,436	2,137	239	161	3,973
Disposals	(416)	(361)	(880)	-	(1,657)
Balance as of December 31, 2016	**4,386**	**3,778**	**6,771**	**618**	**15,553**
Accumulated depreciation:					
Balance as of January 1, 2014	1,906	1,005	1,637	268	4,816
Depreciation expense of the year	530	335	571	109	1,545
Disposals	(39)	(1)	(6)	(75)	(121)
Balance as of December 31, 2014	2,397	1,339	2,202	302	6,240
Depreciation expense of the year	388	322	556	105	1,371
Disposals	(114)	(170)	(222)	(41)	(547)
Balance as of December 31, 2015	2,671	1,491	2,536	366	7,064
Depreciation expense of the year	483	384	513	77	1,457
Disposals	(412)	(230)	(875)	-	(1,517)
Balance as of December 31, 2016	**2,742**	**1,645**	**2,174**	**443**	**7,004**
Carrying amounts as of:					
December 31, 2016	**1,644**	**2,133**	**4,597**	**175**	**8,549**
December 31, 2015	**695**	**511**	**4,876**	**91**	**6,173**
December 31, 2014	**739**	**808**	**5,256**	**158**	**6,961**

8. Intangible assets

A breakdown of cost, accumulated amortization, additions, sales and disposals for intangible assets is as follows:

Costs:	
Balance as of January 1, 2014	10,955
Additions	83
Disposals	(51)
Balance as of December 31, 2014	10,987
Additions	-
Disposals	(211)
Balance as of December 31, 2015	10,776
Additions	3,111
Disposals	(4)
Balance as of December 31, 2016	**13,883**
Accumulated amortization:	
Balance as of January 1, 2014	9,065
Disposals	(44)
Amortization expense of the year	942
Balance as of December 31, 2014	9,963
Disposals	(210)
Amortization expense of the year	596
Balance as of December 31, 2015	10,349
Disposals	(4)
Amortization expense of the year	629
Balance as of December 31, 2016	**10,974**
Carrying amounts as of:	
December 31, 2016	**2,909**
December 31, 2015	**427**
December 31, 2014	**1,024**

Expenses related to the amortization of intangible assets are presented as part of amortization expenses in the consolidated statement of profit or loss.

9. Other assets

Following is a summary of other assets as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Accounts receivable	5,413	6,428
IT projects under development	4,199	4,952
Other	1,934	4,414
	11,546	**15,794**

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10. Deposits

The maturity profile of the Bank's deposits is as follows:

	December 31, 2016	December 31, 2015
Demand	127,014	243,839
Up to 1 month	1,201,328	1,492,175
From 1 month to 3 months	463,479	475,611
From 3 month to 6 months	336,627	319,995
From 6 month to 1 year	436,884	263,849
From 1 year to 2 years	190,000	-
From 2 years to 5 years	47,520	-
	2,802,852	**2,795,469**

The following table presents additional information regarding the Bank's deposits:

	December 31, 2016	December 31, 2015
Aggregate amounts of time deposits of $100,000 or more	2,802,474	2,794,912
Aggregate amounts of deposits in the New York Agency	250,639	235,203

	December 31, 2016	December 31, 2015	December 31, 2014
Interest expense paid to deposits in the New York Agency.	2,094	1,228	961

11. Securities sold under repurchase agreements

As of December 31, 2016, the Bank does not have financing transactions under repurchase agreements.

The Bank's financing transactions under repurchase agreements amounted to $114.1 million as of December 31, 2015.

During the years ended December 31, 2016, 2015 and 2014, interest expense related to financing transactions under repurchase agreements totaled $970, $1,800 and $2,100, respectively, corresponding to interest expense generated by the financing contracts under repurchase agreements. These expenses are included in the interest expense – short-term borrowings and debt line in the consolidated statements of profit or loss.

12. Borrowings and debt

12.1 Short-term borrowings and debt

The breakdown of short-term (original maturity of less than one year) borrowings and debt, together with contractual interest rates, is as follows:

	December 31, 2016	December 31, 2015
Short-term Borrowings:		
At fixed interest rates	788,075	983,245
At floating interest rates	657,000	871,522
Total borrowings	1,445,075	1,854,767
Short-term Debt:		
At fixed interest rates	25,000	525,590
At floating interest rates	-	50,000
Total debt	25,000	575,590
Total short-term borrowings and debt	**1,470,075**	**2,430,357**
Average outstanding balance during the period	1,348,230	2,266,864
Maximum balance at any month-end	1,876,322	2,856,507
Range of fixed interest rates on borrowing and debt in U.S. dollars	1.10% to 1.50%	0.53% to 1.21%
Range of floating interest rates on borrowing in U.S. dollars	1.14% to 1.48%	0.67% to 1.24%
Range of fixed interest rates on borrowing in Mexican pesos	6.16%	3.76% to 3.98%
Range of floating interest rate on borrowing in Mexican pesos	5.72%	3.90% to 4.17%
Range of fixed interest rate on debt in Japanese yens	-	0.31% to 0.33%
Weighted average interest rate at end of the period	1.30%	0.93%
Weighted average interest rate during the period	1.10%	0.85%

The balances of short-term borrowings and debt by currency, is as follows:

	December 31, 2016	December 31, 2015
Currency		
US dollar	1,470,000	2,402,701
Mexican peso	75	14,366
Japanese yen	-	13,290
Total	**1,470,075**	**2,430,357**

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12. Borrowings and debt (continued)

12.2 Long-term borrowings and debt

Borrowings consist of long-term and syndicated loans obtained from international banks. Debt instruments consist of public and private issuances under the Bank's Euro Medium Term Notes Program ("EMTN") as well as public issuances in the Mexican market. The breakdown of borrowings and long-term debt (original maturity of more than one year), together with contractual interest rates gross of prepaid commission of $5,133 and $7,017 as of December 31, 2016 and 2015, respectively, is as follows:

	December 31, 2016	December 31, 2015
Long-term Borrowings:		
At fixed interest rates with due dates from September 2017 to December 2021.	61,148	113,039
At floating interest rates with due dates from April 2017 to August 2019.	631,326	695,837
Total borrowings	692,474	808,876
Long-term Debt:		
At fixed interest rates with due dates from March 2018 to March 2024.	921,479	929,998
At floating interest rates with due dates from January 2018 to April 2019.	167,918	149,956
Total long-term debt	1,089,397	1,079,954
Total long-term borrowings and debt outstanding	**1,781,871**	**1,888,830**
Average outstanding balance during the period	1,881,085	1,589,451
Maximum outstanding balance at any month – end	2,054,138	1,888,830
Range of fixed interest rates on borrowing and debt in U.S. dollars	2.85% to 3.75%	1.01% to 3.75%
Range of floating interest rates on borrowing in U.S. dollars	1.66% to 2.49%	0.84% to 1.95%
Range of fixed interest rates on borrowing in Mexican pesos	4.75% to 8.90%	4.30% to 5.95%
Range of floating interest rates on borrowing and debt in Mexican pesos	6.19% to 6.54%	3.93% to 5.45%
Range of fixed interest rate on debt in Japanese yens	0.46% to 0.81%	0.50% to 0.81%
Range of fixed interest rate on debt in Euros	3.75%	0.40% to 3.75%
Range of fixed interest rate on debt in Australian dollar	3.33%	-
Weighted average interest rate at the end of the period	2.98%	2.62%
Weighted average interest rate during the period	2.84%	2.65%

12. Borrowings and debt (continued)

12.2 Long-term borrowings and debt (continued)

The balances of long-term borrowings and debt by currency, is as follows:

	December 31, 2016	December 31, 2015
Currency		
US dollar	1,392,995	1,599,233
Mexican peso	219,347	153,332
Japanese yen	95,238	25,035
Euro	52,574	111,230
Australian dollar	21,717	-
Total	**1,781,871**	**1,888,830**

The Bank's funding activities include: (i) EMTN, which may be used to issue notes for up to $2.3 billion, with maturities from 7 days up to a maximum of 30 years, at fixed or floating interest rates, or at discount, and in various currencies. The notes are generally issued in bearer or registered form through one or more authorized financial institutions; (ii) Short-and Long-Term Notes "Certificados Bursatiles" Program (the "Mexico Program") in the Mexican local market, registered with the Mexican National Registry of Securities maintained by the National Banking and Securities Commission in Mexico ("CNBV", for its acronym in Spanish), for an authorized aggregate principal amount of 10 billion Mexican pesos with maturities from one day to 30 years.

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2016, the Bank was in compliance with all covenants.

The future remaining maturities of long-term borrowings and debt outstanding as of December 31, 2016, are as follows:

Due in	Outstanding
2017	460,228
2018	553,140
2019	333,593
2020	375,133
2021	7,203
2024	52,574
	1,781,871

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13. Other liabilities

Following is a summary of other liabilities as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Accruals and other accumulated expenses	4,170	9,676
Accounts payable	11,179	11,096
Others	2,979	3,572
	18,328	**24,344**

14. Earnings per share

The following table presents a reconciliation of the income and share data used in the basic and diluted earnings per share ("EPS") computations for the dates indicated:

	December 31, 2016	December 31, 2015	December 31, 2014
Profit for the year	87,045	103,984	102,366
Basic earnings per share	2.23	2.67	2.65
Diluted earnings per share	2.22	2.66	2.63
Weighted average common shares outstanding - applicable to basic	39,085	38,925	38,693
Effect of diluted securities:			
Stock options and restricted stock units plans	125	188	189
Adjusted weighted average common shares outstanding applicable to diluted EPS	**39,210**	**39,113**	**38,882**

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

15. Capital and Reserves

Common stock

The Bank's common stock is divided into four categories:

1) "Class A"; shares may only be issued to Latin American Central Banks or banks in which the state or other government agency is the majority shareholder.
2) "Class B"; shares may only be issued to banks or financial institutions.
3) "Class E"; shares may be issued to any person whether a natural person or a legal entity.
4) "Class F"; may only be issued to state entities and agencies of non-Latin American countries, including, among others, central banks and majority state-owned banks in those countries, and multilateral financial institutions either international or regional institutions.

The holders of "Class B" shares have the right to convert or exchange their "Class B" shares, at any time, and without restriction, for "Class E" shares, at a rate of one-to-one.

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the three-year period ended December 31, 2016:

(Share units)	"Class A"	"Class B"	"Class E"	"Class F"	Total
Authorized	**40,000,000**	**40,000,000**	**100,000,000**	**100,000,000**	**280,000,000**
Outstanding at January 1, 2014	6,342,189	2,520,422	29,710,556	-	38,573,167
Conversions	-	(20,208)	20,208	-	-
Repurchase common stock	-	(21,164)	(2,110)	-	(23,274)
Restricted stock issued – directors	-	-	28,500	-	28,500
Exercised stock options - compensation plans	-	-	111,427	-	111,427
Restricted stock units – vested	-	-	87,519	-	87,519
Outstanding at December 31, 2014	**6,342,189**	**2,479,050**	**29,956,100**	**-**	**38,777,339**
Conversions	-	(4,581)	4,581	-	-
Restricted stock issued – directors	-	-	57,000	-	57,000
Exercised stock options - compensation plans	-	-	70,358	-	70,358
Restricted stock units – vested	-	-	64,208	-	64,208
Outstanding at December 31, 2015	**6,342,189**	**2,474,469**	**30,152,247**	**-**	**38,968,905**
Restricted stock issued – directors	-	-	57,000	-	57,000
Exercised stock options - compensation plans	-	-	68,785	-	68,785
Restricted stock units – vested	-	-	65,358	-	65,358
Outstanding at December 31, 2016	**6,342,189**	**2,474,469**	**30,343,390**	**-**	**39,160,048**

15. Capital and Reserves (continued)

The following table presents information regarding shares repurchased but not retired by the Bank and accordingly classified as treasury stock:

	"Class A"		"Class B"		"Class E"		Total	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**
Outstanding at January 1, 2014	**318,140**	**10,708**	**568,010**	**15,655**	**2,520,522**	**55,645**	**3,406,672**	**82,008**
Repurchase of common stock	-	-	21,164	587	2,110	53	23,274	640
Restricted stock issued – directors	-	-	-	-	(28,500)	(629)	(28,500)	(629)
Exercised stock options - compensation plans	-	-	-	-	(111,427)	(2,460)	(111,427)	(2,460)
Restricted stock units – vested	-	-	-	-	(87,519)	(1,932)	(87,519)	(1,932)
Outstanding at December 31, 2014	**318,140**	**10,708**	**589,174**	**16,242**	**2,295,186**	**50,677**	**3,202,500**	**77,627**
Repurchase of common stock	-	-	-	-	-	-	-	-
Restricted stock issued – directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(70,358)	(1,553)	(70,358)	(1,553)
Restricted stock units – vested	-	-	-	-	(64,208)	(1,418)	(64,208)	(1,418)
Outstanding at December 31, 2015	**318,140**	**10,708**	**589,174**	**16,242**	**2,103,620**	**46,447**	**3,010,934**	**73,397**
Repurchase of common stock	-	-	-	-	-	-	-	-
Restricted stock issued - directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(68,785)	(1,519)	(68,785)	(1,519)
Restricted stock units - vested	-	-	-	-	(65,358)	(1,443)	(65,358)	(1,443)
Outstanding at December 31, 2016	**318,140**	**10,708**	**589,174**	**16,242**	**1,912,477**	**42,226**	**2,819,791**	**69,176**

Reserves

The Banking Law in the Republic of Panama requires banks with general banking license to maintain a total capital adequacy index that shall not be lower than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk; and primary capital equivalent that shall not be less than 4.5% of its assets and loans commitments and financial guarantees contracts, weighted according to their risk. As of December 31, 2016, the Bank's total capital adequacy ratio is 16.79% which is in compliance with the minimum capital adequacy ratios required by the Banking Law in the Republic of Panama.

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15. Capital and Reserves (continued)

Restriction on retained earnings

The Bank does not have restrictions on its ability to access its retained earnings other than those resulting from the supervisory framework within which the Bank operates. The supervisory framework requires banks to keep an additional reserve within equity for credit risk coverage of its credit facilities. As of December 31, 2016 and 2015, the amount stands at $62.5 and $38.7 million, respectively of retained earnings are restricted from dividend distribution for purposes of complying with local regulatory requirements.

Additional paid-in capital

As of December, 31 2016 and 2015, the additional paid-in capital consists of additional cash contributions to the common capital paid by shareholders.

16. Cash and stock-based compensation plans

The Bank has established equity compensation plans under which it manages restricted stock, restricted stock units and stock purchase option plans to attract, retain and motivate directors and top employees and compensate them for their contributions to the growth and profitability of the Bank. Vesting conditions for each of the Bank's plans are only comprised of specified requisite service periods.

A. 2008 Stock Incentive Plan – Directors and Executives

In February 2008, the Board of Directors of the Bank approved an incentive plan for directors and executives allowing the Bank to grant restricted stock, restricted stock units, stock purchase options, and/or other similar compensation instruments. The maximum aggregate number of shares which may be granted under this plan is three million "Class E" common shares. The 2008 Stock Incentive Plan is administered by the Board of Directors which has the authority in its discretion to select the directors and executives to whom the awards may be granted; to determine whether and to what extent awards are granted, and to amend the terms of any outstanding award under this plan.

Restricted stocks are issued at the grant date, but are withheld by the Bank until the vesting date. Restricted stocks are entitled to receive dividends. A restricted stock unit is a grant valued in terms of the Bank's stock, but no stock is issued at the grant date. Restricted stock units are not entitled to dividends. The Bank issues and delivers common stock at the vesting date of the restricted stock units.

During 2016 and 2015, the Board of Directors approved the grant of restricted stock to directors and stock options and restricted stock units to certain executives of the Bank, as follows:

Restricted stock – Directors

During the years 2016 and 2015 the Board of Directors granted 57,000 of "Class E" common shares. The fair value of restricted stock granted was based on the stock closing price in the New York Stock Exchange of the "Class E" shares on April 13, 2016 and April 16, 2015. The fair value of restricted stock granted totaled $1,376 in 2016 and $1,925 in 2015, of which $617 and $8 52 were charged against income during 2016 and 2015, respectively.

The total expense recorded during 2016, 2015 and 2014 of restricted stock – directors $1,548, $1,553 and $809. The remaining cost pending amortization of $1,146 at December 31, 2016 will be amortized over 2.3 years.

The stocks lose their restriction from the year following the anniversary date, as follows: 35% in the first and second year, and 30% in the third year.

16. Cash and stock-based compensation plans (continued)

A summary of the restricted stock granted to Directors is presented below:

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2014	84,862	20.10
Granted	28,500	30.25
Vested	(35,026)	18.80
Outstanding at December 31, 2014	78,336	24.37
Granted	57,000	33.78
Vested	(39,015)	22.69
Outstanding at December 31, 2015	96,321	30.62
Granted	57,000	24.14
Vested	(56,421)	28.80
Outstanding at December 31, 2016	96,900	27.86
Expected to vest	96,900	

The fair value of vested stock during the years 2016 and 2015 was $1,625, and $885, respectively.

Restricted Stock Units and Stock Purchase Options granted to certain Executives

The Board of Directors approved the grant of stock purchase options and restricted stock units to certain executives of the Bank with a grant date fair value of $1.7 million in 2015 and $1.8 million in 2014. In 2016, the distribution of the fair value in restricted stock units and stock purchase options was $1.7 million on restricted stock units and in 2015, $0.5 million in stock purchase options and $1.3 million in restricted stock units, respectively.

Restricted stock units

The fair value of the stock units was based on the "Class E" stock closing price in the New York Stock Exchange on the grants date. These stock units vest 25% each year on the grant date's anniversary. The restricted stock units are exchanged at a ratio of 1: 1 for common shares "Class E".

Compensation costs of the restricted stock units are amortized during the period of restriction by accelerated method. Costs charged against income during 2016, 2015 and 2014 due to the amortization of these grants totaled $1,295, $1,282 and $1,188, respectively. The remaining compensation cost pending amortization of $1,096 in 2016 will be amortized over 3.1 years.

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

16. Cash and stock-based compensation plans (continued)

Restricted stock units (continued)

A summary of the status of the restricted stock units granted to certain executives is presented below:

	Shares	Weighted average grand date fair value	Weighted average remaining contractual term	Aggregate Intrinsic value
Outstanding at January 1, 2014	242,749	17.13		
Granted	47,737	19.24		
Forfeited	(39,255)	17.25		
Vested	(87,519)	16.27		
Outstanding at December 31, 2014	163,712	18.18		
Granted	63,244	21.67		
Forfeited	-			
Vested	(64,208)	17.67		
Outstanding at December 31, 2015	162,748	19.74		
Granted	91,454	18.26		
Forfeited	(21,408)	17.69		
Vested	(65,358)	18.83		
Outstanding at December 31, 2016	167,436	19.35	2.22 years	$141
Expected to vest	167,436	19.35		$1,689

The fair value of vested stock during the years 2016 and 2015 is $1,230, and $1,135, respectively.

Stock purchase options

The fair value of stock purchase options granted to certain Executives during 2015 was estimated using a binomial option-pricing model, based on the following factors:

	Measuring unit	2016	2015	2014
Weighted average fair value per option	$	-	1.95 - 2.06	2.11 - 2.33
Weighted average expected term, in years	Year	-	5.5	5.5
Expected volatility	%	-	22%	22% - 24%
Risk-free rate	%	-	0.02 – 1.52	0.05 - 1.54
Expected dividend	%	-	5.00%	5.00%

These options expire seven years after the grant date and are exercisable at a rate of 25% each year on the grant date's anniversary.

16. Cash and stock-based compensation plans (continued)

Stock purchase options (continued)

Related cost charged against income during 2016, 2015 and 2014 as a result of the amortization of these plans amounted to $251, $454 and $409, respectively. The remaining compensation cost pending amortization of $167 in 2016 will be amortized over a period of 2.11 years.

A summary of stock options granted is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate Intrinsic value
Outstanding at January 1, 2014	187,745	14.90		
Granted	315,971	25.15		
Forfeited	(671)	18.57		
Exercised	(111,349)	13.18		
Outstanding at December 31, 2014	391,696	23.65		
Granted	233,418	29.25		
Forfeited	-	-		
Exercised	(70,358)	20.86		
Outstanding at December 31, 2015	554,756	26.36		
Granted	-	-		
Forfeited	(126)	18.93		
Exercised	(68,785)	22.78		
Outstanding at December 31, 2016	485,845	26.87	4.51 years	$1,248
Exercisable	152,793	25.93	4.24 years	$537
Expected to vest	333,052	27.31	4.64 years	$711

The intrinsic value of exercised options during the years 2016 and 2015 was $412 and $811, respectively. During the years 2016 and 2015 the Bank received $1,565 and $1,467, respectively, from exercised options.

B. Other plans - Expatriate Top Executives Plan

The Bank sponsors a defined contribution plan for its expatriate top executives based in Panama, which are not eligible to participate in the Panamanian social security system. The Bank's contributions are determined as a percentage of the annual salaries of top executives eligible for the plan, each contributing an additional amount withheld from their salary. Contributions to this plan are managed by a fund manager through a trust. The executives are entitled to the Bank's contributions after completing at least three years of service in the Bank. During the years 2016, 2015 and 2014, the Bank charged to salaries expense $121, $171 and $133, respectively, that correspond to the Bank's contributions to this plan. As of December 31, 2016 and 2015 the accumulated liability payable amounted to $365 and $246, respectively.

17. Business segment information

The Bank's activities are managed and executed in two business segments: Commercial and Treasury. The business segment results are determined based on the Bank's managerial accounting process as defined by IFRS 8 – Operating Segments, which assigns consolidated statement of financial positions, revenue and expense items to each business segment on a systematic basis. The Chief Operating Decision Maker (CODM), represented by the Chief Executive Officer (CEO) and the Management Committee reviews internal management reports from each division at least quarterly. Segment profit, as included in the internal management reports is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industry.

The Bank's net interest income represents the main driver of profits; therefore, the Bank presents its interest-earning assets by business segment, to give an indication of the size of business generating net interest income. Interest-earning assets also generate gains and losses on sales, such as for financial instruments at fair value through OCI and financial instruments at fair value through profit or loss, which are included in net other income, in the Treasury Segment. The Bank also discloses its other assets and contingencies by business segment, to give an indication of the size of business that generates net fees and commissions, also included in net other income, in the Commercial Business Segment.

The Commercial Business Segment incorporates all of the Bank's financial intermediation and fees generated by the commercial portfolio. The commercial portfolio includes book value of loans at amortized cost, acceptances, loan commitments and financial guarantee contracts. Profits from the Commercial Business Segment include net interest income from loans at amortized cost, fee income, gain on sale of loans at amortized cost, impairment loss from expected credit losses on loans at amortized cost, impairment loss from expected credit losses on loan commitments and financial guarantee contracts, and allocated expenses.

The Treasury Business Segment incorporates deposits in banks and all of the Bank's financial instruments at fair value through profit or loss, financial instruments at fair value through OCI and securities at amortized cost. Profits from the Treasury Business Segment include net interest income from deposits with banks, financial instruments at fair value through OCI and securities at amortized cost, derivative financial instruments foreign currency exchange, gain (loss) for financial instrument at fair value through profit or loss, gain (loss) for financial instrument at fair value through OCI, impairment loss for expected credit losses on investment securities, other income and allocated expenses.

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17. Business segment information (continued)

The following table provides certain information regarding the Bank's operations by segment:

	Year ended December 31,		
	2016	**2015**	**2014**
Commercial			
Interest income	236,392	209,858	202,096
Interest expense	(96,017)	(82,697)	(79,674)
Net interest income	140,375	127,161	122,422
Net other income (2)	16,333	21,492	21,068
Total income	**156,708**	**148,653**	**143,490**
Impairment loss from expected credit losses on loans at amortized cost and impairment loss from expected credit losses on loan commitments and financial guarantee contracts	(35,112)	(12,800)	(10,601)
Expenses, less impairment loss from expected credit losses	(34,599)	(40,429)	(42,752)
Profit for the year	**86,997**	**95,424**	**90,137**
Commercial assets and loan commitments and financial guarantee contracts (end of year balances):			
Interest-earning assets (3 and 5)	6,013,482	6,682,445	6,677,735
Other assets and loan commitments and financial guarantee contracts (4)	422,422	437,436	496,097
Total interest-earning assets, other assets and loan commitments and financial guarantee contracts	**6,435,904**	**7,119,881**	**7,173,832**
Treasury			
Interest income	9,506	10,454	10,802
Interest expense	5,328	7,864	8,112
Net interest income	14,834	18,318	18,914
Net other income (2)	(3,568)	6,887	5,206
Total income	**11,266**	**25,205**	**24,120**
Impairment loss for expected credit losses on investment securities	(3)	(5,290)	(1,030)
Expenses, less impairment loss for expected credit losses	(11,216)	(11,355)	(10,860)
Profit for the year	**47**	**8,560**	**12,230**
Treasury assets (end of year balances):			
Interest-earning assets (3 and 5)	1,177,961	1,603,921	1,231,800
Total interest-earning assets	**1,177,961**	**1,603,921**	**1,231,800**
Combined business segment total			
Interest income	245,898	220,312	212,898
Interest expense	(90,689)	(74,833)	(71,562)
Net interest income	155,209	145,479	141,336
Net other income (2)	12,765	28,379	26,274
Total income	**167,974**	**173,858**	**167,610**
Impairment loss from expected credit losses on loans at amortized cost and impairment loss from expected credit losses on loan commitments and financial guarantee contracts	(35,112)	(12,800)	(10,601)
Impairment loss from expected credit losses on investment securities	(3)	(5,290)	(1,030)
Expenses, less impairment loss from expected credit losses	(45,814)	(51,784)	(53,613)
Profit for the year	**87,045**	**103,984**	**102,366**

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

17. Business segment information (continued)

	December 31, 2016	December 31, 2015
Total assets and loan commitments and financial guarantee contracts (end of year balances):		
Interest-earning assets (2 and 4)	7,191,443	8,286,366
Other assets and loan commitments and financial guarantee contracts (3)	422,422	437,436
Total interest-earning assets, other assets and loan commitments and financial guarantee contracts	**7, 613,865**	**8,723,802**

(1) The numbers set out in these tables have been rounded and accordingly may not total exactly. The balances for 2016 correspond to December 31, 2016 figures.
(2) Net other income consists of other income including gains on sale of loans at amortized cost, gains (loss) per financial instrument at FVTPL and FVOCI, derivative instruments and foreign currency exchange.
(3) Includes deposits and loans at amortized cost, net of unearned interest and deferred fees.
(4) Includes customers' liabilities under acceptances, loans commitments and financial guarantees contracts.
(5) Includes cash and cash equivalents, interest-bearing deposits with banks, financial instruments at fair value through OCI, financial instruments at amortized cost and financial instruments at fair value through profit or loss.

	December 31, 2016	December 31, 2015
Reconciliation of total assets:		
Interest-earning assets – business segment	7,191,443	8,286,366
Allowance for expected credit losses on loans at amortized cost	(105,988)	(89,974)
Allowance for expected credit losses on securities at amortized cost	(602)	(526)
Customers' liabilities under acceptances	19,387	15,100
Intangibles, net	2,909	427
Accrued interest receivable	44,187	45,456
Property and equipment, net	8,549	6,173
Derivative financial instruments used for hedging - receivable	9,352	7,400
Other assets	11,546	15,794
Total assets – consolidated financial statements	**7,180,783**	**8,286,216**

18. Fair value of financial instruments

The Bank determines the fair value of its financial instruments using the fair value hierarchy established in IFRS 13 - Fair Va lue Measurements and Disclosure, which requires the Bank to maximize the use of observable inputs (those that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market information obtained from sources independent of the reporting entity) and to minimize the use of unobservable inputs (those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances) when measuring fair value. Fair value is used on a recurring basis to measure assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets and liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses some valuation techniques and assumptions when estimating fair value. The Bank applied the following fair value hierarchy:

Level 1 – Assets or liabilities for which an identical instrument is traded in an active market, such as publicly-traded instruments or futures contracts.

Level 2 – Assets or liabilities valued based on observable market data for si milar instruments, quoted prices in markets that are not active; or other observable inputs that can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments measured based on the best available information, which might include some internally-developed data, and considers risk premiums that a market participant would require.

When determining the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers the assumptions that market participants would use when pricing the asset or liability. When possible, the Bank uses active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Bank uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the size of the bid-ask spread and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in those markets.

When there has been a significant decrease in the volume or level of activity for a financial asset or liability, the Bank uses the present value technique which considers market information to determine a representative fair value in usual market conditions.

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, including the general classification of such assets and liabilities under the fair value hierarchy is presented below:

<u>Financial instruments at FVTPL and FVOCI</u>

Financial instruments at FVTPL are carried at fair value, which is based upon quoted prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

Financial instruments at FVOCI are carried at fair value, based on quoted market prices when available, or if quoted market prices are not available, based on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

When quoted prices are available in an active market, financial instruments at FVOCI and financial instruments at FVTPL are classified in level 1 of the fair value hierarchy. If quoted market prices are not available or they are available in markets that are not active, then fair values are estimated based upon quoted prices of similar instruments, or where these are not available, by using internal valuation techniques, principally discounted cash flows models. Such securities are classified within level 2 of the fair value hierarchy.

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18. Fair value of financial instruments (continued)

Derivative financial instruments

The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. Exchange-traded derivatives that are valued using quoted prices are classified within level 1 of the fair value hierarchy.

For those derivative contracts without quoted market prices, fair value is based on internal valuation techniques using inputs that are readily observable and that can be validated by information available in the market. The principal technique used to value these instruments is the discounted cash flows model and the key inputs considered in this technique include interest rate yield curves and foreign exchange rates. These derivatives are classified within level 2 of the fair value hierarchy.

The fair value adjustments applied by the Bank to its derivative carrying values include credit valuation adjustments ("CVA"), which are applied to OTC derivative instruments, in which the base valuation generally discounts expected cash flows using the Overnight Index Swap ("OIS") interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant OIS curve, a CVA is necessary to incorporate the market view of both, counterparty credit risk and the Bank's own credit risk, in the valuation.

Own-credit and counterparty CVA is determined using a fair value curve consistent with the Bank's or counterparty credit rating. The CVA is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most of the Bank's derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the CVA may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of the Bank or its counterparties or due to the anticipated termination of the transactions.

Transfer of financial assets

Gains or losses on sale of loans depend in part on the carrying amount of the financial assets involved in the transfer, and its fair value at the date of transfer. The fair value of instruments is determined based upon quoted market prices when available, or are based on the present value of future expected cash flows using information related to credit losses, prepayment speeds, forward yield curves, and discounted rates commensurate with the risk involved.

18. Fair value of financial instruments (continued)

Financial instruments measured at fair value on a recurring basis by caption on the consolidated statement of financial positions using the fair value hierarchy are described below:

	December 31, 2016			
	Level 1[(a)]	**Level 2[(b)]**	**Level 3[(c)]**	**Total**
Assets				
Securities at fair value through OCI:				
Corporate debt	13,909		-	13,909
Sovereign debt	13,912	2,786	-	16,698
Total securities at fair value through OCI	27,821	2,786	-	30,607
Derivative financial instruments used for hedging – receivable:				
Interest rate swaps	-	363	-	363
Cross-currency interest rate swaps	-	2,561	-	2,561
Foreign exchange forward	-	6,428	-	6,428
Total derivative financial instrument used for hedging – receivable	-	9,352	-	9,352
Total financial assets at fair value	**27,821**	**12,138**	**-**	**39,959**
Liabilities				
Financial instruments at FVTPL:				
Interest rate swaps	-	-	-	-
Cross-currency interest rate swaps	-	-	-	-
Foreign exchange forward	-	24	-	24
Total financial instruments at FVTPL	-	24	-	24
Derivative financial instruments used for hedging – payable:				
Interest rate swaps	-	3,704	-	3,704
Cross-currency interest rate swaps	-	46,198	-	46,198
Foreign exchange forward	-	9,784	-	9,784
Total derivative financial instruments used for hedging – payable	-	59,686	-	59,686
Total financial liabilities at fair value	**-**	**59,710**	**-**	**59,710**

[(a)] Level 1: Quoted market prices in an active market.
[(b)] Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.
[(c)] Level 3: Internally developed models with significant unobservable market information.

18. Fair value of financial instruments (continued)

	December 31, 2015			
	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total
Assets				
Securities at fair value through OCI				
Corporate debt	76,091	8,724	-	84,815
Sovereign debt	56,988	-	-	56,988
Total securities at fair value through OCI	133,079	8,724	-	141,803
Financial instruments at FVTPL				
Investment funds	-	53,411	-	53,411
Total financial instruments at FVTPL	-	53,411	-	53,411
Derivative financial instruments used for hedging – receivable				
Interest rate swaps	-	2,779	-	2,779
Cross-currency interest rate swaps	-	696	-	696
Foreign exchange forward	-	3,925	-	3,925
Total derivative financial instrument used for hedging – receivable	-	7,400	-	7,400
Total financial assets at fair value	**133,079**	**69,535**	**-**	**202,614**
Liabilities				
Financial instruments at FVTPL				
Interest rate swaps	-	15	-	15
Cross-currency interest rate swaps	-	-	-	-
Foreign exchange forward	-	74	-	74
Total financial instruments at FVTPL	-	89	-	89
Derivative financial instruments used for hedging – payable				
Interest rate swaps	-	3,698	-	3,698
Cross-currency interest rate swaps	-	24,105	-	24,105
Foreign exchange forward	-	2,086	-	2,086
Total derivative financial instruments used for hedging – payable	-	29,889	-	29,889
Total financial liabilities at fair value	**-**	**29,978**	**-**	**29,978**

(a) Level 1: Quoted market prices in an active market.
(b) Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.
(c) Level 3: Internally developed models with significant unobservable market information.

The following information should not be interpreted as an estimate of the fair value of the Bank. Fair value calculations are only provided for a limited portion of the Bank's financial assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparison of fair value information of the Bank and other companies may not be meaningful for comparative analysis.

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18. Fair value of financial instruments (continued)

The following methods and assumptions were used by the Bank's management in estimating the fair values of financial instruments whose fair value is not measured on a recurring basis:

Financial instruments with carrying value that approximates fair value

The carrying value of certain financial assets, including cash and due from banks, interest-bearing deposits in banks, customers' liabilities under acceptances, accrued interest receivable and certain financial liabilities including customer's demand and time deposits, securities sold under repurchase agreements, accrued interest payable, and acceptances outstanding, as a result of their short-term nature, are considered to approximate fair value. These instruments are classified in Level 2.

Securities at amortized cost

The fair value has been based upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon quoted price of similar instruments, or where these are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security. These securities are classified in Levels 1 and 2.

Loans at amortized cost

The fair value of the loan portfolio, including impaired loans, is estimated by discounting future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31 of the relevant year. These assets are classified in Level 2.

Short and long-term borrowings and debt

The fair value of short and long-term borrowings and debt is estimated using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements, taking into account the changes in the Bank's credit margin. These liabilities are classified in Level 2.

18. Fair value of financial instruments (continued)

The following table provides information on the carrying value and estimated fair value of the Bank's financial instruments that are not measured on a recurring basis:

	December 31, 2016				
	Carrying value	Fair value	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
Financial assets					
Instruments with carrying value that approximates fair value					
Cash and deposits on banks	1,069,538	1,069,538	-	1,069,538	-
Acceptances	19,387	19,387	-	19,387	-
Interest receivable	44,187	44,187	-	44,187	-
Securities at amortized cost	77,214	76,406	73,406	3,000	-
Loans at amortized cost [(1)]	5,907,494	6,021,006	-	6,021,006	-
Financial liabilities					
Instruments with carrying value that approximates fair value					
Deposits	2,802,852	2,802,852	-	2,802,852	-
Acceptances	19,387	19,387	-	19,387	-
Interest payable	16,603	16,603	-	16,603	-
Short-term borrowings and debt	1,470,075	1,470,045	-	1,470,045	-
Long-term borrowings and debt	1,776,738	1,808,228	-	1,808,228	-

[(a)] Level 1: Quoted market prices in an active market.
[(b)] Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.
[(c)] Level 3: Internally developed models with significant unobservable market information.

[(1)] The carrying value of loans is net of the allowance for expected credit losses of $106.0 million and unearned interest and defe rred fees of $7.2 million for December 31, 2016.

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18. Fair value of financial instruments (continued)

The following table provides information on the carrying value and estimated fair value of the Bank's financial instruments that are not measured on a recurring basis:

	December 31, 2015				
	Carrying Value	Fair value	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
Financial assets					
Instruments with carrying value that approximates fair value					
Cash and deposits on banks	1,299,966	1,299,966	-	1,299,966	-
Acceptances	15,100	15,100	-	15,100	-
Interest receivable	45,456	45,456	-	45,456	-
Securities at amortized cost	108,215	101,726	76,673	25,053	-
Loans at amortized cost [(1)]	6,592,471	6,727,045	-	6,727,045	-
Financial liabilities					
Instruments with carrying value that approximates fair value					
Deposits	2,795,469	2,795,469	-	2,795,469	-
Repurchase agreement	114,084	114,084	-	114,084	-
Acceptances	15,100	15,100	-	15,100	-
Interest payable	17,716	17,716	-	17,716	-
Short-term borrowings and debt	2,430,357	2,428,513	-	2,428,513	-
Long-term borrowings and debt	1,881,813	1,904,231	-	1,904,231	-

[(a)] Level 1: Quoted market prices in an active market.
[(b)] Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.
[(c)] Level 3: Internally developed models with significant unobservable market information.

[(2)] The carrying value of loans is net of the allowance for expected credit losses of $90.0 million and unearned interest and deferred fees of $9.3 million for December 31, 2015.

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

19. Accumulated other comprehensive income (loss)

The breakdown of accumulated other comprehensive income (loss) related to financial instruments at FVOCI, derivative financial instruments, and foreign currency translation is as follows:

	Financial instruments at FVOCI	Derivative financial instruments	Total
Balance as of January 1, 2014	**(9,029)**	**(671)**	**(9,700)**
Net unrealized gain (loss) arising from the year	3,174	(1,813)	1,361
Reclassification adjustment for (gains) loss included in the profit of the year [(1)]	(962)	1,464	502
Other comprehensive income (loss) from the year	2,212	(349)	1,863
Balance as of December 31, 2014	**(6,817)**	**(1,020)**	**(7,837)**
Net unrealized gain (loss) arising from the year	(6,267)	(4,942)	(11,209)
Reclassification adjustment for (gains) loss included in the profit of the year [(1)]	4,153	4,212	8,365
Other comprehensive income (loss) from the year	(2,114)	(730)	(2,844)
Balance as of December 31, 2015	**(8,931)**	**(1,750)**	**(10,681)**
Net unrealized gain (loss) arising from the year	7,048	4,383	11,431
Reclassification adjustment for (gains) loss included in the profit of the year [(1)]	1,030	(4,581)	(3,551)
Other comprehensive income (loss) from the year	8,078	(198)	7,880
Balance as of December 31, 2016	**(853)**	**(1,948)**	**(2,801)**

[(1)] Reclassification adjustments include amounts recognized in profit of the year that had been part of other comprehensive income (loss) in this and previous years.

19. Accumulated other comprehensive income (loss) (continued)

The following table presents amounts reclassified from other comprehensive income to the profit of the year:

December 31, 2016

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	-	Interest income – financial instruments at FVOCI
	(7,243)	Net gain on sale of financial instruments at FVOCI
	6,213	Derivative financial instruments and hedging
	(1,030)	
Gains (losses) on derivative financial instruments:		
Foreign exchange forward	(4,750)	Interest income – loans at amortized cost
	1,679	Interest expense - borrowings
	6,060	Net gain (loss) on foreign currency exchange
Interest rate swaps	1,104	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	488	Net gain (loss) on cross-currency swaps
	4,581	

December 31, 2015

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	240	Interest income – financial instruments at FVOCI
	393	Net gain on sale of financial instruments at FVOCI
	(4,786)	Derivative financial instruments and hedging
	(4,153)	
Gains (losses) on derivative financial instruments:		
Foreign exchange forward	(1,822)	Interest income – loans at amortized cost
	-	Interest expense - borrowings
	(2,390)	Net gain (loss) on foreign currency exchange
	(4,212)	
Interest rate swaps	(229)	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	84	Net gain (loss) on cross-currency swaps

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19. Accumulated other comprehensive income (loss) (continued)

December 31, 2014		
Details about accumulated other comprehensive income components	**Amount reclassified from accumulated other comprehensive income**	**Affected line item in the consolidated statement of profit or loss where net income is presented**
Realized gains (losses) on financial instruments at FVOCI:	2	Interest income – financial instruments at FVOCI
	1,796	Net gain on sale of financial instruments at FVOCI
	(836)	Derivative financial instruments and hedging
	962	
Gains (losses) on derivative financial instruments:		
Foreign exchange forward	(2,245)	Interest income – loans at amortized cost
	-	Interest expense - borrowings
	781	Net gain (loss) on foreign currency exchange
	(1,464)	
Interest rate swaps	(201)	Net gain (loss) on interest rate swaps

20. Related party transactions

During the reporting year, total compensation paid to directors and the executives of Bladex as representatives of the Bank amounted to:

	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Expenses:			
Compensation costs paid to directors	880	949	1,135
Compensation costs paid to executives	4,055	4,601	4,027

21. Fees and commissions, net

	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Commission income - Loans & commitments, net	1,126	2,988	2,118
Commission income - Letters of credit	7,458	9,332	9,275
Commission income - Arrangements	5,722	6,880	6,109
Total	**14,306**	**19,200**	**17,502**

22. Net gain or (loss) on financial instruments at FVTPL

	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Net gain (loss) on financial instruments at FVTPL	1,481	645	(393)
Net (loss) gain on investment funds	(4,364)	5,086	2,754
	(2,883)	**5,731**	**2,361**

23. Salaries and other employee expenses

	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Wages and salaries	16,132	15,500	16,044
Payroll taxes	2,244	2,264	2,491
Personnel benefits	3,090	8,613	9,855
Share–based payments	3,730	4,058	3,176
Total	**25,196**	**30,435**	**31,566**

24. Other expenses

	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Advertising and marketing	785	829	712
Regulatory fees	1,348	1,565	1,371
Rental - office and equipment	2,681	3,019	3,100
Administrative	7,468	7,469	6,912
Professional services	4,255	4,621	5,177
Maintenance and repairs	1,866	1,635	1,545
Other	129	244	743
Total	**18,532**	**19,382**	**19,560**

25. Commitments and contingencies

Leasing arrangements

Operating lease commitments – Bank as lessee

Future minimum lease payments under cancellable operating leases as follows:

	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Within 1 year	1,984	2,055	2,305
After 1 year but not more than 5 years	7,362	6,731	6,589
More than 5 years	10,638	14,128	14,128
Total	**19,984**	**22,914**	**23,022**

The total amount of expenses recognized in connection with such leases in 2016, 2015 and 2014 are $2,605, $2,930 and $2,249, respectively.

Operating leases – Bank as sub-lessor

Future minimum lease payments under cancellable operating leases as follows:

	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Within 1 year	289	455	662
After 1 year but not more than 5 years	646	822	1,277
Total	**935**	**1,277**	**1,939**

The total amount of income recognized in connection with such leases in 2016, 2015 and 2014 are $436, $661 and $661, respectively.

26. Litigation

Bladex is not engaged in any litigation that is material to the Bank's business or, to the best of the knowledge of the Bank's management that is likely to have an adverse effect on its business, financial condition or results of operations.

27. Risk management

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to market, credit, compliance and liquidity risk. It is also subject to country risk and various operating risks.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed an Administration Committee which has the responsibility to monitor the overall risk process within the Bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports on a weekly basis to the Supervisory Board.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework.

The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on a daily basis, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's Assets/Liabilities Committee (ALCO) is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, market risk sensitivities, stop losses, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Supervisory Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank. For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up–to–date information.

27. Risk management (continued)

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

In accordance with the Bank's policy, its risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Bank. The effectiveness of hedges is assessed by the Risk Controlling Unit (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by the Risk Controlling Unit quarterly. In situations of ineffectiveness, the Bank will enter into a new hedge relationship to mitigate risk on a continuous basis.

Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank to manage risk concentrations at both the relationship and industry levels.

The Bank has exposure to the following risk from financial instruments:

27.1 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

<u>Individually assessed allowances</u>

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Allowances for losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

27. Risk management (continued)

27.1 Credit risk (continued)

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances and for debt investments at amortized costs that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. The Bank generally bases its analyses on historical experience and prospective information. However, when there are significant market developments, regional and/or global, the Bank would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debt, changes in the law, changes in regulation, bankruptcy trends, and other consumer data. The Bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry–specific problems). The approximate time when a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed in a similar manner as for loans.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position at fair value.

With gross–settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honors its obligation, but the counterparty fails to deliver the counter value.

Credit–related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

Collateral and other credit enhancements (continued)

The Bank also makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance–sheet assets and liabilities unless certain conditions for offsetting.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

27.2 Liquidity risk

Liquidity refers to the Bank's ability to maintain adequate cash flows to fund operations and meet obligations and other commitments on a timely basis.

As established by the Bank's liquidity policy, the Bank's liquid assets are held in overnight deposits with the Federal Reserve Bank of New York or in the form of interbank deposits with reputable international banks that have A1, P1, or F1 ratings from two of the major internationally – recognized rating agencies and are primarily located outside of the Region. In addition, the Bank's liquidity policy allows for investing in negotiable money market instruments, including Euro certificates of deposit, commercial paper, and other liquid instruments with maturities of up to three years. These instruments must be of investment grade quality A or better, must have a liquid secondary market and be considered as such according to Basel III rules.

The Bank performs daily reviews, controls and periodic stress tests on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and to monitor the liquidity level according to the macroeconomic environment. The Bank determines the level of liquid assets to be held on a daily basis, adopting a Liquidity Coverage Ratio methodology referencing the Basel Committee guidelines. Additionally, the Liquidity Coverage Ratio is complemented with the use of the Net Stable Funding Ratio to maintain an adequate long-term funding structure. Specific limits have been established to control (1) cumulative maturity "gaps" between assets and liabilities, for each maturity classification presented in the Bank's internal liquidity reports, and (2) concentrations of deposits taken from any client or economic group maturing in one day and total maximum deposits maturing in one day.

The Bank follows a Contingent Liquidity Plan. The plan contemplates the regular monitoring of several quantified internal and external reference benchmarks (such as deposit level, Emerging Markets Bonds Index Plus, LIBOR-OIS spread and market interest rates), which in cases of high volatility would trigger implementation of a series of precautionary measures to reinforce the Bank's liquidity position. In the Bank's opinion, its liquidity position is adequate for the Bank's present requirements.

27. Risk management (continued)

27.2 Liquidity risk (continued)

The following table shows the Bank's liquid assets, by principal geographic area:

(in millions US$)	December 31,	
	2016	**2015**
United States of America	591	1,215
Other O.E.C.D.	409	11
Multilateral	-	40
Latin America	8	1
Total	**1,008**	**1,267**

As of December 31, 2016 and 2015, the Bank's 24-hour deposits from customers (demand deposit accounts and call deposits) amounted to $227 million and $244 million, respectively; representing 8% and 9% of the Bank's total deposits, for each year reported. The liquidity requirement resulting from these maturities is satisfied by the Bank's liquid assets, which as of December 31, 2016 and 2015 were $1,008 million and $1,267 million, respectively (representing 36% and 45% of total deposits, respectively) of which $591 million, or 59% and $1,213 million, or 96%, as of December 31, 2016 and 2015, of liquid assets were deposited at the Federal Reserve Bank of New York. The remaining liquid assets consisted of short-term funds deposited with other banks.

While the Bank's liabilities generally mature over somewhat shorter periods than its assets, the associated liquidity risk is diminished by the short-term nature of the loan portfolio, as the Bank is engaged primarily in the financing of foreign trade. As of December 31, 2016 and 2015, the Bank's short-term loan and investment securities portfolio (maturing within one year based on original contractual term) totaled $3,577 million and $3,189 million, respectively. As of December 31, 2016 and 2015, it had an average original term to maturity of 184 and 198 days, respectively and an average remaining term to maturity of 89 days and 90 days, respectively.

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled $2,552 million and $3,753 million as of December 31, 2016 and 2015, respectively. Of that amount, $105 million and $228 million corresponded to the Bank's investment securities as of December 31, 2016 and 2015. The remaining $2,447 million and $3,526 million in medium-term assets corresponded to the Bank's loan portfolio as of December 31, 2016 and 2015. As of December 31, 2016 and 2015, the medium-term assets had an average original term to maturity of three years and ten months, and three years and seven months, respectively; and an average remaining term to maturity of one year and seven months (588 days), and one year and eight months (618 days), respectively.

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27. Risk management (continued)

27.2 Liquidity risk (continued)

The following table details the Banks's assets and liabilities grouped by its remaining maturity with respect to the contractual maturity:

	December 31, 2016						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Without maturity**	**Total**
Assets							
Cash and cash equivalent	1,069,538	-	-	-	-	-	1,069,538
Investment securities	1,024	3,000	-	83,643	20,756	(602)	107,821
Loans at amortized cost	2,262,349	1,267,194	551,794	1,843,476	95,918	-	6,020,731
Unearned interest and deferred fees	(663)	(906)	(258)	(4,762)	(660)	-	(7,249)
Allowance for expected credit losses	-	-	-	-	-	(105,988)	(105,988)
Other assets	55,445	6,587	3,721	6,399	642	23,136	95,930
Total	**3,387,693**	**1,275,875**	**555,257**	**1,928,756**	**116,656**	**(83,454)**	**7,180,783**
Liabilities							
Deposits in banks	2,306,413	173,288	275,631	47,520	-	-	2,802,852
Other liabilities	884,453	744,135	346,294	1,330,515	61,220	-	3,366,617
Total	**3,190,866**	**917,423**	**621,925**	**1,378,035**	**61,220**	**-**	**6,169,469**
Net position	**196,827**	**358,452**	**(66,668)**	**550,721**	**55,436**	**(83,454)**	**1,011,314**

	December 31, 2015						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Without maturity**	**Total**
Assets							
Cash and cash equivalent	1,299,966	-	-	-	-	-	1,299,966
Investment securities	22,749	13,619	12,953	113,613	87,609	52,886	303,429
Loans at amortized cost	2,390,914	1,094,889	1,188,864	1,973,526	43,556	-	6,691,749
Unearned interest and deferred fees	(722)	(1,163)	(1,477)	(5,454)	(488)	-	(9,304)
Allowance for expected credit losses	-	-	-	-	-	(89,974)	(89,974)
Other assets	54,873	18,889	4,024	5,061	733	6,770	90,350
Total	**3,767,780**	**1,126,234**	**1,204,364**	**2,086,746**	**131,410**	**(30,318)**	**8,286,216**
Liabilities							
Deposits in banks	2,211,625	319,995	263,849	-	-	-	2,795,469
Other liabilities	1,487,458	862,141	471,232	1,622,937	74,475	573	4,518,816
Total	**3,699,083**	**1,182,136**	**735,081**	**1,622,937**	**74,475**	**573**	**7,314,285**
Net position	**68,697**	**(55,902)**	**469,283**	**463,809**	**56,935**	**(30,891)**	**971,931**

27. Risk management (continued)

27.3 Market risk

Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with many of the Bank's operations and activities, including loans, deposits, investment and financial instruments at FVTPL, short- and long-term borrowings and debt, derivatives and trading positions. This risk may result from fluctuations in different parameters: interest rates, currency exchange rates, inflation rates and changes in the implied volatility. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on the Bank's financial condition, results of operations, cash flows and business

Interest rate risk

The Bank endeavors to manage its assets and liabilities in order to reduce the potential adverse effects on the net interest income that could be produced by interest rate changes. The Bank's interest rate risk is the exposure of earnings (current and potential) and capital to adverse changes in interest rates and is managed by attempting to match the term and repricing characteristics of the Bank's interest rate sensitive assets and liabilities. The Bank's policy with respect to interest rate risk provides that the Bank establishes limits with regards to: (1) changes in net interest income due to a potential impact, given certain movements in interest rates and (2) changes in the amount of available equity funds of the Bank, given a one basis point movement in interest rates.

The following summary table presents a sensitivity analysis of the effect on the Bank's results of operations derived from a reasonable variation in interest rates which its financial obligations are subject to, based on change in points.

	Change in interest rate	Effect on income
December 31, 2016	+200 bps	24,603
	-200 bps	(11,382)
December 31, 2015	+200 bps	18,723
	-200 bps	(3,480)

This analysis is based on the prior year changes in interest rates and assesses the impact on income, with balances as of December 31, 2016 and 2015. This sensitivity provides an idea of the changes in interest rates, taking as example the volatility of the interest rate of the previous year.

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27. Risk management (continued)

27.3 Market risk (continued)

Interest rate risk (continued)

The table below summarizes the Bank's exposure based on the terms of repricing of interest rates on financial assets and liabilities.

	December 31, 2016					
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Assets						
Time deposit	125,000	-	-	-	-	125,000
Securities and other financial assets	9,025	3,000	-	72,094	18,200	102,319
Loans at amortized cost	4,350,913	1,445,290	141,060	83,919		6,021,182
Total	4,484,938	1,448,290	141,060	156,013	18,200	6,248,501
Liabilities						
Deposits	2,179,399	173,288	275,631	47,520	-	2,675,838
Repurchase agreements	-	-	-	-	-	-
Borrowings, pledged deposits and debt	2,168,964	402,643	133,190	495,883	46,133	3,246,813
Total	4,348,363	575,931	408,821	543,403	46,133	5,922,651
Total interest rate sensibility	**136,575**	**872,359**	**(267,761)**	**(387,390)**	**(27,933)**	**325,850**

	December 31, 2015					
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Assets						
Time deposit	50,000	-	-	-	-	50,000
Securities and other financial assets	34,100	10,000	13,345	105,394	86,848	249,687
Loans at amortized cost	4,532,150	1,760,730	288,031	111,049	-	6,691,960
Total	**4,616,250**	**1,770,730**	**301,376**	**216,443**	**86,848**	**6,991,647**
Liabilities						
Deposits	1,967,929	319,995	263,849	-	-	2,551,773
Repurchase agreements	102,775	11,308	-	-	-	114,083
Borrowings, pledged deposits and debt	2,430,951	718,258	271,811	842,901	54,410	4,318,331
Total	**4,501,655**	**1,049,561**	**535,660**	**842,901**	**54,410**	**6,984,187**
Total interest rate sensibility	**114,595**	**721,169**	**(234,284)**	**(626,458)**	**32,438**	**7,460**

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

27. Risk management (continued)

27.3 Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events. For purposes of accounting standards this risk does not come from financial instruments that are not monetary items, or for financial instruments denominated in the functional currency. Exposure to currency risk is low since the Bank's has maximum exposure limits established by the Board.

Most of the Bank's assets and most of its liabilities are denominated in US American Dollars and hence the Bank does not incur a significant currency exchange risk. The currency exchange rate risk is mitigated by the use of derivatives, which, although perfectly covered economically, may generate a certain accounting volatility

The following table details the maximum to foreign currency, where all assets and liabilities are presented based on their book value, except for derivatives, which are included within other assets and other liabilities based on its value nominal.

	December 31, 2016						
	Brazilian Real expressed in US$	European Euro expressed in US$	Japanese Yen expressed in US$	Colombian Peso expressed in US$	Mexican Peso expressed in US$	Other currencies expressed in US$[1]	Total
Exchange rate	3.25	1.06	116.68	3002.00	20.6139		
Assets							
Cash and cash equivalent	4,014	6	6	55	2,339	74	6,494
Investments and other financial assets	-	-	-	-	-	-	-
Loans at amortized cost	-	-	-	-	295,580	-	295,580
Other assets	-	52,800	94,279	-	79,104	-	226,183
Total	**4,014**	**52,806**	**94,285**	**55**	**377,023**	**74**	**528,257**
Liabilities							
Borrowings and deposit placements	-	-	94,279	-	280,557	-	374,836
Other liabilities	3,933	52,800	-	-	96,951	-	153,684
Total	**3,933**	**52,800**	**94,279**	**-**	**377,508**	**-**	**528,520**
Net currency position	**81**	**6**	**6**	**55**	**(485)**	**74**	**(263)**

[1] It includes other currencies such as: Argentine pesos, Australian- dollar, Canadian dollar, Swiss franc, Peruvian soles and Remimbis.

27. Risk management (continued)

27.3 Market risk (continued)

Currency risk (continued)

	December 31, 2015						
	Brazilian Real expressed in US$	European Euro expressed in US$	Japanese Yen expressed in US$	Colombian Peso expressed in US$	Mexican Peso expressed in US$	Other currencies expressed in US$[1]	Total
Exchange rate	3.96	1.09	120.40	3,175.18	17.34		
Assets							
Cash and cash equivalent	405	6	5	50	887	150	1,503
Investments and other financial assets	3,818	-	-	-	1,601	-	5,419
Loans at amortized cost	-	-	-	-	136,896	-	136,896
Other assets	-	271,005	38,208	-	28,831	-	338,044
Total	**4,223**	**271,011**	**38,213**	**50**	**168,215**	**150**	**481,862**
Liabilities							
Borrowings and deposit placements	-	270,913	38,208	-	168,103	-	477,224
Other liabilities	3,883	-	-	-	-	-	3,883
Total	**3,883**	**270,913**	**38,208**	**-**	**168,103**	**-**	**481,107**
Net currency position	**340**	**98**	**5**	**50**	**112**	**150**	**755**

[1] It includes other currencies such as: Argentine pesos, Australian- dollar, Canadian dollar, Swiss franc, Peruvian soles and Remimbis.

27.4 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Bladex, like all financial institutions, is exposed to operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, and errors by employees, and any failure, interruption or breach in the security or operation of the Bank's information technology systems could result in interruptions in such activities. Operational problems or errors may occur, and their occurrence may have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

(Amounts expressed in thousands of U.S. dollars, except when otherwise indicated)

27. Risk management (continued)

27.4 Operational Risk (continued)

Capital management

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

	December 31, 2016	December 31, 2015
Tier 1 capital	1,054,719	1,050,778
Risk weighted assets	6,350,544	6,460,108
Tier 1 capital ratio	16.61%	16.27%

28. Subsequent Events

Bladex announced a quarterly cash dividend of 15,077 which represent $0.385 per share corresponding to the fourth quarter of 2016. The cash dividend was approved by the Board of Directors at its meeting held January 17, 2017 and is payable on February 16, 2017 to the Bank's stockholders as of the February 1, 2017 record date.