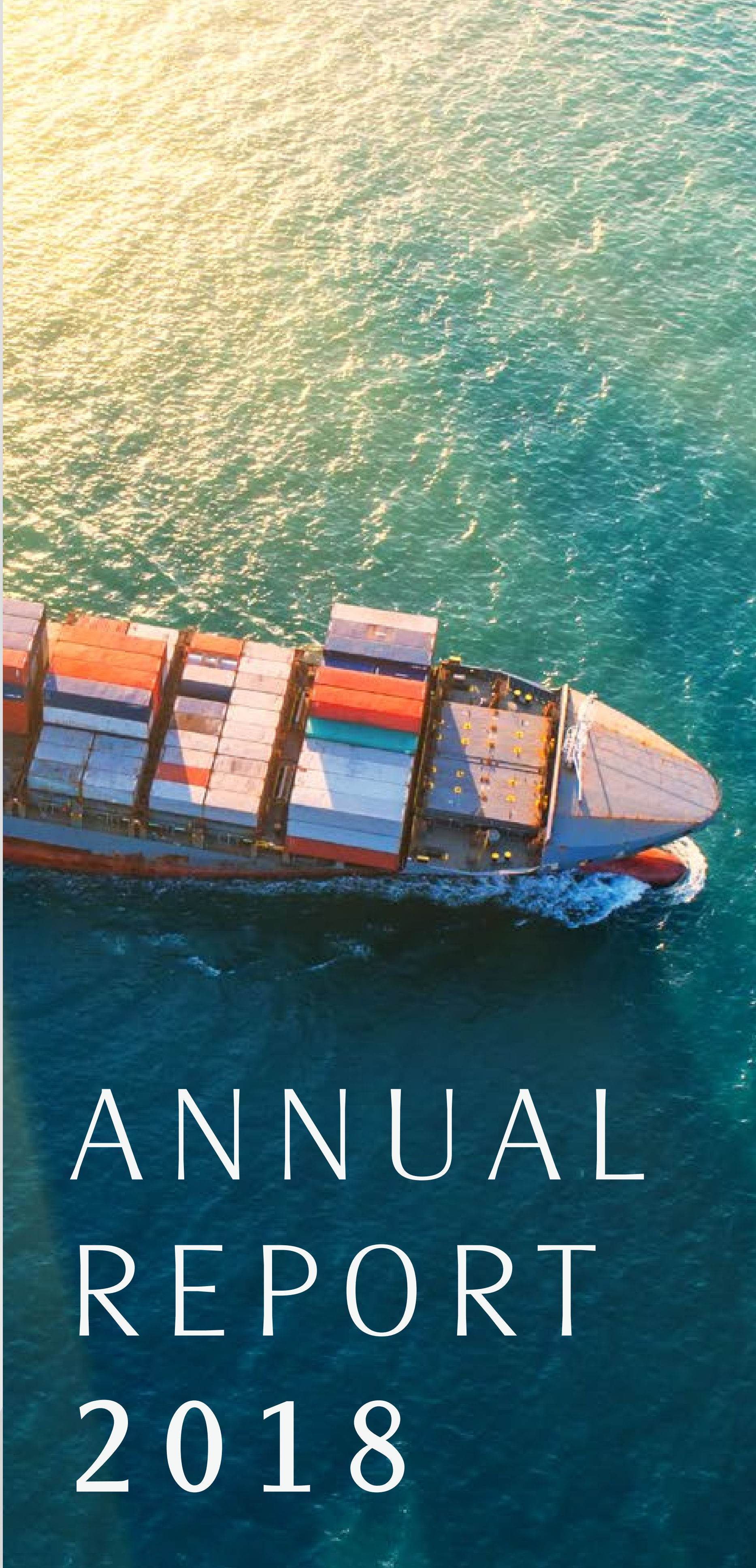


ANNUAL REPORT 2018

Bladex

INDEX

Gonzalo Menéndez Duque
Chairman of the Board of Directors

N. Gabriel Tolchinsky
Chief Executive Officer

MESSAGE TO SHAREHOLDERS

"Our vision for Bladex is that of an important and relevant financial institution for Latin American trade and regional integration, focused on building value for our shareholders and clients, thus effectively contributing to the development of our beloved Region."

Dear Shareholders:

Throughout its 39 years of operations, Bladex has continued to consolidate its work in support of Latin American trade and regional integration, providing top class financial solutions to a diversified client base - spread out in over 20 countries in the Region. While Bladex today is a modern, dynamic and efficient financial institution with private capital and a talented professional staff, its mission from inception remains an integral part of it. Bladex is prepared to continue its tradition of innovation in an ever more sophisticated environment, clearly bearing in mind the objective of maintaining sustainable financial results over time.

BUSINESS ENVIRONMENT

2018 was marked by significant challenges for Bladex in a still uncertain global macroeconomic context. Notwithstanding a positive forecast by the International Monetary Fund (IMF) for global GDP growth of 3.7%, generated increasing volatilities. While the rise in interest rates by the Federal Reserve (FED) in the United States normalizes monetary policy, it also led to an appreciation of the dollar and a negative impact on emerging economies, particularly in Latin America. In addition, the further escalation of protectionism between the United States and its commercial partners, especially China, remains a source of uncertainty for foreign trade and international financial relationships. This has brought about a slowdown in the momentum of economic activity in Latin America and the Caribbean, ending 2018 at essentially the same pace as 2017, with estimated average growth of 1.1%. In general, the Region faced very heterogeneous scenarios: crisis in Argentina, uncertainty in Brazil and Mexico and greater resiliency in the Pacific Alliance.

Foreign trade in Latin America showed a positive performance with estimated growth of 10.2% in 2018 above global trade growth of 4.6%. This growth is mainly explained by the rise in prices in the Region's important commodities, such as metals and oil, and a slight increase in the volume of exports. However, the recovery in commodity prices was not uniform and the prices of certain soft commodities, such as sugar, remained at low prices in the international market, resulting in strains on exports.

PERFORMANCE OF THE BANK IN 2018

In 2018, the Bank focused on strengthening its credit portfolio and improving its operating efficiency. These required credit provision charges and disposal of assets, which we consider as non-recurring in magnitude. The primary objective of our efforts and approach were to establish a solid basis in terms of asset quality thereby setting the base for sustainable business growth, as well as ongoing improvements in both efficiency and profitability levels. These objectives were achieved.

Business fundamentals remain solid. Loan disbursements remained above US$14 billion for a second consecutive year, bringing total loans disbursed by Bladex since its inception to US$274 billion. The commercial portfolio increased by 5% year-on-year, reaching US$6,290 million at year end and was up 3% on average, underlying our continued capacity to originate loans in support of foreign trade in the Region also increasing our medium-term disbursements in response to our clients' business expansion opportunities.

On the liabilities side, Bladex continued its efficient funding management, keeping costs at competitive levels within a scenario of rising interest rates, while consolidating a geographical diversification of fund providers and more importantly, preserving average deposits at levels close to US$3 billion. A large share of these deposits come from our Class A shareholders, the Central Banks of Latin America and the Caribbean. These all maintain their support and confidence in the management of the Bank, as evidenced by a significant level of deposits.

Bladex maintains financial and credit soundness through a high level of solvency of 18.1%, as measured by Tier I capital ratio under Basel III and a level of credit-impaired loans of 1.12%, denoting a proactive management of these deteriorated loans. To support this financial soundness and maintain confidence in future results of the Bank, our Board of Directors maintained the annual dividend of US$1.54 per share in 2018. This resulted in an annual dividend yield on average share price of over 6%.

FINANCIAL RESULTS 2018

The Bank's Net Income reached US$11 million in 2018, after being negatively affected by an increase of US$58 million in provisions related to credit-impaired loans. To a lesser extent, earnings were also affected by additional losses of US$10 million in non-financial assets after an assessment that these needed to be written off. This resulted in a negative impact on return on equity and assets. These provisions practically close the negative credit cycle affecting the Region over the past few years. Bladex today has a strengthened balance sheet and very solid levels of solvency and liquidity. Today we confirm that we are prepared to grow our business in a profitable and reliable manner.

Commission income remained relatively stable at levels above US$17 million during 2018, significantly contributing to our goal of diversifying revenue streams. This was made possible through the performance of the traditional letters of credit business as well as our relevant role in loan structuring and syndication activities in the Region. During 2018, the Bank successfully closed seven facilities totalling $847 million, demonstrating once again our capacity to provide solutions to clients across the Region. We have consolidated our key role as supporters of Latin American financial institutions and corporations in their growth and expansion plans.

HIGH QUALITY CREDIT PORTFOLIO

In view of the above, the Bank gives preference to financing transactions for top-tier financial institutions, as well as state and sovereign entities - two thirds of our portfolio at the end of 2018. The remaining one third entails exposure in the corporate sector linked to exports characterized by high credit quality and relevant participation in the most productive sectors of their respective countries. This high quality portfolio approach impacted our intermediation margins, which showed a downward trend throughout 2018, stabilizing during the last quarter of the year. Hence, our net interest income decreased in 2018 by US$10 million, despite maintaining a stable level of average loans.

ENHANCED OPERATING MODEL TO ACHIEVE GREATER EFFICIENCY

Operating costs increased by 4% in 2018 to US$49 million. While this increase was largely the result of non-recurrent expenses related to staff restructuring and to optimization of our technology infrastructure and processes. We continued our efforts to improve the Bank's operating efficiency. In this regard, we were able to decrease our recurrent base of expenses, estimated at US$46 million, and expect greater efficiency to become evident in 2019.

COMMITMENT TO CORPORATE GOVERNANCE

We reaffirm our commitment to continue strengthening Corporate Governance standards, contributing to an efficient and effective internal control structure. Along these lines, we continue enhancing operating and internal control systems, aligned not only with international best practices and with requirements of different regulators, but also keep our work focused on our corporate values of: Integrity, Commitment, Respect, Humility and Excellence.

CORPORATE SOCIAL RESPONSIBILITY

We are particularly pleased to inform you that we continue to consolidate the social work of our "Fundación Crece Latinoamérica", within a holistic vision of our corporate social responsibility. We support social programs focused on providing educational and personal growth opportunities for children and young people who are the most vulnerable population in the communities where we operate.

This commitment is translated into specific programs and actions implemented during the year by the "Fundación Crece Latinoamérica", benefitting over 3,000 students. A total of US$225 thousand was invested in six projects primarily in Panama, where our Headquarters is located. This work received valuable support from Bladex's team of volunteers, who provided their talents, resources and time - all a source of pride and satisfaction.

OUTLOOK 2019

We believe that economic activity in Latin America will continue increasing in 2019, albeit at a slower pace than originally anticipated. After growing by 1.1% in 2018, the Region is expected to record economic growth of 2.0% in 2019 and 2.5% in 2020. This positive view is reinforced by: a more resilient Latin America, higher levels of direct foreign investment and international reserves, and greater private investment dynamism along with a more positive outlook in internal capital flows.

The aforementioned economic recovery taking shape, growing trade flows at global and regional levels (4.0% and 3.3%, respectively), as well as a scenario without increases in international interest rates together bode well for sustainable commercial portfolio growth and, consequently, better results for the Bank. This reverses the negative credit cycle of the past three years and lays down the bases for increasing and sustainable income in the next years.

However, we are very aware that, while there may be an upward surprise in regional economic growth due to additional potential momentum of investment and greater liquidity outside the Region, the global outlook still faces significant downward risks of a global slowdown, increased global financial volatility, greater protectionism and a bleak outlook for commodity prices. Any and all of this may limit the Region's growth, as well as internal factors in each country.

Against this backdrop, our approach in 2019 will be focused on strengthening our main business, steadily increasing the use of capital and maximizing returns and greater efforts of generating new business within the foreign trade value chain. The goal is to continue to diversify our credit portfolio, avoiding concentrations at country and industry levels. We are convinced that this is the right approach to enable Bladex to maintain the high credit quality that has always been, and will continue to be, the trademark of our Bank. We will also continue pursuing our goal of increasing efficiency and productivity throughout the Organization, through improvements already in place in processes and technology. The plan will certainly reduce expenses, but more importantly, it will contribute to operating excellence, thus providing greater flexibility to respond to the needs of our clients.

We would like to conclude by expressing our appreciation to our clients and to you, our shareholders, for your consistent trust and support, driving us to move forward to meet our objective: ensuring that Bladex continues to be a relevant financial institution for Latin American trade, focused on building value for our shareholders and clients and contributing effectively to the development and integration of Latin America.

Gonzalo Menéndez Duque
Chairman of the Board of Directors

N. Gabriel Tolchinsky
Chief Executive Officer

1 BUSINESS CONTEXT

FOREIGN TRADE AND MACRO-ECONOMIC ENVIRONMENT

The global economy continues to show positive data, albeit in an uncertain environment with growing volatility. The International Monetary Fund (IMF) has estimated world GDP growth at 3.7% for the year 2018.

This global growth was sustained, mainly, by the growth dynamics in the United States and a certain stability in the European and Chinese economies, although they are slowing down a bit. There is a robust global growth, but more moderate and less synchronized.

The spreading protectionism between the US and China is now more intense, while the appreciation of the US Dollar resulted in increasing financial stress for the emerging economies that, although with different outcomes in different countries, has triggered significant adjustments in the most vulnerable ones.

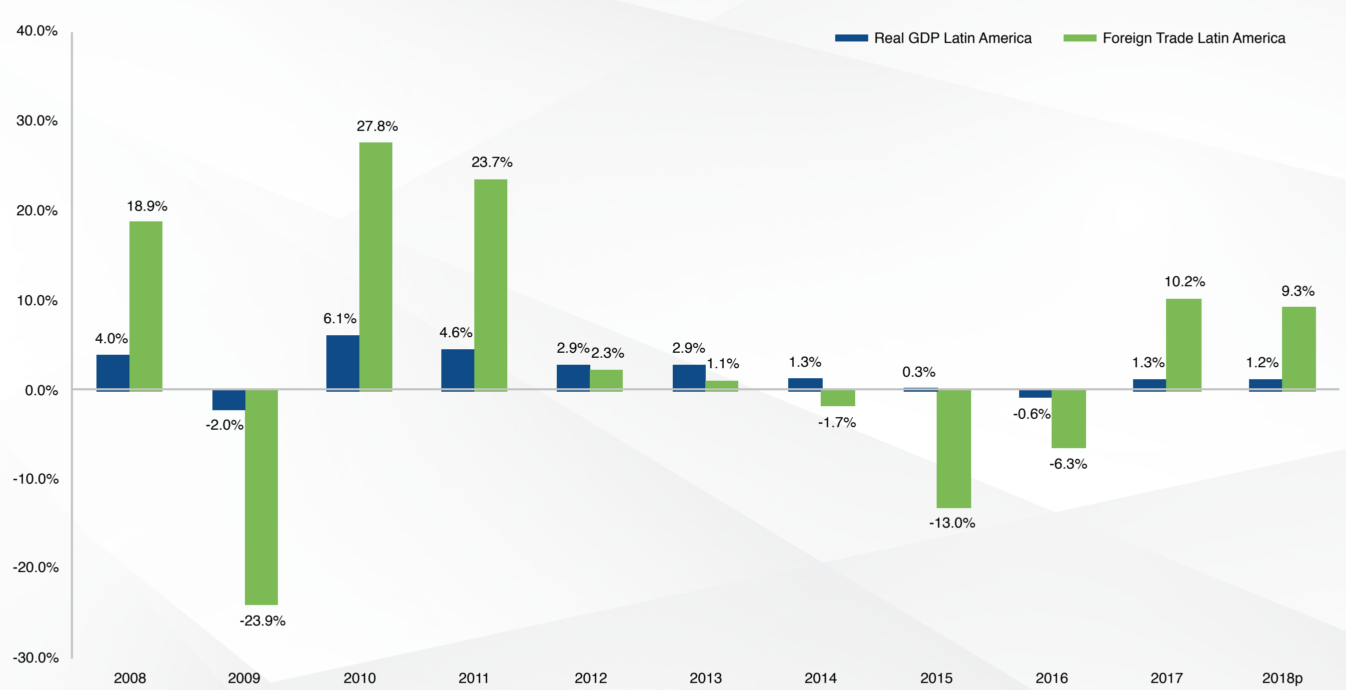
In this context, both the Federal Reserve Bank (Fed) as well as the European Central Bank (ECB) continue to make progress in normalizing monetary policy, which implies an important bit by bit tightening of monetary conditions putting pressure on the emerging economies this year, especially in the Latin American Region.

Economic activity in Latin America and the Caribbean is slowing down, finishing the year practically at the same rate as in 2017, with an average growth of 1.2%. The Region reflects very heterogeneous economic perspectives, with a crisis in Argentina, uncertainty in Brazil and a resilience in the Pacific Alliance. The volatility in the international markets affected Argentina, mainly because of its external vulnerability, ensuing in an important agreement with the IMF. Part of the pressure on the Brazilian markets was lifted, although uncertainty continues, while waiting for the necessary fiscal adjustment and pension fund reforms. On the other hand, the markets in Mexico did respond positively to the new proposed trade agreement with the US and Canada (USMCA). The countries in the Region, with the exception of Argentina, did resist the rising US interest rates relatively well.

World trade in goods and services did show a positive performance, growing by 4.6%, because of an increase in global demand and an improvement in the growth perspectives for the developed economies. Latin American trade flows increased by 9.3% in 2018, primordially because of higher prices for commodities, such as for metals and oil and also because of a higher volume of exports as a result of a dynamic external demand.

Although commodity prices have recovered when compared to the nadir they had sunk to, they are still below the levels reached during the years 2011-2012. This increase has bolstered the recovery for some of these products' net exporters in the Region, except for sugar prices that were still at minimal levels in the international market.

Gross Domestic Product and Foreign Trade Evolution



Sources: IMF Jan 2019
EIU Jan 2019

We believe in Latin America and strive to foster trade throughout the Region

2

BUSINESS MANAGEMENT

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.

Bladex is constantly catering to its clients, shareholders and communities in Latin America, fostering their development.

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, growth and integration across the Region.

The Bank provides its customers in the different markets where it operates, within and outside the Region, with a portfolio of trade-related products and working capital loans, as well as Treasury services. Bladex is also renowned as an important provider of structured solutions and, in some cases, also syndicated ones, tailored to the needs of the corporations and financial institutions it caters to.

Definitely, the Bank's business model focuses on providing its clients with products and services along the entire trade value chain.

Bladex, because of its vocation of boosting trade, is more inclined to short-term financing, but its mandate to support regional integration and its international expansion lead it to providing medium-term financing too, whether bilaterally or syndicated. At the same time, Bladex provides investment opportunities to entities that are interested in participating in financing Latin American corporations and financial institutions, while opening up access to new funding sources for its clients, acting as a true regional/global nexus.

COMPETITIVE ADVANTAGE IN THE LATIN AMERICAN TRADE VALUE CHAIN

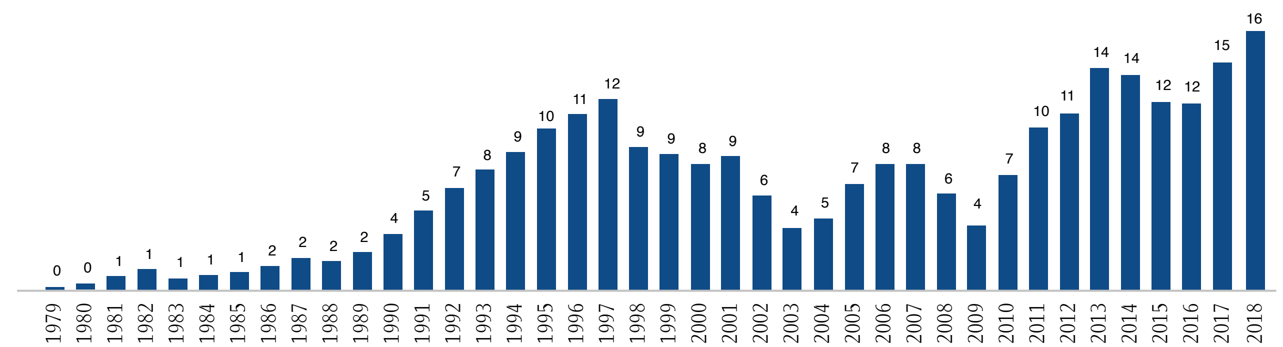
As a multinational bank operating in 23 countries with an unrivaled commitment to Latin America, Bladex has an extensive knowledge of business practices, risk analysis and regulatory environments, built up over four decades of doing business throughout the Region.

As a result of all that, Bladex does have lasting relationships, forged over the years with its customer base, in addition to its solid reputation, financial track record and the capacity to respond to is clients' needs, reinforcing recognition of its brand name throughout the region.

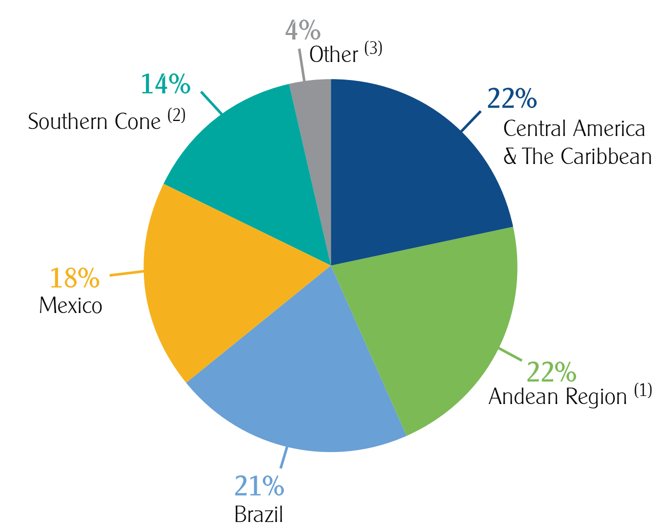
Since its inception, Bladex has disbursed credits for more than US$ 274 billion. As from 2004, it has been significantly expanding its customer base toward the corporate sector. The Bank has also improved it range of products offered and established a business model focusing on providing value added solutions for the Region, being supported by more efficient processes.

Bladex provides its financial services from its Head Office in Panama and through its network of representation offices in Bogota, Buenos Aires, Lima, Mexico City and Sao Paolo, plus an Agency in New York, which enables it to be closer to its clients and to understand their financial needs better. The Head Office also plays a fundamental role in supporting its agile structure, providing administrative as well as risk management support, which is essential in achieving differentiation and providing value added solutions for its clients.

Annual Credit Disbursements
(US$ billion)



Accumulated Credit Disbursements
(1979-2018)



Since its inception, Bladex has disbursed credits for more than US$ 274 billion.

(1) Includes Bolivia, Colombia, Ecuador and Peru.
(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 Core business of the Bank is supported by two segments: Commercial and Treasury. The Commercial Segment focuses on the Bank's core business of traditional financial intermediation, apart from its fee income generating transactions associated to contingencies, guarantees and syndicated loan facilities.

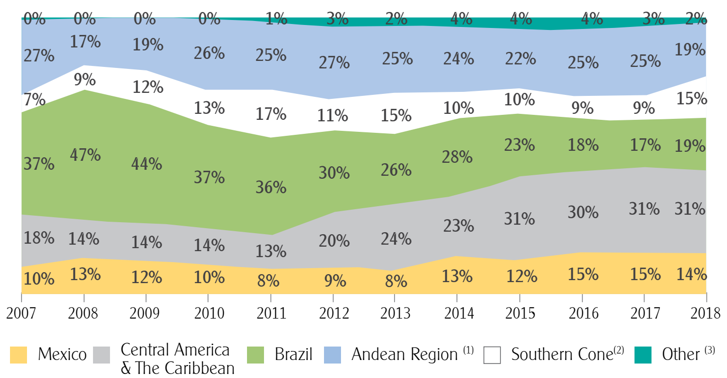
The Bank offers an extensive array of products and services than can be categorized as bilateral and syndicated loans, structured trade financing, documentary letters of credit, stand-by letters of credit, bank guarantees, irrevocable payment undertakings and documentary collections, among others.

The Treasury Segment focuses on managing the Bank's investment portfolio, as well as on the overall structure of our assets and liabilities to achieve more efficient funding and liquidity positions for the Institution, thus mitigating the traditional financial risks associated with the balance sheet, such as interest rate, liquidity, pricing and currency risks.

The results of the 2018 fiscal year reflect the Bank's capacity for efficiently managing both lines of business, with much attention being given to managing the margins on both side of the balance sheet. Considering the 2018 business results, we should highlight the year-on-year increase in the Commercial Portfolio, both by year end (+5%) and average (+3%), with more medium--term transactions being executed. The medium-term Commercial Portfolio increased from 32% in 2017 to 36%. We also managed to obtain a gradual increase in the origination margins over the year and should point out the good progress made in the letters of credit and other contingent credits business, where fee income grew by 12% during the year.

There were various challenging aspects in the year 2018, such as the strong liquidity that characterized several markets, like Peru, Brazil and Colombia, as well as the lack of demand in others, affected by electoral uncertainty (during the year, elections were held in Mexico, Brazil, Colombia, Costa Rica and Paraguay, among others) or passing through heavy political crisis situations, like Nicaragua. Nevertheless, Bladex did manage to improve its productivity by adjusting its structure and processes resulting in a better business efficiency.

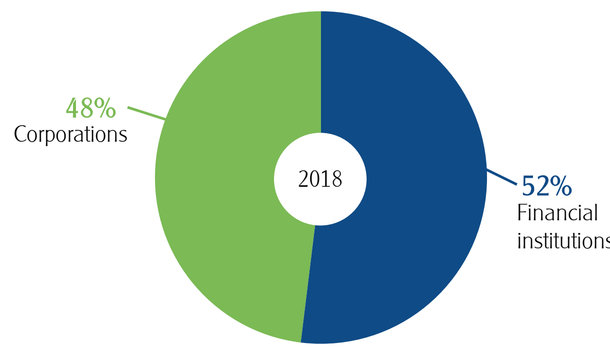
Commercial Portfolio Geographic Mix



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

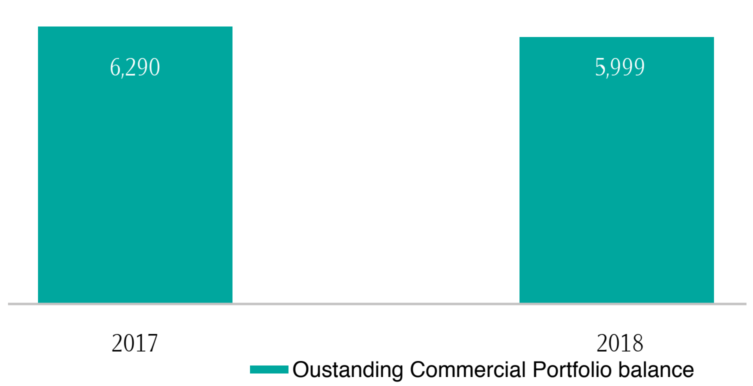
Commercial Portfolio by Type of Client

(End-of-period)



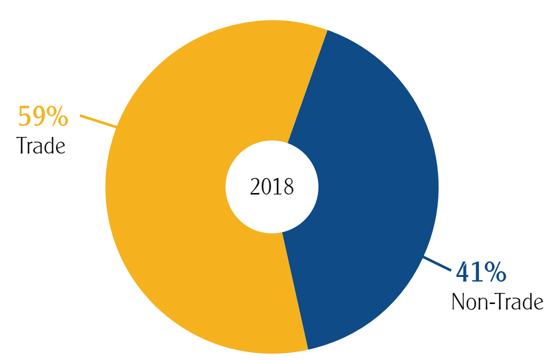
Commercial Portfolio

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



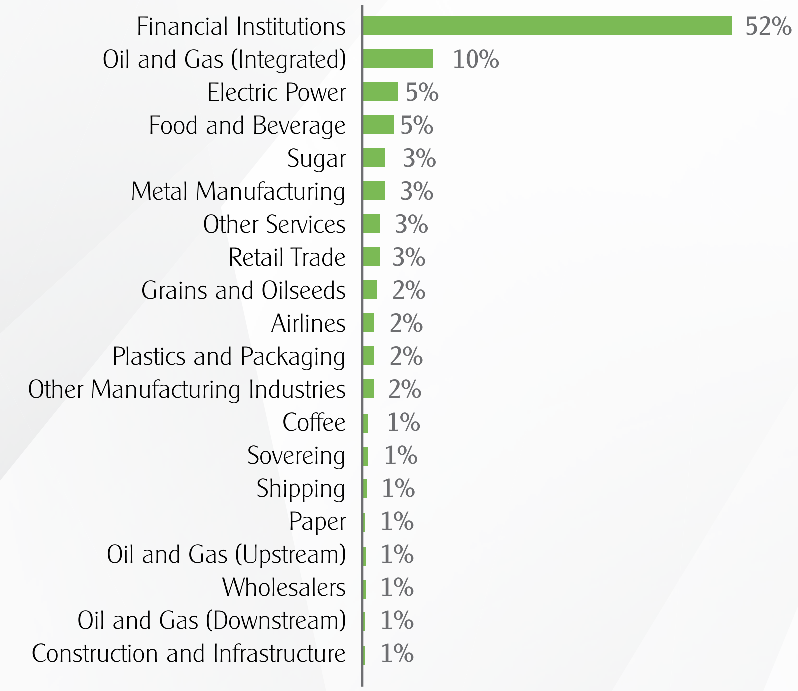
Commercial Portfolio Short term by type of transaction

(End-of-period)



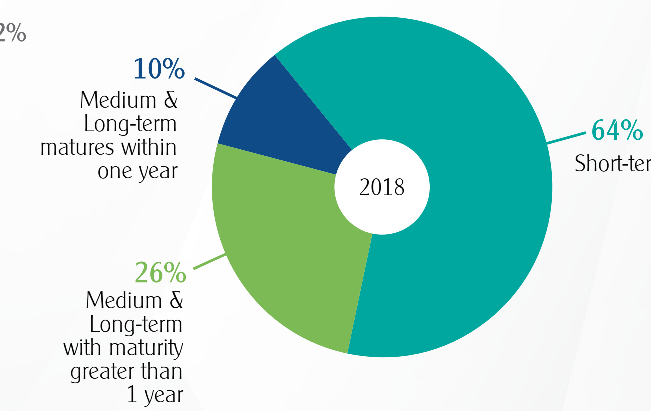
Commercial Portfolio by Industry

(End-of-period)



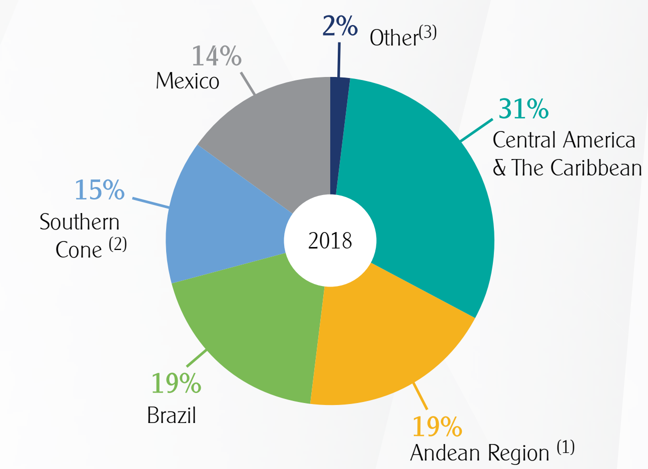
Commercial Portfolio by Original Term

(End-of-period)



Commercial Portfolio by Region

(End-of-period)

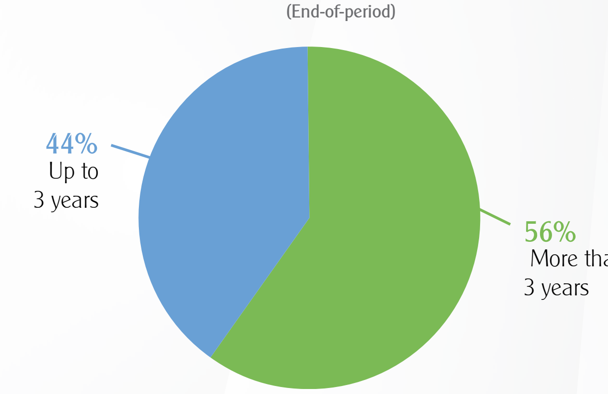


(1) Includes Bolivia, Colombia, Ecuador and Peru.
(2) Includes Argentina, Chile, Paraguay and Uruguay.
(3) Other corresponds to risk in countries outside the Region related to transactions carried out in the Region.

Bladex has a diversified customer base, both geographically and by industry, which facilitates its income stability.

Commercial Portfolio Aging Profile of Clients

(End-of-period)



FINANCIAL INTERMEDIATION BUSINESS

Following hereunder we present the geographical segmentation of our core business of financial intermediation in: Mexico, Central America and the Caribbean, Brazil, the Southern Cone (Argentina, Chile, Paraguay and Uruguay) and the Andean Region (Bolivia, Colombia, Ecuador and Peru).

MEXICO

Represents
14%
of the total Commercial Portfolio

Trade Balance for 2018*

Exports: +6.4%
Imports: +6.4%
Trade: +6.4%

US$4,523 mm
in loans disbursed to Mexico in 2018, which represents 32% of total: Trade 75%; Financial: 25%

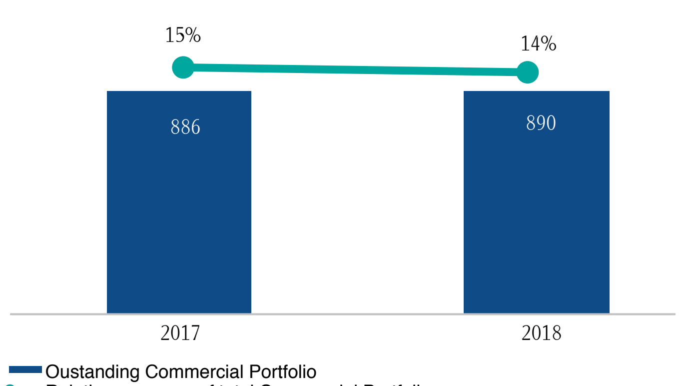
2018 Highlights

- **Mexico** represents 14% of the Bank's total Commercial Portfolio, equivalent to US$ 890 millions, by the end of the period, with a total of 50% thereof linked to trade.
- In 2018, Mexico was affected by the elections climate and by the NAFTA renegotiations, which resulted that both demand for as well as the extension of credit was very conservative, although without going so far as to affect the liquidity of the financial system. Bladex was successful in increasing the duration of its portfolio and in maintaining diversification by sector. The oil sector was the exception because of its dominance, given its strategic importance to the country.
- Access to bank financing and the capital markets, as well as vendor financing, was not materially affected by the recent downwards revisions of the country's growth perspectives, while, by the end of the year, the markets had managed to attenuate the strain on trade matters with the proposal for a new trade agreement with the US and Canada (USMCA). In this environment, Bladex managed to maintain its commercial portfolio level in the country and has been improving the loan margins as well as its income generated in the country.

(*)Source: The Economist Intelligence Unit Country Risk Service as of January 2019.

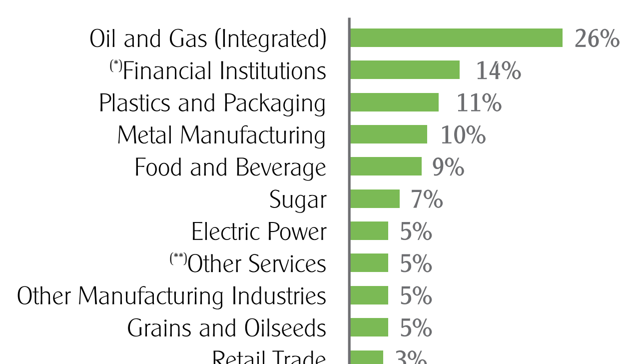
Commercial Portfolio

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



Commercial Portfolio by Industry

(Year-End 2018)



(*) 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

Represents
30%
of the total Commercial Portfolio

Trade Balance for 2018*:

Exports: +12.2%
Imports: +8.0%
Trade: +9.7%.

US$3,234 mm
in loans disbursed to Central America and the Caribbean in 2018, representing 23% of total: Trade: 57%; Financial: 43%.

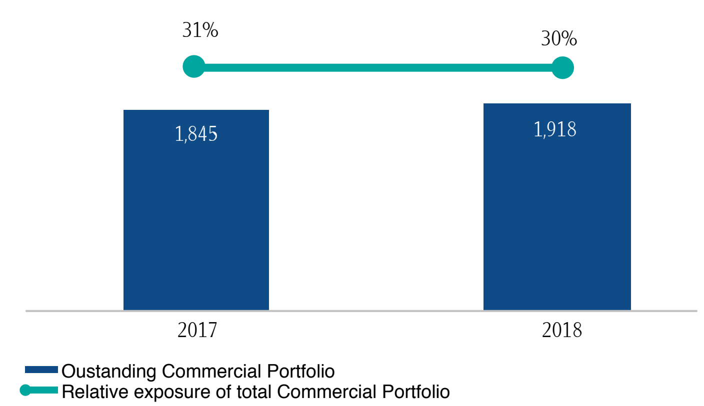
2018 Highlights

- **Central America and the Caribbean** continue to take up approximately one third of the Bank's Commercial Portfolio, representing US$ 1.9 billion by the end of the period, which represented a 4% increase over the previous year.
- We saw a mixed behavior among the different countries, with Costa Rica, the Dominican Republic, El Salvador, Guatemala and Honduras showing an increase, while the rest fell. We should point out the situation in Nicaragua, where we closed out the year without any exposure, because of the adverse political and macro-economic circumstances in the country.
- Bladex continues to focus on supporting financial institutions in this region, which represent 56% of the total. The weight of the corporate sector is diversified over various industries, increasing to 44% from the 38% seen in 2017.
- The region continues to be a noticeable source of income diversification, with a significant activity of syndicated loans in 2018.

(*)Source: The Economist Intelligence Unit Country Risk Service as of January 2019.

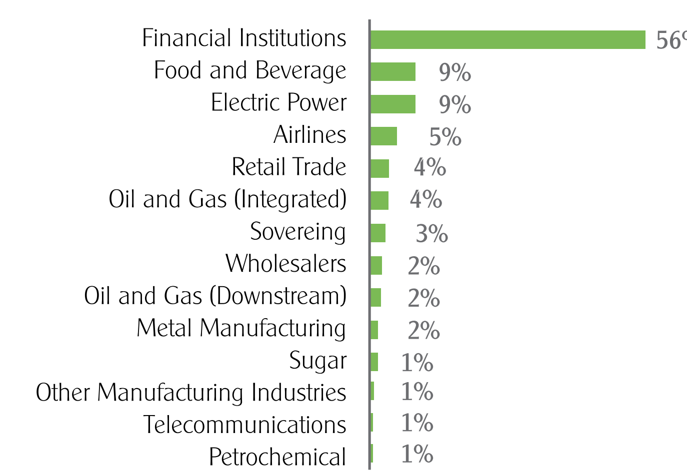
Commercial Portfolio

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



Commercial Portfolio by Industry

(Year-End 2018)



BRAZIL

Trade Balance for 2018*

Exports: +10.3%
Imports: +24.3%
Trade: +16.3%.

Represents
19%
of the total Commercial Portfolio

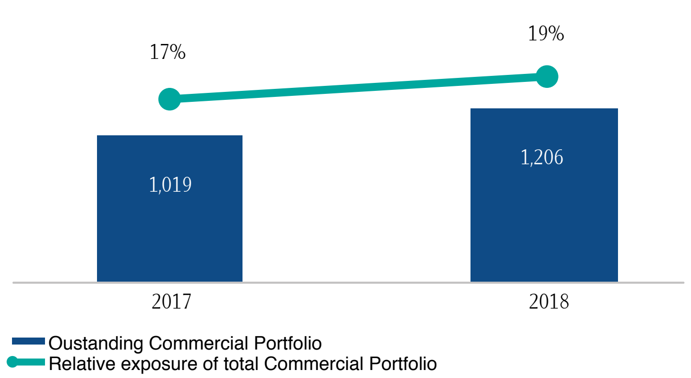
US$1,015 mm
million in loans disbursed to Brazil in 2018, representing 7% of total: Trade: 43%
Financial: 57%.

2018 Highlights

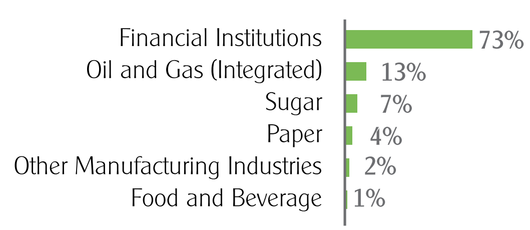
- The year was practically marked by the uncertainty related to the result of the elections held in October and the ensuing market volatility. In spite of all that, Bladex increased its exposure to 19% from 17% in 2017.
- The fact that numerous corporate investment decisions were postponed opened up most of the opportunities in the financial sector, where the Bank managed to reach a record level of US$ 885 million, which represents 73% of the portfolio in Brazil, against 56% in 2017.
- The margins were affected by an excessive liquidity and a search for quality, above all in the corporate segment.
- Some 61% of the Bank's Commercial Portfolio in Brazil is short term with 39% corresponding to trade.
- The year closed out with good growth expectations, bolstered by the fact that they are carrying out the necessary fiscal adjustment and pension reforms.

(*)Source: The Economist Intelligence Unit Country Risk Service as of January 2019.

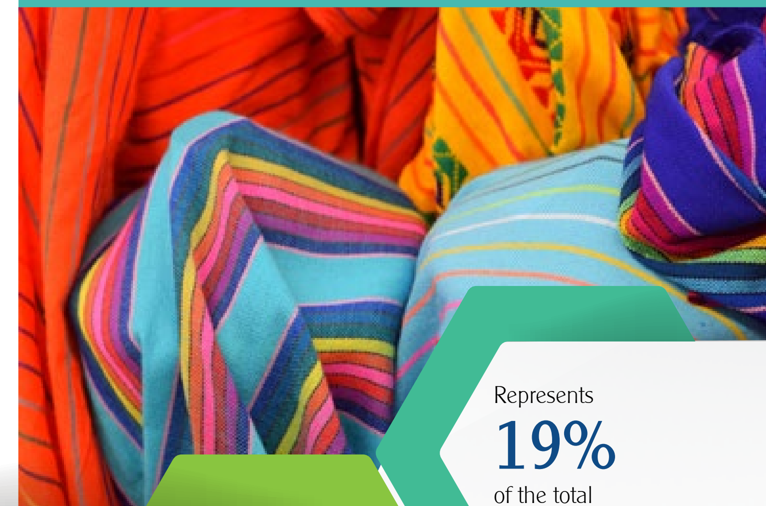
Commercial Portfolio
(Balances at the end-of-period, US$ million)



Commercial Portfolio by Industry
(Year-End 2018)



ANDEAN REGION



Trade Balance for 2018*

Exports: +9.1%
Imports: +5.3%
Trade: +7.3%.

Represents
19%
of the total Commercial Portfolio

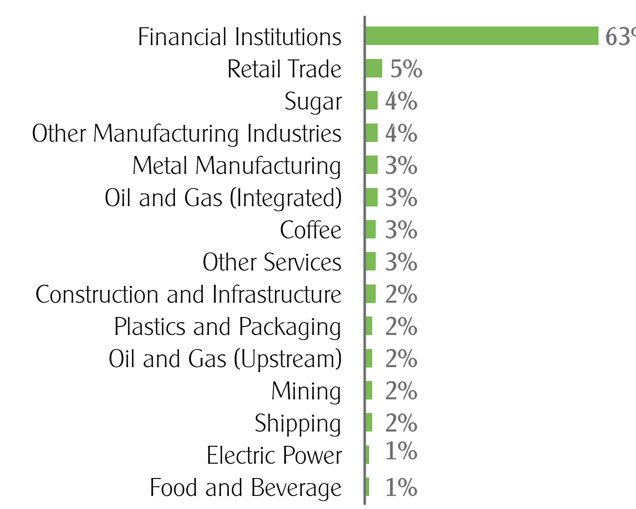
US$3,371 mm
in loans disbursed to the Andean Region in 2018, representing 24% of total: Trade: 80%
Financial: 20%.

2018 Highlights

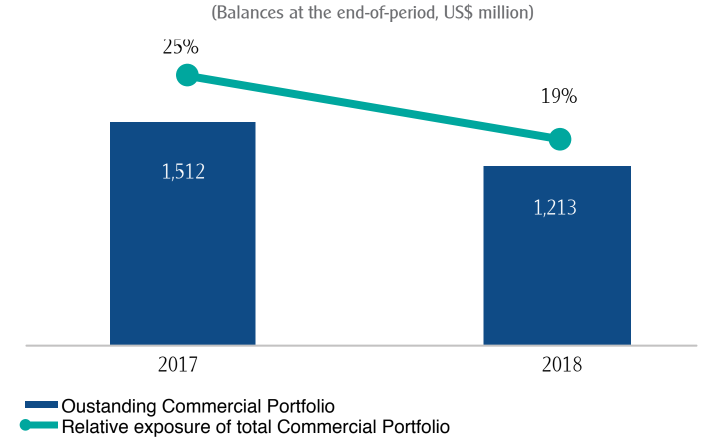
- Andean Region: Bolivia, Colombia, Ecuador and Peru.
- Represented 19% of the total Commercial Portfolio, amounting to US$ 1,213 million, which was 20% lower than for 2017, mainly because of the lower exposure in Peru and, to a lesser extent, in Colombia.
- In both markets there was an abundance of liquidity in US Dollars, together with an intense competition with aggressive pricing policies, so that Bladex focused on protecting the profitability of its portfolio with a selective origination behavior.
- The portfolio breakdown shows a 37% exposure in the corporate sector with a 63% exposure in financial institutions.

(*)Source: The Economist Intelligence Unit Country Risk Service as of January 2019.

Commercial Portfolio by Industry
(Year-End 2018)



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



SOUTHERN CONE

2018 Highlights

- The southern Cone comprises the operations carried out by Bladex in Argentina, Chile, Paraguay and Uruguay.
- During the year, the weight of the Commercial Portfolio in this Sub-Region did increase considerably (to 15% in 2018 from 9% in 2017), to US$ 957 million, driven by improved activities in Argentina, where we managed to double its size to US$ 611 million in 2018, while the exposure in Chile stayed stable with a Commercial Portfolio of US$ 177 million. The Portfolio in Paraguay closed out the year at US$ 159 million.
- The breakdown of the portfolio shows a 57% exposure to financial institutions, while short-term represented 57% of the total exposure in the Southern Cone.

Represents
15%
of the total Commercial Portfolio

Trade Balance for 2018*
Exports: +8.3%
Imports: +7.1%
Trade: +7.7%

US$1,570 mm
in loans disbursed to the Southern Cone Region in 2018, representing 11% of total: Trade: 63% Financial: 37%.

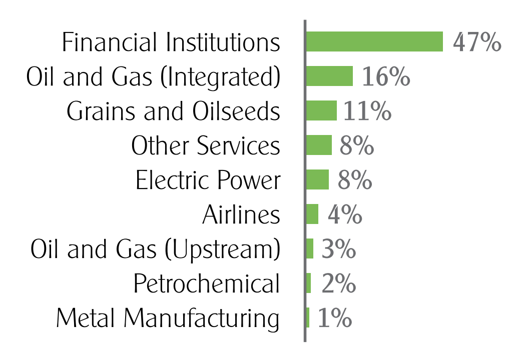
(*)Source: The Economist Intelligence Unit Country Risk Service as of January 2019.

Commercial Portfolio

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

Commercial Portfolio by Industry

(Year-End 2018)



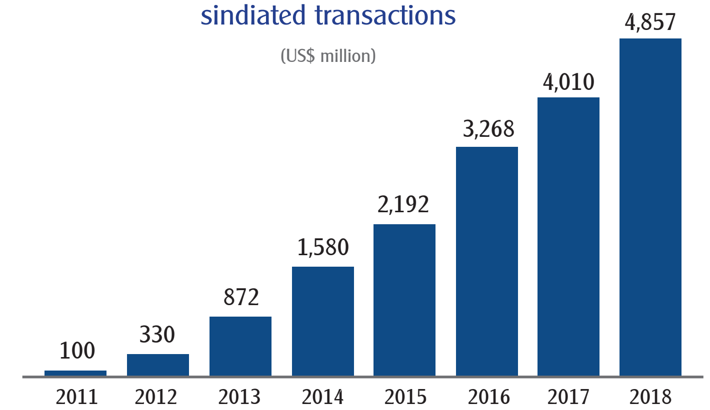
LOAN STRUCTURING AND SYNDICATIONS BUSINESS

The syndications business continued to show a robust development in 2018, with seven transactions closed during the year for a total amount of US$ 847million, taking the total accrued, since Bladex entered this business activity, to 49. Fee income from the structurings and syndications platform amounted to US$ 4.9 million during 2018.

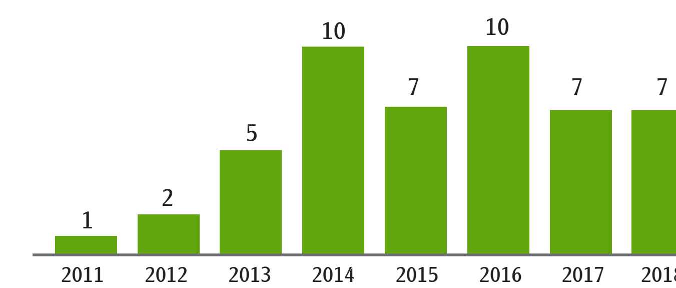
In that period, Bladex managed to carry out syndications with existing clients and also carried out this kind of structuring for the first time with other clients, consolidating its key role in providing support for the business growth of corporations and financial institutions in the Region.

Accumulated volume of sindiated transactions

(US$ million)



Number of transactions / Club Deals



- Bladex acted as Joint Lead Arranger and Bookrunner, as well as Administrative Agent of the Facility.
- The 5-year credit was oversubscribed by 1.6 times and attracted interest from 13 financial entities from Europe, Central America and the Caribbean.
- The funds of the credits were assigned for paying off the 2016 loan used in the acquisition, by the Promerica Group, of the consumer banking and credit card business from Citibank in Guatemala.
- Promerica is a financial group with operations in Central America the Caribbean, the Dominican Republic, Ecuador and the Cayman Islands.

- Bladex lead the third international, 3-year, US$ 145 million, syndicated credit for Banco Aliado.
- The Bank acted as Sole Lead Arranger and Bookrunner and also acted as Administrative Agent of the credit.
- The funds were used for growing the loan portfolio of Banco Aliado, the fourth largest bank with Panamanian capital, in terms of assets.
- The transaction attracted interest from 15 financial institutions established in Central America and the Caribbean, South America, China, Europe and the United States of America, some of which represented new banking relationships for Banco Aliado. It was oversubscribed by 2.4 times, enabling Banco Aliado to upsize the amount of the credit.

July 2018

PECOM SERVICIOS ENERGIA

US$130,000,000
Term Loan Facility

Joint Lead Arranger
Administrative Agent

Bladex — Argentina

- The operation was structured as a Club Deal.
- Five year term, with an average life of four years.
- Funds assigned for financing two acquisitions in the oil/electromechanical service sector.

November 2018

YPF LUZ

US$75,000,000
Term Loan Facility

Joint Lead Arranger
Administrative Agent

Bladex — Argentina

- The operation was structured as a Club Deal between Bladex and ICBC Argentina, who together acted a Joint Lead Arrangers.
- Bladex also acted as Administrative Agent of the Facility.
- Three year amortizing loan.
- The facility's funds were for financing capex and other corporate use.

November 2018

G.B. GROUP CORPORATION

US$50,000,000
Acquisition Finance Facility

Joint Lead Arranger & Bookrunner
Administrative Agent

Bladex — Panama

- A 5-year, US$ 50 million, amortizing Facility, where Bladex acted as Joint Lead Arranger and Bookrunner and also acted as Administrative Agent of the credit.
- The transaction was the second syndicated credit Lead-Arranged by Bladex for Global Bank, the second largest bank with Panamanian capital, after having successfully closed a US$ 135.5 million medium-term syndicated operation in 2016.
- The funds were used for financing the acquisition of the Banco Panameño de la Vivienda, S.A. (Banvivienda), the fifth largest bank with Panamanian capital, in terms of assets.
- It attracted interest from several financial institutions in Central America and the Caribbean, Europe and the United States of America, of which some represented new banking relations for Global Bank.

December 2018

Hapag-Lloyd

US$75,000,000
Term Loan Facility

Sole Lead Arranger & Bookrunner
Administrative Agent

Bladex — Germany

- A 4-year, US$ 75 million facility, where Bladex acted as Sole Lead Arranger and Bookrunner as well as Administrative Agent for the Credit.
- The funds were used for financing working capital needs.
- The transaction attracted interest from different financial entities in Central America and the Caribbean.
- This Credit increased the funding sources for Hapag-Lloyd, one of the major shipping companies in the world, with a global presence, particularly in Latin America.

LETTERS OF CREDIT BUSINESS

Bladex is renowned among international banks as a financial institution of reference for confirming Letters of Credit from banks in the Region. The Bank assumes the Latin America risk and offers financial entities its solid reputation and extensive network of relationships with regional banks and counterparties.

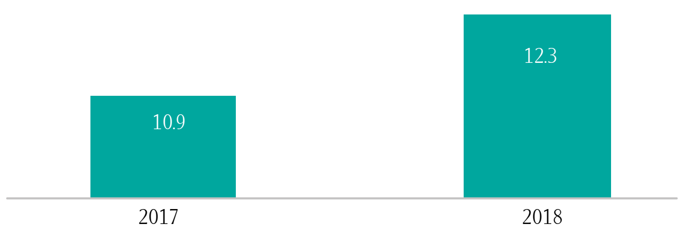
Over the past few years, Bladex has managed to make financial entities as well as the corporate segment more aware of its different trade services and products, by means of implementing an area with a specialized focus on a range of products that includes: issuing and confirming Documentary Letters of Credit, issuing and confirming Stand-By Letters of Credit, issuing and confirming Bank Guarantees, issuing Irrevocable Payment Undertakings and Documentary Import and Export Collections, among others.

The Bank also managed to carry out a successful transformation of processes, making it possible to reduce the time for processing and responding to the client by more than 80%. The granularity of the transactions and the growing customer base, driven both by cross-sales as well as by signing up new customers, resulted in a well-diversified and recurrent portfolio.

In 2018, the line of fees from this business reflected a year-on-year increase of 12%, amounting to US$ 12.3million.

Letters of credit fees, net*

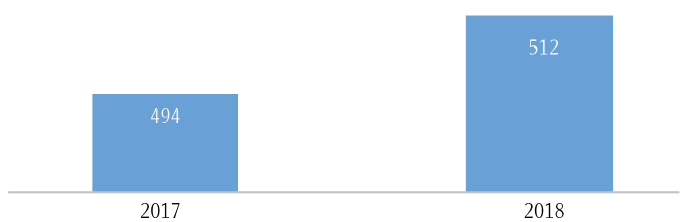
(US$ millions)



(*)Acceptances, loan commitments and financial guarantee contracts

Letters of credit and other*

(Balances of-end-of-period, US$ millions)



(*)Acceptances, loan commitments and financial guarantee contracts

ENTERPRISE-WIDE RISK MANAGEMENT

3

PILLARS OF THE ENTERPRISE-WIDE RISK MANAGEMENT FUNCTION

The global economy continues to show positive growth, supported, mainly, by the growth dynamics in the United States of America, but in an environment of growing volatility and uncertainty. Apart from that, the protectionist confrontation between the US and China is escalating. The appreciation of the Dollar was reflected in an increase of the financial stress on the Latin American economies that, even though there is a clear differentiation between countries, has brought about significant adjustments in the more vulnerable ones. In this context, the US Federal Reserve continued to move with its normalization of monetary policy, which implies an important gradual toughening of the monetary conditions, putting pressure on the Region's economies.

For Latin America and the Caribbean, economic activity slowed down, ending the year at practically the same rhythm as in 2017, with an average growth of 1.2%. The Region reflects very heterogeneous economic perspectives, in addition to key presidential election in countries with a considerable relative weight (Brazil, Mexico and Colombia). Apart from that, the volatility in the international markets affected relative prices in Latin America, mainly in Argentina, because of their external and fiscal vulnerability and which country managed to close an important agreement with the IMF.

Commodity prices have recovered from the nadir to which they had fallen, but they are still below the 2011-2012 levels, as well as very volatile. The higher commodity prices contributed to the recovery of some of those products' net exporters in the Region, except for sugar prices, which were very depressed internationally, even below the marginal cost of the most efficient country (Brazil). This was the result of a world-wide supply surplus, as well as because of the high subsidy levels paid in India, which did generate relevant distortions on the market.

Regarding the quality of the Bank's portfolio, here we did suffer a specific impact in the Brazilian sugar sector, affected by the above-mentioned context, apart from a decrease in access to new financing and heavy Capex requirements for financing the renovation of their plantations. However, the rest of the portfolio has shown a stable trend and we have managed to decrease our exposure to customers with a higher commodities risk exposure, mainly in the oil and grains sector.

In 2018, our efforts were focused on:

- Concentrating the portfolio on countries with better economic stability and growth perspectives. We continue to work with those countries seeing some more uncertainty, but mainly in very short term trade transaction and with foreign currency earning customers. For banks, we are working with the main entities in each country, with whom Bladex has been operating for years.
- Continuing with the process of reducing our exposure to the commodity risk in our credit portfolio. During 2018, the most affected sector was sugar, which, because of the subsidy paid by India to its producers, together with a higher production in other Asian countries, generated high inventory levels all over the world (surplus supply). It is being expected that, during 2019, prices will remain depressed, so the pressure on the sector's profitability will continue, throughout the Region, but mainly in Brazil.
- Focusing the origination of new business on corporate customers and mostly first-class banks. To offset this, there was a decrease in exposure to customers with a higher-risk credit profile and/or those that operate in highly volatile sectors.
- Enhancing the follow-up visits to customers showing early warning signals.
- Perfecting the restructuring of impaired loans.
- Continuing with the activities of automating the risk management processes. Acquiring new tools that will enable us to strengthen our cyber-security controls and to uphold optimal security levels in a changing environment of security attacks.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK

This encompasses the following functions:

- Proposing the guidelines for the credit risk management process within the organization, which should be approved by the Board's Risk Policy and Assessment Committee (CPER).
- Supervising compliance with the credit limits approved by the CPER, and by the Organization's Credit Committees.
- Designing and submitting, for the CPER's approval, the methodology for credit risk management. Implement the credit risk management methodology after its approval by the CPER.
- Developing and maintaining a methodology for stress testing.
- Reviewing any new product before offering it to clients, to determine compliance with the risk appetite guidelines, according to the internal new product approval policy.
- Developing and maintaining methodologies to show impairments, forecast future recovery flows of the portfolio and establish their present values to periodically compare the fair values obtained with the book values.
- Designing and submitting, for the consideration of the CPER, a dashboard with indicators monitoring the compliance with the limits established by the Organization to track the different risks to which the Bank is exposed.
- Assuring the adequate implementation of the Three Lines of Defense approach as a key component of the Enterprise-Wide Risk Management Process, which was designed to establish the proper and adequate segregation of duties and controls by opposition, with the objective of ensuring the security and soundness of the Bank's operations.

The areas within the Enterprise-Wide Risk Management Structure are part of the Bank's second line of defense. Jointly, these areas oversee an adequate risk management, in line with the defined risk appetite level, as well as with all the rules and regulations to which the Bank is subject, in the different jurisdictions it operates.

- The Enterprise-Wide Risk Area reports to the Chief Executive Officer (CEO) as well as to the Board's Risk Policy and Assessment Committee (CPER). Its main function is to oversee a comprehensive management of the Bank's operating model and IT platform, as well as of the financial and credit risks such as: country, credit, market and liquidity risks.
- The Compliance area reports to the Board's Compliance and Anti-Money Laundering Committee. This area's primary responsibility is to implement and oversee the compliance function across the Organization, ensuring the adequacy of the "Know your Customer" framework in its different phases of onboarding and monitoring transactions, assuring regulatory compliance with rules and regulations. The area's objective is to prevent any kind of suspicious activity, and to combat money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, as well as to ensure the enforcement of the sanction programs imposed or administered by international and governmental organizations.

Guidelines for Underwriting Credits

The Bank has high placement standards, with a Credit Committee structure that has three different approval levels: the Senior Management Credit Committee, the Board's Delegated Credit Committee and the Board's Risk Policy and Assessment Committee, whose members and approval limits are summarized in the following table:

	Members	Approval Powers
3rd Instance Risk Policy and Assessment Committee (CPER)	■ The Board's of Directors Risk Policy and Assessment Committee (a minimum quorum of 3 out of 5 members) ■ The Bank's President and CEO ■ The Executive Vice-President Risk Management ■ The Executive Vice-President Commercial	Limits and transactions exceeding US$ 100 million and up to the legal limit established by the Regulator for individual credits and/or economic groups.
2nd Instance The Board's Delegated Credit Committee	■ 2 Directors that are CPER Members ■ The Bank's President and CEO ■ The Executive Vice-President Risk Management ■ The Executive Vice-President Commercial	Limits and transactions exceeding US$ 50 million and up to US$ 100 million for individual credits and/or economic groups.
1st Instance Senior Management Credit Committee	■ The Bank's President and CEO ■ The Executive Vice-President Risk Management ■ The Executive Vice-President Commercial	Limits and transactions for up to US$ 50 million for individual credits and/or economic groups.

RISK PROFILES

Bladex has developed a management approach to ensure proper monitoring and mitigation of the risks associated with Bank's activity, to ensure that the business risk profile remains within the accepted levels established by the risk appetite statement and stay in line with the agreed limits. The main aspects of our risk management approach are:

In-depth Risk Assessment

- Bladex identifies and assess all the financial and non-financial risks relevant to its activity, which incorporates among others the risk assessment of different geographies it operates, and the understanding of the clients' business model.
- The Bank has established a process of continuous improvement of its risk assessment process, benefiting from constant monitoring of the different risks it is exposed to by building a database with the events and incidents that impacted the organization. This process helps to assure consistency in the risk taking within the Bank, and validates the underlying assumptions of our model to achieve the consistency and coherence desired in the risk management process.

Limit Structure, Monitoring and Control

- Changes in the risk appetite will translate into changes in the limits and controls established for the risk management process. In these cases, the Risk and the Business Divisions are responsible for observing the new limits to assure daily compliance with the risk appetite of the organization.
- The establishment of the risk appetite statement is a result of specific chosen metrics and limits of tolerance, which express the maximum risk exposure that the Bank is willing to assume in quantitative and qualitative terms.
- Compliance with the risk appetite guidelines is subject to ongoing monitoring. Management provides periodical reports to the Risk Policy and Assessment Committee (CPER) and to the Board of Directors about the compliance with the risk appetite guidelines and the adequacy of the business risk profile.

Sensitivity Analysis

- Bladex has implemented sensitivity analysis to enable the Bank to identify possible impacts in its portfolio and profitability stemming from changes in the market conditions and/or macro-economic scenarios.
- This approach helps the Bank to conduct "stress tests" and simulate market conditions and/or different macro-economic scenarios, which allow the Bank to be pro-active in terms of hedging strategies and other measures aimed at protecting the Bank's revenues, liquidity, and capital.

RISK CATEGORIES

The Bank has identified the risks affecting its business and operations and it has organized them into a "risk map", identifying the categories of the risks to which Bladex is most exposed, whether actually and/or potentially. The risks are classified into two categories: financial and non-financial risks. Financial risks are the ones associated with the Bank's business model and which impact its balance sheet and income statement i.e. country risk, credit risk, market risk and liquidity risk. Non-financial risks are those associated with the operating model of the Bank and the regulatory environment, which may impact the integrity of the information, the Organization's reputation, as well as its income statement: IT and operational risks, cyber-security, compliance risks (KYC, money laundering, financing of terrorism, etc.),

Country Risk

Definition: This is defined as the inherent risk to which the Bank is exposed in the different countries where it operates, in case a country where a client is based implements measures that will hinder the ability of the client to meet their contractual obligations. These measures, by a country, could be a sovereign debt default, nationalization, expropriation, or the impediment of convertibility and transferability of currency because of the imposition of foreign exchange controls.

Risk Management Process: The Bank has established a Country Risk Committee, which reviews and analyzes the macro-economic situation and business environment in each country in which the Bank operates. The Committee meets on a quarterly basis, and reviews the business, social and political environments, the exposure to the countries, and the compliance with the country exposure limits approved by the Board of Directors. As result of this in-depth analysis, the Committee determines whether there are any signals of deterioration in the specific country that warrant immediate action by the Bank. The Committee then presents its recommendation to the Board's Risk Policy and Assessment Committee (RPAC), to implement the required measures, such as country risk rating reviews (upgrades or downgrades), country exposure limits (increase or decrease), types of permissible transactions (trade and non-trade), tenors (short and medium-term), etc. Unless otherwise determined, all countries should have an in-depth annual review and as many reviews as may be needed, given the business and macro-economic environments.

Methodology: The Bank has developed its own internal rating methodology to assess country risk, thus making a pro-active risk management possible.

Credit Risk

Definition: This is the risk of the Bank incurring in losses and/or impairment of its assets' values because of a borrower failing to make timely payments or to meet its obligations as agreed in the respective credit agreements.

The Bank's client base mainly comprises corporations, large companies, local and regional financial institutions as well as state-owned enterprises. The Bank focuses its risk assessment on a thorough analysis of the entity or economic group, which involves: the nature of the business, countries where it operates, types of products offered, length of the relationship, track record, reputation, etc.

Risk Management Process: This encompasses two main stages: On-boarding and Monitoring. The credit on-boarding process involves the activities of: identifying and analyzing the client's creditworthiness, and the approval of the terms and conditions for credit extensions. The monitoring process involves the annual credit review of existing exposures, "ad-hoc" reviews, on case-by-case basis, when conditions so warrant that and portfolio reviews by the Bank's Credit Committees. The goal is to maximize the Bank's risk-adjusted rate of return by maintaining credit risk exposures within acceptable parameters. This process involves the Business and Risk Management Units and is supervised by the Board of Directors through its Risk Policy and Assessment Committee (CPER).

Allowance for Credit Losses: Bladex has internally developed an "expected credit loss model" to determine the required level of provisions associated with possible expected losses in its credit portfolio. In 2015, the Bank adopted the International Financial Reporting Standards – "IFRS 9" guideline, which requires a financial institution to classify its credit exposures within three stages or categories:

1. **Stage 1:** Financial instruments with 12-month expected credit losses.
2. **Stage 2:** Financial instruments with lifetime expected credit losses.
3. **Stage 3:** Financial instruments with credit-impaired financial assets (lifetime expected credit losses).

For the stage 3, the provisions are calculated based on a specific analysis of the individual credit exposure.

A complementary qualitative review may result in adjustments to the level of provisions, based on a forward-looking review of scenarios of potential business or credit risks not yet captured in the Bank's historical data.

Methodology: The Bank has developed an internal model to rate clients, counterparties and countries, allowing a pro-active risk management of limits of exposure, typology of transactions, and maximum tenors, among others.

Credit Risk Cycle

The following table summarizes the credit risk management process in Bladex:

Admission			Monitoring		
Origination	**Risk Assessment and Analysis**	**Credit Committees**	**Annual Review**	**Credit Monitoring and Review**	**Credit Commitees**
■ 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.	■ 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.	■ 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 ■ Senior Management Credit Committee ■ The Board's Delegated Credit Committee ■ Risk Policy and Assessment Committee	■ 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.	■ 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	■ 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).

Market Risk

Definition: Market risk is the risk that the value of the Bank's assets and liabilities will decrease because of changes in market conditions that could negatively impact its revenues.

This risk is inherent to the financial instruments associated with the Bank's operations and activities, including: loans, investments and securities, liabilities, debt and derivatives, etc. The main risks include: the interest rate risk, and the foreign exchange risk, which can impact asset prices and might produce losses for the Organization.

Risk Management Process:

- **Interest Rate Risk:** The Bank's policy requires Management to manage assets and liabilities positions to reduce potential adverse impacts on net interest income from market changes in interest rates.

  The Bank manages the interest rate risk by monitoring closely the re-pricing of assets and liabilities and by entering hedges when warranted to reduce possible negative impacts on earnings and capital.

  Management conducts periodical sensitivity analyses, simulating market changes in interest rates, to determine the possible impacts on Net Interest Income (upwards and downwards). Additionally, the Bank tracks the DV01 limit, which applies a parallel shock of 1 basis point on the interest rate curve and determines whether there is any impact on capital.

- **Foreign Exchange (FX) Risk:** The FX risk is the risk of changes in the market value of a financial instrument because of fluctuations in the exchange rate of a given currency. The Bank primarily transacts in US Dollars, thus minimizing the exposure to this type of risk. In the case of transactions entered in currencies other than the US Dollar, Management is required to hedge the position, eliminating the FX risk.

Liquidity Risk

Definition: The Liquidity Risk is the possibility of economic losses for the Bank because of difficulties in liquidating assets or obtaining financial resources against the usual conditions.

Risk Management Process: Every day, the Bank checks the Liquidity Coverage Ratio, (LCR). The LCR methodology follows local standards and guidelines recommended by the Basel Committee. The Bank also monitors the Net Stable Funding Ratio (NSFR), in order to maintain an adequate long-term funding structure.

Liquidity is controlled through regular reviews of:

1. Maturity distribution schedule to identify the maturity "gaps" in the different time buckets.
2. Deposits concentration report to identify a possible concentration of amounts and maturities that could affect the Organization's liquidity.

The Bank established a Liquidity Contingency Plan, which was designed to monitor a series of indicators that could trigger a liquidity event with possible impact on the Bank's operations and established an action plan to make sure that the liquidity of the Organization is always assured.

Operational Risk

Definition: Operational risk is the risk of losses deriving from systems failures, human error, fraud or external events.

The occurrence of operational risk events can damage the reputation of the Bank, result in regulatory sanctions and might lead to financial losses. Bladex, as any other financial institution, is exposed to operational risks.

Risk Management Process: In order to identify, measure and assess this risk, the Bank has defined a series of quantitative and qualitative techniques, which are combined for making a diagnosis, going out from the risks identified, obtaining a score by measuring and assessing them.

The Bank dedicates time to the training of employees and to a constant evaluation of the workflows and processes to assure the efficacy of the controls. The Internal Audit Department audits and reviews the framework to confirm its functioning and adequacy for the risk profile of the Bank.

- The Bank's priority is to identify and mitigate such risks, regardless of the existence of any losses.
- The Bank, based on its "Risk Map" identifies the inherent risk for all the activities within the Organization. Thereto, the Bank has developed a series of controls to mitigate/eliminate these risks, within the Internal Controls Framework.
- The Bank encourages a culture of risk awareness by a thorough training program available to the employees.
- The Bank follows the best practices to measure and assess the operational risks objectively, complying with the regulatory standards established by our primary regulator – The Superintendency of Banks in Panama, as well as the guidelines recommended by the Basel Committee and the regulators in the different jurisdictions where the Bank operates.

Additional Measures:

- Internal Assessment: On an annual basis, the Bank conducts an internal assessment process to gauge the awareness of its employees of risk management and the internal controls processes. This assessment enables identification and measurement of the operational risks, and an evaluation of the adequacy of the controls structure, according to the type of risk (low, medium, high). The results are reviewed by Senior Management and by the Board of Directors and action plans are implemented to tackle the issues identified, and/or to improve or streamline the existing controls.
- The Bank has established a repository of the events associated with operational risks, which support the ongoing process of strengthening the operations of the Bank and prevent financial losses stemming from operational risks.

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

Definition: Financial institutions are required to develop and implement a sound and comprehensive compliance program to prevent money laundering, the financing of terrorism or the financing of the proliferation of weapons of mass destruction.

- **Money Laundering:** Money laundering is the criminal practice of processing ill-gotten gains, or "dirty" money, through a series of transactions; in this way, the funds are "cleaned" so that they appear to be proceeds from legal activities.

- **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 Proliferation of Weapons of Mass Destruction:** Is any form of economic activity, help or mediation that provides financial support for buying weapons destined to indiscriminately eliminate large numbers of people and/or causing great economic and environmental damages.

Risk Management Process: The Bank, including its Board of Directors and all of its staff, is committed, as an Organization, to comply with all local and international laws, regulations and guidelines that may apply to Bladex, its subsidiaries and the New York Agency, related to the Prevention of Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction. Thereto, it has established policies and procedures in line with the specific risk profile of its products, services, clients and geographical location.

In its organizational structure, the Bank has established an independent Compliance Area that is responsible for implementing the necessary policies and procedures needed for dependably complying with the Bank's obligations related to those regulations and internal Anti-Money Laundering policies.

The Compliance Area has developed the "Know your Customer" policy, in order to understand and define the specific risk profile of its customers and products, as well as procedures for monitoring transactions, which will make it possible to understand the nature of the transactions and to identify any possible suspicious operations. Together with the Bank's different Departments, we have also identified key controls that enable the Organization to mitigate the risks inherent to the business.

The Bank's Compliance Area has developed a strong and comprehensive Compliance Program to prevent Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction. This program sets strict guidelines and standards supporting an effective and efficient compliance function, focusing on the key risks associated with the Bank's business. These guidelines and standards are constantly updated to reflect the current environment, as well as to comply with all rules and regulations from governments, banking authorities and international best practices.

Key Measures: The Compliance Area, as well as the Compliance Program and the policies and procedures associated with it, are reviewed independently by the Internal Audit Department, or by an independent qualified third party.

The Compliance Area, together with the Human Resources Area, provides constant training sessions and programs for all employees to adequately reinforce the risk management culture in order to prevent, detect and report any suspicious, inappropriate or unusual transaction.

Each and every Employee is bound to report any suspicions related to money laundering, terrorism financing or the financing of the proliferation of weapons of mass destruction through the channels established thereto by the Organization.

As of 2017, and according to a new Regulation from the Superintendency of Banks of Panama, the Area responsible for the Enterprise-Wide Risk Management has to prepare, together with the Compliance Department, an in-depth assessment of the Bank's Compliance Program and present the results to the Board of Directors and the Superintendency of Banks.

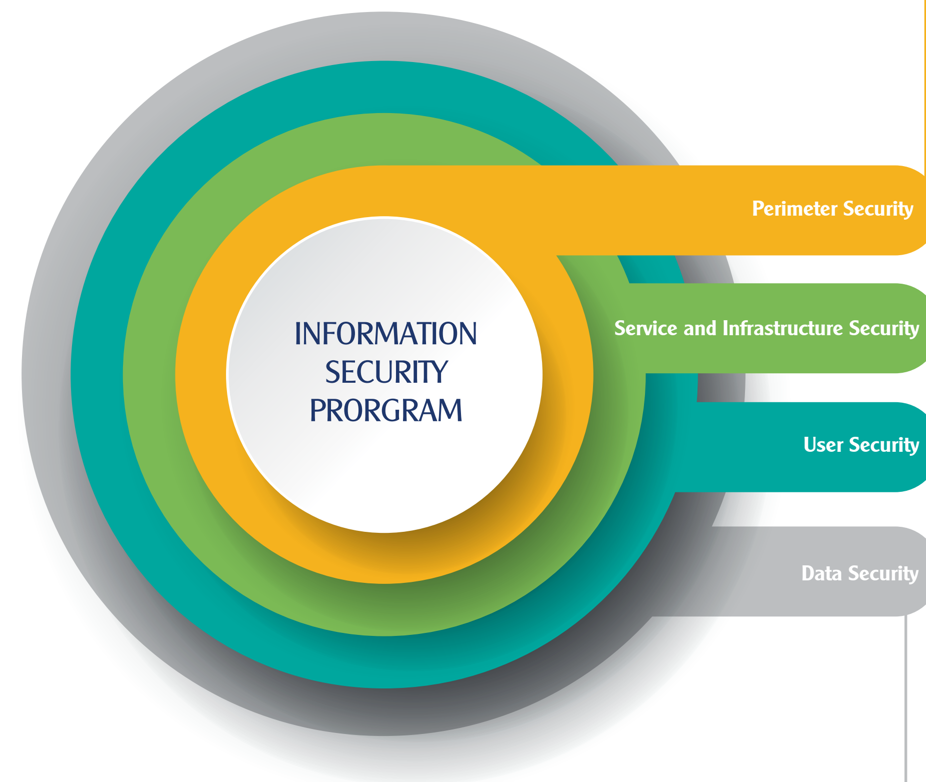
Cyber-Security

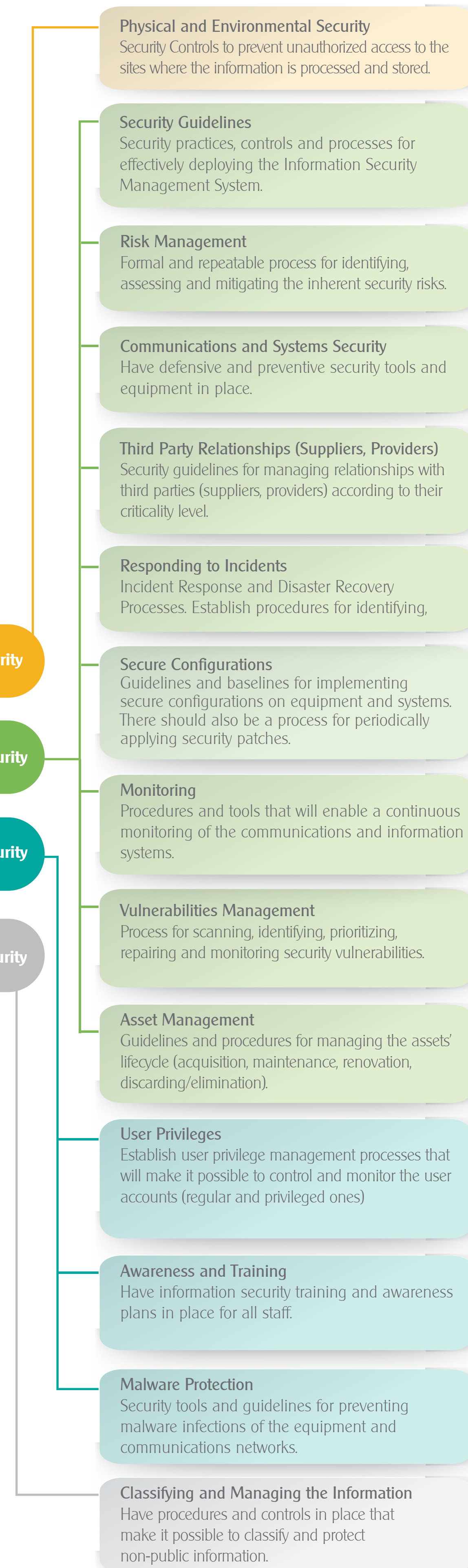
Definition: Cyber-Security or information technology security refers to the procedures designed and measures implemented to protect computers, networks, programs and data from cyber-attacks; in other words, unauthorized access or attacks that are aimed for exploiting, and/or making improper use of the Bank's IT platform to gain access to the financial system.

Risk Management Process: The Bank has approved policies and implemented procedures defining roles and responsibilities for managing information security as part of the Information Security and Technological Risk Management Framework. These policies and procedures are enforced throughout the Organization and encompass all the relationships between the workforce, providers and suppliers as well as any other person dealing with the Bank, on a permanent or temporary basis, which implies any access to data, resource management and information systems.

Key Measures: The Bank's Information Security Officer is responsible for overseeing compliance with the policies and procedures by any person with access to our systems. The Bank also engages independent third-party reviews of its cyber-security program.

The Bank's Cyber-Security program was developed with a holistic approach, which enables us to cover both the technical measures as well as the strategic ones in one single scheme.





This program is based on 4 fundamental pillars:

1. Perimeter Security
2. Service and Infrastructure Security
3. User Security
4. Data Security

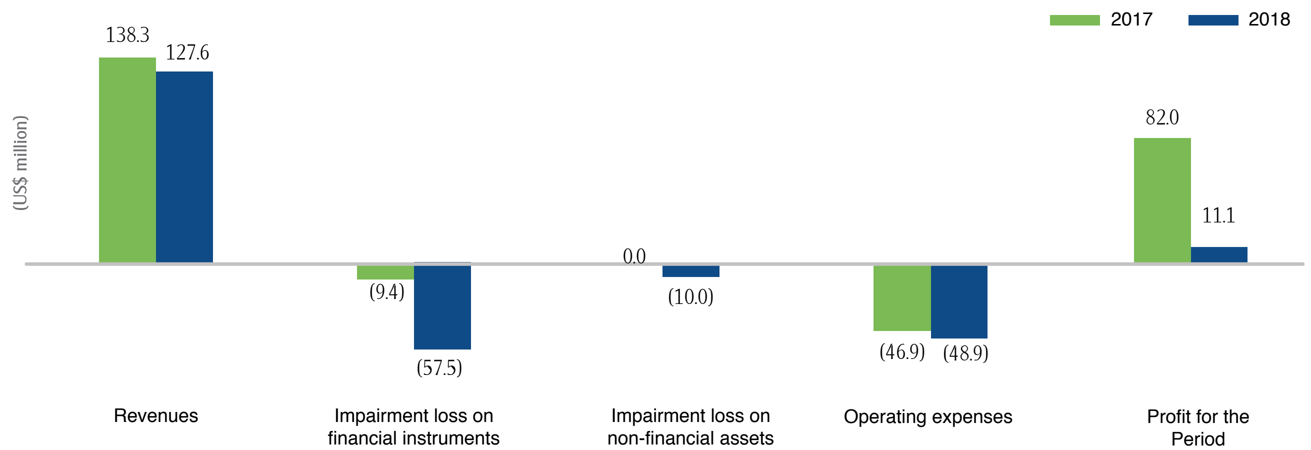
The implemented security controls, policies and methodologies are periodically analyzed and evaluated, thus enabling us to improve our security schemes in a timely and efficient manner.

FINANCIAL PERFORMANCE 4

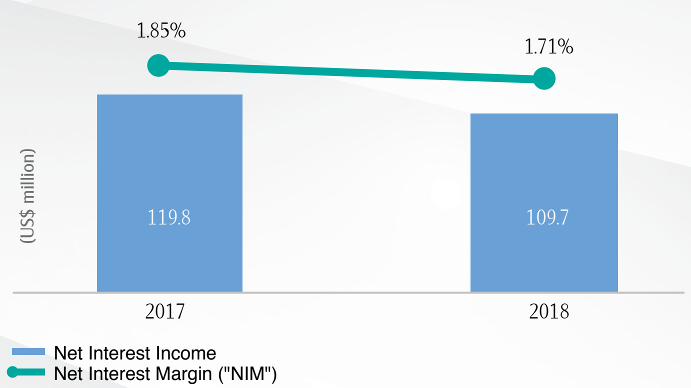
FINANCIAL PERFORMANCE

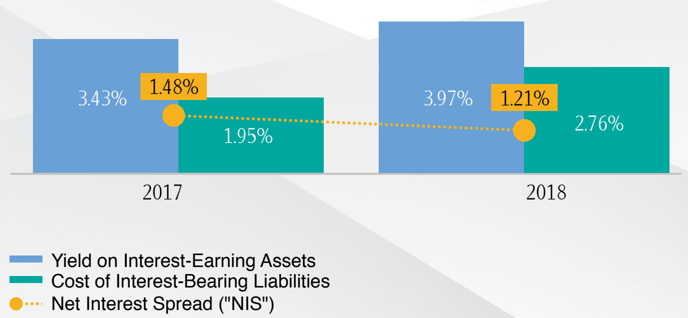
Bladex's profit for 2018 was US$11.1 million, or US$0.28 per share, compared to US$82.0 million, or US$2.09 per share for 2017. Bladex's 2018 results were mainly impacted by:

- Impairment loss on financial instruments for US$57.5 million, primarily associated to provisions for credit losses on an increased level of credit impaired loans, mainly related to a single credit in the sugar industry in Brazil.
- Impairment loss on non-financial assets for US$10.0 million, associated to losses on investment properties and other non-financial assets related to credit restructurings, as well as to the disposal of obsolete technology, in line with the Bank's objective to optimize its operating platform.
- A US$10.7 million decrease in revenues mainly resulting from lower net interest income (-8%) on narrower net interest margin (-14 bps), attributable to decreased lending spreads on a relatively stable level of average loan balances (+1%). Narrower lending spreads reflect the portfolio's concentration shift toward financial institutions, sovereign and quasi-sovereign entities and top tier corporate clients.

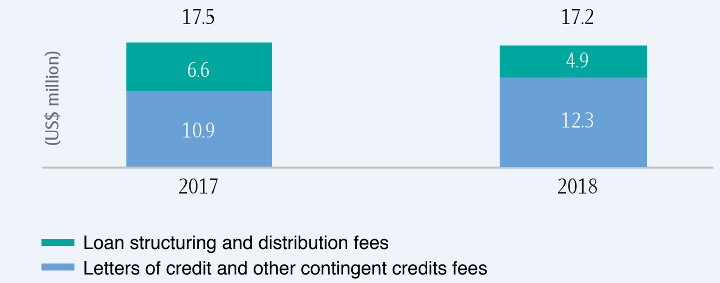


Reduced level of net interest income, totaling US$109.7 million during 2018, representing an 8% year-on-year decrease, mostly impacted by a 14 bps decline in Net Interest Margin ("NIM"). The decrease in NIM relates to narrower net lending spreads on the account of better quality loan origination, as the Bank increased its lending share to financial institutions, sovereign and quasi-sovereign entities, while origination in the corporate sector remained focused on top quality exporters with US dollar generation capacity. Lower lending spreads were partly offset by the net positive effect of an increasing interest rate environment on the repricing of the Bank's assets and liabilities. Due to the short-term nature of its loan portfolio, the Bank maintains a narrow interest rate gap structure and is able to pass along LIBOR-based market rates increases in its funding to its asset base.

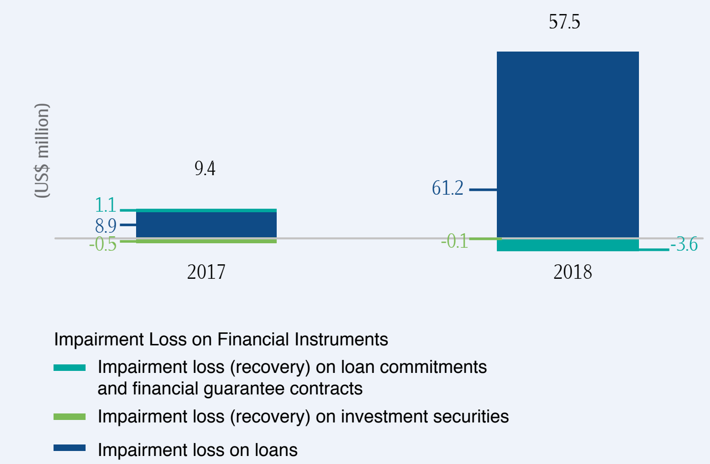




Fees and commissions remained relatively stable at US$17.2 million during 2018, representing a 2% year-on-year decrease, resulting from the net effect of: i) a 12% increase in fees from letters of credit and other contingent credits activities, evidencing an upward trend in fee generation over the last two years, congruent with the Bank's focus to enhance its participation in the trade value chain; offset by ii) a 26% year-on-year decrease in loan structuring and syndication fees, denoting the transaction-based uneven nature of this business. The Bank has positioned itself as a relevant player in originating syndicated transactions across the Region, and was able to close 7 transactions during 2018, for a total of US$847 million.



Higher impairment loss on financial instruments amounting to US$57.5 million in 2018, reflecting the increase in credit impaired loans mostly associated to the significant deterioration of a single credit in the sugar industry in Brazil, exacerbated by deep deterioration in sugar fundamentals, trading substantially below the estimated worldwide marginal cost of production, and by the complexity involved in the loan restructuring process.



Operating expenses increased by 4% year-on-year, mainly attributable to non-recurring expenses incurred in 2018 from personnel restructurings and from the streamlining of processes and of technological infrastructure, in the Bank's efforts of optimizing its operating infrastructure. The Bank estimates its run-rate base of operating expense for 2018 at approximately US$46 million, representing a declining trend from previous years.

(US$ million, except percentages)	2018	2017	YoY (%)
Operating expenses			
Salaries and other employee expenses	28.0	27.7	1%
Depreciation of equipment and leasehold improvements	1.3	1.6	-19%
Amortization of intangible assets	1.2	0.8	40%
Other expenses	18.5	16.8	10%
Total Operating Expenses	**48.9**	**46.9**	**4%**
Efficiency Ratio	**38.3%**	**33.9%**	**13%**

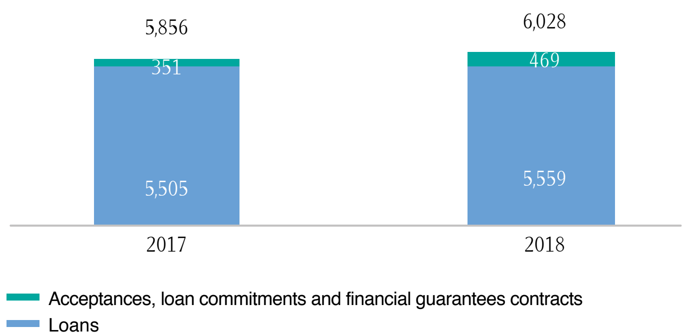
FINANCIAL POSITION

Commercial Portfolio balance, mostly consisting of gross loans, letters of credit and acceptances, amounted to US$6.3 billion at year-end 2018, up 5% from the year before. The Commercial Portfolio's annual average balance totaled US$6.0 billion, representing a 3% increase from 2017.

The portfolio's exposure remains well diversified across regions and industry sectors, with 52% of total Commercial Portfolio on the Bank's traditional client base of Financial Institutions (49% in 2017) and 19% of total Commercial Portfolio placed in Brazil (17% in 2017) and still representing the largest country exposure.

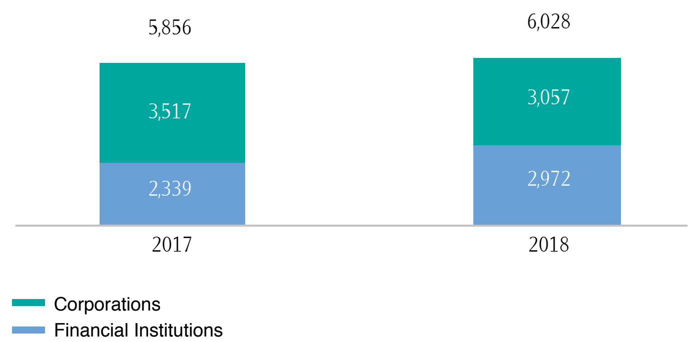
Commercial Portfolio

(Avg. Balances, US$ million)



Commercial Portfolio by Client Type

(Avg. Balances, US$ million)



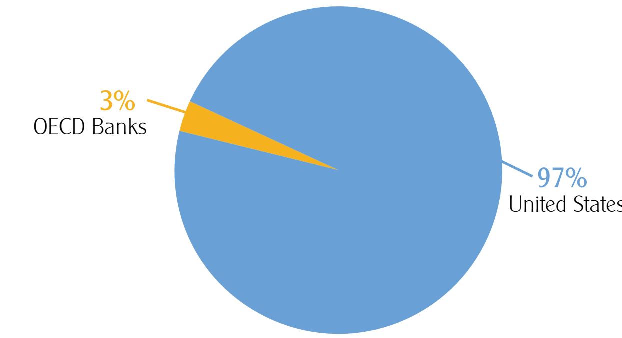
Increased credit impaired loans resulted on higher credit allowances, as the effects of impaired loans restructurings, sale and partial write-offs against existing individually allocated credit allowances during 2018 were offset by the classification of a US$62 million loan in the sugar sector of Brazil as credit impaired. This sugar loan experienced a significant deterioration in 2018 on the account of worsening sugar fundamentals in international markets reflected in the deep drop in prices – well below worldwide marginal cost of production – as well as in the risk involved in the credit's complex restructuring process. At year-end 2018, this sugar loan accounted for 96% of total impaired loans and had allocated most of the Stage 3 (under accounting standard IFRS 9), individually assigned allowance for credit losses. The remaining of the portfolio continues to perform well and denotes an improvement in credit quality, with performing portfolio's with credit conditions unchanged since origination, classified as Stage 1 under IFRS 9, having increased by US$0.6 billion or 11% during 2018. Moreover, loans classified as Stage 2 under IFRS 9, representing performing exposures whose credit conditions have deteriorated significantly since origination, decreased by US$0.3 billion or 42%.

Commercial Portfolio

(US$ million, except percentages)		2018	2017
Total	Commercial Portfolio	6,290	5,999
	Total Allowance for Credit Losses	104	88
	Total Allowance for Credit Losses to Commercial Portfolio	1.65%	1.47%
Stage 1	Stage 1 Exposure	5,836	5,274
	Allowance for Credit Losses	38	21
	Allowance for Credit Losses / Stage 1 Exposure	0.65%	0.40%
Stage 2	Stage 2 Exposure	389	666
	Allowance for Credit Losses	17	39
	Allowance for Credit Losses / Stage 2 Exposure	4.26%	5.85%
Stage 3	Stage 3 Exposure	65	59
	Allowance for Credit Losses	49	28
	Allowance for Credit Losses / Stage 3 Exposure	76.41%	47.64%
	Credit Impaired loans to Loan Portfolio	1.12%	1.07%
	Total Allowance for Credit Losses to Commercial Portfolio	1.65%	1.47%
	Total Allowance for Credit Losses to Credit Impaired Loans (times)	1.6	1.5

Liquidity above historical levels, at US$1.7 billion at year-end 2018, 97% of which were held in deposits with the Federal Reserve Bank of New York. End-of-period liquidity balances, representing 22.4% of total assets and 57.4% of total deposits, were above historical levels as the Bank scheduled its funding sources in anticipation of a potential temporary decline in its deposit base which ended-up reverting toward year-end 2018.

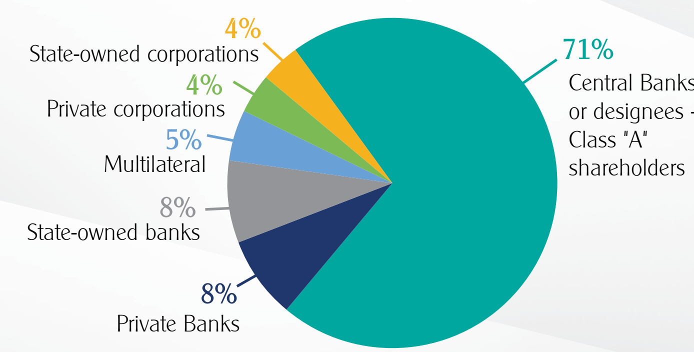
Liquidity Distribution



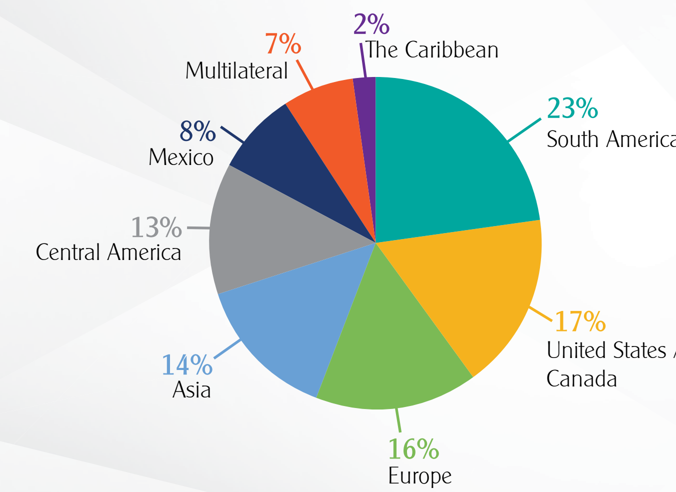
As of December 31, 2018, US$1,648 million or 97% of liquid assets were deposited at the Federal Reserve Bank of New York

Funding sources well diversified across regions and tenors, with a stable deposit base at US$3.0 billion at year-end 2018, representing 46% of total funding sources, the majority of which comes from central banks, the Bank's Class "A" shareholders.

Deposits by Type of Client



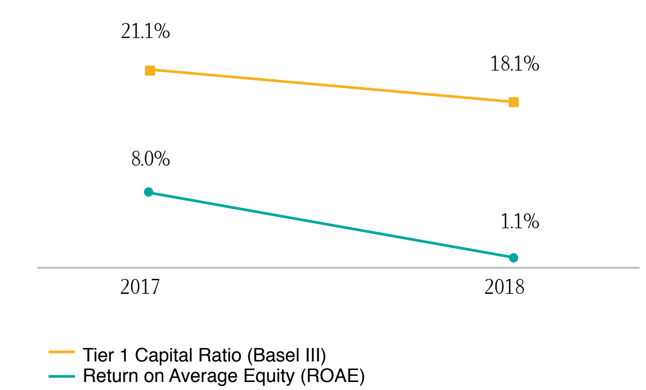
Funding Sources by Geography



The Bank's capitalization remains solid, with a Tier 1 Capital Ratio (Basel III) of 18.1%. Risk-weighted assets are mostly derived from the Bank's Commercial Portfolio, while the Bank's equity consists entirely of issued and fully paid ordinary common stock, with 39.5 million common shares outstanding at year-end 2018.

2018 Return on Average Equity ("RoAE") stood at 1.1%, compared to 8.0% in 2017, as a result of lower profits.

Solvency and Profitability



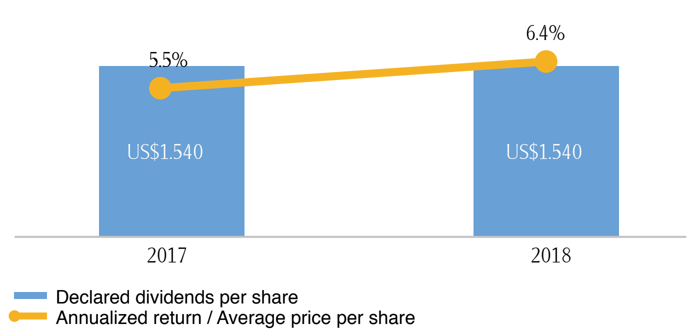
STOCK PRICE AND DIVIDENDS EVOLUTION

At year-end 2018, the share Price closed at US$17.30 with an average annual price and daily volume of US$24.17 and 127,864 shares, respectively. As of December 31, 2018, the stock traded at 0.7 times book value per share (price / book value) and at 61.4 times earnings per share (price / earnings per share), compared to 1.0 and 12.9, respectively, in 2017.

During 2018, the Bank paid dividends that reached US$1.54 per share, or US$0.385 per quarter, same level as the previous three years, underlining the Board of Directors commitment to continue its established dividend approach that reflects the Bank's business growth and development. The dividend payments provided investors with an attractive remuneration, with an average dividend yield of approximately 6.4%, the highest in this decade.

BLX Sotck Price and Volume Evolution

Dividend per share



CONSOLIDATED FINANCIAL DATA - SUMMARY

Financial Information prepared in accordance with IFRS as issued by IASB

YEAR ENDED DECEMBER 31 (In US$ million, except percentages and per share amounts)	2018	2017
Selected Profit or Loss Statement Data		
Net interest Income	109.7	119.8
Fees and commissions, net	17.2	17.5
Loss on financial instruments, net	(1.0)	(0.7)
Other income, net	1.7	1.7
Total revenues	127.6	138.3
Impairment loss on financial instruments	(57.5)	(9.4)
Impairment loss on non-financial assets	(10.0)	-
Total operating expenses (1)	(48.9)	(46.9)
Profit for the year	11.1	82.0
Selected Financial Position Data		
Cash and cash equivalents	1,746	672
Securities and other financial assets, net	124	95
Loans ("Loan Portfolio")	5,778	5,506
Commercial Portfolio (2)	6,290	5,999
Total assets	7,609	6,268
Total Deposits	2,983	2,937
Securities sold under repurchase agreements	40	-
Borrowings and debt, net	3,518	2,212
Total liabilities	6,616	5,225
Total equity	994	1,043
Per Common Share Data		
Basic Earnings per Share ("EPS")	0.28	2.09
Book value per common share -period end	25.13	26.45
Common shares outstanding:		
Period weighted average	39.5	39.3
Period end	39.5	39.4
Selected Performance Ratios		
Return on Average Equity ("ROAE") (3)	1.1%	8.0%
Return on Average Assets ("ROAA") (4)	0.17%	1.27%
Net Interest Margin ("NIM") (5)	1.71%	1.85%
Net Interest Spread ("NIS") (6)	1.21%	1.48%
Efficiency Ratio (8)	38%	34%
Capital, Liquidity & Credit Quality		
Tier 1 Basel III Capital Ratio (8)	18.1%	21.1%
Total assets / Total equity (times)	7.7	6.0
Liquid assets / Total assets (9)	22.4%	9.9%
Liquid assets / Total deposits (9)	57.4%	21.1%
Total equity / Total assets	13.1%	16.6%
Credit Impaired loans to Loan Portfolio	1.12%	1.07%
Total allowance for credit losses to Commercial Portfolio	1.65%	1.47%
Total allowance for credit losses to credit impaired loans (times)	1.6	1.5
Market Information (TICKER SYMBOL: BLX)		
Market capitalization (In US$ billion)	684	1,061
Closing Price	17.30	26.90
Price / Book Value (times)	0.7	1.0
Price / EPS (times)	61.4	12.9

MANAGEMENT HIGHLIGHTS 2018

SYNDICATED TRANSACTIONS
US$847 Million

LOAN DISBURSEMENTS
US$14.3 Billion

PROFIT
US$11.1 Million

AVERAGE DEPOSIT BASE
US$3.0 Billion

SOLID CAPITALIZATION
18.1% Tier 1 (Basel III)

AVERAGE COMMERCIAL PORTFOLIO
US$6,028 Million

Notes

(1) Total operating expenses includes the following expense 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.
(2) Commercial portfolio includes gross loan portfolio, customers' liabilities under acceptances, loan commitments and financial guarantees contracts (including confirmed and stand-by letters of credit, and guarantees covering commercial risk).
(3) ROAE refers to return on total average equity which is calculated on the basis of unaudited daily average balances.
(4) ROAA refers to return on total average assets which is calculated on the basis of unaudited daily average balances.
(5) NIM refers to net interest margin which constitutes to net interest income divided by the average balance of interest-earning assets.
(6) NIS refers to net interest spread which constitutes the average yield earned on interest-earning assets, less the average yield paid on interest-bearing liabilities.
(7) Efficiency Ratio refers to consolidated operating expenses as a percentage of total income.
(8) Tier 1 Capital is calculated according to Basel III capital adequacy guidelines, and is equivalent to total equity excluding certain effects such as the OCI effect of the financial instruments at fair value through OCI. Tier 1 Capital ratio is calculated as a percentage of risk-weighted assets. Risk-weighted assets are estimated based on Basel III capital adequacy guidelines.
(9) 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.

CORPORATE GOVERNANCE

5

CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance refers to the mechanisms, processes and relationships through which Bladex is controlled and directed. The Corporate Governance structures and principles identify and define the rights and responsibilities of the different participants in the Bank's management, including its subsidiaries, the Board of Directors, Senior Management, all of its Employees, Shareholders, Regulators and other Stakeholders.

Corporate Governance is the backbone of Bladex management, providing the framework for achieving its objectives and covering the different execution environments, the action plans and the internal control structure at the Organization. These make it possible to measure corporate responsibility and performance in order to maximize value creation for the Shareholders, Investors, Employees and the Communities where Bladex operates.

Corporate Governance principles derive from the dispositions set forth in the Articles of Incorporation, the Corporation's Bylaws, the Charters of the different Board Committees and the Bank's Executive Committee, the Corporate Governance Manual, the Code of Ethics, as well as from the regulations established by the regulatory entities and by the adoption of policies that are based on the best organizational practices.

External Regulations

The Bank is subject to supervision by regulatory authorities in different jurisdictions, with the most important ones being:

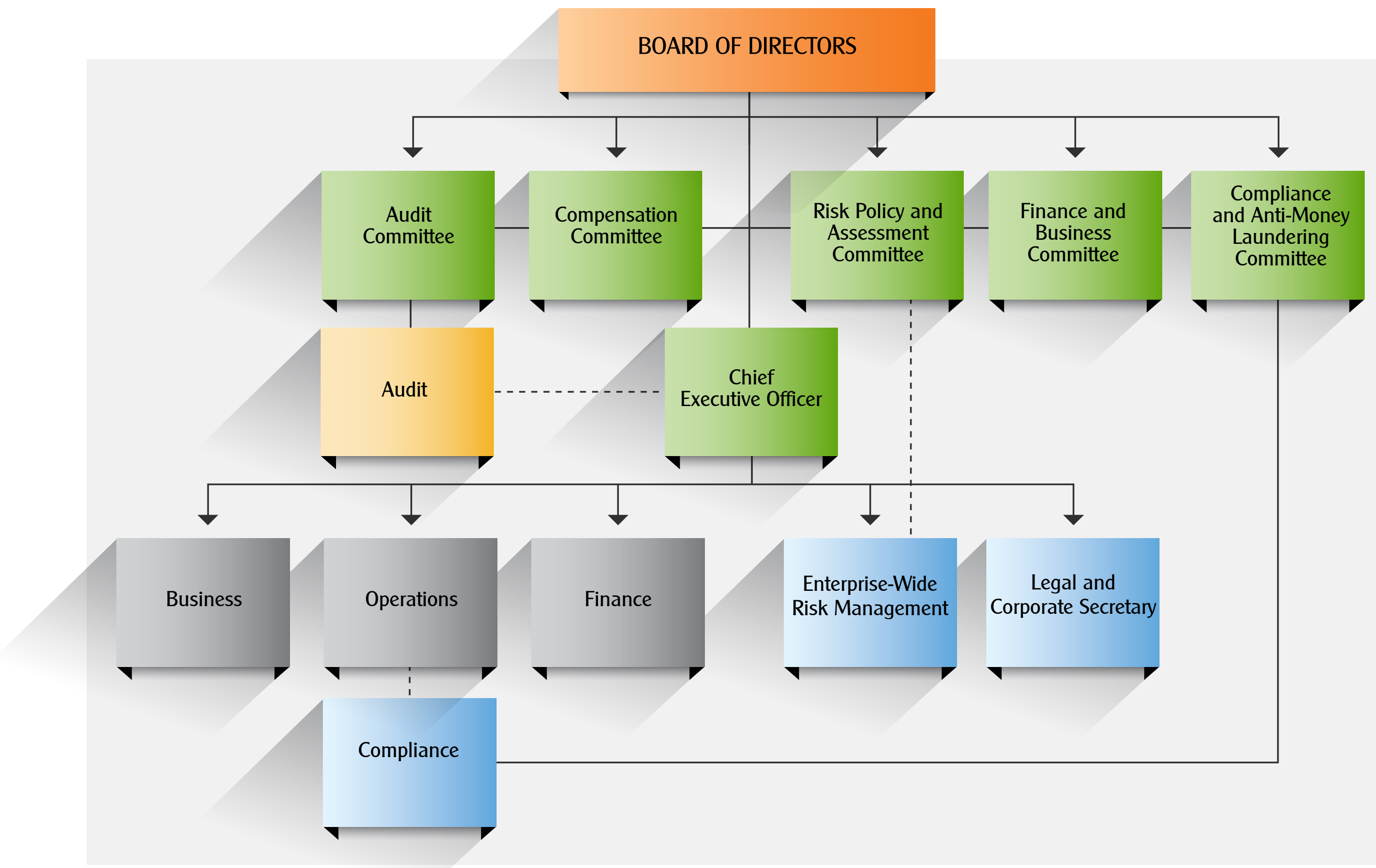
- The Superintendency of Banks of Panama (SBP)
- The U.S. Federal Reserve Bank (FED)
- The U.S. Securities and Exchange Commission (SEC)
- The New York State Department of Financial Services (NYSDFS)
- The National Banking and Securities Commission (Mexico)
- The Mexican Securities Exchange
- The Superintendency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

Internal Regulations

The following corporate regulations 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
- Corporate Governance Manual
- Code of Ethics
- Corporate Anti-Money Laundering and Combating the Financing of Terrorism Policy
- Internal Procedures, Manuals, Policies and Guidelines

CORPORATE GOVERNANCE



First Line of Defense

- Consists of the Business Units and related departments where the opportunities fitting in the Bank's appetite for risk are being originated.

Second Line of Defense

- Oversees that the risks are being managed in line with the defined level of risk appetite and in total compliance with all current regulations in force.
- The Risk Management reports with total independence to the CEO and the Risk Policy and Assessment Committee. The Compliance Department reports directly to the Compliance and Anti-Money Laundering Committee.

Third Line of Defense

- With total independence, reporting to the Board's Audit Committee. Its responsibility is focused on regular evaluations of the policies, methods and procedures as well as on the effective implementation thereof.

BOARD OF DIRECTORS

In accordance with the Articles of Incorporation and its Bylaws, the Board of Directors of Bladex consists of ten members, as indicated following hereunder:

- Three Directors elected by the holders of Class A common shares
- Five Directors elected by the holders of Class E common shares
- Two Directors elected by the holders of all common shares

The Board Members are elected at the Bank's Annual Shareholders Meetings for three-year periods and may be re-elected at the end of each period.

At the Board members elections, the holders of the common shares of each class vote separately.

The holders of the shares in each class have a number of votes that is equal to the number of shares in the respective class they hold, multiplied by the number of directors to be elected, and they may cast all their votes for just one candidate or distribute them among the total number of Directors to be elected, or among two or more of them, as they may deem to be convenient.

Main Objectives

The Board of Directors shall direct and control the business and assets of the Corporation, except for those matters specifically reserved to Shareholders as established by Law or the Articles of Incorporation. Without limiting the generality of the above, the Board of Directors may dispose of the Corporation's assets and post them as surety for backing its, or its subsidiaries' or affiliates' obligations, or the obligations of such parties in which the corporation has an interest.

The Board of Directors may grant general or special powers of attorney to Directors, Officers or Executives of the Corporation or to third parties, to manage such matters as they may see fit to delegate and that fall within the competence of the Board of Directors.

Board of Directors Meetings

Board meetings are held, at least, five times per year, in the Republic of Panama or in any other country, as may be determined by the Board of Directors.

In order to duly hold a Board meeting, a quorum with the attendance of at least six Directors is required. In order for the Board of Directors to hold their meeting, it shall be necessary that, apart from the required quorum, most of those attending should be independent Directors.

Board resolutions are adopted by the affirmative vote of the majority of the Directors attending the meeting.

Remuneration

The Board of Directors, after consulting with the Compensation and Organizational Management Committee, is responsible for approving and reviewing 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 such compensation plans as may be adopted for the Board of Directors and its Committees from time to time.

Independence of the Directors

For Bladex, 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. The Board of Directors will review the factors that affect the independency when a Director is being proposed for election or re-election.

In the process of making such a determination, the Board of Directors will consider the nature, scope and materiality of the Director's relationship with the Bank, as well as all applicable rules, regulations and standards.

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.

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
All Classes

N. Gabriel Tolchinsky
All Classes

Class A

José Alberto Garzón

Javier González Fraga

João Carlos de Nóbrega Pecego

Class E

Roland Holst

Ricardo M. Arango

Herminio A. Blanco

Class E

Mario Covo

Miguel Heras

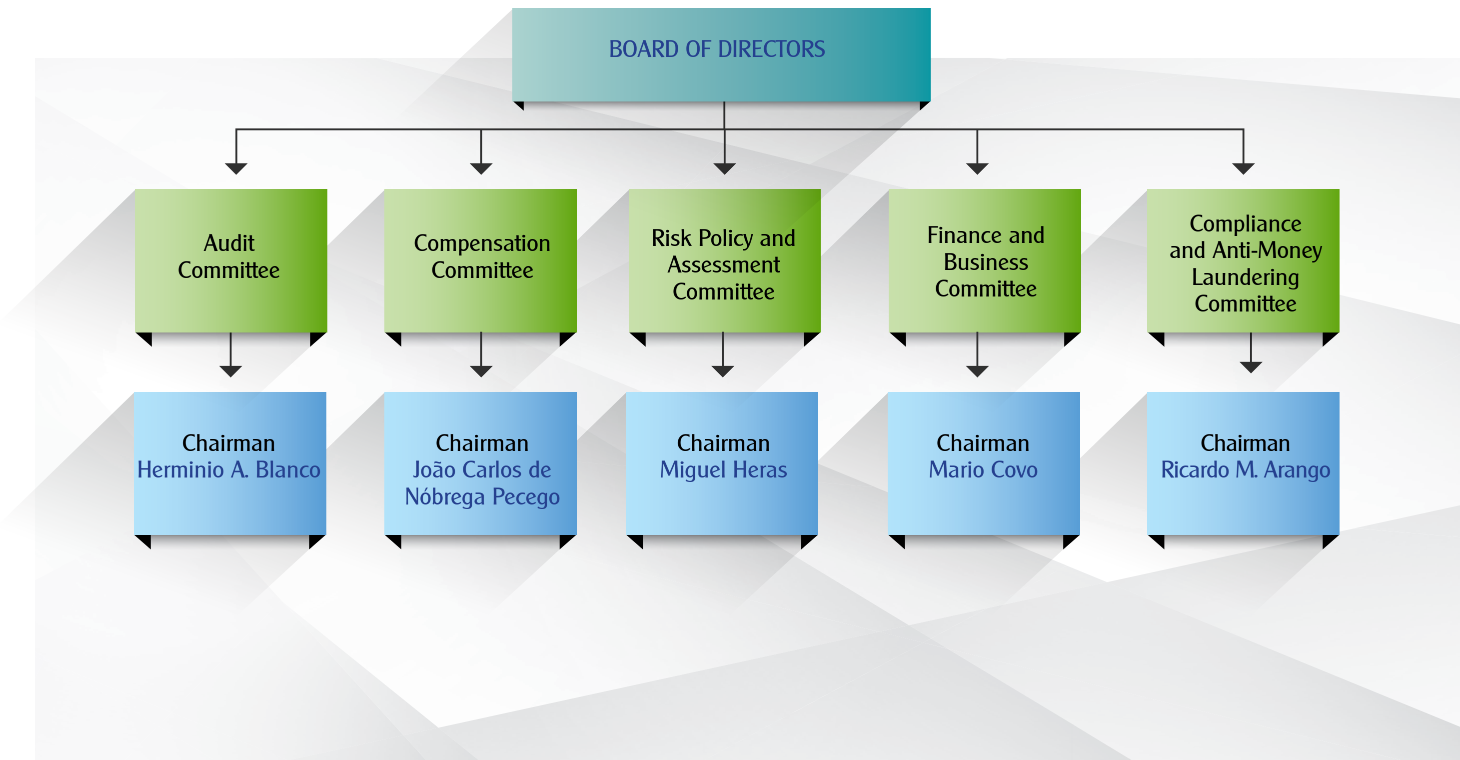
BOARD COMMITTEES

The Board of Directors may set up committees who shall have such powers and responsibilities as the Board may delegate to them, subject to the stipulations set forth in the Articles of Incorporation and in the Bylaws.

Each Committee shall consist of three or more Board Members. Subject to such minimum, the exact number of committee members shall be determined by the Bank's Board of Directors from time to time.

The members of each committee shall be appointed for such purpose and such term as may be determined by the Board of Directors.

The Bank currently has five standing committees, consisting of the Bank's Directors and members of its Senior Management.



Audit Committee

This Committee is responsible for exerting certain functions established by applicable regulations and to act in support of the Board of Directors for complying with its responsibilities of supervising the financial reporting process, the integrity of the Financial Statements, of the internal control system, the audit process and the process for monitoring compliance with the laws and regulations as well as with the Code of Ethics.

Compensation Committee

This Committee is responsible for submitting recommendations to the Board of Directors regarding the nominations of Directors, the compensation and benefits policies concerning the Directors, Officers, Executives and Employees, the hiring of the CEO and the subsequent evaluation of his performance, the Bank's human resources policies, its Corporate Governance and Code of Ethics. This Committee is also responsible for proposing, to the Board of Directors, recommendations regarding issues related to the Bank's operating model, processes, technology and communications

Risk Policy and Assessment Committee

This Committee is responsible for reviewing all policies related to a prudential Enterprise Risk Management and recommending them to the Board of Directors for their approval. The Committee also reviews and evaluates the exposure to risk according to the risk levels the Bank is willing to assume, pursuant to the policies established for the different risks it faces when going about its business, including the quality and profile of the credit assets, the exposure to market risks and an analysis of operational risks, considering the legal risk associated to the products provided by the Bank.

The Committee fulfills its tasks by means of the regular reports received from Senior Management and through its interaction with the Enterprise Risk Management Area as well as with other members of the Bank's Management. When going about their job, the Committee will apply reasonability and materiality criteria for the scope of their work.

The Committee is neither responsible for the correct implementation of the policies, nor for compliance with the legal limits or such other restrictions as may apply. Those are direct responsibilities of the Enterprise Risk Management area and the Bank's Management.

Finance and Business Committee

The fundamental role of this Committee is to review and analyze and be aware of, with its ensuing competences and attributes, all issues related to the development of the Bank's business and its financial management, including, among other things, capital management, (assets and liabilities) portfolio management, liquidity management, gap management, the supervision of tax matters and, in general, the financial performance of the Bank as well as such other issues as may be contemplated in its Charter.

Compliance and Anti-Money Laundering Committee

The fundament role of the Compliance and Anti-Money Laundering Committee is to support the Board of Directors in complying with the laws and regulations that apply to: anti-money laundering, the combating of the financing of terrorism and the prevention of the financing of the proliferation of weapons of mass destruction, the US Treasury Department Office of Foreign Assets Control (OFAC), the US Foreign Accounts Tax Compliance Act (FATCA) and the OECD (Organization for Economic Cooperation and Development) Common Reporting Standards (CRS).

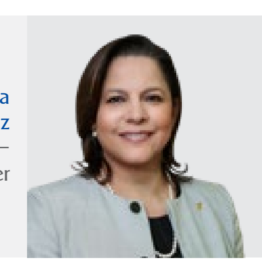
EXECUTIVE COMMITTEE

N. Gabriel Tolchinsky
Chief Executive Officer

Erica Lijtztain
Executive Vice President – Chief Operating Officer

Alejandro Jaramillo
Executive Vice President – Chief Commercial Officer

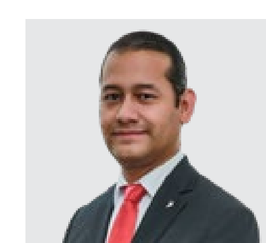
Ana Graciela de Méndez
Executive Vice President – Chief Financial Officer



Eduardo Vivone
Executive Vice President – Treasury and Capital Markets

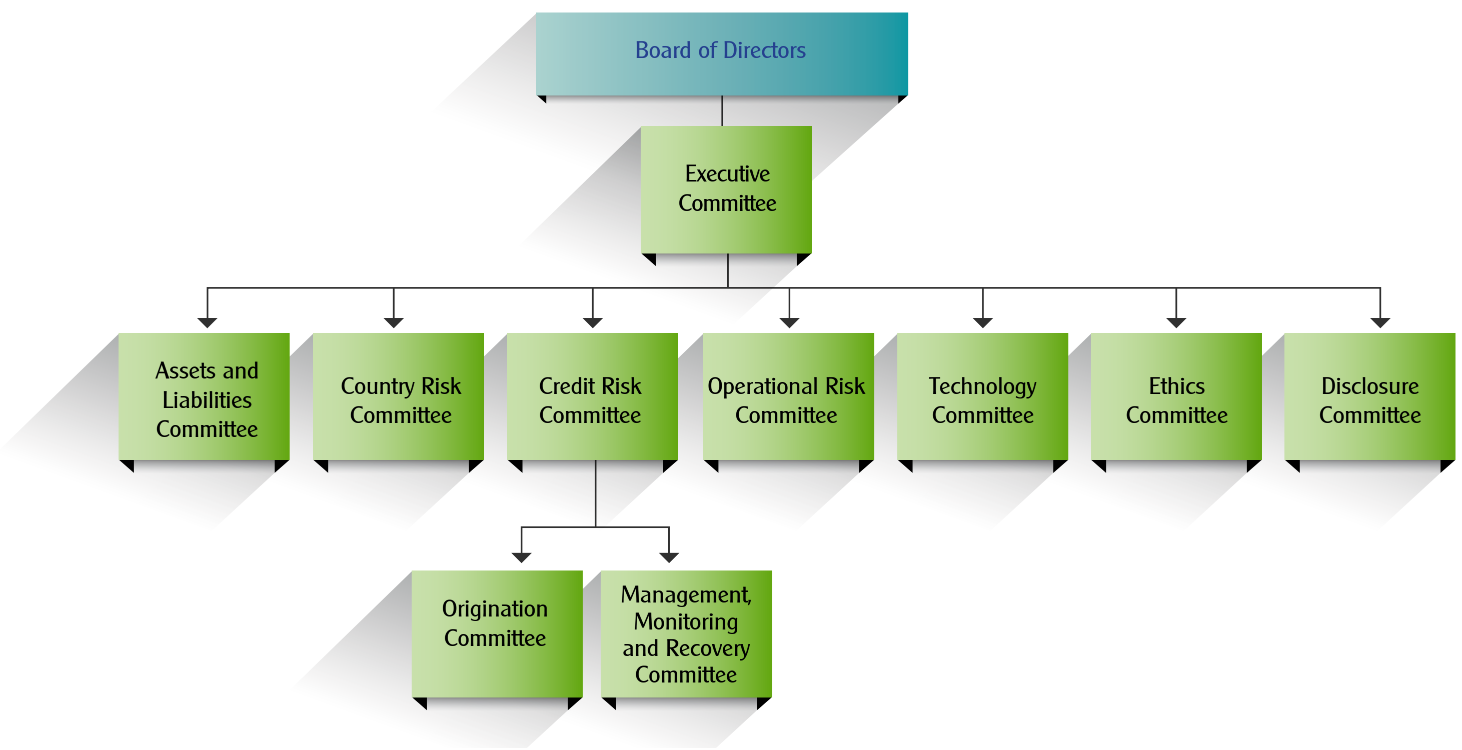
Alejandro Tizzoni
Executive Vice President – Chief Risk Officer

Jorge Luis Real
Executive Vice President – Chief Legal Officer and Corporate Secretary



Jorge Córdoba
Executive Vice President – Chief Audit Officer

MAIN INTERNAL COMMITTEES



TRANSPARENCY AND ETHICS

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.

The Bank has adopted a Code of Conduct and Ethics, containing the general policies and principles that should guide the ethical-professional behavior of the organization's Employees and Directors. Its objective is to safeguard the values being considered fundamental for properly directing the Institution's business and administration, in line with the Bank's principles and values that, for a regional financial institution with a shareholding scheme representing both the public as well as the private sector, conjugate a series of interests that do require guidelines for undertaking its business and activities.

It is essential for the Organization to have a clear direction to follow, along the lines of the fundamental principles and values human beings and in the environment in which it operates, so that this Code aims to define the action framework that will make it possible to achieve this purpose. People and work become a whole, discarding the existence of a duality or incongruency between the individual and work behavior, in the concrete business actions and regarding its shareholders.

In line with the above and pursuant to best industry practices, during the year 2018, an Ethics and Conduct Policy for Suppliers, was adopted, to assure that the suppliers working with Bladex do so with the principles and values established by the Bank, in the expectance that those suppliers do extend these principles all along their value chains.

The Bank has a whistle-blowing channel called the "Bladex Ethics Line", as its formal means of communication, through which all of its employees, suppliers and customers may report the occurrence of any real or potential irregularities that could affect the principles of institutional integrity. Those reports are treated with total confidentiality and the investigations are being carried out by means of an exhaustive analysis of the deeds reported, in order to assure the veracity of the possible irregularities.

HUMAN CAPITAL

6

HUMAN CAPITAL

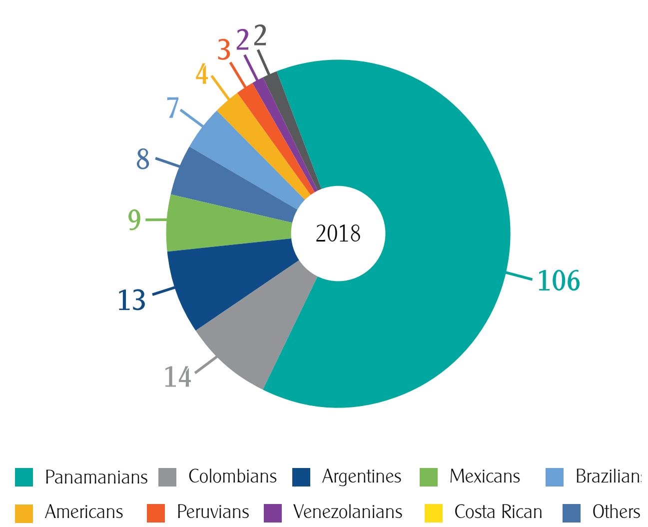
Throughout the years, we, at Bladex, have stood out for keeping alive the values that represent us and that are the basis of our Employees' behavior: Commitment, Humility, Excellence, Respect and Integrity. By managing talents, comprehensive training models and motivation programs focusing on the recognition of our human capital, we make sure to keep the essence of our values.

The year 2018 was a year of changes and challenges, where we highlighted the importance of sustaining the commitment with our brand and keeping our main resource motivated. Having a highly professional human capital committed to the strategic objectives established at the Bank, provides us with valuable opportunities that positively influence the business results.

We value and we believe in the multiculturalism of our team, one of our main strengths, shown both in the participation of Bladex in businesses throughout the Latin American Region, as well as in the nationalities of our Employees.
Apart from the Head Office, located in Panama, from where the business with the countries in Central America, the Caribbean and Ecuador is managed, the Bank also has representation offices in Argentina, Brazil, Colombia, Mexico and Peru, as well as an Agency in New York in the US.

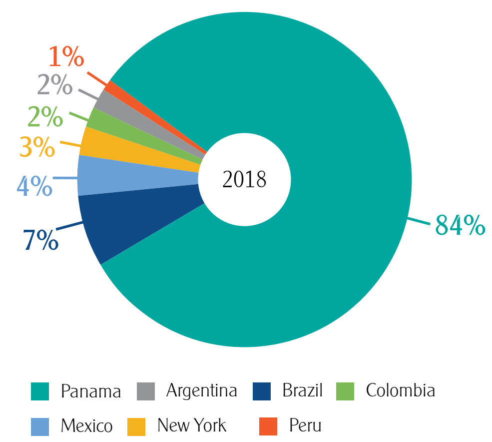
As of December 31, 2018, Bladex had 167 Employees, representing 16 nationalities of which 96% comes from Latin American Countries.

Nationalities Represented in Bladex



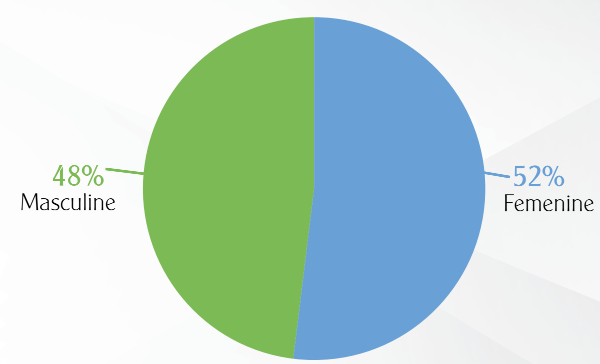
Employees by Headquarters

as of December 31, 2018

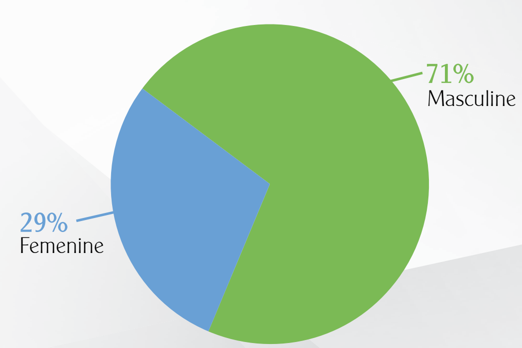


Bladex values diversity, with a work force where 48% are men and 52% women. As from this year on, for the first time the Executive Committee has two female Executive Vice-Presidents, which is one more way of emphasizing our so characteristic diversity culture.

Distribution of Employees by Gender



Gender Representation in the Executive Committee



TALENT DEVELOPMENT

In the beginning of 2018, the Human Development Department proposed plans to go along with the management of the changes, in order to support senior management's efforts in bringing the organizational structure more up-to-date, in response to the needs of the business. The Executive Committee and part of the managers reporting directly to them participated in integration workshops, in order to take advantage of the strengths of the new members, to create synergies and to provide support for the strategic plans that formed the basis of the organization in the change process.

Also, the training needs for each area were drawn up and a Training Plan was prepared that includes the development of both functional and regulatory as well as leadership and interpersonal competencies.

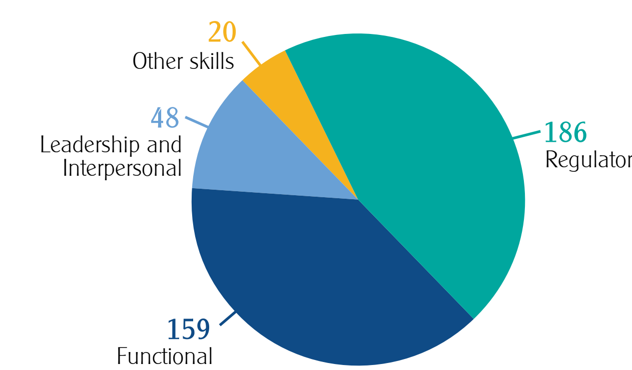
Training and Development Plan 2018

Functional and Regulatory Competencies Provide and/or refresh the functional skills and knowledge required for covering each Area's specific needs. Includes all regulatory courses.	■ Know your Bladex ■ Letters of Credit ■ Supply Chain Finance ■ Annual Information Security and Compliance training Sessions
Leadership and Interpersonal Competencies Increase the contribution, individually and as a part of a team. Promote behavior associated to the corporate values.	■ Leadership Development Program "Energizing Bladex ■ Development of Star Talent and Others
Other Skills Provide tools and techniques that will make it possible to work more effectively	■ Your Mindset is all ■ Internal communication ■ Mentally Fit Planning and Integration ■ Others

In 2018, following this Plan, 413 training sessions were held on different topics, most of them being functional and regulatory.

Bladex Talent Development and Training

by type of training



Continuing with the Leadership Program that was concluded in 2017, during 2018 and stretching into 2019, a Leadership Development Program was started, focusing on fitting and boosting the competencies required for managing the impact of the changing environment and facing future challenges with commitment and high performance. This program included coaching sessions for the participants, to bring all of them in line with the Bank's innovative strategies and projects. In parallel with those initiatives, we started to plan a career development program for staff identified as having a High Potential, concentrated on boosting and developing competencies and skills that will enable them to position themselves and grow within the organization, focusing on developing the organization's new leaders.

CORPORATE BENEFITS

Every year Bladex has held activities centered on the well-being of its Employees, not only providing cultural integration through recreational activities, such as celebrating Christmas, Mothers Day, Fathers Day, the recreational party for the Employees' kids as well as sports activities, but also encouraging the development and education of its staff with a plan for educational reimbursements and other benefits, such as corporate birthday gifts.

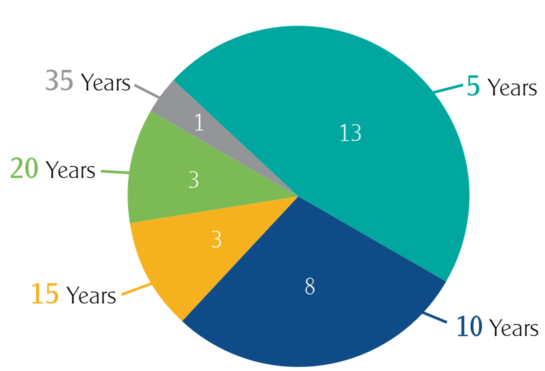
Bladex encourages recognition of Employees that stand out because of their commitment, team work and results. During the year 2018, with the Recognition Plan, 18 Employees were rewarded for their contribution in different issues that general required them to make that extra step, above and beyond their regular duties.

At the end of the year, we usually reward the Employee that, through his or her daily work has modeled our values of: Commitment, Humility, Excellence, Respect and Integrity during the year.

In 2018, 29 Employees were nominated, with Mr. Ismael Rodriguez being selected as the Living Example of the Bladex Values, for showing his high level of commitment, enthusiasm and dedication in implementing technological projects as well as in dealing with his internal clients.

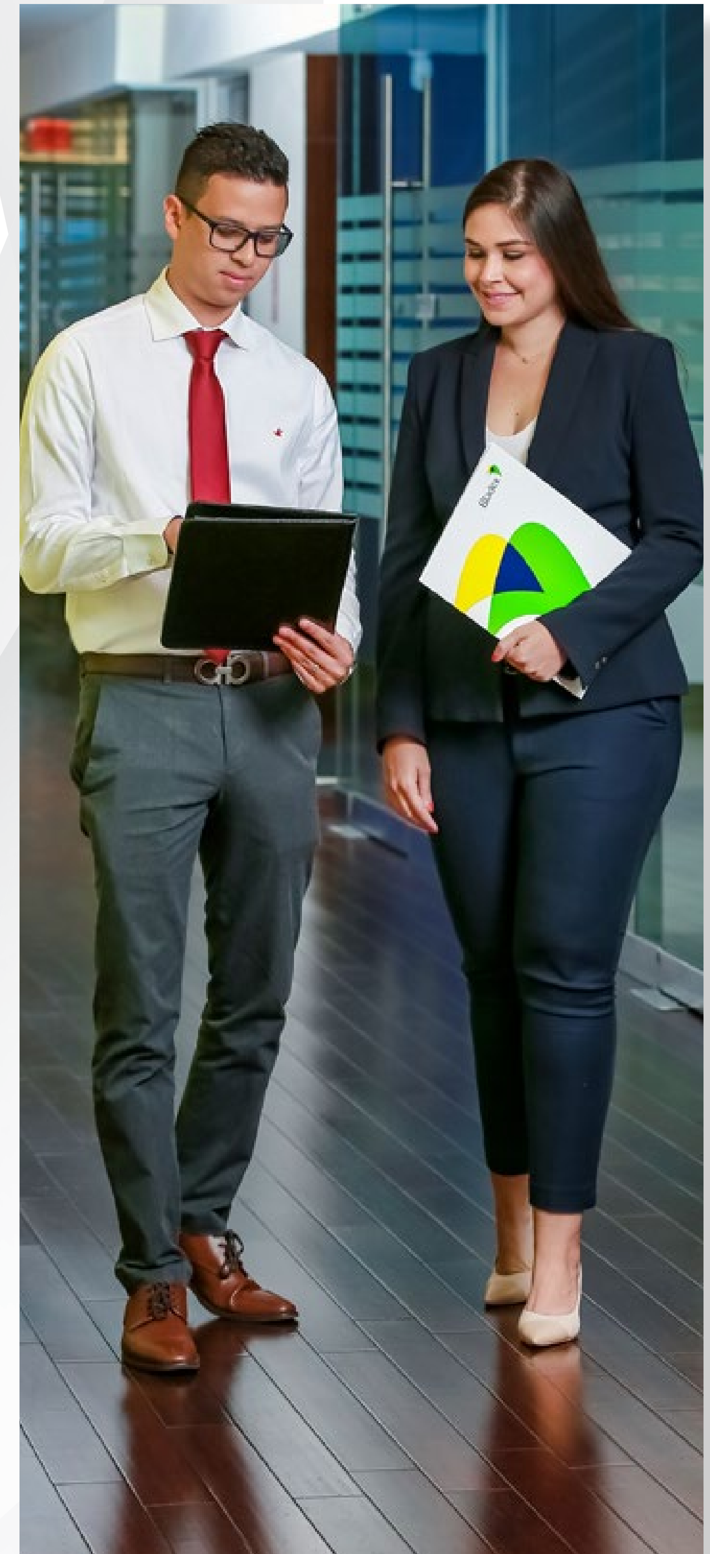
Also, during the Christmas party, commitment and loyalty of the Employees for years of service was rewarded, with a special mention for the most senior ones. This year a total of 28 employees were rewarded, with Mrs. Luisa de Polo standing out for having been with Bladex for 35 years.

Recognitions for years of services



Ismael Rodriguez

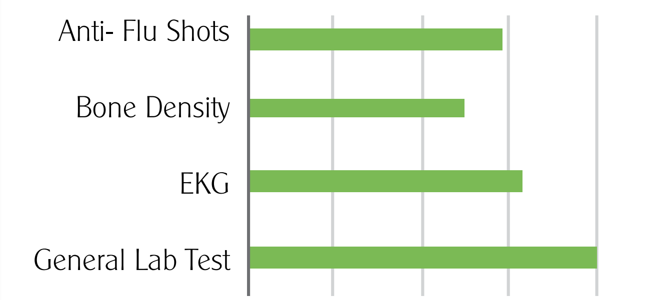
Luisa Lin de Polo



Like every other year, in the month of October, a Health Fair was held. At that yearly event, awareness is created about the impact of prevention and comprehensive care of the Employee. There were several providers who participated, giving the Employees vision tests, measuring their weight, blood pressure, electro-cardiogram and lab tests, among others.

This year, we sponsored speeches about different topics, in order to create awareness of prevention and comprehensive care of physical and mental health. Some activities held were speeches about conscious breathing, active pauses for managing stress, personal credit and financial health. Closing out the event was a keynote speech about the "Mindset", in order to generate awareness about controlling the mental and emotional state when making decisions as well as the motivation for personal and professional achievements.

In the month of July, we held the annual anti-flu vaccination campaign, where 58 employees and 70 dependents got their shots.



Another one of the excellent benefits provided by Bladex in its concern about the comprehensive health of its Employees is the Optical and Dental Health Plan, which is kept as an alternate plan for the collective life and health insurance coverage, not just for the Employees but also for their dependents. We also provide primary care for our Employees, with the assistance of health professionals at our Head Office premises.

With the multiculturalism and constant bolstering of our values, the diversity of our work force and the benefits we provide, we are assured to have a motivated team, committed both to the organizational goals as well as to the Bladex culture.

SOCIAL CAPITAL

7

Fundación Crece Latinoamérica

We continue to move forward with determination in our commitment to provide better educational and personal growth opportunities for children and teens in vulnerable areas, in the communities where we are privileged to serve. This commitment translates into concrete programs and actions, implemented during the year by the Fundacion Crece Latinoamerica (Foundation Grow Latin America), the body that carries out the Bank's social work, to the benefit of more than 3,000 students.

In Panama, which is where our Head Office is located, Bladex officially delivered the facilities for the Marie Poussepin Educational Center (CEMP) high school, with 16 classrooms, 4 labs, a psycho-pedagogic office, a sick bay, administrative offices and recreation area. The Bank furthermore contributed in equipping the language lab and the class rooms and also sponsored an English language booster program for the school's seniors. More than 700 students now have a school that ranges from nursery to twelfth grade, with a quality education that also teaches them values.

Being aware that, for children and teens to make the best of their education, which depends, to a large extent, on the active participation of their parents in the education process of their children, we continue to sponsor the Parent Education program, being carried out at the CEMP. The contribution made by our ten year alliance with the Bankers' Wives Society (Sociedad de Esposas de Banqueros), who organize this program, has helped more than 2,500 CEMP parents in successfully culminating their education.

Bladex has kept up an ongoing commitment in promoting financial education at the high school level. Hence, during 2018, we continued to sponsor the Financial Education program, induced by the Panama Banking Association (ABP) and actively participated in the organization and implementation of that program at the 26 participating public schools, for the benefit of a total of 2,300 students who satisfactorily culminated their schooling.

In order to provide an opportunity for attending high school to a larger number of students from rural areas, the Fundacion Crece Latinoamerica sponsored the extension and equipment of the El Bale Community Center boarding school in the province of Veraguas. The new dorms can lodge, as from 2019 on, a total of 50 coed teens from the indigenous and rural communities, thus doubling the facility's initial capacity.

On July 19, the official handover took place of three buildings for the CEMP high school, where majors in Science and in Tourism are taught for the **710** students here.

More than **2,500** parents have graduated from the Parents School program at CEMP.

Graduation of the information technology program, by the youngsters at the Hogar Divina Gracia.

Some **1,800** primary school pupils at the Sabia II and Otoniel Assis schools in Sao Paolo, Brazil, benefitted from the reading program sponsored by the Foundation.

At the Hogar Divina Gracia we proceeded to improve the institution's physical plant and also sponsored the development of an annual physical training plan as well as training in different computer applications for the 25 teenagers residing there.

Regionally, the Foundation also performed in Brazil, sponsoring the reading program steered by the Brascri Foundation at the Sabia II educational center in Sao Paolo, to the benefit of more than 1,000 primary school pupils at that school.

VOLUNTEERS IN ACTION IN THE COMMUNITY

The work done by the Fundacion Crece Latinoamerica is enhanced by the volunteer work done by our Employees, who, during the year, participated in different educational, recreational and cultural activities, contributing resources, time, knowledge and creativity.

On the Educational Front

- A total of 105 CEMP students got scholarship grants from the Bank's employees.
- Four speeches on financial education were given to 60 CEMP juniors and seniors.
- The Volunteer Committee organized a string, motivation and leadership workshop for the youngsters at the El Bale Community Center boarding school.

On the Recreational and Cultural Front

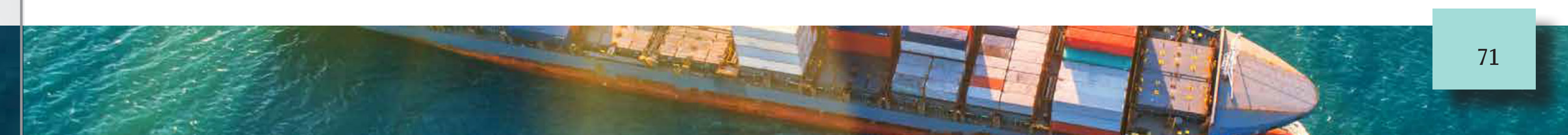
- A talent show for CEMP students was organized by volunteers, with a participation of 60 students.
- A tour to the Panama Canal Visitor Center in the province of Colon and a tour of the interesting sites in that city was organized for 25 girls from the Hogar Divina Gracia.
- A donation of food, medicines and articles for personal care was made to the El Bale Community Center.
- A Christmas party was organized for 710 students of the CEMP, as well as for the children looked after by the Brascri Foundation in Brazil.

Consolidated Financial Statements 2018

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

Consolidated Financial Statements
as of December 31, 2018

(With the Independent Auditors' Report thereon)



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

Consolidated Financial Statements

Contents

KPMG

KPMG
Apartado Postal 816-1089
Panamá 5, República de Panamá

Teléfono: (507) 208-0700
Fax: (507) 263-9852
Internet: www.kpmg.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders 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, 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

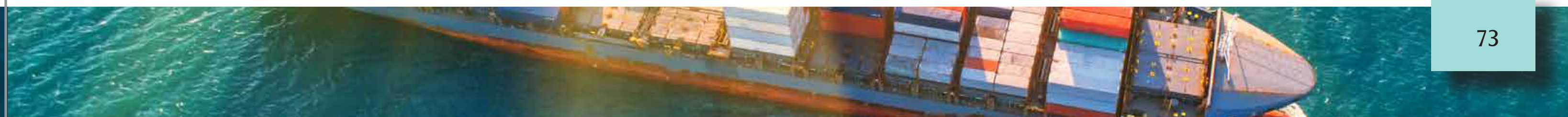
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.



Allowance for loan losses
Refer to Notes 3.2.5 and 6 to the consolidated financial statements

Key audit matter

The allowance for loan losses at amortized cost is considered one of the most significant issues since it requires judgments and the use of assumptions by management for the design of the expected credit loss model (ECL). The gross carrying amount of the loan portfolio at amortized cost represents 76% of the Bank's total assets. The allowance for loan losses at amortized cost includes the ECL as a result of the loan rating model and the mechanism to determine the probability of default of the loan according to the impairment stage where it is assigned to.

The model to estimate the ECL considers the grouping of the loans, in stages 1 and 2, with similar credit risk characteristics, using a single methodology. This methodology is composed of estimates of the probability of default, loss given default, forward-looking analysis and exposure at default. Also, the evaluation of whether or not a significant increase in the credit risk of the loans has occurred requires significant management judgment.

For impaired loans, in stage 3, the ELC estimate is determined individually. For those loans, the identification of impairment events and the calculation of expected cash flows, considering the ECL criteria, requires significant management judgment.

This constitutes a challenge from an audit perspective due to the complexity in estimating the components used to perform these calculations and the application of management judgment.

How the key matter was addressed in the audit

Our audit procedures, considering the use of specialists, included:

- Tests of design and operating effectiveness of key controls relating to the borrowers' internal credit risk ratings; comparison with borrowers' external credit risk ratings, if available; approval of collective and individual allowances; review of accuracy of borrowers' information; and calculation of allowances based on the model being used.
- For a sample of loans selected based on quantitative and qualitative factors, inspection of the respective credit files, including the borrowers' financial information and other evidence that could represent a loss event, to determine the reasonableness of the credit risk rating assigned by risk officers.
- Assessment of the methodologies applied by the Bank in the ECL estimation model, in accordance with IFRS 9 Financial Instruments, through the inspection of policies, manuals and methodologies, including their inputs, documented and approved by the Bank's corporate governance.
- Recalculation of ECL allowances based on both methodologies.
- Assessment of management judgments applied on assumptions relating to the current economic conditions and the considerations on the forward-looking assessment that can change the level of ECL, based on our experience and knowledge of the industry.
- Assessment of disclosures in the consolidated financial statements, in accordance with IFRS disclosure requirements.

Hedge accounting
Refer to Notes 3.2.6, 9 and 26 to the consolidated financial statements

Key audit matter

The Bank uses fair value, cash flow and net investment hedge accounting, with derivative financial instruments (hedging instruments) to manage interest rate and foreign currency exchange risks of several financial assets and liabilities (hedged items). The accounting treatment varies for each type of hedge and requires fair value calculations of both the hedging instrument and the specific hedged risk(s) of the hedged item. The accounting analysis for initial designation of the type of hedge to be applied, accounting recognition of hedges in accordance with IFRS, and valuation of hedging instruments and hedged items, as well as the hedge effectiveness assessments, involve management judgments and the use of some inputs that are not observable in active markets.

Fair value of derivative financial instruments used for hedge accounting as of December 31, 2018 amount to $2,688 thousand in assets and $34,043 thousand in liabilities.

How the key matter was addressed in the audit

Our audit procedures, considering the use of specialists, included:

- Tests of design and operating effectiveness of key controls in the process of determining the type of hedge accounting applicable, valuation of both hedging instruments and hedged items, hedge effectiveness assessments and accounting recognition, considering the assessment of methodologies, inputs and assumptions used by the Bank.
- Independent assessment of the valuation models, inputs used in those models and valuation of both hedging instruments and hedged items; for this, we compared observable inputs and other market data with independent sources.
- Inspection of accounting entries, for each type of hedge accounting and hedged item, to test adequate accounting recognition.
- Assessment of disclosures in the consolidated financial statements, in accordance with IFRS disclosure requirements.

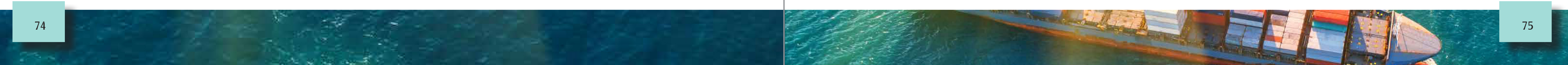
Other Matter –Predecessor Auditor

The consolidated financial statements of the Bank for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 7, 2018.

Other Information

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS, 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 liquidate 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 consolidated financial reporting process.

Auditors' 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 auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 ISAs, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 communicate with them all relationships and other matters that may reasonably 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 auditors' 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 auditors' report is Luis Venegas.

KPMG

Republic of Panama, Panama
March 15, 2019

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

Consolidated statement of financial position
December 31, 2018
(In thousands of US dollars)

	Notes	2018	2017
Assets			
Cash and cash equivalents	4	1,745,652	672,048
Securities and other financial assets, net	5,26	123,598	95,484
Loans		5,778,424	5,505,658
Interest receivable		41,144	29,409
Allowance for loans losses		(100,785)	(81,294)
Unearned interest and deferred fees		(16,525)	(4,985)
Loans, net	6	5,702,258	5,448,788
Customers' liabilities under acceptances		9,696	6,369
Derivative financial instruments - assets	9,26	2,688	13,338
Equipment and leasehold improvements, net	11	6,686	7,420
Intangibles, net	12	1,633	5,425
Investment properties	13	-	5,119
Other assets	14	16,974	13,756
Total assets		7,609,185	6,267,747
Liabilities and Equity			
Liabilities:			
Demand deposits		211,381	82,064
Time deposits		2,759,441	2,846,780
	15	2,970,822	2,928,844
Interest payable		12,154	8,261
Total deposits		2,982,976	2,937,105
Securities sold under repurchase agreements	16	39,767	-
Borrowings and debt, net	17	3,518,446	2,211,567
Interest payable		13,763	7,555
Customers' liabilities under acceptances		9,696	6,369
Derivative financial instruments - liabilities	9,26	34,043	34,943
Allowance for loan commitments and financial guarantees contracts losses	7	3,289	6,845
Other liabilities	18	13,615	20,551
Total liabilities		6,615,595	5,224,935
Equity:			
Common stock	20	279,980	279,980
Treasury stock	21	(61,076)	(63,248)
Additional paid-in capital in excess of value assigned to common stock	20	119,987	119,941
Capital reserves	33	95,210	95,210
Regulatory reserves	33	136,019	129,254
Retained earnings		423,050	479,712
Other comprehensive income	22	420	1,963
Total equity		993,590	1,042,812
Total liabilities and equity		7,609,185	6,267,747

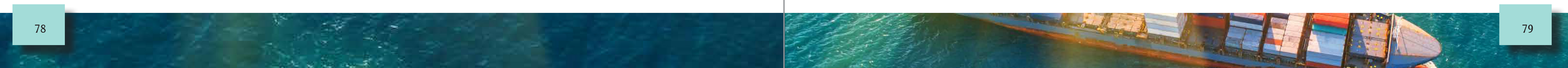
The accompanying notes are an integral part of these consolidated financial statements.

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

Consolidated statement of profit or loss
For the year ended December 31, 2018
(In thousands of US dollars, except per share data and number of shares)

	Notes	2018	2017	2016
Interest income:				
Deposits		15,615	10,261	4,472
Securities		2,899	2,492	5,034
Loans		239,976	213,326	236,392
Total interest income	25	258,490	226,079	245,898
Interest expense:				
Deposits		(63,146)	(42,847)	(20,131)
Borrowings and debt		(85,601)	(63,417)	(70,558)
Total interest expense	25	(148,747)	(106,264)	(90,689)
Net interest income		109,743	119,815	155,209
Other income (expense):				
Fees and commissions, net	24	17,185	17,514	14,306
Loss on financial instruments, net	8	(1,009)	(739)	(2,919)
Other income, net	25	1,670	1,723	1,378
Total other income, net		17,846	18,498	12,765
Total revenues		127,589	138,313	167,974
Impairment loss on financial instruments	6,7	(57,515)	(9,439)	(35,115)
Impairment loss on non-financial assets	10	(10,018)	-	-
Operating expenses:				
Salaries and other employee expenses	28	(27,989)	(27,653)	(25,196)
Depreciation of equipment and leasehold improvements	11	(1,282)	(1,578)	(1,457)
Amortization of intangible assets	12	(1,176)	(838)	(629)
Other expenses	29	(18,471)	(16,806)	(18,532)
Total operating expenses		(48,918)	(46,875)	(45,814)
Profit for the year		11,138	81,999	87,045
Per share data:				
Basic earnings per share	19	0.28	2.09	2.23
Diluted earnings per share	19	0.28	2.08	2.22
Weighted average basic shares	19	39,543	39,311	39,085
Weighted average diluted shares	19	39,543	39,329	39,210

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



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

Consolidated statement of comprehensive income
For the year ended December 31, 2018
(In thousands of US dollars)

	Notes	2018	2017	2016
Profit for the year		11,138	81,999	87,045
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit and loss:				
Change in fair value on equity instrument at FVOCI, net of hedging	22	(1,224)	187	-
Items that are or may be reclassified subsequently to profit and loss:				
Change in fair value of debt instruments at FVOCI, net of hedging	22	(4,629)	604	11,431
Reclassification of gains (losses) on debt instruments to the profit or loss	22	5,591	2,483	(3,551)
Exchange difference in conversion of foreign currency operation	22	(1,281)	1,490	-
Other comprehensive income (loss)	22	(1,543)	4,764	7,880
Total comprehensive income for the year		9,595	86,763	94,925

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

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

Consolidated statement of changes in equity
For the year ended December 31, 2018
(In thousands of US dollars)

	Common stock	Treasury stock	Additional paid-in capital in excess of value assigned to common stock	Capital reserves	Regulatory reserves	Retained earnings	Other comprehensive income	Total equity
Balances at January 1, 2016	279,980	(73,397)	120,177	95,210	38,708	521,934	(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
Repurchase of "Class B" and "Class E" common stock	-	-	-	-	-	-	-	-
Regulatory credit reserve	-	-	-	-	10,713	(10,713)	-	-
Dymanic provision	-	-	-	-	13,038	(13,038)	-	-
Dividends declared	-	-	-	-	-	(60,180)	-	(60,180)
Balances at December 31, 2016	279,980	(69,176)	120,594	95,210	62,459	525,048	(2,801)	1,011,314
Profit for the year	-	-	-	-	-	81,999	-	81,999
Other comprehensive income (loss)	-	-	-	-	-	-	4,764	4,764
Issuance of restricted stock	-	1,259	(1,229)	-	-	-	-	30
Compensation cost - stock options and stock units plans	-	-	296	-	-	-	-	296
Exercised options and stock units vested	-	4,697	280	-	-	-	-	4,977
Repurchase of "Class B" and "Class E" common stock	-	(28)	-	-	-	-	-	(28)
Regulatory credit reserve	-	-	-	-	1,865	(1,865)	-	-
Dymanic provision	-	-	-	-	64,930	(64,930)	-	-
Dividends declared	-	-	-	-	-	(60,540)	-	(60,540)
Balances at December 31, 2017	279,980	(63,248)	119,941	95,210	129,254	479,712	1,963	1,042,812
Profit for the year	-	-	-	-	-	11,138	-	11,138
Other comprehensive income	-	-	-	-	-	-	(1,543)	(1,543)
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	1,051	-	-	-	-	1,051
Exercised options and stock units vested	-	3,355	254	-	-	-	-	3,609
Repurchase of "Class B" and "Class E" common stock	-	(2,442)	-	-	-	-	-	(2,442)
Regulatory credit reserve	-	-	-	-	(20,498)	20,498	-	-
Dymanic provision	-	-	-	-	27,263	(27,263)	-	-
Dividends declared	-	-	-	-	-	(61,035)	-	(61,035)
Balances at December 31, 2018	279,980	(61,076)	119,987	95,210	136,019	423,050	420	993,590

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

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

Consolidated statement of cash flows
For the year ended December 31, 2018
(In thousands of US dollars)

	2018	2017	2016
Cash flows from operating activities			
Profit for the year	11,138	81,999	87,045
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Net changes in hedging position	12,403	(1,833)	(24,836)
Depreciation of equipment and leasehold improvements	1,282	1,578	1,457
Amortization of intangible assets	1,176	838	629
Loss for disposal of equipment and leasehold improvements	24	2,205	140
Loss for derecognition of intangible assets	2,705	16	-
Impairment on investment properties at fair value through profit or loss	3,849	-	-
Impairment loss on financial instruments	57,515	9,439	35,115
(Gain) loss, net on sale of financial assets at fair value through OCI	(194)	(249)	356
Amortization of premium and discount related to securities at amortized cost	698	732	965
Impairment loss on other assets	3,464	-	-
Compensation cost - share-based payment	1,051	296	3,063
Interest income	(258,490)	(226,079)	(245,898)
Interest expense	148,747	106,264	90,689
Net decrease (increase) in operating assets:			
Pledged deposits	13,781	8,571	(29,148)
Financial instruments at fair value through profit or loss	-	-	53,411
Loans	(305,464)	479,226	650,217
Other assets	(6,449)	(269)	(39)
Net increase (decrease) in operating liabilities:			
Due to depositors	41,978	125,992	7,383
Financial liabilities at fair value through profit or loss	-	(24)	(65)
Other liabilities	(6,432)	(4,695)	(1,774)
Cash flows provided by (used in) operating activities	(277,218)	584,007	628,710
Interest received	242,276	239,394	247,167
Interest paid	(138,646)	(107,051)	(91,802)
Net cash (used in) provided by operating activities	(173,588)	716,350	784,075
Cash flows from investing activities:			
Acquisition of equipment and leasehold improvements	(603)	(2,654)	(3,973)
Acquisition of intangible assets	(58)	(3,370)	(3,111)
Proceeds from the sale of investment property	1,270	-	-
Proceeds from the redemption of securities at fair value through OCI	4,635	-	107,088
Proceeds from the sale of securities at fair value through OCI	-	17,040	102,655
Proceeds from maturities of securities at amortized cost	9,807	17,526	54,275
Purchases of securities at fair value through OCI	(9,875)	(8,402)	(84,153)
Purchases of securities at amortized cost	(26,701)	(9,978)	(24,600)
Net cash (used in) provided by investing activities	(21,525)	10,162	148,181
Cash flows from financing activities:			
Increase (decrease) in securities sold under repurchase agreements	39,767	-	(114,084)
Net increase (decrease) in short-term borrowings and debt	950,259	(396,205)	(961,095)
Proceeds from long-term borrowings and debt	609,017	219,905	406,149
Repayments of long-term borrowings and debt	(256,173)	(883,476)	(464,242)
Dividends paid	(61,539)	(60,605)	(60,135)
Exercised stock options	2,526	4,977	1,575
Repurchase of common stock	(1,359)	(27)	-
Net cash provided by (used in) financing activities	1,282,498	(1,115,431)	(1,191,832)
Increase (decrease) net in cash and cash equivalents	1,087,385	(388,919)	(259,576)
Cash and cash equivalents at beginning of the year	618,807	1,007,726	1,267,302
Cash and cash equivalents at end of the year	1,706,192	618,807	1,007,726

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

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 foreign 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 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 Superintendence 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 Law Decree No. 9 of February 26, 1998, modified by 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. is 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 Representaçao Ltda.

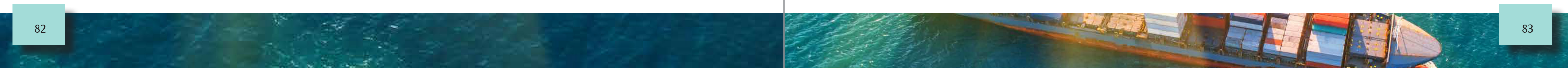
- Bladex Representaçao Ltda., incorporated under the laws of Brazil on January 7, 2000, acts as the Bank's representative office in Brazil. Bladex Representaçao Ltda. is 99.999% owned by Bladex Head Office and the remaining is 0.001% owned by Bladex Holdings Inc.

- 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 Representaçao Ltda. in April 2016, being the former the extinct company under Brazilian law and prevailing the acquiring company Bladex Representaçao Ltda.

- Bladex Development Corp. was incorporated under the laws of the Republic 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.("BLX Soluciones") 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").



1. Corporate information (continued)

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 19, 2019.

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").

2.2 Basis of measurement 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, investment properties, 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 Reclassifications and corrections

Certain amounts in the consolidated financial statements of 2017 and 2016 were reclassified in order to align them with the presentation of the consolidated financial statements of 2018. In addition, the Bank has identified non-material errors that have been corrected through the increase (decrease) of $24.5 million and ($46.2 million) from the financing activities line-items repayments of long-term borrowings and debt and net increase (decrease) in short-term borrowings and debt to the operating activities line-item net changes in hedging position of the consolidated statements of cash flows for the years ended December 31, 2017 and 2016, respectively. These reclassifications and corrections did not change total assets, liabilities, equity, nor the profit for the respective years.

2.4 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 the following elements:

- 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 returns.

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.

2. Basis of preparation of the consolidated financial statements (continued)

2.4 Basis of consolidation (continued)

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. The consolidation of the financial statements of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders 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.

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 profit or loss. Any investment retained in the former subsidiary is recognized at fair value.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 – "*Financial Instruments*", or where applicable, to the cost on initial recognition of an investment in an associate or a joint venture.

3. Summary of accounting policies

3.1 New accounting policies

3.1.1 Investment Properties

Property that is held for long-term rental yields, operating leases and/or for capital appreciation, and that is not occupied by the Bank, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value.

Fair value is based on market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional appraisers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

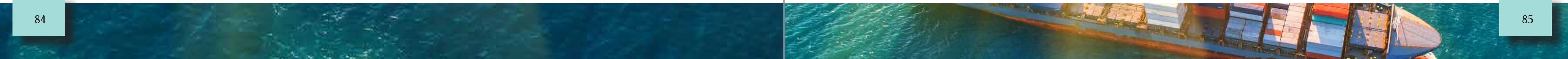
The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Changes in fair value are recognized in profit or loss. Investment properties are derecognized when they have been disposed of.

When the Bank disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as gain (loss) on investment property at fair value through profit and loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.



3. Summary of accounting policies (continued)

3.1 New accounting policies (continued)

3.1.2 Fees and Commissions

Former accounting policy as of December 31, 2017:

Revenue recognition of fees and commissions under IAS 18

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 and 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.

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 the 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 are applied as a reduction of the amortized cost of 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. Summary of accounting policies (continued)

3.1 New accounting policies (continued)

3.1.2 Fees and Commission

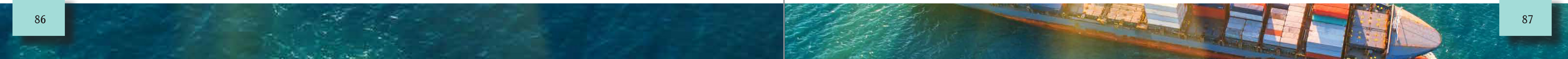
Accounting policy applicable from January 1st, 2018:

Revenue recognition of fees and commissions under IFRS 15

Revenues are measured based on the considerations specified in a contract signed with a customer and exclude collections on behalf of third parties. The Bank recognizes revenues when it transfers control over the product or services to a customer.

IFRS 15 - "Revenue from contracts with customers" was issued in May 2014 and establishes a five-step model to account for the revenue from the contracts with customers. Under IFRS 15, income is recognized by an amount that reflects the consideration that the Bank expects to be entitled to, in exchange for the transfer of goods or services. The new revenue standard replaces all current requirements for revenue recognition under IAS 18.

The Bank has applied IFRS 15 provisions from the 1st of January 2018 by applying the retroactive modified method pursuant to IAS 8 - "*Accounting policies, changes in accounting estimates and errors*". The performance period for services provided to customers of the Bank and revenue recognition of related commissions were not impacted by the adoption of IFRS 15. The impact of IFRS 15 is limited to the new required disclosures.



3. Summary of accounting policies (continued)

3.1 New accounting policies (continued)

3.1.2 Fees and commissions (continued)

The following table describes the main products and services, other than services for financial intermediation, from which the Bank generates its revenue:

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
Letters of credit		
Opening	Guarantee to honor the estipulated amount agreed to in the terms and conditions entered into with the customer, upon presentation of required documentation.	Revenues from services are recognized over time as services are provided.
Negotiation	Review of the shipping documents, of the beneficiary, agreeing to pay at sight or on the day on which the reimbursement is being made by the designated bank.	Revenue related to transactions is recognised al the point in time when the transaction takes place.
Acceptance	Commitment issued to the beneficiary to pay to a supplier in a future date, once all the shipping documents have been reviewed as to compliance with the terms and conditions of the letter of credit.	Revenue related to transactions is recognised al the point in time when the transaction takes place.
Confirmation	Commitment issued to the issuer bank and the beneficiary to honor or negotiate shipping documents.	Revenue related to transactions is recognised al the point in time when the transaction takes place.
Amendment	A request to amend the original letter of credit on behalf of the beneficiary modifying the original terms and conditions	Revenue from services is recognised over time as the services are provided.
Syndications		
Structuring	Advise to the borrower by structuring the terms and conditions of a credit facility, and coordinating among the lenders' and the borrowers' legal counsel all legal aspects relating to the credit facility, among others.	Revenue related to transactions is recognised al the point in time when the transaction takes place.
Other services		
Other	Assignment of rights, transferability,reimbursements, payments, discrepancies, courier and swift fees, etc.	Revenue related to transactions is recognised al the point in time when the transaction takes place.

3. Summary of accounting policies (continued)

3.2 Significant accounting policies

Significant accounting policies applied consistently by the Bank to all years presented in these consolidated financial statements, are presented as follows.

3.2.1 Currency and foreign currency transactions

Foreign currency transactions

For purposes of consolidation of the financial statements, the Bank applies IAS 21- "*The Effects of Changes in Foreign Exchange Rates*" to financial assets and financial liabilities that are monetary items and denominated in a foreign currency. This standard requires any foreign exchange gains and losses on monetary assets and monetary liabilities to be recognized in profit or loss. An exception is a monetary item that is designated as a hedging instrument in a cash flow hedge, a hedge of a net investment or a fair value hedge of an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income (loss).

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

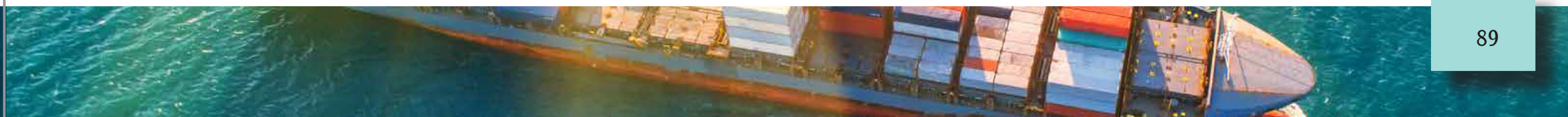
Transactions and balances

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 translation adjustments are reported as a component of 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 entities whose functional currency is the US dollar, 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 on the line "gain (loss) on financial instruments, net" in profit or loss.

Differences arising on settlement or translation of monetary items are recognized in profit or loss, except for monetary items that are designated as part of the hedge of the Bank's net investment in a foreign operation. These are recognized in accumulated other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in accumulated 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. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.2 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.

3.2.3 Financial instruments

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.

Initial measurement of financial instruments

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets or financial liabilities at fair value through profit or loss (FVTPL), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships are measured at amortized cost adjusted for the hedge risk components associated to the hedging relationship.

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost; debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVOCI); all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity instruments are subsequently measured at FVTPL.

However, the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis may be made:

- It may irrevocably elect to present subsequent changes in fair value of an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 – "*Business Combinations*" applies, in other comprehensive income (loss); and
- It may irrevocably designate a debt instrument that meets the amortized cost or at FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Classification

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 based on 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 cost, except for those liabilities designated as hedged items in qualifying fair value hedging relationships, which are measured at amortized cost adjusted for the hedge risk components associated to the hedging relationship.

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.3 Financial instruments (continued)

Business model assessment

The Bank assesses 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, if the 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 risks 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.

An assessment of the business model for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business model at a level that reflects how financial asset groups are managed together to obtain a particular business objective. The business model does not depend on management intentions for an individual instrument; therefore, assessment of the business model is done at a higher level of aggregation rather than instrument by instrument.

At the initial recognition of a financial asset, it is determined whether the newly recognized financial asset is part of an existing business model or whether it reflects the start of a new business model. The Bank reassesses its business model in each reporting date to determine whether business models have changed since the previous reporting date. For the current and previous reporting dates, the Bank has not identified a change in its business model.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

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 at a point in time and for other basic lending risks and costs as well as profit margin.

Contractual cash flows that are SPPI are consistent with a basic credit agreement. Contractual terms that originate risk exposure or volatility in the contractual cash flows that are not related to a basic credit agreement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic credit arrangement irrespective of whether it is a credit in its legal form.

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.3 Financial instruments (continued)

In assessing whether the contractual cash flows are SPPI, 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, so 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).

<u>**Financial assets at fair value through other comprehensive income (FVOCI)**</u>

These instruments consist on debt instruments not classified as either financial instruments at FVTPL or at amortized cost and are subject to the same approval criteria as the rest of the credit portfolio. These instruments 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 or losses are reported as net increases or decreases in other comprehensive income (OCI) in the consolidated statement of changes in equity until they are realized. Realized gains or losses from the sale of securities which are included as gain (loss) on financial instruments, net are determined using the specific identification method.

For an equity instrument designated at FVOCI, the cumulative gain or loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

<u>**Financial assets at amortized cost**</u>

Financial assets classified at amortized cost represent securities and loans whose objective is to hold them 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 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.

<u>**Financial assets and liabilities at fair value through profit or loss (FVTPL)**</u>

Financial assets and liabilities at fair value through profit or loss include a) instruments with contractual cash flows that are not SPPI; and/or b) instruments designated at FVTPL using the fair value option; accounts receivable (unrealized gains) and accounts payable (unrealized losses) related to derivative financial instruments which are not hedge designated or do not qualify for hedge accounting.

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

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.3 Financial instruments (continued)

<u>**Reclassification**</u>

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described in the following paragraphs.

<u>**Derecognition of financial assets and financial liabilities**</u>

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 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.

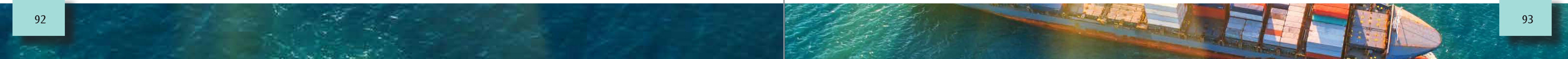
The Bank enters into transactions whereby it transfers assets recognized on its consolidated statement of financial position but retains either all or substantially all the risks and rewards of the transferred asset or portion of them. In such cases, the transferred assets are not derecognized. Examples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



3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.4 Loans - at amortized cost

Loans are reported at their amortized cost considering the principal outstanding amounts and interest receivable net of unearned interest, deferred fees and allowance for expected credit losses, except for those designated as hedged items in qualifying fair value hedging relationships. Interest income is recognized using the effective interest rate method. Such income 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 loans, the Bank applies the credit-adjusted effective interest rate to the amortized cost of the loan 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 loan, after deducting the impairment allowance in subsequent reporting periods.

The amortization of net unearned interest and deferred fees is 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, 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 also reflected as an adjustment to the yield and are expensed when incurred.

Modified or renegotiated loan

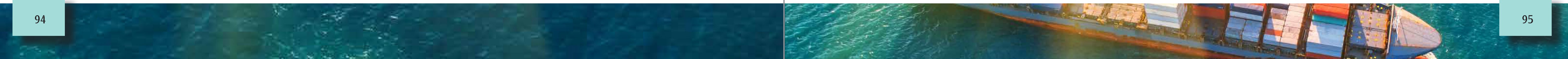
A modified or renegotiated loan is a loan whose borrower is experiencing financial difficulties and the renegotiation constitutes a concession to the borrower. A concession may include modification of terms such as an extension of maturity date, reduction in the stated interest rate, rescheduling of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

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policies a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity or covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is more than 10% the Bank deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognized the loss allowance for expected credit losses (ECL) is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be credit originated impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised nominal amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified or renegotiated financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.



3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.4 Loans - at amortized cost (continued)

Modified or renegotiated loan (continued)

When the contractual terms of a financial asset are modified, and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime probability of default (PD) estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

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 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 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's lending portfolio is comprised of the following types of debtor: corporations and financial institutions. In turn, these are broken down into state-owned and private.

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

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.4 Loans - at amortized cost (continued)

Write-offs

When the Bank has no reasonable expectations of recovering the loan, then the gross carrying amount of the loan is directly reduced in full or partially; 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 enough 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.

3.2.5 Allowances for losses on financial instruments

The allowances for losses on financial instruments are provided for losses derived from the expected credit losses, inherent in the loan portfolio, investment securities and loan commitments and financial guarantee contracts, using the reserve methodology to determine expected credit losses. Additions to the allowance for expected credit losses for financial instruments are recognized in profit or loss or in other comprehensive income depending on classification of the instrument. Expected credit losses are deducted from the allowance, and subsequent recoveries are added. The allowance is also decreased by reversals of the allowance back to profit or loss. The allowance for expected credit losses for financial instruments at amortized cost is reported as a deduction of financial assets and, the allowance for expected credit losses on loan commitments and financial guarantee contracts, such as letters of credit and guarantees, is presented as a liability.

The Bank assigns to each exposure a risk rating which is defined using quantitative and qualitative factors that are indicative of the risk loss. This rating is considered for purposes of identifying significant increases in credit risk. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure will be assigned to a risk rating at the time of initial recognition based on the information available about the customer and the country. Exposures will be subject to continuous monitoring, which may result in the change of an exposure to a different risk rating.

The analysis of customer risk considers financial and operational factors, sector / industry, market and managerial, also considering the ratings of international rating agencies, quality of information and other elements of an objective nature, including projections on these indicators.

For the assignment of customer credit ratings, quantitative and qualitative criteria are applied, depending on whether the counterpart corresponds to a financial entity or a corporation, and broken down into several factors, which receive a weighting within the customer's rating.

In the analysis of the country risk, for the establishment of the rating, the assessment of quantitative and qualitative variables specific to the country under analysis is considered, as well as the regional and global macroeconomic environment, considering projections about the future performance of the country environment.

In general, there are three groups of quantitative factors that determine the analysis and that give rise to a quantitative rating of the country (changes in main economic indicators; external payment capacity and access to capital; performance of domestic credit and the financial system), which is later analyzed within the social-political framework of the country (qualitative factors) and may suffer some deterioration for the determination of the final country rating.

Calculation of reserve for expected credit losses for financial instruments is made based on the risk rating resulting from the Bank's internal model and considering, generally (certain exceptions apply), the worst among the country risk rating of the transaction and the customer risk rating.

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.5 Allowances for losses on financial instruments (continued)

The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

Internal Rating	External Rating [(1)]	Description
1 - 4	Aaa – Ba1	Exposure in customers or countries with payment ability to satisfy their financial commitments
5 - 6	Ba2 – B3	Exposure in customers or countries with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	Caa1 - Caa3	Exposure in customers 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, or in countries where the operation carries certain risks.
8	Ca	Exposure in customers whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms, or in countries where the operation is limited or restricted to certain terms, structure and types of credits.
9-10	C	Exposure in customers 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.

[(1)] Credit rating by Moody's Investors Service.

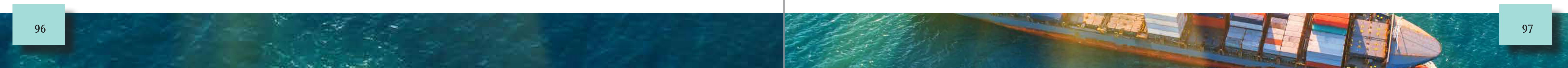
In order to maintain periodical monitoring of the quality of the portfolio, customers and countries are reviewed within a time frequency ranging from 3 to 12 months, depending on the risk rating.

The Bank measures expected credit losses in a way that reflects: a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; b) 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 financial instrument. The amount of ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. There are two measurement bases:

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

- Lifetime ECL (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 income is recognized. Under Stage 2 (as under Stage 1), there is a full decoupling between interest recognition and impairment and interest income is calculated on the gross carrying amount. Under Stage 3, when a financial asset subsequently becomes credit impaired (when a credit event has occurred), interest income 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 Bank will once again calculate interest income on a gross basis.



3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.5 Allowances for losses on financial instruments (continued)

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 on a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative judgment. This assessment considers comprehensive information that incorporates not only past-due data, but other relevant credit information, such as forward looking macro-economic information.

ECL are a probability-weighted estimate of the present value of credit losses. These are measured as the difference in the present value of the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from weighing of multiple future economic scenarios, discounted at the asset's effective interest rate (EIR). For undrawn loan commitments, the ECL is the difference between the present value of the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank determines ECL using two methodologies to determine if there is objective evidence of impairment for financial instruments:

- <u>Individually Assessed</u>

The expected credit losses on individually assessed financial instruments are determined by an evaluation of the exposures on a case-by-case basis. This procedure is applied to all credit transaction that are individually significant or not. If it is determined that there is no objective evidence of impairment for an individual credit transaction, it is included in a group of credit transactions with similar characteristics and is collectively assessed to determine whether there is impairment.

The impairment loss is calculated by comparing the present value of the future expected flows, discounted at the original effective rate of the credit transaction, with its current carrying amount and the amount of any loss is charged as a provision for losses in profit or loss for those measured at amortized cost, and in equity for those operations measured at fair value through other comprehensive income.

- <u>Collectively Assessed</u>

For the purposes of a collective assessment of impairment, financial instruments are grouped according to similar credit risk characteristics. These characteristics are relevant to estimate cash flows for the groups of such assets, being indicative of the debtors' ability to pay the amounts owed according to the contractual terms of the assets that are assessed.

Future cash flows in a group of credit transactions that are collectively assessed to determine whether there is impairment are estimated according to the contractual cash flows of the assets in the group, the historical loss experience for assets with similar credit risk characteristics, within each group, and the experienced management views on whether the current economy and credit conditions can change the real level of historical inherent losses suggested.

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.5 Allowances for losses on financial instruments (continued)

<u>Definition of 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 customer, or the existence of other factors allowing to estimate the possibility that the balance of principal and interest on customers' loans will not be 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 qualitative and quantitative indicators based on data internally developed 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>Significant increase in credit risk</u>

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

The Bank continuously 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 by comparing:

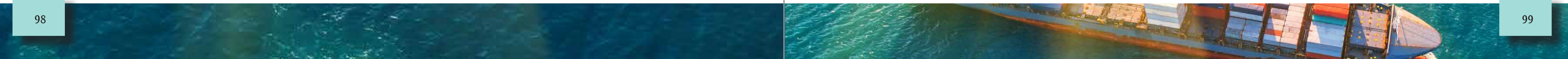
- The risk of a default occurring on the financial instrument at the assessment date, and
- The risk of a default occurring on the financial instrument at initial recognition.

For loan commitments, the Bank considers changes in the risk of a default occurring on the 'potential' financial instrument 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.

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 profit or loss as the impairment amount. Impairment losses or recoveries are accounted for as an adjustment to the reserve in accumulated other comprehensive income, against profit or loss.

Additionally, to determine if there has been a significant increase in risk, the Bank applies an alert model that considers the international economic environment, the specific financial situation by country and the economic analysis of the industry where the customer generates its income. The model defines a consolidated calculation of risk severity depending on the weighing of the severity to risk of each one of the scenarios under analysis. Also, this depends on the context of the variables or the ratings constructed for each one (by market, country and economic sector).

Impairment on a financial asset is assessed based on numerous factors and its relative importance varies on a case-by-case basis. Factors considered in determining whether there has been a negative impact on the estimated future cash flows of a financial asset include: significant financial difficulties of the issuer; high probability of default; granting a concession to the issuer; disappearance of an active market due to financial difficulties; breach of contract, such as defaults or delays in interest or principal; and, observable data indicating that there is a measurable decrease in estimated future cash flows since initial recognition.



3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.5 Allowances for losses on financial instruments (continued)

Significant increase in credit risk (continued)

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.

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, among others, when measuring significant increase in credit risk:

- Significant changes in internal indicators of credit risk as a result of a change in credit risk since inception;
- Significant changes in market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- An actual or expected significant change in the financial instrument's external credit rating;
- Existing or forecast adverse changes in business, financial or economic conditions;
- An actual or expected significant change in the operating results of the borrower;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- Significant changes in the value of the collateral supporting the obligation;
- 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 ECL model.

The reserve balances for expected credit losses, for credit exposures, are calculated applying the following formula:

Reserves = $\sum$(E x PD x 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 ECL and lifetime probability of default to account for more than 12-month ECL. Default rates are based on Bladex's historical portfolio performance per rating category, in addition to 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 applied, based on historical information, as well as 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.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the consolidated financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Derivative financial instruments for risk management purposes and hedge accounting

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Bank applies IFRS 9- "*Financial Instruments*" hedge accounting rules in full.

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 consolidated statement of financial position. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain/loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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.

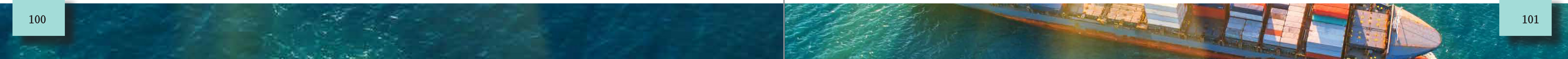
The Bank uses derivative financial instruments for its management of interest rate and foreign currency risks. Interest rate swap contracts, cross-currency swap contracts and foreign exchange forward contracts have been used to manage interest rate and foreign exchange risks respectively associated with 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 swaps, cross-currency swaps and foreign exchange forward 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 recognized as gains or losses on financial instruments 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 - assets and liabilities, 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 hedging instrument should be qualitatively assessed on a quarterly basis in order to determine its effectiveness at achieving offsetting changes in fair value or cash flows. Any ineffectiveness must be reported in current-year earnings.



3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Derivative financial instruments for risk management purposes and hedge accounting (continued)

Hedge accounting relationship

As the Bank enters into a hedge accounting 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, whether qualitative or quantitative, considers 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 profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk, except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognized in OCI. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

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 where hedging gains/losses are recognized in profit or loss; they are recognized in the same line as the hedged item.

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Derivative financial instruments for risk management purposes and hedge accounting (continued)

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 recognized in profit or loss when the hedged cash flows affect earnings. The ineffective portion is recognized in profit or loss as loss on financial instruments, net. 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 profit or loss when hedged cash flows occur.

Net investment hedges

When a derivative instrument or a non-derivative financial item 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 profit or loss. The amount recognized in OCI is reclassified to profit or loss as a reclassification adjustment when disposal of the foreign operation occurs.

3.2.7 Repurchase agreements

Repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase that security (or an asset that is substantially identical) 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 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.

3.2.8 Borrowings and debt

Borrowings and debt are accounted for at amortized cost, except for those designated as hedged items in qualifying fair value hedging relationships, which are measured at amortized cost adjusted for the hedge risk components associated to the hedging relationship.

3.2.9 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*.

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 its use or sale. 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 asset’s carrying value, and if the carrying value is higher, the difference must be written off as impairment in profit or loss. On the other hand, if there is any indication that previously recognized impairment losses may no longer exist 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 or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.10 Equipment and leasehold improvements

Equipment and leasehold improvements are stated at cost excluding the costs of day–to–day maintenance, less accumulated depreciation and impairment losses. 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 assets and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

	Useful life in Years
Furniture and equipment	3 to 5 years
Hardware	3 years
Other equipment	2 to 4 years
Leasehold improvements	3 to 15 years or up to the lease term

Leasehold improvements, under operating leases are amortized on a straight line basis calculated without exceeding the length of the respective lease contracts.

Equipment and leasehold improvements are derecognized on disposal or when no future economic benefits are expected from their 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 profit or loss in the year that the asset is derecognized.

3.2.11 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 lives are amortized using the straight-line method over the estimated useful lives of the assets. 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 profit or loss.

Bank's intangible assets include the cost 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 are determined by the Bank as the difference between proceeds from the sale or disposal and the net carrying amount of the intangible asset and recognized in profit or loss for the year in which the transaction occurs.

3.2.12 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 when, 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.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the consolidated financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.13 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 does 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 profit or loss on a straight-line basis through the lease term. Rental payable is recognized as an expense as 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. Rental income is recognized as revenue as earned. In the event that the contract is cancelable, they are recognized as income over the term of the lease.

3.2.14 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 profit or loss, net of any reimbursement.

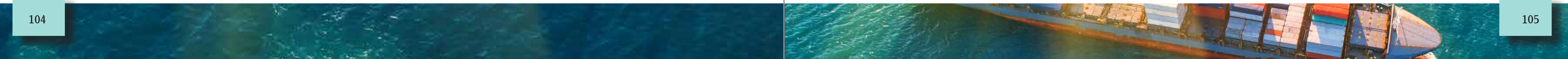
3.2.15 Regulatory and capital reserves

Regulatory and capital reserves are established as appropriations from retained earnings and, as such, form part of retained earnings. Reductions of regulatory and capital reserves require the approval of the Bank's Board of Directors and the SBP. Such reserves include:

- Translation reserve: The translation reserve comprises all foreign currency differences arising from the translation of the consolidated 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.

3.2.16 Share-based payments

The Bank applies IFRS 2 - *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. 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 sale treasury stock.



3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.17 Taxes

Income taxes

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. 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.
- 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 asset and 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 realization of assets and liabilities using the income tax rate in effect on the reporting date.

The current tax for the reporting date as well as for the deferred tax, result in a minimal amount, whereby the changes are presented in profit or loss as other operating expenses.

3.2.18 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 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.

3.2.19 Treasury stock and contracts on own shares

The own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury stock) 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 profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

3.2.20 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, including its activities in investment securities, as well as the management of the Bank's interest rate, liquidity, price, and currency risks.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the consolidated financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.21 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 reporting date 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:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, and the risks that affect the performance of the assets and how they are managed. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Significant increase of credit risk

For the financial assets in stage 1, ECL are measured as an allowance equal to 12-month ECL on stage 1 assets, or lifetime ECL assets on stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account reasonable and supportable forward-looking qualitative and quantitative information.

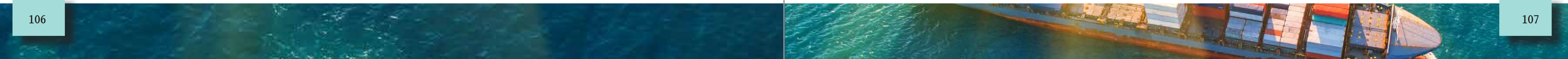
Establishing groups of assets with similar credit risk characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that when credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month ECL to lifetime ECL, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month ECL or lifetime ECL but the amount of ECL changes because the credit risk of the portfolios differs.

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.



3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.21 Judgments, estimates and significant accounting assumptions

Reserve for expected credit losses

When establishing ECL, judgment is applied by management in order to assess the amount and opportunity of the future cash flows with the purpose of evaluating whether credit risk has significantly increased since the initial recognition, taking into account the characteristics of the financial asset and the former patterns pre-established for similar financial assets. The changes in risk of default occurring within the next 12 months can be a reasonable approach of the changes in the risk measure according to the lifetime of the instrument. The Bank uses the changes in risk of default occurring within the next 12 months to determine if the credit has significantly increased since the initial recognition, unless the circumstances give rise to an assessment during the lifetime of the instrument.

Fair value measurement

When the fair values of financial assets and financial liabilities recorded in 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 26.

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 individually assesses all credit impaired loans at amortized cost at each reporting date to assess whether an impairment loss should be recorded in profit or loss. 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 several factors and actual results that may vary, resulting in future changes to the allowance. Loans at amortized cost that do not give rise to credit impairment individually are assessed in groups of assets with similar risk characteristics. This is to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects which are not yet evident. The collective assessment takes into account 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 price indices, country risk and the performance of various individual groups).

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the consolidated financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

3. Summary of accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.22 Future changes in accounting policies

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Bank has not early adopted them in preparing these consolidated financial statements, with the exception of the amendment to IFRS 9 affecting prepayment features with negative compensation issued in October 2017. Of those standards that are not yet effective, IFRS 16 is expected to have a significant impact on the Bank's consolidated financial statements in the period of initial application.

IFRS 16 Leases

IFRS 16 Leases will be effective for annual periods beginning on or after January 1, 2019. IFRS 16 supersedes IAS 17 – Leases; IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 -Operating leases – incentives and SIC27 - Evaluating the substance of transactions involving the legal form of a lease.

IFRS 16 changes the way in which the lease is accounted for by lessees, using a single model to account for such transactions. This unique model determines that a lessee must recognize a right-of-use asset, which represents its right to use the underlying asset, and a lease liability, which represents its obligation to make future lease payments.

The standard includes exemptions for its application for short-term leases and leases in which the underlying asset has low value.

The lessor's accounting remains the same to that established in IAS 17, that is, the lessors continue to classify the leases as financial or operating.

The Bank has evaluated the estimated impact that the initial application of IFRS 16 will have on its consolidated financial statements, as described below:

The Bank will recognize the new assets and liabilities for its operating leases related to rental of offices premises, use of parking lots, and equipment rental contracts. The nature of the expenses related to these leases will change as of January 1, 2019, because the Bank will recognize a depreciation expense for the right-of-use assets, and the interest expenses for the lease liabilities.

Previously, the Bank recognized operating lease payments as an expense in profit or loss on a straight-line basis over the lease term.

Transition

The Bank will to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

On the basis of available information, the Bank estimates that on January 1, 2019, it will recognize lease liabilities for $20.8 million and right-of-use assets for $17.2 million.

4. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash and due from banks	9,644	11,032
Interest-bearing deposits in banks	1,736,008	661,016
Total	1,745,652	672,048
Less:		
Pledged deposits	39,460	53,241
Total cash and cash equivalents	**1,706,192**	**618,807**

The following table presents the details of interest-bearing deposits in banks and pledged deposits:

	December 31, 2018		December 31, 2017	
	Amount	**Interest rate range**	**Amount**	**Interest rate range**
Interest-bearing deposits in banks:				
Demand deposits [1]	1,686,008	2.43% to 6.5%	661,016	0.25% to 1.55%
Time deposits [2]	50,000		-	-
Total	**1,736,008**		**661,016**	
Pledged deposits [3]	**39,460**	2.40%	**53,241**	1.42%

The following table provides a breakdown of pledged deposits by country risk:

	December 31, 2018	December 31, 2017
Country:		
Netherlands	494	15,582
Spain	8,740	22,580
United Kingdom	15,217	9,137
United States of America [3]	15,009	5,942
Total	**39,460**	**53,241**

(1) Interest-bearing demand deposits based on the daily rates determined by banks. The rate of 6.5% corresponds to a deposit placed in BRL - Brazil. In addition, a rate of 5.61% corresponds to a deposit placed in MXN – México.
(2) Time deposits "overnight" calculated on an average interest rate.
(3) Includes deposits pledged of $3.5 million and $3.0 million at December 31, 2018 and 2017, respectively, with the New York State Banking Department under March 1994 legislation and deposits pledged to guarantee derivative financial instrument transactions.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the consolidated financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Securities and other financial assets, net

All securities and other financial assets as of December 31, 2018 and 2017 are presented as follows:

At December 31, 2018		At fair value			
		With changes in other comprehensive income		With changes in profit or loss	Total securities and other financial assets, net
Carring amount	Amortized cost	Recyclable to profit and loss	Non-recyclable to profit and loss		
Principal	85,326	21,798	6,273	8,750	122,147
Interest receivable	1,140	451	-	-	1,591
Reserves	(140)	-	-	-	(140)
	86,326	22,249	6,273	8,750	123,598

At December 31, 2017		At fair value			
		With changes in other comprehensive income		With changes in profit or loss	Total securities and other financial assets, net
Carring amount	Amortized cost	Recyclable to profit and loss	Non-recyclable to profit and loss		
Principal	69,130	16,733	8,402	-	94,265
Interest receivable	1,040	375	-	-	1,415
Reserves	(196)	-	-	-	(196)
	69,974	17,108	8,402	-	95,484

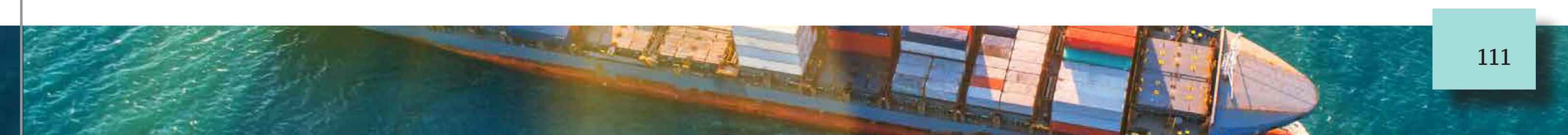
Securities at amortized cost

The amortized cost of these securities by country risk and type of debt, excluding the amounts of interest receivable and allowance for expected credit losses are as follows:

	December 31, 2018	December 31, 2017
Corporate debt:		
Brazil	1,491	1,485
Mexico	7,264	-
Panama	11,151	9,978
	19,906	11,463
Sovereign debt:		
Colombia	28,183	29,006
Mexico	19,859	20,203
Panama	17,378	8,458
	65,420	57,667
	85,326	**69,130**

As of December 31, 2018, and 2017, the allowance for expected credit losses relating to securities at amortized cost amounted to $140 thousand and $196 thousand, respectively.

As of December 31, 2018, securities at amortized cost with a carrying value of $35.1 million, were pledged to secure repurchase transactions accounted for as secured financings. As of December 31, 2017, there were no securities at amortized cost accounted for as secured financial liabilities.



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

5. Securities and other financial assets, net (continued)

Securities at amortized cost (continued)

Securities at amortized cost by contractual maturity are shown in the following tables:

	December 31, 2018	December 31, 2017
Due within 1 year	28,551	7,978
After 1 year but within 5 years	56,775	61,152
	85,326	**69,130**

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

Rating	December 31, 2018	December 31, 2017
2	5,181	5,236
3	44,858	43,973
4	33,796	8,458
5	1,491	11,463
Total	**85,326**	**69,130**

Securities at fair value through other comprehensive income (FVOCI)

The fair value of financial instruments at FVOCI by country risk and type of debt are as follows:

	December 31, 2018	December 31, 2017
Corporate debt:		
Panama	6,157	-
	6,157	-
Sovereign debt:		
Brazil	2,887	2,954
Chile	5,011	5,147
Trinidad and Tobago	7,743	8,632
	15,641	16,733
	21,798	**16,733**

5. Securities and other financial assets

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

As of December 31, 2018, and 2017, the allowance for expected credit losses relating to securities at fair value through other comprehensive income amounted to $172 thousand and $222 thousand, respectively.

As of December 31, 2018, securities at fair value through other comprehensive income with a carrying value of $4.6 million, were pledged to secure repurchase transactions accounted for as secured financings. As of December 31, 2017, there were no securities at fair value through other comprehensive income accounted for as secured financings.

The following table presents the realized gains or losses on sale of securities at fair value through other comprehensive income:

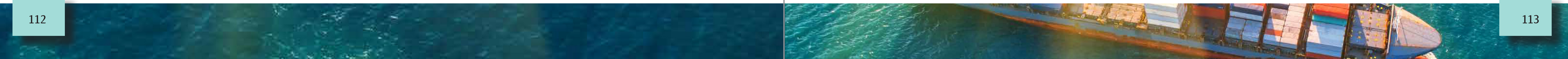
	Years ended December 31,		
	2018	2017	2016
Realized gain on sale of securities	194	766	221
Realized loss on sale of securities	-	(517)	(577)
Net gain (loss) on sale of securities at FVOCI	**194**	**249**	**(356)**

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

Rating	December 31, 2018	December 31, 2017
1	5,010	5,147
4	13,901	11,586
5	2,887	-
Total	**21,798**	**16,733**

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

	December 31, 2018		December 31, 2017	
	Amortized cost	Fair value	Amortized cost	Fair value
Due within 1 year	8,386	7,743	-	-
After 1 year but within 5 years	8,084	7,898	16,962	16,733
After 5 years but within 10 years	5,926	6,157	-	-
	22,396	**21,798**	**16,962**	**16,733**



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

5. Securities and other financial assets (continued)

Equity instrument at FVOCI

The fair value of the equity instrument irrevocably measured at fair value through OCI:

	December 31, 2018	December 31, 2017
Equity Instrument at FVOCI	6,273	8,402

Financial instrument required to be measured at fair value through profit and loss

As of December 31, 2018, the Bank received a new financial asset (debentures) with a fair value of $8.8 million as part of a restructured loan with a book value of $35 million.

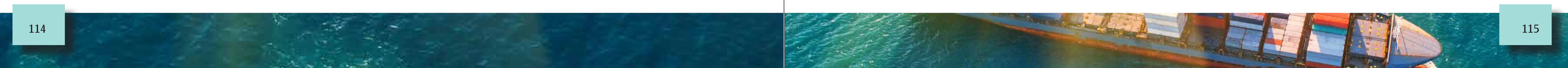
6. Loans

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

	December 31, 2018	December 31, 2017
Corporations:		
Private	1,893,696	2,124,947
State-owned	801,938	723,267
Financial institutions:		
Private	2,458,690	2,083,795
State-owned	624,100	573,649
Total	**5,778,424**	**5,505,658**

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

	December 31, 2018	December 31, 2017
Financial institutions	3,082,790	2,657,444
Industrial	986,262	772,238
Oil and petroleum derived products	634,615	735,413
Agricultural	446,960	501,241
Services	393,925	430,717
Mining	20,000	231,687
Sovereign	59,026	-
Other	154,846	176,918
Total	**5,778,424**	**5,505,658**



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

6. Loans (continued)

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

December 31, 2018

	Corporations		Financial institutions		
Rating	**Private**	**State-owned**	**Private**	**State-owned**	**Total**
1-4	975,588	388,773	797,439	54,000	2,215,800
5-6	795,399	391,438	1,476,861	464,800	3,128,498
7	58,008	21,727	184,390	105,300	369,425
8	-	-	-	-	-
9	64,701	-	-	-	64,701
10	-	-	-	-	-
Total	**1,893,696**	**801,938**	**2,458,690**	**624,100**	**5,778,424**

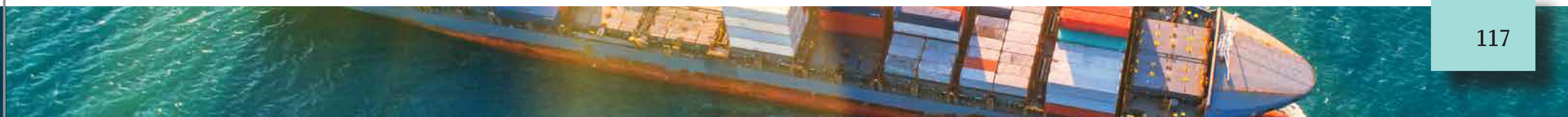
December 31, 2017

	Corporations		Financial institutions		
Rating	**Private**	**State-owned**	**Private**	**State-owned**	**Total**
1-4	1,234,970	458,651	796,508	126,685	2,616,814
5-6	792,363	240,181	1,127,508	391,891	2,551,943
7	58,130	24,435	159,779	55,073	297,417
8	4,484	-	-	-	4,484
9	-	-	-	-	-
10	35,000	-	-	-	35,000
Total	**2,124,947**	**723,267**	**2,083,795**	**573,649**	**5,505,658**

6. Loans (continued)

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

	December 31, 2018	**December 31, 2017**
Country:		
Brazil	1,156,223	1,019,466
Mexico	867,441	850,463
Colombia	625,932	829,136
Argentina	604,112	294,613
Panama	485,546	500,134
Costa Rica	370,087	356,459
Guatemala	328,830	309,024
Dominican Republic	301,067	249,926
Ecuador	188,445	94,315
Chile	176,976	170,827
Paraguay	158,685	59,536
Trinidad and Tobago	144,874	175,000
Honduras	89,205	74,476
Peru	78,191	211,846
El Salvador	70,048	55,110
Singapore	38,500	54,500
Jamaica	21,727	24,435
Luxembourg	17,664	19,924
Germany	17,500	37,500
Bolivia	14,187	15,000
Belgium	13,278	11,368
Uruguay	9,906	15,000
Switzerland	-	3,687
Nicaragua	-	29,804
United States of America	-	44,109
Total	**5,778,424**	**5,505,658**



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

6. Loans (continued)

The remaining loan maturities are summarized as follows:

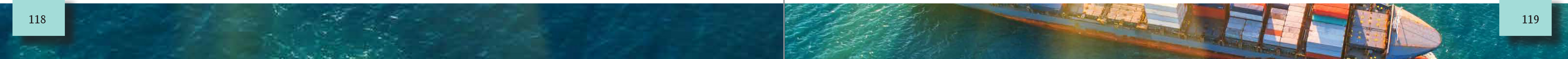
	December 31, 2018	December 31, 2017
Current:		
Up to 1 month	820,184	846,993
From 1 month to 3 months	966,210	1,079,793
From 3 months to 6 months	1,281,615	1,175,801
From 6 months to 1 year	769,280	922,711
From 1 year to 2 years	719,564	392,456
From 2 years to 5 years	1,110,489	989,222
More than 5 years	46,381	39,923
	5,713,723	5,446,899
Impaired	64,701	58,759
Total	**5,778,424**	**5,505,658**

As of December 31, 2018, and December 31, 2017, the range of interest rates on loans fluctuates from 1.20% to 12.25% (2017: 1.35% to 11.52%).

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

	December 31, 2018	December 31, 2017
Fixed interest rates	2,706,834	2,378,509
Floating interest rates	3,071,590	3,127,149
Total	**5,778,424**	**5,505,658**

As of December 31, 2018, and December 31, 2017, 82% and 85% of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.



6. Loans (continued)

The following table presents an aging analysis of the loan portfolio by credit classification in stages 1, 2 and 3:

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Current	5,340,751	372,972	57,025	5,770,748
Past due				
90-120 days	-	-	2,410	2,410
151-180 days	-	-	2,857	2,857
More than 180 days	-	-	2,409	2,409
Total past due	-	-	7,676	7,676
Total	**5,340,751**	**372,972**	**64,701**	**5,778,424**

	2017			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Current	4,839,227	607,672	23,759	5,470,658
Past due				
90-120 days	-	-	-	-
151-180 days	-	-	-	-
More than 180 days	-	-	35,000	35,000
Total past due	-	-	35,000	35,000
Total	**4,839,227**	**607,672**	**58,759**	**5,505,658**

As of December 31, 2018 and December 31, 2017, the Bank had credit transactions in the normal course of business with 17% and 21%, 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, 2018 and December 31, 2017, approximately 9% and 14%, 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, 2018, 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.

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

6. Loans (continued)

Modified financial assets

The following table refers to modified financial assets during the year, where modification does not result in de-recognition:

Financial assets (with loss allowance based on lifetime ECL) modified during the year	**December 31, 2018**	**December 31, 2017**
Gross carrying amount before modification	-	8,855
Allowance loss before modification	-	(3,344)
Net amortized cost before modification	-	**5,511**
Gross carrying amount after modification	-	4,484
Allowance loss after modification	-	(4,484)
Net amortized cost after modification	-	-

As of December 31, 2018, the Bank received a new financial asset (debentures) with a fair value of $8.8 million as part of a restructured loan with a book value of $35 million. The remaining balance was written off against allowance for loan losses.

Recognition and derecognition of financial assets

During the years ended December 31, 2018, 2017 and 2016, the Bank sold loans measured at amortized cost. These sales were made based on compliance with the Bank's strategy to optimize credit risk of its loan portfolio.

The carrying 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 (loss) on financial instruments, net" in the consolidated statement of profit or loss.

	Assignments and participations	**Gains (losses)**
Carrying amount as of December 31, 2018	61,667	(625)
Carrying amount as of December 31, 2017	77,400	181
Carrying amount as of December 31, 2016	157,242	730

During 2016, the Bank entered into a master participation agreement with the International Finance Corporation. to sale participations in credit facilities which resulted in revenues of $76 thousand.

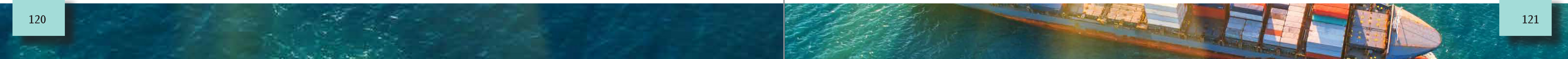
6. Loans (continued)

The allowance for expected credit losses relating 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, 2017	**19,821**	**33,477**	**27,996**	**81,294**
Transfer to lifetime expected credit losses	(514)	514	-	-
Transfer to credit-impaired financial instruments	(111)	(7,864)	7,975	-
Transfer to 12-month expected credit losses	4,471	(4,471)	-	-
Net effect of changes in allowance for expected credit losses	(4,665)	5,823	55,153	56,311
Financial instruments that have been derecognized during the year	(16,400)	(11,090)	-	(27,490)
New financial assets originated or purchased	32,355	-	-	32,355
Write-offs	-	-	(41,686)	(41,686)
Recoveries of amounts previously written off	-	-	1	1
Allowance for expected credit losses as of December 31, 2018	**34,957**	**16,389**	**49,439**	**100,785**

	Stage 1 [1]	**Stage 2 [2]**	**Stage 3 [3]**	**Total**
Allowance for expected credit losses as of December 31, 2016	**29,036**	**41,599**	**35,353**	**105,988**
Transfer to lifetime expected credit losses	(672)	672	-	-
Transfer to credit-impaired financial instruments	-	(12,845)	12,845	-
Transfer to 12-month expected credit losses	1,428	(1,428)	-	-
Net effect of changes in reserve for expected credit losses	(2,900)	18,227	20,257	35,584
Financial instruments that have been derecognized during the year	(24,434)	(11,321)	(8,333)	(44,088)
New financial assets originated or purchased	17,363	-	-	17,363
Write-offs	-	(1,427)	(32,126)	(33,553)
Recoveries of amounts previously written off	-	-	-	-
Allowance for expected credit losses as of December 31, 2017	**19,821**	**33,477**	**27,996**	**81,294**

[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, unless otherwise indicated)

7. Loan commitments and financial guarantee contracts

In the normal course of business, to meet the financing needs of its customers, the Bank is party to loan commitments and financial guarantee 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 loan commitments and financial guarantee contracts are as follows:

	December 31, 2018	December 31, 2017
Documentary letters of credit	218,988	273,449
Stand-by letters of credit and guarantees - commercial risk	179,756	168,976
Credit commitments	103,143	45,578
Total loans commitments and financial guarantee contracts	**501,887**	**488,003**

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

Maturities	December 31, 2018	December 31, 2017
Up to 1 year	434,544	457,168
From 1 to 2 years	200	257
From 2 to 5 years	67,143	30,000
More than 5 years	-	578
Total	**501,887**	**488,003**

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

Rating	December 31, 2018	December 31, 2017
1-4	94,724	120,275
5-6	158,864	113,271
7	248,299	254,457
Total	**501,887**	**488,003**

7. Loan commitments and financial guarantee contracts (continued)

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

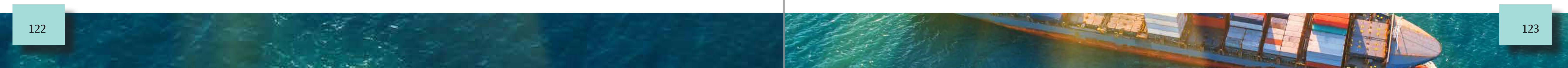
	December 31, 2018	December 31, 2017
Country:		
Ecuador	247,225	252,800
Colombia	52,000	91,020
Brazil	50,000	-
Costa Rica	38,598	19,848
Panama	29,175	31,260
Mexico	22,731	35,643
Germany	18,000	-
Dominican Republic	16,500	-
Guatemala	15,293	11,788
Argentina	6,980	7,546
Peru	2,846	17,618
El Salvador	824	767
Uruguay	750	3,176
Canada	422	425
Bolivia	293	200
Honduras	250	890
Chile	-	15,000
Paraguay	-	22
Total	**501,887**	**488,003**

Letters of credit, stand-by letters of credit and guarantees

The Bank, on behalf of its client's base, issues, confirms and advises letters of credit to facilitate foreign trade transactions. When issuing, confirming and advising letters of credit, the Bank adds its own unqualified assurance that the bank will pay upon presentation of complying documents as per the terms and conditions established in the letter of credit. The Bank also issues, confirms and advises 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 the commitment is issued, it becomes irrevocable and remains valid until its expiration upon the presentation of complying documents on or before the expiry date.

Credit commitments

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 on, the total commitment amounts do not necessarily represent future cash requirements.



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

7. Loan commitments and financial guarantee contracts (continued)

The allowance for expected credit losses relating to loan commitments and financial guarantee contracts is as follows:

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2017	**1,358**	**5,487**	**-**	**6,845**
Transfer to lifetime expected credit losses	(31)	31	-	-
Transfer to credit-impaired financial instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit loss	13	169	-	182
Financial instruments that have been derecognized during the year	(1,179)	(5,487)	-	(6,666)
New instruments originated or purchased	2,928	-	-	2,928
Allowance for expected credit losses as of December 31, 2018	**3,089**	**200**	**-**	**3,289**

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2016	**1,143**	**4,633**	**-**	**5,776**
Transfer to lifetime expected credit losses	(1)	1	-	-
Transfer to credit-impaired financial instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit loss	(54)	853	-	799
Financial instruments that have been derecognized during the year	(971)	-	-	(971)
New instruments originated or purchased	1,241	-	-	1,241
Allowance for expected credit losses as of December 31, 2017	**1,358**	**5,487**	**-**	**6,845**

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

The allowance for expected credit losses on loan commitments and financial guarantee 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.

8. Impairment loss on financial instruments, net

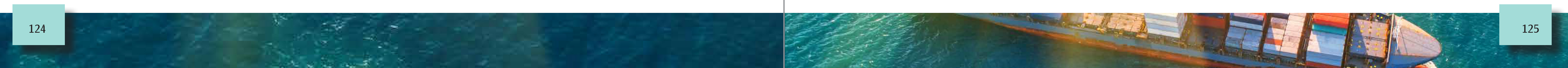
The following table sets forth the details for the loss on financial instrument recognized in the consolidated statements of profit or loss:

	December 31,		
	2018	**2017**	**2016**
Loss on derivative financial instruments and changes in foreign currency, net	(1,226)	(437)	(486)
Gain (loss) on financial instruments at fair value through profit or loss	648	(732)	(2,883)
Gain (loss) realized on financial instruments at fair value with changes in other comprehensive income	194	249	(356)
(Loss) gain on sale of loans	(625)	181	806
	(1,009)	**(739)**	**(2,919)**

9. Derivative financial instruments

Quantitative information on derivative financial instruments is as follows:

	December 31, 2018			
		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	433,500	108	(6,134)	(1,666)
Cross-currency swaps	226,757	1,134	(15,994)	11,676
Cash flow hedges:				
Interest rate swaps	460,000	513	(3,276)	(2,462)
Cross-currency swaps	23,025	-	(1,384)	(2,263)
Foreign exchange forwards	176,311	933	(7,177)	(14,854)
Net investment hedges:				
Foreign exchange forwards	6,183	-	(78)	(128)
Total	**1,325,776**	**2,688**	**(34,043)**	**(9,697)**



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

9. Derivative financial instruments (continued)

	December 31, 2017			
		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	367,500	-	(4,361)	(2,394)
Cross-currency swaps	306,961	3,672	(30,154)	15,900
Cash flow hedges:				
Interest rate swaps	595,000	127	(428)	995
Cross-currency swaps	23,025	879	-	2,132
Foreign exchange forwards	225,388	8,610	-	11,835
Net investment hedges:				
Foreign exchange forwards	9,243	50	-	181
Total	**1,527,117**	**13,338**	**(34,943)**	**28,649**

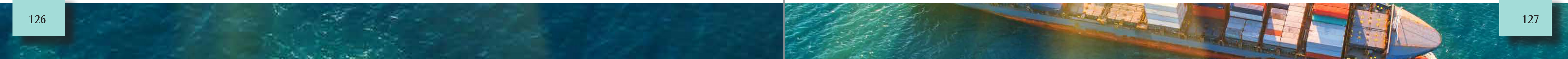
The hedging instruments detailed in the tables above are presented in the consolidated statement of financial position as derivative financial instruments - assets or derivative financial instruments - liabilities.

9. Derivative financial instruments (continued)

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

	December 31, 2018			
	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from OCI to profit or loss	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedges				
Interest rate swaps	(593)	Gain (loss) on interest rate swaps	-	(3)
Cross-currency swaps	2,246	Gain (loss) on foreign currency exchange	-	(3)
		Interest income – loans	1,756	-
Foreign exchange forwards	12,453	Interest income – securities at FVOCI	-	-
		Interest expenses – deposits	4,049	-
		Interest expense – borrowings and debt	-	-
		Gain (loss) on foreign currency exchange	(7,001)	-
Total	**14,106**		**(1,196)**	**(6)**

Derivatives – net investment hedge	
Foreign exchange forwards	(909)
Total	**(909)**



9. Derivative financial instruments (continued)

	December 31, 2017			
	Gain (loss) recognized in OCI (effective portion)	**Classification of gain (loss)**	**Gain (loss) reclassified from OCI to profit or loss**	**Gain (loss) recognized on derivatives (ineffective portion)**
Derivatives – cash flow hedge				
Interest rate swaps	(834)	Gain (loss) on interest rate swaps	-	242
Cross-currency swaps	(1,924)	Gain (loss) on foreign currency exchange	-	26
		Interest income – loans	7,611	-
Foreign exchange forwards	(2,708)	Interest income – securities at FVOCI	-	-
		Interest expenses – deposits	3,991	-
		Interest expense – borrowings and debt	-	-
		Gain (loss) on foreign currency exchange	(190)	
Total	**(5,466)**		**11,412**	**268**

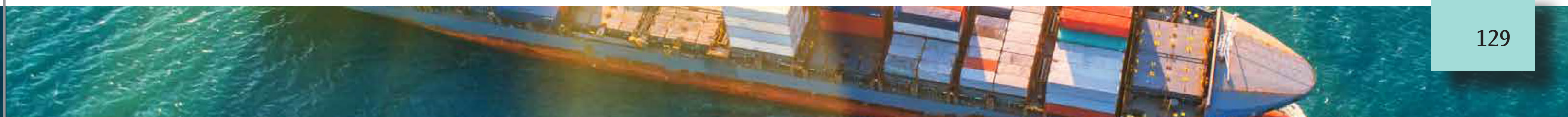
Derivatives – net investment hedge	
Foreign exchange forwards	(277)
Total	**(277)**

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the consolidated financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

9. Derivative financial instruments (continued)

	December 31, 2016			
	Gain (loss) recognized in OCI (effective portion)	**Classification of gain (loss)**	**Gain (loss) reclassified from OCI to profit or loss**	**Gain (loss) recognized on derivatives (ineffective portion)**
Derivatives – cash flow hedge				
Interest rate swaps	627	Gain (loss) on interest rate swaps	-	(1,258)
Cross-currency swaps	(1,299)	Gain (loss) on foreign currency exchange	-	16
		Interest income – loans	-	(110)
Foreign exchange forwards	233	Interest income – securities at FVOCI	-	-
		Interest income – loans	(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)**

Derivatives – net investment hedge	
Foreign exchange forwards	-
Total	**-**



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

9. Derivative financial instruments (continued)

For the agreements qualifying as fair value hedge, the Bank recognized the gain or loss on the derivative financial instruments and the gain or loss of the hedged asset or liability in profit or loss as follows:

	December 31, 2018			
	Classification in consolidated statement of profit or loss	**Gain (loss) on derivatives**	**Gain (loss) on hedged item**	**Net gain (loss)**
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities FVOCI	(4)	388	384
	Interest income – loans	(134)	1,899	1,765
	Interest expenses – borrowings and debt	(2,192)	(12,201)	(14,393)
	Derivative financial instruments	(5,291)	5,363	72
Cross-currency swaps	Interest income – loans	(765)	1,598	833
	Interest expenses – borrowings and debt	(241)	(9,367)	(9,608)
	Derivative financial instruments	(15,840)	13,927	(1,913)
Total		**(24,467)**	**1,607**	**(22,860)**

	December 31, 2017			
	Classification in consolidated statement of profit or loss	**Gain (loss) on derivatives**	**Gain (loss) on hedged item**	**Net gain (loss)**
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities FVOCI	(126)	476	350
	Interest income – loans	(12)	160	148
	Interest expenses – borrowings and debt	1,387	(16,233)	(14,846)
	Derivative financial instruments	(2,270)	2,371	101
Cross-currency swaps	Interest income – loans	(1,496)	2,442	946
	Interest expenses – borrowings and debt	1,848	(10,265)	(8,417)
	Derivative financial instruments	14,950	(16,709)	(1,759)
Total		**14,281**	**(37,758)**	**(23,477)**

9. Derivative financial instruments (continued)

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

Derivatives financial position and performance

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

	December 31, 2018		
Fair value hedges	**Carrying amount**	**Accumulated fair value adjustments**	**Line item in the consolidated statement of financial position**
Interest rate risk			
Loans	66,091	97	Loans
Issuances	349,428	5,266	Borrowings and debt, net
Foreign exchange rate risk and interest rate risk:			
Securities at FVOCI	12,221	(527)	Securities and other financial instruments, net
Loans	10,581	(1,097)	Loans
Issuances	199,356	15,024	Borrowings and debt, net

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

9. Derivative financial instruments (continued)

Derivatives financial position and performance (continued)

Fair value hedges	December 31, 2017 Carrying amount	Accumulated fair value adjustments	Line item in the consolidated statement of financial position
Interest rate risk			
Loans	-	-	Loans
Issuances	355,000	(4,411)	Borrowings and debt, net
Foreign exchange rate risk and interest rate risk:			
Securities at FVOCI	12,369	(32)	Securities and other financial instruments, net
Loans	25,027	744	Loans
Issuances	249,328	(2,301)	Borrowings and debt, net

The following tables detail the maturity profile of the timing of the nominal amounts of the hedging instruments, by type of risk covered:

Risk type	December 31, 2018 Foreign exchange risk	Interest rate risk	Foreign exchange and interest rate risks	Total
Up to 1 month	27,458	-	-	27,458
31 to 60 days	16,977	115,000	-	131,977
61 to 90 days	6,908	50,000	-	56,908
91 to 180 days	100,489	17,000	73,193	190,682
181 to 365 days	98,813	159,500	-	258,313
1 to 2 years	5,161	463,000	23,025	491,186
2 to 5 years	3,704	89,000	7,779	100,483
More than 5 years	-	-	68,768	68,768
Total	**259,510**	**893,500**	**172,765**	**1,325,775**

9. Derivative financial instruments (continued)

Derivatives financial position and performance (continued)

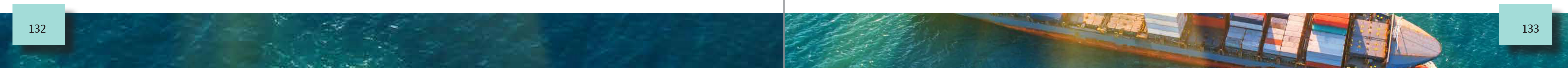
Risk type	December 31, 2017 Foreign exchange risk	Interest rate risk	Foreign exchange and interest rate risks	Total
Up to 1 month	69,459	-	-	69,459
31 to 60 days	26,104	-	-	26,104
61 to 90 days	1,729	185,000	16,821	203,550
91 to 180 days	16,567	137,500	-	154,067
181 to 365 days	68,952	202,500	8,127	279,579
1 to 2 years	178,331	21,500	73,193	273,024
2 to 5 years	4,413	416,000	24,872	445,285
More than 5 years	-	-	76,049	76,049
Total	**365,555**	**962,500**	**199,062**	**1,527,117**

Assessment of the sources of ineffectiveness

As part of its hedging operations and according to the type of hedge, the Bank is exposed to the following ineffectiveness factors:

- *Cash flow hedges:* Type of hedge used to mitigate the risk of changes in foreign exchange currency rates, as well of changes in interest rate risk that could include volatility in the projected cash flows. The sources of ineffectiveness arise mainly because of the differences in discount rates (OIS - Overnight Index Swap).

- *Cross currency swaps:* Type of hedge used to mitigate both interest rate risk and foreign currency risk. The sources of ineffectiveness come mainly from forward rates, discount rates and cross currency basis (cost of the operation).



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

9. Derivative financial instruments (continued)

For control purposes, derivative instruments are recorded at their nominal amount in memoranda 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 forward contracts 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 loan and investment portfolio. The Bank also uses foreign exchange forward contracts to hedge the foreign exchange risk associated with the Bank's equity investment in a non-U.S. dollar functional currency foreign entity. Derivative and foreign exchange forward 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 5.2 years (2017: 6.2 years).

The Bank recognized the lifetime associated cost of the foreign exchange forward contracts into interest income, in profit or loss, as an adjustment to the yield on hedged items creating an accumulated reserve in OCI, reclassified to profit or loss at their maturity. The Bank estimates that approximately $365 thousand are expected to be reclassified into profit or loss during the twelve-month year ending December 31, 2019.

The Bank recognized the lifetime associated cost of the foreign exchange forward contracts into interest expense, in profit or loss, as an adjustment to the yield on hedge items creating an accumulated reserve in OCI, reclassified to profit or loss at their maturity. The Bank estimates that approximately $3.1 million are expected to be reclassified into profit or loss during the twelve-month year ending December 31, 2019.

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 another 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 another 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.

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 pledged 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.

9. Derivative financial instruments (continued)

Offsetting of financial assets and liabilities (continued)

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, 2018

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	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 received	Net Amount
Derivative financial instruments used for hedging at fair value	2,688	-	2,688	-	(1,496)	1,192
Total	**2,688**	**-**	**2,688**	**-**	**(1,496)**	**1,192**

December 31, 2017

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	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 received	Net Amount
Derivative financial instruments used for hedging at fair value	13,338	-	13,338	-	(22,304)	(8,966)
Total	**13,338**	**-**	**13,338**	**-**	**(22,304)**	**(8,966)**

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

9. Derivative financial instruments (continued)

Offsetting of financial assets and liabilities (continued)

b) Financial liabilities and derivative financial instruments – liabilities

December 31, 2018						
				Gross amounts not offset in the consolidated statement of financial position		
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	Financial instruments	Cash collateral pledged	Net Amount
Derivative financial instruments used for hedging at fair value	34,043	-	34,043	-	(35,960)	(1,917)
Total	**34,043**	**-**	**34,043**	**-**	**(35,960)**	**(1,917)**

December 31, 2017						
				Gross amounts not offset in the consolidated statement of financial position		
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	Financial instruments	Cash collateral pledged	Net Amount
Derivative financial instruments used for hedging at fair value	34,943	-	34,943	-	(50,241)	(15,298)
Total	**34,943**	**-**	**34,943**	**-**	**(50,241)**	**(15,298)**

10. Impairment loss on non - financial assets

Impairment losses on non-financial assets are as follows:

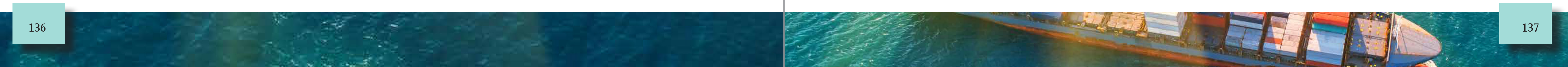
	December 31,		
Losses for:	**2018**	**2017**	**2016**
Impairment loss on other assets	(3,464)	-	-
Impairment loss on investment properties	(3,849)	-	-
Write off on intangible assets	(2,705)	-	-
	(10,018)	-	-

As of December 31, 2018, the Bank made write offs corresponding mainly to technological projects classified as intangible assets by $2.7 million and other assets under development with a book value of $1.3 million. In addition, the storage silos received as payment for a restructured loan operation that were recorded as investment properties with a carrying amount of $3.8 million and other assets under development of the deed with a carrying amount of $1.7 million, were assessed by the Bank, determining a fair value of zero.

11. Equipment and leasehold improvements

A breakdown of cost, accumulated depreciation, additions and disposals of equipment and leasehold improvements is as follows:

	IT equipment	Furniture and fixtures	Leasehold improvement	Other equipment	Total
Cost:					
Balance as of January 1, 2016	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
Additions	246	461	39	1,908	2,654
Disposals	(462)	(2,255)	-	(21)	(2,738)
Balance as of December 31, 2017	4,170	1,984	6,810	2,505	15,469
Additions	411	12	111	69	603
Disposals	(253)	(97)	(80)	(62)	(492)
Reclassifications	10	-	-	-	10
Balance as of December 31, 2018	**4,338**	**1,899**	**6,841**	**2,512**	**15,590**
Accumulated depreciation:					
Balance as of January 1, 2016	2,671	1,491	2,536	366	7,064
Amortisation for 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
Amortisation for the year	587	149	474	368	1,578
Disposals	(459)	(54)	-	(20)	(533)
Balance as of December 31, 2017	2,870	1,740	2,648	791	8,049
Amortisation for the year	516	64	480	222	1,282
Disposals	(159)	(89)	(127)	(94)	(469)
Reclassifications	42	-	-	-	42
Balance as of December 31, 2018	**3,269**	**1,715**	**3,001**	**919**	**8,904**
Carrying amounts as of:					
December 31, 2018	**1,069**	**184**	**3,840**	**1,593**	**6,686**
December 31, 2017	**1,300**	**244**	**4,162**	**1,714**	**7,420**
December 31, 2016	**1,644**	**2,133**	**4,597**	**175**	**8,549**



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

12. Intangible assets

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

Costs:	
Balance as of January 1, 2016	10,776
Additions	3,111
Disposals	(4)
Balance as of December 31, 2016	13,883
Additions	3,370
Disposals	(81)
Balance as of December 31, 2017	17,172
Additions	58
Disposals	(3,315)
Reclassifications	(10)
Balance as of December 31, 2018	**13,905**
Accumulated amortization:	
Balance as of January 1, 2016	10,349
Amortisation for the year	629
Disposals	(4)
Balance as of December 31, 2016	10,974
Amortisation for the year	838
Disposals	(65)
Balance as of December 31, 2017	11,747
Amortisation for the year	1,176
Disposals	(609)
Reclassifications	(42)
Balance as of December 31, 2018	**12,272**
Carrying amounts as of:	
December 31, 2018	**1,633**
December 31, 2017	**5,425**
December 31, 2016	**2,909**

Expenses related to the amortization of intangible assets are presented as part of amortization of intangible assets in the consolidated statement of profit or loss. Disposals during 2018 correspond to technological projects.

13. Investment properties

Investment properties are measured at fair value through profit or loss. The gains and losses resulting from fair value adjustments are recognized in profit or loss. A summary is as follows:

Balance at January 1, 2017	-
Additions	5,119
Balance at December 31, 2017	**5,119**
Sale of investment properties	(1,270)
Net change in fair value	(3,849)
Balance at December 31, 2018	**-**

14. Other assets

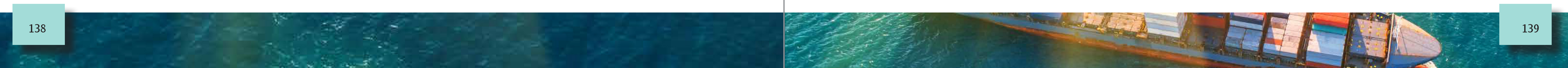
Following is a summary of other assets:

	December 31, 2018	**December 31, 2017**
Accounts receivable [(1)]	13,333	6,793
Interest receivable - deposits	281	48
IT projects under development [(2)]	357	1,405
Other [(3)]	3,003	5,510
	16,974	**13,756**

[(1)] As of December 31, 2018, the sale of financial assets was executed for $ 12.4 million and related payment was received in January 2019.

[(2)] As of December 31, 2018, the Bank derecognized the amount of $0.8 million related to IT projects under development, outstanding as of December 31, 2017, in the consolidated financial statement of profit or loss as an impairment loss on non-financial assets.

[(3)] As of December 31, 2018, the Bank derecognized the amount of $1.7 million related to a leasing under development, outstanding as of December 31, 2017, in the consolidated financial statement of profit or loss as an impairment loss on non-financial assets.



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

15. Deposits

The maturity profile of the Bank's deposits, excluding interest payable, is as follows:

	December 31, 2018	December 31, 2017
Demand	211,381	82,064
Up to 1 month	1,192,252	1,147,772
From 1 month to 3 months	412,638	492,205
From 3 months to 6 months	533,135	411,159
From 6 months to 1 year	462,156	571,500
From 1 year to 2 years	70,047	76,422
From 2 years to 5 years	89,213	147,722
	2,970,822	**2,928,844**

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

	December 31, 2018	December 31, 2017
Aggregate amounts of $100,000 or more	2,970,438	2,928,425
Aggregate amounts of deposits in the New York Agency	265,349	266,158

	Year ended December 31,		
	2018	2017	2016
Interest expense on deposits made in the New York Agency	5,937	2,524	1,429

16. Securities sold under repurchase agreements

As of December 31, 2018, the Bank has financing transactions under repurchase agreements for $39.8 million.

As of December 31, 2017, the Bank does not have financing transactions under repurchase agreements.

During the year ended December 31, 2018, $635 thousand was recorded corresponding to interest expenses generated by financing agreements under repurchase agreements. These expenses are included as interest expense – borrowings and debt line in the consolidated statement of profit or loss. As of December 31, 2017, the Bank did not incur in any interest expense generated by financing agreements under repurchase agreements.

17. Borrowings and debt

Borrowings and debt are detailed as follows:

	December 31, 2018				
	Short-Term		Long-term		
Carring amount	Borrowings	Debt	Borrowings	Debt	Total
Principal	1,975,174	45,930	886,384	614,505	3,521,993
Prepaid commissions	-	-	(2,790)	(757)	(3,547)
	1,975,174	**45,930**	**883,594**	**613,748**	**3,518,446**

	December 31, 2017				
	Short-Term		Long-term		
Carring amount	Borrowings	Debt	Borrowings	Debt	Total
Principal	1,062,223	10,500	423,011	720,044	2,215,778
Prepaid commissions	-	-	(2,790)	(1,421)	(4,211)
	1,062,223	**10,500**	**420,221**	**718,623**	**2,211,567**

Short-term borrowings and debt

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

	December 31, 2018	December 31, 2017
Short-term borrowings:		
At fixed interest rates	695,500	429,069
At floating interest rates	1,279,674	633,154
Total borrowings	1,975,174	1,062,223
Short-term debt:		
At fixed interest rates	2,700	10,500
At floating interest rates	43,230	-
Total debt	45,930	10,500
Total short-term borrowings and debt	**2,021,104**	**1,072,723**
Average outstanding balance during the year	1,095,530	710,021
Maximum balance at any month-end	2,021,104	1,072,723
Range of fixed interest rates on borrowings and debt in U.S. dollars	2.74% to 3.30%	1.60% to 1.95%
Range of floating interest rates on borrowings in U.S. dollars	2.72% to 3.41%	1.77% to 2.08%
Range of fixed interest rates on borrowings in Mexican pesos	-	7.92%
Range of floating interest rate on borrowings in Mexican pesos	8.49% to 9.39%	7.68% to 7.89%
Weighted average interest rate at end of the year	3.18%	2.16%
Weighted average interest rate during the year	3.00%	1.66%

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

17. Borrowings and debt (continued)

Short-term borrowings and debt (continued)

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

	December 31, 2018	December 31, 2017
Currency		
US dollar	1,926,000	1,044,500
Mexican peso	95,104	28,223
Total	**2,021,104**	**1,072,723**

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 and Japanese markets. The breakdown of borrowings and long-term debt (original maturity of more than one year), along with contractual interest rates, plus prepaid commissions of $3.5 million and $4.2 million as of December 31, 2018 and December 31, 2017, respectively, are as follows:

	December 31, 2018	December 31, 2017
Long-term borrowings:		
At fixed interest rates with due dates from January 2019 to February 2022	63,367	44,011
At floating interest rates with due dates from August 2019 to August 2023	823,017	379,000
Total borrowings	886,384	423,011
Long-term debt:		
At fixed interest rates with due dates from June 2019 to March 2024	503,229	532,305
At floating interest rates with due dates from April 2019 to June 2023	111,276	187,739
Total long-term debt	614,505	720,044
Total long-term borrowings and debt	1,500,889	1,143,055
Less: Prepaid commissions	(3,547)	(4,211)
Total long-term borrowings and debt, net	**1,497,342**	**1,138,844**
Net average outstanding balance during the year	1,244,619	1,477,788
Maximum outstanding balance at any month – end	1,500,889	2,010,078
Range of fixed interest rates on borrowings and debt in U.S. dollars	2.25% to 3.25%	1.35% to 3.25%
Range of floating interest rates on borrowings and debt in U.S. dollars	3.26% to 4.46%	2.61% to 3.01%
Range of fixed interest rates on borrowings in Mexican pesos	5.25% to 9.09%	4.89% to 9.09%
Range of floating interest rates on borrowings and debt in Mexican pesos	9.19% to 9.71%	7.99% to 8.00%
Range of fixed interest rates on debt in Japanese yens	0.46%	0.46% to 0.81%
Range of fixed interest rates on debt in Euros	3.75%	3.75%
Range of fixed interest rates on debt in Australian dollars	3.33%	3.33%
Weighted average interest rate at the end of the year	4.35%	3.60%
Weighted average interest rate during the year	4.09%	3.43%

17. Borrowings and debt (continued)

Long-term borrowings and debt (continued)

The balances of long-term borrowings and debt by currency, excluding prepaid commissions, are as follows:

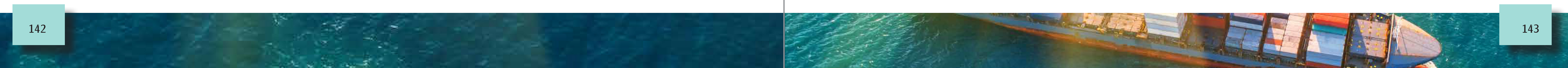
	December 31, 2018	December 31, 2017
Currency		
US dollar	1,203,101	753,981
Mexican peso	143,661	206,750
Japanese yen	72,670	98,711
Euro	60,315	60,178
Australian dollar	21,142	23,435
Total	**1,500,889**	**1,143,055**

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 "Mexican Program") in the Mexican local market, registered with the Mexican National Registry of Securities administered 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, 2018, the Bank was in compliance with all those covenants.

The future payments of long-term borrowings and debt outstanding as of December 31, 2018, are as follows:

Payments	Outstanding
2019	257,393
2020	488,237
2021	558,265
2022	74,179
2023	62,500
2024	60,315
	1,500,889



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

17. Borrowings and debt (continued)

Reconciliation of movements of borrowings and debt arising from financing activities of consolidated statements of cash flows:

	2018	2017	2016
Balance as of January 1,	**2,211,567**	**3,246,813**	**4,312,170**
Net increase (decrease) in short-term borrowings and debt	950,259	(396,205)	(961,095)
Proceeds from long-term borrowings and debt	609,017	219,905	406,149
Repayments of long-term borrowings and debt	(256,173)	(883,476)	(464,242)
Change in foreign currency	1,903	23,487	(43,010)
Adjustment of fair value for hedge accounting relationship	753	(483)	(5,945)
Other adjustments	1,120	1,525	2,786
Balance as of December 31,	**3,518,446**	**2,211,567**	**3,246,813**

18. Other liabilities

Following is a summary of other liabilities:

	December 31, 2018	December 31, 2017
Accruals and other accumulated expenses	8,602	8,018
Accounts payable	453	9,307
Others	4,560	3,226
	13,615	**20,551**

19. Earnings per share

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

	December 31, 2018	December 31, 2017	December 31, 2016
(Thousands of U.S. dollars)			
Profit for the year	11,138	81,999	87,045
(U.S. dollars)			
Basic earnings per share	0.28	2.09	2.23
Diluted earnings per share	0.28	2.08	2.22
(Thousands of shares)			
Weighted average of common shares outstanding - applicable to basic EPS	39,543	39,311	39,085
Effect of diluted securities:			
Stock options and restricted stock units plan	-	18	125
Adjusted weighted average of common shares outstanding applicable to diluted EPS	**39,543**	**39,329**	**39,210**

20. Capital and additional paid-in capital

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.

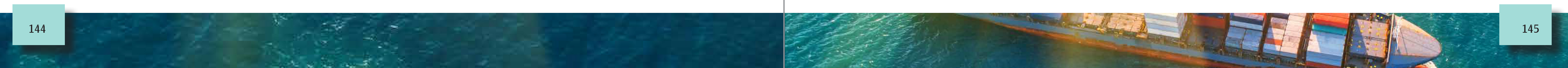
The holders of "Class B" shares have the right to convert or exchange their "Class B" shares, at any time, and without restriction, for "Class E" shares, exchanging one share for another share.

The following table provides detailed information on the movement of the shares by class for each of the years ended December 31, 2018, 2017 and 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, 2016	6,342,189	2,474,469	30,152,247	-	38,968,905
Conversions	-	-	-	-	-
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**
Conversions	-	(64,663)	64,663	-	-
Repurchased common stock	-	(1,000)	-	-	(1,000)
Restricted stock issued – directors	-	-	57,000	-	57,000
Exercised stock options - compensation plans	-	-	142,268	-	142,268
Restricted stock units – vested	-	-	70,519	-	70,519
Outstanding at December 31, 2017	**6,342,189**	**2,408,806**	**30,677,840**	**-**	**39,428,835**
Conversions	-	(64,386)	64,386	-	-
Repurchased common stock	-	(99,193)	(64)	-	(99,257)
Restricted stock issued – directors	-	-	57,000	-	57,000
Exercised stock options - compensation plans	-	-	102,918	-	102,918
Restricted stock units – vested	-	-	49,055	-	49,055
Outstanding at December 31, 2018	**6,342,189**	**2,245,227**	**30,951,135**	**-**	**39,538,551**

Additional paid-in capital

As of December 31, 2018, and 2017, the additional paid-in capital consists of additional cash contributions to the common capital paid by shareholders.



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

21. Treasury stock

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

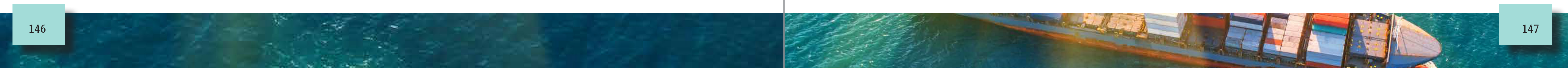
	"Class A"		"Class B"		"Class E"		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at January 1, 2016	318,140	10,708	589,174	16,242	2,103,620	46,447	3,010,934	73,397
Repurchase of common stock	-	-	-	-	-	-	-	-
Restricted stock issued – directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(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**
Repurchase of common stock	-	-	1,000	28	-	-	1,000	28
Restricted stock issued – directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(142,268)	(3,140)	(142,268)	(3,140)
Restricted stock units – vested	-	-	-	-	(70,519)	(1,557)	(70,519)	(1,557)
Outstanding at December 31, 2017	**318,140**	**10,708**	**590,174**	**16,270**	**1,642,690**	**36,270**	**2,551,004**	**63,248**
Repurchase of common stock	-	-	99,193	2,441	64	1	99,257	2,442
Restricted stock issued - directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(102,918)	(2,272)	(102,918)	(2,272)
Restricted stock units - vested	-	-	-	-	(49,055)	(1,083)	(49,055)	(1,083)
Outstanding at December 31, 2018	**318,140**	**10,708**	**689,367**	**18,711**	**1,433,781**	**31,657**	**2,441,288**	**61,076**

22. Other comprehensive income

The breakdown of other comprehensive income (loss) relating to financial instruments at FVOCI, derivative financial instruments, and foreign currency translation is as follows:

	Financial instruments at FVOCI	**Derivative financial instruments**	**Foreign currency translation adjustment**	**Total**
Balance as of January 1, 2016	(8,931)	(1,750)	-	(10,681)
Change in fair value of debt instruments, net of hedging	7,048	4,383		11,431
Reclassification of gains (losses) on financial instruments included in profit or loss [(1)]	1,030	(4,581)	-	(3,551)
Other comprehensive income (loss) for the year	8,078	(198)	-	7,880
Balance as of December 31, 2016	**(853)**	**(1,948)**	**-**	**(2,801)**
Change in fair value of debt instruments, net of hedging	612	(8)	-	604
Change in fair value of equity instruments at FVOCI, net of hedging	(228)	415	-	187
Reclassification of gains (losses) on financial instruments included in profit or loss [(1)]	84	2,399	-	2,483
Exchange difference in conversion of foreign operating currency	-	-	1,490	1,490
Other comprehensive income (loss) for the year	468	2,806	1,490	4,764
Balance as of December 31, 2017	**(385)**	**858**	**1,490**	**1,963**
Change in fair value of debt instruments, net of hedging	(254)	(4,375)	-	(4,629)
Change in fair value of equity instruments at FVOCI, net of hedging	(2,074)	850	-	(1,224)
Reclassification of gains (losses) on financial instruments included in profit or loss [(1)]	(87)	5,678	-	5,591
Exchange difference in conversion of foreign operating currency	-	-	(1,281)	(1,281)
Other comprehensive income (loss) for the year	(2,415)	2,153	(1,281)	(1,543)
Balance as of December 31, 2018	**(2,800)**	**3,011**	**209**	**420**

[(1)] Reclassification adjustments include amounts recognized in profit or loss of the year that had been part of other comprehensive income in this and previous years.



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

22. Other comprehensive income (continued)

The following table presents amounts reclassified from other comprehensive income to profit or loss:

December 31, 2018		
Details about other comprehensive income components	**Amount reclassified from other comprehensive income**	**Affected line item in the consolidated statement of profit or loss**
Realized gains (losses) on securities at FVOCI:	-	Interest income – securities at FVOCI
	-	Net gain on sale of securities at FVOCI
	87	Derivative financial instruments and impairment loss on financial instruments at FVOCI
	87	
Gains (losses) on derivative financial instruments:		
Foreign exchange forwards	(2,502)	Interest income – loans
	(1,650)	Interest expense – borrowings and deposits
	(1,530)	Net gain (loss) on foreign currency exchange
Interest rate swaps	4	Net gain (loss) on interest rate swaps
Cross-currency swaps	-	Net gain (loss) on cross-currency swaps
	(5,678)	

December 31, 2017		
Details about other comprehensive income components	**Amount reclassified from other comprehensive income**	**Affected line item in the consolidated statement of profit or loss**
Realized gains (losses) on securities at FVOCI:	-	Interest income – securities at FVOCI
	24	Net gain on sale of securities at FVOCI
	(108)	Derivative financial instruments and impairment loss on financial instruments at FVOCI
	(84)	
Gains (losses) on derivative financial instruments:		
Foreign exchange forwards	(7,611)	Interest income – loans
	(2,102)	Interest expense – borrowings and deposits
	7,216	Net gain (loss) on foreign currency exchange
Interest rate swaps	86	Net gain (loss) on interest rate swaps
Cross-currency swaps	12	Net gain (loss) on cross-currency swaps
	(2,399)	

22. Other comprehensive income (continued)

December 31, 2016		
Details about other comprehensive income components	**Amount reclassified from other comprehensive income**	**Affected line item in the consolidated statement of profit or loss**
Realized gains (losses) on securities at FVOCI:	-	Interest income – securities at FVOCI
	(7,243)	Net gain on sale of securities at FVOCI
	6,213	Derivative financial instruments and impairment loss on financial instruments at FVOCI
	(1,030)	
Gains (losses) on derivative financial instruments:		
Foreign exchange forwards	(4,750)	Interest income – loans
	1,679	Interest expense – borrowings and deposits
	6,060	Net gain (loss) on foreign currency exchange
Interest rate swaps	1,104	Net gain (loss) on interest rate swaps
Cross-currency swaps	488	Net gain (loss) on cross-currency swaps
	4,581	

23. 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. <u>2015 Stock Incentive Plan – Directors and Executives</u>

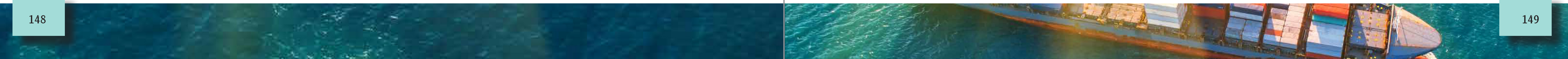
In February 2008, the Board of Directors of the Bank approved an incentive plan for directors and executives allowing the Bank to grant restricted stock, restricted stock units, stock purchase options, and/or other similar compensation instruments. The maximum aggregate number of shares which may be 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. This plan was updated in October 2015, modified and renamed as "2015 Stock Incentive Plan"

Restricted stocks are issued at the grant date but are withheld by the Bank until the vesting date. Restricted stock is 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 or disposes of treasury stocks,and delivers common stock at the vesting date of the restricted stock units.

During 2018 and 2017, 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:

<u>Restricted stock – Directors</u>

During the years 2018, 2017 and 2016, the Board of Directors granted 57,000, each year, 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 11, 2018, April 19, 2017 and April 13, 2016. The fair value of restricted stock granted totaled $1.6 million in 2018, $1.6 million in 2017, and $1.4 million in 2016, of which $739 thousand, $788 thousand and $617 thousand were recognized in profit or loss during 2018, 2017 and 2016, respectively.



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

23. Cash and stock-based compensation plan

A. <u>2015 Stock Incentive Plan – Directors and Executives (continued)</u>

The total expense recognized in profit or loss during 2018, 2017 and 2016 of restricted stock – directors amounted $1.5 million, $1.7 million and $1.6 million, respectively. The remaining cost pending amortization of $1.2 million at December 31, 2018 will be amortized over 2.3 years.

Restricted stock 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.

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

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2016	96,321	30.62
Granted	57,000	24.14
Vested	(56,421)	28.80
Outstanding at December 31, 2016	96,900	27.86
Granted	57,000	27.80
Vested	(61,950)	28.50
Outstanding at December 31, 2017	91,950	27.40
Granted	57,000	28.70
Vested	(45,300)	28.07
Outstanding at December 31, 2018	103,650	27.82
Expected to vest	103,650	

The fair value of vested stock during the years 2018 and 2017 was $1.3 million and $1.8 million, respectively.

<u>Restricted Stock Units and Stock Purchase Options granted to certain Executives</u>

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 $581 thousand in 2018 and $650 thousand in 2017. The distribution of the fair value was in restricted stock units.

Restricted stock units

The fair value of the restricted stock units was based on the "Class E" stock closing price in the New York Stock Exchange on the grant 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 the accelerated method. Costs recognized in profit or loss during 2018, 2017 and 2016 due to the amortization of these grants totaled $503 thousand, $811 thousand and $1.3 million, respectively. The remaining compensation cost pending amortization of $324 thousand in 2018 will be amortized over 3.1 years.

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

A. <u>2015 Stock Incentive Plan – Directors and Executives (continued)</u>

<u>Restricted Stock Units and Stock Purchase Options granted to certain Executives (continued)</u>

Restricted stock units (continued)

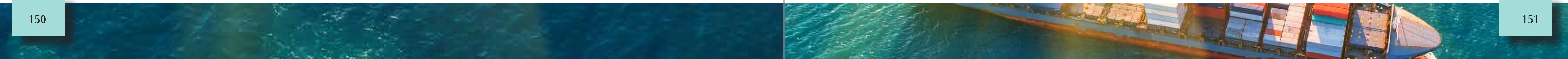
A summary of the restricted stock units granted to certain executives is presented below:

	Shares	Weighted average grant date fair value	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 1, 2016	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		
Granted	25,289	25.70		
Forfeited	(71,401)	18.61		
Vested	(70,519)	19.76		
Outstanding at December 31, 2017	50,805	21.07		
Granted	23,412	24.80		
Forfeited	-	-		
Vested	(49,055)	20.90		
Outstanding at December 31, 2018	25,162	24.86	2.99 years	$0
Expected to vest	25,162	24.86	2.99 years	$0

The fair value of vested stock during the years 2018 and 2017 is $1.0 million, and $1.4 million, respectively.

Stock purchase options

The Bank´s policy indicates that options expire seven years after the grant date and are exercisable at a rate of 25% each year on the grant date's anniversary.



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

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

A. 2015 Stock Incentive Plan – Directors and Executives (continued)

Restricted Stock Units and Stock Purchase Options granted to certain Executives (continued)

Stock purchase options (continued)

Related cost recognized in profit or loss during 2018, 2017 and 2016 as a result of the amortization of these plans that amounted to $14 thousand, $118 thousand and $251 thousand, respectively. The remaining compensation cost pending amortization of $16 thousand in 2018 will be amortized over a period of 0.11 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, 2016	554,756	26.36		
Granted	-	-		
Forfeited	(126)	18.93		
Exercised	(68,785)	22.78		
Outstanding at December 31, 2016	485,845	26.87		
Granted	-			
Forfeited	(69,934)	28.63		
Exercised	(142,268)	24.84		
Outstanding at December 31, 2017	273,643	27.48		
Granted	-			
Forfeited	(28,315)	29.25		
Exercised	(102,918)	24.55		
Outstanding at December 31, 2018	142,410	29.25	3.11 years	$0
Exercisable	142,410	29.25	3.11 years	$0
Expected to vest	142,410	29.25	3.11 years	$0

The intrinsic value of exercised options during the years 2018 and 2017 was $406 and $593, respectively. During the years 2018 and 2016 the Bank received $2.5 million and $3.5 million, 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 2018, 2017 and 2016, the Bank charged to salaries expense $102 thousand, $163 thousand and $121 thousand, respectively, that correspond to the Bank's contributions to this plan.

24. Fees and commission income

Fees and commission income from contracts with customers broken down by main types of services according to the scope of IFRS 15, beginning after January 1st, 2018, are detailed below:

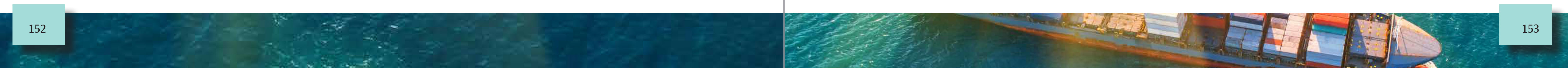
	December 31, 2018					
	Syndicated loans	Documentary letters of credit	Stand-by letters of credit and guarantees	Credit commitments	Other	Total
Openning and confirmation	-	7,333	2,460	874	-	10,667
Negotiation and acceptance	-	379	100	-	-	479
Amendment	-	46	1,230	-	-	1,276
Structuring	4,625	-	-	325	-	4,950
Other	-	(4)	-	(151)	(32)	(187)
	4,625	**7,754**	**3,790**	**1,048**	**(32)**	**17,185**

The following table provides information on the ordinary income that is expected to be recognized on the contracts in force as of December 31, 2018:

	Up to 1 year	1 to 2 years	More than 2 years	Total
Ordinary income expected to be recognized on the contracts as of December 31, 2018	1,655	377	761	2,793

Fees and commission income from contracts with customers recognized under IAS 18 as of December 31, 2017 are detailed below:

	December 31, 2017	December 31, 2016
Commission income – Loans & commitments, net	476	1,126
Commission income - Letters of credit	10,430	7,458
Commission income - Structuring	6,608	5,722
Total	**17,514**	**14,306**



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

25. 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 assets, liabilities, revenue and expense items to each business segment on a systematic basis. The maximum decision-making operating authority of the Bank is represented by the Chief Executive Officer and the Executive Committee, which review the internal management reports for each division at least every six months. 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, mainly from 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 encompasses the Bank's core business of financial intermediation and fee generation activities catering to corporations, financial institutions and investors in Latin America. These activities include the origination of bilateral short-term and medium-term loans, structured and syndicated credits, loan commitments, and financial guarantee contracts such as issued and confirmed letters of credit, stand-by letters of credit, guarantees covering commercial risk, and other assets consisting of customers' liabilities under acceptances.

Profits from the Commercial Business Segment include (i) net interest income from loans; (ii) fees and commissions from the issuance, confirmation and negotiation of letters of credit, guarantees and loan commitments, and through 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 on financial instruments; and (v) direct and allocated operating expenses.

The Treasury Business Segment focuses on managing the Bank's investment portfolio, and the overall structure of its assets and liabilities to achieve more efficient funding and liquidity positions for the Bank, mitigating the traditional financial risks associated with the balance sheet, such as 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 securities at FVOCI and securities at amortized cost. The Treasury Business Segment also manages the Bank's interest-bearing liabilities, which constitute its funding sources, mainly deposits, short- and long-term borrowings and debt.

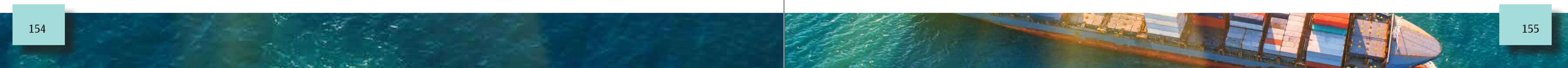
Profits from the Treasury Business Segment include net interest income derived from the above mentioned treasury assets and liabilities, and related net other income (net results from derivative financial instruments and foreign currency exchange, gain (loss) per financial instruments at FVTPL, gain (loss) on sale of securities at FVOCI, and other income), recovery or impairment loss on financial instruments, and direct and allocated operating expenses.

25. Business segment information (continued)

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

	December 31, 2018		
	Comercial	**Treasury**	**Total**
Interest income	239,976	18,514	258,490
Interest expense	-	(148,747)	(148,747)
Inter-segment net interest income	(130,195)	130,195	-
Net interest income	109,781	(38)	109,743
Other income (expense), net	18,002	(156)	17,846
Total income	127,783	(194)	127,589
Impairment loss on financial assets	(57,621)	106	(57,515)
Impairment loss on non-financial assets	(5,967)	-	(5,967)
Operating expenses	(37,436)	(11,482)	(48,918)
Segment profit (loss) for the year	**26,759**	**(11,570)**	**15,189**
Segment Assets	**5,726,977**	**1,857,196**	**7,584,173**
Segment Liabilities	**12,985**	**6,588,995**	**6,601,980**

	December 31, 2017		
	Comercial	**Treasury**	**Total**
Interest income	213,326	12,753	226,079
Interest expense	-	(106,264)	(106,264)
Inter-segment net interest income	(92,745)	92,745	-
Net interest income	120,581	(766)	119,815
Other income (expense), net	18,926	(428)	18,498
Total income	139,507	(1,194)	138,313
Impairment loss on financial assets	(9,928)	489	(9,439)
Operating expenses	(35,916)	(10,959)	(46,875)
Segment profit (loss) for the year	**93,663**	**(11,664)**	**81,999**
Segment Assets	**5,470,947**	**772,517**	**6,243,464**
Segment Liabilities	**13,214**	**5,191,170**	**5,204,384**



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

25. Business segment information (continued)

	December 31, 2016		
	Comercial	**Treasury**	**Total**
Interest income	236,392	9,506	245,898
Interest expense	-	(90,689)	(90,689)
Inter-segment net interest income	(96,017)	96,017	-
Net interest income	140,375	14,834	155,209
Other income (expense), net	16,333	(3,568)	12,765
Total income	156,708	11,266	167,974
Impairment loss on financial assets	(35,112)	(3)	(35,115)
Operating expenses	(34,599)	(11,215)	(45,814)
Segment profit for the year	**86,997**	**47**	**87,045**
Segment Assets	**5,969,902**	**1,188,406**	**7,158,308**
Segment Liabilities	**25,163**	**6,125,954**	**6,151,117**

Reconciliation of information on reportable segments:

	2018	**2017**	**2016**
Profit:			
Total profit from reportable segments	15,189	81,999	87,045
Impairment loss on non-financial assets - unallocated	(4,051)	-	-
Consolidated profit for the year	11,138	81,999	87,045
Assets:			
Total assets from reportable segments	7,584,173	6,243,464	7,158,308
Equipment and leasehold improvements, net - unallocated	6,686	7,420	8,549
Intangibles, net - unallocated	1,633	5,425	2,909
Other assets - unallocated	16,693	11,438	11,016
Unallocated amounts	25,012	24,283	22,474
Consolidated total assets	7,609,185	6,267,747	7,180,783
Liabilities:			
Total liabilities from reportable segments	6,601,980	5,204,384	6,151,117
Other liabilities - unallocated	13,615	20,551	18,352
Unallocated amounts	13,615	20,551	18,352
Consolidated total liabilities	6,615,595	5,224,935	6,169,469

26. 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 Value 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 inputs that 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 assess 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 similar 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 inputs 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 inputs that market participants would use when pricing the asset or liability. When possible, the Bank uses active markets and observable prices to value 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 valuation of the financial asset or liability, or in the 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.

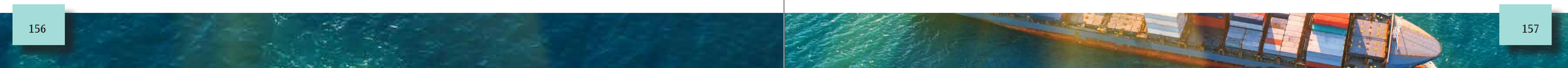
Recurring valuation:

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:

Financial instruments at FVTPL and FVOCI

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.



26. Fair value of financial instruments (continued)

Financial instruments at FVTPL and FVOCI (continued)

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 for similar instruments, or where these are not available, by using internal valuation techniques, principally discounted cash flows models. Such securities are classified within levels 2 and 3 of the fair value hierarchy.

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.

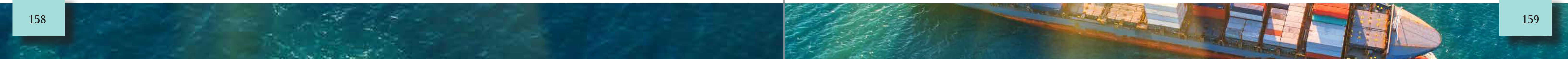
Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Notes to the consolidated financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

26. Fair value of financial instruments (continued)

Financial instruments measured at fair value on a recurring basis by caption on the consolidated statement of financial position using the fair value hierarchy are described below:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Securities and other financial assets:				
Securities at FVOCI - Corporate debt [1]	-	6,157	-	6,157
Securities at FVOCI - Sovereign debt [1]	-	15,641	-	15,641
Equity instrument at FVOCI [1]	-	6,273	-	6,273
Debt instrument at fair value through profit or loss	-	-	8,750	8,750
Total securities and other financial assets	-	28,071	8,750	36,821
Derivative financial instruments - assets:				
Interest rate swaps	-	621	-	621
Cross-currency swaps	-	1,134	-	1,134
Foreign exchange forwards	-	933	-	933
Total derivative financial instrument assets	-	2,688	-	2,688
Total assets at fair value	**-**	**30,759**	**8,750**	**39,509**
Liabilities				
Derivative financial instruments - liabilities:				
Interest rate swaps	-	9,410	-	9,410
Cross-currency swaps	-	17,378	-	17,378
Foreign exchange forwards	-	7,255	-	7,255
Total derivative financial instruments - liabilities	-	34,043	-	34,043
Total liabilities at fair value	**-**	**34,043**	**-**	**34,043**

(1) At December 31, 2018, investment securities and equity instrument at FVOCI for $21.8 million and $6.3 million, respectively; were reclassified from level 1 to level 2 of the fair value hierarchy due to changes in market conditions causing that the quoted prices were no longer active for these financial instruments.



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

26. Fair value of financial instruments (continued)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Securities and other financial assets:				
Securities at FVOCI - Sovereign debt [2]	16,733	-	-	16,733
Equity instrument at FVOCI	8,402	-	-	8,402
Total securities and other financial assets	25,135	-	-	25,135
Derivative financial instruments assets:				
Interest rate swaps	-	129	-	129
Cross-currency swaps	-	4,550	-	4,550
Foreign exchange forwards	-	8,659	-	8,659
Total derivative financial instruments - assets	-	13,338	-	13,338
Total assets at fair value	**25,135**	**13,338**	**-**	**38,473**
Liabilities				
Derivative financial instruments liabilities:				
Interest rate swaps	-	4,789	-	4,789
Cross-currency swaps	-	30,154	-	30,154
Total derivative financial instruments - liabilities	-	34,943	-	34,943
Total liabilities at fair value	**-**	**34,943**	**-**	**34,943**

(1) At December 31, 2017, securities at FVOCI with a carrying amount of $3.0 million were reclassified from level 2 to level 1 of the fair value hierarchy, due to an upgrade valuation of Bloomberg “BVAL” from 7 to 10 during 2017.

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.

Non-recurring valuation:

The following methods and inputs 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, interest receivable and certain financial liabilities including customer’s demand and time deposits, securities sold under repurchase agreements, interest payable, and acceptances outstanding, due to their short-term nature, is considered to approximate their fair value. These instruments are classified in Level 2.

26. Fair value of financial instruments (continued)

Non-recurring basic (continued)

Securities at amortized cost

The fair value has been estimated upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon quoted prices 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

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 Levels 2 and 3.

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 their fair value at the date of transfer. The fair value of these instruments is determined based upon quoted market prices when available or is 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.

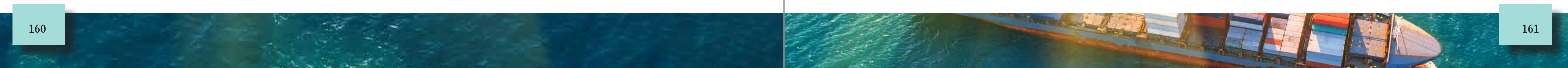
Short and long-term borrowings and debt

The fair value of short and long-term borrowings and debt is estimated using discounted future cash flows based on the current incremental borrowing rates for similar types of borrowing arrangements, considering the changes in the Bank’s credit margin. These liabilities are classified in Level 2.

Valuation framework

The Bank has an established control framework for the measurement of fair values, which is independent of front office management, verifying the valuation results of the derivative financial instruments, securities and other financial instrument significantly measured. Specific controls include:

- Verification of observable pricing
- Verification of re – performance of model valuations
- A review and approval process for new models and changes to existing models
- Annual calibration and back testing of models against observed market transactions
- Analysis and evaluation of the significant valuation movements
- Review of the significant unobservable inputs, valuation adjustments and changes to the fair value measurement of Level 3 instruments.



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

26. Fair value of financial instruments (continued)

The following table provides information on the carrying value and an estimated fair value of the Bank’s financial instruments that are not measured on a recurring basis:

	December 31, 2018				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and deposits on banks	1,745,652	1,745,652	-	1,745,652	-
Securities at amortized cost [1] [3]	86,326	85,036	-	73,869	11,167
Loans, net [2]	5,702,258	5,958,540	-	5,884,527	74,013
Customers' liabilities under acceptances	9,696	9,696	-	9,696	-
Liabilities					
Deposits	2,970,822	2,970,822	-	2,970,822	-
Securities sold under repurchase agreements	39,767	39,767	-	39,767	-
Borrowings and debt, net	3,518,446	3,558,763	-	3,558,763	-
Customers' liabilities under acceptances	9,696	9,696	-	9,696	-
Allowance for expected credit losses on loan commitments and financial guarantee contracts	3,289	3,289	-	3,289	-

	December 31, 2017				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and deposits on banks	672,048	672,048	-	672,048	-
Securities at amortized cost [1]	69,974	69,006	50,581	8,447	9,978
Loans, net [2]	5,448,788	5,550,704	-	5,550,704	-
Customers' liabilities under acceptances	6,369	6,369	-	6,369	-
Liabilities					
Deposits	2,928,844	2,928,844	-	2,928,844	-
Borrowings and debt, net	2,211,567	2,231,017	-	2,231,017	-
Customers' liabilities under acceptances	6,369	6,369	-	6,369	-
Allowance for expected credit losses on loan commitments and financial guarantee contracts	6,845	6,845	-	6,845	-

[1] The carrying value of securities at amortized cost is net of the accrued interest receivable of $1.1 million and the allowance for expected credit losses of $0.1 million as of December 31, 2018, and the accrued interest receivable of $1.0 million and the allowance for expected credit losses $0.2 million as of December 31, 2017.

[2] The carrying value of loans at amortized cost is net of the accrued interest receivable of $41.1 million, the allowance for expected credit losses of $100.8 million and unearned interest and deferred fees of $16.5 million for December 31, 2018, and the accrued interest receivable of $29.4 million, the allowance for expected credit losses of $81.3 million and unearned interest and deferred fees of $5.0 million for December 31, 2017.

[3] At December 31, 2018, investment securities at amortized cost were reclassified from level 1 to level 2 of the fair value hierarchy due to changes in market conditions causing that the quoted prices were no longer active for these financial instruments.

26. Fair value of financial instruments (continued)

Level 3 fair value measurements

Reconciliation

The following table presents the movement of instruments measured at Level 3 fair value

Carrying amount as of January 1, 2018	-
Origination	8,750
Carrying amount as of December 31, 2018	**8,750**

Unobservable inputs used in the fair value mesurements

The following tables provides information about the significant inputs used in the measurement of instruments at Level 3 fair value:

Type of financial instruments	Fair value December 31, 2018	Measurement techniques	Significant unobservable inputs
At fair value through profit or loss (debentures)	8,750	Discounted cash flows	Discount rate Premiun or liquidity rate

Range of estimates	Unobservable inputs sensibility
18.28%	Significant increases would lead to a lower fair value
45%	Significant increases would lead to a lower fair value

Significant unobservable inputs were developed as follows:

a). The discount rate was derived from the discount rate of a similar company in the same line of business. For the discount rate, the debt-equity structure for the Issuer of the securities was applied.

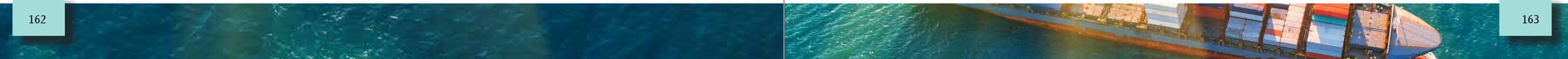
b) The premium or liquidity rate was derived from liquidity cost studies carried out by experts and then subsequently from knowledge of management of similar businesses.

Effect of unobservable inputs in fair value measurement

Although management considers that its estimates of fair value are appropriate, the use of different methodologies or assumptions can generate different Level 3 fair values for measurements . Changing one or more assumptions used can generate the following effect:

	Effect on income*	
December 31, 2018	Negative effect	Positive effect
Other assets at fair value through profit or loss (debenture)	(659)	714

* Changes in +100 bps in the unobservable variables.



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

27. Related party transactions

The detail of the assets and liabilities with related private corporations and financial institutions is as follows:

	Decembre 31, 2018	Decembre 31, 2017
Assets		
Demand deposits	5,179	1,809
Loans	202,578	83,031
Allowance for loans losses	(1,837)	(204)
Securities at fair value through other comprehensive income	2,887	2,954
Total asset	**208,807**	**87,590**
Liabilities		
Demand deposits	200,000	50,000
Time deposits	40,000	190,000
Total liabilities	**240,000**	**240,000**

The detail of income and expenses with related parties is as follows:

	Decembre 31, 2018	Decembre 31, 2017
Interest income		
Loans	2,751	985
Total interest income	2,751	985
Interest expense		
Deposits	(984)	(530)
Total interest expense	(984)	(530)
Net interest expense	**1,767**	**455**
Other income (expense)		
Fees and commissions, net	1	-
Gain on financial instruments, net	41	-
Other income, net	1	-
Total other income, net	43	-
Net income from related parties	**1,810**	**455**

Directors and executives' compensation

During the reporting periods, total compensation paid to directors and the executives of Bladex as representatives of the Bank amounted to:

	December 31, 2018	2017	2016
Expenses:			
Compensation costs to directors	2,331	2,581	2,428
Compensation costs to executives	4,943	3,299	5,601

Compensation costs to directors and executives, include annual cash retainers and the cost of granted restricted stock and restricted stock units.

28. Salaries and other employee expenses

	December 31, 2018	December 31, 2017	December 31, 2016
Wages and salaries	18,487	16,191	16,132
Payroll taxes	2,120	2,629	2,244
Personnel benefits	6,732	8,644	5,231
Share–based payments	650	189	1,589
Total	**27,989**	**27,653**	**25,196**

29. Other expenses

	December 31, 2018	2017	2016
Advertising and marketing	337	683	785
Regulatory fees	1,246	977	1,348
Rental - office premises and equipment	2,913	2,394	2,681
Administrative	6,391	6,846	7,468
Professional services	4,293	3,911	4,255
Maintenance and repairs	2,912	1,673	1,866
Other	379	322	129
Total	**18,471**	**16,806**	**18,532**

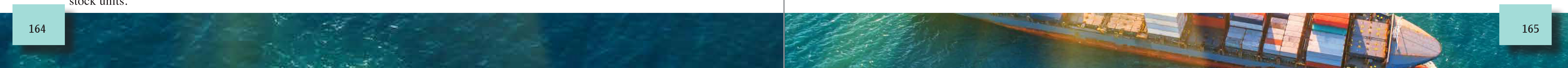
30. Commitments and contingencies

Operating lease commitments – Bank as lessee

Future minimum lease payments under cancellable operating leases are as follows:

	December 31, 2018	2017	2016
Within 1 year	2,120	2,006	1,984
After 1 year but not more than 5 years	7,734	7,335	7,362
More than 5 years	6,936	8,814	10,638
Total	**16,790**	**18,155**	**19,984**

The total amount of expenses recognized in connection with such leases during the years 2018, 2017 and 2016 are $2.4 million, $2.3 million and $2.6 million, respectively.



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

30. Commitments and contingencies (continued)

Operating leases – Bank as sub-lessor

Future minimum lease payments under cancellable operating sub-leases areas follows:

	December 31,		
	2018	**2017**	**2016**
Within 1 year	243	300	289
After 1 year but not more than 5 years	-	243	646
Total	**243**	**543**	**935**

The total amount of income recognized in connection with such leases during 2018, 2017 and 2016 are $323thousand, $275 thousand y $436 thousand, respectively.

31. Litigation

Bladex is not engaged in any litigation that is significant to the Bank's business or, to the best of the knowledge of Bank's management, that is likely to have an adverse effect on its business, consolidated financial position or its consolidated financial performance.

32. 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 risk management process 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 risks. 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 a Risk 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 Executive Committee.

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 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.

32. Risk management (continued)

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 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, the Bank prepares detailed reporting of industry, customer and geographic risks. 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 to ensure that all business divisions have access to extensive, necessary and up–to–date information.

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, the 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. 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 / country levels.

32. Risk management (continued)

The Bank has exposure to the following risks from financial instruments:

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties may 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 using 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 because of the risks to which it is exposed to 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, considering any overdue payments of interests, credit rating downgrades, or breach 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 facing 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.

<u>Collectively assessed allowances</u>

Allowances for expected credit losses are assessed collectively for losses on credit facilities and for debt investments at amortized cost, with similar characteristics, when assessing credit risk provided that no impairment has been evidence.

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 these 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 for 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 loan assessments. The collective assessment takes into account 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 and local or industry specific conditions). The approximate lapse between the 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 at amortized cost.

32. Risk management (continued)

Credit risk (continued)

<u>Derivative financial instrument risks</u>

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the consolidated 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.

<u>Credit–related commitments risks</u>

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 risks similar to those on loans and are mitigated by the same control processes and policies.

<u>Collateral and other credit enhancements</u>

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, liens on real estate properties, inventory and trade receivables.

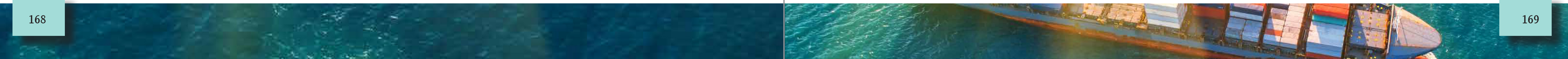
The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

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 are met.

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.

The Bank holds guarantees and other financial credit enhancements against certain exposures in the loan portfolio. As of December 31, 2018, and 2017, the coverage ratio to the carrying amount of the loan portfolio was 8% and 7% respectively.



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

32. Risk management (continued)

Credit risk (continued)

Implementation of forward-looking information

The Bank incorporates information of the economic environments on a forward-looking view, when assessing whether the credit risk of a financial instrument has significantly increased since initial recognition. This is done through a rating model which includes projections of the inputs under analysis, and of the expected credit loss measurement, based on suggestions of areas such as Credit Risk, Economic Studies and Loan Recovery of the Bank. The results of the alert model are analyzed through a severity indicator to total risk resulting of the estimations and assumptions of several macroeconomics factors. These estimations and assumptions are supported under a base scenario associated to a probability of occurrence of 95%. Other scenarios represent optimistic and pessimistic results. The implementation and interpretation of the outcomes of the alert are based on the expert judgement of management

The external information, analyzed using the alert model, could include economic data and projections published by governmental committees, monetary agencies (e.g., Federal Reserve Bank and countries where respective the Bank operates), supranational organizations (International Monetary Fund, The World Bank, World Trade Organization), private sector, academic projections, credit rating agencies, among other.

Principal macroeconomies variables of the model with forward-looking scenarios

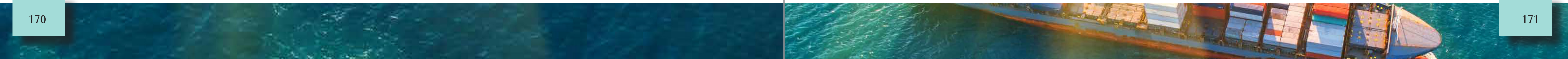
Variable	Description
GDP Growth (Var.%)	% Variation in the growth of weighted Gross Domestic Product (GDP) for Latin American countries.
ComEx Growth (Var.%)	% Variation in foreign trade growth (Exp. + Imp.) weighted for Latin American countries.
Commodities Price Index 2005 = 100	Global indicator of the weighted value of commodity prices (including fuel prices).
FED interest rate (%)	Interest rate for interbank loans according to the Federal Reserve of the United States of America.
USD vs Global Currencies Index 1973 = 100	%Variation in the US dollar vs Group of Global Currencies (relevant in the market).
PMI Index	% Variation in the Manufacturing Production Index (PMI) China (50%) / % Variation in the Manufacturing Production Index (PMI) United States of America (50%).

32. Risk management (continued)

Credit risk (continued)

Implementation of forward-looking information (continued)

Variable	Scenario	2018	2019	2020	2021	2022
GDP Growth (Var.%)	**Central**	1.2%	2.2%	2.7%	2.7%	2.8%
	Upside	2.7%	3.5%	3.6%	3.8%	3.8%
	Downside	0.4%	1.1%	1.3%	1.4%	1.5%
ComEx Growth Index (Var.%)	**Central**	8.2%	4.6%	4.4%	6.8%	6.9%
	Upside	11.8%	9.6%	10.2%	10.5%	10.6%
	Downside	4.1%	1.8%	2.5%	2.7%	2.8%
Commodities Price Index 2005 = 100	**Central**	136.4	134.6	130.7	128.0	126.1
	Upside	152.5	149.8	148.2	148.7	151.0
	Downside	109.3	103.0	97.8	94.2	91.9
FED interest rate (%)	**Central**	2.4%	3.0%	3.1%	3.6%	4.3%
	Upside	2.1%	2.7%	2.8%	3.4%	4.0%
	Downside	2.6%	3.2%	3.3%	3.9%	4.5%
USD vs Global Currencies Index 1973 = 100	**Central**	94.6	99.0	101.5	103.5	105.6
	Upside	90.6	95.0	97.5	99.5	101.6
	Downside	98.6	103.0	105.5	107.5	109.6
PMI Index	**Central**	51.0	50.5	50.4	50.3	50.1
	Upside	53.3	54.5	55.2	55.7	56.1
	Downside	50.1	48.9	48.4	48.0	47.7



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

32. Risk management (continued)

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, by 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 (NSFR) 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 Dmdeconomic group maturing in one day and total maximum deposits maturing in one day.

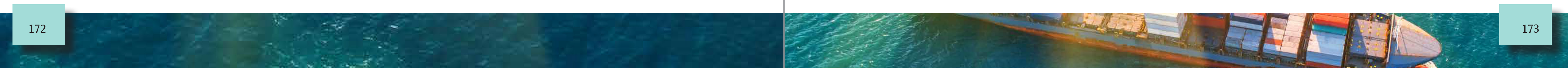
The Bank follows a Contingent Liquidity Plan. The plan contemplates the regular monitoring of several quantified internal and external reference benchmarks (such as deposit level, Emerging Markets Bonds Index Plus, LIBOR-OIS spread and market interest rates), which in cases of high volatility would trigger 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.

The following table shows the Bank's liquid assets, by principal geographic area:

	December 31,	
(in million of US$)	**2018**	**2017**
United States of America	1,650	612
Others O.E.C.D.countries	50	-
Latin America	6	7
Total	**1,706**	**619**

As of December 31, 2018, and 2017, the Bank's 24-hour deposits from customers (demand deposit accounts and call deposits) amounted to $725 million and $478 million, respectively; representing 24% and 16% of the Bank's total deposits, respectively. The liquidity requirement resulting from these maturities is satisfied by the Bank's liquid assets, which as of December 31, 2018 and 2017 were $1,706 million and $619 million, respectively (representing 57% and 21% of total deposits, respectively) of which $1,648 million, or 97% and $609 million, or 98%, as of December 31, 2018 and 2017, respectively, 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, 2018, and 2017, the Bank's short-term loan and investment securities portfolio (maturing within one year based on original contractual term) totaled $3,688 million and $3,746 million, respectively. As of December 31, 2018, and 2017, it had an average original term to maturity of 226 and 203 days, respectively, and an average remaining term to maturity of 118 days and 112 days, respectively.



32. Risk management (continued)

Liquidity risk (continued)

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled $2,197 million and $1,872 million as of December 31, 2018 and 2017, respectively. Of that amount, $98 million and $86 million corresponded to the Bank's investment securities as of December 31, 2018 and 2017. The remaining $2,099 million and $1,786 million in medium-term assets corresponded to the Bank's loan portfolio as of December 31, 2018 and 2017, respectively. As of December 31, 2018, and 2017, the medium-term assets had an average original term to maturity of three years and nine months and four years, respectively; and an average remaining term to maturity of one year and ten months (688days), and one year and nine months (655 days), respectively.

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.

The following table details the Banks's future cash flows between assets and liabilities grouped by its remaining maturity with respect to the contractual maturity:

	December 31, 2018						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Gross Inflow (outflow)**	**Carrying amount**
Assets							
Cash and cash equivalents	1,745,671	-	-	-	-	1,745,671	1,745,652
Securities and other financial assets, net	14,870	5,152	21,702	69,802	13,993	125,519	123,598
Loans, net	1,873,995	1,434,229	972,201	1,611,558	19,785	5,911,768	5,702,258
Derivative financial instruments - assets	(2,104)	19	78	1,111	-	(896)	2,688
Total	**3,632,432**	**1,439,400**	**993,981**	**1,682,471**	**33,778**	**7,782,062**	**7,574,196**
Liabilities							
Deposits	(2,515,096)	(291,804)	(184,360)	-	-	(2,991,260)	(2,982,976)
Securities sold under repurchase agreements	(11,604)	-	(28,873)	-	-	(40,477)	(39,767)
Borrowings and debt, net	(956,634)	(402,871)	(958,442)	(1,281,454)	(68,464)	(3,667,865)	(3,532,209)
Derivative financial instruments - liabilities	(4,421)	(8,516)	(3,946)	(8,634)	(3,260)	(28,777)	(34,043)
Total	**(3,487,755)**	**(703,191)**	**(1,175,621)**	**(1,290,088)**	**(71,724)**	**(6,728,379)**	**(6,588,995)**
Confirmed letters of credit	75,720	141,985	1,283	-	-	218,988	218,988
Stand-by letters of credit and guaranteed – commercial risk	75,273	31,107	73,176	200	-	179,756	179,756
Credit commitments	36,000	-	-	67,143	-	103,143	103,143
Total Contingencies	**186,993**	**173,092**	**74,458**	**67,343**	-	**501,886**	**501,886**
Net position	**(42,316)**	**563,117**	**(256,098)**	**325,040**	**(37,946)**	**551,797**	**483,315**

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

32. Risk management (continued)

Liquidity risk (continued)

Description	December 31, 2017						
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Gross Inflow (outflow)	Carrying amount
Assets							
Cash and cash equivalents	672,048	-	-	-	-	672,048	672,048
Securities and other financial assets, net	2,431	7,556	4,009	79,398	-	93,394	95,484
Loans, net	2,007,222	1,293,249	1,081,319	1,176,532	21,387	5,579,709	5,448,788
Derivative financial instruments - assets	3,624	652	5,134	3,090	838	13,338	13,338
Total	**2,685,325**	**1,301,457**	**1,090,462**	**1,259,020**	**22,225**	**6,358,489**	**6,229,658**
Liabilities							
Deposits	(2,331,137)	(310,128)	(199,423)	(102,107)	-	(2,942,795)	(2,937,105)
Borrowings and debt, net	(788,085)	(143,589)	(297,373)	(1,013,083)	(76,078)	(2,318,208)	(2,219,122)
Derivative financial instruments - liabilities	(4,421)	(8,516)	(3,946)	(8,634)	(3,260)	(28,777)	(34,943)
Total	**(3,123,643)**	**(462,233)**	**(500,742)**	**(1,123,824)**	**(79,338)**	**(5,289,780)**	**(5,191,170)**
Confirmed letters of credit	169,042	101,403	3,004	-	-	273,449	273,449
Stand-by letters of credit and guaranteed – commercial risk	18,687	72,080	77,952	257	-	168,976	168,976
Credit commitments	-	15,000	-	30,000	578	45,578	45,578
Total Contingencies	**187,729**	**188,483**	**80,956**	**30,257**	**578**	**488,003**	**488,003**
Net position	**(626,047)**	**650,741**	**508,765**	**104,939**	**(57,691)**	**580,706**	**550,486**

32. Risk management (continued)

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, securities at amortized cost and financial instruments through OCI and profit or loss, short- and long-term borrowings and debt, derivatives and financial liabilities through profit or loss. 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 consolidated financial statement, financial performance, cash flows and business.

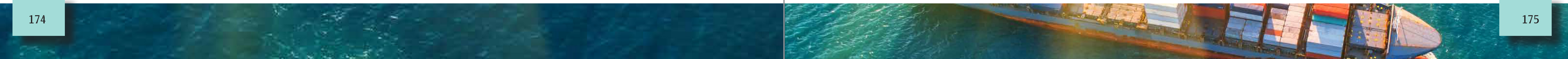
<u>Interest rate risk</u>

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 and equity 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	Effect on equity
December 31, 2018	+200 bps	5,881	(20,508)
	-200 bps	(5,298)	20,508
December 31, 2017	+200 bps	16,945	(19,025)
	-200 bps	(16,674)	19,025

This analysis is based on the prior year changes in interest rates and assesses the impact on income, with balances as of December 31, 2018 and December 31, 2017. This sensitivity provides an idea of the changes in interest rates, taking as example the volatility of the interest rate of the previous year.



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

32. Risk management (continued)

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.

Description	December 31, 2018					
	Up to 3 months	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Assets						
Time deposits	50,000	-	-	-	-	50,000
Securities and other financial assets	12,833	3,279	20,181	64,673	6,157	107,124
Loans	4,002,558	1,259,088	331,875	177,301	7,602	5,778,424
Total assets	4,065,392	1,262,367	352,056	241,974	13,759	5,935,548
Liabilities						
Deposits	(2,292,696)	(285,492)	(181,253)	-	-	(2,759,441)
Securities sold under repurchase agreements	(11,535)	-	(28,232)	-	-	(39,767)
Borrowings and debt	(2,827,219)	(142,799)	(78,572)	(409,541)	(60,315)	(3,518,446)
Total liabilities	(5,131,450)	(428,291)	(288,057)	(409,541)	(60,315)	(6,317,654)
Net effect of derivative financial instruments held for interest risk management	(139,362)	58,748	(159,500)	160,037	57,188	(22,889)
Total interest rate sensitivity	**(1,205,420)**	**892,824**	**(95,500)**	**(7,530)**	**10,632**	**(404,995)**

Description	December 31, 2017					
	Up to 3 months	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Assets						
Securities and other financial assets	706	281	7,056	77,821	-	85,864
Loans	4,067,639	952,542	301,334	173,550	10,593	5,505,658
Total assets	4,068,345	952,823	308,390	251,371	10,593	5,591,522
Liabilities						
Deposits	(2,242,220)	(305,415)	(197,060)	(102,085)	-	(2,846,780)
Borrowings and debt	(1,585,145)	(2,538)	(85,232)	(482,814)	(55,838)	(2,211,567)
Total liabilities	(3,827,365)	(307,953)	(282,292)	(584,899)	(55,838)	(5,058,347)
Net effect of derivative financial instruments held for interest risk management	(114,739)	(134,540)	(193,623)	344,683	60,050	(38,169)
Total interest rate sensitivity	**126,241**	**510,330**	**(167,525)**	**11,155**	**14,805**	**495,006**

32. Risk management (continued)

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.

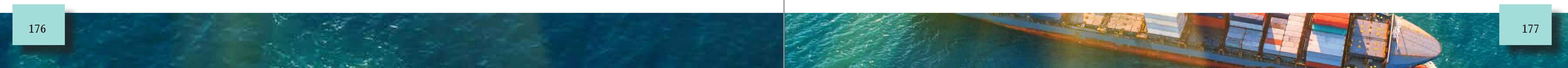
Most of the Bank's assets and most of its liabilities are denominated in US dollars and, hence, the Bank does not incur in a significant currency exchange risk. The currency exchange rate risk is mitigated by using derivatives, which, although perfectly hedged economically, may generate a certain accounting volatility.

For the rest of the net currency position, the Bank uses economic hedges as a strategy for managing risk for its different currencies and does not foresee a significant risk associated to the volatility that may rise.

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 at fair value.

	(In US dollar thousands)						
	Brazilian Real	**European Euro**	**Japanese Yen**	**Colombian Peso**	**Mexican Peso**	**Other currencies [(1)]**	**Total**
Exchange rate	3.87	1.14	109.98	3,253.00	19.66	-	-
Assets							
Cash and cash equivalents	291	16	1	62	505	44	919
Loans	-	-	-	-	173,953	-	173,953
Total assets	**291**	**16**	**1**	**62**	**174,458**	**44**	**174,872**
Liabilities							
Borrowings and debt	-	-	-	-	(173,577)	-	(173,577)
Total liabilities	**-**	**-**	**-**	**-**	**(173,577)**	**-**	**(173,577)**
Net currency position	**291**	**16**	**1**	**62**	**881**	**44**	**1,295**

[(1)] It includes other currencies such as: Argentine pesos, Australian dollar, Swiss franc, Sterling pound, Peruvian soles and Renminbi.



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

32. Risk management (continued)

Market risk (continued)

Currency risk (continued)

	December 31, 2017 (In US dollar thousands)						
	Brazilian Real	European Euro	Japanese Yen	Colombian Peso	Mexican Peso	Other currencies (1)	Total
Exchange rate	3.31	1.20	112.66	2,985.78	19.67	-	-
Assets							
Cash and cash equivalents	87	2	4	91	369	75	628
Securities and other financial assets	168	-	-	-	-	-	168
Loans	-	-	-	-	143,182	-	143,182
Total assets	**255**	**2**	**4**	**91**	**143,551**	**75**	**143,978**
Liabilities							
Borrowings and debt	-	-	-	-	(143,661)	-	(143,661)
Total liabilities	**-**	**-**	**-**	**-**	**(143,661)**	**-**	**(143,661)**
Net currency position	**255**	**2**	**4**	**91**	**(110)**	**75**	**317**

(1) It includes other currencies such as: Argentine pesos, Australian dollar, Swiss franc, Sterling pound, Peruvian soles and Renminbi.

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. The Bank, 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, consolidated financial position, financial performance 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 training and assessment processes, as well as the use of internal audit.

33. Applicable laws and regulations

Liquidity index

The Rule No. 2-2018 issued by the Superintendence of Banks of Panama (SBP) establishes that every general license or international license bank must guarantee, with a higher level of confidence, that it is in the position to face its intraday liquidity obligations in a period when liquidity pressure may affect the lending market. For that purpose, the Superintendence of Banks of Panama has established a short-term liquidity coverage ratio known as "Liquidy Coverage Ratio or LCR". This ratio is measured through the quotient of two amounts, the first one corresponds to the high-quality liquid assets and the second one corresponds to the net cash outflows in 30 days.

As of December 31, 2018, the minimum LCR to be reported to the SBP was 25%. The Bank´s LCR as of December 31, 2018 was 238%.

The Rule No. 4-2008 issued by the Superintendence of Banks of Panama (SBP) establishes that every general license or international license bank must maintain, always, a minimum balance of liquid assets equivalent to 30% of the gross total of its deposits in the Republic of Panama or overseas up to 186 days, counted from the reporting date. The formula is based on the following parameters:

$$\frac{\text{Liquid assets}}{\text{Liabilities (Deposits Received)}} \times 100 = X\% \text{ (Liquidity ratio)}$$

As of December 31, 2018, and December 31, 2017, the percentage of the liquidity index reported by the Bank to the regulator was 124.39% and 88.78%, respectively.

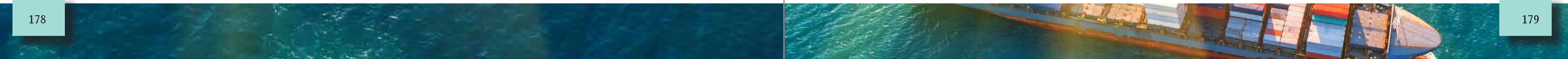
Capital adequacy

The Banking Law in the Republic of Panama and the Rules No. 01-2015 and 03-2016 require that the general license banks maintain a total capital adequacy index that shall not be lower, at any time, than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risks; and ordinary primary capital that shall not be less than 4.5% of its assets and off-balance sheet transactions that represent an irrevocable contingency, weighted based on their risks; and a primary capital that shall not be less than 6% of its assets and off-balance sheet transactions that represent an irrevocable contingency, weighted based on their risks.

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with capital requirements imposed by local regulator and maintains strong credit ratings and healthy capital ratios to support its business and to maximize shareholder value.

The Bank manages its capital structure and adjusts it according to changes in economic conditions and the risk characteristics of its activities. 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, 2018	December 31, 2017
Tier 1 capital	995,743	1,048,304
Risk weighted assets	5,830,875	5,601,518
Tier 1 capital ratio	17.08%	18.71%



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

33. Applicable laws and regulations (continued)

Leverage Coefficient

Article 17 of the Rule No. 1-2015 establishes the leverage coefficient of a regulated entity by means of the quotient between the ordinary primary capital and the total exposure for unweighted assets inside and outside the statement of financial position established by the Superintendence of Banks of Panama (SBP). For the determination of the exposure of off-balance-sheet operations, the criteria established for credit and counterparty credit risk positions will be used. The exposure of the derivatives will be the fair value at which it is recorded in the entity's assets.

The leverage ratio cannot be lower, at any time, than 3%. The Bank will inform to SBP as often as the compliance with the leverage ratio is determined.

	December 31, 2018	December 31, 2017
Ordinary capital	859,725	939,548
Risk weighted assets	7,779,919	6,478,314
Leverage coefficient	11.05%	14.50%

Specific credit provisions

Rule No. 4-2013, modified by Rule No. 8-2014, states that the specific provisions are originated from the objective and concrete evidence of impairment. These provisions must be established for credit facilities classified according to the risk categories denominated as: special mention, substandard, doubtful, or unrecoverable, both for individual credit facilities as for a group of such facilities. In the case of a group, it corresponds to circumstances that indicate the existence of deterioration in credit quality, although individual identification is still not possible.

Banks must calculate and maintain at all times the amount of the specific provisions determined by the methodology specified in this Rule, which takes into account the balance owed of each credit facility classified in any of the categories subject to provision, mentioned in the paragraph above; the present value of each guarantee available in order to mitigate risk, as established by type of collateral; and a weighting table that applies to the net exposure balance subject to loss of such credit facilities.

Article 34 of this Rule establishes that all credits must be classified in the following five (5) categories, according to their default risk and loan conditions, and establishes a minimum reserve for each classification: normal 0%, special mention 2%, substandard 15%, doubtful 50%, and unrecoverable 100%.

If there is an excess in the specific provision, calculated in accordance with this Rule, compared to the provision calculated in accordance with IFRS, this excess will be accounted for as a regulatory credit reserve in equity and will increase or decrease with appropriations from/to retained earnings. The balance of the regulatory credit reserve will not be considered as capital funds for calculating certain ratios or prudential indicators mentioned in the Rule.

33. Applicable laws and regulations (continued)

Specific credit provisions (continued)

Based on the classification of risks, collateral and in compliance with SBP Rule No. 4-2013, the Bank classified the loan portfolio as follows:

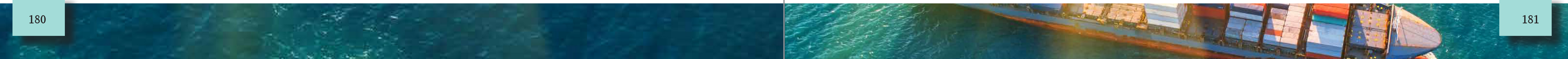
	December 31, 2018					
Loans	**Normal**	**Special Mention**	**Substandard**	**Doubtful**	**Unrecoverable**	**Total**
Corporations	2,630,932	-	-	64,701	-	2,695,633
Banks:						
Private	2,458,691	-	-	-	-	2,458,691
State-owned	624,100	-	-	-	-	624,100
	3,082,791	-	-	-	-	3,082,791
Total	**5,713,723**	**-**	**-**	**64,701**	**-**	**5,778,424**
Loans provision:						
Specific	-	-	-	48,383	-	48,383
Total	**-**	**-**	**-**	**48,383**	**-**	**48,383**

	December 31, 2017					
Loans	**Normal**	**Special Mention**	**Substandard**	**Doubtful**	**Unrecoverable**	**Total**
Corporations	3,050,900	-	23,759	-	35,000	3,109,659
Banks:						
Private	1,822,350	-	-	-	-	1,822,350
State-owned	573,649	-	-	-	-	573,649
	2,395,999	-	-	-	-	2,395,999
Total	**5,446,899**	**-**	**23,759**	**-**	**35,000**	**5,505,658**
Loans provision:						
Specific	-	-	7,238	-	17,500	24,738
Total	**-**	**-**	**7,238**	**-**	**17,500**	**24,738**

As of December 31, 2018, and December 31, 2017, the total restructured loans amounted to $9.0 million and $32.9 million, respectively.

For statutory purposes only, non-accruing loans are presented by category as follows:

	December 31, 2018					
Non-accruing loans	**Normal**	**Special Mention**	**Substandard**	**Doubtful**	**Unrecoverable**	**Total**
Impaired loans	-	-	-	64,701	-	64,701
Total	**-**	**-**	**-**	**64,701**	**-**	**64,701**



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

33. Applicable laws and regulations (continued)

Non-accruing loans	December 31, 2017 Normal	Special Mention	Substandard	Doubtful	Unrecoverable	Total
Impaired loans	-	-	23,759	-	35,000	58,759
Total	**-**	**-**	**23,759**	**-**	**35,000**	**58,759**

	December 31, 2018	December 31, 2017
Non-accruing loans:		
Private corporations	64,701	58,759
Total non-accruing loans	**64,701**	**58,759**
Interest that would be reversed if the loans had been classified as non-accruing loans	1,056	3,257
Income from collected interest on non-accruing loans	2,879	551

Credit risk coverage - dynamic provision

The Superintendence of Banks of Panama by means of Rule No. 4-2013, establishes the compulsory constitution of a dynamic provision in addition to the specific credit provision as part of the total provisions for the credit risk coverage.

The dynamic provision is an equity item associated to the regulatory capital, but does not replace or offset the capital adequacy requirements established by the Superintendence of Banks of Panama.

Methodology for the constitution of the regulatory credit reserve

The Superintendence of Banks of Panama by means of the General Resolution of Board of Directors SBP-GJD-0003-2013 of July 9, 2013, establishes the accounting methodology for differences that arise between the application of the International Financial Reporting Standards (IFRS) and the application of prudential regulations issued by the SBP; as well as the additional disclosures required to be included in the notes to the consolidated financial statements.

The parameters established in this methodology are the following:

1. The calculations of accounting balances in accordance with IFRS and the prudential standards issued by the Superintendence of Banks of Panama will be carried out and the respective figures will be compared.

2. When the calculation made in accordance with IFRS results in a greater reserve or provision for the bank compared to the one resulting from the use of the prudential standards issued by the SBP, the Bank will account the IFRS figures.

3. When the impact of the use of prudential standards results in a greater reserve or provision for the Bank, the effect of the application of IFRS will be recognized in profit or loss, and the difference between IFRS calculation compared to the prudential standards calculation will be appropriated from retained earnings as a regulatory credit reserve. If the bank does not have sufficient retained earnings, the difference will be presented as an accumulated deficit account.

4. The regulatory credit reserve mentioned in paragraph 3 of this Rule may not be reversed against the retained earnings as long as there are differences between IFRS and the originated prudential regulations.

33. Applicable laws and regulations (continued)

Methodology for the constitution of the regulatory credit reserve (continued)

Considering that the Bank presents its consolidated financial statements under IFRS, specifically for its expected credit reserves under IFRS 9, the line "Regulatory credit reserve" established by the Superintendence of Banks of Panama has been used to present the difference between the application of the accounting standard used and the prudential regulations of the Superintendence of Banks of Panama to comply with the requirements of Rule No. 4-2013.

As of December 31, 2018, and December 31, 2017, the total amount of the dynamic provision and the regulatory credit reserve calculated according to the guidelines of Rule No. 4-2013 of the Superintendence of Banks of Panama is $136.0 million and $129.2 million, respectively, appropriated from retained earnings for purposes of compliance with local regulatory requirements. This appropriation is restricted from dividend distribution in order to comply with local regulations. The provision and reserve are detailed as follows:

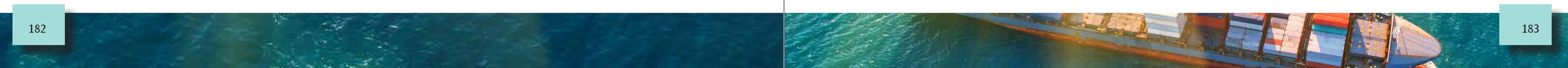
	December 31, 2018	December 31, 2017
Dynamic provision	136,019	108,756
Regulatory credit reserve	-	20,498
	136,019	**129,254**

Capital reserve

In addition to capital reserves required by regulations, the Bank maintains a capital reserve of $95.2 million, which was voluntarily established. Pursuant to Article No. 69 of the Banking Law, reduction of capital reserves requires prior approval of SBP.

34. Subsequent Events

Bladex announced a quarterly cash dividend of $0.385 US dollar cents per share corresponding to the fourth quarter of 2018. The cash dividend was approved by the Board of Directors at its meeting held on February 19, 2019 and it is payable on March 26, 2019 to the Bank's stockholders as of March 11, 2019 record date.



Torre V, Business Park
Ave. La Rotonda, Urb. Costa del Este
P.O. Box 0819-08730
Panama, Republic of Panama
Tel:(507) 210-8500