



A STRATEGIC
LATIN AMERICAN
FOREIGN TRADE
PARTNER

CONSOLIDATED
FINANCIAL
STATEMENTS
2015





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

Consolidated Financial Statements
as of December 31, 2015 and 2014, and January 1, 2014

With the Independent Auditors Report

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

Consolidated Financial Statements
as of December 31, 2015 and 2014, and January 1, 2014

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INDEPENDENT AUDITOR'S REPORT

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

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We have audited the accompanying consolidated financial statements of Banco Latinoamericano de Comercio Exterior, S.A. and its subsidiaries (the "Bank"), which comprise the consolidated statements of financial position as of December 31, 2015, December 31, 2014 and January 1, 2014, the consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for each of the two years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Banco Latinoamericano de Comercio Exterior, S.A. and its subsidiaries as of December 31, 2015, December 31, 2014 and January 1, 2014, and their financial performance and cash flows for each of the two years in the period ended December 31, 2015 in accordance with International Financial Reporting Standards.

Other Matter

As disclosed in Note 2, these consolidated financial statements for the year ended December 31, 2015 are the first the Bank has prepared in accordance with International Financial Reporting Standards. Our opinion is not modified by this matter.

DELOITTE.

March 11, 2016
Panama, Rep. of Panama

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

Consolidated statements of financial position

Years ended December 31, 2015, 2014 and January 1, 2014

(In US\$ thousand, except per share amounts)

	Notes	December 31 2015	December 31 2014	January 1 2014
Assets				
Cash and cash equivalents	4,17	1,299,966	780,515	839,718
Financial Instruments:	5,17			
At fair value through profit or loss	5,2	53,411	57,574	68,762
At fair value through OCI	5,3,17	141,803	338,973	334,368
Securities at amortized cost, net	5,4,17	108,215	54,738	33,570
Loans at amortized cost	5,6	6,691,749	6,686,244	6,148,298
Allowance for expected credit losses	5,6	89,974	77,687	70,876
Unearned interest & deferred fees		9,304	8,509	6,668
Loans at amortized cost, net		6,592,471	6,600,048	6,070,754
At fair value - Derivative financial instruments used for hedging – receivable	5,8,5,9,17	7,400	12,324	15,217
Property and equipment, net	6	6,173	6,961	8,432
Intangibles, net	7	427	1,024	1,890
Other assets:				
Customers' liabilities under acceptances	17	15,100	114,018	1,128
Accrued interest receivable	17	45,456	48,177	40,778
Other assets	8	15,794	8,056	3,491
Total of other assets		76,350	170,251	45,397
Total assets		8,286,216	8,022,408	7,418,108
Liabilities and stockholders' equity				
Deposits:	9,17			
Noninterest-bearing - Demand		639	394	663
Interest-bearing - Demand		243,200	83,781	62,384
Time		2,551,630	2,422,519	2,298,289
Total deposits		2,795,469	2,506,694	2,361,336
At fair value – Derivative financial instruments used for hedging – payable	5,8,5,9,17	29,889	40,287	8,572
Financial liabilities at fair value through profit or loss	5,1,5,9,17	89	52	72
Securities sold under repurchase agreement	4,5,3,5,9,10,17	114,084	300,519	286,162
Short-term borrowings and debt	11,17	2,430,357	2,692,537	2,705,365
Long-term borrowings and debt, net	11,17	1,881,813	1,399,656	1,148,684
Other liabilities:				
Acceptances outstanding	17	15,100	114,018	1,128
Accrued interest payable	17	17,716	14,855	13,786
Allowance for expected credit losses on off-balance sheet credit risk	5,7	5,424	9,873	6,054
Other liabilities	12	24,344	32,878	27,947
Total other liabilities		62,584	171,624	48,915
Total liabilities		7,314,285	7,111,369	6,559,106
Commitments and contingencies	5,7,17,24,25			-
Stockholders' equity:				
Common stock	13,14,15,18	279,980	279,980	279,980
Treasury stock		(73,397)	(77,627)	(82,008)
Additional paid-in capital in excess of assigned value of common stock		120,177	119,644	120,624
Capital reserves		95,210	95,210	95,210
Retained earnings		560,642	501,669	454,896
Accumulated other comprehensive loss	5,3,5,8,18	(10,681)	(7,837)	(9,700)
Total stockholders' equity		971,931	911,039	859,002
Total liabilities and stockholders' equity		8,286,216	8,022,408	7,418,108

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

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

Consolidated statements of profit or loss

Years ended December 31, 2015 and 2014

(In US\$ thousand, except per share amounts)

	Notes	2015	2014
Interest income from financial instruments	5.8		
Deposits		2,050	1,545
At fair value through OCI		6,033	8,115
At amortized cost		212,229	203,238
Total interest income		220,312	212,898
Interest expense:	5.8		
Deposits		11,788	11,245
Short-term borrowings and debt		23,005	23,893
Long-term borrowings and debt		40,040	36,424
Total interest expense		74,833	71,562
Net interest income		145,479	141,336
Other income			
Fees and commissions, net		19,200	17,502
Derivate financial instruments and foreign currency exchange	5.8	(23)	208
Gain per financial instrument at fair value through profit or loss	21	5,731	2,361
Gain per financial instrument at fair value through OCI		363	1,871
Gain on sale of loans at amortized cost		1,505	2,546
Other income, net		1,603	1,786
Net other income		28,379	26,274
Total income		173,858	167,610
Expenses			
Impairment loss from expected credit losses on loans at amortized cost	5.6	17,248	6,782
Impairment loss from expected credit losses on investment securities	5.3,5.4	5,290	1,030
Impairment (gain) loss from expected credit losses on off-balance sheet financial instruments	5.7	(4,448)	3,819
Salaries and other employee expenses	22	30,435	31,566
Depreciation of equipment and leasehold improvements		1,371	1,545
Amortization of intangible assets		596	942
Professional services		4,621	5,177
Maintenance and repairs		1,635	1,544
Other expenses	23	13,126	12,839
Profit for the year		103,984	102,366
Earnings per share:			
Basic	13	2.67	2.65
Diluted	13	2.66	2.63
Weighted average basic shares	13	38,925	38,693
Weighted average diluted shares	13	39,113	38,882

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

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

Consolidated statements of profit or loss and other comprehensive income

Years ended December 31, 2015 and 2014

(In US\$ thousand)

	Notes	2015	2014
Profit for the year		103,984	102,366
Other comprehensive income (loss):			
Items that are or may be reclassified to profit or loss:			
Net change in unrealized losses on financial instruments at fair value through OCI	18	(2,114)	2,212
Net change in unrealized losses on derivative financial instruments	18	(730)	(349)
Other comprehensive income (loss)	18	(2,844)	1,863
Total comprehensive income for the year		101,140	104,229

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

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

Consolidated statements of changes in equity

Years ended December 31, 2015, 2014 and January 1, 2014

(In US\$ thousand, except per share amounts)

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

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

Consolidated statements of cash flows

For the years ended on December 31, 2015 and 2014

(Expressed in thousands of US dollars)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Profit for the year	\$ 103,984	\$ 102,366
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Activities of derivative financial instruments and hedging	(2,279)	33,338
Depreciation of equipment and leasehold improvements	1,371	1,545
Amortization of intangible assets	596	942
Impairment loss from expected credit losses	18,090	11,638
Net gain on sale of financial assets at fair value through OCI	(363)	(1,871)
Compensation cost - share-based payment	3,296	2,573
Interest income	(220,312)	(212,898)
Interest expense	74,833	71,562
Net decrease (increase) in operating assets:		
Net decrease (increase) in pledged deposits	6,546	(30,178)
Financial instruments at fair value through profit or loss	2,545	11,738
Net increase in loans at amortized cost	(7,410)	(536,075)
Other assets	(7,738)	(5,191)
Net increase (decrease) in operating liabilities:		
Net increase due to depositors	288,775	145,358
Financial liabilities at fair value through profit or loss	37	(20)
Other liabilities	6,398	3,646
Cash provided by operating activities		
Interest received	223,033	205,519
Interest paid	<u>(71,972)</u>	<u>(70,530)</u>
Net cash provided by (used in) operating activities	<u>419,430</u>	<u>(266,538)</u>
Cash flows from investing activities:		
Acquisition of equipment and leasehold improvements	(615)	(87)
Acquisition of intangible assets	-	(83)
Proceeds from disposal of equipment and leasehold improvements	32	13
Proceeds from disposal of intangible assets	1	7
Proceeds from the redemption of financial instruments at fair value through OCI	151,131	62,535
Proceeds from the sale of financial instruments at fair value through OCI	118,210	223,219
Proceeds from maturities of financial instruments at amortized cost	44,923	19,883
Purchases of financial instruments at fair value through OCI	(86,629)	(287,770)
Purchases of financial instruments at fair value at amortized cost	<u>(96,920)</u>	<u>(40,305)</u>
Net cash provided by (used in) investing activities	<u>130,133</u>	<u>(22,588)</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings and debt and securities sold under repurchase agreements	(448,615)	1,529
Proceeds from long-term borrowings and debt	946,084	641,138
Repayments of long-term borrowings and debt	(462,559)	(389,490)
Dividends paid	(59,943)	(54,262)
Exercised stock options	1,467	1,469
Repurchase of common stock	<u>-</u>	<u>(640)</u>
Net cash (used in) provided by financing activities	<u>(23,566)</u>	<u>199,744</u>
Effect of exchange rate fluctuations on cash and cash equivalents	-	1
Net increase (decrease) in cash and cash equivalents	525,997	(89,381)
Cash and cash equivalents at beginning of the year	741,305	830,686
Cash and cash equivalents at end of the year	<u>\$ 1,267,302</u>	<u>\$ 741,305</u>

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

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

(Amounts expressed in thousands of U.S. dollars)

1. Corporate information

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

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

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

Bladex Head Office’s subsidiaries are the following:

- Bladex Holdings Inc. a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Bladex Holdings Inc. has ownership in two subsidiaries: Bladex Representacao Ltda. and Bladex Investimentos Ltda.
- Bladex Representação Ltda., incorporated under the laws of Brazil on January 7, 2000, acts as the Bank’s representative office in Brazil. Bladex Representacao Ltda. is 99.999% owned by Bladex Head Office and the remaining 0.001% owned by Bladex Holdings Inc.
- Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owns 99% of Bladex Investimentos Ltda., and Bladex Holdings Inc. owns the remaining 1%. This company has invested substantially all of its assets in an investment fund incorporated in Brazil (“the Brazilian Fund”), registered with the Brazilian Securities Commission (“CVM”, for its acronym in Portuguese). The Brazilian Fund is a non-consolidated variable interest entity.
- Bladex Development Corp. was incorporated under the laws of Panama on June 5, 2014. Bladex Development Corp. is 100% owned by Bladex Head Office.
- BLX Soluciones, S.A. de C.V., SOFOM, E.N.R. was incorporated under the laws of Mexico on June 13, 2014. BLX Soluciones is 99.9% owned by Bladex Head Office, and Bladex Development Corp. owns the remaining 0.1%. The company specializes in offering financial leasing and other financial products such as loans and factoring.

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

(Amounts expressed in thousands of U.S. dollars)

1. Corporate information (continued)

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

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

The consolidated financial statements have been authorized for issue by resolution of the Board of Directors dated February 16, 2016.

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”) issued by the International Accounting Standards Board (“IASB”).

2.2 Basis of valuation and presentation currency

These consolidated financial statements for the year ended December 31, 2015 are the first the Bank has prepared in accordance with IFRS, and IFRS 1 – First Time Adoption of International Financial Reporting Standards (“IFRS”) has been applied. In prior years, the Bank prepared its financial statements in accordance with United States Generally Accepted Accounting Principles (US-GAAP). Refer to Note 27 for information on how the Bank adopted IFRS.

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

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

Financial assets and liabilities are offset and the net amount are reported in the consolidated statement of financial position only when there is a legally enforceable 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. Income and expenses are not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.3 Reclassification

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation. These reclassifications had no effect on the previously reported changes in net assets or equity.

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

(Amounts expressed in thousands of U.S. dollars)

2. Basis of preparation of the consolidated financial statements

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. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if, and only if, the Bank has:

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

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

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

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Bank are eliminated in full on consolidation.

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

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

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

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

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies

The following are the significant accounting policies applied consistently by the Bank to all years presented in these consolidated financial statements and in the preparation of opening balances under IFRS consolidated statement of financial position as of January 1, 2014, for purposes of the transition to IFRS.

3.1 Currency and foreign currency transactions

3.1.1 Foreign currency transactions

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

3.1.2 Transactions and balances

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

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

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

3.2 Cash and cash equivalents

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

3.3 Financial instruments

3.3.1 Date of recognition

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

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.2 Initial measurement of financial instruments

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

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

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

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

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

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

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

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

3.3.5 Financial assets at amortized cost

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

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

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3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.6 Derecognition of financial assets and financial liabilities

Financial assets

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

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

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

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 the consolidated statements of profit or loss.

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3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.6 Derecognition of financial assets and financial liabilities (continued)

Impairment of financial assets - securities

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

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

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

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3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.6 Derecognition of financial assets and financial liabilities (continued)

Impairment of financial assets – securities (continued)

The fact that the security is no longer publicly traded or the downgrade of an entity's credit rating is not, by itself, evidence of impairment, but should be considered for impairment together with other information. A decline in the fair value of a debt instrument 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.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset. For other non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank makes an estimate of the recoverable amount. In that case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies (continued)

3.4 Loans - at amortized cost

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

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

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

The Bank identifies loans as delinquent when no debt service and/or interest payment has been received for 30 days after such payments were due. The outstanding balance of a loan is considered past due when the total principal balance with one single balloon payment has not been received within 30 days after such payment was due, or when no agreed-upon periodical payment has been received for a period of 90 days after the agreed-upon date.

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.

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

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

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

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3. Summary of significant accounting policies (continued)

3.4 Loans - at amortized cost (continued)

- Make the appropriate quantitative and qualitative disclosures required for renegotiated or modified assets to reflect the nature and effect of such modifications (including the effect on the measurement of expected credit losses) and how the Bank monitors these loans that have been modified.

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

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

A description of these indicators is as follows:

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

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

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies (continued)

3.4 Loans - at amortized cost (continued)

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

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

3.5 Allowance for expected credit losses

The allowance for expected credit losses is provided for losses derived from the credit extension process, inherent in the loan portfolio and off-balance sheet financial instruments, using the reserve methodology to determine expected credit losses. Additions to the allowance for expected credit losses are made by debiting earnings. Credit losses are deducted from the allowance, and subsequent recoveries are added. The allowance is also decreased by reversals of the allowance back to earnings. The allowance attributable to loans is reported as a deduction of loans and the allowance for off-balance sheet credit risk, such as, letters of credit and guarantees, is reported as a liability.

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

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

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

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3. Summary of significant accounting policies (continued)

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

The statistical calculation is a product of internal risk classifications, probabilities of default and loss given default. The probability of default is supported by Bladex's historical portfolio performance, complemented by probabilities of default provided by external sources, in view of the greater robustness of this external data for some cases. The loss given default is based on Bladex's historical losses experience and best practices.

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

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

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

For loan commitments, the Bank considers changes in the risk of a default occurring on the 'potential' loan to which a loan commitment relates, and for financial guarantee contracts, changes in the risk that the specified debtor will default are taken into consideration.

In order to determine whether there has been a significant increase in the credit risk of the financial instrument, the assessment is based on quantitative information and qualitative information. The Bank considers the following factors though not exhaustive, when measuring significant increase in credit risk:

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

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3. Summary of significant accounting policies (continued)

3.5 Allowance for expected credit losses (continued)

The reserve balances, for both on and off-balance sheet credit exposures, are calculated applying the following formula:

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

- Exposure (E) = the total accounting balance (on and off-balance sheet) at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio to account for 12-month expected credit losses and lifetime probability of default to account for more than 12-month. Default rates are based on Bladex's historical portfolio performance per rating category, complemented by International Rating Agency's probabilities of default for categories 6, 7 and 8, in view of the greater robustness of data for such cases.
- Loss Given Default (LGD) = a factor is utilized, based on historical information, same as based on best practices in the banking industry. Management applies judgment and historical loss experience. Management also apply 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 off-balance sheet financial instruments of the Bank.

When the Bank has no reasonable expectations of recovering the loan, then the gross carrying amount of the loan is directly reduced in its entirety; thus, constituting a derecognition event. If the amount of loss on write-off is greater than the accumulated loss allowance, the differences will be recognized as an additional impairment loss.

3.6 Derivative financial instruments and hedge accounting

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

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

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

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

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3. Summary of significant accounting policies (continued)

3.6 Derivative financial instruments and hedge accounting (continued)

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

Economic relationship

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

Hedge ratio

The hedge ratio is the ratio between the amount of hedged item and the amount of the hedging instrument. For most of the hedging relationships, the hedge ratio is 1:1 as the underlying of the hedging instrument perfectly matches the designated hedged risk. For a hedging relationship with a correlation between the hedged item and the hedging instrument that is not 1:1 relationship, the Treasury front office will 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. The Bank otherwise determines 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.

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies (continued)

3.6 Derivative financial instruments and hedge accounting (continued)

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized in the consolidated statement of profit or loss together with changes in the fair value of the hedge item that are attributable to the hedged risk. If the hedge relationship is terminated, then the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and it is amortized to earnings as a yield adjustment.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of variability in cash flows attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in OCI and presented in the hedging reserve within equity and recognized in the consolidated statement of profit or loss when the hedged cash flows affect earnings. The ineffective portion is recognized in the consolidated statement of profit or loss as activities of derivative financial instruments and hedging. If the cash flow hedge relationship is terminated, related amounts in OCI are reclassified into earnings when hedged cash flows occur.

Net investment hedges

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

3.7 Repurchase agreements

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

3.8 Borrowings and debt

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

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies (continued)

3.9 Recognition of income and expenses

Fee and commission income

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

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

Net trading income

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

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.

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3. Summary of significant accounting policies (continued)

3.9 Recognition of income and expenses (continued)

Fees and commissions on loans at amortized cost (continued)

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

3.10 Property and equipment

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

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

Useful life in Years

Furniture and equipment	3 to 5 years
Leasehold improvements	3 to 15 years or up to the lease term

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

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

3.11 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.

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3. Summary of significant accounting policies (continued)

3.11 Intangible assets (continued)

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

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

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

3.13 Leasing at amortized cost

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

Banks as a lessee

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

Bank as a sub-lessor

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

3.14 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 the consolidated statement of profit or loss, net of any reimbursement.

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3. Summary of significant accounting policies (continued)

3.15 Capital reserves

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

3.16 Share-based payment transactions

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

3.17 Income taxes

Current income tax

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

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract law signed between the Republic of Panama and Bladex.
- The Feeder and the Master are not subject to income taxes in accordance with the laws of the Cayman Islands. These companies received an undertaking exempting them from taxation of all future profits until March 7, 2026.
- Bladex Representacao Ltda. and Bladex Investimentos Ltda., are subject to income taxes in Brazil.
- Bladex Development Corp. is subject to income taxes in Panama.
- BLX Soluciones, S.A. de C.V., SOFOM, is subject to income taxes in Mexico.
- The New York Agency and Bladex's subsidiaries 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.

The amount of current income taxes has been immaterial to-date.

Deferred tax

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

The amount of deferred income taxes has been immaterial to-date.

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies (continued)

3.18 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 net earnings per share. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except for the denominator, which is increased to include the number of additional common shares that would have been issued if the beneficiaries of stock purchase options and other stock plans could exercise their options. The number of potential common shares that would be issued is determined using the treasury stock method.

3.19 Treasury shares and contracts on own shares

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

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

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

3.21 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowances for expected credit losses, impairment of securities, and the fair value of financial instruments. Actual results could differ from those estimates. Management believes these estimates are adequate.

Judgments

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

Reserve for expected credit losses

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

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies (continued)

3.21 Judgments, estimates and significant accounting assumptions (continued)

Fair value measurement

When the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 17.

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 financial statements continue to be prepared on a going concern basis.

Impairment losses on loans and advances at amortized cost

The Bank reviews its individually significant loans and advances at amortized cost at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances at amortized cost that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

(Amounts expressed in thousands of U.S. dollars)

3. Summary of significant accounting policies (continued)

3.21 Judgments, estimates and significant accounting assumptions (continued)

Impairment of investments measured at fair value through OCI

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

Early adoption of accounting policies

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together the three aspects of accounting financial instruments project: Classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual years beginning on or after January 1, 2018, with early application permitted.

These financial statements reflect the Bank's decision to early-adopt IFRS 9. The Bank conducted an impact assessment of the three aspects of IFRS 9. Overall, the Bank has not determined any significant impact on its consolidated statement of financial position as a result of early adoption of IFRS 9.

(a) Classification and measurement

The Bank did not observed any significant impact on its consolidated statement of financial position or consolidated statement of changes in equity in the application of the classification and measurement requirements of IFRS 9. The Bank continues with the measurement of all financial assets at fair value. Investments in securities held both for collecting contractual cash flows and selling financial assets continue to be measured at fair value through OCI. For investments in foreign exchange, the effect of the foreign exchange is recorded in the consolidated statement of profit or loss.

Loans and trade receivables generate contractual cash flows expected to represent only payments of principal and interest. Therefore, these instruments are recorded at amortized cost under IFRS 9. The Bank analyzed the characteristics of contractual cash flow of these instruments in detail before concluding whether all these instruments meet the criteria for measurement at amortized cost under IFRS 9.

(b) Impairment

IFRS 9 requires the Bank's expected credit losses to be recorded in all of its financial instruments, either on the basis of 12 months or for the life of the asset. The Bank applied the three-stage model of ECLs on all financial instruments. The Bank assessed the impact of its current model and the model required by IFRS 9, and determined no significant impact, mainly due to the nature of its business, which focuses on predominantly short-term credit exposures.

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3. Summary of significant accounting policies (continued)

3.21 Judgments, estimates and significant accounting assumptions (continued)

Early adoption of accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(c) Hedge accounting

All existing hedging relationships that are currently designated in effective hedging relationships qualify for hedge accounting under IFRS 9. Bank did not determine any significant impact as a result of the application of IFRS 9.

3.22 Future changes in applicable accounting policies

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Bank plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Bank performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Bank is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

IFRS 16 Leases

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

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

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4. Cash and cash equivalents

	December 31 2015	December 31 2014	January 1 2014
Cash and due from banks	2,601	4,985	2,161
Interest-bearing deposits in banks	1,297,365	775,530	837,557
Total	1,299,966	780,515	839,718
Less:			
Pledged deposits	32,664	39,210	9,032
Total cash and cash equivalents	1,267,302	741,305	830,686

Interest-bearing deposits in banks

Demand deposits

As of December 31, 2015 and 2014, and January 1, 2014, cash in banks balances correspond to bank deposits, bearing interest based on the daily rates determined by banks for between 0.01% and 0.27%; 0.05% to 0.25% and 0.09% to 0.25%, respectively.

Time deposits

As of December 31, 2015 and 2014, and January 1, 2014, cash equivalents balances correspond to demand deposits (overnight), bearing an average interest rate of 0.20% to 0.35%; 0.13% to 0.20% and 0.08% to 0.20%, respectively.

On December 31, 2015 and 2014 and January 1, 2014 the New York Agency had a pledged deposit with a carrying value of \$3.3 million, \$3.0 million and \$3.0 million, respectively, with the New York State Banking Department, as required by law since March 1994. As of December 31, 2015 and 2014 and January 1, 2014, the Bank had pledged deposits with a carrying value of \$29.3 million, \$36.2 million and \$6.0 million, respectively, to secure derivative financial instruments transactions and repurchase agreements.

5. Financial instruments

5.1 Financial liabilities at FVTPL

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

	December 31 2015	December 31 2014	January 1 2014
Interest rate swaps	15	52	65
Forward foreign exchange	74	-	-
Cross currency swaps	-	-	7
Total	89	52	72

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5. Financial instruments (continued)

5.1 Financial liabilities at FVTPL (continued)

As of December 31, 2015 and 2014, and January 2014, information on the nominal amounts of derivative financial instruments at FVTPL is as follows:

	December 31, 2015			December 31, 2014			January 1, 2014		
	Nominal Amount	Fair Value		Nominal Amount	Fair Value		Nominal Amount	Fair Value	
		Asset	Liability		Asset	Liability		Asset	Liability
Interest rate swaps	14,000	-	15	14,000	-	52	14,000	-	65
Forward foreign exchange	1,675	-	74	-	-	-	-	-	-
Cross currency swaps	-	-	-	-	-	-	600	-	7
Total	15,675	-	89	14,000	-	52	14,600	-	72

5.2 Investment Funds at FVTPL

The Bank maintains an investment in the Alpha4X Feeder Fund (the “Feeder”) which is organized under a “Feeder-Master” structure. Under this structure, the Feeder invests all of its assets in the Master which in turn invests in various assets on behalf of its investor. The investment funds consist of the net asset value (NAV) of Bladex’s investment in the Feeder and in the Brazilian Fund.

Since January 2014, the changes of the Bank’s investment in the Feeder is recorded in the consolidated statement of profit or loss of that fund in the “Gain (loss) per financial instruments at fair value through profit and loss” line item. The Feeder is not consolidated in the Bank’s financial statements as a result of the evaluation of control as per IFRS 10 “Consolidated Financial Statements” according to which the existing rights on the fund do not give the Bank the ability to direct the relevant activities of the fund nor the ability to use its power over the investee to affect its return. At December 31, 2015 and 2014, and January 1, 2014 the Bank has a participation in that fund of 47.71%, 49.61% and 55.87%, respectively.

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

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5. Financial instruments (continued)

5.2 Investment Funds at FVTPL (continued)

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

	December 31 2015	December 31 2014	January 1 2014
Alpha4X Feeder Fund	49,585	52,472	63,170
Alpha4X Latam Fundo de Investimento Multimercado	3,826	5,102	5,592
	<u>53,411</u>	<u>57,574</u>	<u>68,762</u>

On February, May and November 2015, the Bank redeemed a total of \$8.0 million of its investment in the Fund. The Bank has a commitment to remain as an investor in these funds, with possibility of contractual redemptions, until March 31, 2016.

5.3 Securities at fair value through other comprehensive income

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

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

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5. Financial instruments (continued)

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

	December 31, 2014			
	Amortized Cost	Unrealized		Fair Value
		Gain	Loss	
Corporate debt:				
Brazil	36,575	-	848	35,727
Colombia	24,139	-	1,828	22,311
Chile	12,215	-	201	12,014
Honduras	7,325	-	33	7,292
Panama	4,701	-	56	4,645
Peru	16,911	-	129	16,782
Venezuela	20,299	34	9	20,324
	<u>122,165</u>	<u>34</u>	<u>3,104</u>	<u>119,095</u>
Sovereign debt:				
Brazil	21,899	94	444	21,549
Colombia	55,415	1	1,239	54,177
Chile	11,669	-	398	11,271
Mexico	98,430	4	1,587	96,847
Panama	17,692	10	306	17,396
Peru	9,052	2	14	9,040
Trinidad and Tobago	10,113	-	515	9,598
	<u>224,270</u>	<u>111</u>	<u>4,503</u>	<u>219,878</u>
	<u>346,435</u>	<u>145</u>	<u>7,607</u>	<u>338,973</u>

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5. Financial instruments (continued)

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

	January 1, 2014			
	Amortized Cost	Unrealized		Fair Value
		Gain	Loss	
Corporate debt:				
Brazil	41,439	11	778	40,672
Colombia	44,536	65	1,351	43,250
Chile	21,807	15	751	21,071
Honduras	9,400	-	136	9,264
Panama	7,159	-	78	7,081
Peru	29,439	42	674	28,807
Venezuela	29,871	-	1,848	28,023
	<u>183,651</u>	<u>133</u>	<u>5,616</u>	<u>178,168</u>
Sovereign debt:				
Brazil	32,751	936	645	33,042
Colombia	42,776	-	1,125	41,651
Chile	20,772	12	610	20,174
Mexico	35,730	-	2,445	33,285
Panama	12,485	71	553	12,003
Peru	11,589	-	65	11,524
Trinidad and Tobago	4,665	-	144	4,521
	<u>160,768</u>	<u>1,019</u>	<u>5,587</u>	<u>156,200</u>
	<u>344,419</u>	<u>1,152</u>	<u>11,203</u>	<u>334,368</u>

As of December 31, 2015 and 2014, and January 1, 2014 securities at fair value through OCI with a carrying value of \$87.6 million, \$307.5 million and \$296.8 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

As of December 31, 2015 and 2014 securities at fair value through OCI with a carrying value of \$56.0 million and \$18.0 million, respectively, were reclassified into securities at amortized cost as part of the overall investment portfolio management strategy. The securities transferred maintained the same business model and cash flow characteristics that meet the SPPI (sole purpose of principal and interest collection) criterion, so they can be subsequently measured at amortized cost.

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5. Financial instruments (continued)

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

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

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

	December 31, 2014					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	87,077	2,513	13,334	561	100,411	3,074
Sovereign debt	101,789	1,601	77,199	2,932	178,988	4,533
Total	188,866	4,114	90,533	3,493	279,399	7,607

	January 1, 2014					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	136,895	5,113	6,866	503	143,761	5,616
Sovereign debt	107,239	5,210	18,557	377	125,796	5,587
Total	244,134	10,323	25,423	880	269,557	11,203

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5. Financial instruments (continued)

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

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

	December 31 2015	December 31 2014
Realized gain on sale of securities	469	1,891
Realized loss on sale of securities	(106)	(20)
Net gain (loss) on sale of securities at fair value through other comprehensive income	<u>363</u>	<u>1,871</u>

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

Rating	⁽¹⁾	December 31 2015	December 31 2014	January 1 2014
1-4		133,989	338,973	236,595
5-6		6,224	-	97,773
7		1,590	-	-
8		-	-	-
9		-	-	-
10		-	-	-
Total		<u>141,803</u>	<u>338,973</u>	<u>334,368</u>

⁽¹⁾ Current ratings as of December 31, 2015 and 2014, and January 1, 2014, respectively.

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5. Financial instruments (continued)

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

The amortized cost and fair value of securities at fair value through other comprehensive income by contractual maturity as of December 31, 2015 and 2014, and January 1, 2014 are shown in the following tables:

	December 31, 2015	
	Amortized Cost	Fair Value
Due within 1 year	21,068	20,212
After 1 year but within 5 years	79,689	69,625
After 5 years but within 10 years	55,852	51,966
	<u>156,609</u>	<u>141,803</u>

	December 31, 2014	
	Amortized Cost	Fair Value
Due within 1 year	85,496	85,579
After 1 year but within 5 years	139,547	135,662
After 5 years but within 10 years	121,392	117,732
	<u>346,435</u>	<u>338,973</u>

	January 1, 2014	
	Amortized Cost	Fair Value
Due within 1 year	25,970	26,257
After 1 year but within 5 years	177,810	176,622
After 5 years but within 10 years	140,639	131,489
	<u>344,419</u>	<u>334,368</u>

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5. Financial instruments (continued)

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

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

	<u>12-month expected credit losses</u>	<u>Lifetime expected credit losses (collectively assessed)</u>	<u>Lifetime expected credit losses (individually assessed)</u>	<u>Credit- impaired financial assets (lifetime expected credit losses)</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2014	701	1,408	-	-	2,109
Transfer to lifetime expected credit losses	(5,507)	5,507	-	-	-
Transfer to credit-impaired financial assets	-	(6,737)	-	6,737	-
Transfer to 12-month expected credit losses	-	-	-	-	-
Financial assets that have been derecognized during the year	(277)	-	-	-	(277)
Changes due to financial instruments recognized as of December 31, 2014	(5,784)	(1,230)	-	6,737	(277)
New financial assets originated or purchased	5,317	-	-	-	5,317
Write-offs	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Allowance for expected credit losses as of December 31, 2015	234	178	-	6,737	7,149

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5. Financial instruments (continued)

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

	12-month expected credit losses	Lifetime expected credit losses (collectively assessed)	Lifetime expected credit losses (individually assessed)	Credit- impaired financial assets (lifetime expected credit losses)	Total
Allowance for expected credit losses as of January 1, 2014	841	325	-	-	1,166
Transfer to lifetime expected credit losses	(1,408)	1,408	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-	-
Transfer to 12-month expected credit losses	17	(17)	-	-	-
Financial assets that have been derecognized during the year	(443)	(308)	-	-	(751)
Changes due to financial instruments recognized as of January 1, 2014	(1,834)	1,083	-	-	(751)
New financial assets originated or purchased	1,694	-	-	-	1,694
Write-offs	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Allowance for expected credit losses as of December 31, 2014	701	1,408	-	-	2,109

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5. Financial instruments (continued)

5.4 Securities at amortized cost (continued)

	Amortized Cost ⁽¹⁾	January 1, 2014		Fair Value
		Unrealized		
		Gross Gain	Gross Loss	
Corporate debt:				
Costa Rica	2,000	-	-	2,000
Honduras	4,118	-	-	4,118
Panama	14,634	8	18	14,624
	<u>20,752</u>	<u>8</u>	<u>18</u>	<u>20,742</u>
Sovereign debt:				
Colombia	13,007	-	115	12,892
	<u>13,007</u>	<u>-</u>	<u>115</u>	<u>12,892</u>
	<u>33,759</u>	<u>8</u>	<u>133</u>	<u>33,364</u>

⁽¹⁾ Amounts does not include allowance for expected credit losses of US\$189

The amortized cost and fair value of securities at amortized cost by contractual maturity as of December 31, 2015 and 2014, and January 1, 2014 are shown in the following tables:

	December 31, 2015	
	Amortized Cost	Fair Value
Due within 1 year	28,454	28,474
After 1 year but within 5 years	43,236	39,206
After 5 years but within 10 years	37,051	34,253
	<u>108,741</u>	<u>101,933</u>

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5. Financial instruments (continued)

5.4 Securities at amortized cost (continued)

	December 31, 2014	
	Amortized Cost	Fair Value
Due within 1 year	34,324	34,376
After 1 year but within 5 years	20,690	18,919
	<u>55,014</u>	<u>53,295</u>

	January 1, 2014	
	Amortized Cost	Fair Value
Due within 1 year	18,701	18,709
After 1 year but within 5 years	15,058	14,925
	<u>33,759</u>	<u>33,634</u>

As of December 31, 2015 and 2014, and January 1, 2014 securities at amortized cost with a carrying value of \$56.3 million, \$13.0 million and \$13.0 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

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

Rating	^ω	December 31 2015	December 31 2014	January 1 2014
1-4		94,257	46,114	8,169
5-6		14,484	8,900	25,590
7		-	-	-
8		-	-	-
9		-	-	-
10		-	-	-
Total		<u>108,741</u>	<u>55,014</u>	<u>33,759</u>

^ω Current ratings as of December 31, 2015 and 2014, and January 1, 2014, respectively.

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5. Financial instruments (continued)

5.4 Securities at amortized cost (continued)

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

	<u>12-month expected credit losses</u>	<u>Lifetime expected credit losses (collectively assessed)</u>	<u>Lifetime expected credit losses (individually assessed)</u>	<u>Credit- impaired financial assets (lifetime expected credit losses)</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2014	276	-	-	-	276
Transfer to lifetime expected credit losses	(178)	178	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-
Financial assets that have been derecognized during the year	(207)	-	-	-	(207)
Changes due to financial instruments recognized as of December 31, 2014	(385)	178	-	-	(207)
New financial assets originated or purchased	457	-	-	-	457
Write-offs	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Allowance for expected credit losses as of December 31, 2015	348	178	-	-	526

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5. Financial instruments (continued)

5.4 Securities at amortized cost (continued)

	12-month expected credit losses	Lifetime expected credit losses (collectively assessed)	Lifetime expected credit losses (individually assessed)	Credit- impaired financial assets (lifetime expected credit losses)	Total
Allowance for expected credit losses as of January 1, 2014	189	-	-	-	189
Transfer to lifetime expected credit losses	-	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-
Financial assets that have been derecognized during the year	(128)	-	-	-	(128)
Changes due to financial instruments recognized as of January 1, 2014	(128)	-	-	-	(128)
New financial assets originated or purchased	215	-	-	-	215
Write-offs	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Allowance for expected credit losses as of December 31, 2014	276	-	-	-	276

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5. Financial instruments (continued)

5.5 Recognition and derecognition of financial assets

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

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

	<u>Assignments and Participations</u>	<u>Gains</u>
For the year ended December 31, 2015	92,438	422
For the year ended December 31, 2014	515,552	2,169

5.6 Loans – at amortized cost

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

	<u>December 31 2015</u>	<u>December 31 2014</u>	<u>January 1 2014</u>
Corporations:			
Private	3,254,792	3,120,005	2,375,178
State-owned	461,573	711,955	938,878
Banking and financial institutions:			
Private	1,974,960	1,890,605	1,785,798
State-owned	612,677	480,331	474,193
Middle-market companies:			
Private	387,747	483,348	574,107
Sovereign	-	-	144
Total	<u>6,691,749</u>	<u>6,686,244</u>	<u>6,148,298</u>

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

	<u>December 31 2015</u>	<u>December 31 2014</u>	<u>January 1 2014</u>
Banking and financial institutions	2,587,637	2,370,936	2,259,991
Industrial	1,142,385	1,325,091	936,290
Oil and petroleum derived products	828,355	1,013,324	1,170,684
Agricultural	1,140,124	1,132,330	924,251
Services	670,013	617,366	398,736
Mining	110,655	38,572	10,000
Sovereign	-	-	144
Others	212,580	188,625	448,202
Total	<u>6,691,749</u>	<u>6,686,244</u>	<u>6,148,298</u>

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

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

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

The unearned discount interest and deferred commission amounted to \$9,304, \$8,509 and \$6,668 at December 31, 2015 and 2014, and January 1, 2014, respectively

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

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

December 31, 2014							
Rating ⁽¹⁾	Corporations		Banking and financial institutions		Middle-market companies		Total
	Private	State-owned	Private	State-owned	Private	Sovereign	
	1-4	2,666,140	563,822	1,594,961	232,429	345,492	
5-6	445,939	148,133	295,644	247,902	136,947	-	1,274,565
7	4,801	-	-	-	-	-	4,801
8	-	-	-	-	909	-	909
9	-	-	-	-	-	-	-
10	3,125	-	-	-	-	-	3,125
Total	3,120,005	711,955	1,890,605	480,331	483,348	-	6,686,244

1) Current ratings as of December 31, 2015 and 2014, and January 1, 2014, respectively.

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

January 1, 2014							
Rating	Corporations		Banking and financial institutions		Middle-market companies		Total
	Private	State-owned	Private	State-owned	Private	Sovereign	
1-4	526,940	605,529	657,924	54,563	14,392	144	1,859,492
5-6	1,845,113	333,349	1,127,874	419,630	559,715		4,285,681
7	-	-	-	-	-	-	-
8	3,125	-	-	-	-	-	3,125
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
Total	2,375,178	938,878	1,785,798	474,193	574,107	144	6,148,298

1) Current ratings as of December 31, 2015 and 2014, and January 1, 2014, respectively.

The remaining loan maturities are summarized as follows:

	December 31 2015	December 31 2014	January 1 2014
Current:			
Up to 1 month	1,031,608	947,624	1,017,794
From 1 month to 3 months	1,336,901	1,502,905	1,749,348
From 3 months to 6 months	1,094,885	1,268,478	949,364
From 6 months to 1 year	1,170,114	1,067,073	774,803
From 1 year to 2 years	1,000,553	989,805	942,327
From 2 years to 5 years	967,416	870,163	711,537
More than 5 years	37,943	31,361	-
	6,639,420	6,677,409	6,145,173
Delinquent	-	4,801	-
Impaired	52,329	4,034	3,125
Total	6,691,749	6,686,244	6,148,298

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

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

Country:	December 31 2015	December 31 2014	January 1 2014
Argentina	142,437	184,882	189,828
Belgium	12,629	-	-
Bermuda	19,600	-	-
Bolivia	19,911	10,000	-
Brazil	1,605,497	1,971,776	1,708,592
Chile	195,290	157,309	490,869
Colombia	620,547	726,085	701,577
Costa Rica	341,490	320,832	410,295
Dominican Republic	384,353	243,038	190,589
Ecuador	169,164	120,010	126,001
El Salvador	68,465	115,830	123,076
France	6,000	6,000	101,006
Germany	97,000	100,000	-
Guatemala	457,700	262,733	199,873
Honduras	118,109	93,008	73,524
Jamaica	16,520	15,512	60,784
Mexico	788,893	868,045	517,278
Netherlands	-	10,455	14,867
Nicaragua	16,820	7,856	7,823
Panama	455,405	320,758	223,505
Paraguay	116,348	132,479	102,244
Peru	511,250	589,724	580,881
Singapore	11,655	-	-
Switzerland	44,650	50,000	-
Trinidad and Tobago	200,000	165,042	142,642
United States of America	53,516	55,370	28,283
Uruguay	218,500	159,500	154,761
Total	6,691,749	6,686,244	6,148,298

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

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

	<u>December 31 2015</u>	<u>December 31 2014</u>	<u>January 1 2014</u>
Fixed interest rates	3,177,147	3,322,817	3,252,331
Floating interest rates	<u>3,514,602</u>	<u>3,363,427</u>	<u>2,895,967</u>
Total	<u><u>6,691,749</u></u>	<u><u>6,686,244</u></u>	<u><u>6,148,298</u></u>

As of December 31, 2015 and 2014, and January 1, 2014, 90%, 89%, and 92% respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

An analysis of credit-impaired balances as of December 31, 2015 and 2014 is detailed as follows:

	<u>December 31, 2015</u>			<u>2015</u>	
	<u>Recorded investment</u>	<u>Unpaid principal balance</u>	<u>Related allowance Stage 3</u>	<u>Average principal loan balance</u>	<u>Interest income recognized</u>
With an allowance recorded:					
Private corporations	51,422	4,706	20,703	9,946	230
Middle-market companies	<u>907</u>	<u>907</u>	<u>448</u>	<u>7,472</u>	<u>49</u>
Total	<u><u>52,329</u></u>	<u><u>5,613</u></u>	<u><u>21,151</u></u>	<u><u>17,418</u></u>	<u><u>279</u></u>
	<u>December 31, 2014</u>			<u>2014</u>	
	<u>Recorded investment</u>	<u>Unpaid principal balance</u>	<u>Related allowance Stage 3</u>	<u>Average principal loan balance</u>	<u>Interest income recognized</u>
With an allowance recorded:					
Private corporations	3,125	2,813	2,497	3,125	97
Middle-market companies	<u>909</u>	<u>40</u>	<u>157</u>	<u>339</u>	<u>91</u>
Total	<u><u>4,034</u></u>	<u><u>2,853</u></u>	<u><u>2,654</u></u>	<u><u>3,464</u></u>	<u><u>188</u></u>

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

	January 1, 2014			2014	
	Recorded investment	Unpaid principal balance	Related allowance Stage 3	Average principal loan balance	Interest income recognized
With an allowance recorded:					
Private corporations	3,125	3,125	1,005	9	51
Total	3,125	3,125	1,005	9	51

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

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

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

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

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

December 31, 2014								
	91- 120 days	121- 150 days	151- 180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total Loans
Corporations	-	-	-	3,125	3,125	4,801	3,824,034	3,831,960
Banking and financial institutions	-	-	-	-	-	-	2,370,936	2,370,936
Middle-market companies	909	-	-	-	909	-	482,439	483,348
Sovereign	-	-	-	-	-	-	-	-
Total	909	-	-	3,125	4,034	4,801	6,677,409	6,686,244

January 1, 2014								
	91- 120 days	121- 150 days	151- 180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total Loans
Corporations	-	-	-	-	-	3,125	3,310,931	3,314,056
Banking and financial institutions	-	-	-	-	-	-	2,259,991	2,259,991
Middle-market companies	-	-	-	-	-	-	574,107	574,107
Sovereign	-	-	-	-	-	-	144	144
Total	-	-	-	-	-	3,125	6,145,173	6,148,298

As of December 31, 2015 and 2014, and January 1, 2014 the Bank had credit transactions in the normal course of business with 16%, 15% and 20%, 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, 2015 and 2014, and January 1, 2014, approximately 9%, 8%, and 12%, 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, 2015, 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.

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

The allowances for expected credit losses related to loans at amortized cost at December 31, 2015 and 2014 as follows:

	12-month expected credit losses	Lifetime expected credit losses (collectively assessed)	Lifetime expected credit losses (individually assessed)	Credit- impaired financial assets (lifetime expected credit losses)	Total
Allowance for expected credit losses as of December 31, 2014	37,469	37,564	-	2,654	77,687
Transfer to lifetime expected credit losses	(9,147)	9,147	-	-	-
Transfer to credit-impaired financial assets	-	(24,186)	-	24,186	-
Transfer to 12-month expected credit losses	101	(101)	-	-	-
Financial assets that have been derecognized during the year	(31,774)	(12,815)	-	-	(44,589)
Changes due to financial instruments recognized as of December 31, 2014	(40,820)	(27,955)	-	24,186	(44,589)
New financial assets originated or purchased	62,565	-	-	-	62,565
Write-offs	-	-	-	(5,689)	(5,689)
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Allowance for expected credit losses as of December 31, 2015	59,214	9,609	-	21,151	89,974

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5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

	12-month expected credit losses	Lifetime expected credit losses (collectively assessed)	Lifetime expected credit losses (individually assessed)	Credit- impaired financial assets (lifetime expected credit losses)	Total
Allowance for expected credit losses as of January 1, 2014	55,979	13,892	-	1,005	70,876
Transfer to lifetime expected credit losses	(36,478)	36,478	-	-	-
Transfer to credit-impaired financial assets	-	(1,649)	-	1,649	-
Transfer to 12-month expected credit losses	263	(263)	-	-	-
Financial assets that have been derecognized during the year	(50,467)	(10,894)	-	-	(61,361)
Changes due to financial instruments recognized as of January 1, 2014	(86,682)	23,672	-	1,649	(61,361)
New financial assets originated or purchased	68,172	-	-	-	68,172
Write-offs	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Allowance for expected credit losses as of December 31, 2014	37,469	37,564	-	2,654	77,687

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5. Financial instruments (continued)

5.7 Financial instruments with off-balance sheet credit risk

In the normal course of business, to meet the financing needs of its customers, the Bank is party to financial instruments with off-balance sheet credit risk. These financial 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 financial instruments with off-balance sheet credit risk are as follows:

	December 31 2015	December 31 2014	January 1 2014
Confirmed letters of credit	99,031	137,817	221,963
Stand-by letters of credit and guaranteed –			
Commercial risk	158,599	89,752	137,285
Credit commitments	189,820	158,549	121,175
Total	<u>447,450</u>	<u>386,118</u>	<u>480,423</u>

As of December 31, 2015 and 2014, and January 1, 2014 the remaining maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

<u>Maturities</u>	December 31 2015	December 31 2014	January 1 2014
Up to 1 year	424,687	292,720	353,721
From 1 to 2 years	22,185	41,269	93,175
From 2 to 5 years	-	51,551	32,905
More than 5 years	578	578	622
	<u>447,450</u>	<u>386,118</u>	<u>480,423</u>

Financial instruments with off-balance sheet credit risk classified by issuer's credit quality indicators are as follows:

Rating	⁽¹⁾	December 31 2015	December 31 2014	January 1 2014
1-4		276,860	256,717	51,175
5-6		170,590	129,401	429,248
7		-	-	-
8		-	-	-
9		-	-	-
10		-	-	-
Total		<u>447,450</u>	<u>386,118</u>	<u>480,423</u>

⁽¹⁾ Current ratings as of December 31, 2015 and 2014, and January 1, 2014, respectively.

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5. Financial instruments (continued)

5.7 Financial instruments with off-balance sheet credit risk (continued)

As of December 31, 2015 and 2014, and January 1, 2014 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

Country:	December 31 2015	December 31 2014	January 1 2014
Argentina	10,145	-	295
Bolivia	1,261	-	80
Brazil	17,291	19,698	22,567
Chile	-	27,802	-
Colombia	96,085	53,874	38,545
Costa Rica	-	-	897
Dominican Republic	4,527	14,806	108
Ecuador	88,585	86,436	153,072
El Salvador	145	25	25
Guatemala	-	37,988	43,548
Honduras	876	412	412
Jamaica	-	415	338
Mexico	46,994	64,324	20,969
Netherlands	-	-	17,833
Panama	136,022	20,675	96,943
Paraguay	43	418	2
Peru	19,018	16,225	41,063
Singapore	25,000	-	-
Switzerland	1,000	1,000	1,000
United Kingdom	70	-	70
Uruguay	388	40,946	40,946
Venezuela	-	1,074	1,710
Total	447,450	386,118	480,423

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5. Financial instruments (continued)

5.7 Financial instruments with off-balance sheet credit risk (continued)

Letters of credit and guarantees

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

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

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5. Financial instruments (continued)

5.7 Financial instruments with off-balance sheet credit risk (continued)

The allowances for credit losses related to financial instruments with off-balance sheet credit risk at December 31, 2015 and 2014 as follows:

	12-month expected credit losses	Lifetime expected credit losses (collectively assessed)	Lifetime expected credit losses (individually assessed)	Credit- impaired financial assets (lifetime expected credit losses)	Total
Allowance for expected credit losses as of December 31, 2014	7,079	2,794	-	-	9,873
Transfer to lifetime expected credit losses	-	(2,177)	2,177	-	-
Transfer to credit-impaired financial assets	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-
Financial assets that have been derecognized during the year	(6,908)	(284)	-	-	(7,192)
Changes due to financial instruments recognized as of December 31, 2014	(6,908)	(2,461)	2,177	-	(7,192)
New financial assets originated or purchased	2,743	-	-	-	2,743
Write-offs	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Allowance for expected credit losses as of December 31, 2015	2,914	333	2,177	-	5,424

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5. Financial instruments (continued)

5.7 Financial instruments with off-balance sheet credit risk (continued)

	12-month expected credit losses	Lifetime expected credit losses (collectively assessed)	Lifetime expected credit losses (individually assessed)	Credit- impaired financial assets (lifetime expected credit losses)	Total
Allowance for expected credit losses as of January 1, 2014	5,884	170	-	-	6,054
Transfer to lifetime expected credit losses	(2,794)	2,794	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-
Financial assets that have been derecognized during the year	(5,446)	(170)	-	-	(5,616)
Changes due to financial instruments recognized as of January 1, 2014	(8,240)	2,624	-	-	(5,616)
New financial assets originated or purchased	9,435	-	-	-	9,435
Write-offs	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Allowance for expected credit losses as of December 31, 2014	7,079	2,794	-	-	9,873

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

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5. Financial instruments (continued)

5.8 Derivative financial instruments for hedging purposes

As of December 31, 2015 and 2014, and January 1, 2014, quantitative information on derivative financial instruments held for hedging purposes is as follows:

	December 31, 2015			Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness
	Nominal Amount	Carrying amount of the hedging instrument			
		Asset	Liability		
Fair value hedges:					
Interest rate swaps	886,631	2,549	1,444		647
Cross-currency interest rate swaps	214,067	322	23,710	Derivative financial instruments used for hedging – receivable or payable - at fair value	14,731
Cash flow hedges:					
Interest rate swaps	870,000	230	2,254		(258)
Cross-currency interest rate swaps	75,889	374	395		215
Forward foreign exchange	247,869	3,925	2,058		1,867
Net investment hedges:					
Forward foreign exchange	3,818	-	28		28
Total	<u>2,298,274</u>	<u>7,400</u>	<u>29,889</u>		<u>17,230</u>

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5. Financial instruments (continued)

5.8 Derivative financial instruments for hedging purposes (continued)

	December 31, 2014				Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness
	Nominal Amount	Carrying amount of the hedging instrument				
		Asset	Liability			
Fair value hedges:						
Interest rate swaps	167,865	17	1,285			(4,490)
Cross-currency interest rate swaps	282,490	1,062	31,556	Derivative financial instruments used for hedging – receivable or payable - at fair value		(26,443)
Cash flow hedges:						
Interest rate swaps	891,500	2,691	1,805			736
Cross-currency interest rate swaps	56,000	-	5,547			(11,939)
Forward foreign exchange	126,058	8,554	-			7,962
Net investment hedges:						
Forward foreign exchange	5,146	-	94			(434)
Total	<u>1,529,059</u>	<u>12,324</u>	<u>40,287</u>			<u>(34,608)</u>

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5. Financial instruments (continued)

5.8 Derivative financial instruments for hedging purposes (continued)

	January 1, 2014				
	Nominal Amount	Carrying amount of the hedging instrument		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness
		Asset	Liability		
Fair value hedges:					
Interest rate swaps	494,558	4,625	1,403		1,502
Cross-currency interest rate swaps	269,488	2,784	6,835	Derivative financial instruments used for hedging – receivable or payable - at fair value	(2,887)
Cash flow hedges:					
Interest rate swaps	453,000	393	242		151
Cross-currency interest rate swaps	126,308	6,391	-		(942)
Forward foreign exchange	88,130	684	92		423
Net investment hedges:					
Forward foreign exchange	5,810	340	-		356
Total	<u>1,437,294</u>	<u>15,217</u>	<u>8,572</u>		<u>(1,397)</u>

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5. Financial instruments (continued)

5.8 Derivative financial instruments for hedging purposes (continued)

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

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

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5. Financial instruments (continued)

5.8 Derivative financial instruments for hedging purposes (continued)

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

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5. Financial instruments (continued)

5.8 Derivative financial instruments for hedging purposes (continued)

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

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

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5. Financial instruments (continued)

5.8 Derivative financial instruments for hedging purposes (continued)

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

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

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

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 8.19 years.

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5. Financial instruments (continued)

5.8 Derivative financial instruments for hedging purposes (continued)

The Bank estimates that approximately \$635 reported as losses in OCI as of December 31, 2015 related to forward foreign exchange contracts, are expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2016.

Types of Derivatives and Foreign Exchange Instruments

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

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

5.9 Offsetting of financial assets and liabilities

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

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

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5. Financial instruments (continued)

5.9 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, 2015						
Description	Gross amounts assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net Amount
Derivative financial instruments	7,400	-	7,400	-	(690)	6,710
Total	7,400	-	7,400	-	(690)	6,710

December 31, 2014						
Description	Gross amounts assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net Amount
Derivative financial instruments	12,324	-	12,324	-	-	12,324
Total	12,324	-	12,324	-	-	12,324

January 1, 2014						
Description	Gross amounts assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net Amount
Derivative financial instruments	15,217	-	15,217	-	(1,050)	14,167
Total	15,217	-	15,217	-	(1,050)	14,167

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5. Financial Instruments (continued)

5.9 Offsetting of financial assets and liabilities (continued)

The following table presents the reconciliation of assets that have been offset or are subject to master netting agreements to individual line items in the consolidated statement of financial position as of December 31, 2015 and 2014, and January 1, 2014:

Description	December 31, 2015		
	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position
Derivative financial instruments:			
Derivative financial instruments used for hedging – receivable	7,400	-	7,400
Total derivative financial instruments	<u>7,400</u>	<u>-</u>	<u>7,400</u>
Description	December 31, 2014		
	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position
Derivative financial instruments:			
Derivative financial instruments used for hedging – receivable	12,324	-	12,324
Total derivative financial instruments	<u>12,324</u>	<u>-</u>	<u>12,324</u>
Description	January 1, 2014		
	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position
Derivative financial instruments:			
Derivative financial instruments used for hedging – receivable	15,217	-	15,217
Total derivative financial instruments	<u>15,217</u>	<u>-</u>	<u>15,217</u>

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5. Financial Instruments (continued)

5.9 Offsetting of financial assets and liabilities (continued)

b) Financial liabilities and derivative financial instruments – liabilities

Description	December 31, 2015					
	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net Amount
				Financial instruments	Cash collateral pledged	
Securities sold under repurchase agreements	114,084	-	114,084	(111,620)	(2,463)	1
Financial liabilities at FVTPL	89	-	89	-	-	89
Derivative financial instruments - hedging	29,889	-	29,889	-	(26,899)	2,990
Total	144,062	-	144,062	(111,620)	(29,362)	3,080

Description	December 31, 2014					
	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net Amount
				Financial instruments	Cash collateral pledged	
Securities sold under repurchase agreements	300,519	-	300,519	(294,054)	(6,465)	-
Financial liabilities at FVTPL	52	-	52	-	-	52
Derivative financial instruments - hedging	40,287	-	40,287	-	(29,183)	11,104
Total	340,858	-	340,858	(294,054)	(35,648)	11,156

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5. Financial Instruments (continued)

5.9 Offsetting of financial assets and liabilities (continued)

Description	January 1, 2014					
	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral pledged	Net Amount
Securities sold under repurchase agreements	286,162	-	286,162	(285,471)	(691)	-
Financial liabilities at FVTPL	72	-	72	-	-	72
Derivative financial instruments - hedging	8,572	-	8,572	-	(5,340)	3,232
Total	294,806	-	294,806	(285,471)	(6,031)	3,304

The following table presents the reconciliation of liabilities that have been offset or are subject to master netting agreements to individual line items in the consolidated statement of financial position as of December 31, 2015 and 2014, and January 1, 2014:

Description	December 31, 2015		
	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position
Securities sold under repurchase agreements	114,084	-	114,084
Derivative financial instruments:			
Financial liabilities at FVTPL	89	-	89
Derivative financial instruments used for hedging – payable	29,889	-	29,889
Total derivative financial instruments	29,978	-	29,978

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5. Financial Instruments (continued)

5.9 Offsetting of financial assets and liabilities (continued)

Description	December 31, 2014		
	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position
Securities sold under repurchase agreements	300,519	-	300,519
Derivative financial instruments:			
Financial liabilities at FVTPL	52	-	52
Derivative financial instruments used for hedging – payable	40,287	-	40,287
Total derivative financial instruments	40,339	-	40,339
Description	January 1, 2014		
	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position
Securities sold under repurchase agreements	286,162	-	286,162
Derivative financial instruments:			
Financial liabilities at FVTPL	72	-	72
Derivative financial instruments used for hedging – payable	8,572	-	8,572
Total derivative financial instruments	8,644	-	8,644

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6. Property and equipment

A breakdown of cost, accumulated depreciation, additions and disposals for property and equipment as of December 31, 2015 and 2014 is as follows:

	IT equipment	Furniture and fixtures	Leasehold improvement	Other equipment	Total
Cost:					
Balance as of January 1, 2014	3,152	2,135	7,413	548	13,248
Additions	23	13	51	-	87
Disposals	(39)	(1)	(6)	(88)	(134)
Balances as of December 31, 2014	<u>3,136</u>	<u>2,147</u>	<u>7,458</u>	<u>460</u>	<u>13,201</u>
Additions	368	30	179	38	615
Disposals	(138)	(175)	(225)	(41)	(579)
Balance as of December 31, 2015	<u><u>3,366</u></u>	<u><u>2,002</u></u>	<u><u>7,412</u></u>	<u><u>457</u></u>	<u><u>13,237</u></u>
Accumulated depreciation:					
Balances as of January 1, 2014	1,906	1,005	1,637	268	4,816
Depreciation expense of the year	530	335	571	109	1,545
Disposals	(39)	(1)	(6)	(75)	(121)
Balance as of December 31, 2014	<u>2,397</u>	<u>1,339</u>	<u>2,202</u>	<u>302</u>	<u>6,240</u>
Depreciation expense of the year	388	322	556	105	1,371
Disposals	(114)	(170)	(222)	(41)	(547)
Balance as of December 31, 2015	<u><u>2,671</u></u>	<u><u>1,491</u></u>	<u><u>2,536</u></u>	<u><u>366</u></u>	<u><u>7,064</u></u>
Carrying amounts as of:					
December 31, 2015	<u><u>695</u></u>	<u><u>511</u></u>	<u><u>4,876</u></u>	<u><u>91</u></u>	<u><u>6,173</u></u>
December 31, 2014	<u><u>739</u></u>	<u><u>808</u></u>	<u><u>5,256</u></u>	<u><u>158</u></u>	<u><u>6,961</u></u>
January 1, 2014	<u><u>1,246</u></u>	<u><u>1,130</u></u>	<u><u>5,776</u></u>	<u><u>280</u></u>	<u><u>8,432</u></u>

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7. Intangible assets

A breakdown of cost, accumulated amortization, additions, sales and disposals for intangible assets as of December 31, 2015 and 2014 is as follows:

	<u>Software</u>
Costs:	
Balances as of January 1, 2014	10,955
Additions	83
Disposals	(51)
Balances as of December 31, 2014	<u>10,987</u>
Additions	-
Disposals	(211)
Balances as of December 31, 2015	<u>10,776</u>
Accumulated amortization:	
Balances as of January 1, 2014	9,065
Disposals	(44)
Amortization expense of the year	942
Balances as of December 31, 2014	<u>9,963</u>
Disposals	(210)
Amortization expense of the year	596
Balances as of December 31, 2015	<u>10,349</u>
Carrying amounts as of:	
December 31, 2015	<u>427</u>
December 31, 2014	<u>1,024</u>
January 1, 2014	<u>1,890</u>

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

8. Other assets

Following is a summary of other assets as of December 31, 2015 and 2014 and January 1, 2014:

	<u>December 31 2015</u>	<u>December 31 2014</u>	<u>January 1 2014</u>
Accounts receivable	6,428	4,281	1,514
Equity investment in a private fund (at cost)	530	530	530
IT projects under development	4,952	835	1
Other	3,884	2,410	1,446
	<u>15,794</u>	<u>8,056</u>	<u>3,491</u>

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9. Deposits

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

	December 31 2015	December 31 2014	January 1 2014
Demand	243,839	84,175	63,047
Up to 1 month	1,492,175	1,512,868	1,617,059
From 1 month to 3 months	475,611	460,681	311,048
From 3 month to 6 months	319,995	276,970	207,182
From 6 month to 1 year	263,849	147,000	157,000
From 1 month to 2 year	-	25,000	6,000
	<u>2,795,469</u>	<u>2,506,694</u>	<u>2,361,336</u>

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

	December 31 2015	December 31 2014	January 1 2014
Aggregate amounts of time deposits of \$100,000 or more	<u>2,794,912</u>	<u>2,506,244</u>	<u>2,298,289</u>
Aggregate amounts of deposits in the New York Agency	<u>235,203</u>	<u>230,305</u>	<u>227,559</u>

	December 31	
	2015	2014
Interest expense paid to deposits in the New York Agency	<u>1,228</u>	<u>961</u>

10. Securities sold under repurchase agreements

The Bank's financing transactions under repurchase agreements amounted to \$114.1 million, \$300.5 million, and \$286.2 million as of December 31, 2015 and 2014, and January 1, 2014, respectively.

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

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11. Borrowings and debt

11.1 Short-term borrowings and debt

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

	December 31 2015	December 31 2014	January 1 2014
Short-term Borrowings:			
At fixed interest rates	983,245	1,256,411	1,289,851
At floating interest rates	871,522	1,348,431	1,017,527
Total borrowings	<u>1,854,767</u>	<u>2,604,842</u>	<u>2,307,378</u>
Short-term Debt:			
At fixed interest rates	525,590	77,695	287,987
At floating interest rates	50,000	10,000	110,000
Total debt	<u>575,590</u>	<u>87,695</u>	<u>397,987</u>
Total short-term borrowings and debt	<u>2,430,357</u>	<u>2,692,537</u>	<u>2,705,365</u>
Average outstanding balance during the year	<u>2,266,864</u>	<u>2,191,253</u>	<u>2,048,110</u>
Maximum balance at any month-end	<u>2,856,507</u>	<u>2,692,537</u>	<u>2,705,365</u>
Range of fixed interest rates on borrowing and debt in U.S. dollars	<u>0.53% to 1.21%</u>	<u>0.64% to 1.20%</u>	<u>0.67% to 1.43%</u>
Range of floating interest rates on borrowing and debt in U.S. dollars	<u>0.67% to 1.24%</u>	<u>0.46% to 1.16%</u>	<u>0.79% to 1.47%</u>
Range of fixed interest rates on borrowing in Mexican pesos	<u>3.76% to 3.98%</u>	<u>3.58% to 3.60%</u>	<u>4.13% to 4.58%</u>
Range of floating interest rate on borrowing in Mexican pesos	<u>3.90% to 4.17%</u>	<u>3.69%</u>	<u>4.03% to 4.24%</u>
Range of fixed interest rate on debt in Japanese yens	<u>0.31% to 0.33%</u>	<u>0.75%</u>	<u>0.75%</u>
Fixed interest rate on debt in Swiss francs	<u>-</u>	<u>0.55%</u>	<u>0.80%</u>
Weighted average interest rate at end of the year	<u>0.93%</u>	<u>0.81%</u>	<u>1.09%</u>
Weighted average interest rate during the year	<u>0.85%</u>	<u>0.93%</u>	<u>1.21%</u>

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

	December 31 2015	December 31 2014	January 1 2014
Currency			
US dollar	2,402,701	2,626,800	2,536,815
Mexican peso	14,366	11,042	73,964
Japanese yen	13,290	4,185	4,749
Swiss franc	-	50,510	89,837
Total	<u>2,430,357</u>	<u>2,692,537</u>	<u>2,705,365</u>

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11. Borrowings and debt (continued)

11.2 Long-term borrowings and debt

Borrowings consist of long-term and syndicated loans obtained from international banks. Debt instruments consist of public and private issuances under the Bank's Euro Medium Term Notes Program ("EMTN") as well as public issuances in the Mexican market. The breakdown of borrowings and long-term debt (original maturity of more than one year), together with contractual interest rates gross of prepaid commission of \$7,017, \$5,649 and \$5,042 as of December 31, 2015 and 2014, and January 1, 2014, respectively, is as follows:

	December 31 2015	December 31 2014	January 1 2014
Long-term Borrowings:			
At fixed interest rates with due dates from September 2016 to October 2020	113,039	65,000	25,000
At floating interest rates with due dates from November 2016 to December 2020	695,837	578,956	506,346
Total borrowings	<u>808,876</u>	<u>643,956</u>	<u>531,346</u>
Long-term Debt:			
At fixed interest rates with due dates from March 2016 to March 2024	929,998	464,515	444,574
At floating interest rates with due dates from July 2016 to January 2018	149,956	296,834	177,806
Total debt	<u>1,079,954</u>	<u>761,349</u>	<u>622,380</u>
Total long-term borrowings and debt outstanding	<u>1,888,830</u>	<u>1,405,305</u>	<u>1,153,726</u>
Average outstanding balance during the year	<u>1,589,451</u>	<u>1,388,708</u>	<u>1,317,983</u>
Maximum outstanding balance at any month – end	<u>1,888,830</u>	<u>1,587,009</u>	<u>1,893,149</u>
Range of fixed interest rates on borrowing and debt in U.S. dollars	<u>1.01% to 3.75%</u>	<u>1.50% to 3.75%</u>	<u>1.50% to 3.75%</u>
Range of floating interest rates on borrowing and debt in U.S. dollars	<u>0.84% to 1.95%</u>	<u>0.72% to 1.76%</u>	<u>0.52% to 1.77%</u>
Range of fixed interest rates on borrowing in Mexican pesos	<u>4.30% to 5.95%</u>	<u>-</u>	<u>-</u>
Range of floating interest rates on debt in Mexican pesos	<u>3.93% to 5.45%</u>	<u>3.67% to 3.96%</u>	<u>4.44% to 5.29%</u>
Range of fixed interest rate on debt in Japanese yens	<u>0.50% to 0.81%</u>	<u>-</u>	<u>-</u>
Range of fixed interest rate on debt in Euros	<u>0.40% to 3.75%</u>	<u>-</u>	<u>6.50%</u>
Weighted average interest rate at the end of the year	<u>2.62%</u>	<u>2.71%</u>	<u>3.06%</u>
Weighted average interest rate during the year	<u>2.65%</u>	<u>2.86%</u>	<u>3.08%</u>

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11. Borrowings and debt (continued)

11.2 Long-term borrowings and debt (continued)

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

Currency	December 31 2015	December 31 2014	January 1 2014
US dollar	1,599,233	1,069,207	866,830
Mexican peso	153,332	271,833	242,916
Japanese yen	25,035	-	43,980
Euro	111,230	64,265	-
Total	1,888,830	1,405,305	1,153,726

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

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2015, the Bank was in compliance with all covenants.

The future remaining maturities of long-term borrowings and debt outstanding as of December 31, 2015, are as follows:

Due in	Outstanding
2016	209,187
2017	729,498
2018	502,732
2019	35,860
2020	354,733
2024	56,820
	1,888,830

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12. Other liabilities

	December 31 2015	December 31 2014	January 1 2014
Accruals and other accumulated expenses	9,676	10,787	9,177
Dividends payable	146	14,785	13,339
Accounts payable	11,096	4,260	2,471
Others	3,426	3,046	2,960
	<u>24,344</u>	<u>32,878</u>	<u>27,947</u>

13. Earnings per share

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

	December 31 2015	December 31 2014
Profit for the year for both basic and diluted EPS	<u>103,984</u>	<u>102,366</u>
Basic earnings per share	2.67	2.65
Diluted earnings per share	2.66	2.63
Weighted average common shares outstanding - applicable to basic	38,925	38,693
Effect of dilutive securities:		
Stock options and restricted stock units plans	<u>188</u>	<u>189</u>
Adjusted weighted average common shares outstanding applicable to diluted EPS	<u>39,113</u>	<u>38,882</u>

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14. Capital and Reserves

Common stock

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

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

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

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the two-year period ended December 31, 2015:

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

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14. Capital and Reserves (continued)

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

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

Reserves

The Banking Law in the Republic of Panama requires banks with general banking license to maintain a total capital adequacy index that shall not be lower than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk; and primary capital equivalent that shall not be less than 4% of its assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk. As of December 31, 2015, the Bank's total capital adequacy ratio is 16.27% which is in compliance with the minimum capital adequacy ratios required by the Banking Law in the Republic of Panama.

Restriction on retained earnings

As of December 31, 2015, the amount stands at \$38.7 million. As of December 31, 2014, \$7.9 million of retained earnings are restricted from dividend distribution for purposes of complying with local regulatory requirements.

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14. Capital and Reserves (continued)

Treasury shares

During the year ended at December 31, 2014, the Bank recorded at cost 23,274 common treasury shares for an amount of \$640, acquired in 2014.

Additional paid-in capital

As of December 31 2015 and 2014, the additional paid-in capital consists of additional cash contributions to the common capital paid by shareholders.

15. Cash and stock-based compensation plans

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

A. 2008 Stock Incentive Plan – Directors and Executives

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

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

During 2015, 2014 and 2013, the Board of Directors approved the grant of restricted stock to directors and stock options and restricted stock units to certain executives of the Bank, as follows:

Restricted stock – Directors

During the years 2015 and 2014 the Board of Directors granted 57,000 and 28,500, respectively, 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 16, 2015 and July 15, 2014. The fair value of restricted stock granted totaled \$1,925 in 2015 and \$862 in 2014, of which \$1,553 and \$809 were charged against income during 2015 and 2014, respectively. The remaining cost pending amortization of \$1,301 at December 31, 2015 will be amortized over 2.3 years.

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15. Cash and stock-based compensation plans

Restricted stock vest on the grant's date anniversary, as follows:

Year of Grant	
2015	35% in the first and second year, and 30% in the third year
2014	35% in the first and second year, and 30% in the third year
2013	35% in the first and second year, and 30% in the third year

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

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

The fair value of vested stock during the years 2015 and 2014 was \$885, and \$659, respectively.

Restricted Stock Units and Stock Purchase Options granted to certain Executives

The Board of Directors approved the grant of stock purchase options and restricted stock units to certain executives of the Bank with a grant date fair value of \$1.8 million in 2015 and \$1.6 million in 2014. In 2015, the distribution of the fair value in restricted stock units and stock purchase options was \$1.3 million and \$0.5 million respectively; \$0.9 million and \$0.7 million in 2014, respectively.

Restricted stock units:

The fair value of the stock units was based on the "Class E" stock closing price in the New York Stock Exchange on the grants date. These stock units vest 25% each year on the grant date's anniversary.

Compensation costs of the restricted stock units are amortized during the period of restriction. Costs charged against income during 2015 and 2014 due to the amortization of these grants totaled \$1,282 and \$1,188 respectively. The remaining compensation cost pending amortization of \$985 in 2015 will be amortized over 3.1 years.

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

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

	<u>Shares</u>	<u>Weighted average grand date fair value</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate Intrinsic value</u>
Outstanding at January 1, 2014	242,749	17.13		
Granted	47,737	19.24		
Forfeited	(39,255)	17.25		
Vested	<u>(87,519)</u>	16.27		
Outstanding at December 31, 2014	163,712	18.18		
Granted	63,244	21.67		
Forfeited	-			
Vested	<u>(64,208)</u>	17.67		\$850
Outstanding at December 31, 2015	<u>162,748</u>	<u>19.74</u>	2.00 years	<u>\$1,008</u>
Expected to vest	<u>161,982</u>	<u>19.74</u>		<u>\$1,001</u>

The fair value of vested stock during the years 2015 and 2014 is \$1,135, and \$1,424, respectively.

Stock purchase options:

The fair value of stock purchase options granted to certain Executives during 2015 and 2014 was estimated using a binomial option-pricing model, based on the following factors:

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

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

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

Related cost charged against income during 2015 and 2014 as a result of the amortization of these plans amounted to \$454 and \$409, respectively. The remaining compensation cost pending amortization of \$418 in 2015 will be amortized over a period of 3.12 years.

A summary of stock options granted is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate Intrinsic value
Outstanding at January 1, 2014	187,745	14.90		
Granted	315,971	25.15		
Forfeited	(671)	18.57		
Exercised	<u>(111,349)</u>	13.18		
Outstanding at December 31, 2014	391,696	23.65		
Granted	233,418	29.25		
Forfeited	-	-		
Exercised	<u>(70,358)</u>	20.86		
Outstanding at December 31, 2015	<u>554,756</u>	<u>26.36</u>	5.37 years	<u>\$2,978</u>
Exercisable	<u>52,454</u>	<u>23.55</u>	1.11 years	<u>241</u>
Expected to vest	<u>501,631</u>	<u>26.65</u>	5.45 years	<u>\$2,737</u>

The intrinsic value of exercised options during the years 2015 and 2014 was \$811 and \$1,911, respectively. During the years 2015 and 2014 the Bank received \$1,467 and \$1,470, 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 2015 and 2014, the Bank charged to salaries expense \$171 and \$133, respectively, that correspond to the Bank's contributions to this plan. As of December 31, 2015 and 2014, and January 1, 2014 the accumulated liability payable amounted to \$246, \$222 and \$176, respectively.

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16. Business segment information

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

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

The Commercial Business Segment incorporates all of the Bank's financial intermediation and fees generated by the commercial portfolio. The commercial portfolio includes book value of loans, acceptances and contingencies. Profits from the Commercial Business Segment include net interest income from loans, fee income, impairment loss from expected credit losses on loans at amortized cost and off-balance sheet financial instruments, and allocated expenses.

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

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16. Business segment information (continued)

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

	Year ended December 31	
	2015	2014
Commercial		
Interest income	209,858	202,096
Interest expense	(82,697)	(79,674)
Net interest income	127,161	122,422
Net other income ⁽²⁾	21,492	21,068
Impairment loss from expected credit losses on loans at amortized cost	(12,800)	(10,601)
Expenses	(40,429)	(42,752)
Profit for the year ⁽³⁾	95,424	90,137
Commercial assets and contingencies (end of year balances):		
Interest-earning assets ^(4 and 6)	6,682,445	6,677,735
Other assets and contingencies ⁽⁵⁾	437,436	496,097
Total interest-earning assets, other assets and contingencies	7,119,881	7,173,832
Treasury		
Interest income	10,454	10,802
Interest expense	7,864	8,112
Net interest income	18,318	18,914
Net other income ⁽²⁾	6,887	5,206
Impairment loss for expected credit losses on investment securities	(5,290)	(1,030)
Expenses	(11,355)	(10,860)
Profit for the year ⁽³⁾	8,560	12,230
Treasury assets and contingencies (end of year balances):		
Interest-earning assets ⁽⁶⁾	1,603,395	1,231,800
Total interest-earning assets, other assets and contingencies	1,603,395	1,231,800
Combined business segment total		
Interest income	220,312	212,898
Interest expense	(74,833)	(71,562)
Net interest income	145,479	141,336
Net other income ⁽²⁾	28,379	26,274
Impairment loss from expected credit losses on loans at amortized cost	(12,800)	(10,601)
Impairment loss from expected credit losses on investment securities	(5,290)	(1,030)
Expenses	(51,784)	(53,613)
Profit for the year ⁽³⁾	103,984	102,366

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16. Business segment information (continued)

	Year ended December 31	
	2015	2014
Total assets and contingencies (end of year balances):		
Interest-earning assets ^(4 and 6)	8,285,840	7,909,535
Other assets and contingencies ⁽⁵⁾	437,436	496,097
Total interest-earning assets, other assets and contingencies	8,723,276	8,405,632

⁽¹⁾ The numbers set out in these tables have been rounded and accordingly may not total exactly.

⁽²⁾ Net other income consist of other income including gains (loss) per financial instrument at FVTPL and FVOCI, derivative instruments and foreign currency exchange.

⁽³⁾ Profit for the year refers to net income excluding reversals of impairment loss (impairment gain) for expected credit losses on loans at amortized cost, loans at amortized cost and off-balance sheet financial instruments, and impairment of investment securities.

⁽⁴⁾ Includes loans at amortized cost, net of unearned interest and deferred fees.

⁽⁵⁾ Includes customers' liabilities under acceptances, letters of credit and guarantees covering commercial and country risk, and credit commitments.

⁽⁶⁾ Includes cash and due from banks, interest-bearing deposits with banks, financial instruments at fair value through OCI and financial instruments at amortized cost and financial instruments to fair value to profit or loss.

	Year ended December 31	
	2015	2014
Reconciliation of total assets:		
Interest-earning assets – business segment	8,285,840	7,909,535
Allowance for expected credit losses on loans at amortized cost	(89,974)	(77,687)
Customers' liabilities under acceptances	15,100	114,018
Intangibles	427	1,024
Accrued interest receivable	45,456	48,177
Property and equipment, net	6,173	6,961
Derivative financial instruments used for hedging - receivable	7,400	12,324
Other assets	15,794	8,056
Total assets – consolidated financial statements	8,286,216	8,022,408

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17. 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 assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances) when measuring fair value. Fair value is used on a recurring basis to measure assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets and liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses some valuation techniques and assumptions when estimating fair value. The Bank applied the following fair value hierarchy:

Level 1 – Assets or liabilities for which an identical instrument is traded in an active market, such as publicly-traded instruments or futures contracts.

Level 2 – Assets or liabilities valued based on observable market data for 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 assumptions are not readily observable in the market; instruments measured based on the best available information, which might include some internally-developed data, and considers risk premiums that a market participant would require.

When determining the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers the assumptions that market participants would use when pricing the asset or liability. When possible, the Bank uses active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Bank uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the size of the bid-ask spread and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in those markets.

When there has been a significant decrease in the volume or level of activity for a financial asset or liability, the Bank uses the present value technique which considers market information to determine a representative fair value in usual market conditions.

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, including the general classification of such assets and liabilities under the fair value hierarchy is presented below:

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17. Fair value of financial instruments (continued)

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.

When quoted prices are available in an active market, financial instruments at FVOCI and financial instruments at FVTPL are classified in level 1 of the fair value hierarchy. If quoted market prices are not available or they are available in markets that are not active, then fair values are estimated based upon quoted prices of similar instruments, or where these are not available, by using internal valuation techniques, principally discounted cash flows models. Such securities are classified within level 2 of the fair value hierarchy

Derivative financial instruments

The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. Exchange-traded derivatives that are valued using quoted prices are classified within level 1 of the fair value hierarchy.

For those derivative contracts without quoted market prices, fair value is based on internal valuation techniques using inputs that are readily observable and that can be validated by information available in the market. The principal technique used to value these instruments is the discounted cash flows model and the key inputs considered in this technique include interest rate yield curves and foreign exchange rates. These derivatives are classified within level 2 of the fair value hierarchy.

The fair value adjustments applied by the Bank to its derivative carrying values include credit valuation adjustments (“CVA”), which are applied to OTC derivative instruments, in which the base valuation generally discounts expected cash flows using the Overnight Index Swap (“OIS”) interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant OIS curve, a CVA is necessary to incorporate the market view of both, counterparty credit risk and the Bank’s own credit risk, in the valuation.

Own-credit and counterparty CVA is determined using a fair value curve consistent with the Bank’s or counterparty credit rating. The CVA is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most of the Bank’s derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the CVA may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of the Bank or its counterparties or due to the anticipated termination of the transactions.

Transfer of financial assets

Gains or losses on sale of loans depend in part on the carrying amount of the financial assets involved in the transfer, and its fair value at the date of transfer. The fair value of instruments is determined based upon quoted market prices when available, or are based on the present value of future expected cash flows using information related to credit losses, prepayment speeds, forward yield curves, and discounted rates commensurate with the risk involved.

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17. Fair value of financial instruments (continued)

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

	December 31, 2015			
	Level 1^(a)	Level 2^(b)	Level 3^(c)	Total
<u>Assets</u>				
Securities at fair value through OCI				
Corporate debt	76,091	8,724	-	84,815
Sovereign debt	56,988	-	-	56,988
Total securities at fair value through OCI	<u>133,079</u>	<u>8,724</u>	<u>-</u>	<u>141,803</u>
Financial instruments at FVTPL				
Investment funds	-	53,411	-	53,411
Total financial instruments at FVTPL	<u>-</u>	<u>53,411</u>	<u>-</u>	<u>53,411</u>
Derivative financial instruments used for hedging – receivable				
Interest rate swaps	-	2,779	-	2,779
Cross-currency interest rate swaps	-	696	-	696
Forward foreign exchange	-	3,925	-	3,925
Total derivative financial instrument used for hedging – receivable	<u>-</u>	<u>7,400</u>	<u>-</u>	<u>7,400</u>
Total financial assets at fair value	<u>133,079</u>	<u>69,535</u>	<u>-</u>	<u>202,614</u>
<u>Liabilities</u>				
Financial instruments at FVTPL				
Interest rate swaps	-	15	-	15
Cross-currency interest rate swaps	-	-	-	-
Forward foreign exchange	-	74	-	74
Total financial instruments at FVTPL	<u>-</u>	<u>89</u>	<u>-</u>	<u>89</u>
Derivative financial instruments used for hedging – payable				
Interest rate swaps	-	3,698	-	3,698
Cross-currency interest rate swaps	-	24,105	-	24,105
Forward foreign exchange	-	2,086	-	2,086
Total derivative financial instruments used for hedging – payable	<u>-</u>	<u>29,889</u>	<u>-</u>	<u>29,889</u>
Total financial liabilities at fair value	<u>-</u>	<u>29,978</u>	<u>-</u>	<u>29,978</u>

^(a) Level 1: Quoted market prices in an active market.

^(b) Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.

^(c) Level 3: Internally developed models with significant unobservable market information.

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17. Fair value of financial instruments (continued)

	December 31, 2014			
	Level 1^(a)	Level 2^(b)	Level 3^(c)	Total
<u>Assets</u>				
Securities at fair value through OCI				
Corporate debt	119,095	-	-	119,095
Sovereign debt	219,878	-	-	219,878
Total securities at fair value through OCI	338,973	-	-	338,973
Financial instruments at FVTPL				
Investment funds	-	57,574	-	57,574
Total financial instruments at FVTPL	-	57,574	-	57,574
Derivative financial instruments used for hedging - receivable				
Interest rate swaps	-	2,708	-	2,708
Cross-currency interest rate swaps	-	1,062	-	1,062
Forward foreign exchange	-	8,554	-	8,554
Total derivative financial instruments used for hedging - receivable	-	12,324	-	12,324
Total assets at fair value	338,973	69,898	-	408,871
<u>Liabilities</u>				
Financial instruments at FVTPL				
Interest rate swaps	-	-	-	-
Cross-currency interest rate swaps	-	52	-	52
Forward foreign exchange	-	-	-	-
Total financial instruments at FVTPL	-	52	-	52
Derivative financial instruments used for hedging - payable				
Interest rate swaps	-	3,090	-	3,090
Cross-currency interest rate swaps	-	37,103	-	37,103
Forward foreign exchange	-	94	-	94
Total derivative financial instruments used for hedging - payable	-	40,287	-	40,287
Total liabilities at fair value	-	40,339	-	40,339

^(a) Level 1: Quoted market prices in an active market.

^(b) Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.

^(c) Level 3: Internally developed models with significant unobservable market information.

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17. Fair value of financial instruments (continued)

	January 1, 2014			
	Level 1^(a)	Level 2^(b)	Level 3^(c)	Total
<u>Assets</u>				
Securities at fair value through OCI				
Corporate debt	178,168	-	-	178,168
Sovereign debt	156,200	-	-	156,200
Total securities at fair value through OCI	334,368	-	-	334,368
Financial instruments at FVTPL				
Investment funds	-	68,762	-	68,762
Total financial instruments at FVTPL	-	68,762	-	68,762
Derivative financial instruments used for hedging - receivable				
Interest rate swaps	-	5,018	-	5,018
Cross-currency interest rate swaps	-	9,175	-	9,175
Forward foreign exchange	-	1,024	-	1,024
Total derivative financial instruments used for hedging - receivable	-	15,217	-	15,217
Total assets at fair value	334,368	83,979	-	418,347
<u>Liabilities</u>				
Financial instruments at FVTPL				
Interest rate swaps	-	65	-	65
Cross-currency interest rate swaps	-	7	-	7
Total financial instruments at FVTPL	-	72	-	72
Derivative financial instruments used for hedging - payable				
Interest rate swaps	-	1,645	-	1,645
Cross-currency interest rate swaps	-	6,835	-	6,835
Forward foreign exchange	-	92	-	92
Total derivative financial instruments used for hedging - payable	-	8,572	-	8,572
Total liabilities at fair value	-	8,644	-	8,644

^(a) Level 1: Quoted market prices in an active market.

^(b) Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.

^(c) Level 3: Internally developed models with significant unobservable market information.

The following information should not be interpreted as an estimate of the fair value of the Bank. Fair value calculations are only provided for a limited portion of the Bank's financial assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparison of fair value information of the Bank and other companies may not be meaningful for comparative analysis.

The following methods and assumptions were used by the Bank's management in estimating the fair values of financial instruments whose fair value is not measured on a recurring basis:

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17. Fair value of financial instruments (continued)

Financial instruments with carrying value that approximates fair value

The carrying value of certain financial assets, including cash and due from banks, interest-bearing deposits in banks, customers' liabilities under acceptances, accrued interest receivable and certain financial liabilities including customer's demand and time deposits, securities sold under repurchase agreements, accrued interest payable, and acceptances outstanding, as a result of their short-term nature, are considered to approximate fair value. These instruments are classified in Level 2.

Securities at amortized cost

The fair value has been based upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon quoted price of similar instruments, or where these are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security. These securities are classified in Levels 1 and 2.

Loans at amortized cost

The fair value of the loan portfolio, including impaired loans, is estimated by discounting future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31 of the relevant year. These assets are classified in Level 2.

Short and long-term borrowings and debt

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

Commitments to extend credit, stand-by letters of credit, and financial guarantees written

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements which consider the counterparty risks; the fair value is calculated based on the present value of the premium to be received or a specific allowance for expected credit losses on off-balance sheet credit contingencies, whichever is greater. These commitments are classified in Level 3. Fair value of these instruments is provided for disclosure purposes only.

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17. Fair value of financial instruments (continued)

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

	December 31, 2015				
	Carrying value	Fair value	Level 1^(a)	Level 2^(b)	Level 3^(c)
Financial assets					
Instruments with carrying value that approximates fair value	1,360,522	1,360,522	-	1,360,522	-
Securities at amortized cost	108,215	101,726	76,673	25,053	-
Loans at amortized cost ⁽¹⁾	6,592,471	6,727,045	-	6,727,045	-
Financial liabilities					
Instruments with carrying value that approximates fair value	2,678,806	2,678,806	-	2,678,806	-
Short-term borrowings and debt	2,430,357	2,428,513	-	2,428,513	-
Long-term borrowings and debt	1,881,813	1,904,231	-	1,904,231	-
Commitments to extend credit, standby letters of credit, and financial guarantees written	10,638	11,962	-	-	11,962

	December 31, 2014				
	Carrying Value	Fair value	Level 1^(a)	Level 2^(b)	Level 3^(c)
Financial assets					
Instruments with carrying value that approximates fair value	942,710	942,710	-	942,710	-
Securities at amortized cost	54,738	53,295	29,909	23,386	-
Loans at amortized cost, net ⁽¹⁾	6,600,048	6,820,731	-	6,820,731	-
Financial liabilities					
Instruments with carrying value that approximates fair value	2,936,086	2,936,166	-	2,936,166	-
Short-term borrowings and debt	2,692,537	2,692,344	-	2,692,344	-
Long-term borrowings and debt	1,399,656	1,424,579	-	1,424,579	-
Commitments to extend credit, standby letters of credit, and financial guarantees written	7,637	7,337	-	-	7,337

^(a) Level 1: Quoted market prices in an active market.

^(b) Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.

^(c) Level 3: Internally developed models with significant unobservable market information.

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17. Fair value of financial instruments (continued)

	January 1, 2014				
	<u>Carrying Value</u>	<u>Fair value</u>	<u>Level 1^(a)</u>	<u>Level 2^(b)</u>	<u>Level 3^(c)</u>
<u>Financial assets</u>					
Instruments with carrying value that approximates fair value	881,624	881,624	-	881,624	-
Securities at amortized cost	33,570	33,634	17,010	16,624	-
Loans at amortized cost, net ⁽¹⁾	6,070,754	6,264,624	-	6,264,624	-
<u>Financial liabilities</u>					
Instruments with carrying value that approximates fair value	2,662,412	2,662,609	-	2,662,609	-
Short-term borrowings and debt	2,705,365	2,711,936	-	2,711,936	-
Long-term borrowings and debt	<u>1,148,684</u>	<u>1,180,877</u>	<u>-</u>	<u>1,180,877</u>	<u>-</u>
Commitments to extend credit, standby letters of credit, and financial guarantees written	<u>6,827</u>	<u>5,365</u>	<u>-</u>	<u>-</u>	<u>5,365</u>

^(a) Level 1: Quoted market prices in an active market.

^(b) Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.

^(c) Level 3: Internally developed models with significant unobservable market information.

⁽¹⁾ The carrying value of loans is net of the allowance for expected credit losses of \$89.9 million and unearned interest and deferred fees of \$9.3 million for December 31, 2015; allowance for expected credit losses of \$77.7 million and unearned interest and deferred fees of \$8.5 million for December 31, 2014; and, allowance for expected credit losses of \$70.9 million and unearned interest and deferred fees of \$6.7 million for January 1, 2014.

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18. Accumulated other comprehensive income (loss)

As of December 31, 2015 and 2014, the breakdown of accumulated other comprehensive income (loss) related to financial instruments at FVOCI, derivative financial instruments, and foreign currency translation is as follows:

	Financial instruments at FVOCI	Derivative financial instruments	Foreign currency translation adjustments, net of hedges	Total
Balance as of January 1, 2014	(9,029)	(671)	-	(9,700)
Net unrealized gain (loss) arising from the year	3,174	(1,813)	-	1,361
Reclassification adjustment for (gains) loss included in the profit of the year ⁽¹⁾	(962)	1,464	(655)	(153)
Foreign currency translation adjustment, net	-	-	655	655
Other comprehensive income (loss) from the year	2,212	(349)	-	1,863
Balance as of December 31, 2014	(6,817)	(1,020)	-	(7,837)
Net unrealized gain (loss) arising from the year	(6,267)	(4,942)	-	(11,209)
Reclassification adjustment for (gains) loss included in the profit of the year ⁽¹⁾	4,153	4,212	(453)	7,912
Foreign currency translation adjustment, net	-	-	453	453
Other comprehensive income (loss) from the year	(2,114)	(730)	-	(2,843)
Balance as of December 31, 2015	(8,931)	(1,750)	-	(10,681)

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

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18. Accumulated other comprehensive income (loss) (continued)

The following table presents amounts reclassified from other comprehensive income to the profit of the year:

December 31, 2015		
Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	240	Interest income – financial instruments at FVOCI
	393	Net gain on sale of financial instruments at FVOCI
	(4,786)	Derivative financial instruments and hedging
	<u>(4,153)</u>	
Gains (losses) on derivative financial instruments:		
Forward foreign exchange	(1,822)	Interest income - loans
	-	Interest expense - borrowings
	(2,390)	Net gain (loss) on foreign currency exchange
	<u>(4,212)</u>	
Interest rate swaps	(229)	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	84	Net gain (loss) on cross-currency swaps
December 31, 2014		
Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	2	Interest income – financial instruments at FVOCI
	1,796	Net gain on sale of financial instruments at FVOCI
	(836)	Derivative financial instruments and hedging
	<u>962</u>	
Gains (losses) on derivative financial instruments:		
Forward foreign exchange	(2,245)	Interest income - loans
	-	Interest expense - borrowings
	781	Net gain (loss) on foreign currency exchange
	<u>(1,464)</u>	
Interest rate swaps	(201)	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	-	Net gain (loss) on cross-currency swaps

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18. Accumulated other comprehensive income (loss) (continued)

January 1, 2014		
Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	2	Interest income – financial instruments at FVOCI
	1,152	Net gain on sale of financial instruments at FVOCI
	333	Derivative financial instruments and hedging
	<u>1,487</u>	
Gains (losses) on derivative financial instruments:		
Forward foreign exchange	(1,472)	Interest income - loans
	31	Interest expense - borrowings
	(544)	Net gain (loss) on foreign currency exchange
	<u>(1,985)</u>	
Loss in foreign currency translation adjustment:	(24)	Net gain (loss) from discontinued operations
Interest rate swaps	(10)	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	(4)	Net gain (loss) on cross-currency swaps

19. Related party transactions

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

	December 31 2015	December 31 2014
<u>Expenses:</u>		
Compensation costs paid to directors	949	1,135
Compensation costs paid to executives	4,601	4,027

20. Fees and commissions for banking services

	December 31 2015	December 31 2014
Commission Income – Loans & commitments	2,988	2,118
Commission Income - Letters of credit	9,332	9,275
Commission Income - Arrangements	6,880	6,109
Total	<u>19,200</u>	<u>17,502</u>

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21. Net gain or (loss) on financial instruments at FVTPL

	December 31 2015	December 31 2014
Net gain on financial liabilities at FVTPL	645	(393)
Net gain on investment funds	5,086	2,754
	<u>5,731</u>	<u>2,361</u>

22. Salaries and other employee expenses

	December 31 2015	December 31 2014
Wages and salaries	15,500	16,044
Payroll taxes	2,264	2,491
Personnel benefits	8,613	9,855
Share-based payments	4,058	3,176
Total	<u>30,435</u>	<u>31,566</u>

23. Other expenses

	December 31 2015	December 31 2014
Advertising and marketing	829	712
Regulatory Fees	1,565	1,371
Rental - office and equipment	3,019	3,100
Administrative	7,469	6,912
Other	244	743
Total	<u>13,126</u>	<u>12,838</u>

24. Commitments and contingencies

Leasing arrangements

Operating lease commitments – Bank as lessee

The Bank has several operating sublease contracts as sub-lessor of property in New York and Panama. These contracts are cancellable subleases and extend up to seven years with renewal at maturity, by agreement between the parties.

Future minimum lease payments under cancellable operating leases as at December 31, 2015 and 2014, and January 1, 2014 as follows:

	December 31 2015	December 31 2014	January 1 2014
Within 1 year	2,055	2,305	2,236
After 1 year but not more than 5 years	6,731	6,589	6,873
More than 5 years	14,128	14,128	15,798
Total	<u>22,914</u>	<u>23,022</u>	<u>24,907</u>

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24. Commitments and contingencies (continued)

Leasing arrangements (continued)

Operating lease commitments – Bank as lessee (continued)

Operating lease commitments result primarily from non-cancellable rental agreements for properties; the amounts in the above table are calculated based on current rental agreements. The total amount of expenses recognized in connection with such leases in 2015 and 2014 are \$2,930 and \$2,249, respectively.

Operating leases – Bank as sub-lessor

The Bank has several operating sublease contracts as sub-lessor of property in New York and Panama. These contracts are cancellable sublease and extend up to seven years with renewal at maturity, by agreement between the parties.

Future minimum lease payments under cancellable operating leases as at December 31, 2015 and 2014, and January 1, 2014 as follows:

	December 31 2015	December 31 2014	January 1 2014
Within 1 year	455	662	158
After 1 year but not more than 5 years	822	1,277	1,732
More than 5 years	-	-	207
Total	<u>1,277</u>	<u>1,939</u>	<u>2,097</u>

Operating lease commitments result primarily from non-cancellable rental agreements for properties; the amounts in the above table are calculated based on current rental agreements. The total amount of income recognized in connection with such leases in 2015 and 2014 are \$661 and \$661, respectively.

25. Litigation

Bladex is not engaged in any litigation that is material to the Bank's business or, to the best of the knowledge of the Bank's management that is likely to have an adverse effect on its business, financial condition or results of operations.

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26. Risk management

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to market, credit, compliance and liquidity risk. It is also subject to country risk and various operating risks.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed an Administration Committee which has the responsibility to monitor the overall risk process within the Bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports on a weekly basis to the Supervisory Board.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework.

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on a daily basis, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's Assets/Liabilities Committee (ALCO) is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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26. Risk management (continued)

Risk measurement and reporting systems (continued)

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, market risk sensitivities, stop losses, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Supervisory Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank. For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

In accordance with the Bank's policy, its risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Bank. The effectiveness of hedges is assessed by the Risk Controlling Unit (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by the Risk Controlling Unit quarterly. In situations of ineffectiveness, the Bank will enter into a new hedge relationship to mitigate risk on a continuous basis.

Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank to manage risk concentrations at both the relationship and industry levels.

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

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26. Risk management (continued)

26.1 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Allowances for losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances and for debt investments at amortized costs that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Bank generally bases its analyses on historical experience and prospective information. However, when there are significant market developments, regional and/or global, the Bank would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debt, changes in the law, changes in regulation, bankruptcy trends, and other consumer data. The Bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time 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. Local management is responsible for deciding the length of this period. 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.

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26. Risk management (continued)

26.1 Credit risk (continued)

Derivative financial instruments

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

With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honors its obligation, but the counterparty fails to deliver the counter value.

Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables

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

The Bank also makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance-sheet assets and liabilities unless certain conditions for offsetting.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

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26. Risk management (continued)

26.2 Liquidity risk

Liquidity refers to the Bank's ability to maintain adequate cash flows to fund operations and meet obligations and other commitments on a timely basis. The Bank maintains its liquid assets mainly in demand deposits, overnight funds and time deposits with well-known international banks. These liquid assets are adequate to cover 24-hour deposits from customers, which theoretically could be withdrawn on the same day. As of December 31, 2015 and 2014, and January 1, 2014, the Bank's 24-hour deposits from customers (demand deposit accounts and call deposits) amounted to \$244 million, \$84 million, and \$63 million, respectively; representing 9%, 3% and 3% of the Bank's total deposits, for each year reported. The liquidity requirement resulting from these maturities is satisfied by the Bank's liquid assets, which as of December 31, 2015 and 2014, and January 1, 2014 were \$1,267 million, \$741 million, and \$831 million, respectively (representing 45%, 30% and 35% of total deposits, respectively) of which \$50 million, \$20 million and \$60 million corresponds to time deposits for each year reported.

As established by the Bank's liquidity policy, the Bank's liquid assets are held 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. These banks must have a correspondent relationship with the Bank. In addition, the Bank's liquidity policy allows for investing in negotiable money market instruments, including Euro certificates of deposit, commercial paper, bankers' acceptances and other liquid instruments with maturities of up to three years. These instruments must be of investment grade quality A or better and must have a liquid secondary market.

The Bank performs daily reviews, controls and periodic stress tests on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and to monitor the liquidity level according to the macroeconomic environment. The Bank determines the level of liquid assets to be held on a daily basis, adopting a Liquidity Coverage Ratio methodology referencing the Basel Committee guidelines. Additionally, specific limits have been established to control (1) cumulative maturity "gaps" between assets and liabilities, for each maturity classification presented in the Bank's internal liquidity reports, and (2) concentrations of deposits taken from any client or economic group maturing in one day and total maximum deposits maturing in one day.

The Bank follows a Contingent Liquidity Plan. The plan contemplates the regular monitoring of several quantified internal and external reference benchmarks (such as deposit level, quality of assets, Emerging Markets Bonds Index Plus, cost of funds, 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 as of December 31 of each year, and as of January 1, 2014:

	December 31		January 1
	2015	2014	2014
United States of America	1,215	719	769
Other O.E.C.D.	11	1	62
Multilateral	40	20	-
Other	1	1	-
Total	1,267	741	831

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26. Risk management (continued)

26.2 Liquidity risk (continued)

As of December 31, 2015 and 2014, liquidity amounted to \$1,267 million, \$741 million, and \$831 million, respectively. \$1,213 million, or 96%, \$616 million or 83%, \$736 million or 89%, as of December 31, 2015 and 2014, and January 1, 2014, 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, 2015 and 2014, and January 1, 2014, the Bank's short-term loan and investment securities portfolio (maturing within one year based on original contractual term) totaled \$3,189 million, \$3,638 million, and \$3,616 million, respectively. As of December 31, 2015, it had an average original term to maturity of 198 days and an average remaining term to maturity of 90 days.

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled \$3,753 million, \$3,442 million and \$2,900 million as of December 31, 2015 and 2014, and January 1, 2014. Of that amount, \$228 million, \$282 million, and \$329 million corresponded to the Bank's investment securities as of December 31, 2015 and 2014, and January 1, 2014. The remaining \$3,526 million, \$3,127 million and \$2,552 million in medium-term assets corresponded to the Bank's loan portfolio as of December 31, 2015 and 2014, and January 1, 2014. As of December 31, 2015, the medium-term assets had an average original term to maturity of three years and seven months, and an average remaining term to maturity of one year and seven months (618 days).

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

Description	December 31, 2015						Total
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 year	More than 5 year	Without maturity	
Assets							
Cash and cash equivalent	1,299,966	-	-	-	-	-	1,299,966
Investment securities	22,749	13,619	12,953	113,613	87,609	52,886	303,429
Loans at amortized cost	2,390,914	1,094,889	1,188,864	1,973,526	43,556	-	6,691,749
Unearned interest & deferred fees	(722)	(1,163)	(1,477)	(5,454)	(488)	-	(9,304)
Allowance for expected credit losses	-	-	-	-	-	(89,974)	(89,974)
Other assets	54,873	18,889	4,024	5,061	733	6,770	90,350
Total	<u>3,767,780</u>	<u>1,126,234</u>	<u>1,204,364</u>	<u>2,086,746</u>	<u>131,410</u>	<u>(30,318)</u>	<u>8,286,216</u>
Liabilities							
Deposits in Banks	2,211,625	319,995	263,849	-	-	-	2,795,469
Other liabilities	1,487,458	862,141	471,232	1,622,937	74,475	573	4,518,816
Total	<u>3,699,083</u>	<u>1,182,136</u>	<u>735,081</u>	<u>1,622,937</u>	<u>74,475</u>	<u>573</u>	<u>7,314,285</u>
Net position	<u>68,697</u>	<u>(55,902)</u>	<u>469,283</u>	<u>463,809</u>	<u>56,935</u>	<u>(30,891)</u>	<u>971,931</u>

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26. Risk management (continued)

26.2 Liquidity risk (continued)

Description	December 31, 2014						Total
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 year	More than 5 year	Without maturity	
Assets							
Cash and cash equivalent	780,515	-	-	-	-	-	780,515
Investment securities	36,033	47,996	35,876	155,516	117,732	58,132	451,285
Loans at amortized cost	2,450,529	1,268,478	1,067,074	1,859,968	40,195	-	6,686,244
Unearned interest & deferred fees	(362)	(678)	(859)	(6,157)	(453)	-	(8,509)
Allowance for expected credit losses	-	-	-	-	-	(77,687)	(77,687)
Other assets	157,365	8,808	2,838	11,826	540	9,183	190,560
Total	<u>3,424,080</u>	<u>1,324,604</u>	<u>1,104,929</u>	<u>2,021,153</u>	<u>158,014</u>	<u>(10,372)</u>	<u>8,022,408</u>
Liabilities							
Deposits in Banks	2,057,724	276,970	147,000	25,000	-	-	2,506,694
Other liabilities	1,864,589	693,271	829,557	1,108,293	78,373	30,592	4,604,675
Total	<u>3,922,313</u>	<u>970,241</u>	<u>976,557</u>	<u>1,133,293</u>	<u>78,373</u>	<u>30,592</u>	<u>7,111,369</u>
Net position	<u>498,233</u>	<u>354,363</u>	<u>128,372</u>	<u>887,860</u>	<u>79,641</u>	<u>40,966</u>	<u>911,039</u>
January 1, 2014							
Description	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 year	More than 5 year	Without maturity	Total
Assets							
Cash and cash equivalent	839,718	-	-	-	-	-	839,718
Investment securities	-	2,200	42,758	191,680	131,489	68,573	436,700
Loans at amortized cost	2,767,142	949,364	774,803	1,653,864	3,125	-	6,148,298
Unearned interest & deferred fees	(877)	(810)	(503)	(4,478)	-	-	(6,668)
Allowance for expected credit losses	-	-	-	-	-	(70,876)	(70,876)
Other assets	32,974	9,174	7,065	7,505	1,977	12,241	70,936
Total	<u>3,638,957</u>	<u>959,928</u>	<u>824,123</u>	<u>1,848,571</u>	<u>136,591</u>	<u>9,938</u>	<u>7,418,108</u>
Liabilities							
Deposits in Banks	1,991,154	207,182	157,000	6,000	-	-	2,361,336
Other liabilities	1,394,588	918,785	1,045,723	820,454	5,591	12,629	4,197,770
Total	<u>3,385,742</u>	<u>1,125,967</u>	<u>1,202,723</u>	<u>826,454</u>	<u>5,591</u>	<u>12,629</u>	<u>6,559,106</u>
Net position	<u>253,215</u>	<u>166,039</u>	<u>378,600</u>	<u>1,022,117</u>	<u>131,000</u>	<u>2,691</u>	<u>859,002</u>

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26. Risk management (continued)

26.3 Market risk

Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with many of the Bank's operations and activities, including loans, deposits, investment and financial instruments at FVTPL, short- and long-term borrowings and debt, derivatives and trading positions. Among many other market conditions that may shift from time to time are fluctuations in interest rates and currency exchange rates, changes in the implied volatility of interest rates and changes in securities prices, due to changes in either market perception or actual credit quality of either the relevant issuer or its country of origin. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on the Bank's financial condition, results of operations, cash flows and business

Interest rate risk

The Bank endeavors to manage its assets and liabilities in order to reduce the potential adverse effects on the net interest income that could be produced by interest rate changes. The Bank's interest rate risk is the exposure of earnings (current and potential) and capital to adverse changes in interest rates and is managed by attempting to match the term and repricing characteristics of the Bank's interest rate sensitive assets and liabilities. The Bank's interest rate risk typically arises from the Bank's liability sensitive short-term position, which means that the Bank's interest-bearing liabilities tend to reprice more quickly than the Bank's interest-earning assets. This is offset by the short-term nature of the Bank's interest-earning assets, namely liquid assets and loan portfolio, and the fact that most of the assets and liabilities pricing is based on short-term market rates (LIBOR-based) with contractual re-pricing schedules for longer term transactions. As a result, there is a potential adverse impact on the Bank's net interest income from interest rate increases in the very short term. 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. Most of the Bank's assets and most of its liabilities are denominated in US American Dollars and hence the Bank does not incur a significant currency exchange risk. The currency exchange rate risk is mitigated by the use of derivatives, which, although perfectly covered economically, may generate a certain accounting volatility

The following summary table presents a sensitivity analysis of the effect on the Bank's results of operations derived from a reasonable variation in interest rates which its financial obligations are subject to, based on change in points.

	Change in interest rate	Effect on income
December 31, 2015	+200 bps	<u>18,723</u>
	-200 bps	<u>(3,480)</u>
December 31, 2014	+200 bps	<u>18,803</u>
	-200 bps	<u>(4,265)</u>

This analysis is based on the prior year changes in interest rates and assesses the impact on income, with balances as of December 2015 and 2014. This sensitivity provides an idea of the changes in interest rates, taking as example the volatility of the interest rate of the previous year.

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26. Risk management (continued)

26.3 Market risk (continued)

Interest rate risk (continued)

The table below summarizes the Bank's exposure based on the terms of repricing of interest rates on financial assets and liabilities.

Description	December 31, 2015					Total
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 year	More than 5 year	
Assets						
Time deposit	50,000	-	-	-	-	50,000
Securities and other financial assets	34,100	10,000	13,345	105,394	86,848	249,687
Loans at amortized cost	<u>4,532,150</u>	<u>1,760,730</u>	<u>288,031</u>	<u>111,049</u>	-	<u>6,691,960</u>
Total	<u>4,616,250</u>	<u>1,770,730</u>	<u>301,376</u>	<u>216,443</u>	<u>86,848</u>	<u>6,991,647</u>
Liabilities						
Deposits	1,967,929	319,995	263,849	-	-	2,551,773
Repurchase agreements	102,775	11,308	-	-	-	114,083
Borrowings, pledged deposits and debt	<u>2,430,951</u>	<u>718,258</u>	<u>271,811</u>	<u>842,901</u>	<u>54,410</u>	<u>4,318,331</u>
Total	<u>4,501,655</u>	<u>1,049,561</u>	<u>535,660</u>	<u>842,901</u>	<u>54,410</u>	<u>6,984,187</u>
Total interest rate sensibility	<u>114,595</u>	<u>721,169</u>	<u>234,284</u>	<u>626,458</u>	<u>32,438</u>	<u>7,460</u>
Description	December 31, 2014					Total
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 year	More than 5 year	
Assets						
Time deposit	20,000	-	-	-	-	20,000
Securities and other financial assets	71,899	48,315	7,823	139,255	112,248	379,540
Loans at amortized cost	<u>4,421,456</u>	<u>1,835,219</u>	<u>273,852</u>	<u>155,758</u>	-	<u>6,686,285</u>
Total	<u>4,513,355</u>	<u>1,883,534</u>	<u>281,675</u>	<u>295,013</u>	<u>112,248</u>	<u>7,085,825</u>
Liabilities						
Deposits	8,000	15,000	-	-	-	23,000
Repurchase agreements	295,814	4,706	-	-	-	300,520
Borrowings, pledged deposits and debt	<u>2,792,560</u>	<u>483,456</u>	<u>317,310</u>	<u>440,000</u>	<u>66,303</u>	<u>4,099,629</u>
Total	<u>3,096,374</u>	<u>503,162</u>	<u>317,310</u>	<u>440,000</u>	<u>66,303</u>	<u>4,423,149</u>
Total interest rate sensibility	<u>1,416,981</u>	<u>1,380,372</u>	<u>(35,635)</u>	<u>(144,987)</u>	<u>45,945</u>	<u>2,662,676</u>

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26. Risk management (continued)

26.3 Market risk (continued)

Interest rate risk (continued)

Description	January 1, 2014					Total
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 year	More than 5 year	
Assets						
Time deposit	60,000	-	-	-	-	60,000
Securities and other financial assets	25,699	2,200	39,383	163,050	123,845	354,177
Loans at amortized cost	4,437,513	1,348,702	319,652	35,796	6,650	6,148,313
Total	<u>4,523,212</u>	<u>1,350,902</u>	<u>359,035</u>	<u>198,846</u>	<u>130,495</u>	<u>6,562,490</u>
Liabilities						
Deposits	15,000	-	-	-	-	15,000
Repurchase agreements	266,947	19,215	-	-	-	286,162
Borrowings, pledged deposits and debt	2,914,857	354,104	414,367	177,806	-	3,861,134
Total	<u>3,196,804</u>	<u>373,319</u>	<u>414,367</u>	<u>177,806</u>	<u>-</u>	<u>4,162,296</u>
Total interest rate sensibility	<u>1,326,408</u>	<u>977,583</u>	<u>(55,332)</u>	<u>21,040</u>	<u>130,495</u>	<u>2,400,194</u>

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.

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26. Risk management (continued)

26.3 Market risk (continued)

Currency risk (continued)

The following table details the maximum to foreign currency, where all assets and liabilities are presented based on their book value, except for derivatives, which are included within other assets and other liabilities based on its value nominal.

	December 31, 2015						
	Brazilian Real expressed in US\$	European Euro expressed in US\$	Japanese Yen expressed in US\$	Colombian Peso expressed in US\$	Mexican Peso expressed in US\$	Other currencies expressed in US\$(1)	Total
Exchange rate	3.96	1.09	120.40	3175.18	17.34		
Assets							
Cash and cash equivalent	405	6	5	50	887	150	1,503
Investments and other financial assets	3,818	-	-	-	1,601	-	5,419
Loans	-	-	-	-	136,896	-	136,896
Other assets	-	271,005	38,208	-	28,831	-	338,044
Total	<u>4,223</u>	<u>271,011</u>	<u>38,213</u>	<u>50</u>	<u>168,215</u>	<u>150</u>	<u>481,862</u>
Liabilities							
Borrowings and deposit placements	-	270,913	38,208	-	168,103	-	477,224
Other liabilities	3,883	-	-	-	-	-	3,883
Total	<u>3,883</u>	<u>270,913</u>	<u>38,208</u>	<u>-</u>	<u>168,103</u>	<u>-</u>	<u>481,107</u>
Net currency position	<u>340</u>	<u>98</u>	<u>5</u>	<u>50</u>	<u>112</u>	<u>150</u>	<u>755</u>

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26. Risk management (continued)

26.3 Market risk (continued)

Currency risk (continued)

	December 31, 2014						
	Brazilian Real expressed in US\$	European Euro expressed in US\$	Japanese Yen expressed in US\$	Colombian Peso expressed in US\$	Mexican Peso expressed in US\$	Other currencies expressed in US\$(1)	<u>Total</u>
Exchange rate	2.66	1.21	119.49	2378.64	14.71		
Assets							
Cash and cash equivalent	501	8	7	27	867	126	1,536
Investments and other financial assets	5,269	-	-	-	5,336	-	10,605
Loans	-	-	-	-	140,616	-	140,616
Other assets	-	60,745	4,185	-	160,764	-	225,694
Total	<u>5,770</u>	<u>60,753</u>	<u>4,192</u>	<u>27</u>	<u>307,583</u>	<u>126</u>	<u>378,451</u>
Liabilities							
Borrowings and deposit placements	-	66,303	4,185	-	307,853	-	378,341
Other liabilities	5,269	-	-	-	-	-	5,269
Total	<u>5,269</u>	<u>66,303</u>	<u>4,185</u>	<u>-</u>	<u>307,853</u>	<u>-</u>	<u>383,610</u>
Net currency position	<u>501</u>	<u>(5,550)</u>	<u>7</u>	<u>27</u>	<u>(270)</u>	<u>126</u>	<u>(5,159)</u>

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26. Risk management (continued)

26.3 Market risk (continued)

Currency risk (continued)

	January 1, 2014						
	Brazilian Real expressed in US\$	European Euro expressed in US\$	Japanese Yen expressed in US\$	Colombian Peso expressed in US\$	Mexican Peso expressed in US\$	Other currencies expressed in US\$ ⁽¹⁾	Total
Exchange rate	2.36	1.38	105.28	1,930.00	13.09		
Assets							
Cash and cash equivalent	533	141	6	35	543	65	1,323
Investments and other financial assets	5,509	-	-	-	-	-	5,509
Loans	-	-	-	-	220,880	-	220,880
Other assets	-	-	4,749	-	94,371	-	99,120
Total	<u>6,042</u>	<u>141</u>	<u>4,755</u>	<u>35</u>	<u>315,794</u>	<u>65</u>	<u>326,832</u>
Liabilities							
Borrowings and deposit placements	-	-	4,749	-	316,879	-	321,628
Other liabilities	5,509	-	-	-	-	-	5,509
Total	<u>5,509</u>	<u>-</u>	<u>4,749</u>	<u>-</u>	<u>316,879</u>	<u>-</u>	<u>327,137</u>
Net currency position	<u>533</u>	<u>141</u>	<u>6</u>	<u>35</u>	<u>(1,085)</u>	<u>65</u>	<u>(305)</u>

⁽¹⁾ It includes other currencies such as : Argentine pesos, Australian- dollar, Canadian dollar, Swiss franc, Peruvian soles and Remimbis.

26.4 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Bladex, like all financial institutions, is exposed to operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, and errors by employees, and any failure, interruption or breach in the security or operation of the Bank's information technology systems could result in interruptions in such activities. Operational problems or errors may occur, and their occurrence may have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

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26. Risk management (continued)

26.4 Operational Risk (continued)

Capital management

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

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

	December 31 2015	December 31 2014	January 1 2014
Tier 1 capital	1,050,778	1,008,122	870,528
Tier 2 capital	(10,680)	(7,837)	(9,700)
Total regulatory capital	<u>1,040,098</u>	<u>1,000,285</u>	<u>860,828</u>
Risk weighted assets	6,460,108	6,660,010	5,942,178
Tier 1 capital ratio	16.27%	15.14%	14.65%

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27. First-time adoption of IFRS

For years up to and including the year ended 31 December 2014, the Bank prepared its financial statements in accordance with United States Generally Accepted Accounting Policies (US-GAAP). These consolidated financial statements, for the year ended 31 December 2015, are the first the Bank has prepared in accordance with IFRS in adherence to a mandate of the SBP for fully licensed banks in Panama. Accordingly, the Bank has prepared financial statements which comply with IFRS applicable for years ending on or after 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the summary of significant accounting policies. In preparing these financial statements, the Bank's opening statement of financial position was prepared as at 1 January 2014, the bank date of transition to IFRS. This note explains the principal adjustments made by the Bank in restating its 2014 US-GAAP consolidated financial statements, including the statement of financial position as at 1 January 2014 and the financial statements as at and for the year ended 31 December 2014.

27.1 Exemptions applied

Cumulative translation differences

Bladex has elected the cumulative translation differences to be set to zero at the date of the transition for its subsidiaries, as a result of the effects of changes in foreign exchange rates. Consequently, the Bank is not required to identify the cumulative translation differences that occurred prior to their date of transition to IFRS.

27.2 Estimates

The estimates at 1 January 2014 and at 31 December, 2014 are consistent with those made for the same dates in accordance with US-GAAP (after adjustments to reflect any differences in accounting policies).

The estimates used by the Bank to present these amounts in accordance with IFRS reflect conditions as at 1 January 2014, the date of transition to IFRS and as of 31 December, 2014

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27. First-time adoption of IFRS (continued)

Application of IFRS 1

A reconciliation of the consolidated statements of financial position for the year ended 2014 and as at January 1st, is as follows:

Ref.	USGAAP			IFRS			USGAAP			IFRS		
	December 31, 2014	Adjustment	Reclassification	December 31 2014	January 1, 2014	Adjustment	Reclassification	January 1 2014				
Assets												
Cash and cash equivalents	780,515	-	-	780,515	839,718	-	-	839,718				
Financial Instruments:												
At fair value through profit or loss	57,574	-	-	57,574	118,661	(49,899)	-	68,762				
At fair value through OCI	338,973	-	-	338,973	334,368	-	-	334,368				
Securities at amortized cost	(a) 54,180	(277)	835	54,738	33,759	(189)	-	33,570				
Loans at amortized cost	(b) 6,686,244	-	-	6,686,244	6,148,298	-	-	6,148,298				
Allowance for expected credit losses	79,675	1,988	-	77,687	72,751	1,875	-	70,876				
Unearned interest & deferred fees	8,509	-	-	8,509	6,668	-	-	6,668				
Loans at amortized cost, net	6,598,060	(1,988)	-	6,600,048	6,068,879	(1,875)	-	6,070,754				
At fair value - Derivative financial instruments used for hedging - receivable	12,324	-	-	12,324	15,217	-	-	15,217				
Property and equipment, net	7,105	-	(144)	6,961	10,466	-	(2,034)	8,432				
Intangibles, net	1,024	-	-	1,024	-	-	1,890	1,890				
Other assets:												
Customers' liabilities under acceptances	114,018	-	-	114,018	1,128	-	-	1,128				
Accrued interest receivable	(c) 47,938	239	-	48,177	40,727	51	-	40,778				
Other assets	13,561	-	(5,505)	8,056	8,389	-	(4,898)	3,491				
Total of other assets	175,517	239	(5,505)	170,251	50,244	51	(4,898)	45,397				
Total assets	8,025,272	1,950	(4,814)	8,022,408	7,471,312	(48,162)	(5,042)	7,418,108				
Liabilities and stockholders' equity												
Deposits:												
Noninterest-bearing - Demand	394	-	-	394	663	-	-	663				
Interest-bearing - Demand	83,781	-	-	83,781	62,384	-	-	62,384				
Time	(d) 2,422,519	-	-	2,422,519	2,298,289	-	-	2,298,289				
Total deposits	2,506,694	-	-	2,506,694	2,361,336	-	-	2,361,336				
At fair value - Derivative financial instruments used for hedging - payable	(d) 40,287	-	-	40,287	8,572	-	-	8,572				
Financial liabilities at fair value through profit or loss	52	-	-	52	72	-	-	72				
Securities sold under repurchase agreement	300,519	-	-	300,519	286,162	-	-	286,162				
Short-term borrowings and debt	2,692,537	-	-	2,692,537	2,705,365	-	-	2,705,365				
Long-term borrowings and debt	(e) 1,405,519	(214)	(5,649)	1,399,656	1,153,871	(145)	(5,042)	1,148,684				
Other liabilities:												
Acceptances outstanding	114,018	-	-	114,018	1,128	-	-	1,128				
Accrued interest payable	14,855	-	-	14,855	13,786	-	-	13,786				
Allowance for expected credit losses on off-balance sheet credit risk	(f) 6,849	3,024	-	9,873	5,222	832	-	6,054				
Other liabilities	32,878	-	-	32,878	27,947	-	-	27,947				
Total other liabilities	168,600	3,024	-	171,624	48,083	832	-	48,915				
Total liabilities	7,114,208	2,810	(5,649)	7,111,369	6,563,461	687	(5,042)	6,559,106				
Stockholders' equity:												
Common stock	279,980	-	-	279,980	279,980	-	-	279,980				
Treasury stock	(77,627)	-	-	(77,627)	(82,008)	-	-	(82,008)				
Additional paid-in capital in excess of assigned value of common stock	(g) 117,339	2,305	-	119,644	118,646	1,978	-	120,624				
Capital reserves	95,210	-	-	95,210	95,210	-	-	95,210				
Retained earnings	510,046	(8,377)	-	501,669	458,699	(3,803)	-	454,896				
Accumulated other comprehensive loss	(h) (13,885)	5,212	835	(7,837)	(12,575)	2,875	-	(9,700)				
Total equity attributable to equity holders of the bank	911,063	(860)	835	911,039	857,952	1,050	-	859,002				
Non-controlling interest	(i) -	-	-	-	49,899	(49,899)	-	-				
Total stockholders' equity	911,063	(860)	835	911,039	907,851	(48,849)	-	859,002				
Total liabilities and stockholders' equity	8,025,272	1,950	(4,814)	8,022,408	7,471,312	(48,162)	(5,042)	7,418,108				

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27. First-time adoption of IFRS (continued)

Application of IFRS 1 (continued)

A reconciliation of the consolidated statements of profit or loss for the year ended 2014 is as follows:

	Ref	<u>USGAAP</u> <u>2014</u>	<u>Adjustments</u>	<u>IFRS</u> <u>2014</u>
Interest income from financial instruments				
Deposits		1,545	-	1,545
At fair value through profit or loss		20	(20)	-
At fair value through OCI		8,115	-	8,115
At amortized cost	(c)	203,050	188	203,238
Total interest income		<u>212,730</u>	<u>168</u>	<u>212,898</u>
Interest expense:				
Deposits		11,245	-	11,245
Investment funds		37	(37)	-
Short-term borrowings and debt		23,893	-	23,893
Long-term borrowings and debt		36,424	-	36,424
Total interest expense		<u>71,599</u>	<u>(37)</u>	<u>71,562</u>
Net interest income		<u>141,131</u>	<u>205</u>	<u>141,336</u>
Other income				
Fees and commissions, net		17,502	-	17,502
Derivate financial instruments and foreign currency exchange	(d,e)	872	(664)	208
Gain per financial instrument at fair value through profit or loss	(h)	3,016	(655)	2,361
Gain per financial instrument at fair value through OCI		1,871	-	1,871
Gain on sale of loans at amortized cost		2,546	-	2,546
Other income, net	(f)	1,744	42	1,786
Net other income		<u>27,551</u>	<u>(1,277)</u>	<u>26,274</u>
Total income		168,682	(1,072)	167,610
Expenses				
Impairment loss from expected credit losses on loans at amortized cost	(b)	6,895	(113)	6,782
Impairment loss from expected credit losses on investment securities	(a)	(7)	1,037	1,030
Impairment (gain) loss from expected credit losses on off-balance sheet financial instruments	(f)	1,627	2,192	3,819
Salaries and other employee expenses	(g)	31,339	227	31,566
Depreciation of equipment and leasehold improvements		2,487	(942)	1,545
Amortization of intangible assets		-	942	942
Professional services		5,177	-	5,177
Maintenance and repairs		1,544	-	1,544
Expenses from investment funds		416	(416)	-
Other expenses	(g)	12,739	99	12,838
Profit for the year		<u>106,465</u>	<u>(4,098)</u>	<u>102,366</u>
Profit (loss) attributable to the redeemable noncontrolling interest		<u>(475)</u>	<u>475</u>	<u>-</u>
Profit for the year attributable to Bladex stockholders		<u>106,940</u>	<u>(4,573)</u>	<u>102,366</u>

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27. First-time adoption of IFRS (continued)

Application of IFRS 1 (continued)

A reconciliation of the consolidated statements cash flows for the year ended 2014 is as follows:

	USGAAP December 31		IFRS December 31
Ref.	2014	Ajustes	2014
Cash flows from operating activities:			
Profit for the year	\$ 106,465	(4,099)	102,366
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Activities of derivative financial instruments and hedging	33,338	-	33,338
Depreciation of equipment and leasehold improvements	2,487	(942)	1,545
Amortization of intangible assets	-	942	942
Impairment loss from expected credit losses	(b) 8,522	3,116	11,638
Net gain on sale of financial assets at fair value through OCI	(1,871)	-	(1,871)
Compensation cost - share-based payment	(f) 2,246	327	2,573
Interest income	(c, h) (212,730)	(168)	(212,898)
Interest expense	(h) 71,599	(37)	71,562
Net decrease (increase) in operating assets:			
Net decrease (increase) in pledged deposits	(30,178)	-	(30,178)
Financial instruments at fair value through profit or loss	(d, e, h) 10,877	861	11,738
Net increase in loans at amortized cost	(536,075)	-	(536,075)
Other assets	(5,191)	-	(5,191)
Net increase (decrease) in operating liabilities:			
Net increase in due to depositors	145,358	-	145,358
Financial liabilities at fair value through profit or loss	(20)	-	(20)
Other liabilities	3,646	-	3,646
Cash provided by operating activities			
Interest received	205,519	-	205,519
Interest paid	(70,530)	-	(70,530)
Net cash used in operating activities	(266,538)	-	(266,538)
Flujos de efectivo de las actividades de inversión:			
Acquisition of equipment and leasehold improvements	(87)	-	(87)
Acquisition of intangible assets	(83)	-	(83)
Proceeds from disposal of equipment and leasehold improvements	13	-	13
Proceeds from disposal of intangible assets	7	-	7
Proceeds from the redemption of of financial instruments at fair value through OCI	62,535	-	62,535
Proceeds from the sale of financial instruments at fair value through OCI	223,219	-	223,219
Proceeds from maturities of financial instruments at amortized cost	19,883	-	19,883
Purchases of financial instruments at fair value through OCI	(287,770)	-	(287,770)
Purchases of financial instruments at fair value at amortized cost	(40,305)	-	(40,305)
Net cash used in investing activities	(22,588)	-	(22,588)
Flujos de efectivo de las actividades de financiamiento:			
Net increase (decrease) in short-term borrowings and debt			
and securities sold under repurchase agreements	1,529	-	1,529
Proceeds from long-term borrowings and debt	641,138	-	641,138
Repayments of long-term borrowings and debt	(389,490)	-	(389,490)
Dividends paid	(54,262)	-	(54,262)
Exercised stock options	1,469	-	1,469
Repurchase of common stock	(640)	-	(640)
Net cash provided by financing activities	199,744	-	199,744
Effect of exchange rate fluctuations on cash and cash equivalents	1	-	1
Net increase (decrease) in cash and cash equivalents	(89,381)	-	(89,381)
Cash and cash equivalents at beginning of the year	830,686	-	830,686
Cash and cash equivalents at end of the year	\$ 741,305	-	741,305

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27. First-time adoption of IFRS (continued)

Application of IFRS 1 (continued)

The total effect on retained earnings and equity is further analyzed as follows:

	Ref	December 31 2014	January 1 2014
Transition adjustments recorded in additional paid-in-capital in excess of assigned value of common stock			
Adjustment for recognition of share-based payment costs	f)	2,305	1,978
Transition adjustments recorded in retained earnings			
Recognition of interest revenue on credit-impaired financial instruments	c)	239	51
Adjustment of mark-to market as per fair value and cash flow hedge	d)	(1)	131
Current translation adjustment – exemption as per IFRS 1	g)	(2,350)	(1,695)
Adjustment for expected credit losses for loans at amortized cost	b)	(1,036)	1,044
Adjustment for Impairment of investment securities	a)	(2,392)	(1,355)
Foreign exchange of investments at FVOCI	g)	(532)	-
Adjustment for recognition of share-based payment costs	f)	(2,305)	(1,978)
Effect of transition to IFRS on retained earnings		(8,377)	(3,803)
Transition adjustments recorded in other comprehensive income:			
Adjustment for hedge ineffectiveness	g)	215	14
Current translation adjustment – exemption as per IFRS 1	g)	2,350	1,695
Adjustment for impairment of investment securities	a)	2,115	1,166
Foreign exchange of investments at FVOCI	g)	532	-
Effect of transition to IFRS on other comprehensive income		5,212	2,875
Transition adjustments recorded in other equity component:			
Deconsolidation of the investment fund	h)	-	(49,899)
Total effect on equity		(860)	(48,849)

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27. First-time adoption of IFRS (continued)

Application of IFRS 1 (continued)

Explanations of the notes to the reconciliations are the following:

- a) Adjustment for impairment loss on securities at FVOCI and amortized cost in accordance with IFRS 9.
 - Under IFRS 9, financial assets classified as at FVOCI and financial assets classified as at amortized cost are subject to the same single impairment model, which measures expected credit losses as either 12-month expected credit losses or lifetime expected credit losses.
- b) Adjustment for expected credit losses for loans at amortized cost
 - The calculation of the reserve for expected credit losses on loans at amortized cost are adjusted to reflect the requirements under IFRS 9, which establishes the expected credit losses to be measured as either 12-month expected credit losses or lifetime expected credit losses.
- c) Recognition of interest revenue on credit-impaired financial instruments
 - When assessing significant increases in credit risk, under Stage 3 (where a credit event has occurred) interest revenue is calculated on the amortized cost; in other words, the gross carrying amount after deducting the impairment allowance.
- d) Adjustment of mark-to-market as per fair value and cash flow hedge
 - As part of the ineffectiveness test carried out for all its derivatives, some adjustments were recorded to the mark-to-market of the underlying.
- e) Adjustment for expected credit losses for off-balance sheet financial instruments
 - The calculation of the reserve for expected credit losses on off-balance sheet financial instruments are adjusted to reflect the requirements under IFRS 9, which requires the expected credit losses to be measured as either 12-month expected credit losses or lifetime expected credit losses.
- f) Adjustment for recognition of share-based payment costs based on the accelerated attribution method.
 - In the case of graded vesting, the Bank must recognize compensation expense on an accelerated basis. Previously under USGAAP, for awards containing only service conditions, the Bank had made the accounting policy election to recognize compensation expense on a straight-line basis, whereas the award was valued as a single award with an average expected life.

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27. First-time adoption of IFRS (continued)

Application of IFRS 1 (continued)

g) Adjustment for hedge ineffectiveness – cash flow hedge / Current translation adjustment – exemption as per IFRS 1/Foreign exchange of investments at fair value through OCI (continued)

Adjustment for hedge ineffectiveness – cash flow hedge

- Under USGAAP, the Bank used the short-cut method for its interest rate swaps and the critical-term match for the rest of its derivatives. As per IFRS, ineffectiveness should be measured for all its derivatives.

Current translation adjustment – exemption as per IFRS 1

- The Bank deemed the cumulative translation differences for foreign operations at the date of transition to be zero. After the date of transition, translation differences arising on translation of foreign operations are recognized in other comprehensive income and included in a separate translation reserve within equity.

Foreign exchange of investments at fair value through OCI

- Under USGAAP, the foreign exchange on investments available for sale was recorded in other comprehensive income. As per IFRS, the foreign exchange of these investments, which falls under the category of investments at fair value through OCI, should be recorded in profit or loss.

h) Deconsolidation of the investment fund

- As a result of the evaluation of control, as per IFRS 10 “Consolidated Financial Statements”, according to which the existing rights do not give the Bank the ability to direct the relevant activities of the fund nor the ability to use its power over the investee to affect its return, the Bank has determined that there is no control over the investment fund at the date of transition.

Reclassification corresponds to the segregation of intangibles from property, plant and equipment, and the presentation of debt issuance costs together with the liabilities.

28. Subsequent Events

Bladex announced a quarterly cash dividend of \$0.385 per share corresponding to the fourth quarter of 2015. The cash dividend was approved by the Board of Directors and is payable on February 23, 2016 to the Bank’s stockholders as of the February 10, 2016 record date. In accordance with IAS 10 - “Events after the date of the consolidated statements of financial position”, if an entity declares dividends after such date, it cannot recognize the amount of these dividends as a liability in the year-end consolidated financial statements.

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