

Amendment to Program Information

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

AMENDMENT TO PROGRAM INFORMATION

Type of Information:	Amendment to Program Information
Date of Announcement	December 27, 2018
Issuer Name:	Banco Latinoamericano de Comercio Exterior, S.A.
Name and Title of Representative:	Gabriel Tolchinsky Chief Executive Officer
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Contact Person:	Attorneys-in-Fact: Masaki Konishi, Attorney-at-law Motoki Saito, Attorney-at-law Nagashima Ohno & Tsunematsu Address: JP Tower, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7036, Japan Telephone: +81-3-6889-7000
Type of Securities:	Notes
Address of Website for Announcement:	https://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html
Names of the Arrangers (for the purpose of this Amendment to Program Information):	Mizuho International plc and Morgan Stanley & Co. International plc
Status of Submission of Annual Securities Reports or Issuer Filing Information:	None
Information on Original Program Information:	
Date of Announcement:	October 19, 2018
Scheduled Issuance Period:	October 20, 2018 to October 19, 2019
Maximum Outstanding Issuance Amount:	U.S.\$2,250,000,000

This Amendment to Program Information ("**Amendment to Program Information**") has been announced to supersede and replace the Program Information dated October 19, 2018 ("**Original Program Information**"). Any notes ("**Notes**") of Banco Latinoamericano de Comercio Exterior, S.A. (the "**Issuer**") to be issued under this Amendment to Program Information on or after the date of this Amendment to Program Information are issued subject to provisions herein, but this Amendment to Program Information does not affect any Notes issued under the Original Program Information prior to the date hereof.

Notes to Investors:

1. TOKYO PRO-BOND Market is a market for professional investors, etc. (*Tokutei Toushika tou*) as defined in Article 2, Paragraph 3, Item 2(b)(2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of

1948, as amended, the "FIEA") (the "**Professional Investors, Etc.**"). Notes listed on the market ("**Listed Notes**") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Notes on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions only after having carefully considered the contents of this Amendment to Program Information.

2. Where this Amendment to Program Information contains (a) any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Amendment to Program Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1 of the FIEA (meaning a director of the board (*torishimari-yaku*), accounting advisor (*kaikei-sanyo*), company auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these) of the issuer that announced this Amendment to Program Information shall be liable to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack of information in accordance with the provisions of Article 21, Paragraph 1, Item 1 of the FIEA applied mutatis mutandis in Article 27-33 of the FIEA and Article 22 of the FIEA applied mutatis mutandis in Article 27-34 of the FIEA. However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he/she was not aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information.
3. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the Tokyo Stock Exchange website.
4. Tokyo Stock Exchange does not express opinions or issue guarantees, etc. regarding the content of the Amendment to Program Information (including but not limited to, whether the Amendment to Program Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss.
5. Where this Amendment to Program Information (excluding Program Information concerning securities enumerated in each item of Article 3 of the FIEA) comes to include information regarding matters listed in this Form pursuant to Rule 206, Paragraph 2 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities (hereinafter referred to as the "**Special Regulations**") as information prescribed in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities, etc., the Program Information shall constitute Specified Securities Information stipulated in Article 27-31, Paragraph 1 of the FIEA.
6. All prospective investors who purchase the Notes of the Issuer to be issued under this Amendment to Program Information should be aware that when they offer to purchase the Notes, they shall be required to (i) enter into and agree the terms of a transfer restriction agreement with the Issuer and/or the person making a solicitation, or (ii) (in case of an offer to acquire the Notes to be newly issued) agree to comply with the terms of a transfer restriction that is described as constituting the terms of the Notes or the conditions of the transaction for the Notes in a document describing the information on the Notes and is explained by a financial instrument business operator, etc. (*kinyushohin torihikigyosha tou*) making a solicitation. The terms of such transfer restriction agreement or transfer restriction provide that prospective investors agree not to sell, transfer or otherwise dispose of the Notes to be held by them to any person other than the Professional Investors, Etc., except for the transfer of the Notes to the following:
 - (a) the Issuer, or the Officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the "**Voting Rights Held by All the Shareholders, Etc.**" (*SouKabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, Paragraph 2 of the FIEA; the same shall apply hereinafter) of the Issuer under his/her own name or another person's name (hereinafter such Officer shall be referred to as the "**Specified Officer**" (*Tokutei Yakuin*) in this Paragraph), or to a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50 % of the Voting Rights Held by All the Shareholders, Etc. are held by the Specified Officer (the "**Controlled Juridical Person, Etc.**") (*Hi-Shihai Houjin Tou*) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the

Voting Rights Held by All the Shareholders, Etc. are jointly held by the Specified Officer and the Controlled Juridical Person, Etc. (as prescribed in Article 11-2, Paragraph 1, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No.14 of 1993, as amended)); or

- (b) a company that holds shares or equity pertaining to voting rights exceeding 50 % of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.
7. When (i) a solicitation of an offer to acquire the Notes or (ii) an offer to sell or a solicitation of an offer to purchase the Notes (collectively, "**Solicitation of the Note Trade**") is made, the following matters shall be notified from the person who makes such Solicitation of the Note Trade to the person to whom such Solicitation of the Note Trade is made in accordance with the FIEA and regulations thereunder (as amended from time to time):
- (a) no securities registration statement (pursuant to Article 4, Paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Note Trade;
 - (b) the Notes fall, or will fall, under the Securities for Professional Investors (*Tokutei Tousehika Muke Yukashoken*) (as defined in Article 4, Paragraph 3 of the FIEA);
 - (c) any acquisition or purchase of the Notes by such person pursuant to any Solicitation of the Note Trade is conditional upon such person (i) (in the case of a solicitation of an offer to acquire the Notes to be newly issued) (x) entering into an agreement providing for the restriction on transfer of the Notes as set forth in 6 (i) above with each of the Issuer and the person making such Solicitation of the Note Trade, or (y) agreeing to comply with the transfer restriction as set forth in 6 (ii) above, or (ii) (in the case of an offer to sell or a solicitation of an offer to purchase the Notes already issued) entering into an agreement providing for the restriction on transfer of the Notes as set forth in 6 (i) above with the person making such Solicitation of the Note Trade;
 - (d) Article 4, Paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Notes as provided in Article 4, Paragraph 2 of the FIEA;
 - (e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-33 of the FIEA) with respect to the Notes and the Issuer Filing Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-34 of the FIEA) with respect to the Issuer have been or will be made available for the Professional Investors, Etc. by way of such information being posted on the web-site maintained by the TOKYO PRO-BOND Market (<http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html> or any successor website) in accordance with Articles 210 and 217 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities of Tokyo Stock Exchange, Inc.; and
 - (f) the Issuer Filing Information, Etc. will be provided to the holders of the Notes or made public pursuant to Article 27-32 of the FIEA
8. In respect of the U.S. \$2,250,000,000 Euro Medium Term Note Program of the Issuer (the "**Euro MTN Program**") under which the Notes may be issued in connection with this Amendment to Program Information, ratings of (P)Baa2 (long-term foreign currency senior unsecured debt) and (P)Prime-2 (short-term foreign currency unsecured debt) were assigned from Moody's Investors Service, Inc. ("**Moody's**") on May 8, 2013. The credit rating firm has not been registered under Article 66-27 of the FIEA.

Unregistered credit rating firms are not subject to any supervision of the Financial Services Agency of Japan or regulations applicable to credit rating firms, including obligations to disclose information, nor obligated to publicize information regarding such matters as listed in Article 313, Paragraph 3, Item 3 of the Ordinance of the Cabinet Office Concerning Financial Instruments Business, Etc. (the "**Cabinet Office Ordinance**").

Moody's has Moody's Japan K.K. (registration number: Commissioner of Financial Services Agency (kakuzuke) No. 2) within its group as registered credit rating firm under Article 66-27 of the FIEA, and Moody's is a specified affiliated corporation (as defined in Article 116-3, Paragraph 2 of the Cabinet Office Ordinance) of the registered credit rating firm above. The basis, meaning and limitations of the credit ratings given by Moody's are made available in the Japanese language on the website of Moody's Japan K.K., at "Basis, Meaning and Limits of Credit Ratings" posted under "Related to Explanations of Unregistered Credit Ratings" in the column titled "Use of Ratings by Unregistered Firm" on the page titled "Credit Rating Business" on its website (https://www.moodys.com/pages/default_ja.aspx), which is made available for the public on the

Internet.

9. The selling restrictions set forth in notes 6 and 7 above shall prevail over those set forth in the section entitled "SUBSCRIPTION AND SALE – Japan" in the Base Prospectus dated December 19, 2018 prepared in connection with the Euro MTN Program (the "**Base Prospectus**") incorporated in this Amendment to Program Information.
10. The following documents shall be incorporated in, and to form a part of, the Amendment to Program Information:
 - (a) The Base Prospectus; and
 - (b) All subsequent annual reports filed on Form 20-F and all subsequent reports on Form 6-K filed by the Issuer with the United States Securities and Exchange Commission (the "**U.S.SEC**").

The reports set forth in (b) above are available on the web site of the U.S.SEC at www.sec.gov.



Banco Latinoamericano de Comercio Exterior, S.A.

(incorporated under the laws of the Republic of Panama)

U.S.\$2,250,000,000

Euro Medium Term Note Program

Due from 7 days to 30 years from the Date of Issue

Arranger:

BofA Merrill Lynch

Dealers:

Banco Bilbao Vizcaya Argentaria, S.A.

Barclays

BofA Merrill Lynch

BNP PARIBAS

Citigroup

Crédit Agricole CIB

Credit Suisse

HSBC

J.P. Morgan

MUFG

Mizuho Securities

Santander

SMBC Nikko

Standard Chartered Bank

Wells Fargo Securities

The date of this Base Prospectus is December 19, 2018.

This Base Prospectus supersedes in its entirety the Base Prospectus dated August 17, 2017.

Banco Latinoamericano de Comercio Exterior, S.A. (“Bladex,” the “Bank” or the “Issuer”) may from time to time issue Euro Medium Term Notes (the “Notes”) under the Program (the “Program”) described in this Base Prospectus (as amended or supplemented, the “Base Prospectus”). The Notes will have maturities of not less than 7 days nor more than 30 years from the date on which such Notes will be issued (the “Issue Date”) and will be denominated in such currencies as may be agreed with the Dealers (as defined below). The maximum principal amount of all Notes from time to time outstanding will not exceed U.S.\$2,250,000,000 (or the equivalent in other currencies, determined for this purpose as of the Issue Date of each Series of Notes (as defined in “Description of the Notes”)). The Notes may be issued at their nominal amount or at a premium over or discount to their nominal amount and/or may bear interest at a fixed, floating or variable rate. The amount payable on the redemption of the Notes may be fixed or variable. Any terms and conditions that differ from those contained herein that are applicable to each Series of Notes, including the specified currency and the interest rate, if any, applicable to such Series, will be set forth in a final terms relating to such Series of Notes (each, a “Final Terms”).

In this Base Prospectus, the term “Dealer” or “Dealers” shall refer collectively to the dealers and arranger listed on page 18 hereof.

The Notes may be issued in bearer form, registered form or a combination thereof. Notes of a Series will initially be represented by interests in a global Note in bearer or registered form, as the case may be, deposited with a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”), and/or any other clearing system as may be specified in the relevant Final Terms and/or accepted into the book entry settlement system of The Depository Trust Company (“DTC”). See “Description of the Notes” and “Exchange of Global Notes.”

Application has been made to admit the Notes of any series issued under the Program to listing on the official list of the Luxembourg Stock Exchange (the “Official List”) and to trading on the Euro MTF market (the “Euro MTF”). The Notes may also be listed, quoted and/or traded on or by such other or further stock exchange(s), listing authorit(y)(ies) and/or quotation system(s) as may be agreed between the Issuer and the relevant Dealers. This Base Prospectus is valid for a period of twelve months from the date hereof for purposes of listing any Series of Notes on the Official List and to trading on the Euro MTF.

See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Issuer accepts responsibility for the information contained in this Base Prospectus. The Issuer has confirmed to the Dealers in the Fifth Amended and Restated Dealer Agreement, dated as of August 2, 2016, by and among the Issuer, the Arranger and each Dealer (as amended from time to time, the “Dealer Agreement”), and will represent on the Issue Date of each Series of Notes, that this Base Prospectus does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and the Issuer accepts responsibility accordingly. No representation or warranty is made or implied by the Dealers and neither the Dealers nor any of their respective affiliates make any such representation or warranty as to the accuracy or completeness of the information contained herein, and nothing contained in this Base Prospectus is or should be relied upon as a promise or representation as to future results or events.

This Base Prospectus should be read and construed in conjunction with any amendment or supplement hereto, with any Final Terms and with any documents incorporated by reference in this Base Prospectus. This Base Prospectus supersedes all previous Base Prospectuses or information memoranda prepared in connection with the Program. This Base Prospectus is only valid with respect to the issuance of the Notes, at any time, in an aggregate outstanding principal amount not to exceed U.S.\$2,250,000,000 (or the equivalent in other currencies, determined for this purpose as of the Issue Date of each Series of Notes).

This Base Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Base Prospectus may be used only for the purposes for which it is published.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND INCLUDE NOTES IN

BEARER FORM WHICH ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES ARE BEING OFFERED OUTSIDE THE UNITED STATES IN RELIANCE UPON REGULATIONS UNDER THE SECURITIES ACT (“REGULATIONS”). THE NOTES MAY BE OFFERED IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON THE OFFER, RESALE, TRANSFER AND DELIVERY OF THE NOTES AND THE DISTRIBUTION OF THIS BASE PROSPECTUS, SEE “DESCRIPTION OF THE NOTES,” “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS.”

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA. ACCORDINGLY, (I) THE NOTES CANNOT BE PUBLICLY OFFERED OR SOLD IN PANAMA, EXCEPT IN TRANSACTIONS EXEMPTED FROM REGISTRATION UNDER THE PANAMANIAN SECURITIES LAWS, (II) THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA HAS NOT REVIEWED THE INFORMATION CONTAINED IN THIS BASE PROSPECTUS, (III) THE NOTES AND ITS OFFER ARE NOT SUBJECT TO THE SUPERVISION OF THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA, AND (IV) THE NOTES DO NOT BENEFIT FROM THE TAX INCENTIVES PROVIDED BY THE PANAMANIAN SECURITIES LAWS AND REGULATIONS.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subject to MiFID II subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The distribution of this Base Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required to inform themselves about, and to observe, any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer and sale of the Notes in, among other jurisdictions, the United States, the United Kingdom (“U.K.”) and the Republic of Panama (“Panama”). See “Subscription and Sale.”

No person has been authorized to give any information or to make any representation, except as contained in this Base Prospectus, in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or by any Dealer (or any of their respective affiliates). Neither the delivery of this Base Prospectus nor any offer made on the basis hereof shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. Investors should review, among other things, the most recent financial statements of Bladex when evaluating an investment in the Notes.

The Dealers have advised the Issuer that, subject to applicable laws and regulations, they currently intend to make a market in the Notes. No Dealer is obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the relevant Dealer. Accordingly, no assurance can be given as to the liquidity of or trading market for the Notes.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

The Final Terms in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”).

The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to “relevant persons” for purposes of section 309B(1)(c) of the SFA.

IN CONNECTION WITH THE ISSUE OF ANY SERIES OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE RELEVANT SERIES OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT SERIES OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT SERIES OF NOTES. SUCH STABILISING SHALL BE CONDUCTED BY THE STABILISING MANAGER(S) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

IMPORTANT NOTICE

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any purchase, resale, pledge or transfer of Notes.

Each purchaser of Notes offered hereby that is a U.S. person or that purchases Notes in the United States (other than certain U.S. persons buying for the account of non-U.S. persons) will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) It understands that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States or under any state securities laws, and that such Notes may be offered, resold, pledged or otherwise transferred only (A) to a person whom the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) purchasing for its own account or for the account of a qualified institutional buyer whom the holder has informed, in each case, that the reoffer, resale, pledge or other transfer is being made in reliance on Rule 144A, (B) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S, or (C) pursuant to an exemption from registration under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction.
- (ii) It understands that Notes sold into the United States will bear a legend to the following effect, unless the Issuer determines otherwise consistent with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR UNDER ANY STATE SECURITIES LAWS, AND MAY NOT BE REOFFERED, RESOLD,

PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THE FOLLOWING SENTENCES. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATIONS UNDER THE SECURITIES ACT; OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. EXCEPT AS OTHERWISE SPECIFIED, TERMS USED IN THIS PARAGRAPH HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

In addition, each such purchaser of Notes will be deemed to have represented and agreed that it is a qualified institutional buyer as defined in Rule 144A, that it is aware that the sale to it is being made in reliance on Rule 144A and that it is acquiring the Notes for its own account or for the account of a qualified institutional buyer.

Notwithstanding any provision herein, any person (and each employee, representative, or other agent of such person) may disclose to any and all other persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such person relating to such U.S. tax treatment and U.S. tax structure.

To permit compliance with Rule 144A in connection with sales of the Notes, the Issuer will be required under the Trust Deed and the Agency Agreement (each as defined in “Description of the Notes”) to furnish upon the request of a holder of the Notes to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of such request Bladex is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

FORWARD-LOOKING STATEMENTS

This Base Prospectus, together with the documents incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements include statements regarding:

- general economic, political and business conditions in North America, Central America, South America and the jurisdictions in which the Bank or its customers operate;
- the growth of the Bank’s Credit Portfolio, including its trade finance portfolio;
- the Bank’s ability to increase the number of its clients;
- the Bank’s ability to maintain its investment-grade credit ratings and preferred creditor status;
- the effects of changing interest rates, inflation, exchange rates and the macroeconomic environment in Latin America and the Caribbean (the “Region”) on the Bank’s financial condition;
- the execution of the Bank’s strategies and initiatives, including its revenue diversification strategy;
- anticipated profits and return on equity in future periods;
- the Bank’s level of capitalization and debt;

- the implied volatility of the Bank’s Treasury profits;
- levels of defaults by borrowers and the adequacy of the Bank’s allowance for expected credit losses (“ECL”);
- the availability and mix of future sources of funding for the Bank’s lending operations;
- the adequacy of the Bank’s sources of liquidity to cover large deposit withdrawals;
- management’s expectations and estimates concerning the Bank’s future financial performance, financing, plans and programs, and the effects of competition;
- government regulations and tax laws and changes therein;
- increases in compulsory reserve and deposit requirements;
- effectiveness of the Bank’s risk management policies;
- failure in, or breach of, the Bank’s operational or security systems or infrastructure;
- regulation of the Bank’s business and operations on a consolidated basis;
- the effects of possible changes in economic or financial sanctions, requirements, or trade embargoes, changes in international trade, tariffs, restrictions or policies, such as those imposed or implemented by the current administration in the United States of America (“United States” or “USA” or “U.S.”), or as a result of the U.K.’s exit from the European Union (“Brexit”);
- credit and other risks of lending and investment activities; and
- the Bank’s ability to sustain or improve its operating performance.

In addition, the statements included under the heading “Description of Business of Bladex—Overview—Strategies for 2018 and Subsequent Years” are forward-looking statements. Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from these forward-looking statements include the risks described in the section titled “Risk Factors.” The Bank assumes no obligation to update any forward-looking statement.

AVAILABLE INFORMATION

Bladex is subject to the informational requirements of the Exchange Act applicable to a foreign private issuer and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (the “Commission” or the “SEC”). Such reports and other information filed by Bladex with the Commission may be inspected and copied at the Public Reference Room maintained by the Commission at Judiciary Plaza, 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials can be obtained by writing to the Commission at the above address and paying a fee for the copying costs. Additional information regarding the operation of the public reference rooms of the Commission can be obtained by calling 1-800-SEC-0330. In addition, because Bladex also files reports with the Commission electronically, reports so filed are available on the web site of the Commission at www.sec.gov. Reports and other information concerning Bladex can also be inspected at the offices of the New York Stock Exchange LLC, 20 Broad Street, New York, New York 10005.

INCORPORATION BY REFERENCE

The Commission allows Bladex to “incorporate by reference” the information Bladex files with it, which means that Bladex can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this Base Prospectus, and later information that Bladex files with the Commission will automatically update and supersede earlier information filed with the Commission or included in this Base Prospectus or any supplement hereto.

The following documents are incorporated herein by reference:

- Bladex’s report on Form 6-K, labeled “Short Form of Press Release” dated October 25, 2018 and furnished to the Commission on October 25, 2018;
- Bladex’s report on Form 6-K, labeled “Long Form of Press Release” dated October 25, 2018 and furnished to the Commission on October 29, 2018;
- Bladex’s report on Form 6-K, labeled “For the month of November, 2018,” dated November 2, 2018 and furnished to the Commission on November 2, 2018; and
- Bladex’s report on Form 6-K/A, labeled “For the month of December, 2018,” dated December 4, 2018 and furnished to the Commission on December 4, 2018.

All subsequent Annual Reports filed on Form 20-F and all subsequent Reports on Form 6-K filed by Bladex after the date of this Base Prospectus shall be deemed to be incorporated by reference in this Base Prospectus and to be a part hereof from the date of filing of such reports with the Commission.

Bladex will provide without charge to each person to whom this Base Prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Base Prospectus by reference. Requests for such copies should be directed to Corporate Secretary, Bladex, Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, P.O. Box 0819-08730, Panama City, Republic of Panama, telephone: +507 210-8500, email: funding@bladex.com. In addition, copies of this Base Prospectus and any or all of the documents incorporated by reference herein will be available free of charge at the office of the Paying Agent, The Bank of New York Mellon (Luxembourg) S.A., 2-4 rue Eugène Ruppert, Vertigo Building – Polaris, L-2453 Luxembourg.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Base Prospectus to the extent that a statement contained herein or therein or in any other subsequently filed document that also is incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

The Issuer has given an undertaking in connection with the listing of the Notes on the Official List and to trading on the Euro MTF to the effect that, so long as any Note remains outstanding and is traded on the Euro MTF, in the event of any material adverse change in the financial condition of the Issuer that is not reflected in the Base Prospectus, the

Issuer will prepare a supplement to the Base Prospectus or a new Base Prospectus. If the terms of the Program are modified or amended in a manner that would make the Base Prospectus, as supplemented, inaccurate or misleading in any material respect, a new Base Prospectus or supplement thereto will be prepared.

FINANCIAL STATEMENTS

The audited consolidated statements of financial position of Bladex as of December 31, 2017 and 2016, and related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, as well as the report of the Bank's independent registered public accounting firm (the "Independent Registered Public Accounting Firm") relating thereto (the "Audited Consolidated Financial Statements"), are attached hereto as Appendix B and form a part hereof. Bladex's reports on Form 6-K containing its unaudited consolidated financial results and unaudited consolidated financial statements as of and for the six months ended June 30, 2018 are incorporated herein by reference.

Reclassification

Certain items in the consolidated statement of financial position previously presented in our Audited Consolidated Financial Statements that were grouped pursuant to IAS 1.29 will be presented separately in the annual consolidated financial statements as of and for the year ended December 31, 2018, in order to be comparable to the consolidated financial statement presentation for the interim periods and the year ended December 31, 2018. Investment property, which was presented in other assets and disclosed in Note 9 of the Audited Consolidated Financial Statements, was presented separately due to its importance in fair value evolution in Bladex's report on Form 6-K, labeled "For the month of November, 2018" which presents our unaudited condensed consolidated financial information as of September 30, 2018, and based on IAS 34.10 the new line item will be also presented in the audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 for comparative purposes. Regulatory reserves, which was presented as part of retained earnings and disclosed in Note 15.3, "Restriction on retained earnings", of the Audited Consolidated Financial Statements, will be presented separately in the body of the consolidated statement of financial position per management's decision.

The main effects resulting from this reclassification in 2017 are as follows:

	As of December 31, 2017, previously presented	Reclassification	As of December 31, 2017, previously presented
		<i>(In \$ thousands)</i>	
Assets			
Investment properties, net.....	-	\$5,119	\$5,119
Other assets:			
Other assets.....	18,827	(5,119)	13,708
Shareholders' equity:			
Dynamic provision	-	108,856	108,856
Regulatory credit reserve	-	20,498	20,498
Retained earnings	\$608,966	\$(129,354)	\$479,612

	As of December 31, 2016, previously presented	Reclassification	As of December 31, 2016, previously presented
	(In \$ thousands)		
Assets			
Investment properties, net.....	-	-	-
Other assets:			
Other assets.....	11,456	-	11,456
Shareholders' equity:			
Dynamic provision	-	43,826	43,826
Regulatory credit reserve.....	-	18,633	18,633
Retained earnings	\$587,507	(62,459)	\$525,048

ENFORCEABILITY OF CIVIL LIABILITIES

Bladex is a corporation (*sociedad anónima*) organized under the laws of Panama. A majority of the directors and officers of Bladex reside outside the United States and all or a significant portion of the assets of Bladex, its directors and officers and the experts named herein are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or against Bladex in United States courts, judgments predicated upon the civil liability provisions of the federal securities laws of the United States. Bladex has been advised by its Panamanian counsel, Arias, Fábrega y Fábrega, that there is uncertainty as to whether Panamanian courts would (i) enforce in original actions liabilities predicated solely upon the United States federal securities laws or (ii) recognize or enforce judgments of the courts of the United States or any state thereof obtained in actions predicated upon the civil liability provisions of the United States federal securities laws.

Bladex, however, will irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan, The City of New York, and will irrevocably waive any immunity from the jurisdiction of such courts, in connection with any action based upon the Notes brought by any holder of Notes.

Certain amounts stated in this Base Prospectus may not sum due to rounding adjustments.

In this Base Prospectus, unless the context otherwise requires, references to the “Bank,” “Bladex,” “we,” “our,” or “us” mean Bladex and its consolidated subsidiaries (as described in “Description of Business of Bladex—History and Development of the Company”). References to Bladex’s Audited Consolidated Financial Statements are to the financial statements of Banco Latinoamericano de Comercio Exterior, S.A. and its subsidiaries, with all intercompany balances and transactions having been eliminated for consolidating purposes. References to “Bladex Head Office” are to Banco Latinoamericano de Comercio Exterior, S.A. in its individual capacity.

In this Base Prospectus, references to “\$,” “U.S.\$” and “U.S. dollars” are to United States dollars and references to “€,” “euro” and “EUR” are to the lawful currency for the time being of the member states of the European Union that have adopted or may adopt the single currency in accordance with the treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union.

In the ordinary course of business, certain of the Dealers and their affiliates engage in banking transactions with Bladex. In addition, certain of the Dealers, the Trustee (as defined in “Description of the Notes”) and/or their respective affiliates are holders of Class B and Class E common stock of Bladex.

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SUMMARY

This summary highlights information contained elsewhere in this Base Prospectus. This summary may not contain all the information that may be important to you, and Bladex urges you to read the entire Base Prospectus carefully, including the information included under “Risk Factors,” “Operating and Financial Review and Prospects,” the Audited Consolidated Financial Statements and notes to those statements included elsewhere in this Base Prospectus, before deciding to invest in any Series of Notes.

Overview

The Bank

The Bank, a corporation (*sociedad anónima*) organized under the laws of Panama and headquartered in Panama City, Panama, is a specialized multinational bank originally established by central banks of Latin American and Caribbean countries to promote foreign trade and economic integration in the Region. The legal name of the Bank is Banco Latinoamericano de Comercio Exterior, S.A. Translated into English, the Bank is also known as Foreign Trade Bank of Latin-America, Inc. The commercial name of the Bank is Bladex.

The Bank operates locally from seven cities located in seven countries in the Region. As of December 31, 2017, the Bank had, on a consolidated basis:

- \$6,268 million in total assets;
- \$5,506 million in loans;
- \$1,043 million in stockholders’ equity;
- a return on average total assets of 1.27%; and
- a Tier 1 Basel III capital to risk-weighted assets ratio of 21.1%.

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 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 began operations on January 2, 1979. Panama was selected as the location of the Bank’s headquarters because of the country’s importance as a banking center in the Region, the benefits of a fully U.S. dollar-based economy, the absence of foreign exchange controls, its geographic location, and the quality of its communications facilities. 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 the Republic of Panama.

The Bank’s mission is to provide financial solutions of excellence to financial institutions, companies and investors doing business in Latin America, supporting trade and regional integration across the Region.

As a multinational bank operating in 23 countries with a strong and historic commitment to Latin America, the Bank possesses extensive knowledge of business practices, risk and regulatory environments, accumulated over decades of doing business throughout the entire Region. The Bank provides foreign trade solutions to a select client base of premier Latin-American financial institutions and corporations, and has developed an extensive network of correspondent banking institutions with access to the international capital markets. The Bank enjoys a preferred creditor status in many jurisdictions, being recognized by its strong capitalization, prudent risk management and sound corporate governance standards. Bladex fosters long-term relationships with clients, and it has developed over the years a reputation for excellence when responding to its clients’ needs, in addition having a solid financial track record, which has reinforced its brand recognition and its franchise value in the Region, and contributes to the Bank achieving its vision of becoming the leading institution in Latin America supporting foreign trade and regional integration.

The Bank’s lending and investing activities are funded by interbank deposits, primarily from central banks and financial institutions in the Region, by borrowings from international commercial banks, and by sales of the Bank’s

debt securities to financial institutions and investors in Asia, Europe, North America and the Region. The Bank does not provide retail banking services to the general public, such as retail savings accounts or checking accounts, and does not take retail deposits.

The Bank offers its services through its head office in Panama City, its agency in New York (the “New York Agency”), its subsidiaries in Brazil and Mexico, and its representative offices in Buenos Aires, Argentina; Mexico City, Mexico; Sao Paulo, Brazil; Lima, Peru; and Bogotá, Colombia, as well as through a worldwide network of correspondent banks. On April 3, 2017, the Bank obtained approval from the National Banking and Securities Commission of Mexico to close its Representative Office in Monterrey, Mexico and closed this office on April 7, 2017.

Bladex’s head office is located at Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Republic of Panama, and its telephone number is +507 210-8500. The New York Agency is located at 10 Bank Street, Suite 1220, White Plains, NY 10606, and its telephone number is +1 (914) 328-6640.

Bladex’s shares of Class E common stock are listed on the New York Stock Exchange (“NYSE”) under the symbol “BLX.”

Our Strengths

Over the course of more than three decades, Bladex has developed competitive strengths that it believes set it apart from its competitors and will allow it to continue to grow and improve its return on capital:

Leader in the trade finance sector within Latin America

Bladex is a financial institution in the trade finance sector and has a presence in most countries in the Region, providing it with a competitive advantage in intra-regional trade. Intra-regional trade has been growing at a pace of approximately 4.8% per annum from 2004 through 2017 due to the expansion of Latin American corporations and multiplication of free trade agreements within the Region. Regional exports amounted to approximately \$1,070 billion in 2017 and are expected to grow at a compound annual growth rate of 7.3% per year in 2018, according to estimates from the Economist Intelligence Unit. Since starting operations in 1979, the Bank has established a well-diversified Commercial Portfolio (defined below) across a variety of industries and markets. Most of the Bank’s exposure is in countries such as Brazil, Colombia, Mexico, Panama, and Costa Rica, and in targeted industries and participants in the value chain of international trade by country within the Region such as financial institutions and corporations in the oil and gas sector and industrial sector, comprised mostly of metal manufacturing, food and beverages, electric power, plastics and packaging, other manufacturing industries, among others.

Low-risk business profile and strong credit portfolio quality

The Bank operates primarily in the trade finance sector, which is generally short-term in nature and considered to be a limited risk sector. According to standards published by the Bank for International Settlements, trade finance has a lower risk weighting than long-term lending. Additionally, due to its extensive knowledge in trade finance, the Bank has a strong track record of recovery and repayment rates. Not only are Bladex’s non-performing loans very low by industry standards – 1.07% of its total Loan Portfolio (defined below) as of December 31, 2017 – but the Bank has also demonstrated a strong ability to recover loans in financial distress situations. For example, the Bank recovered more than 84% of its past due loans in Argentina after the 2001 crisis in that country. Including the crisis in Argentina, the Bank has written off approximately 0.13% of total accumulated credits throughout its history.

Strong liquidity position and diversified funding sources

The Bank possesses a strong liquidity position accounting for 9.9% of total assets as of December 31, 2017 and a short-term Commercial Portfolio with an average remaining maturity of 275 days, reflecting the Bank’s focus on trade finance. The Bank’s “Commercial Portfolio” refers to gross loans at amortized cost (or the “Loan Portfolio”), customers’ liabilities under acceptances, loan commitments and financial guarantee contracts, such as confirmed and stand-by letters of credit, and guarantees covering commercial risk. The Bank has a strong capital position, which reflects among other factors significant short-term deposits made by central banks of the 23 Regional countries which comprise a portion of the Bank’s shareholding base. The Bank’s Tier 1 Ratio (calculated based on the Basel III capital

adequacy guidelines published by the Basel Committee on Banking Supervision (the “Basel Committee”)) of 21.1% as of December 31, 2017 is even more significant in light of the relatively short-term life of its portfolio. During the credit crisis, Bladex reduced its exposure levels and concentrations, and used the cash resources resulting from this course of action to strengthen its liquidity position. As a result, the Bank effectively offset the negative effect of a decline in client deposits and decreases in interbank funding lines that challenged the world’s major international banks. The strong capitalization of the Bank has allowed it to successfully weather recent global financial conditions.

Stable and diversified funding sources

The Bank’s principal sources of funds are deposits and, to a lesser extent borrowed funds and floating and fixed rate placements of securities. While these sources are expected to continue providing the majority of the funds required by the Bank in the future, the exact composition of the Bank’s funding sources, as well as the possible use of other sources of funds, will depend on economic and market conditions. As of December 31, 2017, Bladex’s sources of funding consist of deposits (57.0%), short-term borrowings and debts (20.9%) and long-term borrowings and debt (22.1%). The Bank obtains deposits principally from central and commercial banks primarily located in the Region. As of December 31, 2017, 70% of the deposits held by the Bank were deposits made by central and state owned banks in the Region, and 14% of the Bank’s deposits represented deposits from private sector commercial banks and financial institutions. The Bank’s short-term borrowings and debt consist of borrowings from banks and debt instruments from notes issued under the Program that have maturities of up to 365 days. The Bank’s short- and medium-term borrowings mainly come from international correspondent banks from the United States, Japan, Canada and Europe. In addition, the Bank has a successful track record in the global syndicated loan markets, increasing the amount and extending the maturity in February 2016 of its Global Syndicated Loan launched in 2014, and including the latest closing in March 2017 of U.S.\$193 million four-year syndicated loan arranged by, and with the participation of, lenders from Japan, Taiwan, South Korea and the United States. This transaction reinforced the Bank’s diversified funding base and enhanced its franchise in Asia. Debt capital markets have also been a source of funding for the Bank’s activities. In 2012, the Bank established a short- and long-term notes program in the Mexican local market in an authorized aggregate principal amount of 10 billion Mexican Pesos or its equivalent in “Investment Unit” (*Unidades de Inversión*). The Bank also has in place the Program, which is primarily targeted at non-bank institutional investors and includes multiple placements with short-, medium-, and long-term tenors. During 2017, the Bank issued \$59 million in new private placements; and as of December 31, 2017, private issuances through its Program amounted to \$142 million, placed in Asia, Europe and Latin America. In addition, the Bank has one outstanding bond issued pursuant to Rule 144A/Regulation S, in a total principal amount of \$350 million as of December 31, 2017, due in May 2020. In October 2015, the Program was also listed on the Tokyo Stock Exchange under the Tokyo Pro-Bond Market. This market offers the possibility of flexible and timely issuances of bonds to a broad base of Japanese investors. The Bank placed its first public issuance listed on this market on June 9, 2016 in a principal amount of JPY8 billion (eight billion Japanese Yen) and maturing June 10, 2019.

Long-term client relationships

Due to the Bank’s long history of specialized focus on trade finance in the Region, it has built strong relationships with some of the Region’s largest companies and has gained significant expertise in local markets and industry sectors. Bladex’s extensive coverage of the Region, with representative offices in strategic locations such as Panama, New York, Mexico City, São Paulo, Buenos Aires, Lima and Bogotá, puts it in an ideal position to serve every important client and gain access to new clients in the Region. The Bank’s market leadership provides it with strong regional brand recognition and it uses its corporate name, “Bladex,” in every country it operates.

Long track record of success

The Bank was the first Latin American bank listed on the NYSE (1992), the first such bank to be rated “Investment Grade” (1992) and the first such bank to place a non-guaranteed syndicated loan in Asia (2009), which was a \$100 million, two-year term loan. Since 1979, Bladex has provided seamless support to foreign trade business in the Region while creating value. Bladex’s total write-offs, including write-offs resulting from the crisis in Argentina, amount to approximately 0.13% of the total accumulated credits in Bladex’s history.

Experienced team with deep knowledge in the trade finance sector within Latin America

Bladex's executive officers have broad experience in trade finance and with financial institutions in Latin America. The Bank's well-defined strategy, which is executed by a highly skilled and experienced team, has positioned the Bank to take advantage of trends in Latin American trade finance and to grow the Bank's business in a sustainable manner.

Strong commitment from central banks in the Region

Currently the Bank is supported by central banks and other state-owned banks from 23 countries in the Region which hold Class A common stock of the Bank. As of December 31, 2017, 16.1% of Bladex's common stock was held by Class A shareholders. The Bank believes that the participation of these central banks and other state-owned banks has been instrumental in the Bank's obtaining "preferred creditor" status in the past. In addition, the Bank regularly takes deposits from central banks and state-owned banks in the Region. As of December 31, 2017, 70% of the deposits held by the Bank were deposits made by central and state-owned banks of countries in the Region, many of which deposit a portion of their dollar reserves with the Bank, with an average term remaining to maturity of 83 days.

Our Strategies

Streamlining the Bank's operating model for greater efficiency

The Bank aims to improve efficiency and productivity throughout the organization, with investments having already been made in technology and more efficient processes. The Bank is focusing on a number of items, including a more centralized management model with our Head Office providing risk management and administrative support to the representative offices, leaving the representative offices free to concentrate primarily on origination and client relationship management. The Bank expects that this plan will reduce costs, contribute to its goal of operational excellence and provide greater flexibility to respond to the demands of its clients.

Further extend the Bank's business in politically and economically stable, high-growth markets

The Bank's expertise in risk and capital management and extensive knowledge of the Region allows it to identify and strategically focus on stable and growth-oriented markets, including investment-grade countries in the Region. Bladex maintains strategically placed representative offices in order to provide focused products and services in markets that the Bank considers key to its continued growth.

Targeted growth in expanding and diversifying the Bank's client base

The Bank's strategy to participate in a broad range of activities and further diversify its client base includes targeting clients that offer the potential for longstanding relationships and a wider presence in the Region, such as financial institutions, corporations, sovereigns and state-owned entities. This may be achieved through the Bank's participation in bilateral and co-financed transactions and the strengthening of short- and medium-trade services provided. The Bank intends to continue enhancing existing client relationships and establish new client-relationships through its Region-wide expertise, product knowledge, quality of service, agile decision-making process and client approach, strategically targeting industries and participants in the value chain of international trade by country within the Region. Targeted participants operating in most of the main exporting sectors related to commodities (agribusiness, oil & gas, metals, and petrochemicals, among others) and services (transportation and utilities, among others).

The Bank plans to focus its future efforts on growing its business with a larger number of clients along the trade value chain, reinforcing the Bank's business model, enhancing origination capacity and deploying the use of capital, as well as striving for a greater dispersion of risk in order to continue diversifying and mitigating the impact of potential losses, should they occur.

Increase the range of products and services that the Bank offers

Due to the Bank's relationships throughout, and knowledge of, the Region, the Bank is well positioned to strategically identify key additional products and services to offer to clients. The Bank's Articles of Incorporation permit a broad scope of potential activities, encompassing all types of banking, investment, and financial and other businesses that support foreign trade flows and the development of trade and integration in the Region. This supports the Bank's

ongoing strategy to develop and expand products and services, such as vendor finance, letters of credit, leasing, debt intermediation in primary and secondary markets and syndications, including export insurance programs, that complement the Bank's expertise in foreign trade finance and risk management.

Recent Developments

On October 29, 2018, the Bank furnished a Form 6-K to the Commission containing its financial results as of and for the nine months ended September 30, 2018 (the "Nine Months Form 6-K"). As stated in the Nine Months Form 6-K, the Bank reported a loss for the nine months ended September 30, 2018 of \$9.6 million, a year-on-year decrease of 116%, mainly due to higher allocated credit provision from ECL on non-performing loans ("NPL"), and lower net interest income due to narrower net lending spreads on shorter tenor loan origination and higher financial institutions ("FIs") exposure.

NPL balance increased to \$119.0 million, or 2.08% of the total Loan Portfolio as of September 30, 2018, compared to NPL balance of \$64.1 million, or 1.20% of the total Loan Portfolio as of September 30, 2017. The increase was mainly driven by the deterioration of one credit in the sugar industry in Brazil in the amount of \$61.8 million, which significantly deteriorated and entered a complex restructuring process during the third quarter of 2018.

As of September 30, 2018, our Commercial Portfolio balance increased to \$6.3 billion, a year-on-year increase of 10%, which drove average balances up to \$6.0 billion for the nine months ended September 30, 2018, a year-on-year increase of 2%. The Bank increased its exposure to FIs to 52% of the total Commercial Portfolio as of September 30, 2018, compared to 44% as of September 30, 2017.

Net interest income totaled \$81.8 million for the nine months ended September 30, 2018, a year-on-year decrease of 11%, on lower net interest margin (less 13 basis points year-on-year) due to narrower net lending spreads on shorter tenor loan origination and higher FIs exposure.

Fees and commissions income totaled \$11.8 million for the nine months ended September 30, 2018, nearly unchanged compared to a year ago, as improved commissions from the letters of credit business offset lower loan structuring fees.

The Bank's efficiency ratio for the nine months ended September 30, 2018 increased to 39.7%, compared to an efficiency ratio of 32.5% for the nine months ended September 30, 2017, mostly due to a year-on-year decrease of 11% in total income and a year-on-year increase of 8% in total operating expenses.

The Tier 1 Basel III Capital Ratio was 17.8% as of September 30, 2018, compared to 20.3% as of September 30, 2017, on higher level of risk-weighted assets resulting from Commercial Portfolio growth, coupled with lower equity levels on the losses for the period

Our Corporate Structure

The following chart presents Bladex's corporate structure as of December 31, 2017. The percentages represent the total share capital owned by the parent company of each entity.



Bladex Head Office's current subsidiaries are the following:

- Bladex Holdings Inc. ("Bladex Holdings") is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, USA, on May 30, 2000. Bladex Holdings maintains ownership in Bladex Representação Ltda.
- Bladex Representação Ltda., incorporated under the laws of Brazil on January 7, 2000, acts as the Bank's representative office in Brazil. Bladex Head Office owns 99.999% of Bladex Representação Ltda. and Bladex Holdings owns the remaining 0.001%.
- Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owned 99% of Bladex Investimentos Ltda. and Bladex Holdings owned the remaining 1%. Bladex Investimentos Ltda. had invested substantially all of its assets in an investment fund, Alpha4X Latam Fundo de Investimento Multimercado, incorporated in Brazil (the "Brazilian Fund"), registered with the Securities and Exchange Commission of Brazil, (Comissão de Valores Mobiliários (the "CVM")). The objective of the Brazilian Fund was to achieve capital gains by dealing in the interest, currency, securities, commodities and debt markets, and by trading instruments available in the spot and derivative markets. Bladex Investimentos Ltda. merged with Bladex Representação Ltda. in April 2016, which is the surviving entity.
- Bladex Development Corp. ("Bladex Development") was incorporated under the laws of the Republic of Panama on June 5, 2014. Bladex Head Office owns 100% of Bladex Development.
- BLX Soluciones, S.A. de C.V., SOFOM, E.N.R. ("BLX Solutions") was incorporated under the laws of Mexico on June 13, 2014. Bladex Head Office owns 99.9% of BLX Solutions and Bladex Development owns the remaining 0.1%. BLX Solutions specializes in offering financial leasing and other financial products, such as loans and factoring.

Bladex commenced operations in 1979 with stockholders' equity of \$25 million paid by 186 stockholders and, as of December 31, 2017, had total stockholders' equity of \$1,043 million. Bladex has four classes of common shares as follows:

- Class A shares: central banks, state-owned entities or government agencies from 23 countries in the Region, own all of Bladex's Class A shares, which at December 31, 2017 comprised 16.1% of Bladex's common stock;
- Class B shares: 77 commercial banks or financial institutions, mostly from the Region, own Bladex's Class B shares, which at December 31, 2017 comprised 6.1% of Bladex's common stock;
- Class E shares: Bladex's Class E shares are listed on the NYSE and at December 31, 2017 comprised 77.8% of its common stock; and
- Class F shares: state entities and agencies of non-Latin American countries, including, among others, central banks and those banks with the related state agency as the majority shareholder, and multilateral financial institutions that are international or regional institutions may own Class F shares. At December 31, 2017, no Class F shares have been issued.

As of December 31, 2017, the Bank's Board of Directors (the "Board") was composed of three Directors representing holders of the Class A common shares, five Directors representing holders of the Class E common shares, and two Directors representing all classes of common shares. The affirmative vote of three-quarters of the issued and outstanding Class A shares is required (i) to dissolve and liquidate the Bank, (ii) to amend certain material provisions of the Bank's Articles of Incorporation, (iii) to merge or consolidate the Bank with another entity and (iv) to authorize the Bank to engage in activities other than those described in its Articles of Incorporation.

This Base Prospectus contains certain of our trademarks, trade names and service marks, including our logo. Each trademark, trade name or service mark of any company appearing in this Base Prospectus belongs to its respective holder.

THE PROGRAM

The following summary should be read as an introduction to the Base Prospectus, is qualified in its entirety by, and is subject to, the detailed information incorporated by reference in this Base Prospectus and the Audited Consolidated Financial Statements, including the notes thereto, contained elsewhere in this Base Prospectus and, in relation to any Series of Notes, the applicable Final Terms and to the extent applicable, the Terms and Conditions of the Notes set out herein. Any decision by an investor to invest in any Series of Notes should be based on consideration of this Base Prospectus as a whole, together with all information incorporated by reference and the applicable Final Terms.

Issuer	Banco Latinoamericano de Comercio Exterior, S.A.
Description	Continuously offered Medium Term Notes under the Euro Medium Term Note Program.
Status of the Notes.....	The Notes will constitute direct, general, unsecured, unsubordinated and unconditional obligations of the Issuer and will rank <i>pari passu</i> with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future (except for obligations preferred by mandatory provisions under Panamanian Law). See “Risk Factors—Risks Relating to the Notes.”
Size of the Program	Up to U.S.\$2,250,000,000 (or the equivalent in other currencies, determined for this purpose as of the Issue Date of each Series of Notes) in aggregate principal amount of all Series of Notes at any time outstanding. The Issuer will have the option, at any time, to increase the size of the Program in accordance with the terms of the Dealer Agreement.
Term of the Program	The term of the Program is indefinite, meaning that Notes may be issued under the Program until the Program is terminated.
Maturities	Subject to compliance with all relevant laws and regulations, any maturity between seven days and thirty years. Where Notes have a maturity of less than one year and either (i) the issue proceeds are received by the Issuer in the United Kingdom or (ii) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances that do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer.
Issue Price	The Issue Price of the Notes will be agreed between the Issuer and the relevant Dealer, or Dealers, as specified in the relevant Final Terms.
Currencies	Notes may be denominated in any currency or currencies, including, without limitation, U.S. dollars, Canadian dollars, Euro, Japanese Yen and Swiss Francs, subject to compliance with all applicable legal and/or regulatory requirements and as specified in the relevant Final Terms.
Form of the Notes.....	The Notes may be issued in bearer form (“Bearer Notes”), registered form (“Registered Notes”) or a combination thereof.

Bearer Notes:

Unless provided otherwise in the applicable Final Terms, the Notes of a Series that are offered and sold in bearer form will initially be represented by a temporary global Note in bearer form without interest coupons (a “Temporary Global Bearer Note”), which will be deposited on or prior to the Issue Date of such Notes with a common depositary for Euroclear, and Clearstream, Luxembourg. Account holders in Euroclear and Clearstream, Luxembourg must certify as to the beneficial ownership as required by U.S. Treasury regulations in order to receive payments in respect of their interest in a Temporary Global Bearer Note. Interests in a Temporary Global Bearer Note may be exchanged for (i) interests in a Global Registered Note or Definitive Registered Notes (each as defined below) in denominations as specified on the relevant Note and in the Final Terms related thereto, upon receipt of a certification that the beneficial owner has complied with any applicable restrictions on transfer, or (ii) interests in a permanent global bearer note (a “Permanent Global Bearer Note”) following the Exchange Date (defined in “Exchange of Global Notes”), upon receipt of a certification as to non-U.S. beneficial ownership, as required under U.S. Treasury regulations.

Interests in a Permanent Global Bearer Note may be exchanged for (i) interests in a Note in registered form (the “Registered Notes”) either as a permanent global Note, without coupons (a “Global Registered Note”) or as definitive Notes, without coupons (“Definitive Registered Notes”), upon receipt of a certification that the beneficial owner has complied with any applicable restrictions on transfer, or (ii) definitive Notes in bearer form (“Definitive Bearer Notes”) (as defined in “Description of the Notes”) with interest coupons attached (except in the case of Zero Coupon Notes).

Registered Notes:

Notes of a Series that are offered and sold outside the United States in registered form in reliance on Regulation S will initially be represented by interests in an unrestricted global Note in registered form (an “Unrestricted Global Registered Note”), registered in the name of a nominee of DTC and deposited on or prior to the Issue Date of such Notes with a custodian for DTC.

Notes of a Series that are offered and sold within the United States to qualified institutional buyers in reliance on Rule 144A will initially be represented by interests in a restricted global Note in registered form (a “Restricted Global Registered Note” and together with the Unrestricted Global Registered Note, the “Global Registered Notes”), registered in the name of a nominee of DTC and deposited with a custodian for DTC. A Restricted Global Registered Note and any Notes issued in exchange therefor will be subject to certain restrictions on transfer set forth herein, in the Trust Deed and in the Notes and, unless determined otherwise by the Issuer in accordance with applicable law, will bear the legend regarding such restrictions set forth under “Transfer Restrictions.”

Interests in an Unrestricted Global Registered Note or a Restricted Global Registered Note will be exchangeable for Registered Notes in definitive form (“Definitive Registered Notes”) under the circumstances specified in the Notes and the Final Terms related thereto. Definitive Registered Notes will be ready for delivery at the offices of the Trustee and the Transfer Agent (as defined in “Description of the Notes”) at the time and date specified in the relevant Final Terms. Registered Notes are not exchangeable for Bearer Notes.

Fixed Rate Notes	Interest on Fixed Rate Notes will be payable in arrears on such date or dates as may be agreed between the Issuer and the relevant Dealer or Dealers (as specified in the Final Terms) and on redemption.
Floating Rate Notes	<p>Floating Rate Notes will bear interest calculated by reference to a Base Rate, which shall be such variable rate as may be agreed between the Issuer and the relevant Dealer or Dealers (as specified, as well as the method of computing such variable rate, in the Final Terms).</p> <p>The spread(s) (if any) to the Base Rate, a maximum interest rate and a minimum interest rate will be agreed between the Issuer and the relevant Dealer or Dealers for such issue of Floating Rate Notes and will be specified in the Final Terms.</p>
Interest Periods	Such periods as the Issuer and the relevant Dealer or Dealers may agree (as specified in the applicable Final Terms).
Authorized Denominations	<p>Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms provided that (i) the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (as defined below) and (ii) the minimum denomination of each Note which will be offered to the public within a Member State or which will be admitted to trading on a regulated market situated or operating within such Member State, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive, will be EUR100,000 (or its equivalent in any other currency at the date of issue of the Notes).</p> <p>No Notes may be issued which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs.</p>
Negative Pledge	The Issuer has given a negative pledge in connection with the Notes as described in “Description of the Notes—Negative Pledge.”
Selling Restrictions	Those pertaining to the laws of the United States, the United Kingdom, Panama, Japan, Singapore and the Netherlands and such other restrictions as may be required in connection with a particular Series of Notes. See “Subscription and Sale” and “Transfer Restrictions.”
Listing	<p>Application may be made to admit the Notes of any series issued under the Program to listing on the Official List and to trading on the Euro MTF. The Notes may also be listed, quoted and/or traded on or by such other or further stock exchange(s), listing authority(ies) and/or quotation system(s) as may be agreed between the Issuer and the relevant Dealer or Dealers.</p> <p>If the listing of the Notes on the Luxembourg Stock Exchange would, in the future, require the Bank to publish financial information either more regularly than the Bank otherwise would be required to, or according to accounting principles that are materially different from the accounting principles that the Bank would otherwise use to prepare our published financial information, the Bank may (with the approval of the Arranger and the Trustee) seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system.</p>

Events of Default.....	The Notes contain events of default, including the failure by the Issuer to pay, when due, any principal of or interest on the Notes (which, in the case of a failure to pay any installment of interest, continues for a period of five days) and certain cross defaults. See “Description of the Notes—Events of Default.”
Withholding Taxes; Additional Amounts	All payments in respect of any Note will be made in the currency specified on the face thereof unless otherwise specified in the applicable Final Terms (the “Specified Currency”). Subject to certain limited exceptions, the amount of any payment by the Issuer shall be increased as may be necessary so that after making all required withholdings for Panamanian taxes in accordance with applicable law, any foreign holder will receive an amount equivalent to the sum it would have received had no such withholdings been made. See “Taxation” and “Description of the Notes—Taxation.”
Redemption	The Notes may be redeemed under certain circumstances. See “Description of the Notes—Redemption and Purchase.”
Use of Proceeds	The use of net proceeds from any Series of Notes issued from time to time under the Program will be specified in the relevant Final Terms.
Governing Law	The Notes and each Coupon (if any) pertaining thereto will be governed by and construed in accordance with the laws of the State of New York, United States of America.
Investment Considerations	For a discussion of certain matters that should be considered in evaluating an investment in the Notes, see “Risk Factors.” In addition, investment considerations with respect to any Series of Notes issued from time to time under the Program may be specified in relevant Final Terms.
Trustee, Registrar, Transfer Agent and Paying Agent	The Bank of New York Mellon
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch
Paying Agent and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Additional Paying Agents and Transfer Agents	Additional Paying Agents and Transfer Agents, if any, with respect to each Series of Notes will be specified in the relevant Final Terms.
Listing Agent.....	Banque Internationale à Luxembourg S.A.
Arranger	Merrill Lynch, Pierce, Fenner & Smith Incorporated
Dealers.....	Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, BNP PARIBAS, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, J.P. Morgan Securities plc, Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, MUFG Securities EMEA plc, Mizuho International plc, Mizuho Securities USA Inc., Santander Investment Securities Inc., SMBC Nikko Capital Markets Limited, Standard Chartered Bank, Wells Fargo Securities, LLC and any other dealer appointed from time to time by the Issuer in relation to the Program or in relation to a particular Series of Notes.

Risk Factors.....

The following is a summary of some of the risks associated with an investment in the Notes:

- Bladex faces liquidity risk, and its failure to adequately manage this risk could result in a liquidity shortage, which could adversely affect its financial condition, results of operations and cash flows;
- the Bank's allowances for ECL could be inadequate to cover credit losses mostly related to its loans, loan commitments and financial guarantee contracts;
- the Bank's businesses are subject to market risk inherent to the Bank's financial instruments, as fluctuations in different metrics may have adverse effects on its financial position;
- the Bank faces interest rate risk that may be caused by the mismatch in maturities of interest-earning assets and interest-bearing liabilities; if not properly managed, this mismatch can reduce net interest income as interest rates fluctuate;
- the Bank's Commercial Portfolio may decrease or may not continue to grow at historical rates; additionally, growth in the Bank's Commercial Portfolio, as well as factors beyond the Bank's control, may expose the Bank to an increase in the allowance for ECL;
- increased competition and banking industry consolidation could limit the Bank's ability to grow and may adversely affect results of operations;
- the Bank's businesses rely heavily on data collection, management and processing, and information systems, the failure of which could have a material adverse effect on the Bank, including the effectiveness of the Bank's risk management and internal control systems;
- operational problems or errors can have a material adverse impact on the Bank's business, financial condition and results of operations and cash flows;
- any delays or failure to implement business initiatives that the Bank may undertake could prevent the Bank from realizing the anticipated revenues and benefits of these initiatives;
- any failure to remain in compliance with applicable banking laws or other applicable regulations in the jurisdictions in which the Bank operates could harm its reputation and/or cause it to become subject to fines, sanctions or legal enforcement, which could have an adverse effect on the Bank's business, financial condition and results of operations;
- changes in applicable law and regulation may have a material adverse effect on the Bank;
- payments on certain Notes may be subject to U.S. withholding under FATCA;
- the Bank makes estimates and assumptions in connection with the preparation of its consolidated financial statements, and any changes

to those estimates and assumptions could have a material adverse effect on its operating results;

- recent changes in the Bank's senior management team may be disruptive to, or cause uncertainty in, the Bank's business, results of operations or the market price of the Notes;
- the Bank's mission is focused on supporting trade and regional integration across the Region and, as a result, any increases in tariffs or other restrictions on foreign trade, or resulting uncertainty that reduces international trade flows, either throughout the Region or globally, could adversely affect the Bank's business, results of operations or market value of the Notes;
- the Bank's credit activities are concentrated in the Region; the Bank also faces borrower concentration; adverse economic changes in the Region or in the condition of the Bank's largest borrowers could adversely affect the Bank's growth, asset quality, prospects, profitability, financial condition and financial results;
- local country foreign exchange controls or currency devaluation, monetary tightening, higher interest rates and rising inflation may harm the Bank's borrowers' ability to pay U.S. dollar-denominated obligations;
- increased risk perception in countries in the Region where the Bank has large credit exposure could have an adverse impact on the Bank's credit ratings, funding activities and funding costs;
- Bladex's obligations under the Notes will be subordinated to certain statutory liabilities;
- Bladex may issue further debt or other instruments which may rank *pari passu* with or senior to the Notes;
- an active trading market for the Notes may not develop;
- conflicts of interest may arise between the interests of the Calculation Agent and the interests of the holders of Notes; and
- Regulation and reform of LIBOR, EURIBOR or other "benchmarks" could adversely affect Notes linked to such "benchmarks."

For a comprehensive discussion of such risks, see "Risk Factors" in this Base Prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary consolidated financial data for the Bank at and for each of the periods indicated. The summary statement of financial position data as of December 31, 2017 and 2016, and the summary profit or loss data as of and for each of the three years in the period ended December 31, 2017, are qualified in their entirety by, and should be read in conjunction with, the Audited Consolidated Financial Statements and notes to those statements included in this Base Prospectus. The Bank's consolidated financial position as of December 31, 2015 should be read in conjunction with the Bank's audited financial statements included in the Bank's Annual Report on Form 20-F, filed with the SEC on April 28, 2017. The financial data presented herein were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the IFRS Interpretation Committee (formerly known as "IFRIC"), and is stated in U.S. dollars. The information below is qualified in its entirety by the detailed information included and incorporated by reference herein and should be read in conjunction with "Description of Business of Bladex," and the Audited Consolidated Financial Statements and notes to those statements included in this Base Prospectus.

Consolidated Statement of Financial Position

	As of December 31,		
	2017	2016	2015
	(in \$ thousands)		
Assets			
Cash and cash equivalents.....	\$672,048	\$1,069,538	\$1,299,966
Financial instruments at fair value through profit or loss	0	0	53,411
Financial instruments at fair value through OCI.....	25,135	30,607	141,803
Securities at amortized cost, net	68,934	77,214	108,215
Loans.....	5,505,658	6,020,731	6,691,749
Less:			
Allowance for expected credit losses.....	81,294	105,988	89,974
Unearned interest and deferred fees.....	4,985	7,249	9,304
Loans, net.....	5,419,379	5,907,494	6,592,471
Derivative financial instruments used for hedging - receivable.....	13,338	9,352	7,400
Property and equipment, net.....	7,420	8,549	6,173
Intangibles, net.....	5,425	2,909	427
Other assets:			
Customers' liabilities under acceptances.....	6,369	19,387	15,100
Accrued interest receivable	30,872	44,187	45,456
Other assets.....	18,827	11,546	15,794
Total of other assets.....	56,068	75,120	76,350
Total Assets	\$6,267,747	\$7,180,783	\$8,286,216
Liabilities and Stockholders' Equity			
Deposits.....	\$2,928,844	\$2,802,852	\$2,795,469
Derivative financial instruments used for hedging - payable.....	34,943	59,686	29,889
Financial liabilities through profit or loss	0	24	89
Securities sold under repurchase agreement	0	0	114,084
Short-term borrowings and debt.....	1,072,723	1,470,075	2,430,357
Long-term borrowings and debt, net	1,138,844	1,776,738	1,881,813
Other liabilities			
Acceptances outstanding.....	6,369	19,387	15,100
Accrued interest payable	15,816	16,603	17,716
Allowance for expected credit losses on loan commitments and financial guarantees contracts.....	6,845	5,776	5,424
Other liabilities	20,551	18,328	24,344
Total of other liabilities	49,581	60,094	62,584
Total Liabilities	\$5,224,935	\$6,169,469	\$7,314,285
Stockholders' Equity			
Common stock	279,980	279,980	279,980
Treasury stock	(63,248)	(69,176)	(73,397)
Additional paid-in capital in excess of assigned value of common stock	119,941	120,594	120,177
Capital reserves.....	95,210	95,210	95,210

Retained earnings	608,966	587,507	560,642
Accumulated other comprehensive income (loss)	1,963	(2,801)	(10,681)
Total Stockholders' Equity	\$1,042,812	\$1,011,314	\$971,931
Total Liabilities and Stockholders' Equity	\$6,267,747	\$7,180,783	\$8,286,216

Consolidated Statement of Profit or Loss

	As of and for the Year Ended December 31,		
	2017	2016	2015
	<i>(in \$ thousands, except per share data and ratios)</i>		
Consolidated Statement of Profit or Loss Data:			
Interest income	\$226,079	\$245,898	\$220,312
Interest expense	106,264	90,689	74,833
Net interest income	119,815	155,209	145,479
Other Income:			
Fees and commissions, net	17,514	14,306	19,200
Loss on derivative financial instruments and foreign currency exchange, net	(437)	(486)	(23)
(Loss) Gain per financial instrument at fair value through profit or loss	(732)	(2,883)	5,731
Gain (loss) on sale of securities at fair value through OCI	249	(356)	363
Gain on sale of loans	181	806	1,505
Other income	1,723	1,378	1,603
Net other income	18,498	12,765	28,379
Total income	138,313	167,974	173,858
Expenses:			
Impairment loss from expected credit losses on loans at amortized cost ⁽¹⁾	8,859	34,760	17,248
(Recovery) impairment loss from expected credit losses on investment securities ⁽¹⁾	(489)	3	5,290
Impairment loss (recovery) from expected credit losses on loan commitments and financial guarantee contracts ⁽¹⁾	1,069	352	(4,448)
Operating expenses:			
Salaries and other employee expenses	27,653	25,196	30,435
Depreciation of equipment and leasehold improvements	1,578	1,457	1,371
Amortization of intangible assets	838	629	596
Other expenses	16,806	18,532	19,382
Total expenses	56,314	80,929	69,874
Profit for the year	\$81,999	\$87,045	\$103,984
Weighted average basic shares	39,311	39,085	38,925
Weighted average diluted shares	39,329	39,210	39,113
Basic shares period end	39,429	39,160	38,969
Per Common Share Data:			
Basic earnings per share	2.09	2.23	2.67
Diluted earnings per share	2.08	2.22	2.66
Book value per share (period end)	26.45	25.83	24.94
Regular cash dividends declared per share	1.54	1.54	1.155
Regular cash dividends paid per share	1.54	1.54	1.54

⁽¹⁾ For information regarding impairment loss from ECL, see "Operating and Financial Review and Prospects—Operating Results."

Other Financial Data and Selected Ratios

	For the Year Ended December 31,		
	2017	2016	2015
	(in \$ millions, except percentages)		
Other Financial Data			
Average interest-earning assets.....	\$6,494	\$7,479	\$7,899
Average total assets ⁽²⁾	\$6,468	\$7,479	\$7,901
Average stockholders' equity ⁽²⁾	\$1,022	\$993	\$949

	As of and for the Year Ended December 31,		
	2017	2016	2015
	(in \$ thousands, except per share data and ratios)		

Selected Financial Ratios

Performance Ratios:

Return on average total assets ⁽²⁾	1.27%	1.16%	1.32%
Return on average total stockholders' equity ⁽²⁾	8.02%	8.76%	10.95%
Net interest margin ⁽³⁾	1.85%	2.08%	1.84%
Net interest spread ⁽³⁾	1.48%	1.84%	1.68%
Efficiency Ratio ⁽⁴⁾	33.9%	27.3%	29.8%
Total operating expenses ⁽⁵⁾ to average total assets ⁽²⁾	0.72%	0.61%	0.66%
Regular cash dividend payout ratio ⁽⁶⁾	73.83%	69.15%	57.65%

Liquidity Ratios:

Liquid assets ⁽⁷⁾ / total assets.....	9.87%	14.03%	15.29%
Liquid assets ⁽⁷⁾ / total deposits.....	21.13%	35.95%	45.33%

Asset Quality Ratios:

Non-performing loans to Loan Portfolio ⁽⁸⁾	1.07%	1.09%	0.78%
Charged-off loans to Loan Portfolio.....	0.60%	0.31%	0.09%
Allowance for expected credit losses on loans to Loan Portfolio	1.48%	1.76%	1.34%
Allowance for expected credit losses on loan commitments and financial guarantee contracts to total loan commitments, financial guarantee contracts and customers' liabilities under acceptances.....	1.39%	1.37%	1.17%

Capital Ratios:

Total stockholders' equity to total assets.....	16.64%	14.08%	11.73%
Average total stockholders' equity to average total assets ⁽²⁾	15.80%	13.28%	12.02%
Leverage ratio ⁽⁹⁾	6.0x	7.1x	8.5x
Tier 1 capital to risk-weighted assets ⁽¹⁰⁾	21.1%	17.9%	16.1%
Risk-weighted assets ⁽¹⁰⁾	\$4,931,046	\$5,662,453	\$6,103,767

⁽¹⁾ [Reserved.]

⁽²⁾ Average total assets and average total stockholders' equity are calculated on the basis of unaudited average balances.

⁽³⁾ For information regarding calculation of the net interest margin and the net interest spread, see "Operating and Financial Review and Prospects—Operating Results—Net Interest Income and Margins."

⁽⁴⁾ Efficiency ratio refers to total operating expenses as a percentage of total income.

⁽⁵⁾ Total operating expenses includes the following expense line items of the consolidated statements of profit or loss: salaries and other employee expenses, depreciation of equipment and leasehold improvements, amortization of intangible assets, and other expenses. See "Operating and Financial Review and Prospects—Operating Results—Operating Expenses."

⁽⁶⁾ Calculated on regular cash dividends paid per share during the period.

⁽⁷⁾ Liquid assets refer to total cash and cash equivalents, consisting of cash and due from banks, and interest-bearing deposits in banks, excluding pledged deposits, as shown in the consolidated statements of cash flows and note 4 to the Audited Consolidated Financial Statements. See "Description of Business of Bladex—Liquidity" and notes 4 and 27.2 to the Audited Consolidated Financial Statements.

⁽⁸⁾ As of December 31, 2017, 2016 and 2015 the Bank had \$59 million, \$65 million and \$52 million in non-performing loans, respectively, all of which corresponded to impaired loans. Impairment factors considered by the Bank's management include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence.

⁽⁹⁾ Leverage ratio is the ratio of total assets to total stockholders' equity.

⁽¹⁰⁾ Tier 1 Capital is calculated according to Basel III capital adequacy guidelines, and is equivalent to total stockholders' equity excluding certain effects such as accumulated other comprehensive income (loss) ("OCI") of the financial instruments at fair value through OCI. Tier 1 Capital ratio is calculated as a percentage of risk-weighted assets. Risk-weighted assets are estimated based on Basel III capital adequacy guidelines.

RISK FACTORS

The following section describes some of the risks associated with an investment in the Notes. Prospective purchasers of the Notes should consider, among other things, all of the information set out in this prospectus and particularly the risk factors with respect to Bladex, the Region in which Bladex operates and the Notes. In general, investing in the securities of issuers in emerging market countries such as Panama involves a higher degree of risk than investing in the securities of U.S. and European issuers.

Risks Relating to the Bank's Business

Bladex faces liquidity risk, and its failure to adequately manage this risk could result in a liquidity shortage, which could adversely affect its financial condition, results of operations and cash flows.

Bladex, like all financial institutions, faces liquidity risk. Liquidity risk is the risk that the Bank will be unable to maintain adequate cash flow to repay its deposits and borrowings and fund its Credit Portfolio (as defined below) on a timely basis. Failure to adequately manage its liquidity risk could produce a shortage of available funds, which may cause the Bank to be unable to repay its obligations as they become due.

Short-term borrowings and debt from international private banks, that compete with the Bank in its lending activity, represent one of the main sources of funding at 17% of the Bank's total funding as of December 31, 2017. If these international banks cease to provide funding to the Bank, the Bank would have to seek funding from other sources, which may not be available, or if available, may be at a higher cost.

Turmoil in the financial international markets could negatively impact liquidity in such financial markets, reducing the Bank's access to credit or increasing its cost of funding, which could lead to tighter lending standards. The reoccurrence of such unfavorable market conditions could have a material adverse effect on the Bank's liquidity.

As of December 31, 2017, 67% of the Bank's total deposits represented deposits from central banks or their designees (i.e., the Bank's Class A shareholders), 14% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions, 13% of the Bank's deposits represented deposits from state-owned and private corporations, and 6% of the Bank's deposits represented deposits from state-owned banks.

As a U.S. dollar-based economy, Panama does not have a central bank, and there is no lender of last resort to the banking system in the country.

The credit ratings of Bladex are an important factor in maintaining the Bank's liquidity. A reduction in the Bank's credit rating could reduce the Bank's access to debt markets or materially increase the cost of issuing debt, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing or permitted, contractually or otherwise, to do business with or lend to the Bank. This in turn could reduce the Bank's liquidity and negatively impact its results of operations and financial position.

Any of the factors above, either individually or in the aggregate, could adversely affect the Bank's financial condition, results of operation and cash flows.

The Bank's allowance for ECL could be inadequate to cover credit losses mostly related to its loans, loan commitments and financial guarantee contracts.

The Bank determines the appropriate level of allowances for ECL based on a forward-looking process that estimates the probable loss inherent in its portfolio, which is the result of a statistical analysis supported by the Bank's historical portfolio performance, external sources, and the judgment of the Bank's management. The latter reflects assumptions and estimates made in the context of changing political and economic conditions in the Region. The Bank's allowances for ECL could be inadequate to cover losses in its Commercial Portfolio due to concentration of exposure or deterioration in certain sectors or countries, which in turn could have a material adverse effect on the Bank's financial condition, results of operations and cash flows.

The Bank's businesses are subject to market risk inherent in the Bank's financial instruments, as fluctuations in different metrics may have adverse effects on its financial position.

Market risk generally represents the risk that the 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 and securities at amortized cost, deposits, financial instruments at fair value through profit or loss ("FVTPL") and at fair value through OCI ("FVOCI"), short-term and long-term borrowings and debt, derivatives and trading positions. This risk may result from fluctuations in different metrics: interest rates, currency exchange rates, inflation rates and 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.

The Bank faces interest rate risk that is caused by the mismatch in maturities of interest-earning assets and interest-bearing liabilities. If not properly managed, this mismatch can reduce net interest income as interest rates fluctuate.

As a bank, Bladex faces interest rate risk because interest-bearing liabilities generally reprice at a different pace than interest-earning assets. Bladex's exposure to financial instruments whose values vary with the level or volatility of interest rates contributes to its interest rate risk. Failure to adequately manage eventual mismatches may reduce the Bank's net interest income during periods of fluctuating interest rates.

The Bank's Commercial Portfolio may decrease or may not continue to grow at historical rates. Additionally, growth in the Bank's Commercial Portfolio, as well as factors beyond the Bank's control, may require an increase in the Bank's allowance for ECL.

It is difficult to predict whether the Bank's Commercial Portfolio, including the Bank's foreign trade portfolio, will grow at historical rates. A reversal or slowdown in the growth rate of the Region's economy and trade volumes could adversely affect the Bank's Commercial Portfolio. On the other hand, the future expansion of Bladex's Commercial Portfolio may expose the Bank to higher levels of potential or actual losses and require an increase in the allowance for ECL, which could negatively impact the Bank's operating results and financial position. Non-performing or low credit quality loans can negatively impact the Bank's results of operations. The Bank may not be able to effectively control the level of the impaired loans in its total Loan Portfolio. In particular, the amount of its reported non-performing loans may increase in the future as a result of growth in its Loan Portfolio, including loans that the Bank may acquire in the future, or factors beyond the Bank's control, such as the impact of economic trends and political events affecting the Region, certain industries or financial markets and global economies, or particular clients' businesses which could have a material adverse effect on the Bank's financial condition, results of operations and cash flows.

Increased competition and banking industry consolidation could limit the Bank's ability to grow and may adversely affect results of operations.

Most of the competition the Bank faces in the trade finance business comes from domestic and international banks, and in particular European, North American and Asian institutions. Many of these banks have substantially greater resources than the Bank, may have better credit ratings, and may have access to less expensive funding than the Bank does. It is difficult to predict how increased competition will affect the Bank's growth prospects and results of operations.

Over time, there has been substantial consolidation among companies in the financial services industry, and this trend accelerated in recent years as the credit crisis led to numerous mergers and acquisitions among industry participants and in certain cases reorganization, restructuring, or even bankruptcy. Merger activity in the financial services industry has produced companies that are capable of offering a wide array of financial products and services at competitive prices. In addition, whenever economic conditions and risk perception improve in the Region, competition from commercial banks, the securities markets and other new market entrants generally increases.

Globalization of the capital markets and financial services industries exposes the Bank to further competition. To the extent the Bank expands into new business areas and new markets, the Bank may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market,

which could adversely affect the Bank's ability to compete. The Bank's ability to grow its business and therefore, its earnings, may be affected by these competitive pressures.

The Bank's businesses rely heavily on data collection, management and processing, and information systems, the failure of which could have a material adverse effect on the Bank, including the effectiveness of the Bank's risk management and internal control systems.

All of the Bank's principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information across numerous and diverse markets, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Bank's businesses and to its ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect the Bank's decision-making process, risk management and internal control systems, as well as the Bank's ability to respond on a timely basis to changing market conditions. If the Bank cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected.

The Bank is also dependent on information systems to operate its website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. The Bank may experience cyberattacks or operational problems with its information systems as a result of system defects and failures (including failure to update systems), viruses, worms, and other malicious software from computer "hackers" or other sources, which could unexpectedly interfere with the operation of the Bank's systems. The Bank also relies, in certain limited capacities, on third-party data management providers. Any security problems and security vulnerabilities of such third-party data management providers may have an adverse effect on us.

The Bank's ability to remain competitive depends in part on its ability to upgrade its information technology on a timely and cost-effective basis. The Bank continually makes investments and improvements in its information technology infrastructure in order to remain competitive. The Bank may not be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of its information technology infrastructure. Any failure to effectively improve or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Bank. The Bank's reputation could also suffer if the Bank is unable to protect its customers' information from being used by third parties for illegal or improper purposes.

Operational problems or errors can have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows.

Bladex, like all financial institutions, is exposed to operational risks, including the risk of fraud by employees and third parties, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, and errors by employees. 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 such as these may have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows.

Any delays or failure to implement business initiatives that the Bank may undertake could prevent the Bank from realizing the anticipated revenues and benefits of these initiatives.

Part of the Bank's strategy is to diversify income sources through certain business initiatives, including targeting new clients and developing new products and services. These initiatives may not be fully implemented within the time frame the Bank expects, or at all. In addition, even if such initiatives are fully implemented, they may not generate revenues as expected, which could adversely affect the Bank's business, results of operations and growth prospects. Any delays in implementing these business initiatives could prevent the Bank from realizing the anticipated benefits of the initiatives, which could adversely affect the Bank's business, results of operations and growth prospects.

Any failure to remain in compliance with applicable banking laws or other applicable regulations in the jurisdictions in which the Bank operates could harm its reputation and/or cause it to become subject to fines, sanctions or legal enforcement, which could have an adverse effect on the Bank's business, financial condition and results of operations.

Bladex has adopted various policies and procedures to ensure compliance with applicable laws, including internal controls and “know-your-customer” procedures aimed at preventing money laundering and terrorism financing; however, the participation of multiple parties in any given trade finance transaction can increase complexity and require additional time for due diligence. Also, because trade finance can be more reliant on document-based information than other banking activities, it is susceptible to documentary fraud, which can be linked to money laundering, terrorism financing, illicit activities and/or the circumvention of sanctions or other restrictions (such as export prohibitions, licensing requirements or other trade controls). While the Bank remains alert to potentially high-risk transactions, it is also aware that efforts, such as forgery, double invoicing, partial shipments of goods and use of fictitious goods, may be used to evade applicable laws and regulations. If the Bank’s policies and procedures are ineffective in preventing third parties from using it as a conduit for money laundering or terrorism financing without its knowledge, the Bank’s reputation could suffer and/or it could become subject to fines, sanctions or legal action (including being added to any “blacklists” that would prohibit certain parties from engaging in transactions with the Bank), which could have an adverse effect on the Bank’s business, financial condition and results of operations. In addition, amendments to applicable laws and regulations in Panama and other countries in which the Bank operates could impose additional compliance burdens on the Bank.

Changes in applicable law and regulation may have a material adverse effect on the Bank.

The Bank is subject to extensive laws and regulations regarding the Bank’s organization, operations, lending and funding activities, capitalization and other matters. The Bank has no control over applicable law and government regulations, which govern all aspects of its operations, including regulations that impose:

- Minimum capital requirements;
- Reserve and compulsory deposit requirements;
- Funding restrictions;
- Lending limits, earmarked lending and other credit restrictions;
- Limits on investments in fixed assets;
- Corporate governance requirements;
- Accounting and statistical requirements; and
- Other requirements or limitations.

The regulatory structure governing financial institutions, such as the Bank, is continuously evolving. Disruptions and volatility in the global financial markets resulting in liquidity problems at major international financial institutions could lead the governments in jurisdictions in which the Bank operates to change laws and regulations applicable to financial institutions based on such international developments.

In response to the global financial crisis, which began in late 2007, national and intergovernmental regulatory entities, such as the Basel Committee on Banking Regulations and Supervisory Practices (the “Basel Committee”) proposed reforms to prevent the recurrence of a similar crisis, including the Basel III framework, which creates new higher minimum regulatory capital requirements. On December 16, 2010 and January 13, 2011, the Basel Committee issued its original guidance (which was updated in 2013) on a number of regulatory reforms to the regulatory capital framework in order to strengthen minimum capital requirements, including the phasing out of innovative Tier 1 and 2 Capital instruments with incentive-based redemption clauses and implementing a leverage ratio on institutions in addition to current risk-based regulatory requirements. The Superintendency of Banks of Panama (“Superintendencia de Bancos de Panamá” or the “Superintendency”) is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards (the standards set by the Basel Committee on Banking Supervision) become more stringent. Non-compliance with this legal lending limit could result in the assessment of administrative sanctions by the Superintendency for such violations, taking into consideration the magnitude of the offense and any prior occurrences, and the magnitude of damages and prejudice caused to third parties. The Bank follows Basel III criteria to determine capitalization levels, and has determined the Bank’s Tier 1 Basel III capital ratio to be 21.1% as of December 31, 2017.

Based on the Bank’s current regulatory capital ratios, as well as conservative assumptions on expected returns and asset growth, the Bank does not anticipate that additional regulatory capital will be required to support our operations in the near future. However, depending on the effects of the rules that complete the implementation of the Basel III framework on Panamanian banks and particularly on other Bank operations, the Bank may need to reassess its ongoing funding strategy for regulatory capital.

The Bank also has operations in countries outside of Panama, including the United States. Changes in the laws or regulations applicable to the Bank business in the countries in which it operates or adoption of new laws, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) in the United States, and the related rulemaking, may have a material adverse effect on the Bank’s business, financial condition, and results of operations. The Dodd-Frank Act was signed into law on July 21, 2010 and was intended to overhaul the financial regulatory framework in the United States following the global financial crisis and has substantially impacted all financial institutions that are subject to its requirements. The Dodd-Frank Act, among other things, imposes higher prudential standards, including more stringent risk-based capital, leverage, liquidity and risk-management requirements, established a Bureau of Consumer Financial Protection, established a systemic risk regulator, consolidated certain federal bank regulators, imposes additional requirements related to corporate governance and executive compensation and requires various U.S. federal agencies to adopt a broad range of new implementing rules and regulations, for which they are given broad discretion.

In 2014, the U.S. Federal Reserve Board issued a final rule strengthening supervision and regulation of large U.S. bank holding companies and foreign banking organizations (such as the Bank). The final rule establishes a number of enhanced prudential standards for large U.S. bank holding companies and foreign banking organizations to help increase the resiliency of their operations. These standards include liquidity, risk management, and capital. The final rule was required by section 165 of the Dodd-Frank Act. Under the final rule, foreign banking organizations with combined U.S. assets of \$50 billion or more will be required to establish a U.S. risk committee and employ a U.S. chief risk officer to help ensure that the foreign bank understands and manages the risks of its combined U.S. operations. In addition, these foreign banking organizations will be required to meet enhanced liquidity risk-management standards, conduct liquidity stress tests, and hold a buffer of highly liquid assets based on projected funding needs during a 30-day stress test event. Foreign banking organizations with total consolidated assets of \$50 billion or more, but combined U.S. assets of less than \$50 billion, are subject to enhanced prudential standards. However, the capital, liquidity, risk-management, and stress testing requirements applicable to these foreign banking organizations are substantially less than those applicable to foreign banking organizations with a larger U.S. presence. In addition, the final rule implements stress testing requirements for foreign banking organizations with total consolidated assets of more than \$10 billion and risk committee requirements for foreign banking organizations that meet the asset threshold and are publicly traded. While the majority of these enhanced prudential standards are not currently applicable to the Bank, they could ultimately become applicable as the Bank grows, its U.S. presence or assets increase or if the Dodd-Frank Act is later amended, modified or supplemented with new legislation.

On December 10, 2013, pursuant to the Dodd-Frank Act, federal banking and securities regulators issued final rules to implement Section 619 of the Dodd-Frank Act (the “Volcker Rule”). Generally, subject to certain exceptions, the Volcker Rule restricts banks from: (i) short-term proprietary trading as principal in securities and other financial instruments, and (ii) sponsoring or acquiring or retaining an ownership interest in private equity and hedge funds. The Volcker Rule prohibitions and restrictions generally apply to banking entities, including the Bank, unless an exception applies. Based on analysis of applicable regulations and the Bank’s investment activities, the Bank has determined that its current investment activities are not subject to the Volcker Rule restrictions.

The Dodd-Frank Act also will have an impact on the Bank’s derivatives activities if it enters into swaps or security-based swaps with U.S. persons. In particular, Bladex may be subject to mandatory trade execution, mandatory clearing and mandatory posting of margin in connection with its swaps and security-based swaps with U.S. persons.

On March 18, 2010, the Hiring Incentives to Restore Employment Act of 2010, Pub. L. 111-147 (H.R. 2847), added sections 1471 through 1474 (collectively, “FATCA”) to Subtitle A of the Internal Revenue Code of 1986, as amended (the “Code”). FATCA requires withholding agents, including foreign financial institutions (“FFIs”), to withhold thirty percent (30%) of certain payments to a FFI unless the FFI has entered into an agreement with the U.S. Internal Revenue Service (“IRS”) to, among other things, report certain information with respect to U.S. accounts. FATCA also imposes on withholding agents certain withholding, documentation, and reporting requirements with respect to certain payments made to certain non-financial foreign entities.

On June 30, 2014, Panama signed a Model 1 intergovernmental agreement (“Panama IGA”) with the U.S. for purposes of FATCA. Under the Panama IGA, most Panamanian financial institutions are required to register with the IRS and comply with the requirements of the Panama IGA, including with respect to due diligence, reporting, and withholding.

To this end, the Bank registered with the IRS on April 23, 2014 as a Registered Deemed-Compliant Financial Institution (including a Reporting Financial Institution under a Model 1 IGA) and is required under the Panama IGA to identify U.S. persons and report certain information required by the IRS, through the tax authorities in Panama.

Any changes in applicable laws and regulations, as well as the volume and complexity of the laws and regulations applicable to the Bank, may have a material adverse effect on the Bank.

Payments on certain Notes may be subject to U.S. withholding under FATCA.

The United States has enacted rules, commonly referred to as FATCA, that generally impose a reporting and withholding regime with respect to certain payments made after December 31, 2018 by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Panama IGA. Under the Panama IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

The Bank makes estimates and assumptions in connection with the preparation of its consolidated financial statements, and any changes to those estimates and assumptions could have a material adverse effect on its operating results.

In connection with the preparation of its consolidated financial statements, the Bank uses certain estimates and assumptions based on historical experience and other factors. While the Bank's management believes that these estimates and assumptions are reasonable under the current circumstances, they are subject to significant uncertainties, some of which are beyond its control. Should any of these estimates and assumptions change or prove to have been incorrect, its reported operating results could be materially adversely affected.

Recent changes in the Bank's senior management team may be disruptive to, or cause uncertainty in, the Bank's business, results of operations and the market price of its Notes.

The Bank has recently experienced turnover in its senior management team, including the replacement of its Chief Executive Officer and Chief Financial Officer. As previously announced, Rubens V. Amaral Jr. retired as Chief Executive Officer and was succeeded by Gabriel Tolchinsky upon Mr. Amaral's departure from the Bank on April 30, 2018. While the Bank's new Chief Executive Officer has extensive management experience at financial institutions and funds focused on the Region, he has limited experience as a senior officer of the Bank, having served as Chief Operating Officer since May 2017. The Bank's new Chief Financial Officer, Ana Graciela de Méndez, has worked at the Bank in various capacities since 1990, and has held the role of alternate to the Chief Financial Officer since 2014, though she has limited experience serving as the Bank's Chief Financial Officer, having been appointed in December 2017. Any lack of experience in their roles as Chief Executive Officer and Chief Financial Officer of the Bank, respectively, or lack of experience working together as a group, could negatively impact the Bank's senior management team's ability to quickly and efficiently respond to problems and effectively manage the Bank's business. If the Bank's management team is not able to work effectively, either individually or as together as a group, the Bank's results of operations and market price of its Notes may suffer, and its business may be harmed.

Risks Relating to the Region

The Bank's mission is focused on supporting trade and regional integration across the Region. As a result, any increases in tariffs or other restrictions on foreign trade, or resulting uncertainty that reduces international trade flows, either throughout the Region or globally, could adversely affect the Bank's business, results of operations or market value of the Notes.

The Bank's mission is focused on supporting trade and regional integration across the Region, and a significant portion of the Bank's operations is derived from financing trade related transactions. As a result, increases in tariffs, changes in U.S. political, regulatory and economic conditions, or in U.S. policies governing infrastructure, trade and foreign investment in the U.S., or other restrictions on foreign trade throughout the Region or globally could adversely affect the Bank's business and results of operations. For example, the Trump administration in the U.S. has increasingly threatened to impose tariffs on a variety of imports from countries throughout the world, including the Region, and has recently imposed certain tariffs on steel and aluminum. China has recently announced retaliatory tariffs against

certain American products. Furthermore, the Trump administration has expressed significant doubts regarding existing trade agreements, including the North American Free Trade Agreement (“NAFTA”), and issued an executive order announcing the United States’ withdrawal from the Trans-Pacific Partnership (“TPP”). There can be no assurance that the U.S. or China, or other countries, including those in the Region, will not move to implement further tariffs or restrictions on trade, or what the scope and effects of any such restrictions might be. Any such tariffs or restrictions, or uncertainty surrounding any future restrictions, could materially adversely affect international trade flows, which is a core sector underlying the Bank’s business model. Any such developments may have a material adverse effect on the Bank’s business, financial condition, results of operations and market value of the Notes.

Global markets and currencies were also adversely impacted after the U.K.’s referendum on the exit from the European Union (the “E.U.”), commonly referred to as “Brexit”, was passed into law, and on June 19, 2017 negotiations commenced to determine the future terms of the U.K.’s relationship with the E.U. After several months of negotiations, an initial settlement has been reached on some of the key issues that were blocking future negotiation, such as trade arrangements. There is still uncertainty regarding the possible results of the initial settlement, as well as the outcome of pending tariff, trade, regulatory and other negotiations. As a result of the Brexit referendum, the global markets and currencies have been adversely impacted, including sharp fluctuations in the value of the British pound as compared to the U.S. dollar. Such effects could have a material adverse effect on the Bank.

The Bank’s credit activities are concentrated in the Region. The Bank also faces borrower concentration. Adverse economic changes in the Region or in the condition of the Bank’s largest borrowers could adversely affect the Bank’s growth, asset quality, prospects, profitability, financial condition and financial results.

As a reflection of the Bank’s mission and strategy, the Bank’s credit activities are concentrated in the Region. Economies in the Region have historically experienced significant volatility evidenced, in some cases, by political uncertainty, including with respect to upcoming elections, slow growth or recessions, declining investments, government and private sector debt defaults and restructurings, and significant inflation and/or currency devaluation. Global economic changes, including fluctuations in oil prices, commodity prices, U.S. dollar interest rates and U.S. dollar exchange rates, and slower economic growth in industrialized countries, could have adverse effects on the economic condition of countries in the Region, including Panama, and other countries in which the Bank operates. Adverse changes affecting the economies in the Region could have a significant adverse impact on the quality of the Bank’s credit exposures, including increased allowance for ECL, debt restructurings and loan losses. In turn, these effects could also have an adverse impact on the Bank’s asset growth, asset quality, prospects, profitability and financial condition.

The Bank’s credit activities are concentrated in a number of countries. The Bank’s credit portfolio (the “Credit Portfolio”) consists of the Commercial Portfolio and the Investment Securities Portfolio. The “Investment Securities Portfolio” consists of securities at FVOCI and investment securities at amortized cost. Adverse changes affecting one or more of these economies could have an adverse impact on the Bank’s Credit Portfolio and, as a result, its financial condition, growth, prospects, results of operations and financial condition. As of December 31, 2017, 63% of the Bank’s Credit Portfolio was outstanding to borrowers in the following five countries: Brazil (\$1,023 million, or 17%), Colombia (\$949 million, or 16%), Mexico (\$906 million, or 15%), Panama (\$556 million, or 9%) and Costa Rica (\$376 million, or 6%).

In addition, as of December 31, 2017, of the Bank’s total Credit Portfolio balances, 8% were to five borrowers in Colombia, 7% were to five borrowers in each of Brazil and Mexico, and 5% were to five borrowers in each of Costa Rica and Panama. A significant deterioration of the financial or economic condition of any of these countries or borrowers could have an adverse impact on the Bank’s Credit Portfolio, potentially requiring the Bank to create additional allowances for ECL, or suffer credit losses with the effect accentuated because of this concentration.

Local country foreign exchange controls or currency devaluation, monetary tightening, higher interest rates and rising inflation, may harm the Bank’s borrowers’ ability to pay U.S. dollar-denominated obligations.

The Bank makes mostly U.S. dollar-denominated loans and investments. As a result, the Bank faces the risk that local foreign exchange controls may restrict the ability of the Bank’s borrowers to acquire dollars to repay loans on a timely basis, even if they are exporters, and/or that significant currency devaluation might occur, which could increase the cost, in local currency terms, to the Bank’s borrowers of acquiring dollars to repay loans. Additionally, several Latin American currencies have devalued sharply against the U.S. dollar, on concerns about the U.S. trade policy agenda, coupled with a trend of rate increases by the U.S. Federal Reserve Board. Asset risks may rise for banks that lend to

exporters or high value-added manufacturers, particularly in the automotive supplier and technology sectors in the Region. U.S. monetary tightening and rising inflation could prompt central banks to tighten monetary policy in Latin American countries, with higher rates potentially leading to weaker asset quality. Rising rates may reduce borrower repayment capacity, leading to an increase in non-performing loan (NPL) ratios as loan growth decelerates. Any of these factors could harm the Bank's borrowers' ability to pay U.S. dollar-denominated obligations, which could adversely affect the Bank's business and results of operations.

Increased risk perception in countries in the Region where the Bank has large credit exposures could have an adverse impact on the Bank's credit ratings, funding activities and funding costs.

Increased risk perception in any country where the Bank has large exposures could trigger downgrades to the Bank's credit ratings. A credit rating downgrade would likely increase the Bank's funding costs, and may reduce its deposit base and access to the debt capital markets. In that case, the Bank's ability to obtain the necessary funding to carry on its financing activities in the Region at meaningful levels could be affected adversely.

Risks Relating to the Notes

Bladex's obligations under the Notes will be subordinated to certain statutory liabilities.

Under Panamanian law, the Bank's obligations under the Notes are subordinated to certain statutory preferences. If the Bank is liquidated, these statutory preferences, which would include, among others, certain debts of the liquidation estate, new deposits, liquidator's fees created during a reorganization period, deposits of ten thousand dollars or less, claims from employees for salaries, unpaid wages, and other severance and compensation payments, claims for unpaid employer-employee social security contributions, and claims for unpaid taxes, as well as secured debts (up to the value of the assets securing that debt), social security, taxes and court fees and expenses, these debts), would have preference over any other claim, including claims by any Note holders.

Bladex may issue further debt or other instruments which may rank pari passu with or senior to the Notes.

Bladex may issue further debt or other instruments which may rank *pari passu* with or senior to the Notes. The issuance of any such instruments may reduce the amount recoverable by holders of the Notes upon any bankruptcy or insolvency and would increase the likelihood that Bladex may suspend the payment of interest on the Notes. In case of an eventual subordination of the Notes, in the event of Bladex Head Office's winding up or dissolution, or similar events, Bladex's assets will be available to pay such amounts only after all of its senior debt and other obligations which are preferred by law have been paid in full.

An active trading market for the Notes may not develop.

There is currently no market for the Notes. Application may be made for the Notes of any series to be issued under the Program to be admitted for listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF. Bladex cannot assure you that any such application will be accepted. Even if the Notes are listed on this stock exchange, Bladex may delist the Notes. A trading market for the Notes may not develop, or if a market for the Notes were to develop, the notes may trade at a discount from their initial offering price, depending on many factors including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The dealers are not under any obligation to make a market with respect to the notes and Bladex cannot assure you that trading markets will develop or be maintained. Accordingly, Bladex cannot assure you as to the development or liquidity of any trading market for the Notes. If an active market for the Notes does not develop or is interrupted, the market price and liquidity of the Notes may be adversely affected.

Conflicts of interest may arise between the interests of the Calculation Agent and the interests of the holders of Notes.

If a Calculation Agent is appointed with respect to a particular Series of Notes, the Calculation Agent may be required to make certain determinations including the determination of interest and principal payments. Potential investors in any such Notes should be aware that any determination or calculation made by the Calculation Agent may have an impact on the value of the Notes. Potential conflicts of interest, including with respect to such determinations or calculations that may adversely affect the return on the Notes, may arise between the interests of the Calculation Agent and the interests of the holders of Notes.

In addition, the Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Program. In such a case, the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. While such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by holders of Notes during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the holders of Notes.

Regulation and reform of LIBOR, EURIBOR or other “benchmarks” could adversely affect Notes linked to such “benchmarks.”

LIBOR, EURIBOR and other rates and indices deemed to be “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a “benchmark.”

Regulation (EU) 2016/1011 (the “Benchmark Regulation”) was published in the Official Journal of the European Union on June 29, 2016 and has applied from January 1, 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since June 30, 2016). The Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another “benchmark” rate or index, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the Benchmark Regulation stipulates that each administrator of a “benchmark” regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain “benchmarks” will fail to obtain a necessary license, preventing them from continuing to provide such “benchmarks.” Other administrators may cease to administer certain “benchmarks” because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may, in time, become obsolete.

As an example of such reforms, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcement”). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions of the Conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Notes whose interest rates are linked to LIBOR or any other such benchmark which is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

The “Terms and Conditions of the Notes” set out elsewhere in this Base Prospectus provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be determined by reference to the rate of interest applicable to the Notes in relation to a preceding Interest Period (as defined in “Terms and Conditions of the Notes”). This may result in the effective application of a fixed rate for Notes issued on a floating rate basis, based on the rate which was last observed on the Relevant Screen Page (as defined in “Terms and Conditions of the Notes”).

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under Notes issued on a floating rate basis or could have a material adverse effect on the market price and/or liquidity of, and the amount payable under, any such Notes.

CAPITALIZATION

The following table sets forth the short- and long-term debt and capitalization of Bladex as of December 31, 2017, 2016 and 2015. The authorized capital of Bladex consists of 40 million shares of Class A common stock, 40 million shares of Class B common stock, 100 million shares of Class E common stock, 100 million shares of Class F common stock and 10 million preferred shares. As of December 31, 2017, no Class F common shares or preferred shares were issued and outstanding.

	As of December 31,		
	2017	2016	2015
	<i>(in \$ thousands)</i>		
Securities sold under repurchase agreements.....	\$0	\$0	\$114,084
Short-term borrowings and debt	1,072,723	1,470,075	2,430,357
Long-term borrowings and debt, net.....	1,138,844	1,776,738	1,881,813
Stockholders' Equity ⁽¹⁾			
Common stock	279,980	279,980	279,980
Treasury stock	(63,248)	(69,176)	(73,397)
Additional paid-in capital in excess of assigned value of common stock	119,941	120,594	120,177
Capital reserves	95,210	95,210	95,210
Retained earnings	608,966	587,507	560,642
Accumulated other comprehensive income (loss)	1,963	(2,801)	(10,681)
Total Stockholders' Equity	\$1,042,812	1,011,314	971,931
Total Capitalization and Debt.....	\$3,254,379	\$4,258,127	\$5,398,185

⁽¹⁾ As of December 31, 2017, the issued and outstanding common stock of Bladex, all of which have been fully paid, consisted of 6,342,189 shares of Class A common stock, 2,408,806 shares of Class B common stock and 30,677,840 shares of Class E common stock, each with an assigned value of \$6.67 per share.

SELECTED FINANCIAL DATA

The following tables set forth summary consolidated financial data for the Bank at and for each of the periods indicated. The summary statement of financial position data as of December 31, 2017 and 2016, and the summary profit or loss data as of and for each of the three years in the period ended December 31, 2017, are qualified in their entirety by, and should be read in conjunction with, the Audited Consolidated Financial Statements and notes to those statements included in this Base Prospectus. The Bank's consolidated financial position as of December 31, 2015 should be read in conjunction with the Bank's audited financial statements included in the Bank's Annual Report on Form 20-F, filed with the SEC on April 28, 2017. The financial data presented herein were prepared in accordance with IFRS as issued by the IASB, and Interpretations issued by the IFRIC, and is stated in U.S. dollars. The information below is qualified in its entirety by the detailed information included and incorporated by reference herein and should be read in conjunction with "Description of Business of Bladex," the Audited Consolidated Financial Statements and notes to those statements included in this Base Prospectus.

Consolidated Statement of Financial Position

	As of December 31,		
	2017	2016	2015
	(in \$ thousands)		
Assets			
Cash and cash equivalents.....	\$672,048	\$1,069,538	\$1,299,966
Financial instruments at fair value through profit or loss	0	0	53,411
Financial instruments at fair value through OCI.....	25,135	30,607	141,803
Securities at amortized cost, net	68,934	77,214	108,215
Loans.....	5,505,658	6,020,731	6,691,749
Less:			
Allowance for expected credit losses.....	81,294	105,988	89,974
Unearned interest and deferred fees.....	4,985	7,249	9,304
Loans, net.....	5,419,379	5,907,494	6,592,471
Derivative financial instruments used for hedging - receivable.....	13,338	9,352	7,400
Property and equipment, net.....	7,420	8,549	6,173
Intangibles, net	5,425	2,909	427
Other assets:			
Customers' liabilities under acceptances.....	6,369	19,387	15,100
Accrued interest receivable	30,872	44,187	45,456
Other assets.....	18,827	11,546	15,794
Total of other assets.....	56,068	75,120	76,350
Total Assets	\$6,267,747	\$7,180,783	\$8,286,216
Liabilities and Stockholders' Equity			
Deposits.....	\$2,928,844	\$2,802,852	\$2,795,469
Derivative financial instruments used for hedging - payable.....	34,943	59,686	29,889
Financial liabilities through profit or loss	0	24	89
Securities sold under repurchase agreement	0	0	114,084
Short-term borrowings and debt.....	1,072,723	1,470,075	2,430,357
Long-term borrowings and debt, net	1,138,844	1,776,738	1,881,813
Other liabilities			
Acceptances outstanding.....	6,369	19,387	15,100
Accrued interest payable	15,816	16,603	17,716
Allowance for expected credit losses on loan commitments and financial guarantees contracts.....	6,845	5,776	5,424
Other liabilities	20,551	18,328	24,344
Total of other liabilities	49,581	60,094	62,584
Total Liabilities	\$5,224,935	\$6,169,469	\$7,314,285
Stockholders' Equity			
Common stock	279,980	279,980	279,980
Treasury stock	(63,248)	(69,176)	(73,397)
Additional paid-in capital in excess of assigned value of common stock	119,941	120,594	120,177
Capital reserves.....	95,210	95,210	95,210
Retained earnings.....	608,966	587,507	560,642
Accumulated other comprehensive income (loss)	1,963	(2,801)	(10,681)
Total Stockholders' Equity	\$1,042,812	\$1,011,314	\$971,931
Total Liabilities and Stockholders' Equity	\$6,267,747	\$7,180,783	\$8,286,216

Consolidated Statement of Profit or Loss

	As of and for the Year Ended December 31,		
	2017	2016	2015
	<i>(in \$ thousands, except per share data and ratios)</i>		
Consolidated Statement of Profit or Loss Data:			
Interest income	\$226,079	\$245,898	\$220,312
Interest expense	106,264	90,689	74,833
Net interest income	119,815	155,209	145,479
Other Income:			
Fees and commissions, net	17,514	14,306	19,200
Loss on derivative financial instruments and foreign currency exchange, net	(437)	(486)	(23)
(Loss) Gain per financial instrument at fair value through profit or loss	(732)	(2,883)	5,731
Gain (loss) on sale of securities at fair value through OCI	249	(356)	363
Gain on sale of loans	181	806	1,505
Other income	1,723	1,378	1,603
Net other income	18,498	12,765	28,379
Total income	138,313	167,974	173,858
Expenses:			
Impairment loss from expected credit losses on loans at amortized cost ⁽¹⁾	8,859	34,760	17,248
(Recovery) impairment loss from expected credit losses on investment securities ⁽¹⁾	(489)	3	5,290
Impairment loss (recovery) from expected credit losses on loan commitments and financial guarantee contracts ⁽¹⁾	1,069	352	(4,448)
Operating expenses:			
Salaries and other employee expenses	27,653	25,196	30,435
Depreciation of equipment and leasehold improvements	1,578	1,457	1,371
Amortization of intangible assets	838	629	596
Other expenses	16,806	18,532	19,382
Total expenses	56,314	80,929	69,874
Profit for the year	\$81,999	\$87,045	\$103,984
Weighted average basic shares	39,311	39,085	38,925
Weighted average diluted shares	39,329	39,210	39,113
Basic shares period end	39,429	39,160	38,969
Per Common Share Data:			
Basic earnings per share	2.09	2.23	2.67
Diluted earnings per share	2.08	2.22	2.66
Book value per share (period end)	26.45	25.83	24.94
Regular cash dividends declared per share	1.54	1.54	1.155
Regular cash dividends paid per share	1.54	1.54	1.54

⁽¹⁾ For information regarding impairment loss from ECL, see “Operating and Financial Review and Prospects—Operating Results—Operating Results.”

Other Financial Data and Selected Ratios

	For the Year Ended December 31,		
	2017	2016	2015
	(in \$ millions, except percentages)		
Other Financial Data			
Average interest-earning assets.....	\$6,494	\$7,479	\$7,899
Average total assets ⁽²⁾	\$6,468	\$7,479	\$7,901
Average stockholders' equity ⁽²⁾	\$1,022	\$993	\$949

	As of and for the Year Ended December 31,		
	2017	2016	2015
	(in \$ thousands, except per share data and ratios)		

Selected Financial Ratios

Performance Ratios:

Return on average total assets ⁽²⁾	1.27%	1.16%	1.32%
Return on average total stockholders' equity ⁽²⁾	8.02%	8.76%	10.95%
Net interest margin ⁽³⁾	1.85%	2.08%	1.84%
Net interest spread ⁽³⁾	1.48%	1.84%	1.68%
Efficiency Ratio ⁽⁴⁾	33.9%	27.3%	29.8%
Total operating expenses ⁽⁵⁾ to average total assets ⁽²⁾	0.72%	0.61%	0.66%
Regular cash dividend payout ratio ⁽⁶⁾	73.83%	69.15%	57.65%

Liquidity Ratios:

Liquid assets ⁽⁷⁾ / total assets.....	9.87%	14.03%	15.29%
Liquid assets ⁽⁷⁾ / total deposits.....	21.13%	35.95%	45.33%

Asset Quality Ratios:

Non-performing loans to Loan Portfolio ⁽⁸⁾	1.07%	1.09%	0.78%
Charged-off loans to Loan Portfolio.....	0.60%	0.31%	0.09%
Allowance for expected credit losses on loans to Loan Portfolio	1.48%	1.76%	1.34%
Allowance for expected credit losses on loan commitments and financial guarantee contracts to total loan commitments, financial guarantee contracts and customers' liabilities under acceptances.....	1.39%	1.37%	1.17%

Capital Ratios:

Total stockholders' equity to total assets.....	16.64%	14.08%	11.73%
Average total stockholders' equity to average total assets ⁽²⁾	15.80%	13.28%	12.02%
Leverage ratio ⁽⁹⁾	6.0x	7.1x	8.5x
Tier 1 capital to risk-weighted assets ⁽¹⁰⁾	21.1%	17.9%	16.1%
Risk-weighted assets ⁽¹⁰⁾	\$4,931,046	\$5,662,453	\$6,103,767

⁽¹⁾ [Reserved.]

⁽²⁾ Average total assets and average total stockholders' equity are calculated on the basis of unaudited average balances.

⁽³⁾ For information regarding calculation of the net interest margin and the net interest spread, see "Operating and Financial Review and Prospects—Operating Results—Net Interest Income and Margins."

⁽⁴⁾ Efficiency ratio refers to total operating expenses as a percentage of total income.

⁽⁵⁾ Total operating expenses includes the following expense line items of the consolidated statements of profit or loss: salaries and other employee expenses, depreciation of equipment and leasehold improvements, amortization of intangible assets, and other expenses. See "Operating and Financial Review and Prospects—Operating Results—Operating Expenses."

⁽⁶⁾ Calculated on regular cash dividends paid per share during the period.

⁽⁷⁾ Liquid assets refer to total cash and cash equivalents, consisting of cash and due from banks, and interest-bearing deposits in banks, excluding pledged deposits, as shown in the consolidated statements of cash flows and note 4 to the Audited Consolidated Financial Statements. See "Description of Business of Bladex—Liquidity" and notes 4 and 27.2 to the Audited Consolidated Financial Statements.

⁽⁸⁾ As of December 31, 2017, 2016 and 2015 the Bank had \$59 million, \$65 million and \$52 million in non-performing loans, respectively, all of which corresponded to impaired loans. Impairment factors considered by the Bank's management include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence.

⁽⁹⁾ Leverage ratio is the ratio of total assets to total stockholders' equity.

⁽¹⁰⁾ Tier 1 Capital is calculated according to Basel III capital adequacy guidelines, and is equivalent to total stockholders' equity excluding certain effects such as accumulated OCI of the financial instruments at fair value through OCI. Tier 1 Capital ratio is calculated as a percentage of risk-weighted assets. Risk-weighted assets are estimated based on Basel III capital adequacy guidelines.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the Audited Consolidated Financial Statements and the notes thereto included elsewhere in this Base Prospectus.

Critical Accounting Policies

General

The Bank prepares its Consolidated Financial Statements in conformity with IFRS as issued by the IASB and Interpretations issued by the IFRIC.

The Audited 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 FVOCI. 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.

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 ECL, impairment of securities, and the fair value of financial instruments. Actual results could differ from those estimates. Management believes these estimates are adequate.

For information regarding the Bank's basis of preparation, significant accounting policies and future changes in applicable accounting policies, see notes 2, 3 and 3.23, respectively, to the Audited Consolidated Financial Statements. Additionally, for information regarding the Bank's discussion on principal policies on impairment of financial assets and the allowance of ECL, see "Description of Business of Bladex—Asset Quality," and "Description of Business of Bladex—Allowance for ECL," and for the Bank's fair value of financial instruments, see note 18 to the Audited Consolidated Financial Statements.

Nature of Earnings

The Bank derives income from net interest income and net other income, which includes fees and commissions, net, gain (loss) on derivative financial instruments and foreign currency exchange, gain (loss) per financial instrument at fair value through profit or loss, gain (loss) on sale of securities at fair value through OCI, gain on sale of loans, and other income. Net interest income, or the difference between the interest income the Bank receives on its interest-earning assets and the interest expense the Bank pays on interest-bearing liabilities, is generated principally by the Bank's lending activities. The Bank generates fees and commissions mainly through the issuance, confirmation and negotiation of letters of credit, guarantees, and credit commitments, and through loan structuring and syndication activities, while other loan intermediation activities, such as sales in the secondary market and distribution in the primary market are registered as gain on sale of loans.

Operating Results

The following table summarizes changes in components of the Bank's profit for the year and performance for the periods indicated. The operating results in any period are not indicative of the results that may be expected for any future period.

	For the Year Ended December 31,		
	2017	2016	2015
	<i>(in \$ thousands, except per share amounts and percentages)</i>		
Interest income	\$226,079	\$245,898	\$220,312
Interest expense	106,264	90,689	74,833
Net interest income	119,815	155,209	145,479
Other income:			
Fees and commissions, net	17,514	14,306	19,200
Loss on derivative financial instruments and foreign currency exchange, net	(437)	(486)	(23)
(Loss) gain per financial instrument at fair value through profit or loss ⁽¹⁾	(732)	(2,883)	5,731
Gain (loss) on sale of securities at fair value through OCI	249	(356)	363
Gain on sale of loans	181	806	1,505
Other income	1,723	1,378	1,603
Net other income	18,498	12,765	28,379
Total income	138,313	167,974	173,858
Expenses:			
Impairment loss from expected credit losses on loans at amortized cost	8,859	34,760	17,248
(Recovery) impairment loss from expected credit losses on investment securities	(489)	3	5,290
Impairment loss (recovery) from expected credit losses on loan commitments and financial guarantee contracts	1,069	352	(4,448)
Operating expenses:			
Salaries and other employee expenses	27,653	25,196	30,435
Depreciation of equipment and leasehold improvements	1,578	1,457	1,371
Amortization of intangible assets	838	629	596
Other expenses	16,806	18,532	19,382
Total operating expenses ⁽²⁾	46,875	45,814	51,784
Total expenses	56,314	80,929	69,874
Profit for the year	\$81,999	\$87,045	\$103,984
Basic earnings per share	\$2.09	\$2.23	\$2.67
Diluted earnings per share	\$2.08	\$2.22	\$2.66
Weighted average basic shares	39,311	39,085	38,925
Weighted average diluted shares	39,329	39,210	39,113
Return on average total assets ⁽³⁾	1.27%	1.16%	1.32%
Return on average total stockholders' equity ⁽⁴⁾	8.02%	8.76%	10.95%

⁽¹⁾ Includes the net gain (loss) on investment funds recorded in 2016 and 2015 as gain (loss) on financial instruments at fair value through profit or loss. See note 22 to the Audited Consolidated Financial Statements.

⁽²⁾ Operating expenses, which are presented as part of total expenses in the Bank's consolidated statements of profit or loss, does not include the effects of impairment loss or recovery from ECL on loans at amortized cost, investment securities, and loan commitments and financial guarantee contracts, as the Bank believes such items, which are based on management estimates and are related to the ECLs of the Bank's Credit Portfolio, may distort trend analysis. See "Operating and Financial Review and Prospects—Operating Results—Operating Expenses."

⁽³⁾ Average total assets calculated on the basis of unaudited average balances.

⁽⁴⁾ Average total stockholders' equity calculated on the basis of unaudited average balances.

Profit for the Year

The Bank's profit for the year 2017 totaled \$82.0 million, compared to \$87.0 million in 2016. The \$5.0 million, or 6%, decrease was mostly attributable to: (i) lower net interest income from reduced average loan balances and narrower lending spreads, as the Bank mitigated lending risk and diversified its portfolio mix, as well as shortened the average tenor of its portfolio, and (ii) non-recurring personnel-change related expenses, resulting in \$3.2 million in charges for 2017, both of which were mostly offset by the positive effects of: (i) improved credit quality reflected in lower impairment loss from ECL, (ii) strong annual growth in fee income from its letters of credit business and structuring / syndication activity, (iii) the absence of non-core trading losses, as the Bank completely divested from its participation in investment funds during 2016, and (iv) a decrease in recurring operating expenses (excluding personnel-change related expenses), which reflected the Bank's focus on efficiency through technology, processes and structural improvements.

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

Business Segment Analysis

The Bank's activities are managed and executed in two business segments: Commercial and Treasury.

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

The Bank's net interest income represents the main driver of profits for the year. Interest income is generated by interest-earning assets which include loans, financial instruments at FVTPL, securities at FVOCI and investment securities at amortized cost. Interest expense is allocated to interest-earning assets on a matched-funded basis, net of risk adjusted capital allocated by business segment. The operating expense allocation methodology assigns overhead expenses based on resource consumption by business segment. The following table summarizes the Bank's profits, both by business segment and on a consolidated basis for the periods indicated:

	For the Year Ended December 31,		
	2017	2016	2015
	<i>(in \$ thousands, except percentages)</i>		
COMMERCIAL:			
Net interest income	\$120,581	\$140,375	\$127,161
Net other income	18,926	16,333	21,492
Total income	139,507	156,708	148,653
Impairment loss from expected credit losses on loans, loan commitments and financial guarantees contracts	(9,928)	(35,112)	(12,800)
Expenses, less impairment loss from expected credit losses ..	(35,916)	(34,598)	(40,429)
Profit for the year	\$93,663	\$86,998	\$95,424
TREASURY:			
Net interest income	\$(766)	\$14,834	\$18,318
Net other income	(428)	(3,568)	6,887
Total income	(1,194)	11,266	25,205
Recovery (impairment loss) from expected credit losses on investment securities	489	(3)	(5,290)
Expenses, less impairment loss from expected credit losses ..	(10,959)	(11,216)	(11,355)
Profit for the year	\$(11,664)	\$47	\$8,560
COMBINED BUSINESS SEGMENT TOTAL:			
Net interest income	\$119,815	\$155,209	\$145,479
Net other income	18,498	12,765	28,379
Total income	138,313	167,974	173,858
Impairment loss from expected credit losses on loans, loan commitments and financial guarantees contracts	(9,928)	(35,112)	(12,800)
Recovery (impairment loss) from expected credit losses on investment securities	489	(3)	(5,290)
Expenses, less impairment loss from expected credit losses ..	(46,875)	(45,814)	(51,784)
Profit for the year	\$81,999	\$87,045	\$103,984

For further information on the Bank's operations by business segment, see note 17 to the Audited Consolidated Financial Statements.

The Commercial Business Segment

The Commercial Business Segment encompasses the Bank's core business of financial intermediation and fee generation activities catering to corporations, financial institutions and investors in Latin America. The extensive array of products and services include the origination of bilateral, structured and syndicated credits, short and medium-term loans, customers' liabilities under acceptances, loan commitments and financial guarantee contracts, such as confirmed and standby letters of credit, and guarantees covering commercial risk. See "Description of Business of Bladex—Business Activities—Commercial Portfolio". Profits from the Commercial Business Segment include (i) net interest income from loans; (ii) fees and other income from the issuance, confirmation and negotiation of letters of credit, guarantees and loan commitments, and through loan structuring and syndication activities; and (iii) gain on sale of loans generated through loan intermediation activities, such as sales in the secondary market and distribution in the primary market; (iv) impairment loss from ECL on loans at amortized cost, loan commitments and financial guarantee contracts; and (v) direct and allocated operating expenses.

2017 vs. 2016

The Commercial Business Segment's profit for the year 2017 totaled \$93.7 million, a \$6.7 million, or 8%, increase compared to \$87.0 million in 2016, mainly as a result of: (i) decreased provisions for ECL mostly attributable to finalized renegotiation agreements on selected credit exposures undergoing restructuring processes and lower requirements resulting from reduced portfolio levels, and (ii) higher fees and other income mostly from the upward trend in fee generation from the Bank's structuring and syndication activities, with seven transactions resulting in fees of \$6.6 million having closed in 2017, as well as improved activity in the letters of credit business, with commissions of \$10.9 million in 2017, resulting from a more diversified letters of credit client base and the Bank's strategy deepening its participation in the trade value chain. These positive effects were partially offset by: (i) lower net interest income and margins from reduced average loan volumes, as the Bank improved its portfolio risk profile, focused on short-term lending, and experienced pricing pressures from increased levels of U.S. dollar liquidity in key markets, which was partially offset by the increase in LIBOR-based market rates, and (ii) higher allocated operating expenses, mainly due to non-recurring personnel changes expenses incurred in 2017.

As of December 31, 2017, the Commercial Portfolio totaled \$6.0 billion, a \$0.4 billion, or 7%, decrease compared to \$6.4 billion as of December 31, 2016, as the Bank mitigated risk and diversified its portfolio mix throughout the past two years, and shortened its average tenor. Consequently, average Commercial Portfolio balances amounted to \$5.9 billion in 2017, a \$0.9 billion, or 14%, decrease year-over-year, compared to \$6.8 billion in 2016.

As of December 31, 2017, 81%, of the Bank's Commercial Portfolio was scheduled to mature within one year, compared to 77% as of December 31, 2016. Trade finance operations represented 60% of the Bank's Commercial Portfolio, compared to 66% as of December 31, 2016, while the remaining balance consisted primarily of lending to financial institutions and corporations engaged in foreign trade.

The Commercial Business Segment's asset quality improved with a 1.07% ratio of non-performing loans to total Loan Portfolio as of December 31, 2017, compared to 1.09% of total Loan Portfolio as of December 31, 2016, which was mostly attributable to finalized renegotiation agreements on selected credit exposures undergoing restructuring processes during the past two to three years. As a result of the improved credit quality, the coverage ratio of total allowance for ECL remained sound at 1.47% of the total Commercial Portfolio exposure as of December 31, 2017, compared to 1.73% of the total Commercial Portfolio exposure, as of December 31, 2016.

2016 vs. 2015

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

compensated for the effects of lower average lending balances (which decreased by 4% year-over-year), and (ii) a \$5.8 million, or 14%, decrease in operating expenses mostly from lower performance-based variable compensation expense and cost savings in other expense categories.

As of December 31, 2016, the Commercial Portfolio stood at \$6.4 billion, a \$0.7 billion, or 10%, decrease compared to \$7.2 billion as of December 31, 2015, as the Bank reduced certain country, industry and client risk concentrations in response to unfavorable market conditions affecting these markets, and instead focused on expanding its short-term trade finance exposures, with favorable risk-adjusted returns. The most significant portfolio reduction was in regard to credit exposures in Brazil. Efforts to reduce concentration in that market commenced several years ago, and continued throughout 2016 with a \$0.5 billion portfolio reduction reducing its weight to 18% of the total Commercial Portfolio, at year-end 2016, compared to 23% at year-end 2015, and compared to a peak of 47% in 2008. Consequently, average Commercial Portfolio balances amounted to \$6.8 billion in 2016, a \$0.3 billion, or 5%, decrease year-over-year, compared to \$7.1 billion in 2015.

As of December 31, 2016, 77%, of the Bank's Commercial Portfolio was scheduled to mature within one year, compared to 72% as of December 31, 2015. Trade finance operations represented 66% of the Bank's Commercial Portfolio, compared to 56% as of December 31, 2015, while the remaining balance consisted primarily of lending to financial institutions and corporations engaged in foreign trade.

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

The Treasury Business Segment

The Treasury Business Segment focuses on managing the Bank's investment portfolio, and the overall structure of its assets and liabilities to achieve more efficient funding and liquidity positions for the Bank, mitigating the traditional financial risks associated with the balance sheet, such as interest rate, liquidity, price and currency risks. Interest-earning assets managed by the Treasury Business Segment include liquidity positions (cash and cash equivalents), and financial instruments related to the investment management activities consisting of securities at FVOCI and investment securities at amortized cost. The Treasury Business Segment also manages the Bank's interest-bearing liabilities, which constitute its funding sources, mainly deposits and short- and long-term borrowings and debt.

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

2017 vs. 2016

The Treasury Business Segment reported a loss of \$11.7 million for the year 2017, compared to a marginal profit of \$47 thousand for the year 2016, an adverse swing in results mostly attributable to an increase in funding rates on higher LIBOR-based market rates (also impacting interest-earning assets lending rates), which was partially offset by lower funding spreads, and a relatively stable funding mix source year-over-year (i.e., medium- and long-term borrowings and debt) despite higher short-term trade finance lending book, resulting on a limited gap income.

As of December 31, 2017, Treasury Business Segment assets totaled \$0.8 billion, a \$0.4 billion, or 36%, decrease, compared to \$1.2 billion as of December 31, 2016, mainly resulting from lower cash and cash equivalent balances, as the Bank returned to its historical adequate levels of prudent liquidity management.

The Investment Securities Portfolio balances of \$86 million accounted for 1% of total assets as of December 31, 2017, compared to \$108 million, or 2% of total assets, as of December 31, 2016, as the Bank aimed to reduce market risk.

The Investment Securities Portfolio mostly consisted of readily-quoted Latin American securities, 87% of which represented sovereign or state-owned risk.

On the funding side, deposit balances amounted to \$2.9 billion as of December 31, 2017, representing 57% of total funding sources, compared to \$2.8 billion, or 46% of total funding sources, as of December 31, 2016. Deposits placed by central banks or their designees (i.e., Class A shareholders of the Bank) represented 67% of total deposits as of December 31, 2017. Short-term borrowings and debt totaled \$1.1 billion as of December 31, 2017, a 27% decrease compared to \$1.5 billion as of December 31, 2016, while long-term borrowings and debt decreased 36% to \$1.1 billion as of December 31, 2017, from \$1.8 billion as of December 31, 2016, as the Bank continued to rely primarily on deposits to cover its short-term funding needs and increased its short-term composition of the overall funding sources, aligned with the lending book moving towards shorter tenors.

2016 vs. 2015

The Treasury Business Segment reported a marginal profit of \$47 thousand for the year 2016, compared to \$8.6 million in 2015, a decrease mostly attributable to the \$9.5 million adverse swing in non-core results from the Bank's former participation in investment funds, with a \$4.4 million loss recorded in 2016 compared to a \$5.1 million gain in 2015. The Bank's reduced holdings in its investment securities portfolio mainly accounted for a \$3.5 million reduction in the Segment's net interest income, which was compensated by a year-over-year reduction of impairment losses from ECL on investment securities, as the Bank recorded only marginal impairment in 2016, compared to a \$5.3 million impairment in 2015.

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

On the funding side, deposit balances remained stable at \$2.8 billion as of December 31, 2016, the same level from a year ago, representing 46% of total funding sources in 2016, compared to 39% of total funding sources, as of December 31, 2015. Short-term borrowings and debt, including Repos, totaled \$1.5 billion as of December 31, 2016, a 42% decrease compared to \$2.5 billion as of December 31, 2015, while long-term borrowings and debt decreased 6% to \$1.8 billion as of December 31, 2016, from \$1.9 billion as of December 31, 2015, as the Bank relied primarily on deposits to cover its short-term funding needs, in response to the shift in the lending book mix moving toward shorter tenors, while continuing to increase overall funding stability with medium and long-term funding balances, which amounted to 29% of total funding in 2016, up from 26% in 2015.

Net Interest Income and Margins

The following table sets forth information regarding the Bank's net interest income, net interest margin (net interest income divided by the average balance of interest-earning assets), and net interest spread (the average yield earned on interest-earning assets, less the average yield paid on interest-bearing liabilities) for the periods indicated:

	For the Year Ended December 31,		
	2017	2016	2015
	<i>(in \$ millions, except percentages)</i>		
Net interest income (loss) by Business Segment			
Commercial	\$120.6	\$140.4	\$127.2
Treasury	(0.8)	14.8	18.3
Total Net Interest Income	\$119.8	\$155.2	\$145.5
Net interest margin	1.85%	2.08%	1.84%
Net interest spread	1.48%	1.84%	1.68%

Net Interest Income Variation

2017 vs. 2016

For the year ended December 31, 2017, the Bank's net interest income reached \$119.8 million, compared to \$155.2 million during the year ended December 31, 2016. The \$35.4 million, or 23%, decrease in net interest income was mostly impacted by: (i) lower average loan volumes, as the Bank improved its portfolio risk profile by reducing unwanted exposures to certain countries, industries and clients, along with increasing its focus on short-term lending, and (ii) tighter lending spreads, from shortened average tenors combined with pricing pressures from increased levels of USD liquidity, while the Bank prioritized adequate risk-return pricing over volume growth. These effects were partially offset by (i) upward repricing on LIBOR-based market rates, which impacted both the earning-assets side and the financial liabilities side due to the Bank's short-tenor interest rate gap structure, and (ii) lower spreads on its funding, as the Bank continued to benefit from the flight to quality trend among global funding sources, given the negative credit cycle in the Region.

2016 vs. 2015

For the year ended December 31, 2016, the Bank's net interest income reached \$155.2 million, compared to \$145.5 million during the year ended December 31, 2015. The \$9.7 million, or 7%, increase in net interest income was mainly driven by a 24 basis point increase in net interest margin to reach 2.08% in 2016, compared to 1.84% in 2015, as higher net lending spreads and the overall effect of increased market rates overcompensated the effects of lower average interest-earning asset balances, from the Bank's efforts to reduce lending and investment portfolio risk concentrations.

Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Differentials

The following table presents the distribution of consolidated average assets, liabilities and stockholders' equity, as well as the total dollar amounts of interest income from average interest-earning assets and the resulting yields, the dollar amounts of interest expense and average interest-bearing liabilities, and corresponding information regarding rates. Average balances have been computed on the basis of consolidated monthly average balances:

Description	For the Year ended December 31,								
	2017			2016			2015		
	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate
<i>(in \$ millions, except percentages)</i>									
Interest-Earning Assets									
Interest bearing deposits with banks	\$909	\$10.3	1.11%	\$845	\$4.5	0.52%	\$819	\$2.1	0.25%
Financial instruments at FVTPL	0	0.0	0.00%	16	0.0	0.00%	56	0.0	0.00%
Securities at FVOCI ⁽¹⁾	19	0.5	2.80%	98	2.2	2.27%	253	6.0	2.35%
Securities at amortized cost ⁽²⁾	68	2.0	2.84%	99	2.8	2.75%	83	2.4	2.83%
Loans, net of unearned interest	5,498	213.3	3.83%	6,421	236.4	3.62%	6,688	209.9	3.09%
Total interest-earning assets	\$6,494	\$226.1	3.43%	\$7,479	\$245.9	3.23%	\$7,899	\$220.3	2.75%
Allowance for ECL on loans...	(110)			(96)			(83)		
Non-interest-earning and other assets	84			96			85		
Total Assets	\$6,468			\$7,479			\$7,901		
Interest-Bearing Liabilities									
Demand deposits	\$132	1.1	0.87%	\$173	\$0.5	0.33%	\$142	\$0.2	0.12%
Time deposits	3,044	41.7	1.35%	2,907	19.6	0.66%	2,655	11.6	0.43%
Deposits ⁽³⁾	3,176	42.8	1.33%	3,080	20.1	0.64%	2,797	11.8	0.42%
Securities sold under repurchase agreements and short-term borrowings and debt	710	12.0	1.66%	1,449	16.5	1.12%	2,484	23.0	0.91%
Long-term borrowings and debt, net ⁽⁴⁾	1,478	51.5	3.43%	1,874	54.0	2.84%	1,584	40.0	2.49%
Total interest-bearing liabilities	\$5,364	\$106.3	1.95%	\$6,403	\$90.7	1.39%	\$6,865	\$74.8	1.08%
Non-interest bearing liabilities and other liabilities	82			83			86		
Total Liabilities	\$5,446			\$6,486			\$6,952		
Total Stockholders' equity	1,022			993			949		
Total Liabilities and Stockholders' Equity	\$6,468			\$7,479			\$7,901		
Net interest spread			1.48%			1.84%			1.68%
Net interest income and net interest margin ..		\$119.8	1.85%		\$155.2	2.08%		\$145.5	1.84%

⁽¹⁾ The securities at FVOCI are non-taxable securities and the average yield using cost-based average balances, would have been 2.92%, 2.31%, and 2.42%, for 2017, 2016 and 2015, respectively.

⁽²⁾ The securities at amortized cost are non-taxable securities and the average yield using cost-based average balances, would have been 3.01%, 2.93% and 2.92%, for 2017, 2016 and 2015, respectively.

⁽³⁾ The Bank obtains deposits in the form of demand deposits and time deposits from its central bank shareholders, commercial banks and corporations.

⁽⁴⁾ Net of prepaid commissions.

Note: Interest income and/or expense includes the effect of derivative financial instruments used for hedging.

Changes in Net Interest Income — Volume and Rate Analysis

Net interest income is affected by changes in volume and changes in interest rates. Volume changes are caused by differences in the level of interest-earning assets and interest-bearing liabilities. Rate changes result from differences in yields earned on interest-earning assets and rates paid on interest-bearing liabilities. The following table sets forth a summary of the changes in net interest income of the Bank, resulting from changes in its interest-earning assets and interest-bearing liabilities' average volume and average interest rate changes for 2017 compared to 2016 and 2016 compared to 2015. Volume and rate variances have been calculated based on average balances and average interest rates over the periods presented.

	2017 vs. 2016			2016 vs. 2015		
	Volume ^(*)	Rate ^(*)	Net Change	Volume ^(*)	Rate ^(*)	Net Change
<i>(in \$ thousands)</i>						
Increase (decrease) in interest income						
Interest bearing deposits with banks.....	\$715	\$5,074	\$5,789	\$141	\$2,281	\$2,422
Investment securities.....	(3,171)	629	(2,542)	(3,540)	170	(3,370)
Loans, net of unearned interest	(36,370)	13,304	(23,066)	(10,262)	36,796	26,534
Total increase (decrease)	\$(38,826)	\$19,007	\$(19,819)	\$(13,661)	\$39,247	\$25,586
(Increase) decrease in interest expense						
Deposits	(1,266)	(21,450)	(22,716)	(1,867)	(6,477)	(8,344)
Securities sold under repurchase agreement and short-term borrowings and debt.....	12,472	(7,909)	4,563	11,789	(5,313)	6,476
Long-term borrowings and debt, net	13,883	(11,305)	2,578	(8,439)	(5,549)	(13,988)
Total (increase) decrease	\$25,089	\$(40,664)	\$(15,575)	\$1,483	\$(17,339)	\$(15,856)
Increase (decrease) in net interest income	\$(13,737)	\$(21,657)	\$(35,394)	\$(12,178)	\$21,908	\$9,730

^(*) Volume variation effect in net interest income is calculated by multiplying the difference in average volumes by the current year's average yield. Rate variation effect in net interest income is calculated by multiplying the difference in average yield by the prior year's average volume.

Fees and commissions, net

The Bank generates fee and commission income primarily from letters of credit confirmations, the issuance of guarantees covering commercial risk, credit commitments, and loan origination, structuring and syndication activities. The following table shows the components of the Bank's fees and commissions, net, for the periods indicated:

	For the Year Ended December 31,		
	2017	2016	2015
<i>(in \$ thousands)</i>			
Loans & commitments, net.....	\$476	\$1,126	\$2,988
Letters of credit	10,430	7,458	9,332
Arrangements	6,608	5,722	6,880
Fees and commissions, net	\$17,514	\$14,306	\$19,200

Fees and commissions totaled \$17.5 million for the year ended December 31, 2017, compared to \$14.3 million for the year ended December 31, 2016. The \$3.2 million, or 22%, increase was primarily driven by the upward trend in fee generation from the Bank's structuring and syndication activities, with seven transactions resulting in fees of \$6.6 million having closed in 2017, and strong annual growth of \$3.0 million in fee income from the Bank's letters of credit business, due to a more diversified letter of credit client base, and the Bank's focus on deepening its participation in the trade value chain.

Fees and commissions amounted to \$14.3 million for the year ended December 31, 2016, compared to \$19.2 million for the year ended December 31, 2015. The \$4.9 million, or 25%, decrease was primarily driven by lower business activity in letters of credit, loan commitments and other financial guarantee contracts, while commissions from the syndication business in the primary market were slightly lower, with an increased number of completed transactions despite overall volumes in the relevant Latin American debt capital markets suffering significant decreases.

For more information, see notes 3.10 and 21 to the Audited Consolidated Financial Statements.

Loss on Derivative Financial Instruments and Foreign Currency Exchange, net

As part of its interest rate and currency risk management, the Bank may from time to time enter into foreign exchange forwards, cross-currency contracts and interest rate swaps to hedge the risk associated with a portion of the notes issued under its various funding programs.

The Bank recorded a net loss of \$0.4 million in 2017, compared to a net loss of \$0.5 million in 2016, and compared to a nearly break-even result in 2015 (a net loss of \$23 thousand), on derivative financial instruments and foreign currency exchange held for risk management hedging purposes.

For additional information, see notes 3.7 and 5.6 to the Audited Consolidated Financial Statements.

Gain (loss) per Financial Instrument at Fair Value Through Profit or Loss

During the year ended December 31, 2017, the Bank recorded a net loss per financial instrument at FVTPL of \$0.7 million, compared to a net loss of \$2.9 million for the year ended December 31, 2016, mostly related to the absence of non-core trading losses, which had resulted in a \$4.4 million loss in 2016, as the Bank completely divested from its participation in investment funds during 2016, in addition to a negative variation in net results on financial instruments at FVTPL, with a net loss of \$0.7 million recorded in 2017 compared to a net gain of \$1.5 million recorded in 2016, related to the unrealized loss from derivative financial liabilities at FVTPL not qualified for hedge accounting.

The net loss of \$2.9 million per financial instrument at FVTPL for the year ended December 31, 2016, compared to a net gain of \$5.7 million in the year ended December 31, 2015, was mostly related to a swing in non-core trading results from the Bank's former participation in the investment funds, which recorded a \$4.4 million loss in 2016 compared to a \$5.1 million gain in 2015, partially offset by a \$0.8 million increase in gains on financial liabilities at FVTPL.

For additional information, see notes 3.3.8, 5.1, 18 and 22 to the Audited Consolidated Financial Statements.

Gain (loss) on Sale of Securities at Fair Value Through OCI

The Bank purchases debt instruments with the intention of selling them prior to maturity. These debt instruments are classified as securities at FVOCI and are included as part of the Bank's Credit Portfolio.

The Bank recorded a gain on sale of securities at FVOCI of \$0.2 million for the year ended December 31, 2017, compared to a net loss of \$0.4 million for the year ended December 31, 2016, from the sale of \$17 million of its holdings, as the Bank continued its efforts to reduce market risk volatility.

The net loss of \$0.4 million on sale of securities at FVOCI for the year ended December 31, 2016, compared to the net gain of \$0.4 million for the year ended December 31, 2015, was primarily related to the sale of \$103 million of its holdings in 2016, on the Bank's effort to reduce its investment portfolio exposure.

For additional information, see notes 3.3.6 and 5.2 to the Audited Consolidated Financial Statements.

Gain on Sale of Loans

The net gain on sale of loans corresponds to income derived from the Bank's business stream of loan intermediation and distribution activities in the primary and secondary markets.

During the years ended December 31, 2017, 2016 and 2015, gain on sale of loans totaled \$0.2 million, \$0.8 million and \$1.5 million, respectively, as the Bank sold loans with a book value of \$77 million, \$235 million and \$367 million,

respectively. The lower levels of loan distribution business compared to previous years relates to decreased sale activity in the secondary markets of the remaining lower Loan Portfolio balances.

Impairment Loss from ECL on Loans at Amortized Cost

	For the year ended December 31,		
	2017	2016	2015
	<i>(in \$ millions)</i>		
Impairment loss from ECL on credit-impaired loans (lifetime ECL)	\$24.8	\$33.0	\$24.2
(Recovery) impairment loss from ECL on performing loans (lifetime ECL)	(6.7)	32.0	(28.7)
(Recovery) impairment loss from ECL on performing loans (12-month ECL)	(9.2)	(30.2)	21.7
Impairment loss from ECL on loans at amortized cost	\$8.9	\$34.8	\$17.2

The impairment loss from ECL on loans at amortized cost totaled \$8.9 million for the year ended December 31, 2017, as a result of a \$24.8 million credit allowance assigned to non-performing loans based on lifetime ECL (IFRS Rule 9 Stage 3), associated with the impairment losses on selected credit exposures undergoing restructuring processes, which was partly offset by a \$15.9 million net recovery from ECL on performing loans (IFRS Rule 9 Stage 1 and 2), which mostly resulted from both lower end-of-period portfolio balances and the shift in the overall portfolio mix toward shorter-term trade exposures.

For the year ended December 31, 2016, the impairment loss from ECL on loans at amortized cost amounted to \$34.8 million, which was mainly attributable to higher allowances assigned to performing exposures based on lifetime ECL, and non-performing loans, partly offset by lower impairment from ECL on performing exposures assessed based on 12-month ECL, which resulted from both lower end-of-period portfolio balances, and the shift in the overall portfolio mix toward shorter-term trade exposures.

The impairment loss from ECL on loans at amortized cost amounted to \$17.2 million for the year ended December 31, 2015, which was mainly the result of a \$24.2 million asset-specific credit allowance assigned to non-performing loans. This impairment loss was partly offset by a \$7.0 million net recovery from ECL on performing loans, as a reflection of changes in the composition of the Bank's Loan Portfolio and its impact in the Bank's reserve model, while Loan Portfolio outstanding balances remaining relatively unchanged year-over-year at \$6.7 billion at December 31, 2015.

See "Description of Business of Bladex—Asset Quality and —Allowance for ECL" and notes 3.5, 3.6 and 5.5 to the Audited Consolidated Financial Statements.

Impairment Loss from ECL on Investment Securities

The Bank recorded a \$0.5 million recovery from ECL on investment securities for the year ended December 31, 2017, compared to minimal impairment loss from ECL on investment securities of \$3 thousand for the year ended December 31, 2016, as the Bank decreased by \$22 million in 2017 and \$142 million in 2016 its outstanding balances in the Investment Portfolio.

For the year ended December 31, 2015, the Bank recorded a \$5.3 million impairment loss from ECL on investment securities, mainly from a \$6.7 million asset-specific credit allowance assigned to credit impaired securities at FVOCI, with a fair value of \$1.6 million at December 31, 2015. This impairment loss was partly offset by a \$1.4 million impairment gain from ECL on performing securities at FVOCI and at amortized cost (calculated on a collective assessment basis), mainly as a reflection of reduced outstanding balances in the Investment Portfolio at December 31, 2015 (which decreased by \$144 million year-over-year).

See "Description of Business of Bladex—Asset Quality and —Allowance for ECL" and notes 3.6, 5.2 and 5.3 to the Audited Consolidated Financial Statements.

Impairment Loss (Recovery) from ECL on Loan Commitments and Financial Guarantee Contracts

The Bank recorded an impairment loss of \$1.1 million from ECL on loan commitments and financial guarantee contracts for the year ended December 31, 2017, compared to a \$0.4 million impairment loss from ECL on loan commitments and financial guarantee contracts for the year ended December 31, 2016, which was mainly related to the net effect of changes in reserves for ECL resulting from changes in the risk profile of the Bank's loan commitments and financial guarantee contracts portfolio.

For the year ended December 31, 2016, the Bank recorded a \$0.4 million impairment loss from ECL on loan commitments and financial guarantee contracts, compared to a \$4.4 million recovery from ECL on loan commitments and financial guarantee contracts for the year ended December 31, 2015, mostly due to a \$2.1 million increase in credit allowance required for Stage 2 performing loan commitments and financial guarantee contracts, which was partly offset by a \$1.8 million recovery from ECL collectively assessed as a result of lower overall end-of-period loan commitments and financial guarantee contracts volumes, mainly from credit commitments.

See "Description of Business of Bladex—Asset Quality and —Allowance for ECL" and notes 3.6 and 6 to the Audited Consolidated Financial Statements.

Operating Expenses

Total operating expenses includes the following expense line items of the consolidated statements of profit or loss:

	For the Year Ended December 31,		
	2017	2016	2015
		(in \$ thousands)	
Salaries and other employee expenses.....	\$27,653	\$25,196	\$30,435
Depreciation of equipment and leasehold improvements	1,578	1,457	1,371
Amortization of intangible assets.....	838	629	596
Other expenses	16,806	18,532	19,382
Total operating expenses.....	\$46,875	\$45,814	\$51,784

Operating expenses, which are presented as part of total expenses in the Bank's consolidated statements of profit or loss, do not include the effects of impairment loss or recovery from ECL on loans at amortized cost, investment securities, and loan commitments and financial guarantee contracts, as the Bank believes such items, which are based on management estimates and are related to the ECL of the Bank's Credit Portfolio, may distort trend analysis. Thus, the Bank believes excluding such items from expenses provides a more accurate indicator of the Bank's administrative and general expenses, and thus provides a better basis for analysis of the efficiency of the Bank and helps facilitate comparisons between periods. However, operating expenses should not be considered a substitute for, or superior to, financial measures calculated differently on an IFRS basis. Furthermore, operating expenses may be calculated differently by other companies in the financial industry.

During the year ended December 31, 2017, the Bank's operating expenses totaled \$46.9 million, compared to \$45.8 million for the year ended December 31, 2016. The \$1.1 million, or 2%, increase in operating expenses year-over-year was primarily attributable to higher salaries and other employee expenses largely impacted by \$3.2 million in charges for non-recurring personnel related expenses in 2017, which was partially offset by lower other expenses (a decrease of \$1.7 million) reflecting the Bank's ongoing focus on cost reduction and high productivity throughout the organization.

The Bank's operating expenses totaled \$45.8 million for the year ended December 31, 2016, compared to \$51.8 million operating expenses for the year ended December 31, 2015. The \$6.0 million, or 12%, decrease year-over-year was mainly attributable to lower performance-based variable compensation expense, and other cost savings resulting from the Bank's continued focus on process improvements to increase efficiency.

For more information on salaries and other employee expenses, and other operating expenses, see notes 23 and 24, respectively, to the Audited Consolidated Financial Statements.

Changes in Financial Position

The following table presents components of the Bank's consolidated statements of financial position at the dates indicated:

	As of December 31,		
	2017	2016	2015
	(in \$ thousands)		
Assets			
Cash and cash equivalents	\$672,048	\$1,069,538	\$1,299,966
Financial instruments at fair value through profit or loss	0	0	53,411
Financial instruments at fair value through OCI	25,135	30,607	141,803
Securities at amortized cost, net	68,934	77,214	108,215
Loans	5,505,658	6,020,731	6,691,749
Less:			
Allowance for expected credit losses	81,294	105,988	89,974
Unearned interest and deferred fees	4,985	7,249	9,304
Loans, net	5,419,379	5,907,494	6,592,471
Derivative financial instruments used for hedging -	13,338	9,352	7,400
Property and equipment, net	7,420	8,549	6,173
Intangibles, net	5,425	2,909	427
Other assets:			
Customers' liabilities under acceptances	6,369	19,387	15,100
Accrued interest receivable	30,872	44,187	45,456
Other assets	18,827	11,546	15,794
Total of other assets	56,068	75,120	76,350
Total Assets	\$6,267,747	\$7,180,783	\$8,286,216
Liabilities and Stockholders' Equity			
Deposits	\$2,928,844	\$2,802,852	\$2,795,469
Derivative financial instruments used for hedging - payable	34,943	59,686	29,889
Financial liabilities through profit or loss	0	24	89
Securities sold under repurchase agreement	0	0	114,084
Short-term borrowings and debt	1,072,723	1,470,075	2,430,357
Long-term borrowings and debt, net	1,138,844	1,776,738	1,881,813
Other liabilities:			
Acceptances outstanding	6,369	19,387	15,100
Accrued interest payable	15,816	16,603	17,716
Allowance for expected credit losses on loan commitments and financial guarantees contracts	6,845	5,776	5,424
Other liabilities	20,551	18,328	24,344
Total of other liabilities	49,581	60,094	62,584
Total Liabilities	\$5,224,935	\$6,169,469	\$7,314,285
Stockholders' Equity			
Common stock	\$279,980	\$279,980	\$279,980
Treasury stock	(63,248)	(69,176)	(73,397)
Additional paid-in capital in excess of assigned value of common stock	119,941	120,594	120,177
Capital reserves	95,210	95,210	95,210
Retained earnings	608,966	587,507	560,642
Accumulated other comprehensive income (loss)	1,963	(2,801)	(10,681)
Total Stockholders' Equity	\$1,042,812	\$1,011,314	\$971,931
Total Liabilities and Stockholders' Equity	\$6,267,747	\$7,180,783	\$8,286,216

2017 vs. 2016

As of December 31, 2017, total assets amounted to \$6.3 billion, a 13% decrease, compared to \$7.2 billion as of December 31, 2016, which was mainly attributable to the Bank's lower liquidity position and Loan Portfolio balances, which are detailed as follows:

The Bank's cash and cash equivalents, most of which consisted of actively managed liquid assets, totaled \$0.7 billion as of December 31, 2017, compared to \$1.1 billion as of December 31, 2016, as the Bank returned to its historical adequate levels of prudent liquidity management. The Bank establishes and monitors requirements for internal liquidity management through limits and policies based on the Basel III LCR and also monitors the expected regulatory LCR calculation as determined by the Basel Committee on Banking Supervision and adjusted by the Superintendency. These liquidity guidelines ensure the Bank's ability to maintain adequate cash flows to fund operations and meet obligations and other commitments on a timely basis, and complement the inherent liquidity of its short-term lending book. As of December 31, 2017, \$0.6 billion, or 98%, of the Bank's liquid assets were held in deposits with the Federal Reserve Bank of New York. The liquid assets to total assets ratio amounted to 10% as of December 31, 2017, compared to 14% as of December 31, 2016, while at these same dates, the liquid assets to total deposits ratios were 21% and 36%, respectively.

As of December 31, 2017, the Bank's Loan Portfolio amounted to \$5,506 million, compared to \$6,021 million as of December 31, 2016. The \$515 million, or 9%, Loan Portfolio decrease during 2017 was largely attributable to the Bank's decision to improve its Loan Portfolio risk profile by reducing unwanted exposures to certain countries, industries and clients, along with increasing its focus on short-term lending. In addition, high levels of U.S. dollar liquidity experienced in key markets led to nearly \$1 billion in pre-payments of loans originally scheduled to mature in or after 2018, which significantly offset the Bank's increased levels of credit disbursements throughout the year. As of December 31, 2017, the Loan Portfolio had an average remaining maturity term of 282 days, of which 80% of the Bank's Loan Portfolio was scheduled to mature within one year, compared to an average remaining maturity of 279 days, or 76% short-term, respectively, as of December 31, 2016.

The decrease in assets during 2017 was accompanied by a \$0.9 billion, or 15%, decrease in total liabilities during 2017, which was mostly attributable to a \$1.0 billion, or 32%, overall decrease in the Bank's interest-bearing liabilities of short- and long-term borrowings and debt, which was partially offset by a \$0.1 billion increase in deposit balances to a total of \$2.9 billion, or 56% of total liabilities as of December 31, 2017, compared to \$2.8 billion, or 45% of total liabilities as of December 31, 2016, as the Bank continued to rely primarily on deposits to cover its short-term funding needs.

2016 vs. 2015

As of December 31, 2016, total assets amounted to \$7.2 billion, a 13% decrease, compared to \$8.3 billion as of December 31, 2015, mainly attributable to lower interest-earning asset balances from the Loan Portfolio, Investment Securities Portfolio and liquidity position, which are detailed as follows:

The Bank's cash and cash equivalents, most of which consisted of actively managed liquid assets, totaled \$1.1 billion as of December 31, 2016, compared to \$1.3 billion as of December 31, 2015, in line with the Bank's historical levels and the requirements for internal liquidity management limits and policies based on the Basel III Liquidity Coverage Ratio ("LCR"). These liquidity guidelines ensure the Bank's ability to maintain adequate cash flows to fund operations and meet obligations and other commitments on a timely basis, and complement the inherent liquidity of its short-term lending book. \$0.6 billion, or 59%, of the Bank's liquid assets were held in deposits with the Federal Reserve Bank of New York, with the remainder held with other highly rated financial institutions. The liquid assets to total assets ratio amounted to 14% at the end of 2016 compared to 15% at the end of 2015, while the liquid assets to total deposits ratios were 36% and 45% at the end of 2016 and 2015, respectively.

Investment Securities Portfolio (at FVOCI and at amortized cost) decreased by \$142 million, or 57%, to \$108 million, or 2%, of total assets, as of December 31, 2016, from \$251 million, or 3% of total assets at December 31, 2015, as the Bank continued reducing its holdings in its securities portfolios to reduce market risk, which consisted of readily-quoted Latin American securities, 90% of which represented multilateral, sovereign or state-owned risk.

Loans amounted to \$6.0 billion as of December 31, 2016, representing 84% of the Bank's total assets, compared to \$6.7 billion, or 81% of total assets at December 31, 2015. The \$671 million, or 10%, decrease was largely attributable

to the Bank's decision to reduce certain country, industry and client risk concentrations in its portfolio. The 2016 Loan Portfolio had an average remaining maturity term of 279 days, of which 76% was scheduled to mature within one year, compared to an average remaining maturity of 343 days, or 70% short-term from a year ago.

The decrease in assets during 2016 was accompanied by a \$1.1 billion, or 16%, decrease in liabilities during 2016, mostly attributable to a \$1.1 billion, or 25%, overall decrease in the Bank's interest-bearing liabilities of short- and long-term borrowings and debt, while deposit balances remained at \$2.8 billion, representing 45% of total liabilities as of December 31, 2016, compared to the same level, or 38% of total liabilities from a year ago.

Stockholders' Equity

The following table presents information concerning the Bank's capital position at the dates indicated:

	As of December 31,		
	2017	2016	2015
		<i>(in \$ thousands)</i>	
Common stock	\$279,980	\$279,980	\$279,980
Treasury stock	(63,248)	(69,176)	(73,397)
Additional paid-in capital in excess of assigned value of common stock ...	119,941	120,594	120,177
Capital reserves	95,210	95,210	95,210
Retained earnings	608,966	587,507	560,642
Accumulated other comprehensive income (loss)	1,963	(2,801)	(10,681)
Total stockholders' equity	\$1,042,812	\$1,011,314	\$971,931

As of December 31, 2017, total stockholders' equity amounted to \$1,043 million, compared to \$1,011 million as of December 31, 2016 and compared to \$972 million as of December 31, 2015. The Bank's equity consists of issued and fully paid ordinary common stock and retained earnings.

Total stockholders' equity increased \$32 million during the year ended December 31, 2017, primarily due to (i) a \$21 million increase in retained earnings mostly from \$82 million profit for the year ended December 31, 2017, which was partially offset by the \$61 million cash dividend declared in 2017, and (ii) a \$5 million positive variation in accumulated other comprehensive income mostly resulting from reclassification adjustments for losses on derivative financial instruments, and exchange difference in conversion of foreign operating currency.

During 2016, total stockholders' equity increased by \$39 million compared to 2015. This increase was primarily due to a \$27 million increase in retained earnings as a result of an \$87 million profit for the year ended December 31, 2016, which was partially offset by a \$60 million cash dividend declared in 2016, and (ii) an \$8 million decrease in accumulated other comprehensive loss attributable to net unrealized gain arising from improved mark-to-market conditions in 2016, and reclassification adjustments for losses on the sale of securities at FVOCI.

Capital reserves are established as an appropriation of retained earnings and, as such, are a form of retained earnings. Capital reserves are intended to strengthen the Bank's capital position. Reductions of these reserves, for purposes such as the payment of dividends, require the approval of the Board and Panamanian banking authorities.

As of December 31, 2017, the capital ratio of total stockholders' equity to total assets was 16.6%, and the Bank's Tier 1 capital ratio calculated according to Basel III capital adequacy guidelines was 21.1%, compared to 14.1% and 17.9%, respectively, as of December 31, 2016. The 2017 leverage ratio was 6.0x compared to 7.1x in 2016.

As of December 31, 2017, the Bank's total capital to risk-weighted asset ratio, calculated according to the guidelines of the Banking Law, was 18.7%, compared to 16.6% as of December 31, 2016.

See "Regulation" and notes 14, 15, 16, 19 and 27.4 to the Audited Consolidated Financial Statements.

Off-Balance Sheet Arrangements

In the normal course of business, in order to meet the financing needs of its customers, the Bank is party to loan commitments and financial guarantee contracts. These instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated statement of financial position. Credit risk represents the possibility of loss resulting from the failure of a customer to perform in accordance with the terms of a contract. The contractual amount of these instruments represents the maximum possible credit risk should the counterparty draw down the commitment or the Bank fulfill the obligation under the guarantee, and the counterparty subsequently fails to perform according to the terms of the contract. Most of these commitments and guarantees expire without the counterparty drawing on the credit line or a default occurring. As a result, the total contractual amount of these instruments does not represent our future credit exposure or funding requirements.

As of December 31, 2017, the Bank's off-balance sheet arrangements, as defined in the Instructions to Item 5.E. of Form 20-F, included confirmed letters of credit, stand-by letters of credit, and guarantees (covering commercial risk).

These arrangements are kept off-balance sheet as long as the Bank does not incur an obligation relating to them or itself become entitled to an asset.

The Bank's outstanding off-balance sheet arrangements and total loan commitments and financial guarantee contracts are as follows:

	As of December 31,		
	2017	2016	2015
	<i>(in \$ thousands)</i>		
Confirmed letters of credit	\$273,449	\$216,608	\$99,031
Stand-by letters of credit and guarantees – Commercial risk	168,976	176,177	158,599
Total off-balance sheet arrangements	442,425	392,785	257,630
Credit commitments	45,578	10,250	189,820
Total loan commitments and financial guarantee contracts	\$488,003	\$403,035	\$447,450

Fees and commission income from off-balance sheet arrangements amounted to \$11 million for the year ended December 31, 2017, compared to \$9 million and \$12 million for the years ended December 31, 2016, and 2015, respectively.

The allowance for ECL on loan commitments and financial guarantee contracts is recognized on the consolidated statement of financial position, with the resulting impairment recorded in the consolidated statement of profit or loss. As of December 31, 2017, total allowance for ECL on loan commitments and financial guarantee contracts amounted to \$7 million, compared to \$6 million as of December 31, 2016 and \$5 million as of December 31, 2015.

For additional information, see “Operating and Financial Review and Prospects—Operating Results—Fees and Commissions, net” and notes 6 and 21 to the Audited Consolidated Financial Statements.

Other Operating Results

For a discussion of interest rate sensitivity, see “Description of Business of Bladex—Funding Sources—Interest Rate Sensitivity.” For a discussion of contractual obligations and commercial commitments, see “Description of Business of Bladex—Contractual Obligations and Commercial Commitments.” For a discussion of the Bank's liquidity, see “Description of Business of Bladex—Liquidity.”

DESCRIPTION OF BUSINESS OF BLADEX

In the following section, as well as in “Risk Factors,” all references to “Bladex Head Office” are to Banco Latinoamericano de Comercio Exterior, S.A. in its individual capacity, and all references to “Bladex” or the “Bank” are to Banco Latinoamericano de Comercio Exterior, S.A. together with its consolidated subsidiaries.

History and Development of the Company

Banco Latinoamericano de Comercio Exterior, S.A., headquartered in Panama City, Panama, is a specialized multinational bank originally established by central banks of Latin American and Caribbean countries to promote foreign trade and economic integration in the Region. The legal name of the Bank is Banco Latinoamericano de Comercio Exterior, S.A. Translated into English, the Bank is also known as Foreign Trade Bank of Latin-America, Inc. The commercial name of the Bank is Bladex.

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 began 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.

In the Republic of Panama, banks are governed by Decree-Law 9 of February 26, 1998, as amended, and banking regulations issued by the Superintendency pursuant thereto. 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.

The Bank offers its services through its head office in Panama City, its New York Agency, its subsidiaries in Brazil and Mexico, and its representative offices in Buenos Aires, Argentina; Mexico City, Mexico; Sao Paulo, Brazil; Lima, Peru; and Bogotá, Colombia, as well as through a worldwide network of correspondent banks. On April 3, 2017, the Bank obtained approval from the National Banking and Securities Commission of Mexico to close its Representative Office in Monterrey, Mexico and closed this office on April 7, 2017.

The Bank’s headquarters office is located at Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Republic of Panama, and its telephone number is +507 210-8500. The New York Agency is located at 10 Bank Street, Suite 1220, White Plains, NY 10606, and its telephone number is +1 (914) 328-6640.

Bladex’s shares of Class E common stock are listed on the NYSE, under the symbol “BLX.”

The Bank prepares its Consolidated Financial Statements in conformity with IFRS as issued by the IASB and Interpretations issued by the IFRIC.

See notes 1 and 2.1 to the Audited Consolidated Financial Statements. For information regarding the Bank’s significant accounting policies, see notes 2 and 3 to the Audited Consolidated Financial Statements.

Overview

The Bank’s mission is to provide financial solutions of excellence to financial institutions, companies and investors doing business in Latin America, supporting trade and regional integration across the Region.

As a multinational bank operating in 23 countries with a strong and historic commitment to Latin America, the Bank possesses extensive knowledge of business practices, risk and regulatory environments, accumulated over decades of doing business throughout the entire Region. The Bank provides foreign trade solutions to a select client base of premier Latin-American financial institutions and corporations, and has developed an extensive network of correspondent banking institutions with access to the international capital markets. The Bank enjoys a preferred creditor status in many jurisdictions, being recognized by its strong capitalization, prudent risk management and sound

corporate governance standards. Bladex fosters long-term relationships with clients, and it has developed over the years a reputation for excellence when responding to its clients' needs, in addition having a solid financial track record, which has reinforced its brand recognition and its franchise value in the Region, and contributes to the Bank achieving its vision of becoming the leading institution in Latin America supporting foreign trade and regional integration.

The Bank's lending and investing activities are funded by interbank deposits, primarily from central banks and financial institutions in the Region, by borrowings from international commercial banks, and by sales of the Bank's debt securities to financial institutions and investors in Asia, Europe, North America and the Region. The Bank does not provide retail banking services to the general public, such as retail savings accounts or checking accounts, and does not take retail deposits.

Bladex participates in the financial and capital markets throughout the Region, through two business segments.

The Commercial Business Segment encompasses the Bank's core business of financial intermediation and fee generation activities developed to cater to corporations, financial institutions and investors in Latin America. The extensive array of products and services include the origination of bilateral, structured and syndicated credits, short- and medium-term loans, customers' liabilities under acceptances, loan commitments and financial guarantee contracts, such as confirmed and stand-by letters of credit, and guarantees covering commercial risk. The majority of the Bank's loans are extended in connection with specifically identified foreign trade transactions. Through its revenue diversification strategy, the Bank's Commercial Business Segment has introduced a broader range of products, services and solutions associated with foreign trade, including co-financing arrangements, underwriting of syndicated credit facilities, structured trade financing (in the form of factoring and vendor financing), and financial leasing.

The Treasury Business Segment focuses on managing the Bank's investment portfolio, and the overall structure of its assets and liabilities to achieve more efficient funding and liquidity positions for the Bank, mitigating the traditional financial risks associated with the balance sheet, such as interest rate, liquidity, price and currency risks. Interest-earning assets managed by the Treasury Business Segment include liquidity positions (cash and cash equivalents), and financial instruments related to the investment management activities consisting of securities at FVOCI and investment securities at amortized cost. The Treasury Business Segment also manages the Bank's interest-bearing liabilities, which constitute its funding sources, mainly deposits and short- and long-term borrowings and debt.

Historically, trade finance has been afforded favorable treatment during Latin American debt restructurings. This has been, in part, due to the perceived importance that governments and other borrowers in the Region have attributed to maintaining access to trade finance. The Bank believes that, in the past, the combination of its focus on trade finance and the composition of its Class A shareholders has been instrumental in obtaining certain exceptions regarding U.S. dollar convertibility and transfer limitations imposed on the servicing of external obligations, or preferred creditor status. Although the Bank maintains both its focus on trade finance and its Class A shareholders' participation, it cannot guarantee that such exceptions will be granted in all future debt restructurings.

As of December 31, 2017, the Bank had 59 employees, or 31% of its total employees, across its offices responsible for marketing the Bank's financial products and services to existing and potential customers.

Our Strengths

Over the course of more than three decades, Bladex has developed competitive strengths that it believes set it apart from its competitors and will allow it to continue to grow and improve its return on capital:

Leader in the trade finance sector within Latin America

Bladex is a financial institution in the trade finance sector and has a presence in most countries in the Region, providing it with a competitive advantage in intra-regional trade. Intra-regional trade has been growing at a pace of approximately 4.8% per annum from 2004 through 2017 due to the expansion of Latin American corporations and multiplication of free trade agreements within the Region. Regional exports amounted to approximately \$1,070 billion in 2017 and are expected to grow at a compound annual growth rate of 7.3% per year in 2018, according to estimates from the Economist Intelligence Unit. Since starting operations in 1979, the Bank has established a well-diversified Commercial Portfolio (defined below) across a variety of industries and markets. Most of the Bank's exposure is in countries such as Brazil, Colombia, Mexico, Panama, and Costa Rica, and in targeted industries and participants in the value chain of international trade by country within the Region such as financial institutions and corporations in

the oil and gas sector and industrial sector, comprised mostly of metal manufacturing, food and beverages, electric power, plastics and packaging, other manufacturing industries, among others.

Low-risk business profile and strong Credit Portfolio quality

The Bank operates primarily in the trade finance sector, which is generally short-term in nature and considered to be a limited risk sector. According to standards published by the Bank for International Settlements, trade finance has a lower risk weighting than long-term lending. Additionally, due to its extensive knowledge in trade finance, the Bank has a strong track record of recovery and repayment rates. Not only are Bladex's non-performing loans very low by industry standards – 1.07% of its total Loan Portfolio (defined below) as of December 31, 2017 – but the Bank has also demonstrated a strong ability to recover loans in financial distress situations. For example, the Bank recovered more than 84% of its past due loans in Argentina after the 2001 crisis in that country. Including the crisis in Argentina, the Bank has written off approximately 0.13% of total accumulated credits throughout its history.

Strong liquidity position and diversified funding sources

The Bank possesses a strong liquidity position accounting for 9.9% of total assets as of December 31, 2017 and a short-term Commercial Portfolio with an average remaining maturity of 275 days, reflecting the Bank's focus on trade finance. The Bank's "Commercial Portfolio" refers to gross loans at amortized cost (or the "Loan Portfolio"), customers' liabilities under acceptances, loan commitments and financial guarantee contracts, such as confirmed and stand-by letters of credit, and guarantees covering commercial risk. The Bank has a strong capital position, which reflects among other factors significant short-term deposits made by central banks of the 23 Regional countries which comprise a portion of the Bank's shareholding base. The Bank's Tier 1 Ratio (calculated based on the Basel III capital adequacy guidelines published by the Basel Committee) of 21.1% as of December 31, 2017 is even more significant in light of the relatively short-term life of its portfolio. During the credit crisis, Bladex reduced its exposure levels and concentrations, and used the cash resources resulting from this course of action to strengthen its liquidity position. As a result, the Bank effectively offset the negative effect of a decline in client deposits and decreases in interbank funding lines that challenged the world's major international banks. The strong capitalization of the Bank has allowed it to successfully weather recent global financial conditions.

Stable and diversified funding sources

The Bank's principal sources of funds are deposits and, to a lesser extent borrowed funds and floating and fixed rate placements of securities. While these sources are expected to continue providing the majority of the funds required by the Bank in the future, the exact composition of the Bank's funding sources, as well as the possible use of other sources of funds, will depend on economic and market conditions. As of December 31, 2017, Bladex's sources of funding consist of deposits (57.0%), short-term borrowings and debts (20.9%) and long-term borrowings and debt (22.1%). The Bank obtains deposits principally from central and commercial banks primarily located in the Region. As of December 31, 2017, 70% of the deposits held by the Bank were deposits made by central and state owned banks in the Region, and 14% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions. The Bank's short-term borrowings and debt consist of borrowings from banks and debt instruments from notes issued under the Program that have maturities of up to 365 days. The Bank's short- and medium-term borrowings mainly come from international correspondent banks from the United States, Japan, Canada and Europe. In addition, the Bank has a successful track record in the global syndicated loan markets, increasing the amount and extending the maturity in February 2016 of its Global Syndicated Loan launched in 2014, and including the latest closing in March 2017 of U.S.\$193 million four-year syndicated loan arranged by, and with the participation of, lenders from Japan, Taiwan, South Korea and the United States. This transaction reinforced the Bank's diversified funding base and enhanced its franchise in Asia. Debt capital markets have also been a source of funding for the Bank's activities. In 2012, the Bank established a short- and long-term notes program in the Mexican local market in an authorized aggregate principal amount of 10 billion Mexican Pesos or its equivalent in "Investment Unit" (*Unidades de Inversión*). The Bank also has in place the Program, which is primarily targeted at non-bank institutional investors and includes multiple placements with short-, medium-, and long-term tenors. During 2017, the Bank issued \$59 million in new private placements; and as of December 31, 2017, private issuances through its Program amounted to \$142 million, placed in Asia, Europe and Latin America. In addition, the Bank has one outstanding bond issued pursuant to Rule 144A/Regulation S, in a total principal amount of \$350 million as of December 31, 2017, due in May 2020. In October 2015, the Program was also listed on the Tokyo Stock Exchange under the Tokyo Pro-Bond Market. This market offers the possibility of flexible and timely issuances of bonds to a broad base of Japanese investors. The

Bank placed its first public issuance listed on this market on June 9, 2016 in a principal amount of JPY8 billion (eight billion Japanese Yen) and maturing June 10, 2019.

Long-term client relationships

Due to the Bank's long history of specialized focus on trade finance in the Region, it has built strong relationships with some of the Region's largest companies and has gained significant expertise in local markets and industry sectors. Bladex's extensive coverage of the Region, with representative offices in strategic locations such as Panama, New York, Mexico City, São Paulo, Buenos Aires, Lima and Bogotá, puts it in an ideal position to serve every important client and gain access to new clients in the Region. The Bank's market leadership provides it with strong regional brand recognition and it uses its corporate name, "Bladex," in every country it operates.

Long track record of success

The Bank was the first Latin American bank listed on the NYSE (1992), the first such bank to be rated "Investment Grade" (1992) and the first such bank to place a non-guaranteed syndicated loan in Asia (2009), which was a \$100 million, two-year term loan. Since 1979, Bladex has provided seamless support to foreign trade business in the Region while creating value. Moreover, Bladex has demonstrated a consistent track record in the quality of its assets through several financial crises and economic cycles in the Region. Bladex's total write-offs, including write-offs resulting from the crisis in Argentina, amount to approximately 0.13% of the total accumulated credits in Bladex's history.

Experienced team with deep knowledge in the trade finance sector within Latin America

Bladex's executive officers have broad experience in trade finance and with financial institutions in Latin America. The Bank's well-defined strategy, which is executed by a highly skilled and experienced team, has positioned the Bank to take advantage of trends in Latin American trade finance and to grow the Bank's business in a sustainable manner.

Strong commitment from central banks in the Region

Currently the Bank is supported by central banks and other state-owned banks from 23 countries in the Region which hold Class A common stock of the Bank. As of December 31, 2017, 16.1% of Bladex's common stock was held by Class A shareholders. The Bank believes that the participation of these central banks and other state-owned banks has been instrumental in the Bank's obtaining "preferred creditor" status in the past. In addition, the Bank regularly takes deposits from central banks and state-owned banks in the Region. As of December 31, 2017, 70% of the deposits held by the Bank were deposits made by central and state-owned banks of countries in the Region, many of which deposit a portion of their dollar reserves with the Bank, with an average term remaining to maturity of 83 days.

Developments During 2017

The International Monetary Fund ("IMF") has estimated world GDP growth of 3.7% in 2017, driven primarily by the dynamics of U.S. growth, the improvements in the Euro zone, fiscal expansion in China and growing trade flows. Latin America experienced 1.3% GDP growth in 2017, as the negative credit cycle and particularly the recession in Brazil came to an end, and due to growth in other countries in the Region, propelled by better internal demand dynamics. This GDP growth followed weak performance by the Region in the previous few years. On the political front, election results in Argentina and in Chile helped boost the confidence of international investors, generating a more favorable business environment.

The Bank's performance in 2017 demonstrated the sustainability of its business model in a challenging environment, which last year included political turmoil in key countries in the Region and slower than expected economic growth, accompanied by abundant liquidity that put pressure on margins. In addition, the Bank remained aware of the challenging environment for global and regional trade, as NAFTA, TPP and Brexit discussions continued to evolve in 2018.

Despite these challenges, the Bank's profit was \$82 million in 2017, representing a return on equity of 8%, down from 8.8% in 2016 due to lower average portfolio balances and lower margins. The Bank ended the year with a strong 21.1% Tier I capital ratio while the net interest margin and net interest spread were 1.85% and 1.48%, respectively, which were below 2016 levels. The Bank's operating expenses were only slightly higher than the previous year, due largely to non-recurring severance expenses associated with its efforts to streamline its business model and increase

efficiency throughout the organization. Bladex's loan syndication and structuring business posted solid results again in 2017, contributing decisively to increased fee income. Fee income associated with the Bank's traditional product, letters of credit, increased as well.

See "Operating and Financial Review and Prospects—Operating Results—Profit for the Year" and note 17 to the Audited Consolidated Financial Statements.

Strategies for 2018 and Subsequent Years

Streamlining the Bank's operating model for greater efficiency

The Bank aims to improve efficiency and productivity throughout the organization, with investments having already been made in technology and more efficient processes. The Bank is focusing on a number of items, including a more centralized management model with our Head Office providing risk management and administrative support to the representative offices, leaving the representative offices free to concentrate primarily on origination and client relationship management. The Bank expects that this plan will reduce costs, contribute to its goal of operational excellence and provide greater flexibility to respond to the demands of its clients.

Further extend the Bank's business in politically and economically stable, high-growth markets

The Bank's expertise in risk and capital management and extensive knowledge of the Region allows it to identify and strategically focus on stable and growth-oriented markets, including investment-grade countries in the Region. Bladex maintains strategically placed representative offices in order to provide focused products and services in markets that the Bank considers key to its continued growth.

Targeted growth in expanding and diversifying the Bank's client base

The Bank's strategy to participate in a broad range of activities and further diversify its client base includes targeting clients that offer the potential for longstanding relationships and a wider presence in the Region, such as financial institutions, corporations, sovereigns and state-owned entities. This may be achieved through the Bank's participation in bilateral and co-financed transactions and the strengthening of short- and medium-trade services provided. The Bank intends to continue enhancing existing client relationships and establish new client-relationships through its Region-wide expertise, product knowledge, quality of service, agile decision-making process and client approach, strategically targeting industries and participants in the value chain of international trade by country within the Region. Targeted participants operating in most of the main exporting sectors related to commodities (agribusiness, oil & gas, metals, and petrochemicals, among others) and services (transportation and utilities, among others).

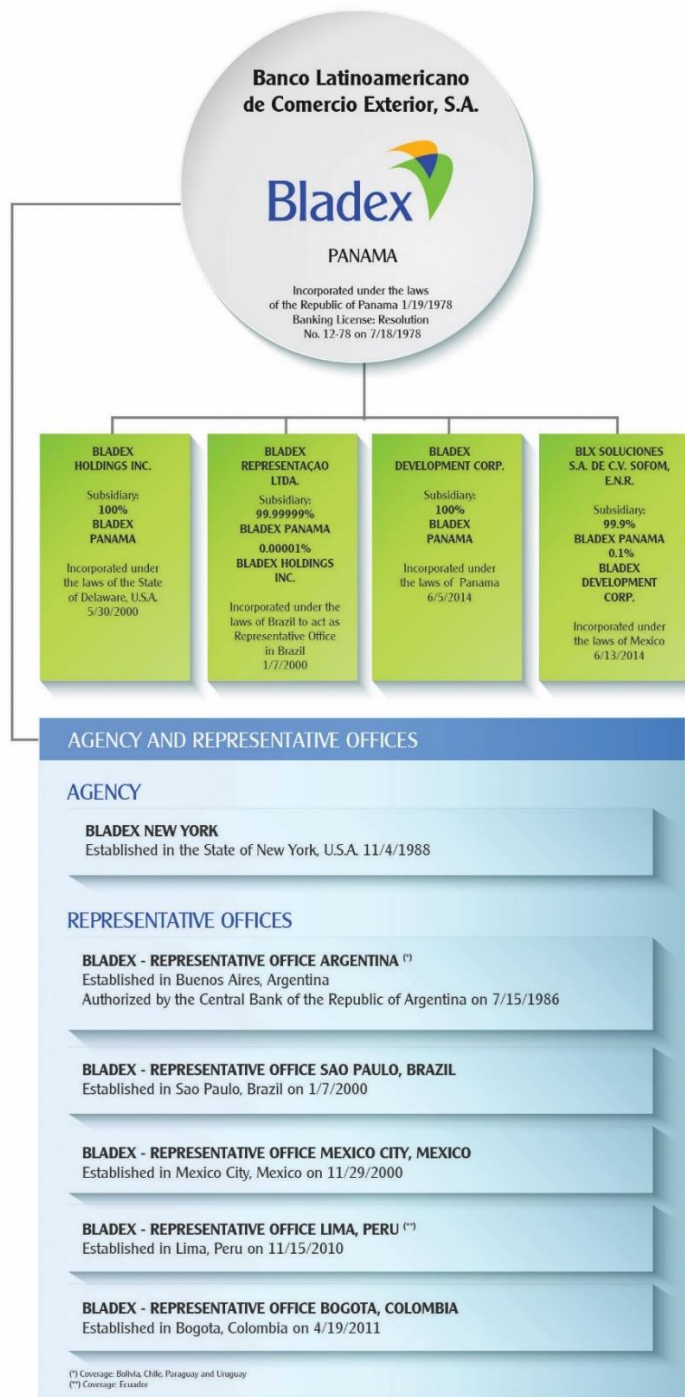
The Bank plans to focus its future efforts on growing its business with a larger number of clients along the trade value chain, reinforcing the Bank's business model, enhancing origination capacity and deploying the use of capital, as well as striving for a greater dispersion of risk in order to continue diversifying and mitigating the impact of potential losses, should they occur.

Increase the range of products and services that the Bank offers

Due to the Bank's relationships throughout, and knowledge of, the Region, the Bank is well positioned to strategically identify key additional products and services to offer to clients. The Bank's Articles of Incorporation permit a broad scope of potential activities, encompassing all types of banking, investment, and financial and other businesses that support foreign trade flows and the development of trade and integration in the Region. This supports the Bank's ongoing strategy to develop and expand products and services, such as vendor finance, letters of credit, leasing, debt intermediation in primary and secondary markets and syndications, including export insurance programs, that complement the Bank's expertise in foreign trade finance and risk management.

Our Corporate Structure

The following chart presents Bladex's corporate structure as of December 31, 2017. The percentages represent the total share capital owned by the parent company of each entity.



Bladex Head Office's current subsidiaries are the following:

- Bladex Holdings Inc. ("Bladex Holdings") is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, USA, on May 30, 2000. Bladex Holdings maintains ownership in Bladex Representação Ltda.
- Bladex Representação Ltda., incorporated under the laws of Brazil on January 7, 2000, acts as the Bank's representative office in Brazil. Bladex Head Office owns 99.999% of Bladex Representação Ltda. and Bladex Holdings owns the remaining 0.001%.

- Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owned 99% of Bladex Investimentos Ltda. and Bladex Holdings owned the remaining 1%. Bladex Investimentos Ltda. had invested substantially all of its assets in an investment fund, Alpha4X Latam Fundo de Investimento Multimercado, incorporated in Brazil (the “Brazilian Fund”), registered with the Securities and Exchange Commission of Brazil, (Comissão de Valores Mobiliários (the “CVM”). The objective of the Brazilian Fund was to achieve capital gains by dealing in the interest, currency, securities, commodities and debt markets, and by trading instruments available in the spot and derivative markets. Bladex Investimentos Ltda. merged with Bladex Representação Ltda. in April 2016, which is the surviving entity.
- Bladex Development Corp. (“Bladex Development”) was incorporated under the laws of the Republic of Panama on June 5, 2014. Bladex Head Office owns 100% of Bladex Development.
- BLX Soluciones, S.A. de C.V., SOFOM, E.N.R. (“BLX Solutions”) was incorporated under the laws of Mexico on June 13, 2014. Bladex Head Office owns 99.9% of BLX Solutions and Bladex Development owns the remaining 0.1%. BLX Solutions specializes in offering financial leasing and other financial products, such as loans and factoring.

On April 2, 2013, Bladex reached a definitive agreement to sell its Asset Management Unit. The Asset Management Unit was sold to Alpha4X Asset Management, LLC (“Alpha4X”), a company majority-owned by former executives of the Asset Management Unit. In connection with the sale: (i) Bladex Offshore Feeder Fund became Alpha4X Feeder Fund (the “Feeder”), (ii) Bladex Capital Growth Fund became Alpha4X Capital Growth Fund (the “Fund”), and (iii) Bladex Latam Fundo de Investimento Multimercado became Alpha4X Latam Fundo de Investimento Multimercado.

The changes of the Bank’s investment in the Feeder were recorded in the consolidated statement of profit or loss of that fund in the “Gain (loss) per financial instruments at fair value through profit or loss” line item. The Feeder was not consolidated in the Bank’s financial statements as a result of the evaluation of control as per IFRS 10 “Consolidated financial statements” according to which the existing rights in the fund did not give the Bank the ability to direct the relevant activities of the fund nor the ability to use its power over the investee to affect its return. As of December 31, 2017 and 2016, the Bank did not have any participation in the Feeder, compared to its participation in the Feeder of 47.71% as of December 31, 2015.

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

The Bank remained an investor in these funds until March 31, 2016, redeeming its investments entirely on April 1, 2016. See notes 1 and 2.1 to the Audited Consolidated Financial Statements.

Bladex commenced operations in 1979 with stockholders’ equity of \$25 million paid by 186 stockholders and, as of December 31, 2017, had total stockholders’ equity of \$1,043 million. Bladex has four classes of common shares as follows:

- Class A shares: central banks, state-owned entities or government agencies from 23 countries in the Region, own all of Bladex’s Class A shares, which at December 31, 2017 comprised 16.1% of Bladex’s common stock;
- Class B shares: 77 commercial banks or financial institutions, mostly from the Region, own Bladex’s Class B shares, which at December 31, 2017 comprised 6.1% of Bladex’s common stock;
- Class E shares: Bladex’s Class E shares are listed on the NYSE and at December 31, 2017 comprised 77.8% of its common stock; and
- Class F shares: state entities and agencies of non–Latin American countries, including, among others, central banks and those banks with the related state agency as the majority shareholder, and multilateral financial

institutions that are international or regional institutions may own Class F shares. At December 31, 2017, no Class F shares have been issued.

As of December 31, 2017, the Bank's Board was composed of three Directors representing holders of the Class A common shares, five Directors representing holders of the Class E common shares, and two Directors representing all classes of common shares. The affirmative vote of three-quarters of the issued and outstanding Class A shares is required (i) to dissolve and liquidate the Bank, (ii) to amend certain material provisions of the Bank's Articles of Incorporation, (iii) to merge or consolidate the Bank with another entity and (iv) to authorize the Bank to engage in activities other than those described in its Articles of Incorporation.

Business Activities

Lending Policies

The Bank extends credit directly to financial institutions, corporations and upper middle-market companies within the Region. The distinction between corporations and upper middle-market companies is based on the respective client's volumes of annual sales, the borrower's country of domicile and the size of the market in which it operates, as well as certain other criteria. The Bank finances import and export transactions for all types of goods and products, with the exception of certain restricted items such as weapons, ammunition, military equipment, and hallucinogenic drugs or narcotics not utilized for medical purposes. Imports and exports financed by the Bank are destined for buyers and sellers in countries both inside and outside the Region. The Bank analyzes credit requests from eligible borrowers by applying its credit risk criteria, including economic and market conditions. The Bank maintains a consistent lending policy and applies the same credit criteria to all types of potential borrowers in evaluating creditworthiness.

Due to the nature of trade finance, the Bank's loans are generally unsecured. However, in certain instances, based upon the Bank's credit review of the borrower and the economic and political situation and trends in the borrower's home country, the Bank may determine that the level of risk involved requires that a loan be secured by collateral.

Country Credit Limits

The Bank maintains a continual review of each country's risk profile evolution, supporting its analysis with various factors, both quantitative and qualitative, the main driving factors of which include: the evolution of macroeconomic policies (fiscal, monetary, and exchange rate policy), fiscal and external performance, price stability, level of liquidity in foreign currency, changes of legal and institutional framework, as well as material social and political events, among others, including industry analysis relevant to Bladex business activities.

Bladex has a methodology for capital allocation by country and its risk weights for assets. The Risk Policy and Assessment Committee (the "CPR") of the Bank's Board approves a level of "allocated capital" for each country in addition to nominal exposure limits. These country capital limits are reviewed at least once a year by the CPR and more often if necessary. The methodology helps to establish the capital equivalent of each transaction, based on the internal numeric rating assigned to each country, which is reviewed and approved by the CPR.

The amount of capital allocated to a transaction is based on customer type (sovereign, state-owned or private corporations, middle-market companies, or financial institutions), the type of transaction (trade or non-trade), and the average remaining term of the transaction (from one to 180 days, 181 days to a year, between one and three years, or longer than three years). Capital utilizations by the business units cannot exceed the Bank's reported total stockholders' equity.

Borrower Lending Limits

The Bank generally establishes lines of credit for each borrower according to the results of its risk analysis and potential business prospects; however, the Bank is not obligated to lend under these lines of credit. Once a line of credit has been established, credit generally is extended after receipt of an application from the borrower for financing, usually related to foreign trade. Loan pricing is determined in accordance with prevailing market conditions and the borrower's creditworthiness.

For existing borrowers, the Bank's management has authority to approve credit lines up to the legal lending limit prescribed by Panamanian law, provided that the credit lines comply fully with the country credit limits and conditions

for the borrower's country of domicile set by the Board. Approved borrower lending limits are reported to the CPER quarterly. Panamanian Law sets forth certain concentration limits, which are applicable and strictly adhered to by the Bank, including a 30% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of certain financial institutions, and a 25% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of corporate, sovereign and middle-market companies. As of December 31, 2017, the Bank's legal lending limit prescribed by Panamanian law for corporations, sovereign borrowers and middle-market companies amounted to \$261 million, and for financial institutions and financial groups amounted to \$313 million. Panamanian law also sets lending limits for related party transactions, which are described in more detail in the section "Regulation—Panamanian Law." Non-compliance with this legal lending limit could result in the assessment of administrative sanctions by the Superintendency for such violations, taking into consideration the magnitude of the offense and any prior occurrences, and the magnitude of damages and prejudice caused to third parties. As of December 31, 2017, the Bank was in compliance with regulatory legal lending limits. See "Regulation—Panamanian Law."

Credit Portfolio

The Bank's Credit Portfolio consists of the Commercial Portfolio and the Investment Securities Portfolio. The Bank's Commercial Portfolio includes the Loan Portfolio, customers' liabilities under acceptances, loan commitments and financial guarantee contracts, such as confirmed and stand-by letters of credit, and guarantees covering commercial risk. The Bank's Investment Securities Portfolio consists of securities at FVOCI and investment securities at amortized cost.

As of December 31, 2017, the Credit Portfolio amounted to \$6,085 million, a decrease from \$6,552 million as of December 31, 2016, and from \$7,405 million as of December 31, 2015. The \$467 million, or 7%, decrease during 2017 was largely attributable to the Bank's Commercial Portfolio, which decreased by \$445 million, or 7%, due to (i) the Bank's ongoing efforts to mitigate risk and diversify its portfolio in certain countries, industries and client exposures, and (ii) the Bank's efforts to move to shorter tenor lending, both of which were implemented to improve the Bank's portfolio credit risk profile during the negative credit cycle experienced in the Region.

Commercial Portfolio

The Bank's Commercial Portfolio amounted to \$5,999 million as of December 31, 2017, a \$445 million, or 7%, decrease from \$6,444 million as of December 31, 2016, and a \$1,156 million, or 16%, decrease from \$7,155 million as of December 31, 2015. These decreases reflect the Bank's ongoing efforts to mitigate risk and diversify its portfolio mix during the past two years as well as the shorter average tenor of the Commercial Portfolio.

As of December 31, 2017, 81% of the Bank's Commercial Portfolio was scheduled to mature within one year, compared to 77% as of December 31, 2016 and 72% as of December 31, 2015. As of those same dates, trade finance operations represented 60%, 66% and 56%, respectively, of the Bank's Commercial Portfolio, while the remaining balance consisted primarily of lending to financial institutions and corporations engaged in foreign trade. As of December 31, 2017, 49% of the Bank's Commercial Portfolio was represented by financial institutions and 47% of the Bank's Commercial Portfolio was represented by corporations, of which 51% and 67% was trade-related financing, respectively.

The following table sets forth the distribution of the Bank's Commercial Portfolio, by product category, as of December 31 of each year:

	As of December 31,					
	2017 ⁽¹⁾	%	2016 ⁽²⁾	%	2015 ⁽³⁾	%
	<i>(in \$ millions, except percentages)</i>					
Loans	\$5,506	91.8	\$6,021	93.4	\$6,692	93.5
Loan commitments and financial guarantee contracts	487	8.1	403	6.3	447	6.3
Customers' liabilities under acceptances	6	0.1	20	0.3	16	0.2
Total	\$5,999	100.0	\$6,444	100.0	\$7,155	100.0

⁽¹⁾ Includes non-performing loans in the amount of \$59 million as of December 31, 2017.

⁽²⁾ Includes non-performing loans in the amount of \$65 million as of December 31, 2016.

⁽³⁾ Includes non-performing loans in the amount of \$52 million as of December 31, 2015.

Loan Portfolio

As of December 31, 2017, the Bank's Loan Portfolio totaled to \$5,506 million, compared to \$6,021 million as of December 31, 2016 and \$6,692 million as of December 31, 2015. The \$515 million, or 9%, Loan Portfolio decrease during 2017 was largely attributable to the Bank's decision to improve its Loan Portfolio risk profile by reducing unwanted exposures to certain countries, industries and clients, along with a focus toward short-term lending. In addition, high levels of U.S. dollar liquidity experienced in key markets led to nearly \$1 billion in pre-payments of loans originally scheduled to mature in or after 2018, significantly offsetting increased levels of credit disbursements throughout the year. As of December 31, 2017, 80% of the Bank's Loan Portfolio was scheduled to mature within one year, compared to 76% and 70%, as of December 31, 2016 and 2015, respectively.

As of December 31, 2017, the Bank had non-performing loans of \$59 million (or 1.07% of the Loan Portfolio), compared to \$65 million (or 1.09% of the Loan Portfolio) as of December 31, 2016 and \$52 million (or 0.78% of the Loan Portfolio) as of December 31, 2015.

For more detailed information, see "Operating and Financial Review and Prospects—Changes in Financial Position," "Description of Business of Bladex—Asset Quality," and "Description of Business of Bladex—Allowance for ECL," and notes 3.5 and 5.5 to the Audited Consolidated Financial Statements.

Loan Portfolio by Country Risk

The following table sets forth the distribution of the Bank's Loan Portfolio by country risk at the dates indicated:

As of December 31,						
	2017	% of Total Loans	2016	% of Total Loans	2015	% of Total Loans
	<i>(in \$ millions, except percentages)</i>					
Argentina.....	\$295	5.3	\$325	5.4	\$142	2.1
Belgium.....	11	0.2	4	0.1	13	0.2
Bermuda.....	0	0.0	0	0.0	20	0.3
Bolivia.....	15	0.3	18	0.3	20	0.3
Brazil ⁽¹⁾	1,019	18.5	1,164	19.3	1,605	24.0
Chile.....	171	3.1	69	1.2	195	2.9
Colombia ⁽²⁾	829	15.1	653	10.8	621	9.3
Costa Rica.....	356	6.5	400	6.6	341	5.1
Dominican Republic.....	250	4.5	244	4.1	384	5.7
Ecuador.....	94	1.7	129	2.1	169	2.5
El Salvador.....	55	1.0	105	1.7	68	1.0
France.....	0	0.0	0	0.0	6	0.1
Germany.....	38	0.7	50	0.8	97	1.4
Guatemala.....	309	5.6	316	5.2	458	6.8
Honduras.....	75	1.4	73	1.3	118	1.8
Jamaica.....	24	0.4	8	0.1	17	0.2
Luxembourg.....	20	0.4	15	0.2	0	0.0
Mexico ⁽³⁾	850	15.4	927	15.4	789	11.8
Nicaragua.....	30	0.5	37	0.6	17	0.3
Panama ⁽⁴⁾	500	9.1	499	8.3	455	6.8
Paraguay ⁽⁵⁾	60	1.1	108	1.8	116	1.7
Peru.....	212	3.8	467	7.8	511	7.6
Singapore.....	55	1.0	70	1.2	12	0.2
Switzerland.....	4	0.1	46	0.8	45	0.7
Trinidad & Tobago.....	175	3.2	184	3.1	200	3.0
United States of America.....	44	0.8	73	1.2	54	0.8
Uruguay ⁽⁶⁾	15	0.3	37	0.6	219	3.3
Total.....	\$5,506	100.0	\$6,021	100.0	\$6,692	100.0

- (1) Includes non-performing loans in Brazil of \$54 million in 2017, \$49 million in 2016 and \$4 million in 2015.
(2) Includes non-performing loans in Colombia of \$47 million in 2015.
(3) Includes non-performing loans in Mexico of \$1 million in 2015.
(4) Includes non-performing loans in Panama of \$12 million in 2016.
(5) Includes non-performing loans in Paraguay of \$5 million in 2017.
(6) Includes non-performing loans in Uruguay of \$4 million in 2016.

The risk relating to countries outside the Region pertains to transactions carried out in the Region, with credit risk transferred outside the Region by way of legally binding corporate guarantees that are payable at first demand. As of December 31, 2017, the Bank's combined Loan Portfolio associated with European country risk represented \$73 million, or 1.32%, of the total Loan Portfolio, compared to \$115 million, or 1.91%, of the total Loan Portfolio as of December 31, 2016 and \$160 million, or 2.40%, as of December 31, 2015.

Loan Portfolio by Type of Borrower

The following table sets forth the amounts of the Bank's Loan Portfolio by type of borrower at the dates indicated:

	As of December 31,					
	2017	% of Total Loans	2016	% of Total Loans	2015	% of Total Loans
	<i>(in \$ millions, except percentages)</i>					
Private sector commercial banks and financial institutions	\$2,084	37.9	\$1,739	28.9	\$1,975	29.5
State-owned commercial banks	574	10.4	515	8.5	613	9.2
Central banks.....	0	0.0	30	0.5	0	0.0
State-owned organizations	723	13.1	787	13.1	462	6.9
Private middle-market companies ⁽¹⁾	242	4.4	294	4.9	388	5.8
Private corporations ⁽²⁾	1,883	34.2	2,656	44.1	3,255	48.6
Total	\$5,506	100.0	\$6,021	100.0	\$6,692	100.0

(1) Includes \$35 million, \$35 million and \$1million in non-performing loans in 2017, 2016 and 2015, respectively.

(2) Includes \$24 million, \$30 million and \$51 million in non-performing loans in 2017, 2016 and 2015, respectively.

As of December 31, 2017, the Bank's Loan Portfolio industry exposure mainly included: (i) 48% in the financial institutions sector; (ii) 14% in the industrial sector, comprised mostly of metal manufacturing, food and beverage, electric power, plastics and packaging, and other manufacturing industries; and (iii) 13% in the oil and gas sector, which in turn was divided into integrated (11%) and downstream (2%) subsegments. No other industry sector exceeded 10% exposure of the Loan Portfolio.

Maturities and Sensitivities of the Loan Portfolio to Changes in Interest Rates

The following table sets forth the remaining term of the maturity profile of the Bank's Loan Portfolio as of December 31, 2017, by type of rate and type of borrower:

	As of December 31, 2017			
	(in \$ millions)			
	Impaired and due in one year or less	Due after one year through five years	Due after five years through ten years	Total
FIXED RATE				
Private sector commercial banks and financial institutions.....	\$791	\$29	\$0	\$820
State-owned commercial banks	307	0	0	307
State-owned organizations.....	418	0	0	418
Private middle-market companies	190	2	0	192
Private corporations.....	613	18	11	642
Subtotal	\$2,319	\$49	\$11	\$2,379
FLOATING RATE				
Private sector commercial banks and financial institutions.....	\$1,017	\$247	\$0	\$1,264
State-owned commercial banks	171	95	0	266
State-owned organizations.....	205	100	0	305
Private middle-market companies	32	14	4	50
Private corporations.....	637	594	11	1,242
Subtotal	\$2,062	\$1,050	\$15	\$3,127
Total	\$4,381	\$1,099	\$26	\$5,506

Note: Scheduled amortization repayments fall into the maturity category in which the payment is due, rather than that of the final maturity of the loan.

Investment Securities Portfolio

As part of its Credit Portfolio, the Bank holds an Investment Securities Portfolio, in the form of both securities at FVOCI and investment securities at amortized cost, consisting of investments in securities by Latin American issuers.

In the normal course of business, the Bank utilizes interest rate swaps for hedging purposes associated with assets (mainly its Investment Securities Portfolio) and liabilities (mainly issuances) denominated in fixed rates.

The following table sets forth information regarding the carrying value of the Bank's Investment Securities Portfolio, presented in gross amounts, at the dates indicated.

	As of December 31,		
	2017	2016	2015
	(in \$ millions)		
Securities at FVOCI ⁽¹⁾	\$17	\$30	\$142
Securities at amortized cost ⁽²⁾	69	78	109
Total Investment Securities Portfolio.....	\$86	\$108	\$251

⁽¹⁾ As of December 31, 2017, the outstanding balance does not include an equity investment at FVOCI of \$8.4 million.

⁽²⁾ Amounts do not include an allowance for ECL of \$0.2 million, \$0.6 million and \$0.5 million, as of December 31, 2017, 2016 and 2015, respectively.

During the periods under review herein, the Bank did not hold instruments in obligations of the U.S. Treasury or other U.S. Government agencies or corporations, or in states of the U.S. or its municipalities.

As of December 31, 2017, 2016 and 2015, securities held by the Bank of any single issuer did not exceed 10% of the Bank's stockholders equity.

Financial instruments at FVOCI

As of December 31, 2017, financial instruments at FVOCI totaled \$25 million, which consisted of (i) equity investments at FVOCI of \$8 million, corresponding to equity securities classified with the irrevocable option of changes in OCI, and (ii) securities at FVOCI of \$17 million, related to investments in securities in the Region, issued by sovereign and state-owned issuers. The \$6 million decrease on the Bank's financial instruments at FVOCI from the prior period was mainly attributable to the sale of investment securities as the Bank continued to decrease its holdings in this category to reduce market risk.

As of December 31, 2016, the Bank's financial instruments at FVOCI decreased to \$30 million, from \$142 million as of December 31, 2015, as the Bank sold \$103 million and redeemed \$107 million of financial instruments at FVOCI, while \$84 million were purchased, resulting in a net loss of \$0.4 million. As of December 31, 2016, the Bank did not have equity investments at FVOCI and the securities at FVOCI consisted of investments in securities of issuers in the Region, of which 90% corresponded to multilateral, sovereign and state-owned issuers, and 10% corresponded to private banks and corporations.

As of December 31, 2017 and 2016, there were no securities at FVOCI guaranteeing repurchase transactions.

See notes 3.3.6 and 5.2 to the Audited Consolidated Financial Statements.

Securities at amortized cost

The Bank's investment securities at amortized cost totaled \$69 million as of December 31, 2017, compared to \$78 million as of December 31, 2016. The \$9 million decrease during the year in the investment securities at amortized cost portfolio was mostly attributable to the proceeds of \$18 million of matured investment securities, net of the \$10 million investment securities acquired during 2017.

As of December 31, 2016, the Bank's securities at amortized cost decreased to \$78 million, from \$109 million as of December 31, 2015. The \$31 million, or 28%, decrease during the year in the securities at amortized cost portfolio was mostly attributable to the redemption of \$55 million of matured investment securities, net of the \$25 million in investment securities acquired during 2016.

As of December 31, 2017 and 2016, there were no investment securities at amortized cost guaranteeing repurchase transactions.

See notes 3.3.7 and 5.3 to the Audited Consolidated Financial Statements.

Investment Securities Portfolio by Country Risk, Type of Borrower and Contractual Maturity

The following tables set forth the distribution of the Bank's Investment Securities Portfolio, presented in gross amounts, by country risk, type of borrower and contractual maturity, at the dates indicated:

	As of December 31,					
	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
	<i>(in \$ millions, except percentages)</i>					
Brazil	\$5	5.2	\$21	20.0	\$63	25.0
Chile	5	6.0	5	4.8	18	7.3
Colombia	29	33.8	30	27.5	53	21.0
Costa Rica	0	0.0	0	0.0	5	2.0
Mexico	20	23.5	20	18.8	38	15.0
Panama	18	21.5	12	10.8	34	13.4
Peru	0	0.0	0	0.0	7	2.9
Trinidad and Tobago	9	10.0	9	8.1	8	3.4
Multilateral Organizations	0	0.0	11	10.0	25	10.2
Total	\$86	100.0	\$108	100.0	\$251	100.0

	As of December 31,					
	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
	<i>(in \$ millions, except percentages)</i>					
Private sector commercial banks and financial institutions	\$11	13.4	\$4	4.1	\$76	30.3
State-owned commercial banks	3	3.4	3	2.6	7	2.9
Sovereign debt	48	55.7	49	45.2	59	23.4
State-owned organizations	24	27.5	35	32.4	99	39.4
Private corporations	0	0.0	17	15.7	10	4.0
Total	\$86	100.0	\$108	100.0	\$251	100.0

	As of December 31,					
	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
	<i>(in \$ millions, except percentages)</i>					
In one year	\$8	9.3	\$4	3.7	\$49	19.4
After one year through five years	78	90.7	85	78.9	113	45.0
After five years through ten years	0	0.0	19	17.4	89	35.5
Total	\$86	100.0	\$108	100.0	\$251	100.0

Total Gross Outstandings by Country

The following table sets forth the aggregate gross amount of the Bank's cross-border outstandings, consisting of cash and due from banks, interest-bearing deposits in banks, financial instruments at FVTPL, financial instruments at FVOCI, loans, and accrued interest receivable, as of December 31 of each year:

	As of December 31,					
	2017		2016		2015	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	<i>(in \$ millions, except percentages)</i>					
Argentina	\$296	4.7	\$329	4.5	\$144	1.7
Brazil	1,042	16.5	1,201	16.6	1,683	20.2
Chile	176	2.8	75	1.0	214	2.6
Colombia	863	13.7	688	9.5	676	8.1
Costa Rica	358	5.7	402	5.6	348	4.2
Dominican Republic	251	4.0	246	3.4	386	4.6
Ecuador	95	1.5	130	1.8	169	2.0
El Salvador	55	0.9	106	1.5	69	0.8
Germany	38	0.6	50	0.7	107	1.3
Guatemala	310	4.9	319	4.4	462	5.5
Honduras	75	1.2	73	1.0	119	1.4
Japan	2	0.0	82	1.1	0	0.0
Mexico	875	13.9	955	13.2	832	10.0
Panama	526	8.3	513	7.1	492	5.9
Paraguay	60	1.0	110	1.5	118	1.4
Peru	213	3.4	470	6.5	522	6.3
Singapore	55	0.9	70	1.0	12	0.1
Switzerland	9	0.1	110	1.5	56	0.7
Trinidad & Tobago	185	2.9	194	2.7	210	2.5
United States of America	665	10.5	955	13.2	1,273	15.3
Uruguay	15	0.2	37	0.5	220	2.6
Other countries ⁽¹⁾	139	2.3	127	1.7	175	2.1
Subtotal	\$6,303	100.0	\$7,242	100.0	\$8,287	99.4

	As of December 31,					
	2017		2016		2015	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	<i>(in \$ millions, except percentages)</i>					
Investment funds at fair value through profit or loss	0	0.0	0	0.0	53	0.6
Total ⁽²⁾	\$6,303	100.0	\$7,242	100.0	\$8,341	100.0

⁽¹⁾ “Other countries” consists of cross-border outstandings to countries in which cross-border outstandings did not exceed 1% for any of the periods indicated. “Other countries” in 2017 was comprised of Nicaragua (\$30 million), Jamaica (\$25 million), Spain (\$23 million), Luxembourg (\$20 million), Netherlands (\$16 million), Bolivia (\$15 million) and Belgium (\$12 million). “Other countries” in 2016 was comprised of Nicaragua (\$37 million), Spain (\$28 million), Bolivia (\$18 million), Luxembourg (\$15 million), Multilateral Organizations (\$11 million), Jamaica (\$7 million), France (\$7 million) and Belgium (\$4 million). “Other countries” in 2015 was comprised of Multilateral Organizations (\$66 million), Bolivia (\$20 million), Bermuda (\$20 million), Jamaica (\$17 million), Nicaragua (\$17 million), Belgium (\$13 million), France (\$11 million), Spain (\$10 million) and the U.K. (\$1 million).

⁽²⁾ The outstandings by country does not include loan commitments and financial guarantee contracts and other assets. See “Description of Business of Bladex—Loan Commitments and Financial Guarantee Contracts.”

In allocating country risk limits, the Bank applies a portfolio management approach that takes into consideration several factors, including the Bank’s perception of country risk levels, business opportunities, and economic and political risk analysis.

As of December 31, 2017, overall cross border outstandings totaled \$6,303 million, a \$939 million decrease compared to \$7,242 million as of December 31, 2016, as the Bank experienced high U.S. dollar liquidity in key markets such as Peru, and exposures to certain countries were adjusted, most notably in Brazil, along with decreased levels of liquid assets in the form of cash and cash equivalents, mainly placed with the U.S. Federal Reserve Bank.

Overall cross border outstandings decreased to \$7,242 million as of December 31, 2016, from \$8,341 million as of December 31, 2015, as some exposures in certain countries, most notably in Brazil, were reduced in accordance with the Bank’s perception of risks relating to that country.

Cross-border outstanding exposures in countries outside the Region correspond principally to the Bank’s liquidity placements, and secured credits related to transactions carried out in the Region. See “Liquidity.”

The following table sets forth the amount of the Bank's cross-border outstandings by type of institution as of December 31 of each year:

	As of December 31,		
	2017	2016 <i>(in \$ millions)</i>	2015
Private sector commercial banks and financial institutions.....	\$2,168	\$2,184	\$2,100
State-owned commercial banks and financial institutions.....	579	571	632
Central banks.....	609	621	1,213
Sovereign debt.....	49	50	60
State-owned organizations.....	750	829	605
Private middle-market companies	246	296	391
Private corporations.....	1,902	2,691	3,286
Subtotal.....	\$6,303	\$7,242	\$8,287
Investment funds at fair value through profit or loss.....	0	0	53
Total.....	\$6,303	\$7,242	\$8,341

Loan Commitments and Financial Guarantee Contracts

The Bank, on behalf of its client 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, with the understanding that, if the issuing bank does not honor drafts drawn on the letter of credit, the Bank will. The Bank also provides stand-by letters of credit, guarantees, and commitments to extend credit, which are binding legal agreements to disburse or lend to clients, subject to the customers' compliance with customary conditions precedent or other relevant documentation. 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 liquidity requirements.

The Bank applies the same credit policies used in its lending process to its evaluation of these instruments, 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.

Loan commitments and financial guarantee contracts amounted to \$488 million, or 8% of the total Commercial Portfolio, as of December 31, 2017, compared to \$403 million, or 6% of the total Commercial Portfolio, as of December 31, 2016 and \$447 million, or 6% of the total Commercial Portfolio, as of December 31, 2015. Confirmed and stand-by letters of credit, and guarantees covering commercial risk represented 91% of the total loan commitments and financial guarantee contracts as of December 31, 2017, compared to 97%, and 58%, as of December 31, 2016 and 2015, respectively.

The following table presents the distribution of the Bank's loan commitments and financial guarantee contracts by country risk, as of December 31 of each year:

As of December 31,						
2017		2016		2015		
Amount	% of Total loan commitments and financial guarantee contracts	Amount	% of Total loan commitments and financial guarantee contracts	Amount	% of Total loan commitments and financial guarantee contracts	
<i>(in \$ millions, except percentages)</i>						
Loan commitments and financial guarantee contracts						
Argentina.....	\$8	1.5	\$0	0.0	\$10	2.3
Bolivia	0	0.0	0	0.1	1	0.3
Brazil	0	0.0	0	0.0	17	3.9
Canada.....	0	0.1	0	0.0	0	0.0
Chile	15	3.1	0	0.0	0	0.0
Colombia	91	18.7	79	19.6	96	21.5
Costa Rica	20	4.1	2	0.6	0	0.0
Dominican Republic	0	0.0	27	6.6	5	1.0
Ecuador.....	253	51.9	173	42.8	89	19.8
El Salvador	1	0.2	1	0.3	0	0.0
Guatemala.....	12	2.4	7	1.7	0	0.0
Honduras	1	0.2	1	0.3	1	0.2
Jamaica	0	0.0	0	0.0	0	0.0
Mexico.....	35	7.2	11	2.8	47	10.5
Panama	31	6.4	40	9.9	136	30.4
Paraguay	0	0.0	0	0.0	0	0.0
Peru	18	3.6	43	10.6	19	4.2
Singapore.....	0	0.0	0	0.0	25	5.6
Switzerland.....	0	0.0	1	0.2	1	0.2
Uruguay.....	3	0.6	18	4.5	0	0.1
Total loan commitments and financial guarantee contracts...	\$488	100.0	\$403	100.0	\$447	100.0

For total loan commitments and financial guarantee contracts, see note 6 to the Audited Consolidated Financial Statements.

Funding Sources

The Bank's principal sources of funds are deposits and, to a lesser extent borrowed funds and floating and fixed rate placements of securities. While these sources are expected to continue providing the majority of the funds required by the Bank in the future, the exact composition of the Bank's funding sources, as well as the possible use of other sources of funds, will depend on economic and market conditions. The following table shows the Bank's funding distribution as of the dates indicated:

	As of December 31,		
	2017	2016	2015
	<i>(in percentages)</i>		
Deposits	57.0%	46.3%	38.7%
Securities sold under repurchase agreements	0.0	0.0	1.6
Short-term borrowings and debt.....	20.9	24.3	33.6
Long-term borrowings and debt.....	22.1	29.4	26.1
Total interest-bearing liabilities	100.0%	100.0%	100.0%

The Bank has issued debt in the public markets of Mexico and Japan. The Bank has also placed private issuances of debt in the United States and in different markets of Asia, Europe and Latin America.

Deposits

The Bank obtains deposits principally from central and commercial banks primarily located in the Region. As of December 31, 2017, 70% of the deposits held by the Bank were deposits made by central and state owned banks in the Region, and 14% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions. The average term remaining to maturity of deposits from the Region's central and state owned banks as of December 31, 2017, 2016 and 2015, was 83 days, 72 days and 63 days, respectively. As of December 31, 2017, deposits from the Bank's five largest depositors, all of which were central and state-owned banks in the Region, represented 44% of the Bank's total deposits, compared to 57% as of December 31, 2016. See note 10 to the Audited Consolidated Financial Statements.

The following table analyzes the Bank's deposits by country as of the dates indicated below:

	As of December 31,		
	2017	2016	2015
	<i>(in \$ millions)</i>		
Argentina	\$142	\$135	\$70
Barbados.....	0	0	17
Bermuda	0	0	6
Bolivia	0	1	1
Brazil	384	151	457
Cayman Island.....	0	25	7
Colombia	44	3	9
Costa Rica	138	130	116
Dominican Republic	2	72	51
Ecuador.....	217	804	213
El Salvador	34	24	22
France.....	4	0	0
Germany	77	77	77
Guatemala.....	71	71	50
Haiti.....	60	70	50
Honduras	176	153	157
Jamaica	0	0	1
Mexico.....	300	100	101
Multilateral	101	0	18
Netherlands.....	34	15	15
Nicaragua	268	98	90
Panama	437	404	435
Paraguay	337	400	433
Peru	0	0	142

	As of December 31,		
	2017	2016	2015
		(in \$ millions)	
Switzerland	0	1	0
Trinidad and Tobago	70	19	19
United Kingdom	0	1	1
United States of America	33	2	64
Venezuela	0	47	173
Total	\$2,929	\$2,803	\$2,795

Short-Term Borrowings and Debt, and Repos

The Bank from time to time enters into financing transaction under repurchase agreements (“Repos”) with international banks, utilizing its Investment Securities Portfolio as collateral to secure cost-effective funding. Repos are reported as secured financings in the financial statements. As of December 31, 2017 and 2016, the Bank did not have outstanding Repos, compared to outstanding Repos of \$114.1 million as of December 31, 2015. See note 11 to the Audited Consolidated Financial Statements.

Short- and long-term borrowings and debt provide a global diversification of the Bank’s funding sources. The Bank uses these borrowings and debt placements, which generally have longer maturities than deposits, to manage its asset and liability positions.

The Bank’s short-term borrowings and debt consist of borrowings from banks and debt instruments from notes issued under the Bank’s Euro Medium-Term Note Program that have maturities of up to 365 days.

Short-term borrowings are made available to the Bank on an uncommitted basis for the financing of trade-related loans as well as for general business purposes. The Bank’s short- and medium-term borrowings mainly come from international correspondent banks from the United States, Japan, Canada and Europe.

As of December 31, 2017, short-term borrowings and debt totaled \$1,073 million, a 27% decrease compared to \$1,470 million as of December 31, 2016, as the Bank continued to rely primarily on deposits to cover its short-term funding needs, while continuing to increase the short-term composition of its overall funding sources in alignment with the Bank’s lending book also moving towards shorter tenors. The average term remaining to maturity of short-term borrowings and debt as of December 31, 2017 was 137 days. See notes 12.1 and 18 to the Audited Consolidated Financial Statements.

The following table presents information regarding the amounts outstanding under, and interest rates on, the Bank’s short-term borrowings and Repos at the dates and during the periods indicated.

	As of and for the Year Ended December 31,		
	2017	2016	2015
	(in \$ millions, except percentages)		
Short-term borrowings, debt and Repos			
Advances from banks and financial institutions	\$1,073	\$1,470	\$2,430
Securities sold under repurchase agreements	0	0	114
Total short-term borrowings, debt and Repos	\$1,073	\$1,470	\$2,544
Maximum amount outstanding at any month-end	\$1,073	\$1,984	\$3,152
Amount outstanding at year-end	\$1,073	\$1,470	\$2,544
Average amount outstanding	\$710	\$1,449	\$2,484
Weighted average interest rate on average amount outstanding	1.66%	1.12%	0.91%
Weighted average interest rate on amount outstanding at year end	2.16%	1.11%	0.89%

Long-term borrowings and debt

Long-term borrowings consist of long-term bilateral and syndicated loans obtained from international banks. Debt instruments consist of private issuances under the Bank's Euro Medium-Term Note Program, as well as public issuances in the United States of America, Japan and Mexico.

Interest rates on most long-term borrowings and issuances are adjusted monthly, quarterly or semi-annually based on short-term LIBOR rates plus a credit spread. The credit spread is defined according to several factors, including credit ratings, risk perception, and the original contractual term to maturity. The Bank uses these funds primarily to finance its medium-term and long-term Loan Portfolio, as well as to further enhance the stability of its overall funding base. As of December 31, 2017, gross long-term borrowings and debt decreased 36% to \$1,143 million, from \$1,782 million as of December 31, 2016, as the Bank's Loan Portfolio moved towards shorter tenors and the Bank sought to align its funding sources with this development. As of December 31, 2017, the average term remaining to maturity of the Bank's medium and long-term borrowing and debt was two years and two months (808 days).

The following table presents information regarding the gross amounts outstanding under, and interest rates on, the Bank's long-term borrowings and debt at the dates and during the periods indicated. See notes 12.2 and 18 to the Audited Consolidated Financial Statements.

	As of and for the Year Ended December 31,		
	2017	2016	2015
	(in \$ millions, except percentages)		
Long-term borrowings and debt (*)			
Amount outstanding at year-end.....	\$1,143	\$1,782	\$1,889
Maximum amount outstanding at any month-end.....	\$2,010	\$2,054	\$1,889
Net average amount outstanding.....	\$1,478	\$1,881	\$1,589
Weighted average interest rate on average amount outstanding.....	3.43%	2.84%	2.65%
Weighted average interest rate on amount outstanding at year end.....	3.60%	2.98%	2.62%

(*) Gross of prepaid commissions of \$4.2 million, \$5.1 million and \$7.0 million as of December 31, 2017, 2016 and 2015, respectively.

Global syndicated loans provide a vehicle to access new sources of financing. The last syndicated loan closed in March 2017 for \$193 million, with focus on Asia. The maturity of the syndicated loan was extended up to four years. The lenders on the syndicated loan were a mix of the Bank's existing lenders and new lenders from Japan, Taiwan, South Korea and the U.S.

In February 2016, the Bank increased the amount and extended the maturity of its global syndicated loan previously launched in 2014. In April 2016, the Bank launched its third public issuance in Mexico in the amount of MXN1.5 billion (one and a half billion Mexican Pesos), and in June 2016, the Bank issued its first bond in the Tokyo Pro-bond market for the amount of JPY8 billion (eight billion Japanese Yen).

On September 2, 2015, the Bank announced the successful closing of a \$175 million three-year syndicated loan. The facility consisted of two tranches: a two-year extension of Bladex's \$103 million syndicated loan previously arranged in 2013 and a \$72 million three-year tranche of funding provided by new lenders. Banks from Japan, Taiwan and China participated in the transaction as arrangers and lead arrangers as well, further enhancing the Bank's presence in Asian markets.

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, 2017, the Bank was in compliance with all covenants.

Debt Capital Markets

Program in Mexico

In 2012, the Bank established a short- and long-term notes program, ("Mexico Program"), in the Mexican local market, registered with "Mexican National Registry of Securities" (*Registro Nacional de Valores*) maintained by the "National Banking and Securities Commission" (*Comisión Nacional Bancaria y de Valores*), for an authorized aggregate principal amount of 10 billion Mexican Pesos or its equivalent in "Investment Unit" (*Unidades de Inversión*), U.S. dollars or Euros and with maturities from one day to 30 years. As of December 31, 2017, the total amount outstanding

under this program comprised of two issuances of “certificados bursátiles” in the Mexican capital markets: Bladex14 in the principal amount of MXN2.0 billion (two billion Mexican Pesos) issued in July 2014 and matured in January 2018, and Bladex16 in the principal amount of MXN1.5 billion (one and a half billion Mexican Pesos) issued in April 2016 and due in April 2019.

The Program

The Bank has established the Program, which is primarily targeted at non-bank institutional investors and includes multiple placements with short-, medium-, and long-term tenors.

During 2017, the Bank issued \$59 million in new private placements; and as of December 31, 2017, private issuances through its Program amounted to \$142 million, placed in Asia, Europe and Latin America. In addition, the Bank has one outstanding bond issued pursuant to Rule 144A/Regulation S, in a total principal amount of \$350 million as of December 31, 2017, which matures in May 2020.

Tokyo Pro-Bond Program

In October 2015, the Program was listed on the Tokyo Stock Exchange under the Tokyo Pro-Bond Market. This market offers the possibility of flexible and timely issuances of bonds to a broad base of Japanese investors. The Bank placed its first public issuance listed on this market on June 9, 2016 in a principal amount of JPY8 billion (eight billion Japanese Yen), maturing on June 10, 2019.

Cash Flows

Management believes that cash flows from operations, including the Bank’s adequate reserve coverage levels, and its ability to generate cash through its financing activities (such as short- and long-term borrowings and debt) are sufficient to fund its investing activities and core lending activities, as well as the Bank’s operating liquidity needs.

The following discussion highlights the major activities and transactions that affected the Bank’s cash flows during 2017, 2016 and 2015.

Cash flows from operating activities

The Bank’s operating activities mainly include cash generated by profit for the year, adjustments to reconcile profit for the year to net cash provided by or used in operating activities, net changes in operating assets, which predominantly include loans originated by the Bank, and net changes in operating liabilities, primarily from raising deposits from central banks as well as state-owned and private banks and corporations in the Region.

For the year ended December 31, 2017, net cash provided by operating activities was \$691 million, mainly attributable to a net decrease of \$479 million in loans, along with a \$126 million net increase due to depositors and the \$82 million of profit for the year.

For the year ended December 31, 2016, net cash provided by operating activities was \$829 million, mainly attributable to a net decrease of \$650 million in loans, along with an overall net increase of \$161 million in operating liabilities and the \$87 million of profit for the year.

For the year ended December 31, 2015, net cash provided by operating activities was \$419 million, resulting primarily from the net increase of \$446 million in operating liabilities, along with the profit for the year of \$104 million, partially offset by \$125 million adjustments to reconcile profit for the year to net cash provided by operating activities.

Cash flows from investing activities

The Bank’s investing activities include the portfolio of financial instruments at FVOCI and at amortized cost, as well as the cash used on acquisition or proceeds from disposal of equipment and leasehold improvements, and intangible assets, respectively. Investing activities can vary significantly in the normal course of business due to the amount and timing of cash flows, which are affected by client-driven activities and demand, market conditions, and business strategies.

For the year ended December 31, 2017, net cash provided by investing activities was \$11 million, primarily from \$9 million in net proceeds from sales and purchases of financial instruments at FVOCI, and \$8 million net proceeds from maturities and purchases of financial instruments at amortized cost, partially offset by the \$6 million used in acquisitions of equipment and leasehold improvements, and intangible assets.

For the year ended December 31, 2016, net cash provided by investing activities was \$149 million, primarily from \$210 million in proceeds from the sale and redemptions of financial instruments at FVOCI, and \$55 million in proceeds from the maturity of financial instruments at amortized cost, partially offset by purchases of \$84 million, and \$25 million, of financial instruments at FVOCI and at amortized cost, respectively.

For the year ended December 31, 2015, net cash provided by investing activities was \$130 million, mainly from \$269 million in cash received from the sale and redemptions of financial instruments at FVOCI, and \$45 million in proceeds received from the maturity of financial instruments at amortized cost, partially offset by purchases of \$87 million, and \$97 million, of financial instruments at FVOCI and at amortized cost, respectively.

Cash flows from financing activities

The Bank's financing activities primarily reflect cash flows related to raising funds from short-term borrowings and debt from international correspondent banks and proceeds from, and repayments of, long-term borrowings and debt through bilateral or syndicated borrowing facilities, as well as issuances in the capital markets.

For the year ended December 31, 2017, net cash of \$1,091 million was used in financing activities, mostly the result of the \$638 million in net cash flow from the repayments of and proceeds from long-term borrowings and debt, a \$397 million net decrease in short-term borrowings and debt, and the \$61 million paid as cash dividends.

For the year ended December 31, 2016, net cash of \$1,238 million was used in financing activities, mostly the result of a \$1,074 million net decrease in short-term borrowings and debt and Repos, the \$105 million net cash flow that resulted from the repayments of and proceeds from long-term borrowings and debt, and the \$60 million paid as cash dividends.

For the year ended December 31, 2015, net cash of \$24 million was used in financing activities, which was primarily the result of net repayments of \$463 million in long-term borrowings and debt, a net decrease of \$449 million in short-term borrowing and debt and Repos, and \$60 million paid as cash dividends, partially offset by a net cash increase of \$946 million on proceeds from long-term borrowings and debt.

Dividends

The Board's policy is to declare and distribute quarterly cash dividends on the Bank's common stock. Dividends are declared at the Board's discretion and, from time to time, the Bank has declared special dividends.

On January 16, 2018, the Bank's Board, approved a quarterly cash dividend distributed to holders of common shares of \$0.385 per share pertaining to the fourth quarter of 2017. The cash dividend was announced on January 17, 2018 and was paid on February 21, 2018 to the Bank's stockholders of records as of February 2, 2018.

No special dividends were declared during three-year period ended December 31, 2017.

The following table presents information about common dividends paid on the dates indicated:

Payment date	Record date	Dividend per share
February 21, 2018.....	February 2, 2018	\$0.385
November 21, 2017.....	November 1, 2017	\$0.385
August 17, 2017.....	August 2, 2017	\$0.385
May 18, 2017.....	May 3, 2017	\$0.385
February 16, 2017.....	February 1, 2017	\$0.385
November 17, 2016.....	October 31, 2016	\$0.385
August 17, 2016.....	August 3, 2016	\$0.385
May 11, 2016.....	April 25, 2016	\$0.385
February 23, 2016.....	February 10, 2016	\$0.385
November 6, 2015.....	October 26, 2015	\$0.385
August 4, 2015.....	July 27, 2015	\$0.385

Payment date	Record date	Dividend per share
May 5, 2015	April 27, 2015	\$0.385
January 13, 2015	January 5, 2015	\$0.385

The Bank had no preferred shares issued and outstanding as of December 31, 2017.

Cost and Maturity Profile of Borrowed Funds and Floating-Rate and Fixed-Rate Placements

The following table sets forth certain information regarding the weighted average cost and the remaining maturities of the Bank's gross borrowed funds and floating and fixed-rate placements as of December 31, 2017:

	Amount ^(*)	Weighted Average Cost
	<i>(in \$ millions, except percentage)</i>	
Short-term borrowings at fixed interest rate		
Due in 0 to 30 days	\$248	1.82%
Due in 31 to 90 days	106	2.21%
Due in 91 to 180 days	0	0.00%
Due in 181 to 365 days	75	1.95%
Total.....	\$429	1.94%
Short-term borrowings at floating interest rate		
Due in 0 to 30 days	\$8	7.85%
Due in 31 to 90 days	285	2.09%
Due in 91 to 180 days	138	1.90%
Due in 181 to 365 days	202	1.88%
Total.....	\$633	2.05%
Short-term fixed-rate placements		
Due in 0 to 30 days	\$11	0.74%
Total.....	\$11	0.74%
Medium and long-term borrowings at fixed interest rate		
Due in 0 to 30 days	\$1	6.19%
Due in 31 to 90 days	2	6.15%
Due in 91 to 180 days	3	6.24%
Due in 181 to 365 days	5	6.21%
Due in 1 through 6 years	33	4.85%
Total.....	\$44	5.18%
Medium and long-term borrowings at floating interest rate		
Due in 1 through 6 years	\$379	2.82%
Total.....	\$379	2.82%
Medium and long-term fixed-rate placements		
Due in 31 to 90 days	\$17	0.81%
Due in 91 to 180 days	0	0.00%
Due in 181 to 365 days	9	0.50%
Due in 1 through 6 years	506	2.94%
Total.....	\$532	2.83%
Medium and long-term floating-rate placements		
Due in 0 to 30 days	\$102	7.97%
Due in 31 to 90 days	0	0.00%
Due in 91 to 180 days	0	0.00%
Due in 181 to 365 days	0	0.00%
Due in 1 through 6 years	86	7.46%
Total.....	\$188	7.74%
Grand Total.....	\$2,216	2.89%

^(*) Gross of prepaid commissions of \$4.2 million as of December 31, 2017.

Asset/Liability Management

The Bank seeks to manage its assets and liabilities to reduce the potential adverse impact on net interest income that could result from interest rate changes. The Bank controls interest rate risk through systematic monitoring of maturities and repricing mismatches. The Bank's investment decision-making takes into account not only the rates of return and the respective underlying degrees of risk, but also liquidity requirements, including minimum cash reserves, withdrawal and maturity of deposits and additional demand for funds. For any given period, a matched

pricing structure exists when an equal amount of assets and liabilities are repriced. An excess of assets or liabilities over these matched items results in a “gap” or “mismatch,” as shown in the table under “Interest Rate Sensitivity” below. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on net interest income. Most of the Bank’s assets and most of its liabilities are denominated in U.S. dollars and, therefore, the Bank has no material foreign exchange risk, nor does it hold significant open foreign exchange positions. The foreign exchange risk is mitigated by the use of derivatives, which, though economically hedged, might give rise to some accounting volatility.

Interest Rate Sensitivity

The Bank uses interest rate swaps as part of its interest rate risk management. Interest rate swaps are contracted either in a single currency or cross-currency for a prescribed period in order to exchange a series of interest payment flows and hedge the risk associated with a portion of the notes issued under its various programs and the funds borrowed through bilateral loans and syndications.

The following table presents the projected maturities and interest rate adjustment periods of the Bank’s total assets, liabilities and stockholders’ equity based upon the contractual maturities and rate-adjustment (repricing) dates as of December 31, 2017. The Bank’s interest-earning assets and interest-bearing liabilities and the related interest rate sensitivity gap shown in the following table may not reflect positions in subsequent periods.

	Total	0-30 Days	31-90 Days	91-180 Days	181-365 Days	More than 365 Days	Non-Interest Sensitive / without maturity
	<i>(in \$ millions, except percentages)</i>						
Interest-earning assets							
Cash, due from banks & interest-bearing deposits with banks	\$672	\$672	\$0	\$0	\$0	\$0	\$0
Financial instruments at FVOCI.....	25	8	10	3	0	4	0
Securities at amortized cost.....	69	0	1	0	7	61	0
Loans at amortized cost	5,506	1,762	2,310	953	301	180	0
Total interest-earning assets.....	6,272	2,442	2,321	956	308	245	0
Non-interest earning assets, allowance for ECL and other asset	(4)	0	0	0	0	0	(4)
Total assets	6,268	2,442	2,321	956	308	245	(4)
Interest-bearing liabilities							
Deposits	2,929	1,881	444	305	197	102	0
Borrowings and debt ⁽¹⁾	2,216	778	892	140	283	123	0
Total interest-bearing liabilities	5,145	2,659	1,336	445	480	225	0
Non-interest-bearing liabilities.....	80	0	0	0	0	0	80
Total liabilities.....	5,225	2,659	1,336	445	480	225	80
Total Stockholders’ equity	1,043	0	0	0	0	0	1,043
Total liabilities and stockholders’ equity.....	6,268	2,659	1,336	445	480	225	1,123
Interest rate sensitivity gap.....	0	(217)	985	511	(172)	20	(1,127)
Cumulative interest rate sensitivity gap.....		(217)	768	1,279	1,107	1,127	0
Cumulative gap as a % of total interest-earning		-3%	12%	20%	18%	18%	0%

⁽¹⁾ Gross of prepaid commissions of \$4.2 million as of December 31, 2017.

The Bank’s interest rate risk is the exposure of earnings (current and potential) and capital to changes in interest rates. Due to the fact that the significant majority of the Bank’s assets and liabilities are either short-term or have short-term US-LIBOR based repricing schedules, the Bank has a relatively low exposure to interest rate volatility, with most interest rate sensitivity being short-term in nature (up to six months). Through an active interest rate management strategy, the Bank has aligned this moderate exposure to profit from an increase in short-term LIBOR rates. 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.

Contractual Obligations and Commercial Commitments

The following tables set forth information regarding the Bank's contractual obligations and commercial commitments as of December 31, 2017.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
			(in \$ millions)		
Deposits.....	\$2,929	\$2,827	\$102	\$0	\$0
Short-term borrowings and debt	1,073	1,073	0	0	0
Long-term borrowings and debt ⁽¹⁾	1,143	139	733	211	60
Accrued interest payable.....	16	16	0	0	0
Future contractual interest payable, not yet accrued ⁽²⁾	97	15	43	22	17
Leasehold obligations ⁽³⁾	18	2	4	3	9
Total contractual obligations	\$5,276	\$4,072	\$882	\$236	\$86

⁽¹⁾ Gross of prepaid commissions of \$4.2 million as of December 31, 2017. Certain debt obligations are subject to covenants that could accelerate the payment of these obligations.

⁽²⁾ Consists of future interest payable on interest-bearing liabilities and their hedges, calculated on the basis of their respective interest rates as of December 31, 2017 for the days remaining to maturity. Some of these obligations have floating interest rates which could fluctuate in the future and hence change the value of interest payable accordingly.

⁽³⁾ Operating lease commitments result primarily from 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 2017 is \$2.3 million.

Other Commercial Commitments	Amount of Commitment Expiration by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
			(in \$ millions)		
Letters of credit ⁽⁴⁾	\$280	\$280	\$0	\$0	\$0
Stand-by letters of credit.....	167	167	0	0	0
Guarantees	2	2	0	0	0
Other commercial commitments.....	45	15	30	0	0
Total Commercial Commitments	\$494	\$464	\$30	\$0	\$0

⁽⁴⁾ Includes customers' liabilities under acceptances outstanding (on-balance sheet assets) for a total amount of \$6.4 million as of December 31, 2017.

The covenants included in some of the Bank's liabilities contracts are standard market covenants. Bladex has been and expects to continue to be in compliance with regard to these covenants.

Asset Quality

The Bank believes that its fundamental asset quality is a function of its strong client base, the importance that governments and borrowers alike attribute to maintaining continued access to trade financing, its preferred creditor status, and its strict adherence to commercial criteria in its credit activities. The Bank's management and the CPER periodically review a report of all loan delinquencies. The Bank's collection policies include rapid internal notification of any delinquency and prompt initiation of collection efforts, usually involving senior management.

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:

Internal Rating	External Rating ⁽¹⁾	Description
1 to 4	Aaa – Ba1	Clients with payment ability to satisfy their financial commitments.
5 to 6	Ba2 – B3	Clients with payment ability to satisfy their financial commitments, but with more frequent reviews.

<u>Internal Rating</u>	<u>External Rating⁽¹⁾</u>	<u>Description</u>
7	Caa1	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	Caa2 – Caa3	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	Ca	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	C	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.

(1) External rating according to Moody's Investors Services.

In order to periodically monitor the quality of the portfolio, clients are reviewed every three to 12 months, depending on the client's risk rating.

Impairment of Financial Assets

The Bank's assets that may be subject to impairment consist mainly of loans and investment securities. For more information on impairment of loans at amortized cost, see notes 3.5, 3.22 and 5.5 to the Audited Consolidated Financial Statements. For information on impairment of investment securities, see notes 3.3.10, 3.22, 5.2 and 5.3 to the Audited Consolidated Financial Statements.

The Bank considers a financial asset to be non-performing when it presents any of the following characteristics:

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

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

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

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.

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

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

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

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

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

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

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

- continue with its current accounting treatment for the existing loan that has been modified;
- record a modification gain or loss by recalculating the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows, discounted at the loan’s original effective interest rate;
- assess whether there has been a significant increase in the credit risk of the financial instrument, by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms); the loan that is modified is not automatically considered to have a lower credit risk; the assessment should consider credit risk over the expected life of the asset based on historical and forward-looking information, including information about the circumstances that led to the modification; evidence that the criteria for the recognition of lifetime ECL 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 ECL measurement; and
- 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 ECL) and how the Bank monitors these loans that have been modified.

The Bank reviews its individually significant loans at amortized cost at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, management’s judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans at amortized cost that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances

in groups of assets with similar risk characteristics. This is to determine whether a 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).

The Bank conducts periodic reviews for all of its securities. The Bank recognizes a loss allowance for ECL on investment securities measured at FVOCI and investment securities 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 ECL. 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 ECL. If the Bank has measured a loss allowance for a financial instrument at an amount equal to lifetime ECL 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 ECL 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 ECL (or reversal) that is required to adjust the loss allowance to the amount that is required to be recognized at the reporting date.

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

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

The following table sets forth information regarding the Bank's non-performing assets, and loan commitments and financial guarantee contracts at the dates indicated:

	As of December 31,		
	2017	2016	2015
	<i>(in \$ millions, except percentages)</i>		
Non-performing loans	\$59	\$65	\$52
Asset-specific allocation from the allowance for ECL on loans	28	35	21
Non-performing loans as a percentage of Loan Portfolio	1.1%	1.1%	0.8%
Non-performing loan commitments and financial guarantee contracts.....	0	0	0
Asset-specific allocation from the allowance for ECL on loan commitments and financial guarantee contracts.....	0	0	0
Non-performing loan commitments and financial guarantee contracts as a percentage of total loan commitments and financial guarantee contracts.....	0.0%	0.0%	0.0%
Impaired securities (par value)	0	0	8
Asset-specific allocation from the allowance for ECL on securities	0	0	(6)
Estimated fair value of impaired securities.....	\$0	\$0	\$1
Impaired securities as a percentage of Investment Securities Portfolio	0.0%	0.0%	0.6%
Non-performing financial assets and loan commitments and financial guarantee contracts as a percentage of total Credit Portfolio.....	1.0%	1.0%	0.7%

As of the end of each reported period, the Bank did not have impaired loans in its Loan Portfolio without related allowances.

The following table sets forth the distribution of the Bank's loans charged-off by gross carrying amount against the allowance for ECL on loans by country for the periods indicated:

	For the year ended December 31,					
	2017	%	2016	%	2015	%
	<i>(in \$ millions, except percentages)</i>					
Brazil	\$29	87%	\$0	0%	\$6	100%
Colombia	0	0%	18	95%	0	0%
Mexico.....	0	0%	1	5%	0	0%
Panama	0	1%	0	0%	0	0%
Uruguay.....	4	12%	0	0%	0	0%
Total	\$33	100%	\$19	100%	\$6	100%

During the year ended December 31, 2017, the Bank had charge-offs against the allowance for ECL on loans at amortized cost totaling \$33 million, representing 0.60% of the Loan Portfolio, compared to \$19 million, or 0.31% of the Loan Portfolio, along with an \$8 million nominal amount of bonds charged-off against the allowance for ECL on investment securities in 2016, and compared to \$6 million, or 0.09% of the Loan Portfolio, in 2015.

In the three-year period ended December 31, 2017, the Bank disbursed approximately \$39 billion in credits and had charged-off loans for \$58 million, representing 0.15% of credits disbursed.

The following table summarizes information regarding outstanding credit-impaired balances as of the dates indicated:

	As of December 31,		
	2017	2016	2015
	<i>(in \$ thousands)</i>		
Non-performing loans:			
Brazil:			
Private corporations	\$19,275	\$14,364	\$4,706
Private middle-market companies	35,000	35,000	0
Subtotal Brazil	54,275	49,364	4,706
Colombia:			
Private corporations	0	0	46,716
Mexico:			
Private middle-market companies	0	0	907
Panama:			
Private corporations	0	12,000	0
Paraguay:			
Private corporations	4,484	0	0
Uruguay:			
Private corporations	0	4,000	0
Total non-performing loans	\$58,759	\$65,364	\$52,329

As of the end of each reported period, the Bank did not have, other than those specified above, accrual loans with principal or interest payments contractually past due by 90 days or more.

Allowance for ECL

The allowance for ECL is provided for losses derived from the credit extension process, inherent in the Loan Portfolio and loan commitments and financial guarantee contracts, using the reserve methodology to determine ECL. Additions to the allowance for ECL are made by debiting earnings. Credit losses are deducted from the allowance, and

subsequent recoveries are added. The allowance is also decreased by reversals of the allowance back to earnings. The allowance for ECL for loans at amortized cost is reported as a deduction of loans and, as a liability, the allowance for ECL on loan commitments and financial guarantee contracts, such as letters of credit and guarantees.

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

- 12-month ECL (Stage 1), which applies to all loans (from initial recognition) as long as there is no significant deterioration in credit quality,
- Lifetime ECL (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis. In Stages 2 and 3 interest 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 Bank will once again calculate the interest revenue on a gross basis.

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

The classification of the Bank's Credit Portfolio for allowances for credit losses under IFRS is determined by risk management guidelines and approved by the CPER of the Bank's Board through statistical modeling, internal risk ratings and estimates. Informed judgments must be made when identifying impaired loans, the PD, the expected loss, the value of collateral and current economic conditions. Even though the Bank's management considers its allowances for ECL to be adequate, the use of different estimates and assumptions could produce different allowances for ECL, and amendments to the allowances may be required in the future due to changes in the value of collateral, the amount of cash expected to be received or other economic events. In addition, risk management has established and maintains allowances for ECL related to the Bank's loan commitments and financial guarantee contracts.

For additional information regarding allowance for ECL, see notes 3.6, 3.22, 5.5 and 6 to the Audited Consolidated Financial Statements.

The following table sets forth information regarding the Bank's allowance for ECL with respect to the total Commercial Portfolio outstanding as of December 31 of each year:

	As of December 31,		
	2017	2016	2015
	(in \$ millions, except percentages)		
<i>Components of the allowance for ECL</i>			
Allowance for ECL on loans:			
Balance at beginning of the year.....	\$106.0	\$90.0	\$77.7
Impairment loss for ECL	8.9	34.7	17.2
Recoveries	0.0	0.1	0.7
Loans charged-off.....	(33.6)	(18.8)	(5.7)
Balance at the end of the year.....	\$81.3	\$106.0	\$90.0
Allowance for ECL on loan commitments and financial guarantees contracts:			
Balance at beginning of the year.....	\$5.8	\$5.4	\$9.9
Impairment loss (recovery) for ECL	1.0	0.4	(4.4)
Balance at end of the year.....	\$6.8	\$5.8	\$5.4
Total allowance for ECL	\$88.1	\$111.8	\$95.4
Allowance for ECL to total Commercial Portfolio	1.47%	1.73%	1.33%
Charge-offs to Loan Portfolio.....	0.60%	0.31%	0.09%

The total allowance for ECL amounted to \$88.1 million as of December 31, 2017, representing 1.47% of the total Commercial Portfolio, compared to \$111.8 million and 1.73%, respectively, as of December 31, 2016, and compared to \$95.4 million and 1.33%, respectively, as of December 31, 2015. The 2017 year-over-year decrease of \$23.7 million in credit allowances and 26 basis points in total reserve coverage was primarily attributable to write-offs against existing individually allocated reserves following finalized restructuring processes. The 2016 year-over-year increase of \$16.4 million in credit allowances and 40 basis points in total reserve coverage was primarily associated with higher allowances assigned to performing exposures based on lifetime ECL (IFRS Rule 9 Stage 2), and NPL (IFRS Rule 9 Stage 3), partly offset by lower impairment from ECL on performing exposures assessed based on 12-month ECL (IFRS Rule 9 Stage 1), which resulted from both lower end-of-period portfolio balances, and the overall portfolio mix shift towards shorter-term trade exposures.

The following table sets forth information regarding the Bank's allowance for ECL allocated by country of exposure as of the dates indicated:

	As of December 31,					
	2017		2016		2015	
	Total	%	Total	%	Total	%
<i>(in \$ millions, except percentages)</i>						
Allowance for ECL on loans at amortized cost						
Argentina	\$5.0	6.1	\$7.3	6.9	\$14.5	16.1
Brazil	42.4	52.1	49.1	46.4	10.9	12.1
Chile	0.6	0.7	1.1	1.1	0.5	0.6
Colombia	3.5	4.3	6.7	6.3	24.7	27.5
Costa Rica.....	1.7	2.1	1.7	1.6	2.9	3.2
Dominican Republic	1.2	1.5	4.6	4.3	9.0	10.0
Ecuador.....	2.7	3.3	2.3	2.2	6.9	7.7
El Salvador	1.3	1.6	2.5	2.3	3.0	3.3
Guatemala.....	3.3	4.1	1.2	1.1	2.6	2.9
Honduras.....	6.2	7.6	1.7	1.6	5.1	5.7
Mexico.....	1.2	1.5	6.7	6.3	3.1	3.5
Nicaragua.....	2.1	2.6	0.9	0.8	0.7	0.8
Panama	3.6	4.5	9.8	9.3	1.0	1.1
Paraguay	4.8	5.9	6.4	6.0	0.9	1.0
Uruguay.....	0.0	0.1	2.2	2.1	0.7	0.8
Other ⁽¹⁾	1.7	2.1	1.8	1.7	3.5	3.7

	As of December 31,					
	2017		2016		2015	
	Total	%	Total	%	Total	%
	<i>(in \$ millions, except percentages)</i>					
Total Allowance for ECL on loans at amortized cost	\$81.3	100.0%	\$106.0	100.0%	\$90.0	100.0%
Allowance for ECL on loan commitments and financial guarantee contracts						
Argentina	\$0.1	1.1	\$0.0	0.0	\$1.0	19.2
Colombia	5.5	80.8	4.7	82.2	2.8	51.9
Ecuador.....	1.1	15.4	0.8	13.2	0.8	15.4
Other ⁽¹⁾	0.1	2.7	0.3	4.6	0.8	13.5
Total allowance for ECL on loan commitments and financial guarantee contracts	\$6.8	100.0%	\$5.8	100.0%	\$5.4	100.0%
Total allowance for ECL						
Argentina	\$5.0	5.7	\$7.3	6.5	\$15.5	16.3
Brazil	42.4	48.1	49.1	44.0	11.0	11.5
Chile	0.6	0.7	1.1	1.0	0.5	0.6
Colombia	9.1	10.3	11.4	10.2	27.5	28.9
Costa Rica.....	1.7	1.9	1.7	1.5	2.9	3.0
Dominican Republic	1.2	1.4	4.7	4.2	9.0	9.4
Ecuador.....	3.8	4.3	3.1	2.8	7.7	8.1
El Salvador	1.3	1.5	2.5	2.2	3.0	3.1
Guatemala.....	3.3	3.8	1.2	1.0	2.6	2.7
Honduras.....	6.2	7.0	1.7	1.5	5.2	5.4
Mexico	1.2	1.4	6.7	6.0	3.3	3.4
Nicaragua.....	2.1	2.4	0.9	0.8	0.7	0.8
Panama	3.7	4.2	9.9	8.9	1.4	1.5
Paraguay	4.8	5.4	6.4	5.7	0.9	0.9
Uruguay	0.0	0.0	2.2	2.0	0.7	0.8
Other ⁽¹⁾	1.7	1.9	1.9	1.7	3.5	3.7
Total Allowance for ECL	\$88.1	100.0%	\$111.8	100.0%	\$95.4	100.0%

⁽¹⁾ Other consists of allowances for ECL allocated to countries in which allowances for ECL outstanding did not exceed \$1 million for any of the periods.

The following table sets forth information regarding the Bank's allowance for ECL on loans at amortized cost, and loan commitments and financial guarantee contracts, by type of borrower as of the dates indicated:

	As of December 31,					
	2017		2016		2015	
	Total	%	Total	%	Total	%
<i>(in \$ millions, except percentages)</i>						
Private sector commercial banks and Financial Institutions	\$17.2	19.6	\$11.3	10.1	\$16.5	17.3
State-owned commercial banks	3.6	4.1	6.7	6.0	13.6	14.2
Central banks.....	0.0	0.0	0.7	0.6	0.0	0.0
State-owned organization	4.3	4.9	3.9	3.5	10.7	11.2
Private middle - market companies.....	22.2	25.1	17.8	15.9	5.0	5.3
Private corporations.....	40.8	46.3	71.4	63.9	49.6	52.0
Total.....	\$88.1	100.0	\$111.8	100.0	\$95.4	100.0

Total Income per Country

The following table sets forth information regarding the Bank's total income by country at the dates indicated, with total income calculated as the sum of net interest income plus net other income – which includes fees and commissions, net, gain (loss) on derivative financial instruments and foreign currency exchange, gain (loss) per financial instrument at fair value through profit or loss, gain (loss) on sale of securities at fair value through OCI, gain on sale of loans, and other income:

	For the year ended December 31,		
	2017	2016	2015
	<i>(in \$ millions)</i>		
Argentina	\$5.6	\$10.7	\$9.7
Bermuda	0.0	0.0	1.0
Brazil	25.8	37.7	44.5
Chile	1.7	3.2	2.8
Colombia	19.1	12.2	17.6
Costa Rica	11.2	9.7	7.0
Dominican Republic	2.3	4.5	3.7
Ecuador.....	8.5	7.6	7.4
El Salvador	2.0	2.9	2.0
Germany	2.3	3.1	4.8
Guatemala.....	5.9	8.7	6.8
Honduras	2.0	3.6	3.2
Jamaica	1.3	1.0	0.8
Mexico.....	25.7	28.3	21.1
Panama	9.9	13.9	11.6
Paraguay	1.8	4.0	4.1
Peru	4.4	11.8	12.4
Trinidad and Tobago	3.0	2.9	1.6
Uruguay.....	0.7	4.5	3.4
Other countries ⁽¹⁾	5.1	2.1	3.3
Investment funds at FVTPL.....	0.0	(4.4)	5.1
Total income.....	\$138.3	\$168.0	\$173.9

Impairment loss from ECL on loans, loan commitments and financial guarantee contracts.....	(9.9)	(35.1)	(12.8)
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	For the year ended December 31,		
	2017	2016	2015
		(in \$ millions)	
Recovery (impairment loss) from ECL on investment securities.....	0.5	(0.0)	(5.3)
Operating expenses ⁽²⁾	(46.9)	(45.8)	(51.8)
Profit for the year	\$82.0	\$87.0	\$104.0

- (1) Other countries consists of total income per country in which total income did not exceed \$1 million for any of the periods indicated above.
- (2) Total operating expenses includes the following expense line items of the consolidated statements of profit or loss: salaries and other employee expenses, depreciation of equipment and leasehold improvements, amortization of intangible assets, and other expenses. See “Operating and Financial Review and Prospects—Operating Results—Operating Expenses.”

The above table provides a reconciliation of total income by country defined above to the Bank’s profit for the year. The purpose of the aforementioned table is to show total income, as it is presented in the Bank’s Consolidated Financial Statements, before expenses generated from the Bank’s Commercial and Treasury Business Segments, on a by-country basis. Given that the Bank’s business segments generate income not only from net interest income, but from other sources generating net other income, the Bank adds those corresponding items to net interest income to show total income earned before expenses. Impairment loss from ECL on loans at amortized cost, loan commitments and financial guarantee contracts, and impairment loss from ECL on investment securities, are not included as part of total income, as the Bank believes such items, which are based on management estimates and therefore do not necessarily constitute fully realized losses, may distort trend analysis. The Bank believes excluding such items from total income provides a more accurate indicator of the Bank’s revenue generating performance within its two business segments for each country, and thus provides a better basis for analysis of the efficiency of the Bank.

Liquidity

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

As established by the Bank’s liquidity policy, the Bank’s liquid assets are held in overnight deposits with the Federal Reserve Bank of New York or in the form of interbank deposits with reputable international banks that have A1, P1, or F1 ratings from two of the major internationally recognized rating agencies and are primarily located outside of the Region. In addition, the Bank’s liquidity policy allows for investing in negotiable money market instruments, including Euro certificates of deposit, commercial paper, and other liquid instruments with maturities of up to three years. These instruments must be of investment grade quality A or better, must have a liquid secondary market and be considered as such according to Basel III rules.

The Bank performs daily reviews, controls and periodic stress tests on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and to monitor the liquidity level according to the macroeconomic environment. The Bank determines the level of liquid assets to be held on a daily basis, adopting an LCR methodology referencing the Basel Committee guidelines. Although the Bank was not required to calculate and maintain LCR as established by the Superintendency prior to July 2018, the Bank was closely monitoring the compliance of the regulatory LCR calculation as determined by the Basel Committee on Banking Supervision and adjusted by the Superintendency. The Bank also monitors the stability of its funding base in alignment with the principles established by Basel’s Net Stable Funding Ratio.

In addition, the Bank monitors cumulative maturity “gaps” between assets and liabilities, for each maturity classification presented in the Bank’s internal liquidity reports and maintains limits for concentrations of deposits taken from any client or economic group and total maximum deposits maturing in one day.

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

The following table shows the Bank's liquid assets, by principal geographic area as of December 31 of each year:

	As of December 31,		
	2017	2016	2015
		<i>(in \$ millions)</i>	
United States of America	\$612	\$591	\$1,215
Other O.E.C.D.	0	409	11
Multilateral	0	0	40
Latin America	7	8	1
Total.....	\$619	\$1,008	\$1,267

As of December 31, 2017 and 2016, the Bank's 24-hour deposits from customers (demand deposit accounts and call deposits) amounted to \$478 million, and \$227 million, respectively; representing 16% and 8% 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, 2017 and 2016 were \$619 million and \$1,008 million, respectively (representing 21% and 36% of total deposits, respectively) of which \$609 million, or 98%, and \$591 million, or 59%, respectively, 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, 2017 and 2016, the Bank's short-term loan and Investment Securities Portfolio (maturing within one year based on original contractual term) totaled \$3,746 million and \$3,577 million, respectively. As of December 31, 2017 and 2016, it had an average original term to maturity of 203 and 184 days, respectively, and an average remaining term to maturity of 112 and 89 days, respectively.

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled \$1,872 million and \$2,552 million as of December 31, 2017 and 2016, respectively. Of that amount, \$86 million and \$105 million corresponded to the Bank's investment securities as of December 31, 2017 and 2016. The remaining \$1,786 million and \$2,447 million in medium-term assets corresponded to the Bank's Loan Portfolio as of December 31, 2017 and 2016. As of December 31, 2017 and 2016, the medium-term assets had an average original term to maturity of four years, and three years and nine months, respectively; and an average remaining term to maturity of one year and nine months (655 days), and one year and seven months (588 days), respectively.

Competition

The Bank operates in a highly competitive environment in most of its markets, and faces competition principally from international banks, the majority of which are European North American, or Asian, as well as Latin American regional banks, in making loans and providing fee-generating services. The Bank competes in its lending and deposit-taking activities with other banks and international financial institutions, many of which have greater financial resources, enjoy access to less expensive funding and offer sophisticated banking services. Whenever economic conditions and risk perception improve in the Region, competition from commercial banks, the securities markets and other new participants generally increases. Competition may have the effect of reducing the spreads of the Bank's lending rates over its funding costs and constraining the Bank's profitability.

Increased open account exports and new financing requirements from multinational corporations are changing the way banks intermediate foreign trade financing. Trade finance volumes are also dependent on global economic conditions.

The Bank also faces competition from investment banks and the local and international securities markets, which provide liquidity to the financial systems in certain countries in the Region, as well as non-bank specialized financial institutions. The Bank competes primarily on the basis of agility, pricing, and quality of service. See "Risk Factors."

Property, Plant and Equipment

The Bank leases its headquarters, which comprises 4,990 square meters of office space, located at Business Park - Tower V, Costa del Este, Panama City, Panama. The Bank leases computer hosting equipment spaces located at

Gavilan Street Balboa, Panama City, Panama and 21 square meters of office space and internet access, as a contingency, located at 75E Street San Francisco, Panama City, Panama.

In addition, the Bank leases office space for its representative offices in Mexico City, Mexico; Buenos Aires, Argentina; Lima, Peru; Bogotá, Colombia; São Paulo, Brazil; and its New York Agency in White Plains, New York. In addition, until April 2017, the Bank leased office space in Monterrey, Mexico in connection with its now closed representative office.

See notes 1, 3.11, 7 and 25 to the Audited Consolidated Financial Statements.

Legal Proceedings

At the date of this Base Prospectus, there have been no legal or arbitration proceedings, which may have, or have had in the recent past, significant effects on the Bank's financial position or profitability, including proceedings pending or known to be contemplated.

Recent Events

2018 Annual Shareholders' Meeting

At the Annual Shareholders' Meeting held on April 11, 2018, in Panama City, Panama, our shareholders:

- approved the Bank's audited consolidated financial statements for the fiscal year ended December 31, 2017;
- ratified the appointment of KPMG as the Bank's new independent registered public accounting firm for the fiscal year ending December 31, 2018;
- re-elected Mr. Gonzalo Menéndez Duque as Director representing All Classes of shares of the Bank's common stock, and Mr. Miguel Heras Castro as Director representing Class "E" shares of the Bank's common stock;
- elected Mr. Gabriel Tolchinsky as Director representing All Classes of shares of the Bank's common stock, to replace Mr. Rubens V. Amaral Jr.; and
- approved, on an advisory basis, the compensation of the Bank's executive officers.

Quarterly dividend payment

On April 11, 2018, and July 20, 2018, the Bank announced its Board approved a quarterly common dividend of \$0.385 per share corresponding to the first and second quarter 2018, respectively. The first quarter common dividend was paid on May 17, 2018 to stockholders registered as of May 2, 2018, while the second quarter common dividend was paid on August 15, 2018, to stockholders registered as of July 31, 2018.

Credit Ratings

The cost and availability of financing for the Bank are influenced by its credit ratings, among other factors. The credit ratings of the Bank as of December 31, 2017, were as follows:

	Fitch	Moody's	S&P
Short-Term	F2	P-2	A-2
Long-Term	BBB+	Baa2	BBB
Rating Outlook	Stable	Negative	Stable

Credit Rating from Fitch Ratings Ltd.

On July 12, 2018, Fitch Ratings Ltd. ("Fitch"), confirmed the Bank's Issuer Default Rating ("IDR"), at "BBB+", which had been upgraded on July 31, 2012, with a stable outlook.

Credit Rating from Moody's Investors Service, Inc.

The Bank's credit ratings from Moody's Investor Service, Inc. ("Moody's"), have been unchanged since December 19, 2007, with the Bank's credit ratings last confirmed on October 29, 2018, with a negative outlook.

Credit Rating from Standard & Poor's

The credit ratings from Standard & Poor's Global Ratings ("S&P") have been unchanged since May 13, 2008, with the Bank's credit ratings last confirmed on April 5, 2018, with a stable outlook.

Critical factors supporting the Bank's investment-grade credit ratings include mainly its resilient financial performance, prudent risk management, its historically solid asset quality, stable funding structure and strong tier one capitalization. Although the Bank closely monitors and manages factors influencing its credit ratings, there is no assurance that such ratings will not be lowered in the future.

REGULATION

General

The Superintendency regulates, supervises and examines the Bank on a consolidated basis. The New York Agency is regulated, supervised and examined by the New York State Department of Financial Services and the Board of Governors of the Federal Reserve System (the “U.S. Federal Reserve Board” or “Federal Reserve”). The Bank’s direct and indirect nonbanking subsidiaries doing business in the United States are subject to regulation by the U.S. Federal Reserve Board. The Bank is subject to regulations in each jurisdiction in which the Bank has a physical presence. The regulation of the Bank by relevant Panamanian authorities differs from the regulation generally imposed on banks, including foreign banks, in the United States by U.S. federal and state regulatory authorities.

The Superintendency of Banks has signed and executed agreements or letters of understanding with 25 foreign supervisory authorities regarding the sharing of supervisory information under the principles of reciprocity, appropriateness, national agreement and confidentiality. These entities include the Federal Reserve, the Federal Reserve Bank, the Office of the Comptroller of the Currency of the Treasury Department or the OCC and the Federal Deposit Insurance Corporation. In addition, the Statement of Cooperation between the United States and Panama promotes cooperation between U.S. and Panamanian banking regulators and demonstrates the commitment of the U.S. regulators and the Superintendency to the principles of comprehensive and consolidated supervision.

Banks in Panama are subject to the Decree-Law 9 of February 26, 1998, as amended, and banking regulations issued by the Superintendency (the “Banking Law”).

Panamanian Law

The Bank operates in Panama under a General Banking License issued by the National Banking Commission, predecessor of the Superintendency. Banks operating under a General Banking License (“General License Banks”) may engage in all aspects of the banking business in Panama, including taking local and foreign deposits, as well as making local and international loans.

Capital

General License Banks must at all times maintain (i) a paid-in capital of no less than U.S.\$10 million and (ii) an adjusted capital of not less than 8% of total risk-weighted assets. The Superintendency has the power to impose additional capital adequacy requirements not contemplated above on any financial institution to secure the stability of Panama’s financial system.

Adjusted capital consists of the sum of (i) primary capital (Tier I Capital), (ii) secondary capital (Tier II Capital) and (iii) the credit balance of the dynamic reserves. Primary capital is further divided into ordinary capital (Common Equity Tier 1) and additional capital (Additional Tier 1).

Primary Capital

- (i) *Ordinary Capital* includes paid-in capital in shares, surplus capital, declared reserves, retained earnings, minority interests in equity accounts of consolidated subsidiaries, other items of net total earnings and any other reserves authorized by the Superintendency.
- (ii) *Additional Primary Capital* includes instruments issued by a bank that comply with the criteria to be classified as ordinary primary capital and that are not classified as ordinary primary capital, issuance premiums from financial instruments considered ordinary primary capital, financial instruments that are held by a third party and are issued by consolidated affiliates of the bank, and any other financial instrument resulting from capital adjustments of ordinary primary capital.

Secondary Capital

Secondary capital includes (i) financial instruments that comply with the criteria set forth in Rule No. 1-2015 to be classified as secondary capital, (ii) subscription premiums paid on financial instruments that are classified as secondary

capital, (iii) financial instruments issued by consolidated affiliates of the bank to third parties, and (iv) reserves for future losses (excluding provisions assigned to the deterioration of assets valued on an individual or collective basis).

Dynamic Reserves

The dynamic reserve must be between 1.25% and 2.5% of the risk-weighted assets amount corresponding to the credit facilities classified in the standard category and cannot decrease in respect to the amount calculated for the previous quarter, except for cases when such decrease is as a result of a conversion from dynamic reserves to specific reserves.

General License Banks are required to maintain a ratio of ordinary primary capital over risk-weighted assets of 3.75% as of July 1, 2016, 4.00% as of January 1, 2017, 4.25% as of January 1, 2018 and 4.50% as of January 1, 2019. In addition, general license banks are required to maintain a ratio of primary capital over risk weighted assets of 5.25% as of July 1, 2016, 5.50% as of January 1, 2017, 5.75% as of January 1, 2018 and 6.00% as of January 1, 2019.

Loan Classification and Loan Loss Reserves

Regulations require that banks have loan loss allowances. The calculation of the specific reserves requires that the loan portfolio be classified according to parameters prescribed in the regulation. There are five categories of loan classifications: Standard, Special Mention, Sub-standard, Doubtful, and Loss. Regulations require banks to suspend accruing interest on non-performing loans.

Specific reserves are reserves required in connection with the credit classification of a loan. They are created for individual credit facilities as well as for a consolidated group of credit facilities. The minimum reserve requirements depend on the classification of the loan as follows: standard loans 0%; special mention loans 20%; sub-standard loans 50%; doubtful loans 80%; and loss 100%. Specific reserve requirements take into account the classification of the loan as well as the guarantees provided by the borrowers to secure such loans. Guarantees are calculated at present value in accordance with the requirements established by banking regulations. Banks are required to determine the appropriate specific reserves based on the expected credit loss framework for the recognition of impairment as established by IFRS 9. In the event that the specific reserves determined under the IFRS framework are less than the regulatory requirement for specific reserves as described above, a bank must establish a capital reserve from retained earnings for the difference.

Compliance with regulations on loan classification and loan loss reserves are monitored by the Superintendency through reports, as well as off-site and on-site examinations.

Liquidity

General License Banks are required to maintain 30% of their total gross deposits in qualifying liquid assets as prescribed by the Superintendency (which include short-term loans to other banks and other liquid assets). Qualifying liquid assets must be free of liens, encumbrances and transfer restrictions. The Superintendency may impose concentration limits and cash requirements, as well as weights per type of liquid assets.

The Superintendency requires general license banks to monitor their liquidity and identify potential liquidity risk events that may affect the bank. As of July 2018 banks must undertake stress tests and active monitoring of their intra-day liquidity. The stress tests performed by the bank should include at minimum: (a) the simultaneous exhaustion of liquidity in different markets; (b) restrictions on access to secured and unsecured funding; (c) limitations on foreign currency exchange and difficulties on the settlement of the foreign currency exchange transactions; and (d) analysis of the possible effects of severe stress scenarios.

Banks are required to have a contingent funding plan which should include: (i) a diversified pool of contingent funding options; (ii) provide detail as to potential amounts and values that could be obtained from each of the funding options; (iii) procedures that detail the priority of the funding sources; and (iv) a flexible framework which will allow the bank to react effectively to different situations.

As of July 1, 2018 general license banks will be required to calculate and comply with the liquidity coverage ratio ("LCR") established by the Superintendency. The regulation establishes two bands of ratios that can be applicable to banks in Panama. The Superintendency will determine, according to internal criteria, the band applicable to each bank. The band 1 banks will be required to gradually reach by December 2022 a ratio of 50% and band 2 banks will be required to gradually reach by December 2022 a ratio of 100%. The Superintendency defines the LCR as the stock

of high-quality liquid assets over total net cash outflows over the next 30 calendar days. The definition is based on the Basel III Liquidity Coverage Ratio and liquidity risk monitoring tools published by the Basel Committee on Banking Supervision and adjusted by the Superintendency.

Lending Limits

Pursuant to the Banking Law, banks cannot grant loans or issue guarantees or any other obligation (“Credit Facilities”), to any one person or group of related persons in excess of 25% of the Bank’s total capital. This limitation also extends to Credit Facilities granted to parties related to the ultimate parent of the banking group. However, the Banking Law establishes that, in the case of Credit Facilities granted by mixed-capital banks with headquarters in Panama whose principal business is the granting of loans to other banks, the limit is 30% of the bank’s capital funds. As confirmed by the Superintendency, the Bank currently applies the limit of 30% of the Bank’s total capital with respect to the Bank’s Credit Facilities in favor of financial institutions and the limit of 25% of the Bank’s total capital with respect to the Bank’s Credit Facilities in favor of corporations, middle-market companies and sovereign borrowers.

Under the Banking Law, a bank and the ultimate parent of the banking group may not grant loans or issue guarantees or any other obligation to “related parties” that exceed (1) 5% of its total capital, in the case of unsecured transactions, and (2) 10% of its total capital, in the case of collateralized transactions (other than loans secured by deposits in the bank). For these purposes, a “related party” is (a) any one or more of the bank’s directors, (b) any stockholder of the bank that directly or indirectly owns 5% or more of the issued and outstanding capital stock of the bank, (c) any company of which one or more of the bank’s directors is a director or officer or where one or more of the bank’s directors is a guarantor of the loan or credit facility, (d) any company or entity in which the bank or any one of its directors or officers can exercise a controlling influence, (e) any company or entity in which the bank or any one of its directors or officers owns 20% or more of the issue and outstanding capital stock of the company or entity and (f) managers, officers and employees of the bank, or their respective spouses (other than home mortgage loans or guaranteed personal loans under general programs approved by the bank for employees). The Superintendency currently limits the total amount of secured and unsecured Credit Facilities (other than Credit Facilities secured by deposits in the bank) granted by a bank or the ultimate parent of a banking group to related parties to 25% of the total capital of the bank.

The Superintendency of Banks may authorize the total or partial exclusion of loans or credits from the computation of these limitations in cases of unsecured loans and other credits granted by mixed-capital banks with headquarters in Panama whose principal business is the granting of loans to other banks, which is the case of this Bank. This authorization is subject to the following conditions: (1) the ownership of shares in the debtor bank—directly or indirectly—by the shared director or shared officer, may not exceed 5% of the bank’s capital, or may not amount to any sum that would ensure his or her majority control over the decisions of the bank; (2) the ownership of shares in the creditor bank—directly or indirectly—by the debtor bank represented in any manner by the shared director or shared officer, may not exceed 5% of the shares outstanding of the creditor bank, or may not amount to any sum that would ensure his or her majority control over the decisions of the bank; (3) the shared director or shared officer must abstain from participating in the deliberations and in the voting process regarding the loan or credit request; and (4) the loan or credit must strictly comply with customary prudential standards set by the grantor bank’s credit policy. The Superintendency will determine the amount of the exclusion in the case of each loan or credit submitted for its consideration.

The Banking Law contains additional limitations and restrictions with respect to related party loans and Credit Facilities. For instance, under the Banking Law, banks may not grant Credit Facilities to any employee in an amount that exceeds the employee’s annual compensation package, and all Credit Facilities to managers, officers, employees or stockholders who are owners of 5% or more of the issued and outstanding capital stock of the lending bank or the ultimate parent of the banking group, will be made on terms and conditions similar to those given by the bank to its clients in arm’s-length transactions and which reflect market conditions for a similar type of operation. Shares of a bank cannot be pledged or offered as security for loans or Credit Facilities issued by the bank.

Corporate Governance

The board of directors of a bank must be comprised of at least seven members, with knowledge and experience in the banking business, including at least two independent directors. The majority of the members of the board of directors may not be part of the banks’ management nor have material conflicts of interest. Neither the Chief Executive Officer, nor the Chief Operating Officer or Chief Financial Officer may preside over the board of directors. Members of the

board of directors who participate in board-established committees shall have specialized knowledge and experience in the areas assigned to the committees in which they participate. The board of directors shall meet at least every three months. The board of directors shall keep detailed minutes of all meetings.

Minimum corporate governance requirements for banking institutions include: (a) documentation of corporate values, strategic objectives and codes of conduct; (b) documentation that evidences compliance with the corporate values and code of conduct of the bank; (c) a defined corporate strategy that can be used to measure the contribution to the bank of each level of the corporate governance structure; (d) the designation of responsibilities and authorized decision-making authorities within the bank, and their individual powers and approval levels; (e) the creation of a system that regulates interaction and cooperation of the board of directors, senior management and external and internal auditors; (f) creation of control systems for independent risk management; (g) prior approval, monitoring and verification of risks for credit facilities with existing conflicts of interest; (h) creation of policies for recruitment, induction, continuous and up-to-date staff training and financial and administrative incentives; (i) existence of internal and public information that guarantee the transparency of the corporate governance system; (j) creation of a direct supervision system for each level of the organizational structure; (k) external audits independent from management and the board of directors; and (l) internal audits independent from management of the bank.

Integral Risk Management

Panamanian banking regulations contain guidelines for integral risk management of financial institutions. Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to their nature and risk level. These guidelines cover the different risks that could affect banking operations such as: (i) credit risk; (ii) counterparty risk; (iii) liquidity risk; (iv) market risk; (v) operational risk; (vi) reputational risk; (vii) country risk; (viii) contagion risk; (ix) strategic risk; (x) information technology risk; and (xi) concentration risk. Banks are required to have policies for the management and mitigation of all risks to which they are exposed. The board of directors, management and the risk committee of the board of directors are responsible for compliance with the integral risk management policies created to mitigate the exposure of the bank to such risks.

Additional Regulatory Requirements

In addition to the foregoing requirements, there are certain other requirements applicable to General License Banks, including (1) a requirement that a bank must notify the Superintendency before opening or closing a branch or office in Panama and obtain approval from the Superintendency before opening or closing a branch or subsidiary outside Panama, (2) a requirement that a bank obtain approval from the Superintendency before it liquidates its operations, merges or consolidates with another bank or sells all or substantially all of its assets, (3) a requirement that a bank must designate the certified public accounting firm that it wishes to contract to perform external audit duties for the new fiscal term, within the first three months of each fiscal term, and notify the Superintendency within 7 days of such designation, (4) a requirement that a bank obtain prior approval from the Superintendency of the rating agency it wishes to hire to perform the risk analysis and rating of the bank, (5) a requirement that a bank must publish in a local newspaper the risk rating issued by the rating agency and any risk rating update, and (6) a requirement that a bank must provide written affirmation of the Bank's audited financial statements signed by the Bank's Chairman of the Board, the Chief Executive Officer and Chief Financial Officer. The subsidiaries of Panamanian banks established in foreign jurisdictions must observe the legal and regulatory provisions applicable in Panama regarding the sufficiency of capital, as prescribed under the Banking Law.

Supervision, Inspection and Reports

The Banking Law regulates banks and the entire "banking group" to which each bank belongs. Banking groups are defined as the holding company and all direct and indirect subsidiaries of the holding company, including the bank in question. Banking groups must comply with audit standards and various limitations set forth in the Banking Law, in addition to all compliance required of the bank in question. The Banking Law provides that banks and banking groups in Panama are subject to inspection by the Superintendency, which must take place at least once every two years. The Superintendency is empowered to request from any bank or any company that belongs to the economic group of which a bank in Panama is a member, the documents and reports pertaining to its operations and activities. Banks are required to file with the Superintendency weekly, monthly, quarterly and annual information, including financial statements, an analysis of their Credit Facilities and any other information requested by the Superintendency. In addition, banks are required to make available for inspection any reports or documents that are necessary for the

Superintendency to ensure compliance with Panamanian banking laws and regulations. Banks subject to supervision may be fined by the Superintendency for violations of Panamanian banking laws and regulations.

Panamanian laws and regulations governing Anti-Money Laundering, Terrorism Finance and the Prevention of the Proliferation of Weapons of Mass Destruction

Panama has enacted extensive legislation and regulations to prevent and fight money laundering activities and the financing of terrorism and weapons of mass destruction by financial institutions and certain other businesses.

Financial and non-financial supervised entities are subject to supervision, reporting and compliance requirements by various government agencies. The following entities are deemed to be “financial supervised entities”: (i) banks; (ii) bank groups; (iii) trust companies; (iv) leasing companies; (v) factoring companies; (vi) credit, debit or pre-paid card processing entities; (vii) companies engaged in remittances or wire transfers; and (viii) companies that provide any other service related to trust companies. These entities must comply with measures to prevent their operations and/or transactions from being used for money laundering operations, terrorism financing or any other illicit activity. Banks and trust companies are regulated and supervised by Superintendency.

The laws and regulations require supervised entities to perform due diligence reviews on their clients and their transactions. Supervised entities have the obligation to ensure that the information provided by their customers is continuously updated, especially for clients classified as higher risk clients. Banks are further required to create a system of client classification by risk profiles, based on factors such as nationality, country of birth or incorporation, domicile, profession or trade, geographic region of the customer’s activities, corporate structure, type, amount and frequency of transactions, source of funds, politically exposed persons, products, services and channels. Banks are required to know and keep information about the ultimate beneficial owner of their clients.

Banks are subject to supervision and monitoring measures in order to prevent the use of their banking operations and/or transactions for money laundering operations. These measures include: (i) compliance with “Know Your Customer” policies; (ii) supervision of employee activities; (iii) tracking the movement of every customer’s account to be aware of their regular activities and be able to identify unusual transactions; (iv) keeping a registry of every suspicious transaction and notifying suspicious transactions to the Financial Analysis Unit (a Panamanian governmental agency under the Ministry of the Presidency); (v) conducting internal audits at least every six months on accounts with funds exceeding U.S.\$10,000, with the purpose of determining if transactions made in these accounts are consistent with the account holder’s usual behavior; and (vi) monitoring accounts of clients labelled as politically exposed persons.

Furthermore, banks that provide correspondent banking services to foreign banks must assess, review and monitor the policies and internal controls of such foreign banks to prevent money laundering, terrorism financing or any other illicit activities.

United States Law

The Bank operates the New York Agency and maintains a direct wholly-owned non-banking subsidiary in Delaware, Bladex Holdings, which is not engaged in banking activities. See “Description of Business of Bladex—History and Development of the Company.”

The U.S. banking industry is highly regulated under federal and state law. These regulations affect the operations of the Bank in the United States. Set forth below is a brief description of the bank regulatory framework that is or will be applicable to the New York Agency. This description is not intended to describe all laws and regulations applicable to the New York Agency. Banking statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies, including changes in how they are interpreted or implemented, could have a material adverse impact on the New York Agency and its operations. In addition to laws and regulations, state and federal bank regulatory agencies (including the U.S. Federal Reserve Board) may issue policy statements, interpretive letters and similar written guidance applicable to the New York Agency (including the Bank). These issuances also may affect the conduct of the New York Agency’s business or impose additional regulatory obligations. The brief description below is qualified in its entirety by reference to the full text of the statutes, regulations, policies, interpretive letters and other written guidance that are described.

U.S. Federal Law

In addition to being subject to New York state laws and regulations, the New York Agency is subject to federal regulations, primarily under the International Banking Act of 1978, as amended (“IBA”). The New York Agency is subject to examination and supervision by the U.S. Federal Reserve Board. The IBA generally extends federal banking supervision and regulation to the U.S. offices of foreign banks and to the foreign bank itself. Under the IBA, the U.S. branches and agencies of foreign banks, including the New York Agency, are subject to reserve requirements on certain deposits. At present, the New York Agency has no deposits subject to such requirements. The New York Agency also is subject to reporting and examination requirements imposed by the U.S. Federal Reserve Board similar to those imposed on domestic banks that are members of the U.S. Federal Reserve System. The Foreign Bank Supervision Enhancement Act of 1991 (the “FBSEA”), amended the IBA to enhance the authority of the U.S. Federal Reserve Board to supervise the operations of foreign banks in the United States. In particular, the FBSEA expanded the U.S. Federal Reserve Board’s authority to regulate the entry of foreign banks into the United States, supervise their ongoing operations, conduct and coordinate examinations of their U.S. offices with state banking authorities, and terminate their activities in the United States for violations of law or for unsafe or unsound banking practices.

In addition, under the FBSEA, state-licensed branches and agencies of foreign banks may not engage in any activity that is not permissible for a “federal branch” (i.e., a branch of a foreign bank licensed by the federal government through the OCC, rather than by a state), unless the U.S. Federal Reserve Board has determined that such activity is consistent with sound banking practices.

The New York Agency does not engage in retail deposit-taking from persons in the United States. Under the FBSEA, the New York Agency may not obtain Federal Deposit Insurance Corporation (“FDIC”), insurance and generally may not accept deposits from persons in the United States, but may accept credit balances incidental to its lawful powers, from persons in the United States, and accept deposits from non-U.S. citizens who are non-U.S. residents, but must inform each customer that the deposits are not insured by the FDIC.

The IBA also restricts the ability of a foreign bank with a branch or agency in the United States to engage in non-banking activities in the United States, to the same extent as a U.S. bank holding company. Bladex is subject to certain provisions of the Bank Holding Company Act of 1956 (the “BHCA”), because it maintains an agency in the United States. Generally, any nonbanking activity engaged in by Bladex directly or through a subsidiary in the United States is subject to certain limitations under the BHCA. Among other limitations, the provisions of the BHCA include the so-called “Volcker Rule,” which may restrict proprietary trading activities conducted by Bladex and its affiliates with U.S. clients or counterparties, as well as certain private funds-related activities with US nexus. Under the Gramm-Leach-Bliley Financial Modernization Act of 1999 (the “GLB Act”), a foreign bank with a branch or agency in the United States may engage in a broader range of non-banking financial activities, provided it is qualified and has filed a declaration with the U.S. Federal Reserve Board to be a “financial holding company.” The application with the U.S. Federal Reserve Board to obtain financial holding company status, filed by the Bank on January 29, 2008, was withdrawn, effective March 2, 2012, as the Bank no longer considered the financial holding company status to be a necessary requirement in order to achieve its long-term strategic goals and objectives. At present, the Bank has a subsidiary in the United States, Bladex Holdings, a wholly-owned corporation incorporated under Delaware law that is not presently engaged in any activity.

In addition, pursuant to the Financial Services Regulatory Relief Act of 2006, the SEC and the U.S. Federal Reserve Board finalized Regulation R. Regulation R defines the scope of exceptions provided for in the GLB Act for securities brokerage activities which banks may conduct without registering with the SEC as securities brokers or moving such activities to a broker-dealer affiliate. The “push out” rules exceptions contained in Regulation R enable banks, subject to certain conditions, to continue to conduct securities transactions for customers as part of the bank’s trust and fiduciary, custodial, and deposit “sweep” functions, and to refer customers to a securities broker-dealer pursuant to a networking arrangement with the broker-dealer. The New York Agency is subject to Regulation R with respect to its securities activities.

New York State Law

The New York Agency, established in 1989, is licensed by the Superintendent of Financial Services of the State of New York (the “Superintendent”), under the New York Banking Law. The New York Agency maintains an international banking facility that also is regulated by the Superintendent and the U.S. Federal Reserve Board. The

New York Agency is examined by the Department of Financial Services and is subject to banking laws and regulations applicable to a foreign bank that operates a New York agency. New York agencies of foreign banks are regulated substantially the same as, and have similar powers to, New York state-chartered banks, subject to certain exceptions (including with respect to capital requirements and deposit-taking activities).

The Superintendent is empowered by law to require any branch or agency of a foreign bank to maintain in New York specified assets equal to a percentage of the branch's or agency's liabilities, as the Superintendent may designate. Under the current requirement, the New York Agency is required to maintain a pledge of a minimum of U.S.\$2 million with respect to its total third-party liabilities and such pledge may be up to 1% of the agency's third party liabilities, or upon meeting eligibility criteria, up to a maximum amount of U.S.\$100 million. As of December 31, 2017, the New York Agency maintained a pledge deposit with a carrying value of U.S.\$3 million with the New York State Department of Financial Services, above the minimum required amount.

In addition, the Superintendent retains the authority to impose specific asset maintenance requirements upon individual agencies of foreign banks on a case-by-case basis.

The New York Banking Law generally limits the amount of loans to any one person to 15% of the capital, surplus fund and undivided profits of a bank. For foreign bank agencies, the lending limits are based on the capital of the foreign bank and not that of the agency.

The Superintendent is authorized to take possession of the business and property of a New York agency of a foreign bank whenever an event occurs that would permit the Superintendent to take possession of the business and property of a state-chartered bank. These events include the violation of any law, unsafe business practices, an impairment of capital, and the suspension of payments of obligations. In liquidating or dealing with an agency's business after taking possession of the agency, the New York Banking Law provides that the claims of creditors which arose out of transactions with the agency may be granted a priority with respect to the agency's assets over other creditors of the foreign bank.

U.S. Anti-Money Laundering Laws

U.S. anti-money laundering laws, including the Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970 (commonly known as the "Bank Secrecy Act"), as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), impose significant compliance and due diligence obligations, on financial institutions doing business in the United States, including, among other things, requiring these financial institutions to maintain appropriate records, file certain reports involving currency transactions, conduct certain due diligence with respect to their customers and establish anti-money laundering compliance programs designed to detect and report suspicious or unusual activity. The New York Agency is a "financial institution" for these purposes. The failure of a financial institution to comply with the requirements of these laws and regulations could have serious legal, reputational, and financial consequences for such institution. The New York Agency has adopted risk-based policies and procedures reasonably designed to promote compliance in all material respects with these laws and their implementing regulations.

U.S. Economic or Financial Sanctions, Requirements or Trade Embargoes

The economic or financial sanctions, requirements or trade embargoes (collectively, the "Sanctions") imposed, administered or enforced from time to time by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other U.S. governmental authorities, require all U.S. persons, including U.S. branches or agencies of foreign banks operating in the U.S. (such as the New York Agency) to comply with these sanctions, and require U.S. financial institutions to block accounts and other property of, or reject unlicensed trade and financial transactions with specified countries, entities, and individuals. Failure to comply with applicable Sanctions can have serious legal, reputational and financial consequences for an institution subject to these requirements and Sanctions, in general, may have a direct or indirect adverse impact on the business or operations of parties that engage in trade finance or international commerce. The New York Agency has adopted risk-based policies and procedures reasonably designed to promote compliance in all material respects with applicable Sanctions.

Other U.S. Laws/Regulations

The New York Agency's operations are also subject to federal or state laws and regulations applicable to financial institutions which relate to credit transactions and financial privacy. These laws, include, without limitation, the following:

- State usury laws and federal laws concerning interest rates and other charges collected or contracted for by the New York Agency;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check; and
- Rules and regulations of the various state and federal agencies charged with the responsibility of implementing such state or federal laws.

MANAGEMENT

Directors

The address of our Board of Directors is Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, P.O. Box 0819-08730, Panama City, Republic of Panama. The following table sets forth certain information concerning the Directors of the Bank as of the date of this Base Prospectus.

Name	Country of Citizenship	Position Held with The Bank	Year Term Expires	Director Since	Age
CLASS A					
João Carlos de Nóbrega Pecego Chief Executive Officer Banco Patagonia, Argentina	Brazil	Director	2019	2010	54
José Alberto Garzón Legal Vice President and General Secretary Banco de Comercio Exterior de Colombia	Colombia	Director	2020	2017	48
Javier González Fraga Chairman Banco de la Nación Argentina	Argentina	Director	2020	2017	70
CLASS E					
Ricardo Manuel Arango Senior Partner Arias, Fábrega & Fábrega, Panama	Panama	Director	2019	2016	57
Herminio A. Blanco President IQOM, Mexico	Mexico	Director	2019	2004	68
Mario Covo Founding Partner DanaMar LLC, U.S.A.	U.S.A.	Director	2020	1999	61
Miguel Heras Castro Executive Director Inversiones Bahia Ltd., Panama	Panama	Director	2021	2015	49
Roland Holst Board Member Sudameris Bank, Paraguay	Paraguay	Director	2019	2017	48
ALL CLASSES OF COMMON STOCK ⁽¹⁾					
Gonzalo Menéndez Duque Director Banco de Chile, Chile	Chile	Chairman of the Board	2021	1990	69
Gabriel Tolchinsky Director Bladex, Panama	Argentina	Chief Executive Officer	2021	2018	57

⁽¹⁾ Denotes class(es) of common stock of the Bank that elect the Directors listed.

João Carlos de Nóbrega Pecego has served as a Director of the Board since 2010. Mr. Pecego has served as Chief Executive Officer of Banco Patagonia, Argentina since 2014. Mr. Pecego has also served as Vice President of GPAT Compañía Financiera since 2016, Director of Patagonia Valores since 2011, Director of Banco Patagonia Uruguay since 2011 and Director of ADEBA, Asociación de Bancos Argentinos since 2014. Mr. Pecego was President of Grupo Brasil from 2015 to 2017 and Director of Visa Argentina, from 2012 to 2017. Mr. Pecego was also Vice President of Banco Patagonia, Argentina, from 2011 to 2014. He has been employed by Banco do Brasil in various capacities since 1978, holding the positions of Manager of the main agencies in the State of São Paulo, Commercial Superintendent in the South Region of Brasil and Executive Manager responsible for Projects and Corporate Financing. Mr. Pecego was Regional General Director – Head of Latin America of Banco do Brasil based in Argentina from 2009 to 2011. Mr. Pecego holds a degree in Business Administration from Universidad Costa Braga, a postgraduate degree in Business Management from Instituto São Luiz, São Paulo, and an MBA in International Business from Fundación

Don Cabral, Minas Gerais and in Marketing from Pontificia Universidade Católica do Rio de Janeiro, PUC. Mr. Pecego's professional experience in and related to the banking industry qualifies him to serve on the Board.

José Alberto Garzón has served as a Director of the Board since 2017. Mr. Garzón has served as Legal Vice President and General Secretary of Banco de Comercio Exterior de Colombia S.A. ("Bancoldex") in Colombia since 2003, as Administrative Vice President from 2016 to 2017 and in various other capacities with Bancoldex since 1995, holding the positions of Director of the Legal Department from 2000 to 2003 and Attorney in the Legal Department from 1995 to 2000. Mr. Garzón has served as a member of the board of directors of Fiduciaria Colombiana de Comercio Exterior S.A. (Fiducoldex) in Colombia since 2016, Leasing Bancoldex S.A. Compañía de Financiamiento in Colombia since 2015 and Segurexpo de Colombia, S.A. Aseguradora de Crédito in Colombia since 2000. Previously Mr. Garzón was an attorney at Legis Editores in Colombia in 1995 and General Manager of Servibolsa Ltda. Servicios Inmobiliarios from 1993 to 1995. He is currently a professor of Credit Insurance in the Insurance Law Program at Pontificia Universidad Javeriana in Colombia and taught the History of Political Ideas and Insurance at Fundación Universitaria Jorge Tadeo Lozano in Colombia from 1996 to 2004. Mr. Garzón holds a Law degree and a Master's degree in Financial Law from Universidad del Rosario in Colombia. Mr. Garzón also holds Master's degrees in Commercial Law and Project Finance studies from Universidad de Los Andes in Colombia and Insurance Law from Pontificia Universidad Javeriana in Colombia. Mr. Garzón is a graduate of the Transformative Business Leadership program at Centro de Liderazgo y Gestión and of Leading Economic Growth at Harvard's Kennedy School of Government. Mr. Garzón's first-hand experience and vast knowledge of administrative, legal and regulatory matters relating to the banking industry and, in particular, trade finance qualify him to serve on the Board.

Javier González Fraga has served as a Director of the Board since 2017. Mr. González Fraga is the Chairman of Banco de la Nación Argentina since 2017. He was a candidate for Vice President of Argentina in 2011. Mr. González Fraga served as Chairman of the Central Bank of Argentina on two occasions between 1989 and 1991, and as Vice President of the Buenos Aires Stock Exchange from 1994 to 1999. Mr. González Fraga was a Director of the Argentine Institute of Capital Markets from 1992 to 1999 and member of the Board of Public Companies in Argentina in 1987. In 1998, Mr. González Fraga was recognized by Konex as Best SMES Entrepreneur of the Decade, for his capacity as Founder of the dairy company La Salamandra S.A., Argentina. He was Professor at UCA Pontificia Universidad Católica Argentina from 1973 to 2000. Mr. González Fraga holds a Bachelor degree in Economics from UCA and is a Ph.D. candidate, having various papers and books published. Mr. González Fraga's business background and financial expertise qualify him to serve on the Board.

Ricardo Manuel Arango has served as a Director of the Board since 2016. Mr. Arango is a senior partner of the law firm of Arias, Fábrega & Fábrega in Panama. Since 2004, Mr. Arango has held several leadership positions in the firm, contributing to shape the organization into a leading Latin American law firm, with offices in eight countries. Mr. Arango has served as a member of the board of directors of the Panama Canal Authority since 2016, and as a member of the board of directors and audit and compliance committees of Banco General since 2012. Mr. Arango served as a member of the board of directors of Corporación La Prensa from 2002 to 2016 and as Chairman of its Editorial Committee from 2011 to 2016. He also served as a member of the board of directors of the Panama Stock Exchange from 1999 to 2016 and as its Chairman from 2007 to 2011. Mr. Arango is a member of the Latin American Business Council (CEAL) and represents his firm before Lex Mundi, the largest network of independent law firms in the world. From 1985 to 1987, Mr. Arango worked at White & Case in New York. From 1987 to 1995, Mr. Arango worked as an associate with Arias, Fábrega & Fábrega in Panama, becoming a partner of the firm in 1995. Mr. Arango's professional practice focuses on finance, capital markets, banking regulations, corporate governance and compliance, and mergers and acquisitions. During his career, Mr. Arango has acted as lead counsel in some of the largest and most complex financial transactions and acquisitions in Panama and Central America. From 1998 to 1999, Mr. Arango headed the Presidential Commission that drafted Panama's current securities act. Mr. Arango holds a Bachelor's degree in Law and Political Science from the University of Panama, a Master of Laws degree from Harvard Law School and a Master of Laws degree from Yale Law School. He was a Fulbright Scholar from 1983 to 1985. Mr. Arango is admitted to practice law in New York and Panama. Mr. Arango's strong knowledge of the regulatory frameworks under which the Bank operates; skills in managing legal, compliance, operational and credit risks of the banking industry; diversified perspective based on his combined legal-business acumen; in-depth understanding of the Bank's business and operations; and experience as a board member of different companies, qualify him to serve on the Board.

Herminio A. Blanco has served as a Director of the Board since 2004. Dr. Blanco has served as President of IQOM since 2005. IQOM offers business solutions on international trade, investment and regulatory affairs and provides access to the most complete database of international trade flows and regulations. Since January 2017, IQOM has been the lead advisor of the Consejo Coordinador Empresarial, the umbrella organization of the Mexican private sector, in the renegotiation of the NAFTA. Dr. Blanco has been a member of the board of directors for CYDSA since 2004, Arcelor-Mittal Mexico since 2005, and Fibra Uno since 2011. He has also been a member of the Trilateral Commission since 2001. Dr. Blanco served as Secretary of Trade and Industry of Mexico from 1994 to 2000, Undersecretary for International Trade and Negotiations, and Chief Negotiator of the North American Free Trade Agreement (NAFTA) from 1990 to 1993. He was also responsible for the negotiation of the free trade agreement with the European Union, the European Free Trade Area, with various Latin American countries and with Israel from 1994 to 2003, and launched the process that led to the negotiation of the free trade agreement with Japan. Dr. Blanco holds a B.A. in Economics from Instituto Tecnológico de Estudios Superiores de Monterrey, a Ph.D. in Economics from University of Chicago, and a Doctor Honoris Causa from Rikkyo University in Japan. Dr. Blanco's extensive experience and background in foreign trade and finance, along with his academic and consulting skills, qualify him to serve on the Board.

Mario Covo has served as a Director of the Board since 1999. Dr. Covo is the Founding Partner of DanaMar LLC in New York, a financial consulting firm established in 2013. He was Founding Partner of Helios Advisors in 2003, Founding Partner of Finaccess International, Inc. in 2000 and Founding Partner of Columbus Advisors in 1995, in New York. Dr. Covo worked at Merrill Lynch from 1989 to 1995, where he was Head of Emerging Markets-Capital Markets. Prior to working for Merrill Lynch, Dr. Covo worked at Bankers Trust Company of New York from 1985 to 1989 as Vice President in the Latin American Merchant Banking Group, focusing on corporate finance and debt-for-equity swaps. Prior to that Dr. Covo was an International Economist for Chase Econometrics from 1984 to 1985, focusing primarily on Latin America. Dr. Covo holds a Ph.D. in Economics from Rice University and a B.A. with honors from Instituto Tecnológico Autónomo de México. Dr. Covo's extensive background and experience in the financial services industry, and his exposure to the markets in which the Bank operates qualify him to serve on the Board.

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

Roland Holst has served as a Director of the Board since November 1, 2017 when he was designated to fill the vacancy created by the retirement of Ms. Maria da Graça França. Dr. Holst served as Treasurer and Member Ex-Officio of the Board from May to October 2017 and previously served as a Board member from 2014 to 2017. Dr. Holst has been a board member of Sudameris Bank, Paraguay since 2017 and served as Director of the Board of Banco Central del Paraguay from 2012 to 2017. He was Head of Fixed Income Research at State Street Global Markets in Boston, Massachusetts from 2007 to 2011 and Quantitative Analyst at Starmine Corp. in San Francisco, California from 2006 to 2007. He was a Teaching Assistant of Econometrics, Public Finance, Finance, Program Evaluation, Macroeconomics and Labor Economics at the University of Chicago from 2003 to 2006. Dr. Holst worked at Garantía PFP, a pension fund, as Investment Manager from 1997 to 2001 and as General Manager of Bolsa de Valores de Asunción, Paraguay from 1995 to 1997. He is the author of Social Security and Policy Risk: Evidence of its effects on welfare costs and savings published in 2007. Dr. Holst holds a Ph.D. in Public Policy and a Master's Degree in

Economics from the University of Chicago. He also holds a Master's Degree in Economics from Universidad Católica de Asunción, Paraguay, degrees in Economics and Agronomy from Universidad Nacional de Asunción, Paraguay and a Financial Risk Manager (FRM) certification. Mr. Holst's professional experience in the fields of finance and economics and his academic accomplishments qualify him to serve on the Board.

Gonzalo Menéndez Duque has served as a Director of the Board since 1990, and as Chairman of the Board for two different terms, from 1995 to 1998, and again since 2002. Mr. Menéndez Duque is currently a Director of the Luksic Group in Chile, including Banco de Chile since 2001, Compañía Sudamericana de Vapores, S.A. and Quiñenco S.A. and Vice Chairman of Fundación A. Luksic A. and Fundación Educacional Luksic. In addition, he serves as Chairman of Inversiones Vita S.A. and Director of Banchile Seguros de Vida S.A. Mr. Menéndez Duque served as Chief Executive Officer of Antofagasta plc, listed on the London Stock Exchange and has served as a member of its board since 1985. He also served as member of the Superior Council of Universidad de Antofagasta, Superior Council and member of the board of Centro de Estudios Públicos CEP (non-profit Chilean educational foundation) and Consejo de la Fundación Corporación de Ayuda al Niño Limitado COANIL. Mr. Menéndez Duque was a professor at the Faculty of Economics and Graduate Program of Universidad de Chile. Mr. Menéndez Duque was distinguished in 2008 by the Faculty of Economics and Business of Universidad de Chile as the most outstanding graduate, in recognition of his career and contributions to society in the business and entrepreneurial sectors of Chile and was awarded the "Excelencia 90" Prize, as the most distinguished businessman of the year in Chile by AméricaEconomía magazine in 1990. Mr. Menéndez Duque holds a degree in business administration and accounting, with honors, from Universidad de Chile. Mr. Menéndez Duque's skills, leadership and managerial experience in large complex organizations in various extensively regulated industries, and his experience as a board member of different companies, qualify him to serve on the Board.

Gabriel Tolchinsky joined Bladex as Chief Operating Officer – Executive Vice President in May 2017, after serving as an External Consultant since 2014. He was appointed Deputy Chief Executive Officer of Bladex in February 2018 and was elected to serve as a Director of the Board on April 11, 2018. In 2013, he was a founding partner and Chief Administrative Officer of Maritime Finance Company Ltd., founded by KKR and specializing in maritime finance. Mr. Tolchinsky was also a founding partner of Helios Advisors LLC investment funds from 2002 to 2013, focused on commodity-related companies; FinAccess International Inc., from 2000 to 2002, a Mexican investment fund management company where he served as Chief Operating Officer; as well as a founding partner of Columbus Advisors LLC from 1995 to 2013, specializing in fixed income instruments in emerging markets, where he served as Portfolio and Risk Manager. He previously held various positions in investment banking on Wall Street, New York, from 1985 to 1995, including Producing Manager of Emerging Markets Fixed Income Sales at Merrill Lynch from 1991 to 1995. Mr. Tolchinsky holds a degree in Mathematical Sciences from Tel Aviv University, Israel, as well as a Master of Science (Operations Research) degree and a Master of Arts (Statistics) degree, both from Columbia University, New York. Mr. Tolchinsky's extensive business experience, as well as his leadership and managerial experience, qualifies him to serve on the Board.

Executive Officers

The address of our executive officers is Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, P.O. Box 0819-08730, Panama City, Republic of Panama. The following table and information below sets forth the names of the executive officers of the Bank, their respective positions at the date hereof and positions held by them with the Bank and other entities in prior years:

Name	Position Held with the Bank	Country of Citizenship	Age
Gabriel Tolchinsky	Chief Executive Officer	Argentina	57
Alejandro Jaramillo	Executive Vice President Chief Commercial Officer	Colombia	42
Ana Graciela de Méndez	Executive Vice President Chief Financial Officer	Panama	51
Alejandro Tizzoni	Executive Vice President Chief Risk Officer	Argentina	41
Jorge Córdoba	Executive Vice President Chief Audit Officer	Panama	44
Jorge Luis Real	Executive Vice President Chief Legal Officer and Compliance / Secretary of the Board of Directors	Panama	45

Name	Position Held with the Bank	Country of Citizenship	Age
Eduardo Vivone	Executive Vice President Treasury and Capital Markets	Argentina	53
Erica Lijztain	Executive Vice President Chief Operating Officer	Argentina	46

Presented below is a brief biographical description of each executive officer that is not a member of our Board of Directors:

Alejandro Jaramillo was appointed Executive Vice President, Chief Commercial Officer of the Bank on May 1, 2017. Mr. Jaramillo joined Bladex in 2012, working in the Bank's Treasury department as the Head of Funding. In 2013, he became the Head of Loan Structuring & Distribution, spearheading the growth and development of the Bank's Loan Syndication business and the purchase and sale of loans in the secondary market. Prior to joining Bladex, Mr. Jaramillo spent nine years at BNP Paribas, both in New York and in Bogota, Colombia. At BNP Paribas, he contributed to the development of the bank's Commodity Structured Finance business in Latin America, and he was a Director in the bank's Corporate & Investment Banking unit. Before that, he worked at Standard Chartered Bank as a credit analyst in their Bogota, Colombia office as well as in the Global Commodity Finance unit in New York. Mr. Jaramillo has a bachelor's degree in Industrial Engineering from Universidad de los Andes - Bogota, Colombia, and an MBA from Columbia University in New York.

Ana Graciela de Méndez has served as Executive Vice President, Chief Financial Officer of the Bank since December 2017. She has also served in various capacities within the Bank since 1990, as Senior Vice President of Finance and the alternate to the CFO from 2014 to 2017, Vice President of Financial Planning and Analysis from 2002 to 2014, and several other assignments within the Finance area since 1994. Mrs. Méndez served as Commercial Relationship Manager at the Bank from 1991 to 1993 and as an Economist from 1990 to 1991. Throughout her tenure, Mrs. Méndez has been assigned to key projects, such as leading the conversion of financial statements from Generally Accepted Accounting Principles in the United States ("U.S. GAAP") to IFRS to comply with a requirement of the Superintendency of Banks of Panama from 2014 to 2015. Mrs. Méndez also participated in the multidisciplinary team which successfully led to the Bank's Initial Public Offering of its Class E common shares listed on the New York Stock Exchange and registered with the U.S. Securities and Exchange Commission in 1992. Mrs. Méndez holds a Bachelor degree in Business and Economics with specialization in Economics and Mathematics, graduating Magna Cum Laude from Albertus Magnus College, New Haven, Connecticut, U.S.A.

Alejandro Tizzoni has served as Executive Vice President, Chief Risk Officer of the Bank since May 2016. He also served in various capacities within the Risk Management of the Bank since 2006, as Senior Vice President from 2012 to 2016, Vice President from 2008 to 2012 and Senior Analyst from 2006 to 2008. Mr. Tizzoni served in different capacities in the credit risk area in banking and the international private sector in Argentina from 1997 to 2006. Mr. Tizzoni holds a Master Degree in Risk Management from New York University's Stern School of Business, an MBA from the University of Louisville, and a Bachelor's Degree in Business Administration and Certified Public Accountant from the University of Buenos Aires in Argentina.

Jorge Córdoba joined Bladex as Executive Vice President, Chief Audit Officer in October 2017. Previously, Mr. Córdoba served as Director – Internal Audit LATAM for Credit Andorra Financial Group, where he supervised from Panama the internal audit of the bank's business in Panama, Mexico, Peru, Paraguay, Uruguay, Colombia and Miami, Florida. From 2002 to 2013, he served as International Internal Auditor for Pan-American Life Insurance Group (PALIG) and was in charge of the branch offices and affiliates in some Latin American countries and U.S. cities. During 2001 and 2002, he served as Internal Auditor for Dresdner Bank Lateinamerica AG – Panama, and from 1992 to 2001, he served as Senior Auditor for PricewaterhouseCoopers. Mr. Córdoba is a Certified Public Accountant and holds a Degree in Accounting from Universidad de Panama. He also holds a Post Graduate Certificate in International Trade Management from St. Clair College of Applied Arts and Technology, Ontario, Canada.

Jorge Luis Real was appointed Executive Vice President, Legal and Compliance in February 2018. He has served as Senior Vice President, Chief Legal Officer of the Bank since December 2016, and was appointed Secretary of the Board of Directors in April 2016. He previously served as Vice President, Head of Legal Risk of the Bank from 2014 to 2016. Before joining the Bank, he was Coordinator of Latin American Legal Affairs at BNP Paribas, New York from 2010 to 2014, Head of Legal Department at BNP Paribas Panama from 2005 to 2010, Head of Legal Department

Panama Group of BBVA from 2000 to 2005 and a lawyer at Mauad & Mauad in Panama in 2000. Mr. Real was admitted to practice law in Panama by the Panamanian Supreme Court of Justice in 1998. Mr. Real holds a Master's degree in Commercial and Corporate Law from Université Panthéon-Assas (Paris II) and a Bachelor's degree in Law and Political Science from Universidad Católica Santa María La Antigua in Panama.

Eduardo Vivone was appointed Executive Vice President, Treasury and Capital Markets in February 2018, and has served as Senior Vice President, Head of Treasury since September 2013. He also served as Senior Vice President, Funding from April to August 2013. Before joining the Bank, he served as Head of Global Markets for HSBC Bank Panama from 2010 to 2012, Regional Sector Head, Government Sector – Global Banking, Americas for HSBC Securities, New York from 2007 to 2010, Head of Treasury for HSBC Bank, Spain from 2003 to 2007, Head of Balance Sheet Management and Forward Foreign Exchange for HSBC Bank, Argentina from 1998 to 2003, and he served diverse Relationship Management capacities for Banco Roberts, Buenos Aires from 1990 to 1998, serving as the Head of Treasury Planning for the last two years. Mr. Vivone is a Certified Public Accountant and holds a Master's degree in Finance from the University of CEMA, Buenos Aires, Argentina, and a Bachelor's degree in Accounting from University of Buenos Aires, Argentina.

Erica Lijztain was appointed Executive Vice President, Chief Operating Officer in February 2018, and has served as Senior Vice President, Corporate Services, since June 2017. She previously served in the following capacities for Banco Patagonia, S.A. in Argentina: Executive Manager – Risk Management from 2015 to 2017, Budget and Information Manager from 2008 to 2015, Manager – Special Projects from 2003 to 2008, and Manager – Commercial Planning and Control from 2001 to 2003. Ms. Lijztain is a Certified International Investment Analyst, and holds a Master's degree in Business Administration from University Torcuato di Tella, Argentina, and a Bachelor's degree in Economic Science – Actuary from University of Buenos Aires, Argentina.

DESCRIPTION OF THE NOTES

The following are the Terms and Conditions (the “Conditions”) of the Notes (as defined below), which (subject to completion and amendment) will be attached to or incorporated by reference into each Global Bearer Note and Global Registered Note and which will be attached to or endorsed upon each definitive Bearer and Registered Note, provided that the relevant Final Terms in relation to any Series of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Conditions, replace or modify the following Conditions for the purpose of such Series of Notes.

The Euro Medium Term Notes of Banco Latinoamericano de Comercio Exterior, S.A. (“Bladex” or the “Issuer”) are issued and will be issued in one or more Series in accordance with an amended and restated trust deed, dated as of April 23, 2010 (as amended, supplemented or otherwise modified from time to time, the “Trust Deed”), between the Issuer and The Bank of New York Mellon, as trustee (the “Trustee” which term includes any successor trustee under the Trust Deed), and an amended and restated agency agreement, dated as of April 23, 2010 (as amended, supplemented or otherwise modified from time to time, the “Agency Agreement”), by and among the Issuer, The Bank of New York Mellon, London Branch, as principal paying agent (the “Principal Paying Agent”) (such Principal Paying Agent, together with the other paying agents named in the Agency Agreement, the “Paying Agents”) and transfer agent (the “Transfer Agent”) (such Transfer Agent, together with the other transfer agents named in the Agency Agreement, the “Transfer Agents”), The Bank of New York Mellon, as Paying Agent, Transfer Agent and registrar (the “Registrar”), and the other agents named therein. All of the Notes from time to time issued by the Issuer pursuant to the Trust Deed and for the time being outstanding are hereinafter referred to as the “Notes” and the term “Note” is to be construed accordingly. Notes having the same Issue Date, Specified Currency, Interest Payment Dates, Issue Price and Maturity Date, bearing interest at the same rate or according to the same interest rate basis and the terms of which are otherwise identical, including whether or not the Notes are listed on a stock exchange, listing authority or quotation system (a “Stock Exchange”), are hereinafter together referred to as a “Series” of Notes, and this Note, together with the other Notes of the same Series, are hereinafter together referred to as “this Series” or the “Notes of this Series.”

The Final Terms applicable to this Series of Notes may specify other Conditions, which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Series of Notes.

Copies of the Trust Deed and the Final Terms applicable to this Series of Notes are on file and available for inspection at the offices of the Trustee and the Principal Paying Agent, and if this Series of Notes is admitted to the official list of the Luxembourg Stock Exchange (the “Official List”) and to trading on the Euro MTF market (“Euro MTF”), copies of the Base Prospectus, the Final Terms and any supplement to the Base Prospectus are available free of charge at the office of the Paying Agent in Luxembourg specified in the Final Terms applicable to this Series of Notes. The holders of the Notes and the holders of any Coupons (which term shall, where the context so requires, include Talons exchangeable for further Coupons) appertaining to the Notes (the “Noteholders”) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, which are binding on them.

Words and expressions defined in the Trust Deed or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

1. **Form and Title**

The Notes are issuable (i) in registered form (the “Registered Notes”) either as a permanent global note, without coupons (a “Global Registered Note”), or as definitive notes, without coupons (“Definitive Registered Notes”), or (ii) in bearer form (“Bearer Notes”) either as a temporary global note, without coupons (a “Temporary Global Bearer Note”), as a permanent global note, without coupons (a “Permanent Global Bearer Note”), or as definitive notes (“Definitive Bearer Notes”), with coupons (the “Coupons”) at the time of issue attached thereto (except in the case of Zero Coupon Notes), in each case in the Authorized Denominations (as defined below).

“Authorized Denominations” means such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms provided that (i) the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (as defined below) and (ii) the minimum denomination of each Note which will be offered to the public within a Member State or which will be

admitted to trading on a regulated market situated or operating within such Member State, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive, will be EUR100,000 (or its equivalent in any other currency at the date of issue of the Notes).

The Authorized Denominations for Notes denominated in non-U.S. currencies shall be the equivalent of the denomination specified above, expressed in the currency or composite currency specified on the face of such Notes and in the applicable Final Terms (the “Specified Currency”). The Definitive Bearer Notes and Definitive Registered Notes will be serially numbered.

Any minimum Authorized Denomination of a Note required by any law or directive or regulatory authority in respect of the Specified Currency of such Note shall be such as applied on or prior to the Issue Date of such Note. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).

No Notes may be issued which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to which the Issuer belongs.

The Notes may be issued (a) to bear interest on a fixed rate basis (“Fixed Rate Notes”), (b) to bear interest on a floating rate basis (“Floating Rate Notes”), (c) to bear interest on a variable coupon basis (“Variable Coupon Amount Notes”) or (d) on a non interest bearing basis (“Zero Coupon Notes”), or any combination thereof, in each case as specified in the applicable Final Terms. The amount payable on the redemption of the Notes may be fixed or variable (“Variable Redemption Amount Notes”), as specified in the applicable Final Terms.

Each Definitive Bearer Note will be issued with Coupons attached unless it is a Zero Coupon Note, in which case references to interest (other than in relation to interest due after the Maturity Date) and Coupons in these Conditions are not applicable. Definitive Registered Notes shall be issued without Coupons attached.

Each Note will be denominated in a Specified Currency as set forth in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, all payments in respect of a Note will be made in the Specified Currency thereof.

The Issuer shall maintain in The City of New York, an office or agency where Notes may be surrendered for registration of transfer or exchange. The Issuer has initially appointed the principal corporate trust office of the Trustee as its agent in The City of New York, for such purpose and the Issuer has agreed to cause to be kept at such office a register (the “Register”) in which, subject to such reasonable regulations as the Registrar may prescribe, the Issuer will provide for the registration and transfer of interests in a Global Registered Note and of Definitive Registered Notes, as the case may be. In addition, the Issuer has appointed the main offices of The Bank of New York Mellon in London, the offices of The Bank of New York Mellon (Luxembourg) S.A. in Luxembourg and such additional agents as may be specified in the relevant Final Terms (each a “Transfer Agent”) where Notes may be surrendered for registration of transfer or exchange. The Issuer reserves the right, in accordance with the Trust Deed, to vary or terminate the appointment of the Trustee as Registrar or of any Transfer Agent or to appoint additional or other Registrars or Transfer Agents or to approve any change in the office through which any Registrar or any Transfer Agent acts, provided that there will at all times be a Registrar in The City of New York (in the event Notes are issued in registered form), and a Transfer Agent in a European city, provided that so long as the Notes of any Series are traded on the Euro MTF, that European city shall be in Luxembourg.

For so long as any of the Notes are represented by a Temporary Global Bearer Note or a Permanent Global Bearer Note, each person who is for the time being shown in the records of Euroclear Bank SA/NV (“Euroclear”) or of Clearstream Banking S.A. (“Clearstream, Luxembourg”) and/or any other clearing system as may be specified in the relevant Final Terms as the holder of a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms as to the nominal amount of such Notes outstanding to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, the right to which shall be vested, as against the Issuer, the Trustee and any other Paying Agent solely in the bearer(s) of each of the relevant Temporary Global Bearer Note

or Permanent Global Bearer Note in accordance with and subject to its terms. Notes which are represented by a Temporary Global Bearer Note or a Permanent Global Bearer Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, and/or any other clearing system as may be specified in the relevant Final Terms, as the case may be. Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer, the Trustee and the Luxembourg Stock Exchange, so long as the Notes of any Series are listed on that exchange.

Title to Definitive Bearer Notes and Coupons shall pass by delivery. The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the bearer of a Definitive Bearer Note or Coupon, and the person in whose name a Definitive Registered Note or an interest in a Global Registered Note is registered as the owner thereof for all purposes, whether or not such Note or, in the case of a Definitive Bearer Note, such Coupon, be overdue, and neither the Issuer nor the Trustee nor any such agent shall be affected by notice to the contrary.

Upon request of the holder thereof confirmed in writing, (i) Definitive Registered Notes, (ii) Definitive Bearer Notes, (iii) interests in a Global Registered Note or (iv) interests in a Permanent Global Bearer Note may be exchanged for Definitive Registered Notes or an interest in a Global Registered Note, of any Authorized Denomination and of a like aggregate principal amount, upon surrender of the Notes to be exchanged, together, in the case of Definitive Bearer Notes, with all unmatured Coupons appertaining thereto (except in the case of Zero Coupon Notes), at the office of any Transfer Agent or at the principal corporate trust office of the Trustee. If the holder of a Definitive Bearer Note is unable to produce any such unmatured Coupon or Coupons, such exchange may be effected if the Definitive Bearer Notes are accompanied by payment in funds acceptable to the Issuer in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Issuer and the Trustee if there be furnished to them such security or indemnity as they may require to hold each of them and each other agent of the Issuer hereunder harmless. Notwithstanding the foregoing, if a Definitive Bearer Note is surrendered in exchange for a Definitive Registered Note (i) after the close of business at the office or agency where such exchange occurs on any Record Date and before the opening of business at such office or agency on the relevant Fixed Interest Payment Date or Floating Interest Payment Date, or (ii) after the close of business at the office or agency where such exchange occurs on any special record date for the payment of defaulted interest and before the opening of business at such office or agency on the relevant proposed date of payment of such defaulted interest, such Definitive Bearer Note shall be surrendered without the Coupon relating to such Fixed Interest Payment Date, Floating Interest Payment Date or proposed date of payment, as the case may be, and the interest payable on such Fixed Interest Payment Date, Floating Interest Payment Date or proposed date of payment shall not be payable in respect of the Definitive Registered Note issued in exchange for such Definitive Bearer Note, but will be payable only to the holder of such Coupon upon presentation and surrender thereof when due. Bearer Notes may not be issued in exchange for Definitive Registered Notes or interests in a Global Registered Note.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits, as the Notes surrendered upon such registration of transfer or exchange. No service charge shall be made for any registration of transfer or exchange, but the Trustee or any Transfer Agent may require payment of a sum sufficient to cover any stamp or other tax or other governmental charge or insurance charges payable solely by reason of such exchange.

2. Status

The Notes and Coupons are direct, unconditional and (subject to the provisions below) unsecured obligations of Bladex and shall rank *pari passu* with all other outstanding unsecured and unsubordinated indebtedness of Bladex, present and future, except for obligations preferred by mandatory provisions of law, such as obligations to pay taxes and compensation to employees.

3. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from and including the Issue Date, at the Fixed Interest Rate(s) per annum specified in the applicable Final Terms payable in arrears on the interest payment date(s), as specified in the applicable Final Terms (each, a “Fixed Interest Payment Date”) in each year and on the Maturity Date

so specified in the applicable Final Terms, if such Maturity Date does not fall on a Fixed Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date.

Interest will be paid, in respect of Fixed Rate Notes in definitive bearer form, against surrender of the appropriate Coupons and subject to and in accordance with the provisions of Condition 5.

If interest is required to be computed for a period of other than a full year, such interest shall be computed on the basis of a 360 day year consisting of 12 months of 30 days each (or such other basis as may be specified in the applicable Final Terms) and, in the case of an incomplete month, the actual number of days elapsed.

Interest will be paid subject to and in accordance with the provisions of Condition 5. Interest will cease to accrue on each Fixed Rate Note on the due date for payment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Fixed Rate Note up to that day are received by or on behalf of the holder of such Fixed Rate Note, or (b) the day on which the Trustee has notified the holder thereof (either in accordance with the provisions of Condition 12 or individually) of receipt of all sums due in respect thereof up to that date.

(b) Interest on Floating Rate Notes

Interest on each Floating Rate Note will be determined by reference to a “Base Rate,” which shall be (a) the “CD Rate” (“CD Rate Notes”), (b) the “Commercial Paper Rate” (“Commercial Paper Rate Notes”), (c) the “Federal Funds Rate” (“Federal Funds Rate Notes”), (d) “LIBOR” (“LIBOR Notes”), (e) the “Prime Rate” (“Prime Rate Notes”), (f) the “Treasury Rate” (“Treasury Rate Notes”) or (g) such other interest rate formula as may be agreed to by the purchaser and the Issuer and specified in the applicable Note. The Base Rate for any Floating Rate Note will in turn be determined, if applicable, by reference to the Index Maturity specified in such Note. The interest rate on each Floating Rate Note will be calculated by reference to such Base Rate, plus or minus the Spread, if any, and/or multiplied by the Spread Multiplier or a Spread Adjustment Formula, if any, in each case as agreed to by the purchaser and the Issuer and specified in the applicable Note. The “Index Maturity” is the period to maturity of the instrument or obligation from which the Base Rate is calculated. The “Spread” is the number of basis points to be added to or subtracted from the Base Rate for such Floating Rate Note, and the “Spread Multiplier” is the percentage of the Base Rate applicable to such Floating Rate Note and the “Spread Adjustment Formula” sets forth the calculations to be applied to such Base Rate.

A Floating Rate Note may also have either or both of the following: (a) a maximum numerical limit, or ceiling (the “Maximum Interest Rate”), on the per annum interest rate in effect with respect to such Note from time to time; and (b) a minimum numerical limit, or floor (the “Minimum Interest Rate”), on the per annum interest rate in effect with respect to such Note from time to time. In addition to any Maximum Interest Rate which may apply to any Floating Rate Note pursuant to the above provisions, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Unless otherwise specified in the applicable Note or Final Terms, the rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually, as agreed to by the purchaser and the Issuer and as specified in the applicable Note or Final Terms. The dates on which such rate of interest will be reset (each, an “Interest Reset Date”) will be (a) in the case of Floating Rate Notes which reset daily, each Business Day (unless otherwise specified in the applicable Note or Final Terms), and (b) in the case of Floating Rate Notes which reset weekly, monthly, quarterly, semiannually or annually, as agreed to by the purchaser and the Issuer and specified in the applicable Note or Final Terms. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that, in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

The interest rate that will take effect with respect to a Floating Rate Note on an Interest Reset Date will be the rate determined on the applicable “Interest Determination Date.” Unless otherwise specified in the applicable Note, the Interest Determination Date with respect to an Interest Reset Date for CD Rate Notes,

Commercial Paper Rate Notes, Federal Funds Rate Notes and Prime Rate Notes will be the second Business Day preceding such Interest Reset Date. Unless otherwise specified in the applicable Note, the Interest Determination Date with respect to an Interest Reset Date for LIBOR Notes will be the second Business Day in London preceding such Interest Reset Date. Unless otherwise specified in the applicable Note, the Interest Determination Date with respect to an Interest Reset Date for Treasury Rate Notes will be the day of the week in which the Interest Reset Date falls on which Treasury bills normally would be auctioned (Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if as a result of a legal holiday an auction is held on the Friday of the week preceding an Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided, further, that if an auction shall fall on any Interest Reset Date, then the Interest Reset Date shall instead be the first Business Day following such auction.

The interest rate in effect with respect to a Floating Rate Note on each day that is not an Interest Reset Date will be the interest rate determined as of the Interest Determination Date pertaining to the immediately preceding Interest Reset Date, and the interest rate in effect on any day that is an Interest Reset Date will be the interest rate determined as of the Interest Determination Date pertaining to such Interest Reset Date, subject in either case to adjustment by any Spread and/or Spread Multiplier and to any Maximum Interest Rate and/or Minimum Interest Rate referred to above; provided, however, that the interest rate in effect with respect to a Floating Rate Note for the period from the original Issue Date (the "Original Issue Date") to the first Interest Reset Date (the "Initial Interest Rate") will be as agreed upon by the purchaser and Issuer and as specified in the applicable Note, and the interest rate in effect for the ten calendar days immediately prior to a Maturity Date will (as to the principal amount due on such Maturity Date) be the interest rate in effect on the tenth calendar day preceding such Maturity Date.

Unless otherwise specified in the applicable Note, each Floating Rate Note will bear interest from the Original Issue Date to the first Interest Reset Date at the Initial Interest Rate and thereafter upon the basis of the applicable rate determined as described below until the principal thereof is paid. Interest on Floating Rate Notes will be payable as agreed upon by the purchaser and the Issuer and specified in the applicable Note or Final Terms (each, a "Floating Interest Payment Date") and, in each case, at any Maturity Date (as to the principal amount due at such Maturity Date). A Floating Interest Payment Date or a Fixed Interest Payment Date is sometimes referred to herein as, an "Interest Payment Date."

If any Floating Interest Payment Date falls on a day that is not a Business Day, then such Floating Interest Payment Date shall be the next succeeding day that is a Business Day, except that in the case of a LIBOR Note, if such Business Day falls in the next succeeding calendar month, such Floating Interest Payment Date shall be the immediately preceding Business Day. If the Maturity Date of any Floating Rate Note falls on a day that is not a Business Day, the related payment of principal, premium, if any, and interest shall be made on the next succeeding Business Day (unless otherwise set forth in the relevant Final Terms) as if it were made on the date such payment was due, and no interest shall accrue on the amounts so payable for the period from and after such Maturity Date.

The "Regular Record Date" for Floating Rate Notes with respect to any Interest Payment Date shall be the fifteenth calendar day, whether or not such date shall be a Business Day, prior to such Interest Payment Date.

Unless otherwise specified in the applicable Note, interest payable on any Floating Interest Payment Date or Maturity Date with respect to a Floating Rate Note shall be the amount of interest accrued from and including the next preceding Floating Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date if no interest has been paid) with respect to such Floating Rate Note to but excluding such Floating Interest Payment Date or such Maturity Date (as to the principal amount due at such Maturity Date). However, unless otherwise specified in the applicable Note, in the case of Floating Rate Notes on which the interest rate is reset daily or weekly, the interest payments shall include interest accrued only through and including the Regular Record Date next preceding the applicable Floating Interest Payment Date, except that the interest payable on a Maturity Date will (as to the principal amount due at such Maturity Date) include interest accrued to but excluding such Maturity Date. Accordingly, unless otherwise specified in the applicable Note, interest payable on any Floating Interest Payment Date or Maturity Date with respect to a Floating Rate Note on which the interest rate is reset daily or weekly shall be the amount of interest accrued from but excluding the next preceding Regular Record Date in respect of which interest has been

paid (or from and including the Original Issue Date if no interest has been paid) with respect to such Floating Rate Note through and including the Regular Record Date for such Floating Interest Payment Date or, in the case of interest payable on the principal amount due at a Maturity Date, to but excluding such Maturity Date.

Unless otherwise specified in the applicable Note, accrued interest on a Floating Rate Note will be calculated by multiplying the principal amount of such Floating Rate Note by an accrued interest factor. Unless otherwise specified in the applicable Note, such accrued interest factor will be computed by adding the interest factor calculated for each day in the period for which interest is being calculated. The interest factor for each such day will be computed by dividing the interest rate applicable to such Note for such day by 360 (or, in the case of Treasury Rate Notes, by the actual number of days in the year).

Unless otherwise specified in the applicable Note, the Principal Paying Agent will be the calculation agent (together with any successor in such capacity, the "Calculation Agent"). The Calculation Agent will calculate the interest rate and amount on or before any applicable Calculation Date pursuant to an Interest Calculation Agreement (the "Calculation Agreement") with the Issuer. Upon the request of the registered holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the then most recent Interest Reset Date with respect to such Floating Rate Note. Unless otherwise specified in the applicable Note, the "Calculation Date," where applicable, pertaining to any Interest Determination Date will be either (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Floating Interest Payment Date or Maturity Date, as the case may be. The Euro MTF and the holders of the Notes shall be notified by the Calculation Agent of the interest rate, amount and period as soon as practicable. Holders of Bearer Notes may obtain from the Calculation Agent the new interest rate and period.

All percentages resulting from any calculation on Floating Rate Notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point rounded upward, (e.g., 9.876545% (or 09876545) will be rounded upward to 9.87655% (or 0987655)), and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one half cent being rounded upward).

As provided above, the Initial Interest Rate in effect with respect to a Floating Rate Note from the Original Issue Date to the first Interest Reset Date will be specified in the applicable Note. Unless otherwise specified in the applicable Note, the interest rate for each subsequent Interest Reset Date will be determined by the Calculation Agent as set forth below, plus or minus any Spread and/or multiplied by any Spread Multiplier and subject to any Maximum Interest Rate and/or Minimum Interest Rate, as specified in the applicable Note.

The applicable Base Rate to be used in the determination of the interest on each Floating Rate Note shall be defined as follows:

CD Rate: Unless otherwise indicated in the applicable Note, "CD Rate" means, with respect to any Interest Determination Date relating to a CD Rate Note (a "CD Rate Interest Determination Date"), the rate on such day for negotiable certificates of deposit having the Index Maturity specified in the applicable Note as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates," or any successor publication ("H.15(519)"), under the heading "CDs (Secondary Market)," or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate will be the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit of the specified Index Maturity as published by the Federal Reserve Bank of New York in its daily statistical release "Composite 3:30 P.M. quotations for U.S. Government Securities" ("Composite Quotations") under the heading "Certificates of Deposit." If such rate is not published in either H.15(519) or the Composite Quotations by 3:00 P.M., New York City time, on such Calculation Date, then the CD Rate on such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York (which may include Dealers or any of their affiliates) selected by the Calculation Agent for negotiable certificates of deposit of major United States money center banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the Index Maturity specified in the applicable Note in denominations of

\$5,000,000; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as set forth above, the CD Rate with respect to such CD Rate Interest Determination Date will be the CD Rate then in effect on such CD Rate Interest Determination Date.

Commercial Paper Rate: Unless otherwise indicated in the applicable Note, “Commercial Paper Rate” means, with respect to any Interest Determination Date relating to a Commercial Paper Rate Note (a “Commercial Paper Rate Interest Determination Date”), the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Note as published in H.15(519) under the heading “Commercial Paper — Nonfinancial.” In the event such rate is not published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Rate Interest Determination Date, then the Commercial Paper Rate shall be the Money Market Yield on such Commercial Paper Rate Interest Determination Date of the rate for commercial paper of the specified Index Maturity as published in the daily update of H.15(519), available through the worldwide website of the Board of Governors of the Federal Reserve System at <http://www.bog.frb.fed.us/releases/h15/update>, or such other recognized electronic source used for the purpose of displaying such rate, or any successor site or publication, which is commonly referred to as the “H.15 Daily Update.” under the heading “Commercial Paper—Nonfinancial.” If the rate for a Commercial Paper Rate Interest Determination Date is not published in either H.15(519) or the H.15 Daily Update by 3:00 P.M., New York City time, on such Calculation Date, the Commercial Paper Rate for such Commercial Paper Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates, as of 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date, of three leading dealers of commercial paper in The City of New York (which may include Dealers or any of their affiliates) selected by the Calculation Agent on such Commercial Paper Rate Interest Determination Date, for commercial paper of the specified Index Maturity placed for an industrial issuer whose bond rating is “AA,” or the equivalent, from a nationally recognized statistical rating agency; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate with respect to such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on the Commercial Paper Rate Interest Determination Date immediately preceding such Commercial Paper Rate Interest Determination Date.

“Money Market Yield” shall be the yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and “M” refers to the actual number of days in the period for which interest is being calculated.

Federal Funds Rate: Unless otherwise indicated in the applicable Note, “Federal Funds Rate” means, with respect to any Interest Determination Date relating to a Federal Funds Rate Note (a “Federal Funds Rate Interest Determination Date”), the rate on that date for Federal Funds as published in H.15(519) under the heading “Federal Funds (Effective)” as displayed on Bloomberg BTMM or any successor service, or any other page as may replace the applicable page on that service or, if not so published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Federal Funds Rate Interest Determination Date, the Federal Funds Rate will be the rate on such Federal Funds Rate Interest Determination Date as published in the H.15 Daily Update under the heading “Federal Funds/Effective Rate.” If such rate is not published in either H.15(519) or the H.15 Daily Update by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Federal Funds Rate Interest Determination Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York (which may include Dealers or any of their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers selected as aforesaid by the Calculation Agent are not quoting as described above, the Federal Funds Rate with respect to such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on the Federal Funds Rate Interest Determination Date immediately preceding such Federal Funds Rate Interest Determination Date.

LIBOR: Unless otherwise indicated in the applicable Note, “LIBOR” means, with respect to any Interest Determination Date relating to a LIBOR Note (a “LIBOR Interest Determination Date”), the rate on that date determined by the Calculation Agent in accordance with the following provisions:

- (a) On each LIBOR Interest Determination Date, LIBOR will be the arithmetic mean of the offered rates for deposits in U.S. dollars having the specified Index Maturity which appear on Bloomberg BTMM (as defined below) as of 11:00 A.M., London time, on such LIBOR Interest Determination Date.
- (b) If on any LIBOR Interest Determination Date the offered rate for deposits in U.S. dollars having the specified Index Maturity does not appear on Bloomberg BTMM as specified in clause (a) above, LIBOR will be the offered rate for deposits in U.S. dollars having the specified Index Maturity which appears on the Reuters Screen LIBOR01 Page (as defined below) as of 11:00 A.M., London time, on such LIBOR Interest Determination Date.
- (c) If on any LIBOR Interest Determination Date the offered rate for deposits in U.S. dollars having the specified Index Maturity does not appear on either Bloomberg BTMM or the Reuters Screen LIBOR01 Page as specified in clauses (a) and (b) above, LIBOR shall be determined on the basis of the rates at which deposits in U.S. dollars having the specified Index Maturity are offered by four major banks in the London interbank market (which may include the Calculation Agent) selected by the Calculation Agent (the “Reference Banks”), at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date to prime banks in the London interbank market in a principal amount equal to not less than U.S.\$1,000,000. The Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR will be the arithmetic mean of the quotations rounded to four decimal places, as determined by the Calculation Agent. If fewer than two quotations are provided, LIBOR will be the arithmetic mean of the rates quoted by at least two major banks in New York City (which may include the Calculation Agent), selected by the Calculation Agent, at approximately 11:00 A.M., New York City time, on such LIBOR Interest Determination Date for loans in U.S. dollars having the specified Index Maturity to leading European banks in a principal amount equal to not less than U.S.\$1,000,000; provided that if fewer than two banks selected as aforesaid by the Calculation Agent are quoting rates as mentioned above, the interest rate shall be the rate in effect on such LIBOR Interest Determination Date.

“Reuters Screen LIBOR01 Page” means the display page designated as page “LIBOR01” on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBOR01 page on that service for the purpose of displaying interbank offered rates).

Prime Rate: Unless otherwise indicated in the applicable Note, “Prime Rate” means, with respect to any Interest Determination Date relating to a Prime Rate Note (a “Prime Rate Interest Determination Date”), the rate on that day set forth in H.15(519) under the caption “Bank Prime Loan.” If such rate is not yet published in H.15(519) by 3:00 P.M., New York City time, on the Calculation Date, the Prime Rate will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen NYMF Page (as defined below) as such bank’s prime rate or base lending rate as in effect for that Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen NYMF Page for the Prime Rate Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by a 360 day year as of the close of business on such Prime Rate Interest Determination Date by three, or two if only two such rates are quoted, major money center banks in New York City selected by the Calculation Agent (after consultation with the Issuer). If fewer than two such rates are quoted as aforesaid, the Prime Rate will be determined by the Calculation Agent on the basis of the prime rate quotations furnished in New York City by three substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least \$500 million and being subject to supervision or examination by a Federal or State authority, selected by the Calculation Agent (after consultation with the Issuer) to provide such rate or rates; provided, however, that if fewer than two of such substitute banks or trust companies selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Prime Rate for such Prime Rate Interest Determination Date will be the Prime Rate determined as of the immediately preceding Prime Rate Interest Determination Date, if any, or the Initial

Interest Rate. “Reuters Screen NYMF Page” means the display designated as page “NYMF” on the Reuters Monitor Money Rates Service (or such other page as may replace the NYMF page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Treasury Rate: Unless otherwise indicated in the applicable Note, “Treasury Rate” means, with respect to any Interest Determination Date relating to a Treasury Rate Note (a “Treasury Rate Interest Determination Date”), the rate applicable to the most recent auction of direct obligations of the United States (“Treasury Bills”) having the Index Maturity specified in the applicable Note as such rate appears under the caption “Investment Rate” on the display on Bloomberg BTMM or any successor service, or any other page as may replace such page on that service or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Rate Interest Determination Date, the Bond Equivalent Yield of the rate for applicable Treasury Bills as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High” or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Rate Interest Determination Date, the Bond Equivalent Yield of the auction rate for applicable Treasury Bills as announced by the United States Department of the Treasury. Treasury Bills are usually sold at auction on Monday of each week unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. In the event that the results of the auction of Treasury Bills having the specified Index Maturity are not reported as provided by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate shall be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date having the Index Maturity specified in the applicable Note published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market” or, if not so published by 3:00 P.M., New York City time, the rate on such Treasury Rate Interest Determination Date of the applicable Treasury Bills as published in the H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate under the caption of “U.S. Government Securities/Treasury Bills/Secondary Market” or, if not so published by 3:00 P.M., New York City time, then the Treasury rate shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers (which may include Dealers or any of their affiliates) selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the applicable Index Maturity; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate with respect to such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on the Treasury Rate Interest Determination Date immediately preceding such Treasury Rate Interest Determination Date.

“Bond Equivalent Yield” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the period for which interest is being calculated.

So long as the Notes are listed on the Luxembourg Stock Exchange and/or on any other Stock Exchange and the rules of such exchange shall so require, the applicable interest rate, interest amount and the applicable interest period on any Series of Floating Rate Notes will be communicated to the Luxembourg Stock Exchange by the first day of the applicable interest period or to such other Stock Exchange by the time required (if any) by such other Stock Exchange.

(c) **Zero Coupon Notes**

Where a Zero Coupon Note is repayable prior to its Maturity Date and is not paid when due, the amount due and payable shall be the Amortized Face Amount of such Note as determined in accordance with Condition 4(c). Where a Zero Coupon Note is to be redeemed on its Maturity Date and is not paid when due, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on the face of the Note. Such interest shall continue to accrue (on the same basis as that referred to in Condition 3(a)) (after as well as before judgment) to the relevant date.

(d) **Step up and Step down Notes**

The face of the Notes issued in respect of a Series of Notes bearing interest on a step up or step down basis (“Step up Notes” or “Step down Notes,” respectively) shall specify the dates on which interest shall be payable on such Notes, the rate at which the interest payable on each such date shall accrue and/or the basis for calculation thereof and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any overdue principal. Unless otherwise provided on the face of such Notes, such interest shall in all other respects accrue and shall be payable in accordance with Condition 3(a).

(e) **Variable Coupon Amount Notes**

The face of the Notes issued in respect of a Series of Variable Coupon Amount Notes shall specify the dates on which interest shall be payable on such Notes and the basis for calculation of each amount of interest payable in respect of each such Note on each such date and on any other date on which interest becomes payable in respect of such Note (the “Coupon Amounts”) and the rate (on the basis of calculation of such rate) at which interest will accrue in respect of any overdue principal.

4. **Redemption And Purchase**

The Notes shall not be subject to redemption prior to the Maturity Date by the Issuer or the holder of a Note except as specified in the Final Terms and as provided in this Condition 4:

(a) **At Maturity**

Unless otherwise specified in the applicable Final Terms and unless previously redeemed or purchased and cancelled, each Note will be redeemed by the Issuer at its final redemption amount, or, if it is a Variable Redemption Amount Note, its Redemption Amount (as defined in Condition 4(f)) specified in the applicable Final Terms on the Maturity Date specified in the applicable Final Terms.

(b) **Redemption for Tax Reasons**

The Notes of any Series may be redeemed, at the option of the Issuer, as a whole but not in part, on any Floating Interest Payment Date (in the case of Floating Rate Notes), on any date on which interest is payable

(in the case of Variable Coupon Amount Notes) or at any time (in the case of any other Notes), upon giving not less than 30 nor more than 60 days' notice to the holders of such Notes (the "Noteholders") (which notice shall be irrevocable), at a redemption price equal to the Principal Amount thereof, together with accrued interest to (or, in the case of Variable Coupon Amount Notes, the Coupon Amount payable on) the date fixed for redemption (or, in the case of Zero Coupon Notes, at the Amortized Face Amount of such Notes as determined in accordance with Condition 4(c) or, in the case of Variable Redemption Amount Notes, at the Redemption Amount of such Notes) and Additional Amounts, if any, if (i) the Issuer determines and certifies to the Trustee immediately prior to the giving of such notice that, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of Panama or any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change, amendment, application or interpretation becomes effective on or after the Issue Date of such Notes, the Issuer pays or would become obligated to pay Additional Amounts in respect of such Notes pursuant to these Conditions and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of such Notes was due on such date. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer shall deliver to the Trustee a certificate signed by two Authorized Officers to the effect that such Issuer's obligation to pay Additional Amounts cannot be avoided by such Issuer taking reasonable measures available to it. The Issuer shall also deliver an opinion of an independent legal counsel (of recognized standing) of such Issuer stating that such Issuer would be obligated to pay Additional Amounts due to changes in tax laws. The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders.

(c) **Early Redemption of Zero Coupon Notes**

The amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 4(b) or, if applicable, Condition 4(d) or 4(e) or upon it becoming due and payable as provided in Condition 7, shall be the Amortized Face Amount (calculated as provided below) of such Note.

The Amortized Face Amount of any Zero Coupon Note shall be the sum of (A) the Issue Price specified on the face of such Note and (B) the aggregate amortization of the difference between the Issue Price and the Principal Amount of such Note from the Issue Date to the date on which such Note becomes due.

(d) **Redemption at the Option of the Issuer**

If so provided on the face of any Notes, the Issuer may, subject to compliance with all relevant laws, regulations and directives and any minimum or maximum amounts to be redeemed as specified on the face of such Notes, on giving not more than 60 nor less than 30 days' irrevocable notice to the holders of those Notes redeem all or, if so specified on the face of such Notes, some of such Notes in the Principal Amount specified on the face of such Notes or integral multiples thereof, on the date or dates specified on the face of such Notes (which shall, in the case of a Floating Rate Note, be an Interest Payment Date and in the case of a Variable Coupon Amount Note, a date on which interest is payable thereon) at their Principal Amount or, if applicable, at the premium or premia specified on the face of such Notes or at their Amortized Face Amount (in the case of Zero Coupon Notes) or Redemption Amount (in the case of Variable Redemption Amount Notes) together with interest accrued to (or, in the case of Variable Coupon Amount Notes, the Coupon Amount payable on) the date fixed for redemption; provided, however, that interest due on or prior to the redemption date on Definitive Bearer Notes shall be payable only upon the presentment and surrender of Coupons for such interest.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 4.

In the case of a partial redemption, the notice to Noteholders shall also contain the serial numbers of the Notes to be redeemed, subject to compliance with any applicable laws and stock exchange requirements.

(e) **Redemption at the Option of Noteholders**

If so provided on the face of any Notes, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of any such Note, redeem such Note on the date or dates specified on the face of such Notes (which shall, in the case of a Floating Rate Note, be an Interest Payment Date and in the case of a Variable Coupon Amount Note, a date on which interest is payable thereon) at their Principal Amount or, if applicable, at the premium or premia specified on the face of such Notes (or, in the case of Variable Redemption Amount Notes, at their Redemption Amount or, in the case of Zero Coupon Notes, at their Amortized Face Amount) together with interest accrued to (or, in the case of Variable Coupon Amount Notes, the Coupon Amount payable on) the date fixed for redemption; provided, however, that interest due on or prior to the redemption date on Definitive Bearer Notes shall be payable only upon the presentment and surrender of Coupons for such interest.

To exercise such option the holder must deposit such Note with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices, together with a duly completed notice of redemption ("Redemption Notice") in the form obtainable from any Agent not more than 60 nor less than 30 days prior to the relevant date for redemption. No Note (or Redemption Notice) so deposited may be withdrawn (except as provided in the Agency Agreement).

(f) **Redemption of Variable Redemption Amount Notes**

The face of any Variable Redemption Amount Notes shall specify the basis for calculation of the amount payable upon redemption of the relevant Notes under Condition 4(a) or (b) or, if applicable, Condition 4(d) or (e) or upon their becoming due and payable as provided in Condition 7 (the "Redemption Amount").

(g) **Purchase of Notes by the Issuer**

The Issuer and its Subsidiaries (as defined in Condition 9(a) hereof) may, directly or indirectly, to the extent permitted by applicable law, purchase Notes in the open market or by tender at any price and at any time. Any Note purchased by either Issuer or any of their respective subsidiaries, directly or indirectly, shall be surrendered to the Trustee for cancellation. Any Notes surrendered as aforesaid may not be reissued or resold and will be cancelled promptly.

(h) **Cancellation**

All Notes redeemed under this Condition 3 will be cancelled and may not be reissued or resold.

5. **Payments**

(a) **Method of Payment**

Unless otherwise specified in the applicable Final Terms, payments of principal of (and premium, if any) and interest on the Notes will be made (i) in respect of payments denominated in a Specified Currency other than Euro, by a check in such Specified Currency drawn on or, at the option of the holder, by transfer to, an account in such Specified Currency with a bank in the principal financial center of the country of such Specified Currency, or (ii) in respect of Notes denominated in Euro, by credit or transfer to such account specified by the holders with a bank in the principal financial center of a member state of the European Community, subject to the limitations set forth below on payments in the United States in respect of Bearer Notes. Additionally, subject to limitations set forth below with respect to payment of principal and interest in respect of Global Registered Notes, payments in respect of Global Registered Notes registered in the name of, or the name of a nominee for, DTC will be made in accordance with the procedures established by DTC and in accordance with provisions set forth under the Trust Deed.

(b) **Presentation of Notes**

Payments of principal and interest (if any) in respect of the Definitive Bearer Notes (if issued) will (subject as provided below) be made against presentation or surrender of such Notes or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States. If any Definitive Bearer Notes are redeemed or become repayable prior to the Maturity Date in respect thereof, principal will be payable on

surrender of each such Note together with all unmatured Coupons appertaining thereto. All payments of interest and principal with respect to Definitive Bearer Notes will be made to accounts located outside the United States except as otherwise provided below.

Payments of principal and interest (if any) in respect of Notes represented by any Temporary Global Bearer Note or Permanent Global Bearer Note, will (subject as provided below and, in the case of any Temporary Global Bearer Note subject to the receipt of the certification of non-U.S. beneficial ownership as provided in the Trust Deed) be made in the manner specified above and otherwise in the manner specified in the relevant Temporary Global Bearer Note or Permanent Global Bearer Note, as the case may be, against presentation or surrender, as the case may be, of such Temporary Global Bearer Note or Permanent Global Bearer Note, as the case may be, at the specified office of any Paying Agent outside the United States. A record of each payment made on such Temporary Global Bearer Note or Permanent Global Bearer Note, as the case may be, distinguishing between any payment of principal and any payment of interest, will be made, or caused to be made, on such Temporary Global Bearer Note or Permanent Global Bearer Note, as the case may be, by the Paying Agent to which such Temporary Global Bearer Note or Permanent Global Bearer Note, as the case may be, is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that payment in question has been made.

No payment of principal or interest in respect of Temporary Global Bearer Notes, Permanent Global Bearer Notes and Definitive Bearer Notes shall be made at an office or agency of Bladex in the United States and no check in payment thereof which is mailed shall be mailed to an address in the United States, nor shall any transfer made in lieu of payment by check be made to an account maintained by the payee with a bank in the United States. Notwithstanding the foregoing, such payments may be made at an office or agency located in the United States (a) if such payments are to be made in U.S. dollars and if payment of the full amount is payable at the office of each Paying Agent outside the United States appointed and maintained pursuant to the Trust Deed is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the full payment or receipt of such amount in U.S. dollars, and (b) at the option of the relevant holder, if such payments are then permitted under United States law without involving, in the opinion of the Issuer, any adverse tax consequences to such Issuer.

The bearer of the relevant Temporary Global Bearer Note or Permanent Global Bearer Note shall be the only person entitled to receive payments in respect of Notes represented by such Temporary Global Bearer Note or Permanent Global Bearer Note, as the case may be, and the Issuer will be discharged by payment to, or to the order of, the bearer of such Temporary Global Bearer Note or Permanent Global Bearer Note, as the case may be, in respect of each amount so paid. Each of the persons shown in the records of Euroclear or of Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms as the bearer of a particular nominal amount of Notes, must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the bearer of the relevant Temporary Global Bearer Note or Permanent Global Bearer Note. No person, other than the bearer of the relevant Temporary Global Bearer Note or Permanent Global Bearer Note, shall have any claim against the Issuer in respect of any payments due on that Temporary Global Bearer Note or Permanent Global Bearer Note, as the case may be.

If any Definitive Bearer Note surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the redemption date, such Note may be paid after deducting from the amount otherwise payable an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Issuer and the Trustee if they are furnished with security or indemnity as they may require to save each of them and each other Paying Agent of such Issuer harmless. From and after the redemption date, if monies for the redemption of Notes called for redemption shall have been made available to holders at the principal corporate trust office of the Trustee for redemption on the redemption date, the Notes called for redemption shall cease to bear interest, the Coupons appertaining to the Definitive Bearer Notes maturing subsequent to the redemption date shall be void, and the only right of the holders of such Notes shall be to receive payment of principal and accrued interest on the Notes determined in accordance with these Conditions. If monies for the redemption of the Notes are not made available to holders for payment until after the redemption date, the Notes called for redemption shall not cease to bear interest until such monies have been so made available.

Upon the due date for redemption of any Floating Rate Note in definitive bearer form, all unmatured Coupons (if any) relating to such Note (whether or not attached) shall become void and no payment shall be made in respect to them.

Payments of principal in respect of Definitive Registered Notes and interests in Global Registered Notes will be made against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Notes at the specified office of the Registrar in New York City or at the specified office of any of the Paying Agents.

Payments of interest (other than interest due at maturity or on a date of redemption) in respect of Definitive Registered Notes or interests in Global Registered Notes will be made to the person in whose name such Definitive Registered Note or interest in a Global Registered Note is registered at the close of business on the Record Date prior to the applicable Interest Payment Date. Payments of interest in respect of Registered Global Notes and Definitive Registered Notes due at maturity or on a date of redemption will be payable in the manner in which, and to the person to whom, principal is payable.

(c) **Payment Business Day**

Unless otherwise specified in the applicable Final Terms, any Payment on any Note due on any day which is not a Payment Business Day need not be made on such day, but may be made on the next succeeding Payment Business Day with the same force and effect as if made on the due date, and no interest shall accrue for the period from and after such day. For the purposes of these Conditions, the term “Payment Business Day” means (unless otherwise specified in the applicable Final Terms) a day (a) which is a Business Day and (b) on which commercial banks are open and foreign exchange markets settle payments in the place of presentation and payment of Notes.

For the purposes of these Conditions, the term “Business Day” means (unless otherwise specified in the applicable Final Terms) a day (a) in relation to Notes denominated in a Specified Currency other than Euro, a day on which (i) commercial banks and foreign exchange markets are open for business and carrying out transactions in the relevant financial center of the relevant Specified Currency, and (ii) commercial banks and foreign exchange markets are open for business in London and in the place of business of any other relevant Paying Agent, and (b) in relation to Notes denominated in Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer System (the “TARGET System”) is operating.

(d) **Paying Agent**

- (i) So long as any Notes are traded on the Euro MTF, the Issuer shall maintain a Paying Agent in Luxembourg, such Paying Agent being specified in the applicable Final Terms.
- (ii) The Issuer shall at all times maintain a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to such Directive.

6. **Taxation**

- (a) All payments by the Issuer in respect of the Notes and the Coupons shall be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of Panama or any political subdivision or authority thereof or therein having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event any withholding or deduction is required by law, the Issuer shall pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the amounts received by the Noteholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes or the Coupons in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of any Note or Coupon (i) presented for payment more than 30 days after the later of (A) the date on which such payment first became due and (B) if the full amount payable has not been received in New York City by the Trustee on or prior to such due date, the date on

which, the full amount having been so received, notice to that effect shall have been given to the Noteholders or Couponholders by the Trustee, except to the extent that the Noteholder or Couponholder would have been entitled to such Additional Amounts on presenting such Note or Coupon for payment on the last day of the applicable 30 day period; (ii) held by or on behalf of a Noteholder or Couponholder who is liable for taxes, duties, assessments or governmental charges in respect of such Note or Coupon or any interest therein or rights in respect thereof either (x) by reason of having some connection with Panama (or any political subdivision or authority thereof) other than the mere holding of such Note or Coupon or the receipt of principal or interest in respect thereof or (y) by reason of the failure of such Noteholder or Couponholder (or if such Noteholder or Couponholder is not the beneficial owner of such Note or Coupon, the beneficial owner of such Note or Coupon) to comply with any certification requirement concerning the nationality, residence, identity or connection with Panama, or any political subdivision or taxing authority thereof or therein, of such Noteholder or Couponholder (or if such Noteholder or Couponholder is not the beneficial owner of such Note or Coupon, the beneficial owner of such Note or Coupon) (A) if compliance is required by a statute, treaty or regulation of Panama, or any political subdivision or taxing authority thereof or therein, or an official interpretation thereof, as a precondition to exemption from, or the reduction in the rate of, such deduction or withholding; (B) such Noteholder or Couponholder, as the case may be, is legally entitled to comply with such certification requirements; and (C) the Issuer has provided the Noteholder or Couponholder, as the case may be, with prior notice of such certification requirements, provided that the foregoing notice requirement shall not apply with respect to any Series of Notes that are Bearer Notes (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to such Directive; (iv) (except in the case of Registered Notes) in respect of any Note, Receipt or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the European Union; or (v) any combination of (i), (ii), (iii) and (iv).

- (b) Any reference in the Notes to principal and/or interest shall be deemed also to refer to any Additional Amounts which may be payable under the undertakings referred to in this Condition 6.
- (c) The Issuer shall pay all stamp and other duties, if any, which may be imposed by Panama, the United States, the United Kingdom, Belgium, Luxembourg or any political subdivision thereof or taxing authority of or in the foregoing with respect to the execution and delivery of the Trust Deed or the issuance of this Note.
- (d) Notwithstanding any other provisions contained herein, the relevant Issuer shall be permitted to withhold or deduct any amounts required by the rules of Sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor provisions) (“FATCA” and “FATCA withholding”), any treaty, law, regulation or other official guidance enacted by Panama implementing FATCA, or any agreement between the Issuer and the United States or any authority thereof implementing FATCA. The relevant Issuer (or, if applicable, the Guarantor) will have no obligation to pay Additional Amounts or otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Issuer, the paying agent or any other party.

7. Events of Default

If one or more of the following events (each an “Event of Default”) shall have occurred (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default shall be made in the due and punctual payment of all or any part of the principal of, or premium (if any) on, any Note, including sums payable as Additional Amounts, when and as the same shall become due and payable, whether at stated maturity, by acceleration, by prepayment or otherwise;
- (b) default shall be made in the due and punctual payment of any interest on any Note, when and as the same shall become due and payable, and such default shall have continued for a period of at least five days;
- (c) the Issuer shall fail to observe or perform any covenant contained in the Agency Agreement, the Trust Deed or the Notes, and such failure shall continue for 30 days, except in cases where the Issuer cannot remedy such

failure to perform for reasons including, but not limited to, a discontinuation of its corporate existence, in which instance such failure to perform will immediately constitute an Event of Default;

- (d) any event shall occur or conditions shall exist in respect of any Indebtedness of the Issuer (other than the Notes) or any of its Subsidiaries, or under any evidence of any such Indebtedness or under any mortgage, indenture or other agreement relating thereto, the effect of which is to cause, or permit any holder of such Indebtedness or a trustee to cause, the acceleration of the maturity of such Indebtedness or to require the repayment or repurchase of such Indebtedness, or any such Indebtedness shall not have been paid at the stated maturity thereof and any applicable grace period shall have expired, provided that any such event or conditions or nonpayment in respect of any such Indebtedness of the Issuer or any of its Subsidiaries shall be disregarded for purposes of this Subsection (d) unless the principal amount of such Indebtedness affected by such event, conditions and/or nonpayment shall be at least \$10,000,000;
- (e) the Issuer or any of its Subsidiaries shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or administrator of itself or of all or a substantial part of its property, (2) admit in writing its inability to, or be generally unable to, pay its debts as such debts become due, (3) make a general assignment for the benefit of its creditors, (4) commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect), (5) file a petition seeking to take advantage of any other law providing for the relief of debtors or relating to bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement or winding up, or composition or readjustment of debts, (6) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under such Bankruptcy Code, (7) take any action under the laws of its jurisdiction of incorporation (or any other jurisdiction) analogous to any of the foregoing, or (8) take any corporate action for the purpose of effecting any of the foregoing;
- (f) a proceeding or case shall be commenced, without the application or consent of the Issuer or any of its Subsidiaries in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, arrangement, winding up, or composition or readjustment of its debts, (2) the appointment of a trustee, receiver, custodian, examiner, liquidator, administrator or the like of it or of all or any substantial part of its properties, or (3) similar relief in respect of it, under any law providing for the relief of debtors or relating to bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement or winding up, or composition or readjustment of debts, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 60 days; or an order for relief shall be entered in an involuntary case under the United States Bankruptcy Code against the Issuer or any of its Subsidiaries; or action under the laws of the jurisdiction of incorporation of the Issuer or any of its Subsidiaries (or any other jurisdiction) analogous to any of the foregoing shall be taken with respect to the Issuer or any of its Subsidiaries and shall continue unstayed and in effect for any period of 60 consecutive days;
- (g) there shall occur with respect to the Issuer or any of its Subsidiaries, any event which is grounds for the required submission of the capital restoration plan under 12 U.S.C. § 1831(e)(2) or for seeking the appointment of a receiver or conservator under 12 U.S.C. § 1821(c)(5) or § 1821(c)(9), as amended, or any conservator or receiver shall be appointed under such provisions or any other law applicable to the Issuer or any of its Subsidiaries;
- (h) any Bank Regulatory Authority (as defined below) shall issue a cease and desist order to or in respect of the Issuer or any of its Subsidiaries;
- (i) the Issuer or any of its Subsidiaries shall cease accepting deposits or making commercial loans on the Instruction of any Bank Regulatory Authority or any other national, Federal, state or other regulatory body with authority to give such instruction other than pursuant to any instruction generally applicable to banks organized under the jurisdiction or organization of such entity;
- (j) any event with respect to the Issuer or any of its subsidiaries occurs which, under the laws of any jurisdiction or any political subdivision of any jurisdiction, has an effect similar to any of the foregoing events referred to in Subsections (e) through (k), inclusive; or
- (k) any final judgment or judgments of a court or courts of competent jurisdiction shall be rendered against the Issuer or any of its Subsidiaries for the payment of money in excess of \$10,000,000 in the aggregate (or the

equivalent thereof, as of any date of determination, in any other currency) and any one or more of such judgments exceeding such amount in the aggregate shall not be discharged or execution thereof stayed pending appeal, within 60 days after entry thereof, or, in the event of such a stay, such judgment or judgments shall not be discharged within 60 days after such stay expires;

then (1) upon the occurrence of any Event of Default described in Subsections (e) through (j) above, inclusive, with respect to the Issuer, the unpaid principal amount of all Notes, together with the interest accrued thereon and all other amounts payable by the Issuer hereunder and, to the extent permitted by law, an amount equal to the Additional Amounts, if any, in respect of each such Note shall automatically become immediately due and payable, (2) upon the occurrence of any Event of Default described in Subsection (a) or (b) above with respect to any Note, the holder of such Note may, by written notice to the Issuer, declare the unpaid principal amount of such Note to be, and the same shall forthwith become, due and payable, together with the interest accrued thereon and all other amounts payable by the Issuer hereunder and, to the extent permitted by law, an amount equal to the Additional Amounts, if any, in respect of each such Note or (3) upon the occurrence of any Event of Default other than an Event of Default described in Subsections (e) through (j) above, inclusive, the holder or holders of at least 66 2/3% of the aggregate unpaid principal amount of the Notes may, by written notice to the Issuer, declare the unpaid principal amount of all Notes to be, and the same shall forthwith become, due and payable, together with the interest accrued thereon and all other amounts payable by the Issuer hereunder and, to the extent permitted by law, an amount equal to the Additional Amounts, if any, in respect of each such Note, in each case under the foregoing clauses (1), (2) and (3) without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Issuer. If any holder of any Note shall exercise the option specified in clause (2) above, the Issuer will forthwith give written notice thereof to the holders of all other outstanding Notes and each such holder may (whether or not such notice is given or received), by written notice to the Issuer, declare the principal of all Notes held by it to be, and the same shall forthwith become, due and payable, together with the interest accrued thereon and all other amounts payable by the Issuer hereunder and, to the extent permitted by law, an amount equal to the Additional Amounts in respect of each such Note, all without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Issuer.

As used herein, "Bank Regulatory Authority" means (i) with respect to Bladex (and any Subsidiary other than the Subsidiary referred to in the following clause (ii)), the Superintendency authorized or provided for by the laws of Panama and all other relevant bank regulatory authorities of any jurisdiction, (ii) with respect to Bladex Cayman, the Governor in Council in the Cayman Islands and the Managing Director of the Cayman Islands Monetary Authority under the Banks and Trust Companies Law (2003 Revision) of the Cayman Islands and all other relevant bank regulatory authorities and (iii) with respect to Bladex's New York Agency, the Board of Governors of the Federal Reserve System, the Superintendent of Banks of the State of New York under the New York Banking Law and all other relevant bank regulatory authorities.

The provisions of this Condition are subject, however, to the condition that if, at any time after any Note shall have become due and payable pursuant to the foregoing clause (3), the Issuer shall pay all arrears of interest on the Notes and all payments on account of the principal of and premium (if any) on the Notes which shall have become due otherwise than by acceleration (with interest on such principal, premium (if any) and, to the extent permitted by law, on overdue payments of interest, at the rate specified in the Notes with respect to overdue payments) and all Events of Default (other than nonpayment of principal of and accrued interest on Notes and amounts equal to the Additional Amounts, due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to Condition 7 herein, then, and in every such case, the holders of at least 75% of the aggregate unpaid principal amount of the Notes by written notice to the Issuer, may rescind and annul any such acceleration and its consequences; but no such action shall affect any subsequent default or Event of Default or impair any right consequent thereon.

8. Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider matters affecting their interest. The Trust Deed further provides that, with certain exceptions as therein provided, with the consent of the holders of at least a majority of the principal amount of the Notes outstanding of a Series present at a meeting duly called pursuant thereto or by written consent of such percentage of the principal amount of all Notes outstanding of such Series (disregarding any Notes owned, directly or indirectly, by the Issuer or its Affiliates (as defined below)), the Issuer and the Trustee may modify, amend or supplement the Trust Deed (insofar as respects the Notes of such Series) or the terms of the Notes of such Series or may give consents or waivers or take other actions with respect thereto. No such action may, without the consent of the holder of each Note of such Series affected thereby,

(A) change the due date for the payment of the principal of or any installment of interest on any Note of such Series, (B) reduce the principal amount of any Note of such Series, the portion of such principal amount which is payable upon acceleration of the maturity of such Note of such Series or the interest rate thereon, (C) change the designated currency in which or the required places at which payment with respect to interest or principal in respect of the Notes of such Series is payable, (D) change the Issuer's obligation to pay any Additional Amounts pursuant to Condition 6 hereof, (E) shorten the period during which the Issuer is not permitted to redeem the Notes of such Series, or permit the Issuer to redeem the Notes of such Series if, prior to such action, such Issuer is not permitted so to do, (F) reduce the proportion of the principal amount of Notes of such Series, the vote or consent of the holders of which is necessary to modify, amend or supplement the Trust Deed or the terms and conditions of the Notes of such Series or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided hereby or thereby to be made, taken or given, (G) reduce the percentage of aggregate principal amount of outstanding Notes of such Series required for a quorum at any meeting of the holders of Notes of such Series or (H) change any provision in the Notes of such Series with respect to redemption at the holders' option in any manner adverse to the interests of any holder of Notes of such Series.

Any such modification, amendment, supplement, consent, waiver or other action shall be conclusive and binding on the holder of this Note of this Series and on all future holders of this Note of this Series and of any Note issued in exchange heretofore or in lieu hereof, whether or not notation thereof is made upon this Note. The Trust Deed and the terms of this Note may be modified or amended by the Issuer and the Trustee without the consent of the holder of this Note, for the purpose of (i) adding to the covenants of either Issuer for the benefit of the holder of this Note, or (ii) surrendering any right or power conferred upon either Issuer, or (iii) securing this Note pursuant to the requirements of this Note or otherwise, or (iv) relaxing or eliminating the restrictions on payment of principal or interest in respect of Bearer Notes in the United States to the extent then permitted under applicable regulations of the United States Department of the Treasury, and provided no adverse tax consequences would result to the Noteholders, or (v) evidencing the succession of another corporation with respect to either Issuer and the assumption by any such successor of the covenants and obligations of such Issuer in the Notes or Coupons appertaining thereto or in the Trust Deed or (vi) curing any ambiguity or correcting or supplementing any defective provision contained in this Note or in the Trust Deed, to all of which the holder of this Note, by acceptance thereof, consents.

9. Negative Pledge

The Issuer acknowledges and agrees that for so long as any Note remains outstanding, except for a Permitted Lien (as defined below), such Issuer will not create and will not permit any Subsidiary (as defined below) to create any Lien (as defined below) upon the whole or any part of its property or assets without, at the same time or prior thereto, securing the Notes equally and ratably therewith or providing such other security for the Notes as shall be approved by holders of 51% in principal amount of the then outstanding Notes.

For the purposes of this Condition 9:

- (i) "Permitted Lien" means
 - (A) Liens existing on December 29, 1994;
 - (B) Liens upon real and/or tangible personal property acquired after the date hereof (by purchase, construction or otherwise) by the Issuer or any of its Subsidiaries, each of which Liens either (1) existed on such property before the time of its acquisition and was not incurred in anticipation thereof or (2) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of the respective property; provided that no such Lien shall extend to or cover any property of the Issuer or such Subsidiary other than the respective property so acquired and improvements thereon; and provided further that the principal amount of the Indebtedness secured by any such Lien shall at no time exceed 80% of the fair market value (as determined in good faith by the chief executive officer, the chief financial officer or any senior vice president of the Issuer) of the respective property at the time it was acquired (by purchase, construction or otherwise);
 - (C) Liens or deposits which are required by, and arise under, workers' compensation laws, unemployment insurance laws, old age pensions and other similar social security laws;

- (D) Liens imposed by law, such as carriers', warehousemen', mechanics', materialmen' and vendors' Liens, each of which was incurred in good faith in the ordinary course of business of the Issuer or its Subsidiaries with respect to obligations not overdue for a period of more than 30 days or which obligations are being contested in good faith by appropriate proceedings for which adequate reserves shall have been established;
 - (E) Liens for taxes or assessments or governmental charges or levies;
 - (F) Liens incidental to the normal conduct of the business of the Issuer or any Subsidiary or the ownership of its property (including zoning restrictions, easements, licenses, reservations, restrictions on the use of real property or minor irregularities incident thereto and with respect to leasehold interests, Liens that are incurred, created, assumed or permitted to exist and arise by, through or under or are asserted by a landlord or owner of the leased property, with or without consent of the lessee) that are not incurred in connection with the incurrence of Indebtedness and which do not in the aggregate materially impair the value or use of property used in the business of the Issuer and its Subsidiaries taken as a whole, or the use of such property for the purpose for which it is held;
 - (G) Liens in respect of litigation, or other similar proceedings (1) which are required by any Order, statute, rule or regulation of any court, arbitrator or Governmental Body (as defined below), (2) the validity of which are being currently contested on a timely basis in good faith by appropriate proceedings (provided that the enforcement of any Liens arising out of such proceedings shall be stayed during such proceedings) and (3) for which adequate reserves shall have been established; and
 - (H) Liens hereafter granted upon or in respect of any asset of the Issuer or any Subsidiary (other than a Permitted Lien referred to in Clauses (A) through (G) above), provided that the aggregate amount of Indebtedness secured pursuant to this Clause (H) shall not exceed 10% of Bladex's Interest Earning Assets.
- (ii) As used herein, "Interest Earning Assets" shall mean the sum of (A) cash and due from banks, (B) interest bearing deposits with banks less allowance for possible loss, (C) investment securities and (D) loans less allowance for possible loan losses and unearned discount, in each case as such amounts appear on the Issuer's most recently available consolidated balance sheet, prepared in accordance with generally accepted accounting principles, as of the date of determination.
 - (iii) As used herein, "Governmental Body" shall mean any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.
 - (iv) As used herein, "Indebtedness" of a Person means, without duplication, (A) all obligations for borrowed money of such Person, (B) all obligations for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to any property acquired by such Person), (C) all capital lease obligations of such Person, (D) all obligations for borrowed money secured by any Lien upon or in any property owned by such Person whether or not such Person has assumed or become liable for the payment of such obligations for borrowed money and (E) all obligations of the type described in any of clauses (A) through (D) above which are guaranteed, directly or indirectly, or endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted with recourse by such Person.
 - (v) As used herein, "Lien" means, with respect to any Person, any mortgage, lien, pledge, adverse claim, charge, security interest or other encumbrance, or any interest or title of any vendor; lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or capital lease, upon or with respect to any property or asset of such Person, or the signing or filing by or with the consent of such Person of a financing statement that names such Person as debtor, or the signing of any security agreement authorizing any other Person as the secured party to file any financing statement.

- (vi) As used herein, “Order” shall mean any order, writ, injunction, decree, judgment, award, determination, direction, demand.
- (vii) As used herein, “Person” shall include an individual, a corporation, an association, a partnership, a trust or estate, a government, United States or foreign, and any agency or political subdivision thereof, or any other entity.
- (viii) As used herein, “Subsidiary” means with respect to any corporation, partnership or other entity of which or in which such Person and/or its Subsidiaries own directly or indirectly more than 50% of the combined voting power of all classes of voting stock.

Notwithstanding the foregoing, this provision shall not prohibit Bladex and its Subsidiaries from complying with U.S. and state capital equivalency and other similar regulatory requirements.

10. Replacement of Notes, Exchange and Transfer

If any mutilated Note or Coupon is surrendered to the Principal Paying Agent (in the case of Bearer Notes and Coupons) or the Registrar (in the case of Registered Notes), the Issuer shall execute, and the Trustee shall authenticate and deliver in exchange therefor, a new Note or Coupon of like tenor and principal amount, bearing a number not contemporaneously outstanding.

If there be delivered to the Issuer and the Principal Paying Agent (in the case of Bearer Notes and Coupons) or the Registrar (in the case of Registered Notes) (i) evidence to their satisfaction of the destruction, loss or theft of any Note or Coupon, and (ii) such security or indemnity as may be required by them to save each of them and any agent of each of them harmless, then, in the absence of notice to the Issuer or the Trustee that such Note or Coupon has been acquired by a protected purchaser, the Issuer shall execute, and upon its request the Trustee shall authenticate and deliver in lieu of any such destroyed, lost or stolen Note or Coupon, a new Note or Coupon of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any new Note or Coupon under this Condition 10, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and the expenses of the Trustee) connected therewith.

Upon the terms and subject to the conditions set forth in the Trust Deed, and subject to Condition 1 of these Conditions, a Registered Note may be transferred in whole or in part (in an Authorized Denomination) by the holder or holders surrendering the Note for registration of transfer at the office of the Registrar or through a Transfer Agent, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Registrar, duly executed by the holder or holders thereof or his or their attorney in fact or attorneys in fact duly authorized in writing and accompanied by any certification required under the Trust Deed.

Transfer, registration and exchange of any Note or Notes shall be permitted and executed as provided in the Trust Deed without any charge to the holder of any such Note or Notes other than any taxes or other governmental charges payable on transfers or any expenses of delivery by other than regular mail, but subject to such reasonable regulations as the Issuer, the Registrar and any transfer agent may prescribe.

The Registrar shall not register the transfer of or exchange of any Notes for a period of 15 days preceding (i) the due date for any payment of principal of or interest on the Notes or (ii) the date notice is given for redemption of the Notes.

Every new Note issued pursuant to this Condition 10 in lieu of any destroyed, lost or stolen Note shall constitute an original contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone. Any new Note delivered pursuant to the provisions of this Condition 10 shall be so dated that neither gain nor loss of interest shall result from such exchange. The provisions of this Condition 10 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

11. Prescription

All claims against the Issuer for payment of principal of or interest (including Additional Amounts) on, or in respect of, the Notes and the Coupons shall be prescribed unless made within ten years (in the case of principal) and five years

(in the case of interest (including Additional Amounts)) from the later of (i) the date on which such payment first became due and (ii) if the full amount payable has not been received by the Trustee in New York City on or prior to such due date, the date on which, the full amount having been so received, notice shall have been given to the holders of Notes and Coupons by the Trustee that the full amount has been received.

Any monies deposited with or paid to the Trustee or to a Paying Agent by or on behalf of either Issuer for the payment of the principal of or interest (including Additional Amounts) on any Note or Coupon and not applied but remaining unclaimed for two years after the date upon which such principal or interest (including Additional Amounts) shall have become due and payable shall be repaid upon the written request of the Issuer to or for the account of the Issuer by the Trustee or such Paying Agent and, to the extent permitted by law, the holder of such Note or Coupon shall thereafter look only to the Issuer for any payment which such holder may be entitled to collect, and all liability of the Trustee or such Paying Agent with respect to such monies shall thereupon cease.

12. Notices

All notices regarding the Notes shall be given (i) to holders of Definitive Bearer Notes and interests in a Temporary Global Bearer Note or a Permanent Global Bearer Note by publication at least once in a leading daily newspaper in the English language of general circulation in London and, so long as the Notes are traded on the Euro MTF and the rules of the Luxembourg Stock Exchange shall so require, in a daily newspaper of general circulation in Luxembourg (usually the Luxemburger Wort), on the Luxembourg Stock Exchange website (www.bourse.lu), or, if such Luxembourg publication is not practicable, in one other leading English language daily newspaper with general circulation in Europe, and (ii) to holders of Definitive Registered Notes and Global Registered Notes in writing mailed, first class postage prepaid, to each holder of Registered Notes, or portions thereof, or Global Registered Notes so to be redeemed, at its address as it appears in the Register, and, in addition, so long as the Notes are traded on the Euro MTF and the rules of the Luxembourg Stock Exchange shall so require, in a daily newspaper of general circulation in Luxembourg (usually the Luxemburger Wort), provided that the rules of the Luxembourg Stock Exchange have been complied with, for as long as the Notes are traded on the Euro MTF. The term “daily paper” as used herein shall be deemed to mean a newspaper customarily published on each business day, whether or not it shall be published in Saturday, Sunday or holiday editions. If by reason of the suspension of publication of any newspaper or of regular mail service, or by reason of any other cause, it shall be impracticable to give notice to the Noteholders in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Issuer or by the Trustee on behalf of and at the instruction of the Issuer shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the publication or mailed notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice to any particular Noteholder shall affect the sufficiency of any notice with respect to other Notes. Such notices will be deemed to have been given on the date of such publication or mailing or, if published in such newspapers on different dates, on the date of the first such publication.

Notice to be given by any Noteholder shall be in writing and given by forwarding the same, together with the relative Note or Notes, to the Trustee. While any Notes are represented by a Permanent Global Bearer Note, such notice may be given by any holder of an interest in such Permanent Global Bearer Note to the Trustee via Euroclear and/or Clearstream, Luxembourg, and/or any other clearing system as may be specified in the relevant Final Terms, as the case may be, in such manner as the Trustee and Euroclear and/or Clearstream, Luxembourg, and/or any other clearing system as may be specified in the relevant Final Terms, as the case may be, may approve for this purpose.

13. Currency Indemnity

All sums payable by the Issuer under or in connection with the Notes and the Coupons, including damages, will be payable in the applicable Specified Currency. Any amount received or recovered in a currency other than the applicable Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from either Issuer shall only constitute a discharge of the Issuer to the extent of the amount of the applicable Specified Currency which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount of the applicable Specified Currency is less than the amount of the applicable Specified Currency expressed to be due to the recipient under any Note or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 13, it will

be sufficient for the Noteholder or Couponholder to demonstrate that it would have suffered a loss had an actual purchase been made on the date established by this Condition 13. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgment or order.

14. Governing Law

THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA.

15. Jurisdiction

The Issuer hereby submits to the jurisdiction of any court of the State of New York or federal court sitting in the Borough of Manhattan, The City of New York (the "New York Courts"), with respect to any legal suit, action or proceeding arising out of or relating to this Note. The Issuer waives to the fullest extent permitted by law any immunity from jurisdiction to which it might otherwise be entitled in any suit or proceeding arising out of or relating to this Note and any such suit or proceeding may (at the sole election of the party bringing such suit or proceeding) be instituted by the holder of this Note in any such court.

The Issuer agrees that the process by which any proceedings in the State of New York are begun may be served on it by being delivered to the New York Agency of Bladex, 708 Third Avenue, 16th Floor, New York, New York 10017 (or its other address in New York from time to time). If the appointment of the person mentioned in this Clause ceases to be effective, the Issuer shall forthwith appoint a further person in the State of New York to accept service of process on its behalf in the State of New York and notify the name and address of such person to each Dealer, and failing such appointment within fifteen days, any Dealer shall be entitled to appoint such a person by notice to the Issuer. Nothing contained herein shall affect the right to serve process in any other manner permitted by law.

The submission to the jurisdiction of the New York Courts shall not (and shall not be construed so as to) limit the right of the Issuer, the Dealers or any of them to take proceedings in any other court of competent jurisdiction, nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

16. Descriptive Headings

The descriptive headings appearing in these Terms and Conditions are for convenience of reference only and shall not alter, limit or define the provisions hereof.

17. Further Issues of Notes

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, bonds or debentures having the same terms and conditions as the Notes in all respect (or in all respects except for the payment of interest on the Notes (i) scheduled and paid prior to the date of issuance of such notes, bonds or debentures or (ii) payable on the first Interest Payment Date following such date of issuance) so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds and debentures of any series (including the Notes); provided that nothing in this paragraph shall prevent the Issuer from creating and issuing further notes, bonds or debentures that do not have the same terms and conditions as the Notes and which are not consolidated with the Notes to form a single series. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Notes) constituted by the Trust Deed or any trust deed supplemental to it shall, and any other notes, bonds or debentures may, be constituted by a trust deed supplemental to the Trust Deed.

EXCHANGE OF GLOBAL NOTES

Unless provided otherwise in the applicable Final Terms, all Notes of a Series in bearer form that are offered and sold outside of the United States will be represented initially by a Temporary Global Bearer Note to be deposited with a common depository on behalf of Clearstream, Luxembourg and Euroclear and/or any other clearing system as may be specified in the relevant Final Terms for credit to the accounts designated for or on behalf of the purchasers of the Notes on the date of payment for and delivery of the Notes. Upon deposit of the Temporary Global Bearer Note, Euroclear or Clearstream, Luxembourg, and/or any other clearing system as may be specified in the relevant Final Terms, as the case may be, will credit each purchaser with a principal amount of Notes equal to the principal amount thereof for which it has paid. If an Interest Payment Date occurs while a holder has an interest in a Temporary Global Bearer Note, such interest payment will be made on the Temporary Global Bearer Note only to the extent that certification as to beneficial ownership as required by United States Treasury regulations (in the form set out in the Trust Deed and described in the following paragraph) has been received.

The beneficial owner of an interest in a Temporary Global Bearer Note shall, on or after the Exchange Date, exchange all or any portion of such interest for an equal aggregate principal amount of Registered Notes, in Authorized Denominations, or interests in a Permanent Global Bearer Note; provided, however, that such exchange for interests in a Permanent Global Bearer Note will be made only upon the receipt by the Issuer of certification that (i) the owner of such interest in a Permanent Global Bearer Note is not a United States person, (ii) the interest in a Permanent Global Bearer Note is owned by a financial institution for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) and such financial institution certifies in addition that it has not acquired such interest for purposes of resale directly or indirectly to a United States person or to a person within the United States or (iii) the obligation is owned by a United States person which is either (x) the foreign branch of a United States financial institution (as defined in United States Treasury Regulations Section 1.165-12(c)(1)(iv)) purchasing for its own account or for resale or (y) a United States person who acquired the obligation through the foreign branch of a United States financial institution and who holds the obligation through such financial institution on the date of certification (and in the case of either clause (x) or (y), the financial institution has agreed to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended (the “Code”), and the United States Treasury Regulations thereunder). Interests in a Permanent Global Bearer Note may be exchanged for Bearer Notes in definitive form and Registered Notes. For purposes hereof, (i) “Exchange Date” means, for any Series of Notes, a date which is not earlier than the 40th day after the later of the Issue Date or the completion of the resale of the Notes, as determined by Issuer, (ii) “United States person” means any citizen or resident of the United States, any corporation created or organized in or under the laws of the United States or of any state or political subdivision thereof (including the District of Columbia), any estate the income of which is subject to United States federal income taxation regardless of its source and a trust, if both a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust and (iii) “United States” means the United States of America (including the States thereof and the District of Columbia) and its possessions.

The following legend shall appear on all Bearer Notes and Coupons as required: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Code.” The sections referred to in such legend provide that a United States taxpayer, with certain exceptions, will not be entitled to deduct any loss on sales of an interest in a Permanent Global Bearer Note or a Definitive Bearer Note and will not be entitled to any capital gains treatment which might otherwise be applicable to any gain or any sale, exchange, redemption or other disposition of such interests in a Permanent Global Bearer Note or Definitive Bearer Note.

In compliance with United States federal tax laws and regulations, Bearer Notes (including interests in a Temporary Global Bearer Note and a Permanent Global Bearer Note) may not be offered or sold during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) within the United States or to United States persons other than to an office located outside the United States of a United States financial institution (as defined in Section 1.165-12(c)(1)(iv) of the United States Treasury Regulations), purchasing for its own account or for resale or for the account of certain customers, that provides a certificate stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the United States Treasury Regulations thereunder, or to certain other persons described in Section 1.163-5(c)(2)(i)(D)(1)(iii)(B) of the United States Treasury Regulations. Moreover, such Bearer Notes may not be delivered by any distributor in connection with their sale within the United States. Any distributor (as defined in Section 1.163-5(c)(2)(i)(D)(4) of the United States Treasury Regulations) participating in the offering or sale of Bearer Notes must covenant that it will not offer or sell during the

restricted period any Bearer Notes within the United States or to United States persons (other than to the persons described above), it will not deliver in connection with the sale of Bearer Notes during the restricted period any Bearer Notes within the United States and it has in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling the Bearer Notes are aware of the restrictions on offers and sales described above.

Notes of a Series initially sold in the United States or to U.S. persons will initially be issued in the form of a Global Registered Note and held in book entry form at DTC. Except as expressly provided for in the Trust Deed, the owner of beneficial interests in the Global Registered Notes may not obtain Registered Notes in definitive form. Such Registered Notes, whether in global or definitive form, will be “restricted” securities as defined in Rule 144 under the Securities Act.

For so long as a Series of Notes (or any part of it) is represented by a Temporary Global Bearer Note or a Permanent Global Bearer Note, each person who has for the time being a particular principal amount of the Notes of such Series so represented credited to its securities account in the records of Euroclear or Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms shall be treated as the Noteholder in respect of that principal amount of the relevant Series of Notes for all purposes under the Trust Deed, other than for the purpose of payments.

TAXATION

The following is a general description of certain tax laws relating to the Notes and does not purport to be a comprehensive discussion of the tax treatment of every Series of Notes. Prospective purchasers of any Series of Notes are advised to consult their own tax advisers as to the consequences of the purchase, ownership and disposition of any Series of Notes in light of their particular circumstances, including, but not limited to, the consequences of the receipt of interest and the sale or redemption of any Series of Notes.

Certain U.S. Federal Income Tax Considerations

General

The following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). Except as otherwise indicated, this summary deals only with purchasers of Notes that purchase Notes at original issuance at their initial issue price and that will hold the Notes as capital assets and whose functional currency is the U.S. dollar. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, non-U.S. or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, partners in a partnership that invests in Notes and such partnership, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers or traders in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes).

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, a citizen or resident of the United States, or a domestic corporation, or an estate, or trust the income of which is subject to U.S. federal income tax regardless of source.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to its consequences.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

The summary is based on the tax laws of the United States, including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and available and all subject to change at any time, possibly with retroactive effect.

The summary of U.S. federal income tax consequences set out below is for general information only. Prospective purchasers should consult their tax advisers as to the particular tax consequences to them of owning the Notes, including the applicability and effect of state, local, non-U.S. and other tax laws and possible changes in tax law.

Special Rules Applicable to Certain Accrual Method Taxpayers

Pursuant to recent legislation, for taxable years beginning after December 31, 2017 (or, in the case of Notes issued with original issue discount for U.S. federal income tax purposes, taxable years beginning after December 31, 2018), an accrual method taxpayer that reports revenues on an “applicable financial statement” generally must recognise income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in the applicable financial statements. This rule could potentially require such a taxpayer to recognise income for U.S. federal income tax purposes with respect to the Notes prior to the time such income otherwise would

be recognised pursuant to the rules described below. U.S. Holders should consult their tax advisers regarding the potential applicability of these rules to their investment in the Notes.

Characterisation of the Notes

There are no regulations, published rulings or judicial decisions addressing the characterisation for U.S. federal income tax purposes of securities issued under the same circumstances and with substantially the same terms as the Notes. Bladex believes and intends to take the position that the Notes constitute debt for U.S. federal income tax purposes. However, no ruling will be obtained from the IRS with respect to the characterisation of the Notes as debt, and there can be no assurance that the IRS or the courts would agree with this characterisation of the Notes. If, due to the capital structure of Bladex or otherwise, the Notes were treated as equity interests in Bladex, U.S. Holders would be treated as owning interests in a “passive foreign investment company” (a “PFIC”). Prospective investors should consult their tax advisers regarding the characterisation of the Notes and the consequences of owning an equity interest in a PFIC. The discussion below assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

Interest

The gross amount of interest (other than OID, as defined and discussed under “—Original Issue Discount”) and Additional Amounts (if any) on a Note (without reduction for withholding taxes, if any) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder’s method of accounting for tax purposes. Interest paid by Bladex on the Notes and OID, if any, accrued with respect to the Notes (as described below under “—Original Issue Discount”) generally will constitute income from sources outside the United States. For U.S. foreign tax credit limitation purposes, interest on the Notes generally will constitute “passive category income,” or, in the case of certain U.S. Holders, “general category income” which are treated separately from other types of income in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount (“OID”). The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event Bladex issues contingent payment debt instruments, the applicable Final Terms will describe the principal U.S. federal income tax consequences thereof, as appropriate.

A Note, other than a Note with a term of one year or less (a “Short-Term Note”), will be treated as issued with OID (a “Discount Note”) if the excess of the Note’s “stated redemption price at maturity” over its “issue price” is equal to or more than a *de minimis* amount (0.25 per cent. of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or the weighted average maturity in the case of installment notes)). Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest.” The term “qualified stated interest” generally means stated interest that is unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or, subject to certain conditions, at a variable rate based on one or more interest indices.

U.S. Holders of Discount Notes must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year in which the U.S. Holder holds the Discount Note (“accrued OID”). The daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (i) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount

Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (ii) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. In the case of a Note that pays a variable rate of interest (a "Variable Interest Rate Note") and that is a Discount Note, both the "yield to maturity" and "qualified stated interest" generally will be determined for these purposes as though the Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or in the case of certain Variable Interest Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules may apply if interest on a Variable Interest Rate Note is based on more than one interest index.) The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "—Election to Treat All Interest as Original Issue Discount," is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Market Discount

A Note, other than a Short-Term Note, purchased in the secondary market or upon a further issuance that is a qualified reopening for U.S. federal income tax purposes generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's adjusted issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or adjusted issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount."

Upon disposition or maturity of a Market Discount Note, or upon receipt of a partial principal payment on a Market Discount Note that is an installment obligation, any gain will be treated as ordinary income to the extent that the gain does not exceed the market discount which has not been previously included in gross income and which accrued on the Note while held by such U.S. Holder. In general terms, market discount is accrued on a rateable basis, or, at the U.S. Holder's election, on a constant yield basis. A constant yield election is irrevocable unless the IRS consents to a revocation. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently (on either a rateable or constant yield basis) over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described above under "—General," with certain modifications. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "—Notes Purchased at a Premium") or acquisition premium. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "—Market Discount" to include market discount in income currently over the life of

all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium," in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "—Original Issue Discount—Election to Treat All Interest as Original Issue Discount" above.

Purchase, Sale, Exchange and Retirement of Notes

A U.S. Holder generally will recognise gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realised on the sale, exchange or retirement (other than accrued but unpaid qualified stated interest which will be taxable as such) and the tax basis of the Note. A U.S. Holder's tax basis in a Note generally will be its cost to the Holder increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Notes (whether or not *de minimis*) and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Notes. Except to the extent described above under "—Original Issue Discount—Market Discount" or "—Original Issue Discount—Short-Term Notes" or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source gain or loss. The deductibility of capital losses is subject to limitations.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale, exchange or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. If a payment received in a foreign currency is not immediately converted into U.S. dollars, the later disposition of the foreign currency may give rise to further exchange gain or loss.

OID

OID for each accrual period on a Discount Note denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Bond Premium

Bond premium (which for this purpose includes both amortizable bond premium and acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognise exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Sale, Exchange or Retirement

As discussed above under “—Purchase, Sale, Exchange and Retirement of Notes,” a U.S. Holder generally will recognise gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realised on the sale, exchange or retirement and its tax basis in the Note. A U.S. Holder’s tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realised on a sale, exchange or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale, exchange or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise exchange rate gain or loss (taxable as ordinary income or loss) on the sale, exchange or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder’s purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale, exchange or retirement.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale, exchange or retirement of a Note will have a tax basis equal to the U.S. dollar amount taken into account as interest or proceeds from sale, exchange or retirement of a Note. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be ordinary income or loss.

U.S. Information Reporting and Backup Withholding Tax

A U.S. Holder may be subject to information reporting unless it establishes that payments to it made within the United States or by a U.S. payor or U.S. middleman are exempt from these rules (e.g., payments to corporations generally are exempt from these rules). Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder’s U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Reportable Transactions

U.S. Treasury regulations require a U.S. taxpayer that participates in a “reportable transaction” to disclose such participation to the IRS. The scope and application of these rules is not entirely clear. In the event the acquisition, holding or disposition of Notes constitutes participation in a “reportable transaction” for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS and Bladex and its advisers may also be required to disclose the transaction to the IRS. In addition, Bladex and its advisers may be required to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

3.8% Medicare Tax On “Net Investment Income”

Certain U.S. Holders who are individuals, estates or trusts are required to pay a 3.8% tax on, among other things, interest income and capital gains from the sale or other disposition of Notes.

Foreign Asset Reporting

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions, such as a U.S. brokerage account). U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of new U.S. federal income tax legislation on their ownership and disposition of the Notes.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the consequences of a purchase, ownership and disposition of Notes, including, without limitation, the applicability and effect of any state, local or non-U.S. tax laws to which they may be subject, and of any legislative or administrative changes in law.

Panama

Panama's income tax is essentially territorial. Only income deemed to arise from Panamanian sources is subject to income tax in Panama. Income derived by Panamanian or foreign corporations or individuals which is not deemed to be Panamanian source income is not subject to income tax in Panama.

Payments of interest on the Notes to any holder thereof will not be subject to income tax or withholding requirements in Panama, provided that the proceeds received by Bladex upon the original issuance and sale of the Notes are not placed, invested or economically utilized in Panama, and further provided that payments on the Notes are made through a bank paying agent as contemplated in the Agency Agreement. A holder of a Note will not be subject to income tax in Panama on any gain realized on the sale, exchange or retirement of a Note, provided that the proceeds received by Bladex upon the original issuance and sale of the Notes are not placed, invested or economically utilized in Panama. Bladex has represented and agreed that it will not place, invest or economically utilize in Panama the proceeds that it will receive upon the original issuance and sale of the Notes.

There are no other stamp, transfer or inheritance taxes applicable to the issue, transfer or other disposition of the Notes.

Holders of Notes are not required to file a tax return in Panama solely by reason of their ownership, sale or disposition of the Notes.

The above summary is based upon statutes, regulations, rulings and court decisions as in effect on the date hereof.

Proposed EU Financial Transactions Tax ("FTT")

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt. Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have entered into the Dealer Agreement with the Issuer pursuant to which they established with the Issuer a basis upon which they may from time to time agree to purchase the Notes for an indefinite period of time under the Program. Certain additional Dealers may from time to time execute a Dealer Accession Letter with the Issuer in order to purchase Notes from time to time in accordance with the provisions of the Dealer Agreement. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain expenses in connection with the establishment of the Program and the issue of each Series of Notes under the Program. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes, including liabilities under the Securities Act.

Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the Dealers or their affiliates have a lending relationship with us, certain of those Dealers or their affiliates routinely hedge, and certain other of those Dealers may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes may be offered and sold in the United States pursuant to Rule 144A. The Dealers have represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, that neither they, nor any of their affiliates nor any person acting on their behalf, has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes or any form of general solicitation or general advertising (as defined in Regulation D under the Securities Act) in connection with any offer or sale of the Notes in the United States. The Bearer Notes are also subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations.

Until 40 days after the commencement of the offering of each Series of Notes, an offer or sale of Notes of such Series within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

No Notes may be offered, sold or otherwise made available which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “*retail investor*” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”); and

(b) the expression “*offer*” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes. This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. This Base Prospectus is not a prospectus for the purposes of the Prospectus Directive.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, that:

No deposit-taking: in relation to any Notes having a maturity of less than one year:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
- (ii) it has not offered or sold and will not offer or sell the Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses;

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer.

Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

The Notes which are the subject of the offering contemplated by this Base Prospectus have not been and may not be offered, sold, delivered or transferred to the public in the Netherlands (i) in reliance on Article 3(2) of the Prospectus Directive if and to the extent article 5:20(5) of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*) applies, or (ii) in reliance on Article 1(2)(h) of the Prospectus Directive, in each case unless such offer is made exclusively to qualified investors in the Netherlands as defined in the Prospectus Directive provided that no such offer of Notes shall require the Issuer or any manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expressions (i) an “offer of Notes to the public” in relation to any Notes in the Netherlands, and (ii) “Prospectus Directive,” have the meaning given to them above in the paragraph headed with “Notice to Prospective Investors in the European Economic Area.”

Switzerland

This Base Prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this Base Prospectus may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland,

but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the Dealers from time to time.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA..

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Thailand

The Notes have not been and will not be offered or sold, whether directly or indirectly, in the Kingdom of Thailand. Any invitation in the Kingdom of Thailand to subscribe for the Notes has not been and will not be made, whether directly or indirectly, and this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes has not been and will not be circulated or distributed, whether directly or indirectly, to any persons in Thailand.

If the Notes are resold into Thailand, such Notes will only be resold to qualified “Institutional Investors,” as defined under the Bank of Thailand regulations, in accordance with and subject to the applicable regulations of the Bank of Thailand, in accordance with and subject to the applicable regulations of the Bank of Thailand, and to the extent permitted by the Bank of Thailand to invest in foreign currency denominated debt securities. Such qualified Institutional Investors currently include: (i) The Government Pension Fund, (ii) The Social Security Fund, (iii) provident funds, (iv) mutual funds (excluding private funds), (v) securities companies purchasing Notes for their own account or other investors’ accounts, (vi) insurance companies, (vii) financial institutions established under specific acts, (viii) legal entities whose principal business is manufacturing, trading or services and having assets on their balance sheets of at least Baht 5 Billion, and (ix) companies listed on the Stock Exchange of Thailand.

Taiwan

The Notes have not been and will not be registered with the Financial Supervisory Commission (“FSC”) pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the FSC. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

Brazil

The Notes have not been and will not be issued, nor placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Notes has not been nor will be registered with the Securities and Exchange Commission of Brazil (*Comissão de Valores Mobiliários* or CVM). Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law No. 6,385, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the securities offered by this Base Prospectus, as well as information contained therein, may not be supplied to the public in Brazil (as the securities offered by this Base Prospectus is not a public offering of the Notes in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. Therefore, each of the Dealers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Chile

Neither the Issuer nor the Notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile* or “SVS”), or subject to the control and supervision of the SVS. This Base Prospectus does not constitute a public offer of, or an invitation to subscribe for or purchase, the Notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the

Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not “addressed to the public at large or to a certain sector or specific group of the public”).

Colombia

The Notes have not been offered or sold, and will not be offered or sold, in Colombia other than in compliance with applicable laws.

Mexico

The Notes have not been, and will not be, registered with the National Securities Registry maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores* or “CNBV”) and, therefore the Notes may not be publicly offered or sold nor be the subject of intermediation in Mexico, publicly or otherwise, except that Notes may be offered in Mexico to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law.

Panama

The Notes have not been, and will not be, registered with the Superintendency of Capital Markets of Panama. Accordingly, (i) the Notes cannot be offered or sold in Panama, except in transactions exempted from registration under the securities laws of Panama, (ii) the Superintendency of Capital Markets of Panama has not reviewed the information contained in this Base Prospectus, (iii) the Notes and their offer are not subject to the supervision of the Superintendency of Capital Markets of Panama, and (iv) the Notes do not benefit from the tax incentives provided by the Panamanian securities laws and regulations.

Peru

The Notes and the information contained in this Base Prospectus are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer or the Dealers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this Base Prospectus have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*) nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering contemplated by this Base Prospectus.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction that would permit a public offering of the Notes or the possession, circulation or distribution of this Base Prospectus or any other material relating to the Issuer or the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Base Prospectus nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms in the case of a supplement or modification relevant only to a particular Series of Notes) or (in any other case) in a supplement to this document.

Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

TRANSFER RESTRICTIONS

Notes of a Series may be offered, sold and resold in the United States to qualified institutional buyers in reliance on Rule 144A. Each purchaser of such Notes will be deemed by its acceptance thereof to have represented and agreed as follows (except as otherwise indicated, terms used in the following paragraphs have the meanings given to them by Regulation S or Rule 144A, as applicable):

- (1) The purchaser is purchasing such Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a qualified institutional buyer and such Notes are being sold to it in reliance on Rule 144A.
- (2) Such Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States or under any state securities laws and may not be reoffered, resold, pledged or otherwise transferred except (A) in compliance with Rule 144A to a person whom the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) purchasing for its own account or for the account of a qualified institutional buyer whom the holder has informed, in each case, that the reoffer, resale, pledge or other transfer is being made in reliance on Rule 144A, (B) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction.
- (3) The Notes have not been, and will not be, registered with the Superintendency of Capital Markets of Panama. Accordingly, (i) the Notes cannot be publicly offered or sold in Panama, except in transactions exempted from registration under the securities laws of Panama, (ii) the Superintendency of Capital Markets of Panama has not reviewed the information contained in this Base Prospectus, (iii) the Notes and its offer are not subject to the supervision of the Superintendency of Capital Markets of Panama, and (iv) the Notes do not benefit from the tax incentives provided by the Panamanian securities laws and regulations. The Dealers acknowledge and each future Dealer appointed under the Program will be required to acknowledge that the Notes have not been, and will not be, registered with the Superintendency of Capital Markets of Panama, and therefore will not offer or sell the Notes in Panama, except in transactions exempted from the registration requirements of the securities laws of Panama.
- (4) Such Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR UNDER ANY STATE SECURITIES LAWS, AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THE FOLLOWING SENTENCES. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A; (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. UNLESS OTHERWISE INDICATED, TERMS USED IN THIS PARAGRAPH HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

The Issuer recognizes that none of DTC, Euroclear or Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms in any way undertakes to, and none of DTC, Euroclear or Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms shall have any

responsibility to, monitor or ascertain the compliance of any transactions in the Notes with any exemptions from registration under the Securities Act or of any other state or federal securities law.

FINAL TERMS

The Final Terms for each Series of Notes will be in substantially the form set forth in Appendix A to this Base Prospectus and will contain the following information in respect of the Notes of that Series:

- (i) the Issuer;
- (ii) whether the Notes are to be offered on a syndicated basis and the names of the Dealers;
- (iii) the Series number;
- (iv) whether the Notes are in bearer or registered form;
- (v) the Specified Currency and the Authorized Denomination(s) of the Notes;
- (vi) the aggregate principal amount of the Notes to be issued (the “Principal Amount”) and the price (expressed as a percentage of the Principal Amount) at which such Notes will be issued (the “Issue Price”);
- (vii) the date on which such Notes will be issued (the “Issue Date”);
- (viii) the date on which such Notes (unless previously redeemed or purchased and cancelled) will be redeemed (the “Maturity Date”);
- (ix) in the case of Variable Redemption Amount Notes, the amount at which the Notes will be redeemed (the “Redemption Amount”);
- (x) the interest and/or payment basis (the “Interest Basis”) of the Notes, which may be one or more of the following:
 - (a) Notes bearing interest on a fixed rate basis (“Fixed Rate Notes”); or
 - (b) Notes bearing interest on a floating rate basis (“Floating Rate Notes”); or
 - (c) Notes bearing interest on a step up or step down basis (“Step up Notes” or “Step down Notes,” respectively); or
 - (d) Notes issued on a non interest bearing basis (“Zero Coupon Notes”); or
 - (e) Notes bearing interest on a variable rate basis (“Variable Coupon Amount Notes”);
- (xi) in the case of interest bearing Notes, the date from which such Notes bear interest (which may or may not be the Issue Date) (the “Interest Commencement Date”);
- (xii) in the case of Fixed Rate Notes:
 - (a) the rate or rates at which the Notes bear interest (which may remain the same throughout the life of the Notes or increase and/or decrease) (each an “Interest Rate”); and
 - (b) the date or dates on which interest is payable (which may occur once or more than once in each year and which date or dates may or may not be the same throughout the life of the Notes (each a “Fixed Interest Payment Date”);
- (xiii) in the case of Floating Rate Notes:
 - (a) the period to maturity of the instrument or obligation from which the Base Rate is calculated (the “Index Maturity”);
 - (b) the manner in which the rate of interest (the “Rate of Interest”) is to be determined, including:

- (1) the relevant base rate (the “Base Rate”) by which the Rate of Interest is to be determined and the relevant financial center applicable to such Base Rate; and
- (2) the spread (the “Spread”) (expressed as a percentage rate per annum) specified on the face of such Note as being applicable to the relevant Base Rate (the “Relevant Rate”) for such Note and the spread multiplier (the “Spread Multiplier”) (expressed as a percentage) specified on the face of such Note as being applicable to the Relevant Rate for such Note;
- (c) the minimum interest rate, if any, at which such Notes will bear interest (the “Minimum Interest Rate”);
- (d) the maximum interest rate, if any, at which such Notes will bear interest (the “Maximum Interest Rate”);
- (e) the date or dates on which the Rate of Interest will be reset (each, an “Interest Reset Date”);
- (f) the date on which the Rate of Interest will be determined (each, an “Interest Determination Date”) (if different from that set forth in Condition 3);
- (g) the applicable definition of “Business Day” (if different from that set forth in Condition 5(c));
- (h) any other terms relating to the particular method of calculating interest for such Notes;
- (xiv) in the case of Zero Coupon Notes:
 - (a) the amortization yield (if any) in respect of such Notes (the “Amortization Yield”) expressed as a percentage rate per annum; and
 - (b) any other formula or basis for determining the Amortized Face Amount (as described in Condition 4(c));
- (xv) whether such Notes are to be redeemable at the option of the Issuer and/or the Noteholders and, if so, the applicable terms (including each date upon which redemption may occur, the premium (if any) for the Notes, in the case of Notes redeemable by the Issuer in part, the minimum principal amount (if any) of the Notes permitted to be so redeemed at any time and such greater principal amount (if any) of the Notes permitted to be so redeemed at any time);
- (xvi) whether or not entitlements to payments of principal and interest are postponed until the following Business Day if the date for payment does not fall on a Business Day;
- (xvii) details of any additions or variations to the Conditions;
- (xviii) details of any additional selling restrictions which are required;
- (xix) additional investment considerations (if any);
- (xx) whether or not such Notes are to be traded on the Euro MTF or any other agreed stock exchange;
- (xxi) details of any additional or alternative clearance system approved by the Issuer, the Principal Paying Agent and, if applicable, the Registrar and, for listed Notes, the Luxembourg Stock Exchange;
- (xxii) details of any other relevant terms of such Notes or special conditions not inconsistent with the provisions of the Trust Deed;
- (xxiii) details of the Calculation Agent (if any);
- (xxiv) details of the stabilising Dealer (if any);
- (xxv) the Common Code for Euroclear and Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms and the relevant ISIN number, and/or the relevant CUSIP and CINS numbers;

- (xxvi) the relevant Exchange Date upon which the Temporary Global Bearer Note will be exchangeable for (1) interests in a Permanent Global Bearer Note or (2) Registered Notes;
- (xxvii) whether a DTC Restricted or Unrestricted Global Note and/or a Restricted or Unrestricted Global Note will be available; and
- (xxviii) commissions and concessions for syndicated issues.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Notes will be passed upon with respect to New York and United States law by Clifford Chance US LLP and with respect to Panamanian law by Arias, Fábrega & Fábrega.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements of Banco Latinoamericano de Comercio Exterior, S.A. and subsidiaries as of December 31, 2017, 2016 and 2015, included in this Base Prospectus, have been audited by Deloitte, Inc., an independent registered public accounting firm, as stated in their report appearing herein.

GENERAL INFORMATION

1. Application has been made to have the Notes accepted for clearance through the Euroclear and Clearstream, Luxembourg clearance systems. The Common Code for each Series of Notes, together with the relevant ISIN number and the CUSIP number for Notes sold in the United States, will be contained in the Final Terms relating thereto. This Base Prospectus, any supplement to this Base Prospectus and the Final Terms for each Series of Notes will be available for inspection and may be obtained at the office of the Paying Agent, The Bank of New York (Luxembourg) S.A., 2-4 rue Eugène Ruppert, Vertigo Building – Polaris, L-2453 Luxembourg.
2. The Luxembourg Stock Exchange has assigned the Program the number 9654 for listing purposes.
3. Bladex has obtained all necessary consents, approvals and authorizations in Panama in connection with the issue of, and the performance of its obligations under, the Notes. The update of the Program and the issue of the Notes thereunder have been authorized and ratified by resolutions of the Board of Directors of Bladex passed at a meeting held on July 17, 2018.
4. Except as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer since December 31, 2017.
5. The Issuer is not involved in any governmental, litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes, nor so far as it is aware is any such litigation or arbitration proceedings pending or threatened.
6. Copies in English of (i) the latest and future consolidated audited annual and unaudited quarterly financial statements of Bladex, (ii) the Trust Deed, (iii) the Agency Agreement (including the forms of Notes) and (iv) any other agreement executed in connection with the Program and any issuance of Notes thereunder will be available for collection and may be obtained at the offices of each of the Paying Agents, including The Bank of New York (Luxembourg) S.A., 2-4 rue Eugène Ruppert, Vertigo Building – Polaris, L-2453 Luxembourg, and at the Issuer's registered office. Bladex does not publish unconsolidated financial statements. Copies of Bladex's by-laws will be available for collection and may be obtained at the Issuer's registered office and at the office of the Luxembourg listing agent, Banque Internationale à Luxembourg S.A.
7. The Issuer's Legal Entity Identifier (LEI) number is 549300CN3134K4LC0651.

APPENDIX A

FORM OF FINAL TERMS

The Final Terms in respect of each Series of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”) . Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subject to MiFID II subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]¹

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are [“prescribed capital markets products”]/[capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and [“Excluded Investment Products”]/[“Specified Investment Products”] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

Final Terms dated [•]

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.
Issue of [Principal Amount of Series] [Title of Notes]
under the U.S.\$2,250,000,000
Euro Medium Term Note Program

CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [•], 2018 [and the supplemental Base Prospectus dated [•]]. This document constitutes the Final Terms relating to the issue of Notes described herein. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus [(as so supplemented)].

¹ Legend to be included on front of the Final Terms if transaction is in scope of MiFID II and following the ICMA 1 “all bonds to all professionals” target market approach.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus [(as so supplemented)]. The Base Prospectus [and the supplemental Base Prospectus] [is/are] available for viewing at [[address] [and] [website]] and copies may be obtained from [address].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [•], 2017 [and the supplemental Base Prospectus dated [•]]. These Final Terms contain the final terms of the Notes described herein and must be read in conjunction with the Base Prospectus dated [•], 2017 [and the supplemental Base Prospectus dated [•]], which [together] constitute[s] a Base Prospectus, save in respect of the Conditions which are extracted from the Base Prospectus dated [•] [and the supplemental Base Prospectus dated [•]] and are attached hereto. Full information on the Issuer and the offer of the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectuses dated [•] and [•] and the [supplemental Base Prospectuses dated [•] and [•]]. The Base Prospectuses [and the supplemental Base Prospectuses] are available for viewing at [address] [and] [website]] and copies may be obtained from [address].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

1. Issuer: Banco Latinoamericano de Comercio Exterior, S.A.
2. (i) Series Number: []
- (ii) Series Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). []
3. Specified Currency or Currencies: []
4. Principal Amount:
 - [(i)] [Series:] []
 - [(ii)] [Tranche:] []
5. Issue Price: [] per cent. of the Principal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. Authorized Denominations: []
(N.B. The minimum denomination of each Note admitted to trading on a regulated exchange in the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive is EUR100,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to Specified Currency)

(No Notes may be issued which have a minimum denomination of less than EUR1,000 (or nearly equivalent in another currency)).

7. (i) Issue Date: []
- (ii) Interest Commencement Date: []
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.]*
9. Interest Basis: [● % Fixed Rate Notes]
 [specify reference rate] +/- ● % Floating Rate Notes]
 [Zero Coupon Notes]
 [Index-Linked Interest]
 [Step Up Notes or Step Down Notes]
 [Variable Coupon Amount Notes]
 [Dual Currency]
 [Other (specify)]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index-Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (specify)]
11. Change of Interest or Redemption/ Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
13. (i) Status of the Notes: [Senior/[Dated/Perpetual]/Subordinated]
- (ii) Status of the Guarantee: [Senior/[Dated/Perpetual]/Subordinated]
- [(iii)] Date [Board] approval for issuance of Notes obtained: []
- (N.B Only relevant where Board (or similar) authorisation is required for the particular Series of Notes)]*
14. Method of distribution: [Syndicated/Non-syndicated]

15. Listing
- (i) Listing: [Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange]/[other] with effect from [].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Rate(s): [] per cent. per annum [payable [annually/semi- annually/quarterly/ monthly] in arrears]
- (ii) Fixed Interest Payment Date(s): [] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] [per Note of [] Authorized Denomination and per Note of [] Authorized Denomination]
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) Determination Dates: [] in each year (*insert regular interest payment dates, ignoring Issue Date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA])*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- (consider if day count fraction, particularly for euro denominated issues should be on an Actual/ Actual or other basis. Also consider what should happen to unmatured coupons in the event of early redemption of the Notes.)*
17. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph.)*
- (i) Interest Period(s): []
- (ii) Specified Interest Payment Dates: []

- | | | |
|-------|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (iii) | Business Day Convention: | <p>[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (<i>give details</i>)]</p> <p>The Business Day Conventions set out above have the following meanings:</p> <p>“FRN Convention,” “Floating Rate Convention” or “Eurodollar Convention” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Interest Period after the calendar month in which the preceding such date occurred, provided, however, that: (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month; (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.</p> <p>“Following Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day.</p> <p>“Modified Following Business Day Convention” or “Modified Business Day Convention” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day.</p> <p>“Preceding Business Day Convention” means that the relevant date shall be brought forward to the first preceding day that is a Business Day.</p> |
| (iv) | Additional Business Centre(s): | [Not Applicable/ <i>give details</i>] |
| (v) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination/other (<i>give details</i>)] |
| (vi) | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent): | [[<i>Name</i>] shall be the Calculation Agent (<i>no need to specify if the Principal Paying Agent is to perform this function</i>)] |

- (vii) Screen Rate Determination:
- Base Rate: [For example, LIBOR or EURIBOR]
 - Relevant Screen Page: [For example, Reuters LIBOR 01/EURIBOR 01]
 - Relevant Time: [For example, 11.00 A.M. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region composed of the countries whose lawful currency is the euro)]
- (viii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
- (ix) Margin(s): [+/-] [] per cent. per annum
- (x) Minimum Interest Rate: [] per cent. per annum
- (xi) Maximum Interest Rate: [] per cent. per annum
- (xii) Day Count Fraction: []
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
- (xiv) Index Maturity: []
- (xv) Spread: []
- (xvi) Spread Multiplier: []
- (xvii) Interest Reset Date: []
- (xviii) Interest Determination Date: [] (if different from that set forth in Condition 3)
- (xix) Business Day: [] (if different from that set forth in Condition 5(c))

18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]

		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) [Amortisation/Accrual] Yield:	[] per cent. per annum
	(ii) Reference Price:	[]
	(iii) Any other formula/basis of determining amount payable:	<i>[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [4(c)]]</i>
19.	Index-Linked Interest Note Provisions	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Index/Formula:	<i>[Give or annex details]</i>
	(ii) Calculation Agent responsible for calculating the interest due:	[]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[]
	(iv) Specified Interest Payment Dates:	[]
		<i>(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable.")</i>
	(v) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (<i>give details</i>)]
	(vi) Additional Business Centre(s):	[]
	(vii) Minimum Rate of Interest:	[] per cent. per annum
	(viii) Maximum Rate of Interest:	[] per cent. per annum
	(ix) Day Count Fraction:	[]
20.	Dual Currency Note Provisions	[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currenc(y)(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

21. **Early Redemption for Tax Reasons** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Early Redemption Amount (Tax): []
- (ii) Date after which changes in law, etc. entitle Issuer to redeem: [Specify if not the Issue Date]

22. **Call Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Authorized Denomination
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []

- (b) Maximum Redemption Amount: []
- (iv) Notice period: []
23. **Put Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):
- (iii) Notice period: []
24. **Early Redemption Amount**
- Early Redemption Amount(s) of each Note payable on redemption on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable (if the Early Termination Amount is the principal amount of the Notes/specify the Early Termination Amount if different from the principal amount of the Notes)]
25. Redemption Amount: [] per note of authorized denomination

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. **Form of Notes:** **Bearer Notes:**
- [Temporary Global Bearer Note exchangeable for a Permanent Global Bearer Note which is exchangeable for Definitive Bearer Notes on
- [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Bearer Note.]
- [Temporary Global Bearer Note exchangeable for Definitive Bearer Notes on [] days' notice.]
- [Permanent Global Bearer Note exchangeable for Definitive Bearer Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Bearer Note].
- (The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any*

issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.)

[Exchange Date: []]

Registered Notes:

[Global Registered Note]
[Definitive Registered Notes]
[DTC Restricted Global Note]
[DTC Unrestricted Global Note]
[Restricted Global Note]
[Unrestricted Global Note]

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 27. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | [Not Applicable/give details. <i>Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vii) relate</i>] |
| 28. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. <i>If yes, give details</i>] |
| 29. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/give details] |
| 30. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: | [Not Applicable/give details] |
| 31. | [Consolidation provisions: | [Not Applicable/The provisions [in Condition 18 (<i>Further Issues</i>)] [annexed to this Final Terms] apply]] |
| 32. | Other terms or special conditions: | [Not Applicable/give details] |

(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

- | | | |
|-----|---------------------------------------------------------------------------------|-----------------------------|
| 33. | (i) If syndicated, names and addresses and underwriting commitments of Dealers: | [Not Applicable/give names] |
|-----|---------------------------------------------------------------------------------|-----------------------------|

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names

and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)

- | | | |
|-------|------------------------------------------------|-------------------------------------------------|
| (ii) | Date of Subscription Agreement: | [•] |
| (iii) | Stabilising Dealer (if any): | [Not Applicable/give name] |
| 34. | If non-syndicated, name and address of Dealer: | [Not Applicable/give name and address] |
| 35. | TEFRA: | [Not Applicable/The [C/D] Rules are applicable] |
| 36. | Additional selling restrictions: | [Not Applicable/give details] |
| 37. | Additional investment considerations: | [Not Applicable/give details] |

OPERATIONAL INFORMATION

- | | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 38. | ISIN Code: | [] |
| 39. | Common Code: | [] |
| 40. | [CUSIP or CINS codes] | [] |
| 41. | [CFI Code] | [] |
| 42. | [FISN Code] | [] |
| 43. | Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A., and the relevant identification number(s): | [Not Applicable/give name(s) and number(s)] |
| 44. | Delivery: | Delivery [against/free of] payment. [If delivery is against payment, provide wire transfer instructions.] |
| 45. | Names and addresses of additional Paying Agent(s) (if any): | [] |
| 46. | Calculation Agent: | [] (if any) |

ADMISSION TO TRADING

These Final Terms comprise the final terms required for the Notes described herein to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange pursuant to the U.S.\$2,250,000,000 Euro Medium Term Note Program of Banco Latinoamericano de Comercio Exterior, S.A.

[STABILISING

In connection with the issue of the Notes, [insert name of Stabilisation Manager] (the “**Stabilisation Manager**”) (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to

supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must be no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over allotment shall be conducted in accordance with applicable law. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Final Terms. [[•] has been extracted from [•].] The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.

Signed on behalf of the Issuer:

By: _____
Duly authorized

APPENDIX B

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A. AND SUBSIDIARIES AS OF DECEMBER 31, 2017 AND 2016, AND RELATED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS, PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME, CHANGES IN EQUITY AND CASH FLOWS FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2017

INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated Financial Statements
as of December 31, 2017, 2016 and 2015

With Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Banco Latinoamericano de Comercio Exterior, S.A. and subsidiaries (the "Bank") as of December 31, 2017 and 2016, and the related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2017 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the Bank's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte, Inc.

April 30, 2018
Panama, Republic of Panama

We have served as the Bank's auditor since 2007.

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

Consolidated statement of financial position

For the years ended December 31, 2017 and 2016

(In US\$ thousand)

	Notes	2017	2016
Assets			
Cash and cash equivalents	4,18,27.2	672,048	1,069,538
Financial Instruments:			
At fair value through OCI	5.2,18	25,135	30,607
Securities at amortized cost, net	5.3,18	68,934	77,214
Loans	5.5,27.2,27.3	5,505,658	6,020,731
Less:			
Allowance for expected credit losses	5.5,17,27.2	81,294	105,988
Unearned interest and deferred fees	5.5,27.2	4,985	7,249
Loans, net		5,419,379	5,907,494
Derivative financial instruments used for hedging – receivable	5.6,5.7,17,18	13,338	9,352
Property and equipment, net	7,17	7,420	8,549
Intangibles, net	8,17	5,425	2,909
Other assets:			
Customers' liabilities under acceptances	18,17	6,369	19,387
Accrued interest receivable	18,17	30,872	44,187
Other assets	9,17	18,827	11,546
Total of other assets		56,068	75,120
Total assets		6,267,747	7,180,783
Liabilities and stockholders' equity			
Deposits:	10,18,27.2,27.3		
Noninterest-bearing - Demand		420	1,617
Interest-bearing - Demand		81,644	125,397
Time		2,846,780	2,675,838
Total deposits		2,928,844	2,802,852
Derivative financial instruments used for hedging – payable	5.6,5.7,18	34,943	59,686
Financial liabilities through profit or loss	5.1,5.7,18	-	24
Short-term borrowings and debt	12.1,18	1,072,723	1,470,075
Long-term borrowings and debt, net	12.2,18	1,138,844	1,776,738
Other liabilities:			
Acceptances outstanding	18	6,369	19,387
Accrued interest payable	18	15,816	16,603
Allowance for expected credit losses on loan commitments and financial guarantees contracts	6	6,845	5,776
Other liabilities	13	20,551	18,328
Total other liabilities		49,581	60,094
Total liabilities		5,224,935	6,169,469
Stockholders' equity:	14,15,16,19		
Common stock		279,980	279,980
Treasury stock	15	(63,248)	(69,176)
Additional paid-in capital in excess of assigned value of common stock		119,941	120,594
Capital reserves		95,210	95,210
Retained earnings		608,966	587,507
Accumulated other comprehensive income (loss)	5.2,5.6,19	1,963	(2,801)
Total stockholders' equity		1,042,812	1,011,314
Total liabilities and stockholders' equity		6,267,747	7,180,783

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

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

Consolidated statements of profit or loss

For the years ended December 31, 2017, 2016 and 2015

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

	Notes	2017	2016	2015
Interest income:				
Deposits		10,261	4,472	2,050
At fair value through OCI		545	2,254	6,033
Securities at amortized cost		1,947	2,780	2,371
Loans		213,326	236,392	209,858
Total interest income	17	226,079	245,898	220,312
Interest expense:				
Deposits		42,847	20,131	11,788
Short and long-term borrowings and debt		63,417	70,558	63,045
Total interest expense	17	106,264	90,689	74,833
Net interest income	17	119,815	155,209	145,479
Other income:				
Fees and commissions, net	21	17,514	14,306	19,200
Loss on derivative financial instruments and foreign currency exchange, net	5.6	(437)	(486)	(23)
(Loss) gain per financial instrument at fair value through profit or loss	22	(732)	(2,883)	5,731
Gain (loss) on sale of securities at fair value through OCI	5.2	249	(356)	363
Gain on sale of loans	5.4	181	806	1,505
Other income		1,723	1,378	1,603
Net other income		18,498	12,765	28,379
Total income		138,313	167,974	173,858
Expenses:				
Impairment loss from expected credit losses on loans at amortized cost	5.5	8,859	34,760	17,248
(Recovery) impairment loss from expected credit losses on investment securities	5.2,5.3	(489)	3	5,290
Impairment loss (recovery) from expected credit losses on loan commitments and financial guarantee contracts	6	1,069	352	(4,448)
Salaries and other employee expenses	23	27,653	25,196	30,435
Depreciation of equipment and leasehold improvements	7	1,578	1,457	1,371
Amortization of intangible assets	8	838	629	596
Other expenses	24	16,806	18,532	19,382
Total expenses		56,314	80,929	69,874
Profit for the year		81,999	87,045	103,984
Earnings per share:				
Basic	14	2.09	2.23	2.67
Diluted	14	2.08	2.22	2.66
Weighted average basic shares	14	39,311	39,085	38,925
Weighted average diluted shares	14	39,329	39,210	39,113

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

For the years ended December 31, 2017, 2016 and 2015

(In US\$ thousand)

	Note	2017	2016	2015
Profit for the year		81,999	87,045	103,984
Other comprehensive income (loss):				
Items that are not be reclassified subsequently to gains and losses:				
Change in fair value for revaluation by equity instrument to FVOCI, net of hedging	19	187	-	-
Items that are or may be reclassified subsequently to gains and losses:				
Net change in unrealized gain (losses) on financial instruments at fair value through OCI	19	696	8,078	(2,114)
Net change in unrealized losses on derivative financial instruments	19	2,391	(198)	(730)
Foreign currency translation adjustment, net		(60)	-	-
Exchange difference in conversion of foreign operating currency		1,550	-	-
Other comprehensive income (loss)	19	4,764	7,880	(2,844)
Total comprehensive income for the year		86,763	94,925	101,140

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

For the years ended December 31, 2017, 2016 and 2015

(In US\$ thousand)

	Common stock	Treasury stock	Additional paid-in capital in excess of assigned value of common stock	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balances at January 1, 2015	279,980	(77,627)	119,644	95,210	501,669	(7,837)	911,039
Profit for the year	-	-	-	-	103,984	-	103,984
Other comprehensive income	-	-	-	-	-	(2,844)	(2,844)
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	3,296	-	-	-	3,296
Exercised options and stock units vested	-	2,971	(1,504)	-	-	-	1,467
Repurchase of "Class B" and "Class E" common stock	-	-	-	-	-	-	-
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>
Profit for the year	-	-	-	-	87,045	-	87,045
Other comprehensive income	-	-	-	-	-	7,880	7,880
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	3,063	-	-	-	3,063
Exercised options and stock units vested	-	2,962	(1,387)	-	-	-	1,575
Repurchase of "Class B" and "Class E" common stock	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	(60,180)	-	(60,180)
Balances at December 31, 2016	<u>279,980</u>	<u>(69,176)</u>	<u>120,594</u>	<u>95,210</u>	<u>587,507</u>	<u>(2,801)</u>	<u>1,011,314</u>
Profit for the year	-	-	-	-	81,999	-	81,999
Other comprehensive income	-	-	-	-	-	4,764	4,764
Issuance of restricted stock	-	1,259	(1,229)	-	-	-	30
Compensation cost - stock options and stock units plans	-	-	296	-	-	-	296
Exercised options and stock units vested	-	4,697	280	-	-	-	4,977
Repurchase of "Class B" and "Class E" common stock	-	(28)	-	-	-	-	(28)
Dividends declared	-	-	-	-	(60,540)	-	(60,540)
Balances at December 31, 2017	<u>279,980</u>	<u>(63,248)</u>	<u>119,941</u>	<u>95,210</u>	<u>608,966</u>	<u>1,963</u>	<u>1,042,812</u>

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

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

Consolidated statements of cash flows

For the years ended December 31, 2017, 2016 and 2015

(In US\$ thousand)

	2017	2016	2015
Cash flows from operating activities			
Profit for the year	81,999	87,045	103,984
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Activities of derivative financial instruments used for hedging	-26,363	21,333	-2,279
Depreciation of equipment and leasehold improvements	1,578	1,457	1,371
Amortization of intangible assets	838	629	596
Loss for disposal of equipment and leasehold improvements	2,205	140	32
Loss for disposal of intangible assets	16	-	1
Impairment loss from expected credit losses	9,439	35,115	18,090
Net (gain) loss on sale of financial assets at fair value through OCI	-249	356	-363
Compensation cost - share-based payment	296	3,063	3,296
Interest income	-226,079	-245,898	-220,312
Interest expense	106,264	90,689	74,833
Net decrease (increase) in operating assets:			
Net decrease (increase) in pledged deposits	8,571	(29,148)	6,546
Financial instruments at fair value through profit or loss	-	53,411	2,545
Net decrease (increase) in loans at amortized cost	479,226	650,217	(7,410)
Other assets	(269)	(39)	(7,738)
Net increase (decrease) in operating liabilities:			
Net increase due to depositors	125,992	7,383	288,775
Financial liabilities at fair value through profit or loss	(24)	(65)	37
Other liabilities	(4,695)	(1,774)	6,398
Cash provided by operating activities	558,745	673,914	268,402
Interest received	239,394	247,167	223,033
Interest paid	(107,051)	(91,802)	(71,972)
Net cash provided by operating activities	691,088	829,279	419,463
Cash flows from investing activities:			
Acquisition of equipment and leasehold improvements	-2,654	-3,973	-615
Acquisition of intangible assets	(3,370)	(3,111)	-
Proceeds from the redemption of of financial instruments at fair value through OCI	-	107,088	151,131
Proceeds from the sale of financial instruments at fair value through OCI	17,040	102,655	118,210
Proceeds from maturities of financial instruments at amortized cost	18,258	55,240	44,923
Purchases of financial instruments at fair value through OCI	(8,402)	(84,153)	(86,629)
Purchases of financial instruments at amortized cost	(9,978)	(24,600)	(96,920)
Net cash provided by investing activities	10,894	149,146	130,100
Cash flows from financing activities:			
Net decrease in short-term borrowings and debt and securities sold under repurchase agreements	(397,352)	(1,074,366)	(448,615)
Proceeds from long-term borrowings and debt	219,905	403,489	946,084
Repayments of long-term borrowings and debt	(857,799)	(508,564)	(462,559)
Dividends paid	(60,605)	(60,135)	(59,943)
Exercised stock options	4,977	1,575	1,467
Repurchase of common stock	(27)	-	-
Net cash used in financing activities	(1,090,901)	(1,238,001)	(23,566)
Net (decrease) increase in cash and cash equivalents	(388,919)	(259,576)	525,997
Cash and cash equivalents at beginning of the year	1,007,726	1,267,302	741,305
Cash and cash equivalents at end of the year	618,807	1,007,726	1,267,302

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

1. Corporate information

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

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

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

Bladex Head Office’s subsidiaries are the following:

- Bladex Holdings Inc. a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Bladex Holdings Inc. has ownership in Bladex Representacao Ltda.
- Bladex 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 owned 99% of Bladex Investimentos Ltda., and Bladex Holdings Inc. owned the remaining 1%. This company had invested substantially all of its assets in an investment fund, Alpha 4x Latam Fundo de Investimento Multimercado, incorporated in Brazil (“the Brazilian Fund”), registered with the Securities and Exchange Commission of Brazil (“CVM”, for its acronym in Portuguese). Bladex Investimentos Ltda. merged with Bladex Representacao Ltda. on April 2016, being the former the extinct company under Brazilian law and prevailing the acquiring company Bladex Representacao Ltda.
- Bladex Development Corp. was incorporated under the laws of Panama on June 5, 2014. Bladex Development Corp. is 100% owned by Bladex Head Office.
- BLX Soluciones, S.A. de C.V., SOFOM, E.N.R. was incorporated under the laws of Mexico on June 13, 2014. BLX Soluciones is 99.9% owned by Bladex Head Office, and Bladex Development Corp. owns the remaining 0.1%. The company specializes in offering financial leasing and other financial products such as loans and factoring.

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

1. Corporate information (continued)

The Bank has representative offices in Buenos Aires, Argentina; in Mexico City; 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 06, 2018.

2. Basis of preparation of the consolidated financial statements

2.1 Statement of compliance

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

2.2 Basis of valuation and presentation currency

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

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

2.3 Basis of consolidation

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

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

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

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

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

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

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

2.3 Basis of consolidation (continued)

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

When loses control of a subsidiary, the gain/loss on disposal recognised in profit or loss is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest, and
- The previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any Non-Controlling Interest (NCI)

All amounts previously recognised in other comprehensive income (loss) in relation to that subsidiary are accounted for as if had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

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

3. Summary of significant accounting policies

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

3.1 Currency and foreign currency transactions

3.1.1 Foreign currency transactions

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

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

3.1.2 Transactions and balances

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

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

3. Summary of significant accounting policies (continued)

3.1 Currency and foreign currency transactions (continued)

3.1.2 Transactions and balances (continued)

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

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

3.2 Cash and cash equivalents

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

3.3 Financial instruments

3.3.1 Date of recognition

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

3.3.2 Initial measurement of financial instruments

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

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

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

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

3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.3 Classification

The Bank classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss 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.

3.3.4 Business model assessment

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

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

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

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

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

For an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

3.3.7 Financial assets at amortized cost

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

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

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

Financial assets and liabilities at fair value through profit or loss include a) assets with contractual cash flows that are not SPPI; or/and b) assets designated at FVTPL using the fair value option; 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.

3.3.9 Reclassification

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

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

3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.10 Derecognition of financial assets and financial liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.10 Derecognition of financial assets and financial liabilities (continued)

Impairment of financial assets – investment securities

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

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

<u>Internal Rating</u>	<u>External Rating⁽¹⁾</u>	<u>Description</u>
1 a 4	Aaa – Ba1	Clients with payment ability to satisfy their financial commitments
5 a 6	Ba2 – B3	Clients with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	Caa1	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	Caa2 – Caa3	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	Ca	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	C	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.

⁽¹⁾ External rating in accordance to Moody's

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

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

3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.10 Derecognition of financial assets and financial liabilities (continued)

Impairment of financial assets – investment securities

or delinquency in interest or principal; and, observable data indicating there is a measurable decrease in the estimated future cash flows since initial recognition.

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

3.4 Non-financial assets

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

3.4.1 Impairment of non-financial assets

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

3.5 Loans - at amortized cost

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

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

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

3. Summary of significant accounting policies (continued)

3.5 Loans - at amortized cost (continued)

Definition of Default

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

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

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

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

Modified loan

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.5 Loans - at amortized cost (continued)

Modified loan (continued)

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

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

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

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

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

The Bank'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. Summary of significant accounting policies (continued)

3.6 Allowance for expected credit losses

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

The Bank 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.

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

<u>Internal Rating</u>	<u>External Rating ⁽¹⁾</u>	<u>Description</u>
1 a 4	Aaa – Ba1	Clients with payment ability to satisfy their financial commitments
5 a 6	Ba2 – B3	Clients with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	Caa1	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	Caa2 – Caa3	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	Ca	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	C	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.

⁽²⁾ External rating in accordance to Moody's

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

The Bank 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.

3. Summary of significant accounting policies (continued)

3.6 Allowance for expected credit losses (continued)

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

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

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

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

The Bank determines the ECLs using two methodologies to determine if there is objective evidence of impairment:

- Individually Evaluated Loans

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

The impairment loss is calculated by comparing the present value of the future expected flows, discounted at the original effective rate of the loan, with its current carrying amount and the amount of any loss is charged as a provision for losses in the statement of profit and loss. The carrying amount of the impaired loans is reduced through the use of a reserve account.

3. Summary of significant accounting policies (continued)

3.6 Allowance for expected credit losses (continued)

- Collectively Evaluated Loans

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

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

Significant increase in credit risk

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

Additionally, the Bank to determine that there has been a significant increase in risk applies an alert model that considers the international economic environment, the specific financial situation by country and the economic analysis of the industry where the credit generates its income. The model defines a consolidated calculation of Risk Severity depending on the weighting of the Severity to Risk of each one of the analysis contexts. Also, this depends on the context of the variables or the ratings constructed for each one (International Context: by market ratings, Context Country: by country / Context Economic Sector: by economic sector).

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

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

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

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

3. Summary of significant accounting policies (continued)

3.6 Allowance for expected credit losses (continued)

Significant increase in credit risk (continued)

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

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

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

Write-off

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

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

3.7 Derivative financial instruments for risk management purposes and hedge accounting

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

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

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. Summary of significant accounting policies (continued)

3.7 Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

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

Economic relationship

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

Hedge ratio

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

3. Summary of significant accounting policies (continued)

3.7 Derivative financial instruments and hedge accounting (continued)

Discontinuation of hedge accounting

The Bank discontinues hedge accounting prospectively in the following situations:

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

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

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized in the consolidated statement of profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk, except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognized in OCI. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI, except when the hedged item is an equity instrument designated at FVTOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

If the hedge relationship is terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively and the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment where hedging gains/losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

Cash flow hedges

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

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. Summary of significant accounting policies (continued)

3.7 Derivative financial instruments and hedge accounting (continued)

3.8 Repurchase agreements

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

3.9 Borrowings and debt

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

3.10 Recognition of income and expenses

Fee and commission income

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

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

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.

3. Summary of significant accounting policies (continued)

3.10 Recognition of income and expenses (continued)

Fees and commissions on loans at amortized cost (continued)

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, financial guarantees and other commitments are amortized using the straight-line method over the life of such instruments.

3.11 Property and equipment

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

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

	<u>Useful life in Years</u>
Furniture and equipment	3 to 5 years
Hardware	3 years
Other Equipments	2 to 4 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 or other expenses in the consolidated statement of profit or loss in the year that the asset is derecognized.

3.12 Intangible assets

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

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

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

3. Summary of significant accounting policies (continued)

3.13 Offsetting of financial instruments

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

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

3.14 Operating leases

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

Banks as a lessee

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

Bank as a sub-lessor

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

3.15 Provisions

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

3.16 Capital reserves

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

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

3. Summary of significant accounting policies (continued)

3.17 Share-based payment transactions

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

3.18 Income taxes

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

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract law signed between the Republic of Panama and Bladex.
- Bladex Representacao Ltda. and Bladex Investimentos Ltda., are subject to income taxes in Brazil.
- Bladex Development Corp. is subject to income taxes in Panama.
- BLX Soluciones, S.A. de C.V., SOFOM, is subject to income taxes in Mexico.
- The New York Agency and Bladex Holdings, Inc. incorporated in USA are subject to federal and local taxation in USA based on the portion of income that is effectively connected with its operations in that country.

Deferred tax

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

3.19 Earnings per share

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

3.20 Treasury shares and contracts on own shares

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

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

3. Summary of significant accounting policies (continued)

3.21 Segment reporting

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

3.22 Judgments, estimates and significant accounting assumptions

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

Judgments

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

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

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

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

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

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

3. Summary of significant accounting policies (continued)

3.22 Judgments, estimates and significant accounting assumptions (continued)

Fair value measurement

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

Estimates and assumptions

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

Going concern

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

Impairment losses on loans at amortized cost

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

This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

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

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

3. Summary of significant accounting policies (continued)

3.23 Future changes in applicable accounting policies

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e the share-based payment arrangement has a net settlement feature, such as arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - The original liability is de-recognized;
 - The equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
 - Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. The Bank is evaluating this new standard in its consolidated financial statements and does not anticipate material impacts on the adoption of said standard.

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 replace all current requirements for revenue recognition under IFRS. Either a full retroactive application or a modified retroactive application is required for annual periods beginning on or after January 1, 2018. Early application is allowed. The Bank plans to adopt the new standard on the effective date required and, if any impact is identified, it will use a modified retroactive method in its initial application.

During 2017, the Bank performed the preliminary assessment of the five steps for all credit products and does not anticipate material impacts on the adoption of this standard.

3. Summary of significant accounting policies (continued)

3.23 Future changes in applicable accounting policies (continued)

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.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

On 8 December 2016, the IFRS interpretations Committee of the International Accounting Standards Boards (IASB) issued IFRS Interpretation, IFRIC 22, Foreign Currency Transactions and Advance Considerations.

IFRIC 22 addresses how to determine the “date of transaction” for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for the item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability.

The Interpretation specifies that the date of transactions is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt advance consideration.

The Interpretation is effective for annual periods beginning on or 1 January 2018 with earlier application permitted. The Bank is evaluating this new standard in its consolidated financial statements and does not anticipate material impacts on the adoption of said standard.

4. Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash and due from banks	11,032	89,656
Interest-bearing deposits in banks	661,016	979,882
Total	672,048	1,069,538
Less:		
Pledged deposits	53,241	61,812
Total cash and cash equivalents	<u>618,807</u>	<u>1,007,726</u>

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

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Amount</u>	<u>Range Interest rate</u>	<u>Amount</u>	<u>Range Interest rate</u>
Interest-bearing deposits in banks:				
Demand deposits ⁽¹⁾	661,016	0.25% a 1.55%	854,882	0.01% to 0.77%
Time deposits ⁽²⁾	-	-	125,000	0.83% to 0.88%
Total	<u>661,016</u>		<u>979,882</u>	
Pledged deposits:				
New York ⁽³⁾	3,000	-	2,800	-
Panama ⁽⁴⁾	50,241	1.42%	59,012	0.66%
Total	<u>53,241</u>		<u>61,812</u>	

⁽¹⁾ Demand deposits with bearing interest based on the daily rates determined by banks.

⁽²⁾ Time deposits "overnight" calculated on an average interest rate.

⁽³⁾ The New York Agency had a pledged deposit with the New York State Banking Department, as required by law since March 1994.

⁽⁴⁾ The Bank had pledged deposits to secure derivative financial instruments transactions.

5. Financial instruments

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

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Liabilities		
Foreign exchange forward	-	24
Total	<u>-</u>	<u>24</u>

5. Financial instruments (continued)

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

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

	December 31, 2017			December 31, 2016		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Asset	Liability		Asset	Liability
Foreign exchange forward	-	-	-	1,274	-	24
Total	-	-	-	1,274	-	24

5.2 Financial instruments at fair value through other comprehensive income

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

Equity Investment at FVOCI

	December 31, 2017			
	Unrealized			
	Amortized cost	Gain	Loss	Fair value
Equity investments ⁽¹⁾				
Brazil	8,630	-	228	8,402
	8,630	-	228	8,402

Securities at FVOCI

	December 31, 2017			
	Unrealized			
	Amortized cost	Gain	Loss	Fair value
Sovereign debt:				
Brazil	2,937	29	12	2,954
Chile	5,182	-	35	5,147
Trinidad and Tobago	8,843	-	211	8,632
	16,962	29	258	16,733
	25,592	29	486	25,135

⁽¹⁾ Equity instruments were initially recognized at fair value. These equity instruments correspond to equity securities classified with the irrevocable option of changes in OCI.

5. Financial instruments (continued)

5.2 Financial instruments at fair value through other comprehensive income (continued)

Securities at FVOCI (continued)

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

As of December 31, 2017 and 2016, there were no securities at fair value through OCI guaranteeing repurchase transactions.

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

December 31, 2017					
	Less than 12 months		12 months or longer		Total
	Fair value	Unrealized gross losses	Fair value	Unrealized gross losses	
Sovereign debt	5,147	35	9,616	223	14,763
Total	5,147	35	9,616	223	14,763

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

5. Financial instruments (continued)

5.2 Financial instruments at fair value through other comprehensive income (continued)

Securities at FVOCI (continued)

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

	December 31, 2017	December 31, 2016	December 31, 2015
Realized gain on sale of securities	766	221	469
Realized loss on sale of securities	(517)	(577)	(106)
Net gain (loss) on sale of securities at fair value through other comprehensive income	249	(356)	363

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

Rating⁽¹⁾	December 31, 2017	December 31, 2016
1-4	16,733	30,607
5-6	-	-
7	-	-
8	-	-
9	-	-
10	-	-
Total	16,733	30,607

⁽¹⁾ Current ratings as of December 31, 2017 and 2016, respectively.

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

	December 31, 2017		December 31, 2016	
	Amortized cost	Fair value	Amortized cost	Fair value
Due within 1 year	-	-	-	-
After 1 year but within 5 years	14,025	13,779	17,656	16,994
After 5 years but within 10 years	2,937	2,954	13,736	13,613
	16,962	16,733	31,392	30,607

5. Financial instruments (continued)

5.3 Financial instruments at fair value through other comprehensive income (continued)

Securities at FVOCI (continued)

The allowance for expected credit losses relating to securities at fair value through other comprehensive income, which is recorded in equity under accumulated other comprehensive income (loss), is as follow:

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2016	42	263	-	305
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(6)	(65)	-	(71)
Financial assets that have been derecognized during the year	(12)	-	-	(12)
Changes due to financial instruments recognized as of December 31, 2016:	(18)	(65)	-	(83)
New financial assets originated or purchased	-	-	-	-
Write-offs	-	-	-	-
Allowance for expected credit losses as of December 31, 2017	24	198	-	222

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

⁽¹⁾ 12-month expected credit losses.

⁽²⁾ Lifetime expected credit losses.

⁽³⁾ Credit-impaired financial assets (lifetime expected credit losses).

5. Financial instruments (continued)

5.3 Investment securities- at amortized cost

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

December 31, 2017				
	Amortized cost ⁽¹⁾	Unrealized		Fair value
		Gross gain	Gross loss	
Corporate debt:				
Brazil	1,485	3	-	1,488
Panama	9,978	-	-	9,978
	<u>11,463</u>	<u>3</u>	<u>-</u>	<u>11,466</u>
Sovereign debt:				
Colombia	29,006	67	16	29,057
Mexico	20,203	-	167	20,036
Panama	8,458	-	11	8,447
	<u>57,667</u>	<u>67</u>	<u>194</u>	<u>57,540</u>
	<u>69,130</u>	<u>70</u>	<u>194</u>	<u>69,006</u>
December 31, 2016				
	Amortized cost ⁽²⁾	Unrealized		Fair value
		Gross gain	Gross loss	
Corporate debt:				
Brazil	4,614	-	146	4,468
Panama	3,000	-	-	3,000
	<u>7,614</u>	<u>-</u>	<u>146</u>	<u>7,468</u>
Sovereign debt:				
Brazil	11,179	37	194	11,022
Colombia	29,812	34	280	29,566
Mexico	20,541	-	1,059	19,482
Panama	8,670	198	-	8,868
	<u>70,202</u>	<u>269</u>	<u>1,533</u>	<u>68,938</u>
	<u>77,816</u>	<u>269</u>	<u>1,679</u>	<u>76,406</u>

(1) Amounts do not include allowance for expected credit losses of US\$196.

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

5. Financial instruments (continued)

5.3 Investment securities - at amortized cost (continued)

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

	December 31, 2017		December 31, 2016	
	Amortized cost	Fair value	Amortized cost	Fair value
Due within 1 year	7,978	7,978	3,988	4,025
After 1 year but within 5 years	61,152	61,028	68,537	67,358
After 5 years but within 10 years	-	-	5,291	5,023
	69,130	69,006	77,816	76,406

As of December 31, 2017 and 2016, there were no securities at amortized cost, guaranteeing repurchase transactions.

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

Rating ⁽¹⁾	December 31, 2017	December 31, 2016
1-4	57,667	76,333
5-6	11,463	1,483
7	-	-
8	-	-
9	-	-
10	-	-
Total	69,130	77,816

⁽¹⁾ Current ratings as of December 31, 2017 and 2016, respectively.

5. Financial instruments (continued)

5.3 Investment securities- at amortized cost (continued)

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

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2016	99	503	-	602
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(16)	(29)	-	(45)
Financial assets that have been derecognized during the year	(18)	(422)	-	(440)
Changes due to financial instruments recognized as of December 31, 2016:	(34)	(451)	-	(485)
New financial assets originated or purchased	79	-	-	79
Allowance for expected credit losses as of December 31, 2017	144	52	-	196

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

⁽¹⁾ 12-month expected credit losses.

⁽²⁾ Lifetime expected credit losses.

⁽³⁾ Credit-impaired financial assets (lifetime expected credit losses).

5. Financial instruments (continued)

5.4 Recognition and derecognition of financial assets

During the years ended December 31, 2017, 2016 and 2015, the Bank sold loans at amortized cost in the secondary market. These sales were made on the basis of compliance with the Bank's strategy to optimize the loan portfolio.

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

	Assignments and participations	Gains
For the year ended December 31, 2017	77,400	181
For the year ended December 31, 2016	157,242	730
For the year ended December 31, 2015	92,438	422

During the years ended December 31, 2016 and 2015 the Bank entered into a master participation agreement with the International Finance Corp. to sale participation in credit facilities which resulted in revenues of \$76 and \$425, respectively.

5.5 Loans – at amortized cost

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

	December 31, 2017	December 31, 2016
Corporations:		
Private	1,882,846	2,655,910
State-owned	723,267	786,900
Banking and financial institutions:		
Private	2,083,795	1,738,999
State-owned	573,649	544,877
Middle-market companies:		
Private	242,101	294,045
Total	5,505,658	6,020,731

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

	December 31, 2017	December 31, 2016
Banking and financial institutions	2,657,444	2,283,876
Industrial	772,238	1,242,441
Oil and petroleum derived products	735,413	788,186
Agricultural	501,241	1,007,139
Services	430,717	419,440
Mining	231,687	54,000
Others	176,918	225,649
Total	5,505,658	6,020,731

5. Financial instruments (continued)

5.5 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 \$4,985 and \$7,249 at December 31, 2017 and 2016, respectively.

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

December 31, 2017						
	Corporations		Banking and financial institutions		Middle-market companies	
Rating ⁽¹⁾	Private	State-owned	Private	State-owned	Private	Total
1-4	1,336,032	563,877	1,729,592	361,236	147,212	4,137,949
5-6	523,055	159,390	354,203	212,413	59,889	1,308,950
7	-	-	-	-	-	-
8	23,759	-	-	-	-	23,759
9	-	-	-	-	-	-
10	-	-	-	-	35,000	35,000
Total	<u>1,882,846</u>	<u>723,267</u>	<u>2,083,795</u>	<u>573,649</u>	<u>242,101</u>	<u>5,505,658</u>

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

⁽¹⁾ Current ratings as of December 31, 2017 and 2016, respectively.

5. Financial instruments (continued)

5.5 Loans – at amortized cost (continued)

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

	December 31, 2017	December 31, 2016
Country:		
Argentina	294,613	325,321
Belgium	11,368	4,180
Bolivia	15,000	18,318
Brazil	1,019,466	1,163,825
Chile	170,827	69,372
Colombia	829,136	653,012
Costa Rica	356,459	400,371
Dominican Republic	249,926	243,696
Ecuador	94,315	129,269
El Salvador	55,110	104,723
Germany	37,500	50,000
Guatemala	309,024	315,911
Honduras	74,476	72,319
Jamaica	24,435	7,399
Luxembourg	19,924	14,722
Mexico	850,463	927,041
Nicaragua	29,804	36,949
Panama	500,134	498,651
Paraguay	59,536	108,068
Peru	211,846	467,408
Singapore	54,500	70,204
Switzerland	3,687	46,000
Trinidad and Tobago	175,000	184,389
United States of America	44,109	73,083
Uruguay	15,000	36,500
Total	5,505,658	6,020,731

5. Financial instruments (continued)

5.5 Loans – at amortized cost (continued)

The remaining loan maturities are summarized as follows:

	December 31, 2017	December 31, 2016
Current:		
Up to 1 month	846,993	896,310
From 1 month to 3 months	1,079,793	1,300,675
From 3 months to 6 months	1,175,801	1,267,194
From 6 months to 1 year	922,711	551,794
From 1 year to 2 years	392,456	631,629
From 2 years to 5 years	989,222	1,211,847
More than 5 years	39,923	95,918
	<u>5,446,899</u>	<u>5,955,367</u>
Impaired	<u>58,759</u>	<u>65,364</u>
Total	<u>5,505,658</u>	<u>6,020,731</u>

As of December 31, 2017 and 2016, the range of interest rates on loans fluctuates from 1.35% and 11.52% (2016: 1.21% y 12.69%).

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

	December 31, 2017	December 31, 2016
Fixed interest rates	2,378,509	2,709,555
Floating interest rates	3,127,149	3,311,176
Total	<u>5,505,658</u>	<u>6,020,731</u>

As of December 31, 2017 and 2016, 85% and 93%, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

	December 31, 2017			2017	
	Recorded investment	Past due principal balance	Related allowance Stage 3	Average principal loan balance	Balance interest recognized
With an allowance recorded:					
Private corporations	23,759	-	7,468	5,988	229
Middle-market companies	35,000	35,000	20,527	35,000	3,028
Total	<u>58,759</u>	<u>35,000</u>	<u>27,995</u>	<u>40,988</u>	<u>3,257</u>

5. Financial instruments (continued)

5.5 Loans – at amortized cost (continued)

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

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, 2017	December 31, 2016	December 31, 2015
Interest revenue calculated on the net carrying amount (net of credit allowance)	1,170	1,808	91

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

December 31, 2017								
	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total
Corporations	-	-	-	-	-	-	2,606,113	2,606,113
Banking and financial institutions	-	-	-	-	-	-	2,657,444	2,657,444
Middle-market companies	-	-	-	35,000	35,000	-	207,101	242,101
Total	-	-	-	35,000	35,000	-	5,470,658	5,505,658

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

5. Financial instruments (continued)

5.5 Loans – at amortized cost (continued)

As of December 31, 2017 and 2016, the Bank had credit transactions in the normal course of business with 21% and 16%, 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, 2017 and 2016, approximately 14% and 10%, 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, 2017, 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.

Modified financial assets

The following table refer to modified financial assets, where modification does not result in de-recognition:

Modified financial assets (with loss allowance based on lifetime ECL) modified during the period

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Gross carrying amount before modification	8,855	-
Loss allowance before modification	(3,344)	-
Net amortized cost before modification	<u>5,511</u>	<u>-</u>
 Gross carrying amount after modification	 4,484	 -
Loss allowance after modification	(4,484)	-
Net amortized cost after modification	<u>-</u>	<u>-</u>

For the modified financial assets during the year 2017, were received other real estate owned for \$ 5,119.

During the year 2017, a financial asset with a nominal value of \$ 37,817 was restructured. As part of the restructuration The Bank received Equity Instrument with a fair value of \$8,630 and a new originated credit impaired loans with a fair value of \$19,274. The remaining balance was written off against allowance for loans losses.

5. Financial instruments (continued)

5.5 Loans – at amortized cost (continued)

The significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided at the table below:

Loans

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying amount as of December 31, 2016	<u>5,019,368</u>	<u>935,999</u>	<u>65,364</u>	<u>6,020,731</u>
Transfer in book value to stage 2	(41,167)	41,167	-	-
Transfer to lifetime expected credit losses - credit-impaired	-	(46,673)	46,673	-
Transfer in book value to stage 1	8,000	(8,000)	-	-
Financial assets that have been derecognised during the year	<u>(4,214,697)</u>	<u>(313,394)</u>	<u>(21,667)</u>	<u>(4,549,758)</u>
Changes due to financial instruments recognized as of December 31, 2016	(4,247,864)	(326,900)	25,006	(4,549,758)
New financial assets originated or purchased	4,067,723	-	-	4,067,723
Write-offs	<u>-</u>	<u>(1,427)</u>	<u>(31,611)</u>	<u>(33,038)</u>
Gross carrying amount as of December 31, 2017	<u>4,839,227</u>	<u>607,672</u>	<u>58,759</u>	<u>5,505,658</u>

Loans

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying amount as of December 31, 2015	<u>6,282,752</u>	<u>356,668</u>	<u>52,329</u>	<u>6,691,749</u>
Transfer in book value to stage 2	(828,589)	828,589	-	-
Transfer to lifetime expected credit losses – not credit-impaired	(12,000)	(45,056)	57,056	-
Transfer in book value to stage 1	90,770	(90,770)	-	-
Financial assets that have been derecognized during the year	<u>(4,577,890)</u>	<u>(113,432)</u>	<u>(25,214)</u>	<u>(4,716,536)</u>
Changes due to financial instruments recognized as of December 31, 2015	(5,327,709)	579,331	31,842	(4,716,536)
New financial assets originated or purchased	4,064,325	-	-	4,064,325
Write-offs	<u>-</u>	<u>-</u>	<u>(18,807)</u>	<u>(18,807)</u>
Gross carrying amount as of December 31, 2016	<u>5,019,368</u>	<u>935,999</u>	<u>65,364</u>	<u>6,020,731</u>

5. Financial instruments (continued)

5.5 Loans – at amortized cost (continued)

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

	<u>Stage 1 ⁽¹⁾</u>	<u>Stage 2 ⁽²⁾</u>	<u>Stage 3 ⁽³⁾</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2016	29,036	41,599	35,353	105,988
Transfer to lifetime expected credit losses – not credit-impaired	(672)	672	-	-
Transfer to lifetime expected credit losses - credit-impaired	-	(12,845)	12,845	-
Transfer to 12-month expected credit losses	1,428	(1,428)	-	-
Net effect of changes in reserve for expected credit losses	(2,900)	18,227	20,257	35,584
Financial assets that have been derecognized during the year	(24,434)	(11,321)	(8,333)	(44,088)
Changes due to financial instruments recognized as of December 31, 2016	(26,578)	(6,695)	24,769	(8,504)
New financial assets originated or purchased	17,363	-	-	17,363
Write-offs	-	(1,427)	(32,126)	(33,553)
Recoveries of amounts previously written off	-	-	-	-
Allowance for expected credit losses as of December 31, 2017	19,821	33,477	27,996	81,294
	<u>Stage 1 ⁽¹⁾</u>	<u>Stage 2 ⁽²⁾</u>	<u>Stage 3 ⁽³⁾</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2015	59,214	9,609	21,151	89,974
Transfer to lifetime expected credit losses – not credit-impaired	(9,117)	9,119	-	2
Transfer to lifetime expected credit losses – not credit-impaired	(7)	(6,317)	6,324	-
Transfer to 12-month expected credit losses	2,038	(2,077)	38	(1)
Net effect of changes in reserve for expected credit losses	(39,621)	48,021	26,491	34,891
Financial assets that have been derecognized during the year	(65,640)	(16,756)	-	(82,396)
Changes due to financial instruments recognized as of December 31, 2015	(112,347)	31,990	32,853	(47,504)
New financial assets originated or purchased	82,169	-	-	82,169
Write-offs	-	-	(18,807)	(18,807)
Recoveries of amounts previously written off	-	-	156	156
Allowance for expected credit losses as of December 31, 2016	29,036	41,599	35,353	105,988

⁽¹⁾ 12-month expected credit losses.

⁽²⁾ Lifetime expected credit losses.

⁽³⁾ Credit-impaired financial assets (lifetime expected credit losses).

5. Financial instruments (continued)

5.6 Derivative financial instruments for hedging purposes

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

December 31, 2017			
	Carrying amount of the hedging instrument		Changes in fair value used for calculating hedge ineffectiveness
	Nominal Amount	Asset Liability	
Fair value hedges:			
Interest rate swaps	367,500	- (4,361)	(2,394)
Cross-currency swaps	306,961	3,672 (30,154)	15,900
Cash flow hedges:			
Interest rate swaps	595,000	127 (428)	995
Cross-currency swaps	23,025	879 -	2,132
Foreign exchange forward	225,388	8,610 -	11,835
Net investment hedges:			
Foreign exchange forward	9,243	50 -	181
Total	1,527,117	13,338 (34,943)	28,649

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

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

5. Financial instruments (continued)

5.6 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, 2017				
	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	(834)	Gain (loss) on interest rate swap	-	242
Cross-currency swaps	(1,924)	Gain (loss) on foreign currency exchange	-	26
		Interest income – loans	7,611	-
Foreign exchange forward	(2,708)	Interest income – securities at FVOCI	-	-
		Interest income – loans	3,991	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	(190)	-
		Gain (loss) on foreign currency exchange		
Total	(5,466)		11,412	268
Derivatives – net investment hedge				
Forward foreign exchange	(277)			
Total	(277)			

5. Financial instruments (continued)

5.6 Derivative financial instruments for hedging purposes (continued)

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

5. Financial instruments (continued)

5.6 Derivative financial instruments for hedging purposes (continued)

December 31, 2015				
	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	35	Gain (loss) on interest rate swap	-	(229)
Cross-currency swaps	5,367	Gain (loss) on foreign exchange	-	84
		Interest income – loans	-	-
Forward foreign exchange	3,511	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)			

5. Financial instruments (continued)

5.6 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, 2017				
	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	(126)	476	350
	Interest income – loans	(12)	160	148
	Interest expenses – borrowings and debt	1,387	(16,233)	(14,846)
	Derivative financial instruments and hedging	(2,270)	2,371	101
Cross-currency swaps	Interest income – loans	(1,496)	2,442	946
	Interest expenses – borrowings and debt	1,848	(10,265)	(8,417)
	Derivative financial instruments and hedging	14,950	(16,709)	(1,759)
Total		14,281	(37,758)	(23,477)

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

5. Financial instruments (continued)

5.6 Derivative financial instruments for hedging purposes (continued)

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 at amortized cost	(376)	3,987	3,611
	Interest expenses – borrowings and debt	6,268	(24,026)	(17,758)
	Derivative financial instruments and hedging	(1,841)	1,688	(153)
Cross-currency swaps	Interest income loans at amortized cost	(135)	348	213
	Interest expenses – borrowings and debt	744	(3,785)	(3,041)
	Derivative financial instruments and hedging	(19,522)	20,550	1,028
Total		(15,909)	276	(15,633)

Derivatives financial position and performance

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

December 31, 2017			
Fair value hedges	Carrying amount	Thereof accumulated fair value adjustments	Line item in the statement of financial position
Interest rate risk			
Loans	-	-	Loans
Issuances	355,000	(4,411)	Short and long term borrowings and debt
Foreign exchange rate risk and FX			
Securities at FVOCI	12,369	(32)	Financial instruments at FVOCI
Loans	25,027	744	Loans
Issuances	(249,328)	(2,301)	Short and long term borrowings and debt

5. Financial instruments (continued)

5.6 Derivative financial instruments for hedging purposes (continued)

Derivatives financial position and performance (continued)

December 31, 2016			
Fair value hedges	Carrying amount	Thereof accumulated fair value adjustments	Line item in the statement of financial position
Interest rate risk			
Loans	18,502	12	Loans
Issuances	755,000	2,089	Short and long term borrowings and debt
Foreign exchange rate risk and FX			
Securities at FVOCI	22,188	(232)	Financial instruments at FVOCI
Loans	9,252	706	Loans
Issuances	(308,739)	(49)	Short and long term borrowings and debt

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

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

5. Financial instruments (continued)

5.6 Derivative financial instruments for hedging purposes (continued)

Derivatives financial position and performance (continued)

Analysis of maturity of the derivatives by type of risk covered:

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

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

Type of risk hedge	December 31, 2017				Total Ineffectiveness
	USD-OIS	Tenor	Xccy basis	Credit spread	
Interest rate risk	22	296	-	(16)	302
Foreign exchange risk	(8)	-	17	(1)	8
Total	14	296	17	(17)	310

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

5. Financial instruments (continued)

5.6 Derivative financial instruments for hedging purposes (continued)

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 6.19 years.

The Bank estimates that approximately \$610 reported as losses in OCI as of December 31, 2017, related to foreign exchange forward contracts, are expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month year ending December 31, 2018.

The Bank estimates that approximately \$645 of losses reported in OCI as of December 31, 2017, related to forward foreign exchange contracts are expected to be reclassified into interest expense as an adjustment to yield of hedged available-for-sale securities during the twelve-month year ending December 31, 2018.

Types of Derivatives and Foreign Exchange Instruments

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

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

5.7 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.

5. Financial instruments (continued)

5.7 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, 2017						
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		Net Amount
				Financial instruments	Cash collateral received	
Derivative financial instruments used for hedging – receivable – at fair value	13,338	-	13,338	-	(22,304)	(8,966)
Total	13,338	-	13,338	-	(22,304)	(8,966)

December 31, 2016						
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		Net Amount
				Financial instruments	Cash collateral received	
Derivative financial instruments used for hedging – receivable – at fair value	9,352	-	9,352	-	-	9,352
Total	9,352	-	9,352	-	-	9,352

5. Financial instruments (continued)

5.7 Offsetting of financial assets and liabilities (continued)

a) Derivative financial instruments – assets (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:

Description	December 31, 2017		
	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position
Derivative financial instruments used for hedging – receivable – at fair value	13,338	-	13,338
Total	<u>13,338</u>	<u>-</u>	<u>13,338</u>

Description	December 31, 2016		
	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position
Derivative financial instruments used for hedging – receivable – at fair value	9,352	-	9,352
Total	<u>9,352</u>	<u>-</u>	<u>9,352</u>

b) Financial liabilities and derivative financial instruments – liabilities

December 31, 2017						
Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral pledged	Net Amount
Derivative financial instruments used for hedging – payable – at fair value	34,943	-	34,943	-	(50,241)	(15,298)
Total	<u>34,943</u>	<u>-</u>	<u>34,943</u>	<u>-</u>	<u>(50,241)</u>	<u>(15,298)</u>

5. Financial Instruments (continued)

5.7 Offsetting of financial assets and liabilities (continued)

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

December 31, 2016						
Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral pledged	Net Amount
Financial liabilities at FVTPL	24	-	24	-	-	24
Derivative financial instruments used for hedging – payable – at fair value	59,686	-	59,686	-	(59,012)	674
Total	59,710	-	59,710	-	(59,012)	698

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

December 31, 2017			
Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position
Derivative financial instruments:			
Derivative financial instruments used for hedging – payable – at fair value	34,943	-	34,943
Total derivative financial instruments	34,943	-	34,943

December 31, 2016			
Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position
Derivative financial instruments:			
Financial liabilities at FVTPL	24	-	24
Derivative financial instruments used for hedging – payable – at fair value	59,686	-	59,686
Total derivative financial instruments	59,710	-	59,710

6. Loans commitments and financial guarantees contracts

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

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

	December 31, 2017	December 31, 2016
Confirmed letters of credit	273,449	216,608
Stand-by letters of credit and guaranteed – Commercial risk	168,976	176,177
Credit commitments	45,578	10,250
Total	488,003	403,035

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

<u>Maturities</u>	December 31, 2017	December 31, 2016
Up to 1 year	457,168	399,257
From 1 to 2 years	257	-
From 2 to 5 years	30,000	3,200
More than 5 years	578	578
	488,003	403,035

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

Rating⁽¹⁾	December 31, 2017	December 31, 2016
1-4	151,934	145,255
5-6	336,069	193,368
7	-	64,412
8	-	-
9	-	-
10	-	-
Total	488,003	403,035

⁽¹⁾ Current ratings as of December 31, 2017 and 2016, respectively.

6. Loans commitments and financial guarantees contracts (continued)

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

Country:	December 31, 2017	December 31, 2016
Argentina	7,546	-
Bolivia	200	190
Brazil	-	-
Canada	425	160
Chile	15,000	-
Colombia	91,020	78,815
Costa Rica	19,848	2,250
Dominican Republic	-	26,787
Ecuador	252,800	172,522
El Salvador	767	1,305
Guatemala	11,788	7,000
Honduras	890	1,170
Mexico	35,643	11,118
Panama	31,260	39,756
Paraguay	22	-
Peru	17,618	42,764
Switzerland	-	1,000
United Kingdom	-	70
Uruguay	3,176	18,128
Total	488,003	403,035

Letters of credit and guarantees

The Bank, on behalf of its client's base, advises and confirms letters of credit to facilitate foreign trade transactions. When confirming letters of credit, the Bank adds its own unqualified assurance that the issuing bank will pay and that if the 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.

6. Loans commitments and financial guarantees contracts (continued)

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

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2016	1,143	4,633	-	5,776
Transfer to lifetime expected credit losses	(1)	1	-	-
Transfer to credit-impaired instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit loss	(54)	853	-	799
Instruments that have been derecognized during the year	(971)	-	-	(971)
Changes due to instruments recognized as of December 31, 2016:	(1,026)	854	-	(172)
New instruments originated or purchased	1,241	-	-	1,241
Allowance for expected credit losses as of December 31, 2017	1,358	5,487	-	6,845
	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2015	2,914	2,510	-	5,424
Transfer to lifetime expected credit losses	(646)	693	-	47
Transfer to credit-impaired instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit loss	(748)	1,756	-	1,008
Instruments that have been derecognized during the year	(2,631)	(326)	-	(2,957)
Changes due to instruments recognized as of December 31, 2015:	(4,025)	2,123	-	(1,902)
New instruments originated or purchased	2,254	-	-	2,254
Allowance for expected credit losses as of December 31, 2016	1,143	4,633	-	5,776

⁽¹⁾ 12-month expected credit losses.

⁽²⁾ Lifetime expected credit losses.

⁽³⁾ Credit-impaired financial assets (lifetime expected credit losses).

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

7. Property and equipment

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

	IT equipment	Furniture and fixtures	Leasehold improvement	Other equipment	Total
Cost:					
Balance as of January 1, 2015	3,136	2,147	7,458	460	13,201
Additions	368	30	179	38	615
Disposals	(138)	(175)	(225)	(41)	(579)
Balance as of December 31, 2015	3,366	2,002	7,412	457	13,237
Additions	1,436	2,137	239	161	3,973
Disposals	(416)	(361)	(880)	-	(1,657)
Balance as of December 31, 2016	4,386	3,778	6,771	618	15,553
Additions	246	461	39	1,908	2,654
Disposals	(462)	(2,255)	-	(21)	(2,738)
Balance as of December 31, 2017	4,170	1,984	6,810	2,505	15,469
Accumulated depreciation:					
Balance as of January 1, 2015	2,397	1,339	2,202	302	6,240
Depreciation expense of the year	388	322	556	105	1,371
Disposals	(114)	(170)	(222)	(41)	(547)
Balance as of December 31, 2015	2,671	1,491	2,536	366	7,064
Depreciation expense of the year	483	384	513	77	1,457
Disposals	(412)	(230)	(875)	-	(1,517)
Balance as of December 31, 2016	2,742	1,645	2,174	443	7,004
Depreciation expense of the year	587	149	474	368	1,578
Disposals	(459)	(54)	-	(20)	(533)
Balance as of December 31, 2017	2,870	1,740	2,648	791	8,049
Carrying amounts as of:					
December 31, 2017	1,300	244	4,162	1,714	7,420
December 31, 2016	1,644	2,133	4,597	175	8,549
December 31, 2015	695	511	4,876	91	6,173

8. Intangible assets

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

Costs:	
Balance as of January 1, 2015	10,987
Additions	-
Disposals	(211)
Balance as of December 31, 2015	10,776
Additions	3,111
Disposals	(4)
Balance as of December 31, 2016	13,883
Additions	3,370
Disposals	(81)
Balance as of December 31, 2017	17,172
Accumulated amortization:	
Balance as of January 1, 2015	9,963
Disposals	(210)
Amortization expense of the year	596
Balance as of December 31, 2015	10,349
Disposals	(4)
Amortization expense of the year	629
Balance as of December 31, 2016	10,974
Disposals	(65)
Amortization expense of the year	838
Balance as of December 31, 2017	11,747
Carrying amounts as of:	
December 31, 2017	5,425
December 31, 2016	2,909
December 31, 2015	427

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

9. Other assets

Following is a summary of other assets:

	December 31, 2017	December 31, 2016
Accounts receivable	6,793	5,413
Real estate owned ⁽¹⁾	5,119	-
IT projects under development	1,405	4,199
Other ⁽²⁾	5,510	1,934
	18,827	11,546

⁽¹⁾ Other real estate owned.

⁽²⁾ As of December 31, 2017, \$1.7 million corresponds to leasing under development.

10. Deposits

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

	December 31, 2017	December 31, 2016
Demand	82,064	127,014
Up to 1 month	1,147,772	1,201,328
From 1 month to 3 months	492,205	463,479
From 3 months to 6 months	411,159	336,627
From 6 months to 1 year	571,500	436,884
From 1 year to 2 years	76,422	190,000
From 2 years to 5 years	147,722	47,520
	2,928,844	2,802,852

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

		December 31, 2017	December 31, 2016
Aggregate amounts of time deposits of \$100,000 or more		<u>2,928,425</u>	<u>2,802,474</u>
Aggregate amounts of deposits in the New York Agency		<u>266,158</u>	<u>250,639</u>
	December 31, 2017	December 31, 2016	December 31, 2015
Interest expense to deposits in the New York Agency	3,519	2,094	1,228

11. Securities sold under repurchase agreements

As of December 31, 2017 and 2016, the Bank does not have financing transactions under repurchase agreements.

As of December 31, 2017, the Bank did not incur interest expense generated by financing transactions under repurchase agreements. During the years ended December 31, 2016 and 2015, interest expense related to financing transactions under repurchase agreements totaled \$971 and \$1,800, respectively, corresponding to interest expense generated by the financing contracts under repurchase agreements. These expenses are included in the interest expense – short-term borrowings and debt line in the consolidated statements of profit or loss.

12. Borrowings and debt

12.1 Short-term borrowings and debt

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

	December 31, 2017	December 31, 2016
Short-term Borrowings:		
At fixed interest rates	429,069	788,075
At floating interest rates	633,154	657,000
Total borrowings	1,062,223	1,445,075
Short-term Debt:		
At fixed interest rates	10,500	25,000
At floating interest rates	-	-
Total debt	10,500	25,000
Total short-term borrowings and debt	1,072,723	1,470,075
Average outstanding balance during the year	710,021	1,348,230
Maximum balance at any month-end	1,072,723	1,876,322
Range of fixed interest rates on borrowing and debt in U.S. dollars	1.60% to 1.95%	1.10% to 1.50%
Range of floating interest rates on borrowing in U.S. dollars	1.77% to 2.08%	1.14% to 1.48%
Range of fixed interest rates on borrowing in Mexican pesos	7.92%	6.16%
Range of floating interest rate on borrowing in Mexican pesos	7.68% to 7.89%	5.72%
Weighted average interest rate at end of the year	2.16%	1.30%
Weighted average interest rate during the year	1.66%	1.10%

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

Currency	December 31, 2017	December 31, 2016
US dollar	1,044,500	1,470,000
Mexican peso	28,223	75
Total	1,072,723	1,470,075

12. Borrowings and debt (continued)

12.2 Long-term borrowings and debt

Borrowings consist of long-term and syndicated loans obtained from international banks. Debt instruments consist of public and private issuances under the Bank's Euro Medium Term Notes Program ("EMTN") as well as public issuances in the Mexican market. The breakdown of borrowings and long-term debt (original maturity of more than one year), together with contractual interest rates gross of prepaid commission of \$4,211 and \$5,133 as of December 31, 2017 and 2016, respectively, is as follows:

	December 31, 2017	December 31, 2016
Long-term Borrowings:		
At fixed interest rates with due dates from October 2017 to February 2022	44,011	61,148
At floating interest rates with due dates from November 2017 to March 2021	379,000	631,326
Total borrowings	423,011	692,474
Long-term Debt:		
At fixed interest rates with due dates from March 2018 to March 2024	532,305	921,479
At floating interest rates with due dates from January 2018 to March 2022	187,739	167,918
Total long-term debt	720,044	1,089,397
Total long-term borrowings and debt	1,143,055	1,781,871
Less: Prepaid commission	(4,211)	(5,133)
Total long-term borrowings and debt, net	1,138,844	1,776,738
Net average outstanding balance during the year	1,477,788	1,874,435
Maximum outstanding balance at any month – end	2,010,078	2,054,138
Range of fixed interest rates on borrowing and debt in U.S. dollars	1.35% to 3.25%	2.85% to 3.75%
Range of floating interest rates on borrowing and debt in U.S. dollars	2.61% to 3.01%	1.66% to 2.49%
Range of fixed interest rates on borrowing in Mexican pesos	4.89% to 9.09%	4.75% to 8.90%
Range of floating interest rates on borrowing and debt in Mexican pesos	7.99% to 8.00%	6.19% to 6.54%
Range of fixed interest rate on debt in Japanese yens	0.46% to 0.81%	0.46% to 0.81%
Range of fixed interest rate on debt in Euros	3.75%	3.75%
Range of fixed interest rate on debt in Australian dollar	3.33%	3.33%
Weighted average interest rate at the end of the year	3.60%	2.98%
Weighted average interest rate during the year	3.43%	2.84%

12. Borrowings and debt (continued)

12.2 Long-term borrowings and debt (continued)

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

	December 31, 2017	December 31, 2016
Currency		
US dollar	753,981	1,392,995
Mexican peso	206,750	219,347
Japanese yen	98,711	95,238
Euro	60,178	52,574
Australian dollar	23,435	21,717
Total	<u>1,143,055</u>	<u>1,781,871</u>

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, 2017 the Bank was in compliance with all covenants.

The future payments of long-term borrowings and debt outstanding as of December 31, 2017, are as follows:

Payments	<u>Outstanding</u>
2018	139,070
2019	357,434
2020	375,592
2021	200,731
2022	10,050
2024	60,178
	<u>1,143,055</u>

13. Other liabilities

Following is a summary of other liabilities:

	December 31, 2017	December 31, 2016
Accruals and other accumulated expenses	8,018	4,170
Accounts payable	9,307	11,179
Others	3,226	2,979
	20,551	18,328

14. Earnings per share

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

	December 31, 2017	December 31, 2016	December 31, 2015
<i>(Thousands of U.S. dollars)</i>			
Profit for the year	81,999	87,045	103,984
<i>(U.S. dollars)</i>			
Basic earnings per share	2.09	2.23	2.67
Diluted earnings per share	2.08	2.22	2.66
<i>(Share units)</i>			
Weighted average common shares outstanding - applicable to basic	39,311	39,085	38,925
Effect of diluted securities: Stock options and restricted stock units plans	18	125	188
Adjusted weighted average common shares outstanding applicable to diluted EPS	39,329	39,210	39,113

15. Capital and Reserves

15.1 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 periods in the three-years ended December 31, 2017, 2016 and 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, 2015	6,342,189	2,479,050	29,956,100	-	38,777,339
Conversions	-	(4,581)	4,581	-	-
Repurchase 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
Conversions	-	-	-	-	-
Restricted stock issued – directors	-	-	57,000	-	57,000
Exercised stock options - compensation plans	-	-	68,785	-	68,785
Restricted stock units – vested	-	-	65,358	-	65,358
Outstanding at December 31, 2016	6,342,189	2,474,469	30,343,390	-	39,160,048
Conversions	-	(64,663)	64,663	-	-
Repurchase common stock	-	(1,000)	-	-	(1,000)
Restricted stock issued – directors	-	-	57,000	-	57,000
Exercised stock options - compensation plans	-	-	142,268	-	142,268
Restricted stock units – vested	-	-	70,519	-	70,519
Outstanding at December 31, 2017	6,342,189	2,408,806	30,677,840	-	39,428,835

15. Capital and Reserves (continued)

15.1 Common stock (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, 2015	318,140	10,708	589,174	16,242	2,295,186	50,677	3,202,500	77,627
Repurchase of common stock	-	-	-	-	-	-	-	-
Restricted stock issued – directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(70,358)	(1,553)	(70,358)	(1,553)
Restricted stock units – vested	-	-	-	-	(64,208)	(1,418)	(64,208)	(1,418)
Outstanding at December 31, 2015	318,140	10,708	589,174	16,242	2,103,620	46,447	3,010,934	73,397
Repurchase of common stock	-	-	-	-	-	-	-	-
Restricted stock issued – directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(68,785)	(1,519)	(68,785)	(1,519)
Restricted stock units – vested	-	-	-	-	(65,358)	(1,443)	(65,358)	(1,443)
Outstanding at December 31, 2016	318,140	10,708	589,174	16,242	1,912,477	42,226	2,819,791	69,176
Repurchase of common stock	-	-	1,000	28	-	-	1,000	28
Restricted stock issued - directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(142,268)	(3,140)	(142,268)	(3,140)
Restricted stock units - vested	-	-	-	-	(70,519)	(1,557)	(70,519)	(1,557)
Outstanding at December 31, 2017	318,140	10,708	590,174	16,270	1,642,690	36,270	2,551,004	63,248

15.2 Reserves

The Banking Law in the Republic of Panama requires banks with general banking license to maintain a total capital adequacy index that shall not be lower than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk; and primary capital equivalent that shall not be less than 4.5% of its assets and loans commitments and financial guarantees contracts, weighted according to their risk. As of December 31, 2017, the Bank's total capital adequacy ratio is 18.71% which is in compliance with the minimum capital adequacy ratios required by the Banking Law in the Republic of Panama.

15. Capital and Reserves (continued)

15.3 Restriction on retained earnings

The Bank does not have restrictions on its ability to access its retained earnings other than those resulting from the supervisory framework which the Bank is subject to, in order to operate. The supervisory framework requires banks to keep an additional reserve as part of equity to cover credit risk of their lending facilities. As of December 31, 2017 and 2016, \$129,254 and \$62,459, respectively, of the Bank's retained earnings are restricted from dividend distribution for purposes of complying with local regulatory requirements.

	December 31, 2017	December 31, 2016
Dynamic provision	108,756	43,826
Regulatory reserve	20,498	18,633
	<u>129,254</u>	<u>62,459</u>

15.4 Additional paid-in capital

As of December 31, 2017 and 2016, the additional paid-in capital consists of additional cash contributions to the common capital paid by shareholders.

16. Cash and stock-based compensation plans

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

A. 2008 Stock Incentive Plan – Directors and Executives

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

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

During 2017 and 2016, 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 2017 and 2016 the Board of Directors granted 57,000 of "Class E" common shares. The fair value of restricted stock granted was based on the stock closing price in the New York Stock Exchange of the "Class E" shares on April 19, 2017 and April 13, 2016. The fair value of restricted stock granted totaled \$1,585 in 2017 and \$1,376 in 2016, of which \$788 y \$617 were charged against income during 2017 and 2016, respectively.

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

A. 2008 Stock Incentive Plan – Directors and Executives (continued)

Restricted stock – Directors (continued)

The total expense recorded during 2017, 2016 and 2015 of restricted stock – directors \$1,697, \$1,548 and \$1,553. The remaining cost pending amortization of \$1,033 at December 31, 2017 will be amortized over 2.3 years.

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

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

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2015	78,336	24.37
Granted	57,000	33.78
Vested	(39,015)	22.69
Outstanding at December 31, 2015	96,321	30.62
Granted	57,000	24.14
Vested	(56,421)	28.80
Outstanding at December 31, 2016	96,900	27.86
Granted	57,000	27.80
Vested	(61,950)	28.50
Outstanding at December 31, 2017	91,950	27.40
Expected to vest	91,950	

The fair value of vested stock during the years 2017 and 2016 was \$1,765 and \$1,625, 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 \$650 in 2017 and \$1,670 in 2016. The distribution of the fair value was in units of restricted shares.

Restricted stock units

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

Compensation costs of the restricted stock units are amortized during the period of restriction by accelerated method. Costs charged against income during 2017, 2016 and 2015 due to the amortization of these grants totaled \$811, \$1,295 and \$1,282, respectively. The remaining compensation cost pending amortization of \$381 in 2017 will be amortized over 2.5 years.

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

A. 2008 Stock Incentive Plan – Directors and Executives (continued)

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

Restricted stock units (continued)

A summary 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, 2015	163,712	18.18		
Granted	63,244	21.67		
Forfeited	-			
Vested	<u>(64,208)</u>	17.67		
Outstanding at December 31, 2015	162,748	19.74		
Granted	91,454	18.26		
Forfeited	(21,408)	17.69		
Vested	<u>(65,358)</u>	18.83		
Outstanding at December 31, 2016	167,436	19.35		
Granted	25,289	25.70		
Forfeited	(71,401)	18.61		
Vested	<u>(70,519)</u>	19.76		
Outstanding at December 31, 2017	<u>50,805</u>	<u>21.07</u>	2.02 years	<u>\$518</u>
Expected to vest	<u>50,805</u>	<u>21.07</u>	2.02 years	<u>\$296</u>

The fair value of vested stock during the years 2017 and 2016 is \$1,394, and \$1,230, respectively.

Stock purchase options

The fair value of stock purchase options granted to certain Executives during 2017 was estimated using a binomial option-pricing model, based on the following factors:

	<u>Measuring unit</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Weighted average fair value per option	\$	-	-	1.95 - 2.06
Weighted average expected term, in years	Year	-	-	5.5
Expected volatility	%	-	-	22%
Risk-free rate	%	-	-	0.02 – 1.52
Expected dividend	%	-	-	5.00%

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

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

A. 2008 Stock Incentive Plan – Directors and Executives (continued)

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

Stock purchase options (continued)

Related cost charged against income during 2017, 2016 and 2015 as a result of the amortization of these plans amounted to \$118, \$251 and \$454, respectively. The remaining compensation cost pending amortization of \$30 in 2017 will be amortized over a period of 1.11 years.

A summary of stock options granted is presented below:

	<u>Options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate Intrinsic value</u>
Outstanding at January 1, 2015	391,696	23.65		
Granted	233,418	29.25		
Forfeited	-	-		
Exercised	(70,358)	20.86		
Outstanding at December 31, 2015	554,756	26.36		
Granted	-	-		
Forfeited	(126)	18.93		
Exercised	(68,785)	22.78		
Outstanding at December 31, 2016	485,845	26.87		
Granted	-	-		
Forfeited	(69,934)	28.63		
Exercised	(142,268)	24.84		
Outstanding at December 31, 2017	273,643	27.48	3.66 years	\$242
Exercisable	121,840	27.73	3.70 years	\$115
Expected to vest	151,803	27.28	3.63 years	\$128

The intrinsic value of exercised options during the years 2017 and 2016 was \$593 and \$412, respectively. During the years 2017 and 2016 the Bank received \$3,533 and \$1,565, 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 2017, 2016 and 2015, the Bank charged to salaries expense \$163, \$121 and \$171, respectively, that correspond to the Bank's contributions to this plan.

17. Business segment information

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

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

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

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

17. Business segment information (continued)

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

	Years ended December 31,		
	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾
Commercial			
Interest income	213,326	236,392	209,858
Interest expense	(92,745)	(96,017)	(82,697)
Net interest income	120,581	140,375	127,161
Net other income ⁽²⁾	18,926	16,333	21,492
Total income	139,507	156,708	148,653
Impairment loss from expected credit losses on loans and impairment loss from expected credit losses on loan commitments and financial guarantee contracts	(9,928)	(35,112)	(12,800)
Expenses, less impairment loss from expected credit losses	(35,916)	(34,599)	(40,429)
Profit for the year	93,663	86,997	95,424
Commercial assets and loan commitments and financial guarantee contracts (end of year balances):			
Interest-earning assets ^(3 and 5)	5,500,673	6,013,482	6,682,445
Other assets and loan commitments and financial guarantee contracts ⁽⁴⁾	493,794	422,422	437,436
Total interest-earning assets, other assets and loan commitments and financial guarantee contracts	5,994,467	6,435,904	7,119,881
Treasury			
Interest income	12,753	9,506	10,454
Interest expense	(13,519)	5,328	7,864
Net interest income	(766)	14,834	18,318
Net other income ⁽²⁾	(428)	(3,568)	6,887
Total income	(1,194)	11,266	25,205
Impairment loss for expected credit losses on investment securities	489	(3)	(5,290)
Expenses, less impairment loss for expected credit losses	(10,959)	(11,216)	(11,355)
Profit (loss) for the year	(11,664)	47	8,560
Treasury assets (end of year balances):			
Interest-earning assets ^(3 and 5)	757,911	1,177,961	1,603,921
Total interest-earning assets	757,911	1,177,961	1,603,921

17. Business segment information (continued)

Combined business segment total	Years ended December 31,		
	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾
Interest income	226,079	245,898	220,312
Interest expense	(106,264)	(90,689)	(74,833)
Net interest income	119,815	155,209	145,479
Net other income ⁽²⁾	18,498	12,765	28,379
Total income	138,313	167,974	173,858
Impairment loss from expected credit losses on loans and impairment loss from expected credit losses on loan commitments and financial guarantee contracts	(9,928)	(35,112)	(12,800)
Impairment loss from expected credit losses on investment securities	489	(3)	(5,290)
Expenses, less impairment loss from expected credit losses	(46,875)	(45,814)	(51,784)
Profit for the year	81,999	87,045	103,984

	December 31, 2017	December 31, 2016
Total assets and loan commitments and financial guarantee contracts (end of year balances):		
Interest-earning assets ^(3 and 5)	6,258,584	7,191,443
Other assets and loan commitments and financial guarantee contracts ⁽⁴⁾	493,794	422,422
Total interest-earning assets, other assets and loan commitments and financial guarantee contracts	6,752,378	7,613,865

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

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

⁽³⁾ Includes deposits and loans, net of unearned interest and deferred fees.

⁽⁴⁾ Includes customers' liabilities under acceptances, loans commitments and financial guarantees contracts.

⁽⁵⁾ Includes cash and cash equivalents, interest-bearing deposits with banks, financial instruments at fair value through OCI, financial instruments at amortized cost and financial instruments at fair value through profit or loss.

	December 31, 2017	December 31, 2016
<u>Reconciliation of total assets:</u>		
Interest-earning assets – business segment	6,258,584	7,191,443
Equity instruments	8,402	-
Allowance for expected credit losses on loans	(81,294)	(105,988)
Allowance for expected credit losses on securities at amortized cost	(196)	(602)
Customers' liabilities under acceptances	6,369	19,387
Intangibles, net	5,425	2,909
Accrued interest receivable	30,872	44,187
Property and equipment, net	7,420	8,549
Derivative financial instruments used for hedging - receivable	13,338	9,352
Other assets	18,827	11,546
Total assets – consolidated financial statements	6,267,747	7,180,783

18. Fair value of financial instruments

The Bank determines the fair value of its financial instruments using the fair value hierarchy established in IFRS 13 - Fair 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:

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.

18. Fair value of financial instruments (continued)

Derivative financial instruments

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

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

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

Derivative financial instruments (continued)

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

Transfer of financial assets

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

18. Fair value of financial instruments (continued)

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

	December 31, 2017			
	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Total
<u>Assets</u>				
<u>Securities at fair value through OCI:</u>				
Equity investments	8,402	-	-	8,402
Sovereign debt (1)	16,733	-	-	16,733
Total securities at fair value through OCI	25,135	-	-	25,135
<u>Derivative financial instruments used for hedging – receivable:</u>				
Interest rate swaps	-	129	-	129
Cross-currency interest rate swaps	-	4,550	-	4,550
Foreign exchange forward	-	8,659	-	8,659
Total derivative financial instrument used for hedging – receivable	-	13,338	-	13,338
Total financial assets at fair value	25,135	13,338	-	38,473
<u>Liabilities</u>				
<u>Derivative financial instruments used for hedging – payable:</u>				
Interest rate swaps	-	4,789	-	4,789
Cross-currency interest rate swaps	-	30,154	-	30,154
Total derivative financial instruments used for hedging – payable	-	34,943	-	34,943
Total financial liabilities at fair value	-	34,943	-	34,943

(1) At December 31, 2017, securities at fair value through OCI for \$2,955 were reclassified from level 2 to level 1 of the fair value hierarchy given that Bloomberg's valuation "BVAL" for these values increased from 7 (in 2016) to 10 (in 2017).

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

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

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

18. Fair value of financial instruments (continued)

	December 31, 2016			
	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Total
<u>Assets</u>				
<u>Securities at fair value through OCI:</u>				
Corporate debt	13,909	-	-	13,909
Sovereign debt	13,912	2,786	-	16,698
Total securities at fair value through OCI	27,821	2,786	-	30,607
<u>Derivative financial instruments used for hedging – receivable:</u>				
Interest rate swaps	-	363	-	363
Cross-currency interest rate swaps	-	2,561	-	2,561
Foreign exchange forward	-	6,428	-	6,428
Total derivative financial instrument used for hedging – receivable	-	9,352	-	9,352
Total financial assets at fair value	27,821	12,138	-	39,959
<u>Liabilities</u>				
<u>Financial instruments at FVTPL:</u>				
Foreign exchange forward	-	24	-	24
Total financial instruments at FVTPL	-	24	-	24
<u>Derivative financial instruments used for hedging – payable:</u>				
Interest rate swaps	-	3,704	-	3,704
Cross-currency interest rate swaps	-	46,198	-	46,198
Foreign exchange forward	-	9,784	-	9,784
Total derivative financial instruments used for hedging – payable	-	59,686	-	59,686
Total financial liabilities at fair value	-	59,710	-	59,710

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

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

As of December 31, 2017 and 2016, there was no reclassification from one level to another in the fair value hierarchy in financial instruments.

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

Financial instruments with carrying value that approximates fair value

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

18. Fair value of financial instruments (continued)

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, 2 and 3.

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.

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, 2017				
	Carrying value	Fair value	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
<u>Financial assets</u>					
Instruments with carrying value that approximates fair value:					
Cash and deposits on banks	672,048	672,048	-	672,048	-
Acceptances	6,369	6,369	-	6,369	-
Interest receivable	30,872	30,872	-	30,872	-
Securities at amortized cost ⁽²⁾	68,934	69,006	50,581	8,447	9,978
Loans, net ⁽¹⁾	5,419,379	5,520,604	-	5,520,604	-
<u>Financial liabilities</u>					
Instruments with carrying value that approximates fair value:					
Deposits	2,928,844	2,928,844	-	2,928,844	-
Acceptances	6,369	6,369	-	6,369	-
Interest payable	15,816	15,816	-	15,816	-
Short-term borrowings and debt	1,072,723	1,072,483	-	1,072,483	-
Long-term borrowings and debt, net	1,138,844	1,158,534	-	1,158,534	-

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

(b) Level 2: Quoted market prices in an inactive market or internally developed models with significant observable market.

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

18. Fair value of financial instruments (continued)

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

	December 31, 2016				
	Carrying value	Fair value	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
Financial assets					
Instruments with carrying value that approximates fair value:					
Cash and deposits on banks	1,069,538	1,069,538	-	1,069,538	-
Acceptances	19,387	19,387	-	19,387	-
Interest receivable	44,187	44,187	-	44,187	-
Securities at amortized cost ⁽²⁾	77,214	76,406	73,406	3,000	-
Loans , net ⁽¹⁾	5,907,494	6,021,006	-	6,021,006	-
Financial liabilities					
Instruments with carrying value that approximates fair value:					
Deposits	2,802,852	2,802,852	-	2,802,852	-
Acceptances	19,387	19,387	-	19,387	-
Interest payable	16,603	16,603	-	16,603	-
Short-term borrowings and debt	1,470,075	1,470,045	-	1,470,045	-
Long-term borrowings and debt, net	1,776,738	1,808,228	-	1,808,228	-

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

(b) Level 2: Quoted market prices in an inactive market or internally developed models with significant observable market.

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

⁽¹⁾ The carrying value of loans at amortized cost is net of the allowance for expected credit losses of \$81.3 million and unearned interest and deferred fees of \$5.0 million for December 31, 2017; allowance for expected credit losses of \$106.0 million and unearned interest and deferred fees of \$7.2 million for December 31, 2016.

⁽²⁾ The carrying value of securities at amortized cost is net of the allowance for expected credit losses of \$0.2 million for December 31, 2017 and \$0.6 million for December 31, 2016.

19. Accumulated other comprehensive income (loss)

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

	Financial instruments at FVOCI	Derivative financial instruments	Foreign currency translation adjustment NIIF	Total
Balance as of January 1, 2015	(6,817)	(1,020)	-	(7,837)
Net unrealized gain (loss) arising from the year	(6,267)	(4,942)		(11,209)
Reclassification adjustment for (gains) loss included in the profit of the year ⁽¹⁾	4,153	4,212	-	8,365
Other comprehensive income (loss) from the year	(2,114)	(730)	-	(2,844)
Balance as of December 31, 2015	(8,931)	(1,750)	-	(10,681)
Balance as of January 1, 2016	(8,931)	(1,750)	-	(10,681)
Net unrealized gain (loss) arising from the year	7,048	4,383		11,431
Reclassification adjustment for (gains) loss included in the profit of the year ⁽¹⁾	1,030	(4,581)	-	(3,551)
Other comprehensive income (loss) from the year	8,078	(198)	-	7,880
Balance as of December 31, 2016	(853)	(1,948)	-	(2,801)
Balance as of January 1, 2017	(853)	(1,948)	-	(2,801)
Change in fair value for revaluation by debt instrument, net of hedging	612	(8)	-	604
Change in fair value for revaluation by equity instrument, net of hedging	(228)	415	-	187
Reclassification adjustment for (gains) loss included in the profit of the year ⁽¹⁾	84	2,399	-	2,483
Foreign currency translation adjustment, net	-	-	(60)	(60)
Exchange difference in conversion of foreign operating currency	-	-	1,550	1,550
Other comprehensive income (loss) from the year	468	2,806	1,490	4,764
Balance as of December 31, 2017	(385)	858	1,490	1,963

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

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

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

December 31, 2017		
Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	-	Interest income – financial instruments at FVOCI
	24	Net gain on sale of financial instruments at FVOCI
	(108)	Derivative financial instruments and hedging
	(84)	
Gains (losses) on derivative financial instruments:		
Foreign exchange forward	(7,611)	Interest income – loans at amortized cost
	(2,102)	Interest expense – borrowings and deposits
	7,216	Net gain (loss) on foreign currency exchange
Interest rate swaps	86	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	12	Net gain (loss) on cross-currency interest rate swap
	(2,399)	
December 31, 2016		
Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	-	Interest income – financial instruments at FVOCI
	(7,243)	Net gain on sale of financial instruments at FVOCI
	6,213	Derivative financial instruments and hedging
	(1,030)	
Gains (losses) on derivative financial instruments:		
Foreign exchange forward	(4,750)	Interest income – loans at amortized cost
	1,679	Interest expense – borrowings and deposits
	6,060	Net gain (loss) on foreign currency exchange
Interest rate swaps	1,104	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	488	Net gain (loss) on cross-currency interest rate swap
	4,581	

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

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

20. Related party transactions

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

	December 31, 2017	December 31, 2016	December 31, 2015
<u>Expenses:</u>			
Compensation costs paid to directors	884	880	949
Compensation costs paid to executives	2,370	4,055	4,601

21. Fees and commissions, net

	December 31, 2017	December 31, 2016	December 31, 2015
Commission income – Loans & commitments, net	476	1,126	2,988
Commission income - Letters of credit	10,430	7,458	9,332
Commission income - Arrangements	6,608	5,722	6,880
Total	17,514	14,306	19,200

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

	December 31, 2017	December 31, 2016	December 31, 2015
Net (loss) gain on financial instruments at FVTPL	(732)	1,481	645
Net (loss) gain on investment funds	-	(4,364)	5,086
	(732)	(2,883)	5,731

23. Salaries and other employee expenses

	December 31, 2017	December 31, 2016	December 31, 2015
Wages and salaries	17,742	16,132	15,500
Payroll taxes	2,358	2,244	2,264
Personnel benefits	4,163	3,090	8,613
Share-based payments	3,390	3,730	4,058
Total	27,653	25,196	30,435

24. Other expenses

	December 31, 2017	December 31, 2016	December 31, 2015
Advertising and marketing	683	785	829
Regulatory fees	977	1,348	1,565
Rental - office and equipment	2,394	2,681	3,019
Administrative	6,791	7,468	7,469
Professional services	3,911	4,255	4,621
Maintenance and repairs	1,669	1,866	1,635
Other	381	129	244
Total	16,806	18,532	19,382

25. Commitments and contingencies**Leasing arrangements**Operating lease commitments – Bank as lessee

Future minimum lease payments under cancellable operating leases as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
Within 1 year	2,006	1,984	2,055
After 1 year but not more than 5 years	7,335	7,362	6,731
More than 5 years	8,814	10,638	14,128
Total	18,155	19,984	22,914

The total amount of expenses recognized in connection with such leases in 2017, 2016 and 2015 are \$2,332, \$2,605 and \$2,930, respectively.

25. Commitments and contingencies (continued)

Leasing arrangements (continued)

Operating leases – Bank as sub-lessor

Future minimum lease payments under cancellable operating leases as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
Within 1 year	300	289	455
After 1 year but not more than 5 years	243	646	822
Total	543	935	1,277

The total amount of income recognized in connection with such leases in 2017, 2016 and 2015 are \$275, \$436 y \$661, respectively.

26. Litigation

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

27. Risk management

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

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

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

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

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

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

27. Risk management (continued)

Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Information compiled from all the businesses is examined and processed 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:

27.1 Credit risk

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

27. Risk management (continued)

27.1 Credit risk (continued)

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 time when a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed in a similar manner as for loans.

Derivative financial instruments

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

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

Credit-related commitments risks

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

27. Risk management (continued)

27.1 Credit risk (continued)

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.

27.2 Liquidity risk

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

As established by the Bank's liquidity policy, the Bank's liquid assets are held in overnight deposits with the Federal Reserve Bank of New York or in the form of interbank deposits with reputable international banks that have A1, P1, or F1 ratings from two of the major internationally – recognized rating agencies and are primarily located outside of the Region. In addition, the Bank's liquidity policy allows for investing in negotiable money market instruments, including Euro certificates of deposit, commercial paper, and other liquid instruments with maturities of up to three years. These instruments must be of investment grade quality A or better, must have a liquid secondary market and be considered as such according to Basel III rules.

The Bank performs daily reviews, controls and periodic stress tests on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and to monitor the liquidity level according to the macroeconomic environment. The Bank determines the level of liquid assets to be held on a daily basis, adopting a Liquidity Coverage Ratio methodology referencing the Basel Committee guidelines. Additionally, the Liquidity Coverage Ratio is complemented with the use of the Net Stable Funding Ratio to maintain an adequate long-term funding structure. According to the Bank's liquidity guidelines, it is established that a minimum level of 1.0 of LCR and NSFR must be met. The Bank maintained a liquidity index between 1.25 and 1.53, with an average of 1.42 for 2017; and between 0.94 and 2.60, with an average of 1.15 for 2016.

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.

27. Risk management (continued)

27.2 Liquidity risk (continued)

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

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

<i>(in millions US\$)</i>	December 31, 2017	December 31, 2016
United States of America	612	591
Other O.E.C.D.	-	409
Multilateral	-	-
Latin America	7	8
Total	619	1,008

As of December 31, 2017 and 2016, the Bank's 24-hour deposits from customers (demand deposit accounts and call deposits) amounted to \$478 million and \$227 million, respectively; representing 16% and 8% 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, 2017 and 2016 were \$619 million and \$1,008 million, respectively (representing 21% and 36% of total deposits, respectively) of which \$609 million, or 98% and \$591 million, or 59%, as of December 31, 2017 and 2016, 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, 2017 and 2016, the Bank's short-term loan and investment securities portfolio (maturing within one year based on original contractual term) totaled \$3,746 million and \$3,577 million, respectively. As of December 31, 2017 and 2016, it had an average original term to maturity of 203 and 184 days, respectively and an average remaining term to maturity of 112 days and 89 days, respectively.

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled \$1,872 millions and \$2,552 millions as of December 31, 2017 and 2016, respectively. Of that amount, \$86 millions and \$105 millions corresponded to the Bank's investment securities as of December 31, 2017 and 2016. The remaining \$1,786 millions and \$2,447 millions in medium-term assets corresponded to the Bank's loan portfolio as of December 31, 2017 and 2016. As of December 31, 2017 and 2016, the medium-term assets had an average original term to maturity of four years and three years and nine months, respectively; and an average remaining term to maturity of one year and nine months (655 days), and one year and seven months (588 days), respectively.

27. Risk management (continued)

27.2 Liquidity risk (continued)

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

Description	December 31, 2017						Total
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without maturity	
Assets							
Cash and cash equivalent	672,048	-	-	-	-	-	672,048
Investment securities	700	279	7,000	77,688	-	-	85,667
Equity investments	-	-	-	-	-	8,402	8,402
Loans at amortized cost	1,926,787	1,175,801	922,711	1,386,161	94,198	-	5,505,658
Unearned interest and deferred fees	(472)	(479)	(223)	(3,546)	(248)	(17)	(4,985)
Allowance for expected credit losses	-	-	-	-	-	(81,294)	(81,294)
Other assets	31,282	8,635	13,175	3,819	9,398	15,942	82,251
Total	2,630,345	1,184,236	942,663	1,464,122	103,348	(56,967)	6,267,747
Liabilities							
Deposits	1,722,041	411,158	571,500	224,145	-	-	2,928,844
Other liabilities	806,547	151,090	291,694	979,958	66,802	-	2,296,091
Total	2,528,588	562,248	863,194	1,204,103	66,802	-	5,224,935
Confirmed letters of credit	169,042	101,403	3,004	-	-	-	273,449
Stand-by letters of credit and guaranteed – Commercial risk	18,687	72,080	77,952	257	-	-	168,976
Credit commitments	-	15,000	-	30,000	578	-	45,578
Total	187,729	188,483	80,956	30,257	578	-	488,003
Net position	(85,972)	433,505	(1,487)	229,762	35,968	(56,967)	554,809

27. Risk management (continued)

27.2 Liquidity risk (continued)

Description	December 31, 2016						Total
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Without maturity	
Assets							
Cash and cash equivalent	1,069,538	-	-	-	-	-	1,069,538
Investment securities	1,024	3,000	-	83,643	20,756	(602)	107,821
Loans at amortized cost	2,262,349	1,267,194	551,794	1,843,476	95,918	-	6,020,731
Unearned interest and deferred fees	(663)	(906)	(258)	(4,762)	(660)	-	(7,249)
Allowance for expected credit losses	-	-	-	-	-	(105,988)	(105,988)
Other assets	55,445	6,587	3,721	6,399	642	23,136	95,930
Total	3,387,693	1,275,875	555,257	1,928,756	116,656	(83,454)	7,180,783
Liabilities							
Deposits	2,306,413	173,288	275,631	47,520	-	-	2,802,852
Other liabilities	884,453	744,135	346,294	1,330,515	61,220	-	3,366,617
Total	3,190,866	917,423	621,925	1,378,035	61,220	-	6,169,469
Confirmed letters of credit	146,755	173,192	63,813	-	-	-	383,760
Stand-by letters of credit and guaranteed – commercial risk	70	8,595	360	-	-	-	9,025
Credit commitments	-	4,073	2,399	3,200	578	-	10,250
Total	146,825	185,860	66,572	3,200	578	-	403,035
Net position	50,002	172,592	(133,240)	547,521	54,858	(83,454)	608,279

27. Risk management (continued)

27.3 Market risk

Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with many of the Bank's operations and activities, including loans, deposits, securities held to maturity and financial instruments through OCI, short- and long-term borrowings and debt, derivatives and financial liabilities through profit or loss. This risk may result from fluctuations in different parameters: interest rates, currency exchange rates, inflation rates and changes in the implied volatility. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on the Bank's financial condition, results of operations, cash flows and business.

Interest rate risk

The Bank endeavors to manage its assets and liabilities in order to reduce the potential adverse effects on the net interest income that could be produced by interest rate changes. The Bank's interest rate risk is the exposure of earnings (current and potential) and capital to adverse changes in interest rates and is managed by attempting to match the term and repricing characteristics of the Bank's interest rate sensitive assets and liabilities. The Bank's policy with respect to interest rate risk provides that the Bank establishes limits with regards to: (1) changes in net interest income due to a potential impact, given certain movements in interest rates and (2) changes in the amount of available equity funds of the Bank, given a one basis point movement in interest rates.

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

	Change in interest rate	Effect on income
December 31, 2017	+200 bps	18,282
	-200 bps	(8,879)
December 31, 2016	+200 bps	24,603
	-200 bps	(11,382)
December 31, 2015	+200 bps	18,723
	-200 bps	(3,480)

This analysis is based on the prior year changes in interest rates and assesses the impact on income, with balances as of December 31, 2017 and 2016. This sensitivity provides an idea of the changes in interest rates, taking as example the volatility of the interest rate of the previous year.

27. Risk management (continued)

27.3 Market risk (continued)

Interest rate risk (continued)

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

	December 31, 2017					
Description	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Total
Assets						
Investments securities	700	279	7,000	77,688	-	85,667
Equity investments	-	-	-	-	8,402	8,402
Loans at amortized cost	4,067,639	952,542	301,334	173,550	10,593	5,505,658
Total	4,068,339	952,821	308,334	251,238	18,995	5,599,727
Liabilities						
Deposits	2,242,220	305,415	197,060	102,085	-	2,846,780
Short and long term borrowings and debt, net	1,585,145	2,538	85,232	482,814	55,838	2,211,567
Total	3,827,365	307,953	282,292	584,899	55,838	5,058,347
Total interest rate sensibility	240,974	644,868	26,042	(333,661)	(36,843)	541,380

	December 31, 2016					
Description	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Total
Assets						
Time deposit	125,000	-	-	-	-	125,000
Securities and other financial assets	9,025	3,000	-	72,094	18,200	102,319
Loans at amortized cost	4,350,913	1,445,290	140,609	83,919	-	6,020,731
Total	4,484,938	1,448,290	140,609	156,013	18,200	6,248,050
Liabilities						
Deposits	2,179,399	173,288	275,631	47,520	-	2,675,838
Short and long term borrowings and debt, net	2,168,964	402,643	133,190	495,883	46,133	3,246,813
Total	4,348,363	575,931	408,821	543,403	46,133	5,922,651
Total interest rate sensibility	136,575	872,359	(268,212)	(387,390)	(27,933)	325,399

27. Risk management (continued)

27.3 Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events. For purposes of accounting standards this risk does not come from financial instruments that are not monetary items, or for financial instruments denominated in the functional currency. Exposure to currency risk is low since the Bank's has maximum exposure limits established by the Board.

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

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

	December 31, 2017						
	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	3.31	1.20	112.66	2,985.78	19.67	-	-
Assets							
Cash and cash equivalent	87	2	4	91	369	75	628
Equity investments	168	-	-	-	-	-	168
Loans at amortized cost	-	-	-	-	143,182	-	143,182
Total	255	2	4	91	143,551	75	143,978
Liabilities							
Borrowings and deposit placements	-	-	-	-	143,661	-	143,661
Other liabilities	-	-	-	-	-	-	-
Total	-	-	-	-	143,661	-	143,661
Net currency position	255	2	4	91	(110)	75	317

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

27. Risk management (continued)

27.3 Market risk (continued)

Currency risk (continued)

	December 31, 2016						
	Brazilian Real expressed in US\$	European Euro expressed in US\$	Japanese Yen expressed in US\$	Colombian Peso expressed in US\$	Mexican Peso expressed in US\$	Other currencies expressed in US\$ ⁽¹⁾	Total
Exchange rate	3.25	1.06	116.68	3,002.00	20.6139	-	-
Assets							
Cash and cash equivalent	4,014	6	6	55	2,339	74	6,494
Investments and other financial assets	-	-	-	-	-	-	-
Loans at amortized cost	-	-	-	-	295,580	-	295,580
Other assets	-	52,800	94,279	-	79,104	-	226,183
Total	4,014	52,806	94,285	55	377,023	74	528,257
Liabilities							
Borrowings and deposit placements	-	-	94,279	-	280,557	-	374,836
Other liabilities	3,933	52,800	-	-	96,951	-	153,684
Total	3,933	52,800	94,279	-	377,508	-	528,520
Net currency position	81	6	6	55	(485)	74	(263)

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

27. Risk management (continued)

27.4 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.

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, 2017	December 31, 2016
Tier 1 capital	<u>1,048,304</u>	<u>1,054,719</u>
Risk weighted assets	5,601,518	6,350,544
Tier 1 capital ratio	18.71%	16.61%

28. Subsequent Events

Bladex announced a quarterly cash dividend of \$15,180 which represents \$0.385 US dollar cent per share corresponding to the 4th quarter of 2017. The cash dividend was approved by the Board of Directors at its meeting held on January 16, 2018 and it is payable on February 21, 2018 to the Bank's stockholders as of February 2, 2018 record date. Additionally, during the first quarter of 2018, the Bank approved variable compensation for the amount of \$5,500.

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