FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 20-F
April 30, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF

THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report……………………………

For the transition period from ______ to _______

Commission File Number 1-11414

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

(Exact name of Registrant as specified in its charter)

FOREIGN TRADE BANK OF LATIN AMERICA, INC.	**REPUBLIC OF PANAMA**
(Translation of Registrant's name into English)	*(Jurisdiction of incorporation or organization)*

Torre V, Business Park

Avenida La Rotonda, Urb. Costa del Este

P.O. Box 0819-08730

Panama City, Republic of Panama

(Address of principal executive offices)

Ana Graciela de Méndez

Chief Financial Officer

+507 210-8500

Email address: amendez@bladex.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Class E Common Stock	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

6,342,189	Shares of Class A Common Stock
2,408,806	Shares of Class B Common Stock
30,677,840	Shares of Class E Common Stock
0	Shares of Class F Common Stock
39,428,835	Total Shares of Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

¨ Yes x No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

x Large Accelerated Filer ¨ Accelerated Filer ¨ Non-accelerated Filer
¨ Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ¨

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

¨ U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

¨ Item 17 ¨ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

¨ Yes x No

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

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In this Annual Report on Form 20-F, or this Annual Report, references to the "Bank" or "Bladex" are to Banco Latinoamericano de Comercio Exterior, S.A., a specialized multinational bank incorporated under the laws of the Republic of Panama ("Panama"), and its consolidated subsidiaries described in Item 4.A "Information on the Company – History and Development of the Company". References to Bladex's consolidated financial statements (the "Consolidated Financial Statements") are to the financial statements of Banco Lationoamericano 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. References to "U.S. dollars" or "$" are to United States ("U.S.") dollars. References to the "Region" are to Latin America and the Caribbean. The Bank accepts deposits and raises funds principally in U.S. dollars, grants loans mostly in U.S. dollars and publishes its Consolidated Financial Statements in U.S. dollars. The numbers and percentages set forth in this Annual Report have been rounded and, accordingly, may not total exactly.

Upon written or oral request, the Bank will provide without charge to each person to whom this Annual Report is delivered, a copy of any or all of the documents listed as exhibits to this Annual Report (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference in the documents). Written requests for copies should be directed to the attention of Mrs. Ana Graciela de Méndez, Chief Financial Officer, Bladex, as follows: (1) if by regular mail, to P.O. Box 0819-08730, Panama City, Republic of Panama, and (2) if by courier, to Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Republic of Panama. Telephone requests may be directed to Mrs. de Méndez at +507 210-8563. Written requests may also be sent via e-mail to Mrs. de Méndez at amendez@bladex.com.

Forward-Looking Statements

In addition to historical information, this Annual Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements may appear throughout this Annual Report. The Bank uses words such as "believe," "intend," "expect," "anticipate," "plan," "may," "will," "should," "estimate," "potential," "project" and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning the Bank's expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. 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." 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 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, our 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 United Kingdom’s (“U.K.”) 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 headings “Item 4.B. Business Overview—Strategies for 2018 and Subsequent Years” and “Item 5.D. Trend Information” are forward-looking statements. Given the risks and uncertainties surrounding forward-looking statements, undue reliance should not be placed on these statements. Many of these factors are beyond the Bank’s ability to control or predict. The Bank’s forward-looking statements speak only as of the date of this Annual Report. Other than as required by law, the Bank undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not required in this Annual Report.

Item 2. Offer Statistics and Expected Timetable

Not required in this Annual Report.

Item 3. Key Information

A. Selected Financial Data

The following table presents selected consolidated financial data for the Bank. The Consolidated Financial Statements were prepared and presented 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"). Because fiscal year 2015 was the first year the Bank prepared and presented its financial statements in accordance with IFRS in order to comply with a requirement of the Superintendency of Banks of Panama for fully licensed banks in Panama, the Bank did not include the historical financial information as of and for the year ended December 31, 2013. The following selected financial data as of December 31, 2017 and 2016, and for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 has been derived from the Consolidated Financial Statements, which were audited by the independent registered public accounting firm Deloitte, Inc. ("Deloitte"), and are included in this Annual Report beginning on page F-1, together with the report of the independent registered public accounting firm Deloitte. Information as of December 31, 2015 and 2014, and for the year ended December 31, 2014, has been derived from the Bank's audited financial statements included in the Bank's Annual Report on Form 20-F for the year ended December 31, 2015 filed with the SEC on April 29, 2016. The information below is qualified in its entirety by the detailed information included elsewhere herein and should be read in conjunction with Item 4, "Information on the Company," Item 5, "Operating and Financial Review and Prospects," and the Consolidated Financial Statements and notes thereto included in this Annual Report.

Consolidated Selected Financial Information

	As of December 31,			
	2017	2016	2015	2014
	(in $ thousands)			
Consolidated Statement of Financial Position Data:				
Cash and cash equivalents	$672,048	$1,069,538	$1,299,966	$780,515
Financial instruments at fair value through profit or loss	0	0	53,411	57,574
Financial instruments at fair value through OCI	25,135	30,607	141,803	338,973
Securities at amortized cost, net	68,934	77,214	108,215	54,738
Loans	5,505,658	6,020,731	6,691,749	6,686,244
Allowance for expected credit losses on loans	81,294	105,988	89,974	77,687
Total assets	6,267,747	7,180,783	8,286,216	8,022,408
Total deposits	2,928,844	2,802,852	2,795,469	2,506,694
Financial liabilities through profit or loss	0	24	89	52
Securities sold under repurchase agreement	0	0	114,084	300,519
Short-term borrowings and debt	1,072,723	1,470,075	2,430,357	2,692,537
Long-term borrowings and debt, net	1,138,844	1,776,738	1,881,813	1,399,656
Total liabilities	5,224,935	6,169,469	7,314,285	7,111,369
Common stock	279,980	279,980	279,980	279,980
Total stockholders' equity	$1,042,812	$1,011,314	$971,931	$911,039

	As of and for the Year Ended December 31,			
	2017	2016	2015	2014
	(in $ thousands, except per share data and ratios)			
Consolidated Statement of Profit or Loss Data:				
Interest income	$226,079	$245,898	$220,312	$212,898
Interest expense	106,264	90,689	74,833	71,562
Net interest income	119,815	155,209	145,479	141,336
Fees and commissions, net	17,514	14,306	19,200	17,502
(Loss) gain on derivative financial instruments and foreign currency exchange, net	(437)	(486)	(23)	208
(Loss) gain per financial instrument at fair value through profit or loss	(732)	(2,883)	5,731	2,361
Gain (loss) on sale of securities at fair value through OCI	249	(356)	363	1,871
Gain on sale of loans	181	806	1,505	2,546
Other income	1,723	1,378	1,603	1,786
Net other income	18,498	12,765	28,379	26,274
Total income	138,313	167,974	173,858	167,610
Impairment loss from expected credit losses on loans at amortized cost (1)	8,859	34,760	17,248	6,782
(Recovery) impairment loss from expected credit losses on investment securities (1)	(489)	3	5,290	1,030
Impairment loss (recovery) from expected credit losses on loan commitments and financial guarantee contracts (1)	1,069	352	(4,448)	3,819
Salaries and other employee expenses	27,653	25,196	30,435	31,566
Depreciation of equipment and leasehold improvements	1,578	1,457	1,371	1,545
Amortization of intangible assets	838	629	596	942
Other expenses	16,806	18,532	19,382	19,560
Total expenses	56,314	80,929	69,874	65,244
Profit for the year	$81,999	$87,045	$103,984	$102,366
Weighted average basic shares	39,311	39,085	38,925	38,693
Weighted average diluted shares	39,329	39,210	39,113	38,882
Basic shares period end	39,429	39,160	38,969	38,777
Per Common Share Data:				
Basic earnings per share	2.09	2.23	2.67	2.65
Diluted earnings per share	2.08	2.22	2.66	2.63
Book value per share (period end)	26.45	25.83	24.94	23.49
Regular cash dividends declared per share	1.54	1.54	1.155	1.435
Regular cash dividends paid per share	1.54	1.54	1.54	1.40
Selected Financial Ratios:				
Performance Ratios:				
Return on average total assets (2)	1.27%	1.16%	1.32%	1.35%
Return on average total stockholders' equity(2)	8.02%	8.76%	10.95%	11.45%
Net interest margin (3)	1.85%	2.08%	1.84%	1.88%
Net interest spread (3)	1.48%	1.84%	1.68%	1.72%
Efficiency Ratio (4)	33.9%	27.3%	29.8%	32.0%
Total operating expenses (5) to average total assets (2)	0.72%	0.61%	0.66%	0.71%

Regular cash dividend payout ratio (6)	73.83	%	69.15	%	57.65	%	52.92	%
Liquidity Ratios:								
Liquid assets (7) / total assets	9.87	%	14.03	%	15.29	%	9.24	%
Liquid assets (7) / total deposits	21.13	%	35.95	%	45.33	%	29.57	%
Asset Quality Ratios:								
Non-performing loans to gross loan portfolio (8)	1.07	%	1.09	%	0.78	%	0.06	%
Charged-off loans to gross loan portfolio	0.60	%	0.31	%	0.09	%	0.00	%
Allowance for expected credit losses on loans to gross loan portfolio	1.48	%	1.76	%	1.34	%	1.16	%
Allowance for expected credit losses on loan commitments and financial guarantee contracts to total loan commitments and financial guarantee contracts and customers' liabilities under acceptances	1.39	%	1.37	%	1.17	%	1.97	%
Capital Ratios:								
Total stockholders' equity to total assets	16.64	%	14.08	%	11.73	%	11.36	%
Average total stockholders' equity to average total assets(2)	15.80	%	13.28	%	12.02	%	11.83	%
Leverage ratio (9)	6.0	x	7.1	x	8.5	x	8.8	x
Tier 1 capital to risk-weighted assets (10)	21.1	%	17.9	%	16.1	%	15.5	%
Risk-weighted assets (10)	$4,931,046		$5,662,453		$6,103,767		$5,913,505	

(1) For information regarding impairment loss from ECL, see Item 5, "Operating and Financial Review and Prospects—Operating Results."

(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 Item 5.A., "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 Item 5.A. "Operating and Financial Review and Prospects—Operating Results—Operating Expenses."

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

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(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 Financial Statements. See Item 5.B. "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Liquidity" and Item 18, "Financial Statements," Notes 4 and 27.2.

(8) As of December 31, 2017, 2016, 2015 and 2014 the Bank had \$59 million, \$65 million, \$52 million and \$4 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.

B. Capitalization and Indebtedness

Not required in this Annual Report.

C. Reasons for the Offer and Use of Proceeds

Not required in this Annual Report.

D. Risk Factors

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 international financial markets could negatively impact liquidity in such 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 above factors, either individually or together as a group, could adversely impact the Bank's financial condition, results of operations 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 commercial portfolio (the "Commercial Portfolio") includes gross loans (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 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.

See Item 11, "Quantitative and Qualitative Disclosures About Market Risk."

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 has 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 and 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.

The Bank may not be able to detect or prevent money laundering and other financial crimes fully or on a timely basis, which could expose the Bank to additional liability and could have a material adverse effect on the Bank.

The Bank is required to comply with applicable anti-money laundering ("AML"), anti-terrorism, anti-bribery and corruption sanctions, laws and regulations. The Bank has developed policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and other financial crime related activities. Financial crime is continually evolving and is subject to increasingly stringent regulatory oversight and focus. This requires proactive and adaptive responses from the Bank so that it is able to deter threats and criminality effectively. If the Bank is unable to fully comply with applicable laws, regulations and expectations, regulators and relevant law enforcement agencies may impose significant fines and other penalties on the Bank, including a complete review of its business systems, day-to-day supervision by external consultants and ultimately the revocation of the Bank's banking license.

In addition, while the Bank reviews its counterparties' internal policies and procedures with respect to such matters, the Bank, to a large degree, relies upon its counterparties to maintain and properly apply their own appropriate compliance procedures and internal policies. Such measures, procedures and internal policies may not be completely effective in preventing third parties from using the Bank's (and its counterparties') services as a conduit for illicit purposes (including illegal cash operations) without the Bank's (and its counterparties') knowledge. If the Bank is associated with, or even accused of having breached AML, anti-terrorism or sanctions requirements, the Bank's reputation could suffer and/or the Bank could become subject to fines, sanctions and/or legal enforcement (including being added to any blacklists that would prohibit certain parties from engaging in transactions with the Bank). Any of the above consequences could have a material adverse effect on the Bank's operating results, financial condition and prospects.

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 its 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.

Adoption of IFRS affects the presentation of our financial information, which was prepared under United States Generally Accepted Accounting Principles ("U.S. GAAP") prior to January 1, 2015.

On January 1, 2015, the Bank began preparing its financial statements in accordance with IFRS, in compliance with a Superintendency mandate applicable to all financial institutions registered under general license in Panama. Prior to and including the year ended December 31, 2014, the Bank prepared its financial statements in accordance with U.S. GAAP. Because IFRS differ in certain significant respects from U.S. GAAP, the Bank's financial information prepared and presented in its previous annual reports under U.S. GAAP is not directly comparable to its IFRS financial data. The lack of comparability with historical financial data may make it difficult to gain a full and accurate understanding of the Bank's operations and financial condition.

Any failure by the Bank to maintain effective internal control over financial reporting may adversely affect investor confidence and, as a result, the value of investments in our securities.

The Bank is required under the Sarbanes-Oxley Act of 2002 to furnish a report by the Bank's management on the effectiveness of its internal control over financial reporting and to include a report by its independent auditors attesting to such effectiveness. Any failure by the Bank to maintain effective internal control over financial reporting could adversely affect its ability to report accurately its financial condition or results of operations. If the Bank is unable to conclude that its internal control over financial reporting is effective, or if its independent auditors determine that Bladex has a material weakness or significant deficiency in its internal control over financial reporting, the Bank could lose investor confidence in the accuracy and completeness of its financial reports, the market prices of its shares could decline, and could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in its internal control over financial reporting, or to implement or maintain other effective control systems required of public companies subject to SEC regulation, also could restrict the Bank's future access to the capital markets.

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 shares.

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. has decided to retire as Chief Executive Officer and will be succeeded by Gabriel Tolchinsky upon Mr. Amaral's departure from the Bank effective at close of business 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 shares 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 share price.

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. The Bank's business, financial condition, results of operations and share price could therefore be materially adversely effected by any such developments.

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.

See Item 4.B., "Information on the Company—Business Overview—Developments During 2017".

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.

For more information on the Bank's Risk Management, see Item 18, "Financial Statements", note 27.

Item 4. Information on the Company

A. History and Development of the Company

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 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, Bladex was granted certain privileges by the Republic of Panama, including an exemption from payment of income taxes in Panama.

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."

The following is a description of the Bank's subsidiaries:

- 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, with Bladex Representação Ltda. as 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. At December 31, 2017 and 2016, the Bank did not have any participation in the Feeder, compared to participation in the Feeder of

47.71% and 49.61% at December 31, 2015 and 2014, respectively.

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’ss 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 Item 18, “Financial Statements,” note 1, and 2.1.

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B. Business Overview

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. Bladex 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. Bladex 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, 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.

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 posted 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.

Bladex's performance in 2017 demonstrated the sustainability of its business model and the Bank's ability to continue to deliver solid results 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 and to the market perception of Bladex as a reliable and successful partner in its line of business. Fee income associated with the Bank's traditional product, letters of credit, increased as well, confirming Bladex's reputation as a solid financial institution in the Region. Ample access to funding in 2017, across diversified sources and geographies, proved again the creditworthiness that Bladex enjoys in the international capital markets.

See Item 5, "Operating and Financial Review and Prospects—Operating Results—Profit for the year" and "Trend Information" and Item 18, "Financial Statements," note 17.

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, syndications, including export insurance programs, that complement the Bank’s expertise in foreign trade finance and risk management.

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 "CPER") of the Bank's Board of Directors (the "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 CPER, 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 CPER.

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 Item 4.B., "Information on the Company—Business Overview—Supervision and 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 gross loans (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 Latin American 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)	%
	(in $ millions, except percentages)					
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 Item 5, "Operating and Financial Review and Prospects—Operating Results—Changes in Financial Position". "Operating and Financial Review and Prospects—Operating Results—Asset Quality", "—Allowance fo ECL" and Item 18, "Financial Statements," notes 3.5 and 5.5.

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
	(in $ millions, except percentages)					
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.

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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
	(in $ millions, except percentages)					
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 $1 million 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.

	As of December 31, 2016 **(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	$497	$ 23	$ 0	$520
State-owned commercial banks	227	12	0	239
State-owned organizations	690	0	0	690
Private middle-market companies	183	2	0	185
Private corporations	1,056	20	0	1,076
Subtotal	$2,653	$ 57	$ 0	$2,710
FLOATING RATE				
Private sector commercial banks and financial institutions	$768	$ 451	$ 0	$1,219
State-owned commercial banks	207	69	0	276
Central banks	30	0	0	30
State-owned organizations	82	15	0	97
Private middle-market companies	50	54	5	109
Private corporations	772	795	13	1,580
Subtotal	$1,909	$ 1,384	$ 18	$3,311
Total	$4,562	$ 1,441	$ 18	$6,021

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.

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
	(in $ millions, except percentages)					
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 Item 18, "Financial Statements," note 6.

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 their municipalities.

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	%
	(in $ millions, except percentages)					
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	%
	(in $ millions, except percentages)					
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	%
	(in $ millions, except percentages)					
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

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 Item 18, "Financial Statements," notes 3.3.6 and 5.2.

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 Item 18, "Financial Statements," notes 3.3.7 and 5.3.

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, securities and loans at amortized cost, 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
	(in $ millions, except percentages)					
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

	As of December 31,					
	2017		2016		2015	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in $ millions, except percentages)					
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
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 Item 4.B. "Business Overview— 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 Item 5, "Operating and Financial Review and Prospects—Liquidity and Capital Resources—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	2015
	(in $ millions)		
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

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
	(in $ millions)		
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)
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 Item 5.A. "Operating and Financial Review and Prospects—Operating Results—Operating Expenses."

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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.

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 Item 3.D., "Key Information–Risk Factors."

Supervision and 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"). 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 more than 25 foreign supervisory authorities regarding the sharing of supervisory information under principles of reciprocity, appropriateness, national agreement and confidentiality. These entities include the U.S. Federal Reserve Board, the Federal Reserve Bank, the Office of the Comptroller of the Currency of the Treasury Department, or 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, as well as 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 of Banks. 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 with 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 2%; sub-standard loans 15%; doubtful loans 50%; 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 may create their own financial models to determine the amount of the specific reserves, subject to the approval of the Superintendency. In any event, the internal financial models must comply with the aforementioned minimum specific reserve requirements. Compliance with regulations on loan classification and loan loss reserves are monitored by the Superintendency through reports, as well as on- and off-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 execution 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 standards of discretion 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. None of the Chief Executive Officer, 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 must 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 Financing 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 the 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 $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, a New York state-licensed agency in White Plains, New York, and maintains a direct wholly-owned non-banking subsidiary in Delaware, Bladex Holdings, which is not engaged in banking activities.

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 statues, 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 statues, 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 $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 $100 million. As of December 31, 2017, the New York Agency maintained a pledge deposit with a carrying value of $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.

Seasonality

The Bank's business is not materially affected by seasonality.

Raw Materials

The Bank is not dependent on sources or availability of raw materials.

C. Organizational Structure

For information regarding the Bank's organizational structure, see Item 18, "Financial Statements," note 1.

D. 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 Item 18, "Financial Statements" notes 1, 3.11, 7 and 25.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of the Bank's financial condition and results of operations should be read in conjunction with the Bank's Consolidated Financial Statements and the related notes included elsewhere in this Annual Report. See Item 18, "Financial Statements." 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 for the year ended December 31, 2016, filed with the SEC on April 28, 2017. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. The Bank's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors" or in other parts of this Annual Report. The Bank's Consolidated Financial Statements and the financial information discussed below have been prepared in accordance with IFRS.

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.

A. 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
	(in $ thousands, except per share amounts and percentages)		
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
	(489)	3	5,290

(Recovery) impairment loss from expected credit losses on investment securities						
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 Item 18, "Financial Statements," note 22.

(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 expected credit losses 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. See Item 5.A., "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.

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
	(in $ thousands, except percentages)		
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 Item 18, “Financial Statements,” note 17.

The Commercial Business Segment

The Commercial Business Segment encompasses the Bank’s core business of financial intermediation and fee generation activities catering to corporations, financial institutions and investors in Latin America. These activities include the origination of bilateral and syndicated credits, short-term 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. See Item 4, “Information on the Company – Business Overview – 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.

Year 2017 vs. Year 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.

Year 2016 vs. Year 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 is responsible for the Bank's funding and liquidity management, along with the management of its activities in investment securities, as well as the management of the Bank's interest rate, liquidity, price and currency risks. Interest-earning assets managed by the Treasury Business Segment include liquidity positions in cash and cash equivalents, and financial instruments related to the investment management activities, consisting of financial instruments at FVTPL, 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, mainly deposits, short- and long-term borrowings and debt.

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

Year 2017 vs. Year 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.

Year 2016 vs. Year 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
	(in $ millions, except percentages)		
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 %

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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:

	For the Year ended December 31,								
	2017			2016			2015		
Description	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate
	(in $ millions, except percentages)								
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		
	$6,468			$7,479			$7,901		

Total Liabilities and Stockholders' Equity									
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
	(in $ thousands)					
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.

Net Interest Income Variation

<u>*2017 vs. 2016*</u>

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.

<u>*2016 vs. 2015*</u>

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.

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
	(in $ thousands)		
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.

During the year ended December 31, 2016, fees and commissions totaled $14.3 million, 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 Item 18, "Financial Statements," notes 3.10, and 21.

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 Item 11, "Quantitative and Qualitative Disclosure about Market Risk," and Item 18, "Financial Statements," notes 3.7 and 5.6.

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 Item 18, “Financial Statements,” notes 3.3.8, 5.1, 18 and 22.

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 Item 18, “Financial Statements,” notes 3.3.6 and 5.2.

Gain on sale of loans

The net gain on sale of loans at amortized cost 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
	(in $ millions)		
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.

For more detailed information, see Item 5, "Operating and Financial Review and Prospects–Operating Results–Asset Quality" and "–Allowance for ECL," and Item 18, "Financial Statements," notes 3.5, 3.6 and 5.5.

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).

For more detailed information, see Item 5, "Operating and Financial Review and Prospects–Operating Results–Asset Quality" and "–Allowance for ECL," and Item 18, "Financial Statements," notes 3.6, 5.2 and 5.3

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.

For more detailed information, see Item 5, “Operating and Financial Review and Prospects–Operating Results–Asset Quality” and “–Allowance for ECL,” and Item 18, “Financial Statements,” notes 3.6 and 6.

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 expected credit losses 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 Item 18, "Financial Statements", notes 23 and 24, respectively.

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 - 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

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:

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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. $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.

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.
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 Investors Service.

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 Item 18, "Financial Statements", Notes 3.5, 3.22 and 5.5. For information on impairment of investment securities, see Item 18, "Financial Statements," notes 3.3.10, 3.22, 5.2 and 5.3.

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 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 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 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.

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
	(in $ millions, except percentages)		
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	%
	(in $ millions, except percentages)					
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.

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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
	(in $ thousands)		
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 expected credit losses for loans at amortized cost is reported as a deduction of loans and, as a liability, the allowance for expected credit losses on loan commitments and financial guarantee contracts, such as letters of credit and guarantees.

The Bank measures 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 expected credit loss 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.