FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 20-F
April 30, 2019

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, 2018

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
2,245,227	Shares of Class B Common Stock
30,951,135	Shares of Class E Common Stock
0	Shares of Class F Common Stock
39,538,551	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 every Interactive Data File required to be submitted 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 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 or ir@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." Factors or events that could cause the Bank's actual results to differ may emerge from time to time, and it is not possible for the Bank to predict all such factors or results. The Bank undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable law or regulation. Forward-looking statements include statements regarding:

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- 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 losses on financial instruments and the measure of its expected credit loss model;

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- the availability and mix of future sources of funding for the Bank's lending operations;
- the adequacy of the Bank's sources of liquidity to cover large deposit withdrawals;
- management's expectations and estimates concerning the Bank's future financial performance, financing, plans and programs, and the effects of competition;
- government regulations and tax laws and changes therein;
- increases in compulsory reserve and deposit requirements;
- effectiveness of the Bank's risk management policies;
- failure in, or breach of, the Bank's operational or security systems or infrastructure;
- regulation of the Bank's business and operations on a consolidated basis;
- the effects of possible changes in economic or financial sanctions, requirements, or trade embargoes, changes in international trade, tariffs, restrictions or policies, such as those imposed or implemented by the current administration in the United States of America ("United States" or "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 2019 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"). The following selected financial data as of December 31, 2018 and 2017, and for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 has been derived from the Consolidated Financial Statements, and are included in this Annual Report beginning on page F-1, together with the reports of the independent registered public accounting firms KPMG LLP ("KPMG") and Deloitte, Inc. ("Deloitte"). The Consolidated Financial Statements as of, and for the year ended December 31, 2018 were audited by the independent registered public accounting firm KPMG, and the Consolidated Financial Statements as of, and for the years ended, December 31, 2017, 2016, 2015, and 2014 were audited by the independent registered public accounting firm Deloitte. The information below is qualified in its entirety by reference to 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,				
	2018	2017	2016	2015	2014
	(in $ thousands)				

Consolidated Statement of Financial Position Data:					
Cash and cash equivalents	$1,745,652	$672,048	$1,069,538	$1,299,966	$780,515
Securities and other financial assets, net	123,598	95,484	107,821	303,429	451,285
Loans	5,778,424	5,505,658	6,020,731	6,691,749	6,686,244
Allowance for loan losses	(100,785)	(81,294)	(105,988)	(89,974)	(77,687)
Total assets	7,609,185	6,267,747	7,180,783	8,286,216	8,022,408
Total deposits, less interest payable	2,970,822	2,928,844	2,802,852	2,795,469	2,506,694
Securities sold under repurchase agreement	39,767	0	0	114,084	300,519
Borrowings and debt, net	3,518,446	2,211,567	3,246,813	4,312,170	4,092,193
Total liabilities	6,615,595	5,224,935	6,169,469	7,314,285	7,111,369
Common stock	279,280	279,980	279,980	279,980	279,980
Total equity	$993,590	$1,042,812	$1,011,314	$971,931	$911,039

	As of and for the Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in $ thousands, except per share data and ratios)				
Consolidated Statement of profit or loss Data:					
Total interest income	$258,490	$226,079	$245,898	$220,312	$212,898
Total interest expense	(148,747)	(106,264)	(90,689)	(74,833)	(71,562)
Net interest income	109,743	119,815	155,209	145,479	141,336
Fees and commissions, net	17,185	17,514	14,306	19,200	17,502
(Loss) gain on financial instruments, net	(1,009)	(739)	(2,919)	7,576	6,986
Other income, net	1,670	1,723	1,378	1,603	1,786
Total other income, net	17,846	18,498	12,765	28,379	26,274
Total revenues	127,589	138,313	167,974	173,858	167,610
Impairment loss on financial instruments	(57,515)	(9,439)	(35,115)	(18,090)	(11,631)
Impairment loss on non-financial assets	(10,018)	0	0	0	0
Total operating expenses	(48,918)	(46,875)	(45,814)	(51,784)	(53,613)
Profit for the year	11,138	$81,999	$87,045	$103,984	$102,366
Weighted average basic shares	39,543	39,311	39,085	38,925	38,693
Weighted average diluted shares	39,543	39,329	39,210	39,113	38,882
Basic shares period end	39,539	39,429	39,160	38,969	38,777
Per Common Share Data:					
Basic earnings per share	0.28	2.09	2.23	2.67	2.65
Diluted earnings per share	0.28	2.08	2.22	2.66	2.63
Book value per share (period end) (1)	25.13	26.45	25.83	24.94	23.49
Regular cash dividends declared per share	1.54	1.54	1.54	1.155	1.435
Regular cash dividends paid per share	1.54	1.54	1.54	1.54	1.40
Selected Financial Ratios:					
Performance Ratios:					
Return on average total assets (2)	0.17%	1.27%	1.16%	1.32%	1.35%
Return on average total equity (3)	1.08%	8.02%	8.76%	10.95%	11.45%
Net interest margin (4)	1.71%	1.85%	2.08%	1.84%	1.88%
Net interest spread (4)	1.21%	1.48%	1.84%	1.68%	1.72%
Efficiency Ratio (5)	38.3%	33.9%	27.3%	29.8%	32.0%
Total operating expenses to average total assets	0.76%	0.72%	0.61%	0.66%	0.71%
Regular cash dividend payout ratio (6)	546.7%	73.8%	69.1%	57.6%	52.9%
Liquidity Ratios:					
Liquid assets (7) / total assets	22.42%	9.87%	14.03%	15.29%	9.24%
Liquid assets (7) / total deposits	57.43%	21.13%	35.95%	45.33%	29.57%
Asset Quality Ratios:					
Credit-impaired loans (8) to Loan Portfolio (9)	1.12%	1.07%	1.09%	0.78%	0.06%
Charged-off loans to Loan Portfolio	0.72%	0.60%	0.31%	0.09%	0.00%
Allowance for loan losses to Loan Portfolio	1.74%	1.48%	1.76%	1.34%	1.16%
Allowance for loan commitments and financial guarantee contracts losses to total	0.64%	1.39%	1.37%	1.17%	1.97%

loan commitments and financial guarantee contracts plus customers' liabilities under acceptances										
Capital Ratios:										
Total equity to total assets	13.06	%	16.64	%	14.08	%	11.73	%	11.36	%
Average total equity to average total assets (10)	15.98	%	15.80	%	13.28	%	12.02	%	11.83	%
Leverage ratio (11)	7.7	x	6.0	x	7.1	x	8.5	x	8.8	x
Tier 1 capital to risk-weighted assets (12)	18.1	%	21.1	%	17.9	%	16.1	%	15.5	%
Risk-weighted assets (12)	$5,494,080		$4,931,046		$5,662,453		$6,103,767		$5,913,505	

(1) Book value per share refers to the Bank's total equity divided by the Bank's outstanding common basic shares at the end of the period.

(2) For the years 2018, 2017, 2016, 2015 and 2014, return on average total assets is calculated as profit for the year divided by average total assets. Average total assets for 2018, 2017, 2016, 2015 and 2014 is calculated on the basis of daily average balances.

(3) For the years 2018, 2017, 2016, 2015 and 2014, return on average total equity is calculated as profit for the year divided by average total equity. Average total equity for 2018, 2017, 2016, 2015 and 2014 is calculated on the basis of daily average balances.

(4) For the years 2018, 2017, 2016, 2015 and 2014, net interest margin is calculated as net interest income divided by the average balance of interest-earning assets. Average balance of interest-earning assets for 2018, 2017, 2016, 2015 and 2014 is calculated on the basis of daily average balances. Net interest spread is calculated as average yield earned on interest-earning assets, less the average yield paid on interest-bearing liabilities. For more 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."

(5) Efficiency ratio is total operating expenses as a percentage of total revenues.

(6) The Bank calculates regular cash dividend payout ratio as regular cash dividends paid per share during the relevant period.

(7) Liquid assets refer to total cash and cash equivalents, consisting of cash and due from banks, and interest-bearing deposits in banks, excluding pledged deposits, as shown in the consolidated statements of cash flows. See Item 5.B. "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Liquidity" and Item 18, "Financial Statements.

(8) As of December 31, 2018, 2017, 2016, 2015 and 2014 the Bank had credit-impaired loans of $65 million, $59 million, $65 million, $52 million and $4 million, respectively. 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) Loan Portfolio refers to loans, gross of the allowance for loan losses, interest receivable and unearned interest and deferred fees.

(10) For the years 2018, 2017, 2016, 2015 and 2014, average total assets and average total equity are calculated on the basis of daily average balances.

(11) Leverage ratio is the ratio of total assets to total equity.

(12) Tier 1 Capital is calculated according to Basel III capital adequacy guidelines, and is equivalent to total equity excluding certain effects such as accumulated other comprehensive income (loss) ("OCI") of the securities 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

The Bank's business, results of operations, financial conditions and cash flows are subject to, and could be materially adversely affected by, various risks and uncertainties, including, without limitation, those set forth below, any one of which could cause the Bank's actual results to vary materially from recent results or anticipated future results. Investors should consider, among other things, all of the information set out in this Annual Report and particularly the risk factors with respect to Bladex and the Region. In general, investing in financial instruments of issuers in emerging market countries such as Panama involves a higher degree of risk than investing in financial instruments of U.S. and European issuers. Additional risks and uncertainties not presently known to the Bank or that its management currently deems immaterial may also impair the Bank's business operations.

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 on a timely basis. The Bank's capacity and cost of funding may be impacted by a number of factors, such as changes in market conditions (e.g., in interest rates), credit supply, changes in credit ratings, regulatory changes, systemic shocks in the banking sector, and changes in the market's perception of the Bank, among others. 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 25% of the Bank's total funding as of December 31, 2018. If these international banks cease to provide funding to the Bank or cease to provide funding to the Bank at historically applicable interest rates, 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 financial markets, reducing the Bank's access to credit or increasing its cost of funding, which could lead to tighter lending standards. The occurrence of such unfavorable market conditions could have a material adverse effect on the Bank's liquidity, results of operations and financial condition.

As of December 31, 2018, 71% of the Bank's total deposits represented deposits from central banks or their designees (i.e., the Bank's Class A shareholders), 13% of the Bank's deposits represented deposits from state-owned and private, corporations and international organizations, 8% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions, and 8% of the Bank's deposits represented deposits from state-owned banks. The Bank does not accept retail deposits from individuals. Any disruption or material decrease in current or historic deposit levels, in particular levels of deposits made by central banks and their designees (i.e., the Bank's Class A shareholders) due, among other factors, to any change in their U.S. dollar liquidity strategies which currently include making deposits with the Bank, could have a material adverse affect on the Bank's liquidity, results of operations and financial condition.

Lastly, Panama is a U.S. dollar-based economy. Panama does not have a central bank, and there is no lender of last resort to local financial institutions in the Panamanian banking sector in the event of financial difficulties or system-wide liquidity disruptions, which could adversely affect the banking system in the country.

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

The Bank's allowance for losses on financial instruments 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 losses based on a forward-looking process that estimates the probable loss inherent in its Credit 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: (i) gross loans excluding interest receivable, allowance for loan losses, unearned interest and deferred fees (the "Loan Portfolio"), (ii) customers' liabilities under acceptances, and (iii) 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 losses could be inadequate to cover losses in its Commercial Portfolio due to, among other factors, 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 securities at fair value through other comprehensive income ("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 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.

Furthermore, the Bank cannot predict the amount of realized or unrealized gains or losses on its financial instruments for any future period. Gains or losses on the Bank's investment portfolio may not contribute to its net revenue in the future or may cease to contribute to its net revenue at levels consistent with more recent periods. The Bank may not successfully realize the appreciation or depreciation now existing in its consolidated investment portfolio or in any assets of such portfolio.

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

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 grow as expected. Additionally, growth in the Bank's Commercial Portfolio or other factors, including those beyond the Bank's control, may expose the Bank to increases in its allowance for expected credit losses.

The Bank's Commercial Portfolio, including its Loan Portfolio, may not grow at anticipated levels or may decrease in future periods. A reversal or slowdown in the growth rate of the Region's economy and trade volumes could adversely affect the Bank's Commercial Portfolio, and as a result adversely affect the Bank's results of operations. 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 expected credit losses, which could negatively impact the Bank's operating results and financial position. Furthermore, the Bank's historical loan loss experience may not be indicative of its future loan losses. Credit-impaired or low credit quality loans can also increase the Bank's allowance for expected credit losses and thereby 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 credit-impaired 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, changes in its business profile 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. For example, for the year ended December 31, 2018, the Bank increased its allowances for expected credit losses on credit-impaired loans in large part as a result of a significant deterioration in sugar industry fundamentals throughout the Region, including the deterioration of one specific credit in the Brazilian sugar industry. These factors, among others, 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 its 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. 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 also faces competition from local financial institutions which increasingly have access to as good or better resources than the Bank. Local financial institutions are also clients of the Bank and there is complexity in managing the balance when a local financial institution is both a client and competitor. Additionally, many local financial institutions are able to gain direct access to the capital markets and low cost funding sources, threatening the Bank's historical role as a provider of U.S. dollar funding.

As a result of the foregoing, increased competition and banking industry consolidation could limit the Bank's ability to grow and may adversely affect its results of operations.

The Bank's businesses rely heavily on data collection, management and processing, and information systems, several of which are provided by third parties. Operational failures or security breaches with respect to any of the foregoing could adversely affect the Bank, including the effectiveness of its risk management and internal control systems. Additionally, the Bank may experience cyberattacks or system defects and failures (including failures 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.

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 and information 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 effective data collection, management and processing and information systems, it may be materially and adversely affected.

The Bank also relies on third party technology suppliers for many of its core operating systems that are crucial to its business activities. Any issues associated with those suppliers may have a significant impact on the Bank's capacity to process transactions and conduct its business. Additionally, these suppliers have access to the Bank's core systems and databases, exposing the Bank to vulnerability from its technology providers. Any security problems and security vulnerabilities of such third parties may have a material adverse effect on the Bank.

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. While the Bank has implemented policies and procedures designed to manage information security, the Bank may experience cyberattacks or operational problems with its information systems as a result of system defects and failures (including failures 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.

Furthermore, the Bank manages and stores certain proprietary information and sensitive or confidential data relating to its clients and to its operations. The Bank may be subject to breaches of the information technology systems it uses for these purposes. Additionally, the Bank operates in many geographic locations and is exposed to events outside its control. Despite the contingency plans the Bank has in place, its ability to conduct business in any of its locations may be adversely impacted by a disruption to the infrastructure that supports its business.

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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, reputation, results of operations and cash flows.

Operating failures, including those that result from human error or fraud, not only may increase the Bank’s costs and cause losses, but may also give rise to conflicts with its clients, lawsuits, regulatory fines, sanctions, interventions, reimbursements and other indemnity costs, all of which may have a material adverse impact on the Bank’s business, financial condition, reputation, results of operations and cash flows. Ethical misconduct or breaches of applicable laws by the Bank’s businesses or its employees could also be damaging to the Bank’s reputation, and could result in litigation, regulatory action or penalties. Operational risk also includes: (i) legal risk associated with inadequacy or deficiency in contracts signed by the Bank; (ii) penalties due to noncompliance with laws, such as anti-money laundering (“AML”) and embargo regulations; and (iii) punitive damages to third parties arising from the activities undertaken by the Bank. Also, the Bank has additional services for the proper functioning of its business and technology infrastructure, such as networks, internet and systems, among others, provided by external or outsourced companies. Impacts on the provision of these services, caused by these companies due to the lack of supply or the poor quality of the contracted services, can affect the conduct of the Bank’s business as well as its clients. Operational problems or errors such as these may have a material adverse impact on the Bank’s business, financial condition, reputation, 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.

The Banks hedging strategy may not be able to prevent losses.

The Bank uses diverse instruments and strategies to hedge its exposures to a number of risks associated with its business, but the Bank may incur losses if such hedges are not effective. The Bank may not be able to hedge its positions, or do so only partially, or its hedges may not have the desired effectiveness to mitigate the Bank's exposure to the diverse risks and market in which it is involved.

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 a material 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 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 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.

Expansion and/or enforcement of U.S. economic or financial sanctions, requirements or trade embargoes could have a material adverse effect on the Bank.

The Bank requires all subsidiaries, branches, agencies and offices to comply in all material respects with applicable Sanctions (as defined below). The Bank continues to monitor activities relating to those jurisdictions which are subject to Sanctions and periodically updates its global Sanctions policy to promote compliance with the various requirements resulting from these changes in Sanctions.

During 2018 and in recent years, the U.S. has issued new legislation expanding Sanctions on Nicaragua, North Korea, Russia and Venezuela, and issued an executive order modifying Sanctions with respect to Sudan. Furthermore, in recent years, OFAC has designated some notable groups or financial institutions on the Specially Designated Nationals (“SDN”) List in the regions or jurisdictions where the Bank is either located or in which it does business.

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For example, since 2015 and through 2019, the U.S. has continued to expand Sanctions in respect of the Government of Venezuela and certain Venezuelan nationals, including certain Venezuelan government officials. With regard to any Sanctions targeting persons who have been added to OFAC's SDN List, U.S. persons may not make to such listed persons, or receive from such listed persons, any contribution or provision of funds, goods, or services. These Sanctions also prohibit, with certain limited exceptions, (a) transactions by a U.S. person or within the United States relating to new debt with a maturity greater than 30 days or new equity, of the Government of Venezuela, bonds issued by the Government of Venezuela prior to August 25, 2017, and dividend payments or other distributions of profits to the Government of Venezuela from its controlled entities, and (b) direct or indirect purchases by a U.S. person or within the United States of securities from the Government of Venezuela (other than new debt with a maturity of 30 days or less). These recent Sanctions relating to Venezuela have also resulted in the designation of certain state-owned financial institutions, as SDNs, including Banco De Desarrollo Económico y Social de Venezuela ("BANDES"), Banco Bandes Uruguay S.A., Banco Bicentenario del Pueblo, de la Clase Obrera, Mujer y Comunas, Banco Universal C.A., Banco de Venezuela, S.A. Banco Universal and Banco Prodem S.A.

Beginning in 2018, the U.S. also expanded Sanctions in respect of the Government of Nicaragua and certain Nicaraguan nationals. Like the Venezuela-related Sanctions, these recent Sanctions have also resulted in the designation of certain financial institutions, as SDNs, including Banco Corporativo S.A., a subsidiary to the Venezuelan government-funded Alba de Nicaragua, S.A.

While the Bank does not consider that its business activities with counterparties with whom transactions are restricted or prohibited under U.S. Sanctions are material to its business, these aforementioned recent developments and any future expansion of Sanctions could have a material adverse impact on the Bank due to, among other things, the following:

- Bladex may be owned, directly or indirectly, by, or have shareholders which are, central banks, multilateral development banks or other persons which may be the current or future target of Sanctions; and
- Bladex may maintain counterparties that are organized in, located in or otherwise do business in jurisdictions which may or whose government may be the target of Sanctions.

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 but not limited to 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, financial reporting and employee compensation requirements;
- Accounting and statistical requirements;
- Competition policy; 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 18.1% as of December 31, 2018. In addition, as of December 31, 2018, the Bank's total capital to risk-weighted asset ratio, calculated according to the guidelines of the Banking Law, was 17.1%.

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.

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 Securities and Exchange Commission (“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.

Regulation and reform of LIBOR, EURIBOR or other benchmarks could adversely affect financial instruments linked to such benchmarks.

LIBOR, EURIBOR and other rates and indices deemed to be benchmarks are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective, while others have yet to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any financial instrument linked to such a benchmark, including, among others, loans and other financial instruments in the Bank's portfolio.

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

As an example of such reforms, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all)

cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions of loans and other financial instruments, or result in other consequences, in respect of any financial instrument linked to such benchmark, including, but not limited to, financial instruments whose interest rates are linked to LIBOR or any other such benchmark which is subject to reform. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the financial instruments, the return on the financial instruments and the trading market for securities based on such benchmark.

Any such consequences could have a material adverse effect on the value of and return on any such financial instrument, including, but not limited to, financial instruments in the Bank's Commercial Portfolio. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Bank to meet its obligations under financial instruments issued on a floating rate basis or could have a material adverse effect on the market price and/or liquidity of, and the amount payable under, any such financial instruments. Such consequences would have a material adverse effect on the Bank's business, financial condition, results of operations and share price.

The loss of senior management, or the Bank's ability to attract and maintain key personnel, could have a material adverse effect on it.

The Bank's ability to maintain its competitive position and implement its strategy depends on its senior management. The loss of some of the members of the Bank's senior management, or the Bank's inability to maintain and attract additional personnel, could have a material adverse effect on its operations and ability to implement its strategy. The Bank's performance and success are largely dependent on the talents and efforts of highly skilled individuals. Talent attraction and retention is one of the key pillars for supporting the results of Bladex, which is focused on client satisfaction and sustainable performance. The Bank's ability to attract, develop, motivate and retain the right number of appropriately qualified people is critical to its performance and ability to thrive throughout the Region. Concurrently, the Bank faces the challenge of providing a new experience to employees, so that the Bank is able to attract and retain highly-qualified professionals who value environments offering equal opportunities and who wish to build their careers in dynamic, cooperative workplaces, which encourage diversity and meritocracy and are up to date with new work models.

The Bank's performance could be adversely affected if it were unable to attract, retain and motivate key talent. As the Bank is highly dependent on the technical skills of its personnel, including successors to crucial leadership positions, as well as their relationships with clients, the loss of key components of the Bank's workforce could make it difficult to compete, grow and manage the business. A loss of such expertise could have a material adverse effect on the Bank's financial performance, future prospects and competitive position.

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 political, regulatory and economic conditions in the U.S. or in the Region, or in 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"). The Trump administration has undertaken to replace NAFTA with the United States – Mexico – Canada Agreement ("USMCA"), which was signed by each country on November 30, 2018, and if approved by the legislatures in each country, will replace NAFTA. There can be no assurance that the U.S. or China, or other countries, including those in the Region, will not move to implement further tariffs or restrictions on trade, or what the scope and effects of any such restrictions might be. Any such tariffs or restrictions, or uncertainty surrounding any future restrictions, could materially adversely affect international trade flows, which is a core sector underlying the Bank's business model. Any such disruptions in international trade flows could materially and adversely affect the demand and pricing of the Bank's trade related lending activities, and therefore have a material adverse effect on the Bank's business, financial condition, results of operations and share price.

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, a framework agreement was reached by the U.K. and E.U. governments which would, if passed, govern the implementation of Brexit. However, the U.K. Parliament rejected this framework in three separate votes, and as a result there continues to be substantial uncertainty regarding the terms on which Brexit will be implemented, or whether Brexit will occur without an agreement. Additionally, European leaders recently approved an extension until October 31, 2019 on the U.K.'s scheduled withdrawal. Once withdrawal actually occurs, it is expected to be followed by a transition period during which businesses and others prepare for the new post-Brexit rules to take effect on January 1, 2021. The ongoing lack of certainty surrounding the terms on which Brexit will be implemented, as well as the extended delay in agreeing any such terms, has led to substantial uncertainty in international markets. As a result, 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. Any market disruptions, including, among others, disruptions in financial markets or international trade, as a result of Brexit or otherwise, could have an adverse effect on the Bank's business, financial conditions and results of operations.

The Bank's credit activities are concentrated in the Region. The Bank also faces borrower concentration. Adverse economic developments 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 and other activities are concentrated in the Region, and are therefore highly susceptible to macroeconomic factors throughout the Region, as well as in individual countries. Economies in the Region have historically experienced significant volatility evidenced, in some cases, by political uncertainty, including with respect to upcoming elections, slow economic growth or recessions, increases in unemployment and the resulting reduction in consumer purchasing power, declining investments, fluctuations in interest rates and the capital markets, government and private sector debt defaults and restructurings, and significant inflation and/or currency devaluation. Global economic changes, including fluctuations in commodity prices, oil and energy 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 losses, 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.

Banks, including Bladex, that operate in countries considered to be emerging markets may be particularly susceptible to disruptions and reductions in the availability of credit or increases in financing costs, which may have a material adverse impact on their operations. In particular, the availability of credit to financial institutions operating in emerging markets is significantly influenced by an aversion to global risk. In addition, any factor impacting investors' confidence, such as a downgrade in credit ratings of a particular country or an intervention by a government or monetary authority in any such markets, may affect the price or availability of resources for financial institutions in any of these markets, which may affect the Bank.

The Bank also faces borrower concentration, with its credit activities being in a number of countries. The Bank's credit portfolio (the "Credit Portfolio") consists of the Commercial Portfolio and the "Investment Portfolio." The "Investment Portfolio" consists of securities at FVOCI and investment securities at amortized cost. Adverse changes affecting one or more of these economies could have a material 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, 2018, 63% of the Bank's Credit Portfolio was outstanding to borrowers in the following five countries: Brazil ($1,211 million, or 19%), Mexico ($917 million, or 14%), Colombia ($706 million, or 11%), Argentina ($611 million, or 10%), and Panama ($555 million, or 9%).

In addition, as of December 31, 2018, of the Bank's total Credit Portfolio balances, 10% were to five borrowers in Brazil, 8% were to five borrowers in Mexico, 6% were to five borrowers in Argentina, and 4% were to five borrowers in each of Colombia and Panama. A significant deterioration of the financial or economic condition of any of these countries or borrowers could have a material adverse impact on the Bank's Credit Portfolio, potentially requiring the Bank to create additional allowances for expected credit losses, or suffer credit losses with the effect accentuated because of this concentration.

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

The Bank makes mostly U.S. dollar-denominated loans and investments. As a result, the Bank faces the risk that local foreign exchange controls may restrict the ability of the Bank's borrowers to acquire dollars to repay loans on a timely basis, even if they are exporters, and/or that significant currency devaluation might occur, which could increase the cost, in local currency terms, to the Bank's borrowers of acquiring dollars to repay loans. Additionally, several Latin American currencies have devalued sharply against the U.S. dollar, on concerns about the U.S. trade policy agenda, coupled with a trend of rate increases by the U.S. Federal Reserve Board. Asset risks may rise for banks that lend to exporters or high value-added manufacturers, particularly in the automotive supplier and technology sectors in the Region. U.S. monetary tightening and rising inflation could prompt central banks to tighten monetary policy in Latin American countries, with higher rates potentially leading to weaker asset quality. Rising rates may reduce borrower repayment capacity, leading to an increase in credit-impaired loan 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.

A significant portion of the Bank's Loan Portfolio consists of loans made to borrowers in the agribusiness sector in the Region. Lending in the agribusiness sector presents unique risks, including among others climactic risks and risks related to commodities pricing.

As of December 31, 2018, 7.7% of the Bank's Loan Portfolio was comprised of agribusiness loans. As of December 31, 2018, the Bank had $447 million in agribusiness loans. Repayment of agribusiness loans depends substantially, in most cases, on the production and exporting of sugar and marketing the harvested of other commodities. Collateral securing these loans may be illiquid. In addition, the limited purpose of some agricultural-related collateral affects credit risk because such collateral may have limited or no other uses to support values when loan repayment problems emerge. Many external factors can impact the Bank's agricultural borrowers' ability to repay their loans, including adverse weather conditions, water issues, commodity price volatility (i.e. sugar prices), diseases, land values, production costs, changing government regulations and subsidy programs, changing tax treatment, technological changes, labor market shortages/increased wages, and changes in consumers' preferences, over which the Bank's borrowers may have no control. For example, for the year ended December 31, 2018, the Bank increased its allowances for expected credit losses on credit-impaired loans in large part as a result of a significant deterioration in sugar industry fundamentals, particularly the deterioration of one specific credit in the Brazilian sugar industry. These

factors, as well as recent volatility in certain commodity prices, including sugar prices, could adversely impact the ability of those to whom the Bank has made agribusiness loans to perform under the terms of their borrowing arrangements with the Bank, which in turn could result in credit losses and adversely affect the Bank’s business, financial condition and results of operations.

A downgrade in the Bank's credit ratings may adversely affect its funding costs, access to capital, access to loan and debt capital markets, liquidity and, as a result, its 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.

Credit ratings represent the opinions of independent rating agencies regarding the Bank's ability to repay its indebtedness, and affect the cost and other terms upon which it is able to obtain funding. Each of the rating agencies reviews its ratings and rating methodologies on a periodic basis and may decide on a grade change at any time, based on factors that affect the Bank's financial strength, such as liquidity, capitalization, asset quality and profitability. Credit ratings are essential to the Bank's capability to raise capital and funding through the issuance of debt, loan transactions, as well as to the cost of such financing.

Among other factors, increased risk perception in any country where the Bank has large exposures could trigger downgrades to the Bank's credit ratings. Such perception of increased risk could result from events which are beyond the Bank's control, such as economic or political crises or the macroeconomic deterioration of certain key economic sectors, among other factors. A credit rating downgrade would likely increase the Bank's funding costs, and may create liquidity risk, reduce its deposit base and access to the lending and debt capital markets, trigger additional collateral or funding requirements or decrease the number of investors and counterparties willing or permitted, contractually or otherwise, to do business with or lend to the Bank. As a result, 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, which could have a negative effect on its business and results of operations.

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.

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, which began operations on March 27, 1989, is located at 10 Bank Street, Suite 1220, White Plains, NY 10606, and its telephone number is +1 (914) 328-6640. The New York Agency is principally engaged in financing transactions related to international trade, mainly the confirmation and financing of letters of credit for customers in the Region. The New York Agency may also book transactions through an International Banking Facility (“IBF”).

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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 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.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. Information is also available on the Bank's website at: http://www.bladex.com

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 forty years 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 to 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 being recognized as a leading institution in supporting trade and regional integration across Latin America.

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 array of products and services include the origination of bilateral short- and medium-term loans, structured and syndicated credits, loan commitments, letter of credit contingencies such as issued and confirmed letters of credit, stand-by letters of credit, guarantees covering commercial risk, and other assets consisting of customers' liabilities under acceptances. The majority of the Bank's short-term 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 in cash and cash equivalents and financial instruments related to the Bank's investment management activities, consisting of securities at FVOCI and securities at amortized cost. The Treasury Business Segment also manages the Bank's interest-bearing liabilities, which constitute its funding sources and which consist mainly of deposits, short- and long-term borrowings and debt.

Historically, trade finance has been afforded favorable treatment in the context of debt restructurings of Latin American borrowers. 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' participations, it cannot guarantee that such exceptions will be granted in future debt restructurings.

As of December 31, 2018, the Bank had 51 employees, or 31% of its total employees, across its offices responsible for marketing the Bank's financial products and services to existing and potential new customers.

Developments During 2018

The global economy continues to grow in an uncertain environment, characterized by increasing volatility. The International Monetary Fund ("IMF") in its April 2019 report calculated world GDP growth to be 3.6% for the year 2018. This global growth was sustained, mainly, by the growth in the U.S. and stability in both the European and Chinese economies, although growth in both Europe and China has slowed when compared to previous years. As a general matter, while the global economy has continued to grow, growth has been more moderate and focused on certain key economies than has been the case in recent years. Growth in the Region stalled at 1.0% in 2018, which was substantially weaker than previously projected. The disappointing growth outcome reflected softening global trade growth and tighter external financing conditions.

2018 was characterized by increased conflict in international trade and increases in tariffs by several countries on a range of products. For example, the Trump administration in the U.S. has increased tariffs on a variety of imports from countries throughout the world, including the Region, and continues to threaten additional new, and increases in existing, tariffs. For example, in 2018 the U.S. imposed certain increased tariffs on steel and aluminum. China has also announced retaliatory tariffs against certain U.S. products. Furthermore, the Trump administration has undertaken to replace NAFTA with the USMCA.

Notwithstanding increasing levels of protectionism, world trade of goods and services showed a positive performance in 2018, growing by 3.8%, according to the IMF. Latin American trade flows increased by 9.3% in 2018, primarily due to higher prices for commodities, such as metals and oil, and a higher volume of exports resulting from dynamic external demand. Although commodity prices have recovered, they are still below the peak price levels reached during 2011 and 2012. These price increases have bolstered the recovery for certain exporters of key commodities products in the Region, with sugar, which continues to trade at minimal prices in the international market, remaining a notable exception.

The Federal Reserve Bank continued to make progress in normalizing monetary policy which tightened monetary conditions, adding pressure on emerging economies in 2018, especially in Latin America. Nearly all economies in the Region with floating exchange rates have experienced nominal depreciation against the U.S. dollar, particularly Argentina, Brazil, Chile, Mexico, and Uruguay. In most of these economies, especially Argentina, depreciation is contributing to a rise in inflation. Central banks in several countries have intervened in foreign exchange markets using derivative instruments to reduce currency volatility (e.g., Brazil and Uruguay) or to build reserves (e.g., Colombia). In addition, monetary policy experienced tightening in some economies to contain inflationary pressures stemming partly from currency depreciation, which further dampened growth (e.g. Argentina).

The Region is comprised of diverse economies, each of which exhibited its own trends in 2018. Developments in Argentina, Brazil, and Venezuela hindered regional growth, despite better performance in several mid-size economies (e.g., Chile, Colombia and Peru). For example, the volatility in the international markets significantly affected Argentina, mainly due to its external vulnerability related to a loan agreement with the IMF which included certain restrictions on the country’s fiscal measures and economic policies. In Brazil, while pressure on Brazilian markets lifted to a significant extent in 2018, uncertainty continues, as the markets continue to await key fiscal adjustments and pension fund reforms. On the other hand, the markets in Mexico did respond positively to the new proposed USMCA. Growth moderated in Central America, reflecting a variety of factors, affected by weak confidence in Costa Rica and Panama, political uncertainty in Guatemala, and social unrest in Nicaragua.

In addition, the year 2018 was important in the political calendar of the Region, with presidential elections taking place in Brazil, Mexico, Colombia and Costa Rica, which comprise a significant portion of Regional GDP (67% of GDP of the Region). Although these elections are an important part of the democratic process in the Region, they were also the cause of economic and political uncertainty. In this context, rising populism posed risks for the implementation of much-needed reforms in several countries in the Region, most notably in Brazil, Mexico and Costa

Rica.

Within this economic context, the Bank's annual profit was $11.1 million in 2018, compared to $82.0 million in 2017, mainly as a result of (i) a $57.5 million impairment loss on financial instruments related to the significant deterioration of credit-impaired loans; (ii) a $10.0 million impairment loss on non-financial assets, due to an assessment of these items, which concluded that they had to be written off; and (iii) a $10.7 million decrease in annual revenues, mainly resulting from an 8% reduction in net interest income, as net interest margin decreased 14 basis points and net interest spread decreased 27 basis points from 2017 levels to 1.71% and 1.21%, respectively. The decrease in financial margins relates to narrower net lending spreads as a result of the origination of higher quality loans in 2018, as the Bank increased its lending share to financial institutions, sovereign and state-owned entities, and top quality corporations – most of which are exporters with U.S. dollar generation capacity. Lower lending spreads were partly offset by the net positive effect of an increasing interest rate environment on the repricing of the Bank's assets and liabilities.

The Bank's 2018 results represent a return on average equity ("ROAE") of 1.1% and a return on average assets ("ROAA") of 0.2%, which were significantly below 2017 levels of 8.0% and 1.3%, respectively. However, in management's opinion, the credit impairment losses recorded by the Bank in 2018 allowed the Bank to reflect in its results the impact of the negative credit cycle that has affected the Region over the past few years, and left the Bank with a strengthened balance sheet and solid levels of solvency and liquidity, positioning the Bank to grow its business in a profitable and reliable manner. Reflecting this position, the Bank ended 2018 with a strong 18% Tier I Basel III capital ratio and a liquidity position of 22% of total assets.

Strategies for 2019 and Subsequent Years

Streamline the Bank's operating model for greater efficiency

The Bank aims to improve efficiency and productivity throughout its organization, with investments having already been made in technology and more efficient processes. The Bank is focusing on a number of specific areas, including implementing a more centralized management model in which the head office provides risk management and administrative support to the Bank's representative offices, and with representative offices concentrating 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 grow 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 located 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 country and industry exposure

The Bank's strategy is to participate in activities associated with trade and the trade supply chain, as well as integration across Latin American, 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. The Bank seeks to achieve this through participation in bilateral and co-financed transactions and by strengthening the short- and medium-term trade services that it provides. 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, and by strategically targeting industries and participants in the value chain of international trade by country within the Region. The Bank targets clients that operate 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, which management believes will reinforce the Bank's business model, enhance origination capacity and all the

Bank to deploy capital most effectively. The Bank also intends to diversify its credit risk profile, in order to continue to mitigate the impact of potential losses, should they occur.

Increase the range of products and services offered to clients

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

Lending Policies

The Bank extends credit directly to financial institutions and corporations within the Region. 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, 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 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. 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 borrower and borrower group, in the case of corporate and sovereign entities. As of December 31, 2018, the Bank's legal lending limit prescribed by Panamanian law for corporations and sovereign borrowers amounted to $248 million, and for financial institutions and financial groups amounted to $298 million. Panamanian law also sets lending limits for related party transactions, which are described in more detail in the section "Supervision and 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, 2018, the Bank was in compliance with regulatory legal lending limits.

Credit Portfolio

The Bank's Credit Portfolio consists of the Commercial Portfolio and the Investment Portfolio. The Bank's Commercial Portfolio includes: (i) gross loans excluding interest receivable, allowance for loan losses, unearned interest and deferred fees (the "Loan Portfolio"), (ii) customers' liabilities under acceptances, and (iii) loan commitments and financial guarantee contracts, such as confirmed and stand-by letters of credit, and guarantees covering commercial risk. The Bank's Investment Portfolio consists of securities at FVOCI and investment securities at amortized cost.

As of December 31, 2018, the Credit Portfolio amounted to $6,397 million compared to $6,085 million as of December 31, 2017 and $6,552 million as of December 31, 2016. The $312 million, or 5%, increase during 2018 was largely attributable to the Bank's Commercial Portfolio, which increased by $291 million, or 5%, due to improved conditions for credit demand in the Region and an increase in the Bank's client base of financial institutions. Compared to December 31, 2016, the Bank's Credit Portfolio as of December 31, 2018, represented a $155 million, or 2%, decrease that reflected the implementation of the Bank's efforts to improve its portfolio credit risk profile.

Commercial Portfolio

The Bank's Commercial Portfolio amounted to $6,290 million as of December 31, 2018, compared to $5,999 million as of December 31, 2017, and $6,444 million as of December 31, 2016. The $291 million, or 5%, increase during 2018 reflects the aforementioned improved conditions to longer tenor transactions and an increase in the Bank's client base of financial institutions, compared to the negative credit cycle experienced in the Region in previous periods, as evidenced by the $154 million, or 2%, balance reduction in the Commercial Portfolio from December 31, 2016 to

December 31, 2018.

As of December 31, 2018, 74% of the Bank's Commercial Portfolio was scheduled to mature within one year, compared to 81% as of December 31, 2017 and 77% as of December 31, 2016, which reflects higher mid-term lending origination throughout 2018. As of those same dates, trade-related finance transactions represented 45%, 60% and 66%, respectively, of the Bank's Commercial Portfolio, while trade-related finance transactions represented 59%, 74% and 85%, respectively, of the Bank's short-term Commercial Portfolio, as the Bank increased its exposure to financial institutions.

As of December 31, 2018, the Commercial Portfolio's exposure remained diversified across regions and industry sectors, with 52% of the total Commercial Portfolio representing the Bank's traditional client base of financial institutions and 48% of the total Commercial Portfolio represented by corporations, of which 37% and 54% of such percentages were trade-related financing, respectively. As of December 31, 2018, 19% of the total Commercial Portfolio was placed in Brazil, representing the Bank's largest country exposure, which management believes is commensurate with the size and prospects of Brazil's economy and its relevance in international trade flows.

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,									
	2018	%	2017	%	2016	%	2015	%	2014	%
	(in $ millions, except percentages)									
Loans	$5,778	91.9	$5,506	91.8	$6,021	93.4	$6,692	93.5	$6,686	93.0
Loan commitments and financial guarantee contracts	502	8.0	487	8.1	403	6.3	447	6.3	386	5.4
Customers' liabilities under acceptances	10	0.1	6	0.1	20	0.3	16	0.2	115	1.6
Total	$6,290	100.0	$5,999	100.0	$6,444	100.0	$7,155	100.0	$7,187	100.0

Loan Portfolio

As of December 31, 2018, the Bank's Loan Portfolio totaled to $5,778 million, compared to $5,506 million as of December 31, 2017 and $6,021 million as of December 31, 2016. The $272 million, or 5%, Loan Portfolio increase during 2018 was mainly attributable to higher mid-term lending origination throughout 2018 as the Bank was able to deploy longer tenor transactions with our traditional client base of top quality financial institutions, exporting corporations and "multilatinas", and continued to perform well on its short-term origination capacity. The $243 million, or 4%, decrease compared to December 31, 2016, was primarily related to the Bank's decision in previous years to improve its Loan Portfolio risk profile by reducing unwanted exposures to certain countries, industries and clients. As of December 31, 2018, the Loan Portfolio had an average remaining maturity term of 323 days, and 73% of the Bank's Loan Portfolio was scheduled to mature within one year, compared to an average remaining maturity of 282 days, or 80% maturing within one year as of December 31, 2017, and 279 days, or 76% maturing within one year as of December 31, 2016.

As of December 31, 2018, the Bank's credit-impaired loans totaled $65 million (or 1.12% of the Loan Portfolio), compared to $59 million (or 1.07% of the Loan Portfolio) as of December 31, 2017 and $65 million (or 1.09% of the Loan Portfolio) as of December 31, 2016. Credit-impaired loans increased in 2018 mainly due to the net effect of (i) the classification of loans totaling $65 million as credit-impaired, $62 million of which corresponded to a loan in the Brazilian sugar sector that significantly deteriorated during 2018 due to worsening international sugar industry fundamentals which led to a substantial decrease in sugar prices to levels well below the worldwide marginal cost of production, combined with the risk involved in the borrower's complex restructuring process; and (ii) finalized credit restructuring agreements and the sale of loans classified as credit-impaired, which led to loan derecognitions totaling $21 million and principal balance write-offs totaling $38 million. Including principal and accrued interest, total loan write-offs against individually allocated credit allowances amounted to $42 million in 2018. As of December 31, 2018, the $62 million credit-impaired loan in the Brazilian sugar sector discussed above accounted for 96% of the Bank's total impaired loans classified as Stage 3 (under accounting standard IFRS 9) with individually assigned allowance for credit losses. The remainder of the Loan Portfolio performed well during 2018, evidenced by the 10%

increase in loans classified as Stage 1 under IFRS 9, with credit conditions unchanged since origination. Moreover, loans classified as Stage 2 under IFRS 9, which represent loans with exposures whose credit conditions have deteriorated since origination, decreased by 39% in 2018.

Loan Portfolio by Country

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

	As of December 31,									
	2018	% of Total Loans	2017	% of Total Loans	2016	% of Total Loans	2015	% of Total Loans	2014	% of Total Loans
	(in $ millions, except percentages)									
Argentina	604	10.5	$295	5.3	$325	5.4	$142	2.1	$185	2.8
Belgium	13	0.2	11	0.2	4	0.1	13	0.2	0	0.0
Bermuda	0	0.0	0	0.0	0	0.0	20	0.3	0	0.0
Bolivia	14	0.2	15	0.3	18	0.3	20	0.3	10	0.1
Brazil	1,156	20.0	1,019	18.5	1,164	19.3	1,605	24.0	1,972	29.5
Chile	177	3.1	171	3.1	69	1.2	195	2.9	157	2.4
Colombia	626	10.8	829	15.1	653	10.8	621	9.3	726	10.9
Costa Rica	370	6.4	356	6.5	400	6.6	341	5.1	321	4.8
Dominican Republic	301	5.2	250	4.5	244	4.1	384	5.7	243	3.6
Ecuador	188	3.3	94	1.7	129	2.1	169	2.5	120	1.8
El Salvador	70	1.2	55	1.0	105	1.7	68	1.0	116	1.7
France	0	0.0	0	0.0	0	0.0	6	0.1	6	0.1
Germany	18	0.3	38	0.7	50	0.8	97	1.4	100	1.5
Guatemala	329	5.7	309	5.6	316	5.2	458	6.8	263	3.9
Honduras	89	1.5	75	1.4	73	1.3	118	1.8	93	1.4
Jamaica	22	0.4	24	0.4	8	0.1	17	0.2	16	0.2
Luxembourg	18	0.3	20	0.4	15	0.2	0	0.0	0	0.0
Mexico	867	15.0	850	15.4	927	15.4	789	11.8	868	13.0
Netherlands	0	0.0	0	0.0	0	0.0	0	0.0	10	0.2
Nicaragua	0	0.0	30	0.5	37	0.6	17	0.3	8	0.1
Panama	485	8.4	500	9.1	499	8.3	455	6.8	321	4.8
Paraguay	159	2.7	60	1.1	108	1.8	116	1.7	132	2.0
Peru	78	1.4	212	3.8	467	7.8	511	7.6	590	8.8
Singapore	39	0.7	55	1.0	70	1.2	12	0.2	0	0.0
Switzerland	0	0.0	4	0.1	46	0.8	45	0.7	50	0.7
Trinidad & Tobago	145	2.5	175	3.2	184	3.1	200	3.0	165	2.5
United States of America	0	0.0	44	0.8	73	1.2	54	0.8	55	0.8
Uruguay	10	0.2	15	0.3	37	0.6	219	3.3	160	2.4
Total	$5,778	100.0	$5,506	100.0	$6,021	100.0	$6,692	100.0	$6,686	100.0

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, 2018, the Bank's combined Loan Portfolio associated with European country risk represented $48

million, or 0.84%, of the total Loan Portfolio, compared to $73 million, or 1.32%, of the total Loan Portfolio as of December 31, 2017 and $115 million, or 1.91%, as of December 31, 2016.

Loan Portfolio by Type of Borrower

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

	As of December 31,									
	2018	% of Total Loans	2017	% of Total Loans	2016	% of Total Loans	2015	% of Total Loans	2014	% of Total Loans
	(in $ millions, except percentages)									
Private sector commercial banks and financial institutions	$2,459	42.5	$2,084	37.9	$1,739	28.9	$1,975	29.5	$1,891	28.3
State-owned commercial banks	624	10.8	574	10.4	515	8.5	613	9.2	445	6.7
Central banks	0	0.0	0	0.0	30	0.5	0	0.0	35	0.5
State-owned organizations	802	13.9	723	13.1	787	13.1	462	6.9	712	10.6
Private corporations	1,893	32.8	2,125	38.6	2,950	49.0	3,642	54.4	3,603	53.9
Total	$5,778	100.0	$5,506	100.0	$6,021	100.0	$6,692	100.0	$6,686	100.0

As of December 31, 2018, the Bank's Loan Portfolio industry exposure mainly included: (i) 53% in the financial institutions sector; (ii) 17% in the industrial sector, comprised mostly of food and beverage (5%), electric power (5%), metal (3%) and other manufacturing (2%), and plastics and packaging industries (2%); and (iii) 11% in the oil and gas sector, which in turn was divided into integrated (10%) and upstream (1%). 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, 2018, by type of rate and type of borrower:

	As of December 31, 2018 **(in $ millions)**			
	Due in one year or less	Due after one year through five years	Due after five years	Total
FIXED RATE				
Private sector commercial banks and financial institutions	$984	$ 78	$ 0	$1,062
State-owned commercial banks	387	0	0	387
State-owned organizations	274	47	0	321
Private corporations	916	13	8	937
Subtotal	$2,561	$ 138	$ 8	$2,707
FLOATING RATE				
Private sector commercial banks and financial institutions	$959	$ 438	$ 0	$1,397
State-owned commercial banks	203	34	0	237
State-owned organizations	126	352	2	480
Private corporations	370	577	10	957
Subtotal	$1,658	$ 1,401	$ 12	$3,071
Total	$4,219	$ 1,539	$ 20	$5,778

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 and criteria 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 $502 million, or 8% of the total Commercial Portfolio, as of December 31, 2018, compared to $488 million, or 8% of the total Commercial Portfolio, as of December 31, 2017 and $403 million, or 6% of the total Commercial Portfolio, as of December 31, 2016. Confirmed and stand-by letters of credit, and guarantees covering commercial risk represented 79% of the total loan commitments and financial guarantee contracts as of December 31, 2018, compared to 91%, and 97%, as of December 31, 2017 and 2016, 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,					
	2018		2017		2016	
	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	$7	1.4	$8	1.5	$0	0.0
Bolivia	0	0.0	0	0.0	0	0.1
Brazil	50	10.0	0	0.0	0	0.0
Canada	0	0.0	0	0.1	0	0.0
Chile	0	0.0	15	3.1	0	0.0
Colombia	52	10.4	91	18.7	79	19.6
Costa Rica	39	7.7	20	4.1	2	0.6
Dominican Republic	17	3.3	0	0.0	27	6.6
Ecuador	247	49.3	253	51.9	173	42.8
El Salvador	1	0.2	1	0.2	1	0.3
Germany	18	3.6	0	0.0	0	0.0
Guatemala	15	3.0	12	2.4	7	1.7
Honduras	0	0.0	1	0.2	1	0.3
Mexico	23	4.5	35	7.2	11	2.8
Panama	29	5.9	31	6.4	40	9.9
Peru	3	0.6	18	3.6	43	10.6
Switzerland	0	0.0	0	0.0	1	0.2
Uruguay	1	0.1	3	0.6	18	4.5
Total loan commitments and financial guarantee contracts	$502	100.0	$488	100.0	$403	100.0

Investment Portfolio

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

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

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The following table sets forth information regarding the carrying value of the Bank's Investment Portfolio and other financial assets, net, as of the dates indicated.

	As of December 31,		
	2018	2017	2016
	(in $ millions)		
Securities at amortized cost	$ 85	$ 69	$ 78
Securities at FVOCI	22	17	30
Investment Portfolio	$ 107	$ 86	$ 108
Equity instrument at FVOCI	6	8	0
Financial instrument at fair value through profit and loss (debentures)	9	0	0
Interest receivable	2	1	2
Reserves	(0)	(0)	(1)
Total securities and other financial assets, net	$ 124	$ 95	$ 109

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 Portfolio, presented in principal amounts, by country risk, type of borrower and contractual maturity, as of the dates indicated:

	As of December 31,					
	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
Brazil	$4	4.1	$5	5.2	$21	20.0
Chile	5	4.7	5	6.0	5	4.8
Colombia	28	26.3	29	33.8	30	27.5
Costa Rica	0	0.0	0	0.0	0	0.0
Mexico	27	25.3	20	23.5	20	18.8
Panama	35	32.4	18	21.5	12	10.8
Peru	0	0.0	0	0.0	0	0.0
Trinidad and Tobago	8	7.2	9	10.0	9	8.1
Multilateral Organizations	0	0.0	0	0.0	11	10.0
Total	$107	100.0	$86	100.0	$108	100.0

As of December 31,		
2018	2017	2016

	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
Private sector commercial banks and financial institutions	$19	17.5	$11	13.4	$4	4.1
State-owned commercial banks	3	2.7	3	3.4	3	2.6
Sovereign debt	46	43.5	48	55.7	49	45.2
State-owned organizations	32	29.5	24	27.5	35	32.4
Private corporations	7	6.8	0	0.0	17	15.7
Total	$107	100.0	$86	100.0	$108	100.0

	As of December 31,					
	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
In one year or less	$36	33.9	$8	9.3	$4	3.7
After one year through five years	65	60.4	78	90.7	85	78.9
After five years through ten years	6	5.7	0	0.0	19	17.4
Total	$107	100.0	$86	100.0	$108	100.0

As of December 31, 2018, 2017 and 2016, securities held by the Bank of any single issuer did not exceed 10% of the Bank's equity.

Securities at amortized cost

As of December 31, 2018, the Bank's securities at amortized cost increased to $85 million, from $69 million as of December 31, 2017. The $16 million, or 23% increase during the year in the securities at amortized cost portfolio was mostly attributable to $27 million in investment securities acquired during 2018, and net of the $10 million in proceeds received from matured investment securities. As of December 31, 2018, securities at amortized cost with a carrying value of $35 million were pledged to secure repurchase transactions accounted for as secured financings.

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 that year in 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, 2017 and 2016, there were no investment securities at amortized cost guaranteeing repurchase transactions.

Securities at FVOCI

As of December 31, 2018, the Bank's securities at FVOCI increased to $22 million, from $17 million as of December 31, 2017. The $5 million, or 30%, increase during the year in the securities at FVOCI was mostly attributable to $10 million in securities purchases, net of $5 million in proceeds from the redemption of securities at FVOCI during the year. As of December 31, 2018, the Bank's securities at FVOCI consisted of investments in securities of issuers in the Region, of which 72% corresponded to sovereign and state-owned issuers, and 28% corresponded to the private sector. As of December 31, 2018, securities at FVOCI with a carrying value of $4.6 million were pledged to secure repurchase transactions accounted for as secured financings.

As of December 31, 2017, securities at FVOCI totaled $17 million, and related to investments in securities issued by sovereign and state-owned issuers in the Region. The $6 million decrease in the Bank's securities at FVOCI from December 31, 2016 was mainly attributable to the sale of investment securities as the Bank decreased its holdings in this category to reduce market risk. As of December 31, 2017 and 2016, there were no securities at FVOCI guaranteeing repurchase transactions.

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, securities at FVOCI, securities and loans at amortized cost, and accrued interest receivable, as of December 31 of each year:

	As of December 31,					
	2018		2017		2016	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in $ millions, except percentages)					
Argentina	$609	7.9	$296	4.7	$329	4.5
Brazil	1,169	15.2	1,042	16.5	1,201	16.6
Chile	183	2.4	176	2.8	75	1.0
Colombia	660	8.6	863	13.7	688	9.5
Costa Rica	372	4.9	358	5.7	402	5.6
Dominican Republic	304	4.0	251	4.0	246	3.4
Ecuador	189	2.5	95	1.5	130	1.8
El Salvador	71	0.9	55	0.9	106	1.5

	As of December 31,					
	2018		2017		2016	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in $ millions, except percentages)					
Guatemala	332	4.3	310	4.9	319	4.4
Honduras	90	1.2	75	1.2	73	1.0
Japan	2	0.0	2	0.0	82	1.1
Mexico	899	11.7	875	13.9	955	13.2
Panama	529	6.9	526	8.3	513	7.1
Paraguay	161	2.1	60	1.0	110	1.5
Peru	79	1.0	213	3.4	470	6.5
Singapore	38	0.5	55	0.9	70	1.0
Switzerland	9	0.1	9	0.1	110	1.5
Trinidad & Tobago	154	2.0	185	2.9	194	2.7
United States of America	1,669	21.8	665	10.5	955	13.2
Other countries (1)	155	2.0	192	3.1	214	2.9
Total (2)	$7,674	100.0	$6,303	100.0	$7,242	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 2018 was comprised of Germany ($68 million), Jamaica ($22 million), Luxembourg ($18 million), Belgium ($14 million). Bolivia ($14 million), Uruguay ($10 million) and Spain ($9 million). “Other countries” in 2017 was comprised of Germany ($38 million), Nicaragua ($30 million), Jamaica ($25 million), Spain ($22 million), Luxembourg ($20 million), Netherlands ($15 million), Uruguay ($15 million), Bolivia ($15 million) and Belgium ($12 million). “Other countries” in 2016 was comprised of Germany ($50 million), Uruguay ($37 million), 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).

(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, 2018, overall cross border outstandings totaled $7,674 million, a $1,371 million, or 22%, increase compared to $6,303 million as of December 31, 2017, mainly as a result of the Bank having liquidity above historical levels at the end of 2018, as the Bank obtained funding sources in anticipation of a potential temporary decline in its deposit base which ended-up reverting toward year-end 2018.

Overall cross border outstandings decreased to $6,303 million as of December 31, 2017, from $7,242 million as of December 31, 2016, as the Bank experienced high U.S. dollar liquidity in key markets, 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.

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,		
	2018	2017	2016
	(in $ millions)		
Private sector commercial banks and financial institutions	$2,546	$2,168	$2,184
State-owned commercial banks and financial institutions	681	579	571
Central banks	1,648	609	621
Sovereign debt	47	49	50
State-owned organizations	838	750	829
Private corporations	1,914	2,148	2,987
Total	$7,674	$6,303	$7,242

Total Revenues Per Country

The following table sets forth information regarding the Bank's total revenues by country at the dates indicated, with total revenues calculated as the sum of net interest income plus total other income, net – which includes fees and commissions, net; gain (loss) on financial instruments, net; and other income, net:

	For the year ended December 31,		
	2018	2017	2016
	(in $ millions)		
Argentina	$ 10.0	$ 7.0	$ 11.2
Brazil	17.9	27.9	34.7
Chile	2.6	2.2	3.0
Colombia	15.4	18.5	17.1
Costa Rica	11.1	11.8	9.8
Dominican Republic	4.1	2.9	5.1
Ecuador	10.4	9.5	7.2
El Salvador	1.5	2.5	3.0
Germany	2.0	2.4	3.1
Guatemala	7.5	7.0	9.4
Honduras	2.4	2.3	4.0
Jamaica	2.1	1.6	1.2
Mexico	14.6	17.5	21.2
Panama	13.9	10.8	14.9
Paraguay	1.6	1.9	3.9
Peru	2.4	5.1	10.8

Trinidad and Tobago	5.0	3.7	3.0
United States	0.0	0.6	1.5
Uruguay	0.3	0.8	3.7
Other countries [1]	2.8	2.3	4.6
Investment funds at FVTPL	0.0	0.0	(4.4)
Total revenues	$ 127.6	$ 138.3	$ 168.0

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.

The above table provides total revenues by country, as they are presented in the Bank's Consolidated Financial Statements, and which are generated from the Bank's Commercial and Treasury Business Segments. Given that the Bank's business segments generate revenues not only from net interest income, but from other sources generating other income, net, the Bank adds those corresponding items to net interest income to show total revenues earned before impairment losses and operating expenses.

During the year ended December 31, 2018, the Bank recorded net revenues totaling $127.6 million, representing a $10.7 million or 8% decrease compared to 2017. The main country driving this decline was Brazil, whose revenues declined by $10 million, mostly due to a decrease in lending spreads as the Bank increased its lending to financial institutions in the country. During 2017, revenues declined by $25.3 million, resulting in a general decrease in average lending volumes across most countries in the Region, 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.

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.

The Bank also faces competition from local financial institutions which increasingly have access to as good or better resources than the Bank. Local financial institutions are also clients of the Bank and there is complexity in managing the balance when a local financial institution is a client and competitor. Additionally, many local financial institutions are able to gain direct access to the capital markets and low cost funding sources, threatening the Bank's historical role as a provider of U.S. dollar funding.

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 Normal 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: Normal, Special Mention, Sub-standard, Doubtful and Unrecoverable. Regulations require banks to suspend accruing interest on impaired 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: Normal loans 0%; Special Mention loans 2%; Sub-standard loans 15%; Doubtful loans 50%; and Unrecoverable 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 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 are 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 determines, according to internal criteria, the band applicable to each bank. The band 1 banks are required to gradually reach a ratio of 50% and the band 2 banks are required to gradually reach a ratio of 100%, each by December 2022. The Superintendency has confirmed that the band 2 is applicable to the Bank. 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 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 shareholder 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 the 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 shareholders 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, 2018, the New York Agency maintained a pledge deposit with a carrying value of $3.5 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 (commonly referred to as the 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.

Information Security

The Bank has approved policies and implemented procedures defining roles and responsibilities for managing information security as part of the Information Security and Technological Risk Management Framework. These policies and procedures cover any access to data, resource management and information systems by the Bank's employees, providers and suppliers, as well as any other person dealing with the Bank.

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

The cyber-security program was developed using a holistic approach, which enables us to cover both the technical and strategic measures in one program. This program is based on four fundamental pillars: Perimeter Security, Service and Infrastructure Security, User Security and Data Security.

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.

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, 2016 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, 2017, filed with the SEC on April 30, 2018. 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 financial instruments, net, and other income, net. 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.

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,		
	2018	2017	2016
	(in $ thousands, except per share amounts and percentages)		
Interest income	$ 258,490	$ 226,079	$ 245,898
Interest expense	(148,747)	(106,264)	(90,689)
Net interest income	109,743	119,815	155,209
Other income (expense):			
Fees and commissions, net	17,185	17,514	14,306
Loss on financial instruments, net	(1,009)	(739)	(2,919)
Other income, net	1,670	1,723	1,378
Total other income, net	17,846	18,498	12,765
Total revenues	127,589	138,313	167,974
Impairment loss on financial instruments	(57,515)	(9,439)	(35,115)
Impairment loss on non-financial assets	(10,018)	0	0
Operating expenses:			
Salaries and other employee expenses	(27,989)	(27,653)	(25,196)
Depreciation of equipment and leasehold improvements	(1,282)	(1,578)	(1,457)
Amortization of intangible assets	(1,176)	(838)	(629)
Other expenses	(18,471)	(16,806)	(18,532)
Total operating expenses	(48,918)	(46,875)	(45,814)
Profit for the year	$ 11,138	$ 81,999	$ 87,045
Basic earnings per share	$ 0.28	$ 2.09	$ 2.23
Diluted earnings per share	$ 0.28	$ 2.08	$ 2.22
Weighted average basic shares	39,543	39,311	39,085
Weighted average diluted shares	39,543	39,329	39,210
Return on average total assets [1]	0.17%	1.27%	1.16%
Return on average total equity [2]	1.08%	8.02%	8.76%

(1) For the years 2018, 2017 and 2016, return on average total assets is calculated as profit for the year divided by average total assets. Average total assets for 2018, 2017 and 2016 is calculated on the basis of daily average balances.

(2) For the years 2018, 2017 and 2016, return on average total equity is calculated as profit for the year divided by average total equity. Average total equity for 2018, 2017 and 2016 is calculated on the basis of daily average balances.

Profit for the year

Bladex's profit for the year 2018 totaled $11.1 million, or $0.28 per share, compared to $82.0 million, or $2.09 per share for the year 2017. Bladex's decrease in profits during 2018 was mainly impacted by: (i) the $57.5 million impairment losses on financial instruments, primarily associated with provisions for credit losses on an increased level of credit-impaired loans, mainly related to a single credit in the sugar industry in Brazil, (ii) the $10.0 million impairment losses on non-financial assets, associated with losses on investment properties and other non-financial assets related to credit restructurings, as well as to the disposal of obsolete technology, in line with the Bank's objective to optimize its operating platform, and (iii) the $10.7 million decrease in total revenues, mainly resulting from lower net interest income (-8%) on narrower net interest margin (-14 basis points), attributable to decreased lending spreads on a relatively stable level of average loan balances (+1%). Narrower lending spreads reflect the shift in the focus of the Bank's portfolio toward financial institutions, sovereign and state-owned entities and top tier corporate clients most of which constitute exporters with U.S. dollar generation capacity.

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.

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,		
	2018	2017	2016
	(in $ millions, except percentages)		
Net interest income (loss) by Business Segment			
Commercial	$ 109.8	$ 120.6	$ 140.4
Treasury	(0.0)	(0.8)	14.8
Total Net Interest Income	$ 109.7	$ 119.8	$ 155.2
Net interest margin	1.71 %	1.85 %	2.08 %
Net interest spread	1.21 %	1.48 %	1.84 %

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 2018 compared to 2017 and 2017 compared to 2016. Volume and rate variances have been calculated based on average balances and average interest rates over the periods presented.

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	2018 vs. 2017			2017 vs. 2016		
	Volume(*)	**Rate**(*)	Net Change	**Volume**(*)	**Rate**(*)	Net Change
	(in $ thousands)					
Increase (decrease) in interest income						
Interest bearing deposits with banks	$(2,481)	$7,835	$5,354	$715	$5,074	$5,789
Investment securities	149	258	407	(3,171)	629	(2,542)
Loans	1,920	24,730	26,650	(36,370)	13,304	(23,066)
Total increase (decrease)	$(412)	32,823	32,411	$(38,826)	$19,007	$(19,819)
(Increase) decrease in interest expense						
Demand deposits	740	(820)	(80)	(152)	(436)	(587)
Time deposits	3,811	(24,030)	(20,219)	(1,049)	(21,080)	(22,129)
Total Deposits	4,551	(24,850)	(20,299)	(1,201)	(21,515)	(22,716)
Securities sold under repurchase agreement and short-term borrowings and debt	(12,400)	(9,574)	(21,974)	12,472	(7,909)	4,563
Long-term borrowings and debt, net	9,448	(9,658)	(210)	13,883	(11,305)	2,578
Total (increase) decrease	$1,599	$(44,082)	$(42,483)	$25,154	$(40,730)	$(15,575)
Increase (decrease) in net interest income	$1,187	$(11,259)	$(10,072)	$(13,672)	$(21,723)	$(35,394)

(*) 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.

Interest Income Variation

2018 vs. 2017

For the year ended December 31, 2018, the Bank's interest income totaled $258.5 million, compared to $226.1 million during the year ended December 31, 2017. The $32.4 million, or 14% increase in interest income during 2018 was primarily attributable to (i) a $24.7 million increase in rate-driven interest income on loans, mostly resulting from a 43 basis points increase in average lending rates to 4.26% attributable to an increase in market rates, as the Bank generally prices its loans based on short-term LIBOR rates plus a credit spread – which in turn experienced a downward trend due to the Bank's increased lending to higher quality borrowers such as financial institutions, sovereign and state-owned entities, and exporting corporations with US dollar generation capacity, partly offsetting the overall lending rate increase; and (ii) a $7.8 million increase in rate-driven interest income on deposit placements, also mostly attributable to market rate increases, resulting in an 85 basis points increase in interest yields on deposit placements to 1.96%.

2017 vs. 2016

For the year ended December 31, 2017, the Bank's interest income totaled $226.1 million, compared to $245.9 million during the year ended December 31, 2016. The $19.8 million, or 8% decrease in interest income during 2017 was mainly attributable to a volume-driven $36.4 million decrease in interest income on loans as a result of a $923 million or 14% decrease in average loan balances, 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. This effect was partially offset by upward repricing on LIBOR-based market rates, positively impacting lending rates by 21 basis points to 3.83%, as well as rates on deposit placements which increased by 59 basis points to 1.11%, generating a total earning-assets rate-driven interest income increase of $19.0 million.

Interest Expense Variation

2018 vs. 2017

The Bank recorded an annual increase in interest expense of $42.5 million, or 40% from $106.3 million in 2017 to $148.7 million in 2018. This increase was primarily the result of a $44.1 million rate-driven increase in interest expense for total interest-bearing liabilities, attributable to the upward repricing on LIBOR-based market rates. Overall, the average interest rate paid on interest-bearing liabilities increased from 1.95% in 2017 to 2.76% in 2018.

2017 vs. 2016

The Bank recorded an annual increase in interest expense of $15.6 million, or 17%, from $90.7 million in 2016 to $106.3 million in 2017. This increase was mainly attributable to a $40.7 million rate-driven increase in interest expense on total interest-bearing liabilities associated with higher LIBOR-based market rates, driving a 56 basis points increase in the average interest rate paid on interest-bearing liabilities to 1.95% in 2017. This increase was partially offset by a $25.2 million decrease in volume-driven interest expense associated with lower average volumes of interest-bearing liabilities, which decreased by 16% in 2017, due to lower funding requirements resulting from reduced average loan balances.

Net Interest Income Variation

2018 vs. 2017

For the year ended December 31, 2018, the Bank's net interest income totaled $109.7 million, compared to $119.8 million during the year ended December 31, 2017. The $10.1 million, or 8% decrease in net interest income during 2018 was mainly attributable to a 14 basis point decline in Net Interest Margin ("NIM"). The decrease in NIM relates to narrower net lending spreads due to the origination of higher quality loans in 2018. Lower lending spreads were partly offset by the net positive effect of an increasing interest rate environment on the repricing of the Bank's assets and liabilities. Due to the short-term nature of its loan portfolio, the Bank maintains a narrow interest rate gap structure and is able to pass along LIBOR-based market rates increases in its funding to its asset base.

2017 vs. 2016

For the year ended December 31, 2017, the Bank's net interest income reached $119.8 million, compared to $155.2 million during the year ended December 31, 2016. The $35.4 million, or 23% decrease in net interest income during 2017 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 U.S. dollar 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.

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

The following table presents the distribution of consolidated average assets, liabilities and 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 average daily average balances:

Description	For the Year ended December 31,											
	2018				2017				2016			
	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	$784	$15.6	1.96	%	$909	$10.3	1.11	%	$845	$4.5	0.52	%
Investment securities [1]	92	2,9	3.12	%	87	2.5	2.83	%	197	5.0	2.51	%
Loans	5,552	240.0	4.26	%	5,498	213.3	3.83	%	6,421	236.4	3.62	%
Total interest-earning assets	$6,427	$258.5	3.97	%	$6,494	$226.1	3.43	%	$7,463	$245.9	3.24	%
Allowance for loan losses	(98)				(110)				(96)			
Non-interest-earning and other assets	122				84				112			
Total Assets	$6,451				$6,468				$7,479			
Interest-Bearing Liabilities												
Demand deposits	$82	1.2	1.48	%	$132	1.1	0.87	%	$173	$0.5	0.33	%
Time deposits	2,868	61.9	2.13	%	3,044	41.7	1.35	%	2,907	19.6	0.66	%
Deposits [2]	2,950	63.1	2.11	%	3,176	42.8	1.33	%	3,080	20.1	0.64	%
Securities sold under repurchase agreements and short-term borrowings and debt	1,123	33.9	2.98	%	710	12.0	1.66	%	1,449	16.5	1.12	%
Long-term borrowings and debt, net [3]	1,245	51.7	4.09	%	1,478	51.5	3.43	%	1,874	54.0	2.84	%
Total interest-bearing liabilities	$5,318	$148.7	2.76	%	$5,364	$106.3	1.95	%	$6,403	$90.7	1.39	%
Non-interest bearing liabilities and other liabilities	102				82				83			
Total Liabilities	$5,420				$5,446				$6,486			
Total equity	1,031				1,022				993			
Total Liabilities and Equity	$6,451				$6,468				$7,479			
Net interest spread			1.21	%			1.48	%			1.84	%
Net interest income and net interest margin		$109.7	1.71	%		$119.8	1.85	%		$155.2	2.08	%

(1) Investment securities are securities in the Bank's Investment Portfolio, which consists of securities at FVOCI and at amortized cost that are non-taxable securities. The average yield using cost-based average balances would have been 3.21%, 2.99% and 2.61%, for 2018, 2017 and 2016, respectively.

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

(3) Net of prepaid commissions.

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

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,		
	2018	2017	2016
	(in $ thousands)		
Letters of credit and other contingent credits, net	$ 12,235	$ 10,906	$ 8,584
Structuring	4,950	6,608	5,722
Fees and commissions, net	$ 17,185	$ 17,514	$ 14,306

During the year ended December 31, 2018, fees and commissions totaled $17.2 million, compared to $17.5 million for the year ended December 31, 2017. The $0.3 million, or 2%, decrease resulted from the net effect of: (i) a 12% increase in fees from letters of credit and other contingent credits activities, evidencing an upward trend in fee generation over the last two years, consistent with the Bank's focus to enhance its participation in the trade value chain; offset by (ii) a 26% decrease in loan structuring and syndication fees, denoting the uneven nature of this transactional business. The Bank has positioned itself as a relevant player in originating syndicated transactions across the Region, and was able to close seven transactions during 2018, for a total principal amount of $847 million, compared to seven transactions during 2017, for a total principal amount of $807 million.

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 closed in 2017 resulting in fees totaling $6.6 million, and from a strong annual growth of $3.0 million in fee income from the Bank's letters of credit business, depicting a more diversified letter of credit client base, and the Bank's focus on deepening its participation in the trade value chain.

Loss on financial instruments, net

The following table sets forth the details of the Bank's loss on financial instruments, net, for the periods indicated:

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

During the year ended December 31, 2018, the Bank recorded a net loss on financial instruments of $1.0 million, compared to a net loss on financial instruments of $0.7 million for the year ended December 31, 2017, and a net loss on financial instruments of $2.9 million for the year ended December 31, 2016. The $0.3 million, or 37% increase in loss on financial instruments during 2018 was mainly related to higher losses on derivative financial instruments and foreign currency exchange held for risk management hedging purposes. The $2.2 million, or 75%, improvement during 2017 was mainly related to the absence of non-core trading losses, which resulted in a $4.4 million loss in 2016, when the Bank completely divested from its participation in investment funds during 2016.

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 purchases debt instruments with the intention of selling them prior to maturity, with the realized gain (loss) on the sale of securities recorded on financial instruments at fair value with changes in other comprehensive income. These debt instruments are classified as securities at FVOCI and are included as part of the Bank's Credit Portfolio.

The gain (loss) 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 year ended December 31, 2018, the Bank reported a net loss on sale of loans of $0.6 million, as the Bank reduced its exposure associated with a previously executed structured transaction, compared to gains on sale of loans of $0.2 million and $0.8 million for the years ended December 31, 2017 and 2016, 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.

Other income, net

During the year ended December 31, 2018, the Bank recorded other income, net of $1.7 million, compared to the same level for the year ended December 31, 2017, and compared to $1.4 million for the year ended December 31, 2016. This is mainly related to the sublease of office space wich represented 21%, 38% and 45% of total other income, net during 2018, 2017 and 2016, respectively; and breakfunding penalties related to clients prepayments which accounted for 15%, 48% and 13% of the total during the same years.

Impairment loss on financial instruments

For the year ended December 31, 2018, the impairment loss on financial instruments amounted to $57.5 million, reflecting the increase in credit-impaired loans mostly associated with the significant deterioration of a single credit in the Brazilian sugar sector, exacerbated by significant deterioration in 2018 as a result of worsening sugar fundamentals in international markets, and a resulting significant decrease in sugar prices, which decreased during 2018 to levels well below the worldwide marginal cost of production, as well as due to the risk involved in the borrower's complex restructuring process.

The impairment loss on financial instruments totaled $9.4 million for the year ended December 31, 2017, mostly associated with the impairment losses on selected credit exposures undergoing restructuring processes during the year 2017, partly offset by recovery effects from both lower end-of-period portfolio balances and the shift in the overall portfolio mix toward shorter-term trade exposures. This compares with the $35.1 million impairment loss on financial instruments for the year ended December 31, 2016, mainly attributable to higher allowances assigned to performing exposures and credit-impaired financial assets based on lifetime expected credit losses.

Impairment loss on non-financial assets

For the year ended December 31, 2018, the impairment loss on non-financial assets amounted to $10.0 million, $4.0 million of which was associated with write offs corresponding mainly to technological projects classified as intangible assets ($2.7 million) and other assets under development ($1.3 million). The remaining amount relates to the storage silos received by the Bank as payment for a restructured loan transaction that were recorded as investment properties and as other assets under development of the deed, with carrying amounts of $3.8 million and $1.7 million, respectively, which were assessed in 2018 by the Bank to have a fair value of zero. For the years ended December 31, 2017 and 2016, the Bank did not report impairment loss on non-financial assets.

Operating Expenses

During the year ended December 31, 2018, the Bank's operating expenses totaled $48.9 million, compared to $46.9 million for the year ended December 31, 2017. The $2.0 million, or 4% increase was mainly attributable to non-recurring expenses incurred in 2018 from personnel restructurings and from the streamlining of processes and technological infrastructure as part of the Bank's efforts to optimize its operating infrastructure. The Bank estimates its run-rate base of operating expense for 2018 at approximately $46 million.

The Bank's operating expenses totaled $46.9 million for the year ended December 31, 2017, 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 reflecting the Bank's ongoing focus on cost reduction and high productivity throughout the organization.

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 assets, liabilities, 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 interest-bearing deposits with banks, loans, and investment securities. 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 certain information of the Bank’s operations by business segment for the periods indicated:

	For the Year Ended December 31,		
	2018	2017	2016
	(in $ thousands, except percentages)		
COMMERCIAL:			
Net interest income	$ 109,781	$ 120,581	$ 140,375
Other income (expense)	18,002	18,926	16,333
Total revenues	127,783	139,507	156,708
Impairment loss on financial instruments	(57,621)	(9,928)	(35,112)
Impairment loss on non-financial assets	(5,967)	0	0
Operating expenses	(37,436)	(35,916)	(34,598)
Profit for the segment	$ 26,759	$ 93,663	$ 86,998
TREASURY:			
Net interest income	$ (38)	$ (766)	$ 14,834
Other income (expense)	(156)	(428)	(3,568)
Total revenues	(194)	(1,194)	11,266
Recovery (impairment loss) on financial instruments	106	489	(3)
Operating expenses	(11,482)	(10,959)	(11,216)
(Loss) profit for the segment	$ (11,570)	$ (11,664)	$ 47
TOTAL:			
Net interest income	$ 109,743	$ 119,815	$ 155,209
Other income (expense)	17,846	18,498	12,765
Total revenues	127,589	138,313	167,974

Impairment loss on financial instruments	(57,515)	(9,439)	(35,115)
Impairment loss on non-financial assets	(5,967)	0	0
Operating expenses	(48,918)	(46,875)	(45,814)
Total profit for reportable segments	$ 15,189	$ 81,999	$ 87,045
Unallocated impairment loss on non-financial assets	(4,051)	0	0
Profit for the year	$ 11,138	$ 81,999	$ 87,045

The Commercial Business Segment

The Commercial Business Segment encompasses the Bank's core business of financial intermediation and fee generation activities catering to corporations, financial institutions and investors in Latin America. These activities include the origination of bilateral short-term and medium-term loans, structured and syndicated credits, loan commitments, and financial guarantee contracts such as issued and confirmed letters of credit, stand-by letters of credit, guarantees covering commercial risk, and other assets consisting of customers' liabilities under acceptances. 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 commissions from the issuance, confirmation and negotiation of letters of credit, guarantees and loan commitments, and from loan structuring and syndication activities; (iii) gain on sale of loans generated through loan intermediation activities, such as sales in the secondary market and distribution in the primary market; (iv) impairment loss on financial instruments and non-financial assets; and (v) direct and allocated operating expenses.

Year 2018 vs. Year 2017

The Commercial Business Segment's profit of $26.8 million for the year 2018 was mainly impacted by: (i) the $57.5 million impairment loss on financial instruments from higher credit provisions associated with credit-impaired loans, which were mostly associated with the significant deterioration of a single credit in the Brazilian sugar sector, exacerbated by significant deterioration in 2018 as a result of worsening sugar fundamentals in international markets, and a resulting significant decrease in sugar prices, which decreased during 2018 to levels well below the worldwide marginal cost of production, as well as due to the risk involved in the borrower's complex restructuring process; (ii) the $6.0 million impairment loss on non-financial assets related to credit restructurings, and (iii) a $10.8 million, or 9% decrease in net interest income due to narrower net lending spreads as a result of the origination of higher quality loans in 2018, which are generally characterized by lower spreads, as the Bank increased its lending focus to financial institutions, sovereign and state-owned entities, while origination in the corporate sector remained focused on top quality exporters with U.S. dollar generation capacity.

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 credit provisions 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 closed transactions in 2017 resulting in fees totaling $6.6 million, as well as improved activity in the letters of credit business, with commissions of $10.9 million in 2017, depicting a more diversified letters of credit client base, and the Bank's focus on 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.

The Treasury Business Segment

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

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

Year 2018 vs. Year 2017

The Treasury Business Segment reported a loss of $11.6 million for the year 2018, compared to a loss of $11.7 million for the year 2017. The slight improvement of $0.1 million, or 1% was primarily associated with an increase in total revenues, mainly from higher net interest income, as the Bank was able to achieve a net positive outcome in repricing its assets and liabilities in an environment characterized by increasing interest rates. The Bank maintained a narrow interest rate gap structure due to the short-term nature of its loan portfolio, and was able to pass along LIBOR-based market rate increases in its funding to its asset base. Other income (expense), mostly related to hedging derivatives valuations and gain on sale of financial instruments, remained relatively stable on a full-year basis.

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, 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 source mix year-over-year (i.e., medium- and long-term borrowings and debt) despite higher short-term trade finance lending book, resulting from a limited gap income.

Changes in Financial Position

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

	As of December 31,	
	2018	2017
	(in $ thousands)	
Assets		
Cash and cash equivalents	$1,745,652	$672,048

Securities and other financial assets, net	123,598	95,484
Loans	5,778,424	5,505,658
Interest receivable	41,144	29,409
Allowance for loan losses	(100,785)	(81,294)
Unearned interest and deferred fees	(16,525)	(4,985)
Loans, net	5,702,258	5,448,788
Customers' liabilities under acceptances	9,696	6,369
Derivative financial instruments - assets	2,688	13,338
Equipment and leasehold improvements, net	6,686	7,420
Intangibles, net	1,633	5,425
Investment properties	0	5,119
Other assets	16,974	13,756
Total Assets	$7,609,185	$6,267,747
Liabilities and Equity		
Demand deposits	$211,381	$82,064
Time deposits	2,759,441	2,846,780
	2,970,822	$2,928,844
Interest payable	12,154	8,261
Total deposits	2,982,976	2,937,105
Securities sold under repurchase agreement	39,767	0
Borrowings and debt, net	3,518,446	2,211,567
Interest payable	13,763	7,555
Customers' liabilities under acceptances	9,696	6,369
Derivative financial instruments - liabilities	34,043	34,943
Allowance for loan commitments and financial guarantees contracts losses	3,289	6,845
Other liabilities	13,615	20,551
Total Liabilities	$6,615,595	$5,224,935
Equity		
Common stock	$279,980	$279,980
Treasury stock	(61,076)	(63,248)
Additional paid-in capital in excess of value assigned to common stock	119,987	119,941
Capital reserves	95,210	95,210
Regulatory reserves	136,019	129,254
Retained earnings	423,050	479,712
Other comprehensive income (loss)	420	1,963
Total Equity	$993,590	$1,042,812
Total Liabilities and Equity	$7,609,185	$6,267,747

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2018 vs. 2017

As of December 31, 2018, total assets amounted to $7,609 million, a 21% increase compared to $6,268 million as of December 31, 2017, which was mainly attributable to a higher liquidity position in cash and cash equivalents and the growth of the Bank's Loan Portfolio, both detailed as follows:

The Bank's cash and cash equivalents, most of which consisted of actively managed liquid assets, totaled $1,746 million as of December 31, 2018, compared to $672 million as of December 31, 2017. Year-end liquidity balances were above historical levels as the Bank scheduled its funding sources in anticipation of a potential temporary decline in its deposit base which ended-up reverting toward year-end 2018. Consequently, the liquid assets to total assets ratio amounted to 22% as of December 31, 2018, compared to 10% as of December 31, 2017, while at these same dates, the liquid assets to total deposits ratios were 57% and 21%, respectively. As of December 31, 2018, $1,648 million, or 97% of the Bank's liquid assets were held as deposits with the Federal Reserve Bank of New York.

As of December 31, 2018, the Bank's Loan Portfolio amounted to $5,778 million, compared to $5,506 million as of December 31, 2017. The $272 million, or 5% Loan Portfolio increase during 2018 was mainly attributable to higher mid-term lending origination throughout 2018 as the Bank was able to deploy longer tenor transactions with its traditional client base of top quality financial institutions, export corporations and "multilatinas", and continued to perform well on short-term origination capacity.

Securities and other financial assets are mostly comprised of the Bank's Investment Portfolio, in the form of both securities at FVOCI and securities at amortized cost consisting of investments in securities by Latin American issuers, which accounted for only 1% of total assets as of December 31, 2018 and 2017.

As of December 31, 2018, total liabilities amounted to $6,616 million, a 27% increase, compared to $5,225 million as of December 31, 2017, which was mainly attributable to higher funding sources in the form of borrowings and debt, which increased 59% as of December 31, 2018, as a result of increased funding needs from the Bank's increased commercial lending origination activities and its liquidity position management. Deposit balances remained relatively stable at $2,971 million, or 45% of total liabilities as of December 31, 2018, compared to $2,929 million, or 56% of total liabilities as of December 31, 2017. The majority of the deposits are placed by central banks or designees (i.e., Class A shareholders of the Bank), with 71% and 67% of total deposits at the end of these periods, respectively.

Total equity decreased 5% to $994 million as of December 31, 2018, compared to $1,043 million as of December 31, 2017. The decreased equity levels during 2018 reflect lower profits totaling $11 million, while the Bank maintained a level of dividends similar to prior years at $1.54 per share, representing a total of $61 million, denoting a strong dividend pay-out ratio during 2018. The Bank's equity consists of issued and fully paid ordinary common stock and retained earnings.

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 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 assigns to each exposure a risk rating which is defined using quantitative and qualitative factors that are indicative of the risk of loss. This rating is considered for purposes of identifying significant increases in credit risk. These factors may vary depending on the nature of the exposure and the type of borrower. Each exposure is assigned to a risk rating at the time of initial recognition based on the information available about the client and the country. Exposures are subject to continuous monitoring, which may result in the change of an exposure to a different risk rating. A description of the Bank's internal credit risk grades is as follows:

Internal Rating	**External Rating (1)**	Description
1 to 4	Aaa – Ba1	Exposure to clients or countries with payment ability to satisfy their financial commitments.
5 to 6	Ba2 – B3	Exposure to clients or countries with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	Caa1 – Caa3	Exposure to 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, or in countries where the transaction involves certain risks.

8	Ca	Exposure to clients whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms, or in countries where the transaction is limited or restricted to certain terms and types of credits.
9 to 10	C	Exposure to 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 considers a financial asset to be in default when it presents any of the following characteristics:

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

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

A modified or renegotiated loan is a loan where the 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 policies, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer solely payments of principal and interest, change in currency or change of counterparty, the extent of change in interest rates, maturity and covenants.
- If the qualitative 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.

In the case where the financial asset is derecognized, the allowance for losses on financial instruments 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 expected credit losses, except in rare cases where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised nominal amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if 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 financial asset's credit risk has increased significantly since initial recognition by comparing:

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

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

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

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

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

The following table sets forth information regarding the Bank's impaired credits as of the dates indicated:

	As of December 31,		
	2018	2017	2016
	(in $ millions, except percentages)		
Credit-impaired loans	$ 65	$ 59	$ 65
Asset-specific allocation from the allowance for loan losses	49	28	35
Credit-impaired loans as a percentage of Loan Portfolio	1.1 %	1.1 %	1.1 %

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

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

	For the year ended December 31,					
	2018	%	2017	%	2016	%
	(in $ millions, except percentages)					
Brazil	$37	89 %	$ 29	87 %	$ 0	0 %
Colombia	0	0 %	0	0 %	18	95 %
Mexico	0	0 %	0	0 %	1	5 %
Panama	0	0 %	0	1 %	0	0 %
Paraguay	4	11 %	0	0 %	0	0 %
Uruguay	0	0 %	4	12 %	0	0 %
Total	$42	100%	$ 33	100%	$ 19	100%

During the year ended December 31, 2018, the Bank had write-offs against the allowance for loan losses totaling $42 million, representing 0.75% of the average Loan Portfolio, compared to $33 million, or 0.61% of the average Loan Portfolio, in 2017, and compared to $19 million, or 0.29% of the average Loan Portfolio.

In the three-year period ended December 31, 2018, the Bank disbursed $42,953 million in credits and had write-off loans for $94 million, representing 0.22% of credits disbursed.

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

	As of December 31,		
	2018	2017	2016
	(in $ thousands)		
Credit-impaired loans:			
Brazil:			
Private corporations	$61,844	$54,275	$49,364
Argentina:			
Private corporations	2,857	0	0
Panama:			
Private corporations	0	0	12,000
Paraguay:			
Private corporations	0	4,484	0
Uruguay:			
Private corporations	0	0	4,000
Total credit-impaired loans	$64,701	$58,759	$65,364

As of December 31, 2018, the Bank had credit-impaired loans of $65 million (or 1.12% of the Loan Portfolio), compared to $59 million (or 1.07% of the Loan Portfolio) as of December 31, 2017 and $65 million (or 1.09% of the Loan Portfolio) as of December 31, 2016. Credit-impaired loans increased in 2018 mainly due to the net effect of (i) the classification of loans totaling $65 million as credit-impaired, $62 million of which corresponded to a loan in the Brazilian sugar sector that significantly deteriorated during 2018 due to worsening international sugar industry fundamentals which led to a substantial decrease in sugar prices to levels well below the worldwide marginal cost of production, combined with the risk involved in the borrower's complex restructuring process; and (ii) finalized credit restructuring agreements and sales of loans classified as credit-impaired, which led to loan derecognitions totaling $21 million and principal balance write-offs totaling $38 million. Including principal and accrued interest, total loan write-offs against individually allocated credit allowances amounted to $42 million in 2018. As of December 31, 2018, the $62 million credit-impaired loan in the Brazilian sugar sector discussed above accounted for 96% of the Bank's total impaired loans classified as Stage 3 (under accounting standard IFRS 9) with individually assigned allowance for credit losses.

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

Potential problem loans

In order to carefully monitor the credit risk associated with clients, the Bank has established quarterly reports to identify potential problem loans, which are then included on a watchlist. In general, these are loans due by clients that could face difficulties meeting their repayment obligations, but who otherwise have had a good payment history. These potential difficulties could be related to factors such as a decline in economic activity, financial weakness or any other event that could affect the client's business. Potential problem loans are primarily those rated as "6" pursuant to our risk rating. As of December 31, 2018, the exposure of six clients for a total of $53.4 million, or 0.9% of total loans, were classified as potential problem loans under these guidelines.

Allowance for losses on financial instruments

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

	As of December 31,				
	2018	2017	2016	2015	2014
	(in $ millions, except percentages)				
Components of the allowance for losses					
Allowance for loan losses:					
Balance at beginning of the year	$81.3	$106.0	$90.0	$77.7	$70.9
Impairment loss	61.2	8.9	34.7	17.2	6.8
Recoveries	0.0	0.0	0.1	0.7	0.0
Loans write-off	(41.7)	(33.6)	(18.8)	(5.7)	0.0
Balance at the end of the year	$100.8	$81.3	$106.0	$90.0	$77.7
Allowance for loan commitments and financial guarantee contract losses:					
Balance at beginning of the year	$6.8	$5.8	$5.4	$9.9	$6.1
Impairment loss (recovery)	(3.5)	1.0	0.4	(4.4)	3.8
Balance at end of the year	$3.3	$6.8	$5.8	$5.4	$9.9
Total credit allowance for losses	$104.1	$88.1	$111.8	$95.4	$87.6
Total credit allowance for losses to total Commercial Portfolio	1.65 %	1.47 %	1.73 %	1.33%	1.22%
Charge-offs to average Loan Portfolio	0.75 %	0.61 %	0.29 %	0.08%	0.00%

The total credit allowance for losses amounted to $104.1 million as of December 31, 2018, representing 1.65% of the total Commercial Portfolio, compared to $88.1 million and 1.47%, respectively, as of December 31, 2017, and $111.8 million and 1.73%, respectively, as of December 31, 2016. The effects of impaired loan restructurings, sale and partial write-offs against existing individually allocated credit allowances during 2018 were offset by the classification of $65

million loans as credit-impaired, including a $62 million loan to a borrower in the Brazilian sugar sector, which resulted in a year-over-year increase of $15.9 million in total credit allowances for losses and 18 basis points in total reserve coverage in 2018. The 2017 year-over-year decrease of $23.7 million in credit allowances and 26 basis points in total reserve coverage was primarily attributable to write-offs against existing individually allocated reserves following finalized restructuring processes.

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

	As of December 31,									
	2018		2017		2016		2015		2014	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in $ millions, except percentages)									
Allowance for loan losses										
Argentina	$12.1	12.0	$5.0	6.1	$7.3	6.9	$14.5	16.1	$17.9	23.0
Brazil	57.0	56.5	42.4	52.1	49.1	46.4	10.9	12.1	12.4	15.9
Chile	0.2	0.2	0.6	0.7	1.1	1.1	0.5	0.6	0.5	0.6
Colombia	3.7	3.7	3.5	4.3	6.7	6.3	24.7	27.5	13.2	17.0
Costa Rica	6.4	6.4	1.7	2.1	1.7	1.6	2.9	3.2	6.5	8.3
Dominican Republic	1.4	1.4	1.2	1.5	4.6	4.3	9.0	10.0	7.2	9.3
Ecuador	5.4	5.4	2.7	3.3	2.3	2.2	6.9	7.7	3.6	4.7
El Salvador	2.7	2.6	1.3	1.6	2.5	2.3	3.0	3.3	3.8	4.9
Germany	0.1	0.1	0.3	0.4	0.4	0.4	0.9	1.0	1.0	1.3
Guatemala	1.6	1.6	3.3	4.1	1.2	1.1	2.6	2.9	1.1	1.4
Honduras	3.4	3.3	6.2	7.6	1.7	1.6	5.1	5.7	3.0	3.9
Mexico	0.7	0.7	1.2	1.5	6.7	6.3	3.1	3.5	3.2	4.1
Nicaragua	0.0	0.0	2.1	2.6	0.9	0.8	0.7	0.8	0.3	0.4
Panama	3.6	3.6	3.6	4.5	9.8	9.3	1.0	1.1	1.1	1.4
Paraguay	0.9	0.9	4.8	5.9	6.4	6.0	0.9	1.0	1.1	1.3
Peru	0.1	0.1	0.3	0.4	0.6	0.5	0.8	0.9	0.8	1.0
Uruguay	0.0	0.0	0.0	0.1	2.2	2.1	0.7	0.8	0.4	0.5
Other (1)	1.5	1.5	1.1	1.2	0.8	0.8	1.8	1.8	0.6	0.8
Total Allowance for loan losses	$100.8	100.0%	$81.3	100.0%	$106.0	100.0%	$90.0	100.0%	$77.7	100.0%
Allowance for loan commitments and financial guarantee contract losses										
Argentina	$0.1	2.9	$0.1	1.1	$0.0	0.0	$1.0	19.2	$0.0	0.0
Colombia	0.1	2.7	5.5	80.8	4.7	82.2	2.8	51.9	2.9	29.1
Ecuador	2.2	68.1	1.1	15.4	0.8	13.2	0.8	15.4	5.6	56.8
Other (1)	0.9	26.3	0.1	2.7	0.3	4.6	0.8	13.5	1.4	14.1
Total allowance for loan commitments and financial guarantee contract losses	$3.3	100.0%	$6.8	100.0%	$5.8	100.0%	$5.4	100.0%	$9.9	100.0%
Total allowance for credit losses										
Argentina	$12.2	11.7	$5.0	5.7	$7.3	6.5	$15.5	16.3	$17.9	20.4
Brazil	57.3	55.1	42.4	48.1	49.1	44.0	11.0	11.5	12.4	14.2
Chile	0.2	0.2	0.6	0.7	1.1	1.0	0.5	0.6	0.6	0.7
Colombia	3.8	3.6	9.1	10.3	11.4	10.2	27.5	28.9	16.1	18.4
Costa Rica	6.7	6.5	1.7	1.9	1.7	1.5	2.9	3.0	6.5	7.4
Dominican Republic	1.4	1.4	1.2	1.4	4.7	4.2	9.0	9.4	7.7	8.8
Ecuador	7.7	7.4	3.8	4.3	3.1	2.8	7.7	8.1	9.2	10.5
El Salvador	2.7	2.6	1.3	1.5	2.5	2.2	3.0	3.1	3.8	4.3

Germany	0.2	0.2	0.3	0.3	0.4	0.4	0.9	1.0	1.0	1.2
Guatemala	1.6	1.6	3.3	3.8	1.2	1.0	2.6	2.7	1.2	1.4
Honduras	3.4	3.2	6.2	7.0	1.7	1.5	5.2	5.4	3.0	3.5
Mexico	0.8	0.7	1.2	1.4	6.7	6.0	3.3	3.4	3.4	3.9
Nicaragua	0.0	0.0	2.1	2.4	0.9	0.8	0.7	0.8	0.3	0.3
Panama	3.6	3.5	3.7	4.2	9.9	8.9	1.4	1.5	1.1	1.3
Paraguay	0.9	0.8	4.8	5.4	6.4	5.7	0.9	0.9	1.1	1.2
Peru	0.1	0.1	0.3	0.4	0.6	0.5	0.9	0.9	0.9	1.0
Uruguay	0.0	0.0	0.0	0.0	2.2	2.0	0.7	0.8	0.5	0.6
Other [1]	1.6	1.5	1.1	1.3	0.9	0.8	1.7	1.7	0.9	0.9
Total allowance for credit losses	$104.1	100.0%	$88.1	100.0%	$111.8	100.0%	$95.4	100.0%	$87.6	100.0%

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

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The following table sets forth information regarding the Bank's allowance for loan losses, and loan commitments and financial guarantee contract losses, by type of borrower as of the dates indicated:

	As of December 31,									
	2018		2017		2016		2015		2014	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in $ millions, except percentages)									
Private sector commercial banks and Financial Institutions	$19.0	18.3	$17.2	19.6	$11.3	10.1	$16.5	17.3	$17.6	20.1
State-owned commercial banks	8.7	8.3	3.6	4.1	6.7	6.0	13.6	14.2	13.1	15.0
Central banks	0.0	0.0	0.0	0.0	0.7	0.6	0.0	0.0	1.3	1.4
State-owned organization	6.7	6.4	4.3	4.9	3.9	3.5	10.7	11.2	14.3	16.4
Private corporations	69.7	67.0	63.0	71.4	89.2	79.8	54.6	57.3	41.3	47.1
Total	$104.1	100.0%	$88.1	100.0%	$111.8	100.0%	$95.4	100.0	$87.6	100.0

Critical Accounting Policies

General

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

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

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

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Allowance for losses

The allowances for losses on financial instruments are provided for losses derived from the credit extension process. The classification of the Bank's Credit Portfolio for allowances for credit losses is determined by risk management guidelines and approved by the CPER of the Bank's Board through statistical modeling, internal risk ratings and estimates. The Bank measures expected credit losses (ECLs) in a way that reflects the general pattern of deterioration or improvement in the credit quality of the financial instrument. The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. In order to determine the ECLs the Bank uses Individually and Collectively evaluated methodologies to determine if there is objective evidence of impairment for financial Instruments. The Bank considers the following factors, among others, when measuring significant increase in credit risk:

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

Informed judgments must be made when identifying impaired loans, the PD, the expected loss, the value of collateral and current economic conditions. Even though the Bank's management considers its allowances for ECL to be adequate, the use of different estimates and assumptions could produce different allowances for ECL, and amendments to the allowances may be required in the future due to changes in the value of collateral, the amount of cash expected to be received or other economic events. In addition, risk management has established and maintains allowances for ECL related to the Bank's loan commitments and financial guarantee contracts.

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

letters of credit and guarantees, is presented as a liability.

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

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

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- Lifetime expected credit losses (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 financial asset subsequently becomes credit-impaired (when a credit event has occurred), interest revenue is calculated on the amortized cost, net of impairment (i.e., the gross carrying amount after deducting the impairment allowance). In subsequent reporting years, if the credit quality of the financial asset improves so that the financial asset is no longer credit-impaired and the improvement can be related objectively to the occurrence of an event (such as an improvement in the borrower's credit rating), then the Bank will once again calculate the interest revenue on a gross basis.

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

Impairment losses on financial instrumets

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

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

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

Judgments for Forward Looking

The Bank incorporates information of the economic environments on a forward-looking view, when assessing whether the credit risk of a financial instrument has significantly increased since initial recognition. This is done through a rating model which includes projections of the inputs under analysis, and of the expected credit loss measurement. The Bank aggregates a forward-looking view component through a model alert that estimates a severity indicator of the total expected risk resulting from the estimations and assumptions of several macroeconomics factors.

The principal macroeconomics variables of the severity indicator are: GDP Growth (Var%), CoMex Growth (Var%), Commodities Price Index 2005 = 100, FED interest rate (%), USD vs Global Currencies Index 1973 = 100, and PMI Index, among others.

The main assumptions of those estimates are based on:

- The Bank's results may be affected by changes in global economic conditions.
- General political, economic and business conditions in Latin American, and other regions, countries or territories in which we operate.
- Changes in applicable laws and regulations.
- The monetary, interest rate and other policies of central banks of Latin American.
- Changes or volatility in interest rates, foreign exchange rates, asset prices, equity markets, commodity prices, inflation or deflation.
- The effects of competition in the markets in which we operate, which may be influenced by regulation or deregulation.
- Our ability to hedge certain risks economically.
- Changes of risk perception in the markets in which the Bank operates.
- A prolonged downturn in global debt capital markets stemming from credit risk aversions, anti-money laundering, or other economic or political concerns pertaining to the Region, or a continued downturn in investor confidence, could affect the Bank's access to cross border funding or increase its cost of funding.
- Our success in managing the risks involved in the foregoing, which depends, among other things, on our ability to anticipate events that cannot be captured by the statistical models we use and force majeure and other events beyond our control.

In addition, the sensitivity in a downturn or upgrade adjustment of any variable will impact directly in the result of the expected risk severity index of the alert model.

Fair Value Valuations

In order to value an instrument there are several approaches that can be used. The fair value is represented by the present value of cash flows of each instrument. For those instruments categorized as a Level 1 in the Fair Value Hierarchy, valuations can be obtained by using observable market quotes/prices in active markets. The definition of an active market depends on an individual criteria on trading frequency and traded volume.

The data input for instruments categorized as a Level 2 are different from quoted prices included in Level 1. The Level 2 data input may include the following elements:

1. Observable prices/quotes in a non-active market.
2. Observable prices/quotes derived from similar instruments.
3. Other data input observable in the markets as for example: interest rates, credit differentials and others. An adjustment to Level 2 data input that may be significant can cause changes in the fair value hierarchy to Level 3.

For Level 3 instruments, data input is not observable in the market. In order to derive fair valuations, data input may reflect assumptions on the pricing and risk inputs.

The entity may develop non observable data input using the best available information in those circumstances.

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Level 3 Financial Instrument Valuations

In order to value an instrument, exposure, the time and discount curve are required.

The exposure is calculated based on client contractual nominal exposure at maturity. The time is the time fraction measured in years from valuation date until maturity.

If no discount curve is available from public information, the yield would be derived from a peer's public information. The yield will then be adjusted by taking into account capital and debt structure and a premium for liquidity in emerging markets. This premium takes into account Bladex view on similar business trades. The present value of the exposure at maturity represents the fair value of the instrument.

Recent Accounting Pronouncements

IFRS 16 "Leases" ("IFRS 16") was issued in January 2016 and replaced IAS 17 "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The major change introduced by IFRS 16 is that leases will be brought onto a lessee's statement of financial position, providing a more complete picture of the lessee's assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or financial leases, treating all leases as financial leases. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. The Bank will apply IFRS 16 initially on January 1, 2019, using a modified retrospective approach. The Bank will apply IFRS 16 to all contracts entered into before January 1, 2019 and that identified as leases in accordance with IAS 17 and IFRIC 4. On the basis of available information, the Bank estimates that on January 1, 2019, it will recognize lease liabilities for $20.8 million and right-of-use assets for $17.2 million.

For information regarding the Bank's basis of preparation, significant accounting policies and future changes in accounting policies, see Item 18, "Financial Statements," notes 2, 3 and 3.2.22, respectively. Additionally, for information regarding the Bank's fair value of financial instruments, see Item 18, "Financial Statements," note 26.

B. Liquidity and Capital Resources

Liquidity

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

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

The Bank performs daily reviews, controls and periodic stress tests on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and to monitor the liquidity level according to the macroeconomic environment. The Bank determines the level of liquid assets to be held on a daily basis, by adopting an LCR methodology referencing the Basel Committee guidelines. The Bank also monitors the stability of its funding base in alignment with the principles established by Basel’s Net Stable Funding Ratio.

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

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

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

	As of December 31,		
	2018	2017	2016
	(in $ millions)		
United States of America	$1,650	$612	$591
Other O.E.C.D. countries	50	0	409
Latin America	6	7	8
Total	$1,706	$619	$1,008

The Bank’s liquid assets, mostly in the form of cash and cash equivalents, totaled $1,706 million as of December 31, 2018, compared to $619 million as of December 31, 2017. Year-end liquidity balances were above historical levels as the Bank scheduled its funding sources in anticipation of a potential temporary decline in its deposit base which ended-up reverting toward year-end 2018. Consequently, the liquid assets to total assets ratio amounted to 22% as of December 31, 2018, compared to 10% as of December 31, 2017, while at these same dates, the liquid assets to total deposits ratios were 57% and 21%, respectively. As of December 31, 2018, $1,648 million, or 97%, of the Bank’s liquid assets were held in deposits with the Federal Reserve Bank of New York, compared to $609 million, or 98%, as of December 31, 2017.

The Bank’s liquid assets satisfied the liquidity requirement resulting from the maturities of the Bank’s 24-hour deposits from customers (demand deposit accounts and call deposits), which as of December 31, 2018 and 2017 amounted to $725 million and $478 million, respectively; representing 24% and 16% of the Bank’s total deposits, respectively.

While the Bank’s liabilities generally mature over somewhat shorter periods than its assets, the associated liquidity risk is diminished by the short-term nature of the loan portfolio, as the Bank is engaged primarily in the financing of foreign trade. As of December 31, 2018 and 2017, the Bank’s short-term loan and investment securities portfolio

(maturing within one year based on original contractual term) totaled $3,688 million and $3,746 million, respectively. As of December 31, 2018 and 2017, it had an average original term to maturity of 226 and 203 days, respectively, and an average remaining term to maturity of 118 days and 112 days, respectively.

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

Credit Ratings

The cost and availability of financing for the Bank are influenced by its credit ratings, among other factors. The credit ratings of the Bank as of the date of this annual report, were as follows:

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

Credit Rating from Fitch Ratings Ltd. (“Fitch”)

The Bank’s Issuer Default Rating (“IDR”) of “BBB+” from Fitch has been unchanged since July 31, 2012, with the most recent confirmation on July 12, 2018, with a stable outlook.

Credit Rating from Moody’s Investors Service, Inc. (“Moody’s”)

The Bank’s credit ratings from Moody’s have been unchanged at “Baa2/P-2” since December 19, 2007, with the most recent affirmation of the Bank’s credit ratings on October 29, 2018. The outlook remained negative from Moody’s.

Credit Rating from Standard & Poor’s Global Ratings (“S&P”)

The credit ratings from S&P have been unchanged at “BBB/A-2” since May 13, 2008, with the Bank’s credit ratings last confirmed on April 4, 2019. The outlook was revised to negative from stable.

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

Funding Sources

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

	As of December 31,		
	2018	2017	2016
	(in percentages)		
Deposits	45.5 %	57.0 %	46.3 %
Securities sold under repurchase agreements	0.6	0.0	0.0
Short-term borrowings and debt	31.0	20.9	24.3
Long-term borrowings and debt, net	22.9	22.1	29.4
Total interest-bearing liabilities	100.0%	100.0%	100.0%

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

Deposits

The Bank obtains deposits principally from central and commercial banks primarily located in the Region. As of December 31, 2018, 74% of the deposits held by the Bank were deposits made by central and state-owned banks in the Region. The average term remaining to maturity of deposits from the Region's central and state owned banks as of December 31, 2018, 2017 and 2016, was 35 days, 83 days and 72 days, respectively. As of December 31, 2018, deposits from the Bank's five largest depositors, all of which were central and state-owned banks in the Region, represented 49% of the Bank's total deposits, compared to 44% as of December 31, 2017.

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

	As of December 31,		
	2018	2017	2016
		(in $ millions)	
Argentina	$142	$ 142	$135
Barbados	25	0	0
Bermuda	0	0	0
Bolivia	26	0	1
Brazil	379	384	151
Cayman Island	0	0	25
Colombia	30	44	3
Costa Rica	133	138	130
Dominican Republic	21	2	72
Ecuador	522	217	804
El Salvador	0	34	24
France	1	4	0
Germany	130	77	77
Guatemala	34	71	71
Haiti	61	60	70
Honduras	128	176	153
Mexico	300	300	100
Multilateral	151	101	0
Netherlands	18	34	15
Nicaragua	190	268	98
Panama	391	437	404
Paraguay	268	337	400
Switzerland	0	0	1
Trinidad and Tobago	20	70	19
United Kingdom	0	0	1
United States of America	1	33	2
Venezuela	0	0	47
Total	$2,971	$ 2,929	$2,803

Short-Term Borrowings and Debt, and Repos

The Bank enters into financing transactions under repurchase agreements ("Repos") with international banks from time to time, utilizing its investment securities portfolio as collateral to secure cost-effective funding. Repos are reported as secured financings in the financial statements. As of December 31, 2018, the Bank had outstanding Repos for $40 million, compared to no outstanding Repos as of December 31, 2017 and 2016.

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

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

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

As of December 31, 2018, short-term borrowings and debt totaled $2,021 million, an 88% increase compared to $1,073 million as of December 31, 2017, as the Bank resorted to alternative funding sources in anticipation of a potential temporary decline of its deposit base by year-end. The average term remaining to maturity of short-term borrowings and debt as of December 31, 2018 was 146 days, compared to 137 days as of December 31, 2017.

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

	As of and for the Year Ended December 31,		
	2018	2017	2016
	(in $ millions, except percentages)		
Short-term borrowings, debt and Repos			
Advances from banks and financial institutions	$ 2,021	$ 1,073	$ 1,470
Securities sold under repurchase agreements	40	0	0
Total short-term borrowings, debt and Repos	$ 2,061	$ 1,073	$ 1,470
Maximum amount outstanding at any month-end	$ 2,061	$ 1,073	$ 1,984
Amount outstanding at year-end	$ 2,061	$ 1,073	$ 1,470
Average amount outstanding during the year	$ 1,123	$ 710	$ 1,449
Weighted average interest rate on average amount outstanding	2.98 %	1.66 %	1.12 %
Weighted average interest rate on amount outstanding at year end	2.93 %	2.16 %	1.11 %

Long-term borrowings and debt

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

Interest rates on most long-term borrowings and issuances are adjusted monthly, quarterly or semi-annually based on short-term LIBOR rates plus a credit spread. The credit spread is defined according to several factors, including credit ratings, risk perception, and the original contractual term to maturity. The Bank uses these funds primarily to finance its medium-term and long-term Loan Portfolio, as well as to further enhance the stability of its overall funding base. As of December 31, 2018, gross long-term borrowings and debt increased 31% to $1,501 million, from $1,143 million as of December 31, 2017, as a result of the Bank's commercial lending origination activities and its liquidity position management. As of December 31, 2018, the average term remaining to maturity of the Bank's medium and long-term borrowing and debt was two years (735 days), compared to two years and two months (808 days) as of December 31, 2017.

The following table presents information regarding the gross amounts outstanding under, and interest rates on, the Bank's long-term borrowings and debt at the dates and during the periods indicated.

	As of and for the Year Ended December 31,		
	2018	2017	2016
	(in $ millions, except percentages)		
Long-term borrowings and debt [(*)]			
Amount outstanding at year-end	$ 1,501	$ 1,143	$ 1,782
Maximum amount outstanding at any month-end	$ 1,501	$ 2,010	$ 2,054
Net average amount outstanding during the year	$ 1,245	$ 1,478	$ 1,881
Weighted average interest rate on average amount outstanding	4.09 %	3.43 %	2.84 %
Weighted average interest rate on amount outstanding at year end	4.35 %	3.60 %	2.98 %

[(*)] Gross of prepaid commissions of $3.5 million, $4.2 million and $5.1 million as of December 31, 2018, 2017 and 2016, respectively.

Global syndicated loans provide a vehicle to access new sources of financing. In August 2018, the Bank increased a syndicated loan previously launched in February 2016 to $175 million, from $156 million, and the maturity of the syndicated loan was extended to August 2021.

In March 2017, the Bank closed a $193 million syndicated loan with a focus on Asia, which was broadly oversubscribed. The maturity of the syndicated loan was extended up to four years. The lenders on the syndicated loan were a mix of the Bank's existing lenders and new lenders from Japan, Taiwan, Korea and the U.S.

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

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2018, the Bank was in compliance with all covenants.

Debt Capital Markets

Program in Mexico

In 2012, the Bank established a short- and long-term notes program (the "Mexico Program") in the Mexican local market, registered with Mexican National Registry of Securities *(Registro Nacional de Valores)* maintained by the National Banking and Securities Commission *(Comisión Nacional Bancaria y de Valores),* for an authorized aggregate principal amount of 10 billion Mexican Pesos or its equivalent in Investment Units *(Unidades de Inversión),* U.S. dollars or Euros and with maturities from one day to 30 years. The Mexico Program had an effective duration of five years and the Bank is currently in the process of reestablishing a new program. As of December 31, 2018, the total principal amount outstanding of issuances of "certificados bursátiles" in the Mexican capital markets under this Mexico Program was MXN1.5 billion (one and a half billion Mexican Pesos) issued in April 2016 and matured in April 2019.

Euro Medium Term Note Program

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

During 2018, the Bank issued $164.5 million in new private placements; and as of December 31, 2018, private issuances through its Euro Medium-Term Note Program amounted to $250 million, placed in Asia, Europe and Latin America. In addition, the Bank has one outstanding bond due in May 2020 issued pursuant to Rule 144A/Regulation S with a total principal amount of $350 million as of December 31, 2018.

Tokyo Pro-Bond Program

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

Cost and Maturity Profile

The following table sets forth certain information regarding the weighted average cost and the remaining maturities of the Bank's gross borrowed funds, including Repos, and placements at fixed and floating interest rate as of December 31, 2018:

	Amount (*)	Weighted Average Cost	
	(in $ millions, except percentage)		
Short-term Repos and borrowings at fixed interest rate			
Due in 0 to 30 days	$ 322	2.96	%
Due in 31 to 90 days	260	3.00	%
Due in 91 to 180 days	50	2.92	%
Due in 181 to 365 days	103	3.25	%
Total	$ 735	3.01	%
Short-term borrowings at floating interest rate			
Due in 0 to 30 days	$ 15	8.64	%
Due in 31 to 90 days	314	3.20	%
Due in 91 to 180 days	175	2.98	%
Due in 181 to 365 days	776	3.12	%
Total	$ 1,280	3.18	%
Short-term placements at fixed interest rate			
Due in 91 to 180 days	$ 3	2.83	%
Total	$ 3	2.83	%
Short-term placements at floating interest rate			
Due in 31 to 90 days	$ 43	9.14	%
Total	$ 43	9.14	%
Medium and long-term borrowings at fixed interest rate			
Due in 0 to 30 days	$ 1	6.34	%
Due in 31 to 90 days	2	6.39	%
Due in 91 to 180 days	17	2.84	%
Due in 181 to 365 days	4	6.74	%
Due in 1 through 6 years	40	4.23	%
Total	$ 64	4.07	%
Medium and long-term borrowings at floating interest rate			
Due in 91 to 180 days	$ 1	9.52	%
Due in 181 to 365 days	84	4.46	%
Due in 1 through 6 years	738	4.11	%
Total	$ 823	4.16	%
Medium and long-term placements at fixed interest rate			
Due in 91 to 180 days	$ 73	0.46	%
Due in 181 to 365 days	0	0.00	%
Due in 1 through 6 years	430	3.34	%
Total	$ 503	2.92	%
Medium and long-term placements at floating interest rate			
Due in 91 to 180 days	$ 76	9.19	%
Due in 181 to 365 days	0	0.00	%

Due in 1 through 6 years	35	3.78	%
Total	$ 111	7.49	%
Grand Total	$ 3,562	3.56	%

(*) Gross of prepaid commissions of $3.5 million as of December 31, 2018.

Cash flows

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

The following discussion highlights the major activities and transactions that affected the Bank's cash flows during 2018, 2017 and 2016.

Cash flows from operating activities

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

For the year ended December 31, 2018, net cash used by operating activities was $174 million, mainly attributable to a net increase of $305 million in loans, and partially offset by the cash provided from the $104 million net difference from the interest the Bank received and paid during the year.

For the year ended December 31, 2017, net cash provided by operating activities was $716 million, mainly attributable to a net decrease of $479 million in loans, along with a $126 million net increase due to depositors, $132 million net difference from the interest the Bank received and paid, and the $82 million of profit for the year.

For the year ended December 31, 2016, net cash provided by operating activities was $784 million, mainly attributable to a net decrease of $650 million in loans, along with $155 million net difference from the interest the Bank received and paid, and the $87 million of profit for the year.

Cash flows from investing activities

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

For the year ended December 31, 2018, net cash used in investing activities was $22 million, primarily as a result of the $37 million cash used in the purchases of securities at FVOCI and amortized cost, which was partially offset by the $10 million proceeds from securities maturing during 2018.

For the year ended December 31, 2017, net cash provided by investing activities was $10 million, primarily from $9 million in net proceeds from sales and purchases of securities at FVOCI, and $8 million net proceeds from maturities and purchases of securities at amortized cost, partially offset by the $6 million used in acquisitions of equipment and leasehold improvements, and intangible assets.

For the year ended December 31, 2016, net cash provided by investing activities was $148 million, primarily from $210 million in proceeds from the sale and redemptions of securities at FVOCI, and $54 million in proceeds from the maturity of securities at amortized cost, partially offset by purchases of $84 million and $25 million of securities at FVOCI and at amortized cost, respectively.

Cash flows from financing activities

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

For the year ended December 31, 2018, the net cash provided by financing activities was $1,282 million, which was primarily the result of the $950 million net increase in short-term borrowings and debt and $609 million in proceeds from long-term borrowings and debt, which was partially offset by the repayment of $256 million in long-term borrowings and debt, and $62 million paid as cash dividends.

For the year ended December 31, 2017, net cash of $1,115 million was used in financing activities, mostly the result of $664 million in net cash flow from the repayments of and proceeds from long-term borrowings and debt, a $396 million net decrease in short-term borrowings and debt, and $61 million paid as cash dividends.

For the year ended December 31, 2016, net cash of $1,192 million was used in financing activities, mostly the result of a $1,075 million net decrease in short-term borrowings and debt and Repos, $58 million net cash flow that resulted from the repayments of and proceeds from long-term borrowings and debt, and $60 million paid as cash dividends.

Asset/Liability Management

The Bank seeks to manage its assets and liabilities to reduce the potential adverse impact on net interest income that could result from interest rate changes. The Bank controls interest rate risk through systematic monitoring of maturities and repricing mismatches. The Bank's investment decision-making takes into account not only the rates of return and the respective underlying degrees of risk, but also liquidity requirements, including minimum cash reserves, withdrawal and maturity of deposits and additional demand for funds. For any given period, a matched pricing structure exists when an equal amount of assets and liabilities are repriced. An excess of assets or liabilities over these matched items results in a "gap" or "mismatch," as shown in the table under "Interest Rate Sensitivity" below. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on net interest income.

Interest Rate Sensitivity

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

The following table presents the projected maturities and interest rate adjustment periods of the Bank's total assets, liabilities and equity based upon the contractual maturities and rate-adjustment (repricing) dates as of December 31, 2018. The Bank's interest-earning assets and interest-bearing liabilities and the related interest rate sensitivity gap shown in the following table may not reflect positions in subsequent periods.

Total

		0-30 Days	31-90 Days	91-180 Days	181-365 Days	More than 365 Days	Non-Interest Sensitive / without maturity
	(in $ millions, except percentages)						
Interest-earning assets							
Cash and cash equivalents	$1,746	$ 1,746	$ 0	$0	$ 0	$ 0	$ 0
Securities and other financial assets [1]	107	0	22	6	16	63	0
Loans[1]	5,778	1,572	2,494	1,259	332	121	0
Total interest-earning assets	7,631	3,318	2,517	1,265	348	184	0
Non-interest earning assets, allowance for credit losses and other asset	(22)	0	0	0	0	0	(22)
Total assets	7,609	3,318	2,517	1,265	348	184	(22)
Interest-bearing liabilities							
Deposits	2,971	2,080	425	285	181	0	0
Securities sold under repurchase agreements	40	0	12	0	28	0	0
Borrowings and debt [2]	3,522	1,362	1,658	87	234	181	0
Total interest-bearing liabilities	6,533	3,441	2,094	373	443	181	0
Non-interest-bearing liabilities and other liab							