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

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

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	Trading Symbol	Name of each exchange on which registered
Class E Common Stock	BLX	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
2,182,426	Shares of Class B Common Stock
31,077,662	Shares of Class E Common Stock
0	Shares of Class F Common Stock
39,602,277	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.

☒ 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 ☒ 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.

☒ 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).

☒ 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.

☒ 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 ☒ 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 ☒ 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:

- the coronavirus (COVID-19) pandemic and government actions intended to limit its spread;
- 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;
- 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 2020 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, 2019 and 2018, and for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 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 following selected fianancial data as of December 31, 2017 and for the year ended December 31, 2016 are derived from the Form 20-F for the year 2018 already filed with the SEC. The following selected fianancial data as of December 31, 2016 and for the year ended December 31, 2015 are derived from the From 20-F for the year 2017 already filed with the SEC. The following selected fianancial data as of December 31, 2015 are derived from the From 20-F for the year 2016 already filed with the SEC. The Consolidated Financial Statements as of, and for the years ended December 31, 2019 and 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 and 2015 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,				
	2019	**2018**	**2017**	**2016**	**2015**
Consolidated Statement of Financial Position Data:			**(in $ thousands)**		
Cash and due from banks	$ 1,178,170	$ 1,745,652	$ 672,048	$ 1,069,538	$ 1,299,966
Securities and other financial assets, net	88,794	123,598	95,484	107,821	303,429
Loans	5,892,997	5,778,424	5,505,658	6,020,731	6,691,749
Allowance for loan losses	(99,307)	(100,785)	(81,294)	(105,988)	(89,974)
Total assets	7,249,666	7,609,185	6,267,747	7,180,783	8,286,216
Total deposits, less interest payable	2,888,336	2,970,822	2,928,844	2,802,852	2,795,469
Securities sold under repurchase agreement	40,530	39,767	0	0	114,084
Borrowings and debt, net	3,138,310	3,518,446	2,211,567	3,246,813	4,312,170
Total liabilities	6,233,499	6,615,595	5,224,935	6,169,469	7,314,285
Common stock	279,980	279,980	279,980	279,980	279,980
Total equity	$ 1,016,167	$ 993,590	$ 1,042,812	$ 1,011,314	$ 971,931

	As of and for the Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in $ thousands, except per share data and ratios)				
Consolidated Statement of profit or loss Data:					
Total interest income	$ 273,682	$ 258,490	$ 226,079	$ 245,898	$ 220,312
Total interest expense	(164,167)	(148,747)	(106,264)	(90,689)	(74,833)
Net interest income	109,515	109,743	119,815	155,209	145,479
Fees and commissions, net	15,647	17,185	17,514	14,306	19,200
(Loss) gain on financial instruments, net	(1,379)	(1,009)	(739)	(2,919)	7,576
Other income, net	2,874	1,670	1,723	1,378	1,603
Total other income, net	17,142	17,846	18,498	12,765	28,379
Total revenues	126,657	127,589	138,313	167,974	173,858
Impairment loss on financial instruments	(430)	(57,515)	(9,439)	(35,115)	(18,090)
Gain (loss) on non-financial assets, net	500	(10,018)	0	0	0
Total operating expenses	(40,674)	(48,918)	(46,875)	(45,814)	(51,784)
Profit for the year	**86,053**	**11,138**	**$ 81,999**	**$ 87,045**	**$ 103,984**
Weighted average basic shares	39,575	39,543	39,311	39,085	38,925
Weighted average diluted shares	39,575	39,543	39,329	39,210	39,113
Basic shares period end	39,602	39,539	39,429	39,160	38,969
Per Common Share Data:					
Basic earnings per share	2.17	0.28	2.09	2.23	2.67
Diluted earnings per share	2.17	0.28	2.08	2.22	2.66
Book value per share (period end) (1)	25.66	25.13	26.45	25.83	24.94
Regular cash dividends declared per share	1.54	1.54	1.54	1.54	1.155
Regular cash dividends paid per share	1.54	1.54	1.54	1.54	1.54
Selected Financial Ratios:					
Performance Ratios:					
Return on average total assets (2)	1.36%	0.17%	1.27%	1.16%	1.32%
Return on average total equity (3)	8.56%	1.08%	8.02%	8.76%	10.95%
Net interest margin (4)	1.74%	1.71%	1.85%	2.08%	1.84%
Net interest spread (4)	1.19%	1.21%	1.48%	1.84%	1.68%
Efficiency Ratio (5)	32.1%	38.3%	33.9%	27.3%	29.8%
Total operating expenses to average total assets	0.64%	0.76%	0.72%	0.61%	0.66%
Regular cash dividend payout ratio (6)	70.8%	546.7%	73.8%	69.1%	57.6%
Liquidity Ratios:					
Liquid assets (7) / total assets	16.00%	22.42%	9.87%	14.03%	15.29%
Liquid assets (7) / total deposits	40.15%	57.43%	21.13%	35.95%	45.33%
Asset Quality Ratios:					
Credit-impaired loans (8) to Loan Portfolio (9)	1.05%	1.12%	1.07%	1.09%	0.78%
Charged-off loans to Loan Portfolio	0.04%	0.72%	0.60%	0.31%	0.09%
Allowance for loan losses to Loan Portfolio	1.69%	1.74%	1.48%	1.76%	1.34%
Allowance for loan commitments and financial guarantee contracts losses to total loan commitments and financial guarantee contracts plus customers' liabilities under acceptances	0.50%	0.64%	1.39%	1.37%	1.17%
Capital Ratios:					
Total equity to total assets	14.02%	13.06%	16.64%	14.08%	11.73%
Average total equity to average total assets (10)	15.84%	15.98%	15.80%	13.28%	12.02%
Leverage ratio (11)	7.1x	7.7x	6.0x	7.1x	8.5x
Tier 1 capital to risk-weighted assets (12)	19.8%	18.1%	21.1%	17.9%	16.1%
Risk-weighted assets (12)	$ 5,137,523	$ 5,494,080	$ 4,931,046	$ 5,662,453	$ 6,103,767

(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 2019, 2018, 2017, 2016 and 2015, return on average total assets is calculated as profit for the year divided by average total assets. Average total assets for 2019, 2018, 2017, 2016 and 2015, is calculated on the basis of daily average balances.

(3) For the years 2019, 2018, 2017, 2016 and 2015, return on average total equity is calculated as profit for the year divided by average total equity. Average total equity for 2019, 2018, 2017, 2016 and 2015, is calculated on the basis of daily average balances.

(4) For the years 2019, 2018, 2017, 2016 and 2015, 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 2019, 2018, 2017, 2016 and 2015, 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, less 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, 2019, 2018, 2017, 2016 and 2015, the Bank had credit-impaired loans of $62 million, $65 million, $59 million, $65 million and

$52 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 2019, 2018, 2017, 2016 and 2015, 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

The ongoing COVID-19 pandemic and measures intended to prevent its spread could have material adverse effects on the Bank's business, results of operations, cash flows and financial condition.

In December 2019, COVID-19 was first reported in Wuhan, China, and on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The outbreak has reached more than 160 countries and has led governments and other authorities around the world, including federal, state and local authorities in the Region, to impose strict measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders.

The impact of the COVID-19 pandemic and measures to prevent its spread could negatively impact the Bank's business in a number of ways, some of which may not be foreseeable at the present time. For example, the borrowers to which the Bank lends through its Commercial Portfolio may be materially and adversely affected by the impact of the outbreak of COVID-19 on the global economy and on the economy in the Region. The borrowers to which the Bank lends operate a wide range of businesses and are active in numerous economic sectors, many of which are facing, and will continue to face, significant challenges and negative impacts as a result of the COVID-19 outbreak. These impacts may include, among others, reduced business volumes, temporary closures of the Bank's borrowers' facilities, insufficient liquidity, delayed or defaulted payments from the Bank's borrowers' own customers, increased levels of indebtedness or the unavailability of sufficient financing for the Bank's borrowers, and other factors which are beyond the Bank's control. To the extent the COVID-19 pandemic adversely affects the business and financial results of the borrowers to whom the Bank lends, it could lead to loan restructurings on terms which may not be as favorable to the Bank, bankruptcies and insolvencies of the Bank's borrowers, and increase the level of impaired loans in the Bank's Commercial Portfolio and its level of allowances for expected credit losses, which could in turn materially and adversely affect the Bank's business, results of operations and financial condition.

The COVID-19 outbreak may also cause material and adverse impacts on the Bank's assets, as well as impacts on income due to lower lending and transaction volumes, which may impact the Bank's assets and capital position. Further expected credit losses could arise, impacted by the disruption to global supply chains, and through the impact that COVID-19 is having more broadly on economic growth globally. In addition, the COVID-19 pandemic may cause the Bank to continue to institute from time to time office closures and remote working arrangements for its employees and staff, which could have a material adverse effect on productivity.

The COVID-19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide and in the Region. The Bank cannot assure you that conditions in the bank lending, capital and other financial markets will not continue to deteriorate as a result of the pandemic, or that the Bank's access to capital and other sources of funding will not become constrained, which could adversely affect the Bank's Commercial Portfolio volumes and the terms of future loans in the Commercial Portfolio, renewals or refinancings.

The extent of the COVID-19 pandemic's effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the outbreak, all of which are uncertain and difficult to predict. Due to the speed with which the situation is developing, we are not able at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows could be material.

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 and volatility in the banking and financial sectors, 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 23% of the Bank's total funding as of December 31, 2019. 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, including but not limited to recent ongoing turmoil related to COVID-19, oil prices and other factors, 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, 2019, 61% of the Bank's total deposits represented deposits from central banks or their designees (i.e., the Bank's Class A shareholders), 20% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions, 10% of the Bank's deposits represented deposits from state-owned and private, corporations and international organizations, and 9% 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 effect 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, including but not limited to the impact of recent ongoing turmoil related to COVID-19, oil prices and other factors, 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. This risk may also result from turmoil in the international financial markets, including but not limited to recent ongoing turmoil related to COVID-19, oil prices and other factors. 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. The spread of the COVID-19 virus throughout the world, and in particular the Region, as well as the implementation of restrictive governmental measures to prevent its spread, has begun to affect our Commercial Portfolio in a number of ways, including a reduction in Commercial Portfolio balances. In particular, as loans in the Commercial Portfolio have matured in accordance with their terms, the Bank has been lending on a more selective basis, having established strict credit underwriting criteria with a focus on client segments and industries that the Bank believes are better suited to weather the effects of the COVID-19 pandemic. See Item 3.D., "Key Information--Risk Factors—Risks Relating to the Bank's Business--The ongoing COVID-19 pandemic and measures intended to prevent its spread could have material adverse effects on the Bank's business, results of operations, cash flows and financial condition," and Item 5.D., "Operating and Financial Review and Prospects—Trend Information."

Furthermore, any future expansion of the Bank'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, all of which could be negatively impacted by the effects of the COVID-19 pandemic. 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, including the potential proliferation of regulatory requirements regarding local storage of data, use of local services or technology, or sharing of intellectual property. 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.

In addition, as a result of the COVID-19 pandemic, the Bank has implemented office closures and remote working policies in order to protect the health of its employees and staff. These arrangements have necessitated new and increased reliance on information technology, such as videoconferencing and other infrastructure. Any failure or hacking of these and other systems could materially and adversely affect the Bank's business and operations.

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 2019 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.

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 effectively blocking all property and interests in property of the Government of Venezuela pursuant to Executive Order 13884 of August 5, 2019. With regard to any Sanctions targeting persons who have been added to OFAC’s SDN List or other persons considered blocked persons under OFAC sanctions, U.S. persons may not make to such persons, or receive from such 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 19.8% as of December 31, 2019. In addition, as of December 31, 2019, the Bank's primary capital to risk-weighted asset ratio, calculated according to the guidelines of the Banking Law, was 17.3%.

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.

On July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer compel or persuade banks to contribute to LIBOR rate setting after 2021. It remains unclear whether LIBOR will continue to be viewed as an acceptable market benchmark rate, what rate or rates may develop as accepted alternatives to LIBOR, or what the effect of any such changes may have on the markets for LIBOR-based financial instruments.

Uncertainty as to the nature of potential changes, alternative reference rates or other reforms may adversely affect market liquidity, the pricing of LIBOR-based instruments and the availability and cost of associated hedging instruments and borrowings. Payments under contracts referencing new reference rates may differ from those referencing LIBOR. The transition may change the Bank's risk profile and require changes to its risk and pricing models, valuation tools, product design and hedging strategies. Although the Bank is unable to quantify the ultimate impact of the transition from LIBOR given the uncertain nature of the potential changes, it continues to monitor the developments related to the future of LIBOR in line with any regulatory or quasi-regulatory guidance. Moreover, the failure to manage any potential transition from LIBOR to a different reference rate, or rates, may adversely affect the Bank's reputation, business and financial condition, and results of operations.

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

The Bank recently appointed Mr. Jorge Salas as the Bank's new Chief Executive Officer, effective as of March 9, 2020. While the Bank's new Chief Executive Officer has extensive management experience at financial institutions focused on the Region, he is new to the Bank's management team which could limit the Bank's ability to quickly and efficiently respond to problems and effectively manage the Bank's business. If the Bank's management team is not able to work effectively, either individually or as together as a group, the Bank's results of operations may be negatively impacted.

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 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. Furthermore, since the outbreak of COVID-19 in December 2019, economies in the Region have faced, and continue to face, significant economic difficulties and uncertainties as a result of the spread of the virus and the effects of restrictive governmental measures to prevent its spread. See Item 3.D., "Key Information--Risk Factors—Risks Relating to the Bank's Business--The ongoing COVID-19 pandemic and measures intended to prevent its spread could have material adverse effects on the Bank's business, results of operations, cash flows and financial condition," and Item 5.D., "Operating and Financial Review and Prospects—Trend Information."

Global economic changes, including the effects of the COVID-19 pandemic, 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. There could be downside in the country risk of the most vulnerable countries of the Region on the back of a potential disorderly sovereign debt restructuring as, for example, Argentina and Ecuador. 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, 2019, 59% of the Bank's Credit Portfolio was outstanding to borrowers in the following five countries: Brazil ($1,067 million, or 16%), Colombia ($972 million, or 15%), Mexico ($803 million, or 12%), Chile ($688 million, or 10%), and Ecuador ($427 million, or 6%).

In addition, as of December 31, 2019, of the Bank's total Credit Portfolio balances, 9% were to five borrowers in each of Brazil and Colombia, 7% were to five borrowers in Chile, and 6% were to five borrowers in each of Mexico and Ecuador. 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.

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 imposed certain tariffs on steel and aluminum. China has also imposed tariffs against certain American products. The U.S. and China agreed upon phase one of a trade agreement reducing protectionist measures by both countries. Negotiations for a second phase of the agreement could be affected if China fails to meet certain commitments it made in phase one, which may be more difficult to uphold following the spread of the coronavirus in China. 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.

The United Kingdom (the “UK”) left the European Union (the “E.U.”) on January 31, 2020, which was a process commonly referred to as “Brexit”, and entered a transition period until December 31, 2020. During the transition period the UK will continue to be bound by E.U. laws and regulations. Beyond that date there is no certainty on what the future relationship between the UK and the E.U. will be. This ongoing lack of certainty has led to uncertainty in international markets. As a result, global markets and currencies may be adversely impacted, including 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.

Local country foreign exchange controls or currency devaluation, 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. 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. 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 oil and gas and agribusiness sectors in the Region. Lending in these sectors presents unique risks related to commodities pricing.

As of December 31, 2019, $561 million, or 10% of the Bank’s Loan Portfolio was comprised of oil and gas related loans, and $327 million, or 6% of the Bank’s Loan Portfolio was comprised of agribusiness loans. Repayment of these loans depends substantially, in some cases, on producing, exploring and exporting and also marketing the oil and gas or 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 borrowers’ ability to repay their loans, including commodity price volatility (i.e., oil and sugar prices), diseases such as COVID-19, war, adverse weather conditions, water issues, 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. These factors, as well as recent volatility in certain commodity prices, including the substantial decrease in oil prices, could adversely impact the ability of those to whom the Bank has made 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 due to the spread of COVID-19 or otherwise, 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, the Bank 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, its representative offices in Buenos Aires, Argentina; Mexico City, Mexico; Sao Paulo, Brazil; and Bogotá, Colombia, and its representative license in Peru, 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 is also authorized to book transactions through an International Banking Facility ("IBF").

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, United States, 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 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, 2019, the Bank had 51 employees, or 29% 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 2019

During 2019, global economy continued to grow in an uncertain environment, characterized by increasing volatility. In 2019, the global economy experienced its weakest year of growth since the previous 2008 financial crisis, weighed down by tensions that have significantly slowed international trade. According to the International Monetary Fund ("IMF"), global growth was only 2.9%, which was significantly below what we believe to be global potential growth. The main drivers for the lackluster performance of the world economy were: the trade war between the United States and China, negative trade flows that disrupted supply chains, and particular risks in countries such as Italy and Turkey which, together with Brexit, affected European growth and in particular, growth in Germany.

2019 was characterized by increased conflict in international trade and increases in tariffs by several countries related to 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 2019 the U.S. imposed certain increased tariffs on certain products imported from China. China has also announced retaliatory tariffs against certain U.S. products. Furthermore, the Trump administration has undertaken to replace NAFTA with the USMCA, which has now been ratified by each of the United States, Canada and Mexico.

2019 was also a challenging year for economies in Latin America. Regional economic growth was 0.1%, significantly below the 1% growth recorded in 2018, and significantly below the 2.1% level of growth that had been projected by the IMF. Other than 2016, when Brazil experienced its sharpest recession in the last 70 years, 2019 was the slowest growth year for the Region in a decade. Of the largest three economies of Latin America, which represent about 75% of the GDP of the Region, Brazil was the only one that registered any meaningful growth, growing tepidly at 1.2%. Mexico had zero growth – a remarkable decoupling from a strong U.S. economy. Argentina’s GDP shrank by 3.3%.

Increased policy uncertainty in several large Latin American countries continues to weigh on growth. For example, uncertainty surrounding economic policy and reforms in Brazil and Mexico likely contributed to the slowdown in real GDP and investment growth in 2019.

In addition, Regional growth was significantly impacted by (i) depressed commodity prices as a result of trade uncertainties and a strong U.S. dollar; (ii) Mexico registering no GDP growth due to necessary fiscal restraint, tight monetary policy to keep portfolio monies flowing and a fundamental lack of investment; (iii) the potential for social unrest in Chile; and (iv) smaller countries such as Costa Rica registering fiscal imbalances and Ecuador struggling to comply with its IMF program.

More recently, certain countries in the Region have experienced social unrest, namely Bolivia, Colombia, Chile, and Ecuador, which, in some cases, disrupted economic activity. Economic policy uncertainty has also risen in these countries as governments consider alternative policies and reforms to make growth more inclusive and address social demands.

Potential growth continues to be impeded by lingering structural problems, including high public debt, weaker financial systems, high unemployment, and vulnerability to commodity and climate-related shocks. Some countries have started to strengthen their fiscal positions, but further tightening is needed in others to ensure debt sustainability.

Within this economic context, liquidity concerns for the top corporate names in the Region were exacerbated by the combination of low growth and risk aversion, which compressed margins to levels which may not always compensate for the level of credit risk associated with particular borrowers. Against this backdrop, Bladex was able to deliver a net profit of $86.1 million for 2019, which resulted in a return on average equity (“ROAE”) of 8.6% and a return on average assets (“ROAA”) of 1.36%, significantly higher than 2018 levels of 1.1% and 0.17%, respectively. The focus on high quality borrowers and abundant U.S. dollar liquidity in key markets put pressure on the Bank’s origination margins. However, despite this challenging environment, Bladex was able to maintain relatively stable margin levels. The Bank’s syndicated and structured transactions tied to Latin American integration had a solid 2019 performance, with income increasing 14% in 2019 compared to 2018. On the cost side, operating expenses decreased 17% year-over-year in 2019 compared to 2018, reflecting effective cost control management and overall improved structural and operational efficiencies.

Bladex continues to analyze the risk/reward equation at the country level, adjusting the Bank's portfolio accordingly and maintaining a vigilant credit underwriting posture. As 73% of the Bank's Commercial Portfolio at the end of 2019 had less than one year of remaining life, Bladex is in a privileged position to dynamically adjust its exposures. The Bank believes that its book of business is solid, with the addition of new clients and prospects identified during 2019. Credit impaired loan totals decreased in 2019 compared to 2018, as did the volume of transactions that have been placed on the Bank's watch list category, with the Bank registering a credit reserve coverage ratio of 1.7 times Non-Performing Loans as of December 31, 2019. Finally, the Bank's Tier I Basel III capital ratio remained strong at 19.8% as of December 31, 2019, with a solid book value above $25 per share.

Strategies for 2020 and Subsequent Years

Focus on credit underwriting soundness and liquidity management in light of the effects of the COVID-19 pandemic

Since the World Health Organization declared a global pandemic in March 11 th , 2020, Bladex has successfully activated its Business Continuity Plan, including the closure of its offices, and work-from-home policies for employees, and has successfully implemented measures to preserve the Bank's liquidity position.. The Bank believes that these and other measures taken have represented an effective and agile response to the extreme circumstances arising from the COVID-19 pandemic.

The strategies described below are subject to the effects of the Bank having to operate in a substantially different environment in 2020 and thereafter than in previous periods. Since the onset of COVID-19 the Bank has leveraged the short-term and trade finance nature of its Commercial Portfolio as a means to provide sufficient flexibility to react to, and realign size and composition of, the Commercial Portfolio, to take account of external risks and expected developments.

As a result, during the duration of the COVID-19 crisis, the Bank's commercial strategy will continue to prioritize underwriting credit soundness, liquidity management and risk/reward targets for each transaction, over portfolio growth.

Streamline the Bank's operating model for greater efficiency

The Bank aims to continue improving efficiency and productivity throughout its organization, with representative offices concentrating primarily on origination and client relationship management.

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 and non-trade financing 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 plans to continue targeting clients across a diversified range of industry sectors, and will seek to limit the concentration of any single corporate industry sector to a maximum of 10% of its total Loan Portfolio. The Bank plans to continue to focus on strategic sectors in international trade.

The Bank plans to focus its future efforts on growing its business with a larger number of corporate 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 continue diversifying 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 that complement the Bank’s expertise in foreign trade finance and risk management, such as: i) financing acquisitions from the Bank’s structuring and syndication business desk, as well as liability management transactions, ii) letters of credit client base diversification, and iii) vendor finance with a focus on supply chain finance through electronic platforms.

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, 2019, the Bank's legal lending limit prescribed by Panamanian law for corporations and sovereign borrowers amounted to $254 million, and for financial institutions and financial groups amounted to $305 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, 2019, 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, 2019, the Credit Portfolio amounted to $6,582 million compared to $6,397 million as of December 31, 2018 and $6,085 million as of December 31, 2017. The $185 million, or 3%, increase during 2019 compared to 2018 was largely attributable to the Bank's Commercial Portfolio, which increased by $212 million, or 3%, due to improved conditions for credit demand in the Region and an increase in the Bank's client base of financial institutions.

Commercial Portfolio

The Bank's Commercial Portfolio amounted to $6,502 million as of December 31, 2019, compared to $6,290 million as of December 31, 2018, and $5,999 million as of December 31, 2017. The $212 million, or 3%, increase during 2019 reflects the larger proportion of longer tenor transactions in the Bank's Commercial Portfolio in recent years and an increase in the Bank's client base of financial institutions.

As of December 31, 2019, 73% of the Bank's Commercial Portfolio was scheduled to mature within one year, compared to 74% as of December 31, 2018 and 81% as of December 31, 2017, which reflects higher medium term lending origination throughout 2019. As of those same dates, trade-related finance transactions represented 40%, 45% and 60%, respectively, of the Bank's Commercial Portfolio, while trade-related finance transactions represented 53%, 59% and 74%, respectively, of the Bank's short-term origination, both of which reflect the Bank's increasing focus on, and exposure to, financial institutions in recent years.

As of December 31, 2019, the Commercial Portfolio's exposure remained diversified across regions and industry sectors, with 56% of the total Commercial Portfolio representing the Bank's traditional client base of financial institutions and 44% of the total Commercial Portfolio represented by corporations, of which 32% and 51% of such percentages were trade-related financing, respectively. In addition, the Commercial Portfolio continued to be well diversified across corporate sectors, with industry concentration levels of 6% of the total Commercial Portfolio or lower as of December 31, 2019, except for the industrial sector as a whole and the total oil and gas exposure. Geographically, exposure to Brazil, which represents the Bank's largest country-risk exposure, decreased to 16% of the total Commercial Portfolio, down from 19% in 2018, out of which 81% was with financial institutions at the end of 2019, compared to 73% in 2018. Exposure to Argentina was reduced to 3% of the total Commercial Portfolio at the end of 2019, down from 10% in 2018, as a result of several loans to Argentine borrowers maturing and being repaid during 2019. Overall, during 2019 the Bank focused its portfolio origination towards top-tier banks and corporations in lower-risk countries, focusing its growth in top-rated countries in the Region, where it was able to take advantage of positive risk/return opportunities. Consequently, exposures in Colombia and Chile increased to 15% and 11% of the total Commercial Portfolio, which now represent the second and fourth largest country exposures, respectively, up from 11% and 3% the year before. In addition, exposure to other top-rated countries outside of Latin America, which relates to transactions carried out in the Region, was also increased to 7% of the total Commercial Portfolio at the end of the 2019, from 2% the year before. Mexico, which still represents a significant part of the Commercial Portfolio as the third largest exposure, decreased to 12% of the Commercial Portfolio at year-end 2019, compared to 14% at the end of 2018.

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,									
	2019	%	2018	%	2017	%	2016	%	2015	%
	(in $ millions, except percentages)									
Loans	$ 5,893	90.6	$ 5,778	91.9	$ 5,506	91.8	$ 6,021	93.4	$ 6,692	93.5
Loan commitments and financial guarantee contracts	493	7.6	502	8.0	487	8.1	403	6.3	447	6.3
Customers' liabilities under acceptances	116	1.8	10	0.1	6	0.1	20	0.3	16	0.2
Total	**$ 6,502**	**100.0**	**$ 6,290**	**100.0**	**$ 5,999**	**100.0**	**$ 6,444**	**100.0**	**$ 7,155**	**100.0**

Loan Portfolio

As of December 31, 2019, the Bank's Loan Portfolio totaled to $5,893 million, compared to $5,778 million as of December 31, 2018 and $5,506 million as of December 31, 2017. The $115 million, or 2%, Loan Portfolio increase during 2019 was mainly attributable to higher medium term lending origination throughout 2019, as the Bank was able to deploy longer tenor transactions with its traditional client base of top quality financial institutions, exporting corporations and "multilatinas", and continued to perform well on its short-term origination capacity. As of December 31, 2019, the Loan Portfolio had an average remaining maturity term of 380 days, and 71% of the Bank's Loan Portfolio was scheduled to mature within one year, compared to an average remaining maturity of 323 days, or 73% maturing within one year as of December 31, 2018, and 282 days, or 80% maturing within one year as of December 31, 2017.

As of December 31, 2019, the Bank's credit-impaired loans totaled $62 million (or 1.05% of the Loan Portfolio), compared to $65 million (or 1.12% of the Loan Portfolio) as of December 31, 2018 and $59 million (or 1.07% of the Loan Portfolio) as of December 31, 2017. Credit-impaired loans decreased in 2019 mainly due to the sale of an exposure which resulted in a $0.5 million collection and a $2.4 million write-off against existing individually allocated reserves. As of December 31, 2019, $62 million in credit-impaired loans were to a single borrower in the Brazilian sugar sector, accounting for 100% of the Bank's total impaired loans classified as Stage 3 (under accounting standard IFRS 9), with individually assigned allowance for credit losses of $54 million, representing coverage of 88%. The remainder of the Loan Portfolio performed well during 2019, as evidenced by the 6% 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 34% in 2019.

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,									
	2019	% of Total Loans	2018	% of Total Loans	2017	% of Total Loans	2016	% of Total Loans	2015	% of Total Loans
	(in $ millions, except percentages)									
Argentina	$ 226	3.8	$ 604	10.5	$ 295	5.3	$ 325	5.4	$ 142	2.1
Belgium	14	0.2	13	0.2	11	0.2	4	0.1	13	0.2
Bermuda	0	0.0	0	0.0	0	0.0	0	0.0	20	0.3
Bolivia	7	0.1	14	0.2	15	0.3	18	0.3	20	0.3
Brazil	1,015	17.2	1,156	20.0	1,019	18.5	1,164	19.3	1,605	24.0
Chile	683	11.6	177	3.1	171	3.1	69	1.2	195	2.9
Colombia	906	15.4	626	10.8	829	15.1	653	10.8	621	9.3
Costa Rica	220	3.7	370	6.4	356	6.5	400	6.6	341	5.1
Dominican Republic	290	4.9	301	5.2	250	4.5	244	4.1	384	5.7
Ecuador	174	3.0	188	3.3	94	1.7	129	2.1	169	2.5
El Salvador	54	0.9	70	1.2	55	1.0	105	1.7	68	1.0
France	153	2.6	0	0.0	0	0.0	0	0.0	6	0.1
Germany	35	0.6	18	0.3	38	0.7	50	0.8	97	1.4
Guatemala	279	4.7	329	5.7	309	5.6	316	5.2	458	6.8
Honduras	129	2.2	89	1.5	75	1.4	73	1.3	118	1.8
Hong Kong	11	0.2	0	0.0	0	0.0	0	0.0	0	0.0
Jamaica	38	0.7	22	0.4	24	0.4	8	0.1	17	0.2
Luxembourg	60	1.0	18	0.3	20	0.4	15	0.2	0	0.0
Mexico	754	12.8	867	15.0	850	15.4	927	15.4	789	11.8
Netherlands	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Nicaragua	0	0.0	0	0.0	30	0.5	37	0.6	17	0.3
Panama	268	4.6	485	8.4	500	9.1	499	8.3	455	6.8
Paraguay	128	2.2	159	2.7	60	1.1	108	1.8	116	1.7
Peru	150	2.6	78	1.4	212	3.8	467	7.8	511	7.6
Singapore	91	1.5	39	0.7	55	1.0	70	1.2	12	0.2
Switzerland	0	0.0	0	0.0	4	0.1	46	0.8	45	0.7
Trinidad & Tobago	182	3.1	145	2.5	175	3.2	184	3.1	200	3.0
United States of America	25	0.4	0	0.0	44	0.8	73	1.2	54	0.8
Uruguay	1	0.0	10	0.2	15	0.3	37	0.6	219	3.3
Total	**$ 5,893**	**100.0**	**$ 5,778**	**100.0**	**$ 5,506**	**100.0**	**$ 6,021**	**100.0**	**$ 6,692**	**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, 2019, the Bank's combined Loan Portfolio associated with European country risk represented $261 million, or 4.42%, of the total Loan Portfolio, compared to $48 million, or 0.84%, of the total Loan Portfolio as of December 31, 2018 and $73 million, or 1.32%, as of December 31, 2017.

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,									
	2019	% of Total Loans	2018	% of Total Loans	2017	% of Total Loans	2016	% of Total Loans	2015	% of Total Loans
	(in $ millions, except percentages)									
Private sector commercial banks and financial institutions	$ 2,693	45.7	$ 2,459	42.5	$ 2,084	37.9	$ 1,739	28.9	$ 1,975	29.5
State-owned commercial banks	590	10.0	624	10.8	574	10.4	515	8.5	613	9.2
Central banks	0	0.0	0	0.0	0	0.0	30	0.5	0	0.0
State-owned organizations	780	13.2	743	12.9	723	13.1	787	13.1	462	6.9
Private corporations	1,783	30.3	1,893	32.8	2,125	38.6	2,950	49.0	3,642	54.4
Sovereign	47	0.8	59	1.0	0	0.0	0	0.0	0	0.0
Total	**$ 5,893**	**100.0**	**$ 5,778**	**100.0**	**$ 5,506**	**100.0**	**$ 6,021**	**100.0**	**$ 6,692**	**100.0**

As of December 31, 2019, the Bank's Loan Portfolio industry exposure mainly included: (i) 56% in the financial institutions sector; (ii) 16% in the industrial sector, comprised of food and beverage (5%), electric power (5%), metal (4%) and other manufacturing (2%); and (iii) 10% in the oil and gas sector, which in turn was mostly divided into integrated (7.3%) and downstream (2.2%). 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, 2019, by type of rate and type of borrower:

	As of December 31, 2019 (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	$ 981	$ 152	$ 0	$ 1,133
State-owned commercial banks	257	0	0	257
State-owned organizations	393	0	0	393
Private corporations	912	6	9	927
Sovereign	12	35	0	47
Subtotal	**2,555**	**193**	**9**	**2,757**
FLOATING RATE				
Private sector commercial banks and financial institutions	$ 1,137	$ 423	$ 0	$ 1,560
State-owned commercial banks	272	61	0	333
State-owned organizations	55	256	76	387
Private corporations	184	636	36	856
Sovereign	0	0	0	0
Subtotal	**1,648**	**1,376**	**112**	**3,136**
Total	**4,203**	**1,569**	**121**	**5,893**

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 $493 million, or 8% of the total Commercial Portfolio, as of December 31, 2019, compared to $502 million, or 8% of the total Commercial Portfolio, as of December 31, 2018 and $488 million, or 8% of the total Commercial Portfolio, as of December 31, 2017. Confirmed and stand-by letters of credit, and guarantees covering commercial risk represented 86% of the total loan commitments and financial guarantee contracts as of December 31, 2019, compared to 79%, and 91%, as of December 31, 2018 and 2017, 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,					
	2019		2018		2017	
	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	$ 0	0.0	$ 7	1.4	$ 8	1.5
Bolivia	0	0.1	0	0.0	0	0.0
Brazil	50	10.2	50	10.0	0	0.0
Canada	1	0.1	0	0.0	0	0.1
Chile	0	0.0	0	0.0	15	3.1
Colombia	48	9.6	52	10.4	91	18.7
Costa Rica	59	12.0	39	7.7	20	4.1
Dominican Republic	16	3.3	17	3.3	0	0.0
Ecuador	155	31.5	247	49.3	253	51.9
El Salvador	6	1.1	1	0.2	1	0.2
France	48	9.7	0	0.0	0	0.0
Germany	0	0.0	18	3.6	0	0.0
Guatemala	44	9.0	15	3.0	12	2.4
Honduras	0	0.1	0	0.0	1	0.2
Mexico	17	3.5	23	4.5	35	7.2
Panama	22	4.4	29	5.9	31	6.4
Paraguay	11	2.2	0	0.0	0	0.0
Peru	6	1.2	3	0.6	18	3.6
Switzerland	10	2.0	0	0.0	0	0.0
Uruguay	0	0.0	1	0.1	3	0.6
Total loan commitments and financial guarantee contracts	**$ 493**	**100.0**	**$ 502**	**100.0**	**$ 488**	**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.

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,		
	2019	2018	2017
	(in $ millions)		
Securities at amortized cost	$ 75	$ 85	$ 69
Securities at FVOCI	5	22	17
Investment Portfolio	**$ 80**	**$ 107**	**$ 86**
Equity instrument at FVOCI	2	6	8
Financial instrument at fair value through profit and loss (debentures)	6	9	0
Interest receivable	1	2	1
Reserves	(0)	(0)	(0)
Total securities and other financial assets, net	**$ 89**	**$ 124**	**$ 95**

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,					
	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
Brazil	$ 2	1.8	$ 4	4.1	$ 5	5.2
Chile	5	6.4	5	4.7	5	6.0
Colombia	15	19.3	28	26.3	29	33.8
Mexico	22	27.0	27	25.3	20	23.5
Panama	36	45.5	35	32.4	18	21.5
Trinidad and Tobago	0	0.0	8	7.2	9	10.0
Total	**$ 80**	**100.0**	**$ 107**	**100.0**	**$ 86**	**100.0**

	As of December 31,					
	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
Private sector commercial banks and financial institutions	$ 19	24.2	$ 19	17.5	$ 11	13.4
State-owned commercial banks	0	0.0	3	2.7	3	3.4
Sovereign debt	34	42.2	46	43.5	48	55.7
State-owned organizations	24	29.8	32	29.5	24	27.5
Private corporations	3	3.8	7	6.8	0	0.0
Total	**$ 80**	**100.0**	**$ 107**	**100.0**	**$ 86**	**100.0**

	As of December 31,					
	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
In one year or less	$ 28	35.5	$ 36	33.9	$ 8	9.3
After one year through five years	51	64.5	65	60.4	78	90.7
After five years through ten years	0	0.0	6	5.7	0	0.0
Total	**$ 80**	**100.0**	**$ 107**	**100.0**	**$ 86**	**100.0**

As of December 31, 2019, 2018 and 2017, 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, 2019, the Bank's securities at amortized cost decreased to $75 million, from $85 million as of December 31, 2018. The $10 million, or 12% decrease during the year in the securities at amortized cost portfolio was mostly attributable to $28 million in proceeds received from matured investment securities during 2019, which was partially offset by $18 million of investment securities acquired in 2019. As of December 31, 2019, securities at amortized cost with a carrying value of $36 million were pledged to secure repurchase transactions accounted for as secured financings.

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.

Securities at FVOCI

As of December 31, 2019, the Bank's securities at FVOCI decreased to $5 million, from $22 million as of December 31, 2018. The $17 million, or 77%, decrease during the year in the securities at FVOCI was attributable to the proceeds of $9 million and $8 million from the sale and redemption, respectively, of securities at FVOCI during the year. As of December 31, 2019, the Bank's securities at FVOCI consisted of investments in securities of issuers in the Region, of which 100% corresponded to sovereign and state-owned issuers. As of December 31, 2019, securities at FVOCI with a carrying value of $4.9 million were pledged to secure repurchase transactions accounted for as secured financings.

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.

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,					
	2019		2018		2017	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in $ millions, except percentages)					
Argentina	$ 231	3.2	$ 609	7.9	$ 296	4.7
Brazil	1,023	14.2	1,169	15.2	1,042	16.5
Chile	690	9.6	183	2.4	176	2.8
Colombia	929	12.9	660	8.6	863	13.7
Costa Rica	222	3.1	372	4.9	358	5.7
Dominican Republic	292	4.1	304	4.0	251	4.0
Ecuador	178	2.5	189	2.5	95	1.5
France	156	2.2	0	0.0	0	0.0
Guatemala	281	3.9	332	4.3	310	4.9
Honduras	131	1.8	90	1.2	75	1.2
Mexico	784	10.9	899	11.7	875	13.9
Panama	310	4.3	529	6.9	526	8.3
Paraguay	129	1.8	161	2.1	60	1.0
Peru	151	2.1	79	1.0	213	3.4
Singapore	91	1.3	38	0.5	55	0.9
Trinidad & Tobago	182	2.5	154	2.0	185	2.9
United States of America	1,162	16.2	1,669	21.8	665	10.5
Other countries (1)	251	3.4	237	3.0	258	4.1
Total (2)	**$ 7,193**	**100.0**	**$ 7,674**	**100.0**	**$ 6,303**	**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 2019 was comprised of Luxembourg ($60 million), El Salvador ($55 million), Jamaica ($38 million), Germany ($35 million), Egypt ($20 million), Belgium ($14 million), Switzerland ($10 million), Hong Kong ($10 million), Bolivia ($7 million), Japan ($1 million), and Uruguay ($1 million). "Other countries" in 2018 was comprised of El Salvador ($71 million), Germany ($68 million), Jamaica ($22 million), Japan ($2 million), Luxembourg ($18 million), Belgium ($14 million), Switzerland ($9 million), Bolivia ($14 million), Uruguay ($10 million) and Spain ($9 million). "Other countries" in 2017 was comprised of El Salvador ($55 million), Germany ($38 million), Japan, ($2 million), Nicaragua ($30 million), Jamaica ($25 million), Spain ($22 million), Luxembourg ($20 million), Netherlands ($15 million), Uruguay ($15 million), Switzerland ($9 million), Bolivia ($15 million) and Belgium ($12 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, 2019, overall cross border outstandings totaled $7,193 million, a $481 million, or 6%, decrease compared to $7,674 million as of December 31, 2018, mainly as a result of decreased levels of liquid assets in the form of cash and cash equivalents, mostly placed with the U.S. Federal Reserve Bank.

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.

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,		
	2019	2018	2017
	(in $ millions)		
Private sector commercial banks and financial institutions	$ 2,761	$ 2,546	$ 2,168
State-owned commercial banks and financial institutions	613	681	579
Central banks	1,129	1,648	609
Sovereign debt	81	47	49
State-owned organizations	808	838	750
Private corporations	1,801	1,914	2,148
Total	**$ 7,193**	**$ 7,674**	**$ 6,303**

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,		
	2019	2018	2017
	(in $ millions)		
Argentina	$ 14.9	$ 10.0	$ 7.0
Brazil	13.1	17.9	27.9
Chile	2.8	2.6	2.2
Colombia	10.3	15.4	18.5
Costa Rica	10.7	11.1	11.8
Dominican Republic	5.7	4.1	2.9
Ecuador	13.6	10.4	9.5
El Salvador	1.7	1.5	2.5
Germany	1.6	2.0	2.4
Guatemala	7.9	7.5	7.0
Honduras	2.9	2.4	2.3
Jamaica	1.7	2.1	1.6
Mexico	18.8	14.6	17.5
Panama	8.6	13.9	10.8
Paraguay	2.3	1.6	1.9
Peru	0.5	2.4	5.1
Trinidad and Tobago	8.2	5.0	3.7
Other countries (1)	1.4	3.1	3.7
Total revenues	**$ 126.7**	**$ 127.6**	**$ 138.3**

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.

Net Revenues

During the year ended December 31, 2019, the Bank recorded net revenues totaling $126.7 million, representing a $0.9 million or 1% decrease compared to 2018. The main driver of this decline was attributable to lower average lending volumes, as the Bank improved its portfolio risk profile by reducing unwanted exposures to certain countries, industries and clients, along with decreased average liability deposit balances, which impacted the Bank's overall funding costs. These factors were only partially offset by the net positive effect of higher average LIBOR-based market rates throughout 2019 compared to 2018.

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.

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 26 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 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 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. 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.

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, b anks 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. Clients classified as higher risk clients are required to update their information on a yearly basis. 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, 2019, 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; 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, 2017 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, 2018, filed with the SEC on April 30, 2019. 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,		
	2019	**2018**	**2017**
	(in $ thousands, except per share amounts and percentages)		
Interest income	$ 273,682	$ 258,490	$ 226,079
Interest expense	(164,167)	(148,747)	(106,264)
Net interest income	109,515	109,743	119,815
Other income (expense):			
Fees and commissions, net	15,647	17,185	17,514
Loss on financial instruments, net	(1,379)	(1,009)	(739)
Other income, net	2,874	1,670	1,723
Total other income, net	17,142	17,846	18,498
Total revenues	**126,657**	**127,589**	**138,313**
Impairment loss on financial instruments	(430)	(57,515)	(9,439)
Gain (loss) on non-financial assets, net	500	(10,018)	0
Operating expenses:			
Salaries and other employee expenses	(24,179)	(27,989)	(27,653)
Depreciation of equipment and leasehold improvements	(2,854)	(1,282)	(1,578)
Amortization of intangible assets	(702)	(1,176)	(838)
Other expenses	(12,939)	(18,471)	(16,806)
Total operating expenses	(40,674)	(48,918)	(46,875)
Profit for the year	**$ 86,053**	**$ 11,138**	**$ 81,999**
Basic earnings per share	**$ 2.17**	**$ 0.28**	**$ 2.09**
Diluted earnings per share	$ 2.17	$ 0.28	$ 2.08
Weighted average basic shares	39,575	39,543	39,311
Weighted average diluted shares	39,575	39,543	39,329
Return on average total assets (1)	1.36%	0.17%	1.27%
Return on average total equity (2)	8.56%	1.08%	8.02%

(1) For the years 2019, 2018 and 2017, return on average total assets is calculated as profit for the year divided by average total assets. Average total assets for 2019, 2018 and 2017 is calculated on the basis of daily average balances.

(2) For the years 2019, 2018 and 2017, return on average total equity is calculated as profit for the year divided by average total equity. Average total equity for 2019, 2018 and 2017 is calculated on the basis of daily average balances.

Profit for the year

Bladex's profit for the year 2019 totaled $86.1 million, or $2.17 per share, compared to $11.1 million, or $0.28 per share for 2018. This increase in profits was mainly driven by: (i) substantially lower impairment losses of $0.4 million in 2019, compared to $57.5 million in 2018, which was due to the Bank's improved risk profile as a result of higher quality loan originations, the timely collection of scheduled maturities of its watch-list exposures, and no new credits classified as credit-impaired loans since the third quarter of 2018, (ii) steady top line total revenues resulting in a $1.5 million or 1% decline, as the Bank was able to maintain relatively stable financial margins and average Commercial Portfolio volumes, mainly resulting from the shifting of its credit underwriting toward lower risk countries and (iii) an $8.2 million or 17% decrease in operating expenses as a result of the Bank's continued efforts and focus on effective cost control management and overall improved structural and operational efficiencies, leading to an improved efficiency ratio of 32% in 2019 from 38% in 2018.

The Bank'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.

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,		
	2019	2018	2017
	(in $ millions, except percentages)		
Net interest income (loss) by Business Segment			
Commercial	$ 108.4	$ 109.8	$ 120.6
Treasury	1.1	(0.0)	(0.8)
Total Net Interest Income	**$ 109.5**	**$ 109.7**	**$ 119.8**
Net interest margin	1.74%	1.71%	1.85%
Net interest spread	1.19%	1.21%	1.48%

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 2019 compared to 2018 and 2018 compared to 2017. Volume and rate variances have been calculated based on average balances and average interest rates over the periods presented.

	2019 vs. 2018			2018 vs. 2017		
	Volume (*)	Rate (*)	Net Change	Volume (*)	Rate (*)	Net Change
	(in $ thousands)					
Increase (decrease) in interest income						
Interest bearing deposits with banks	$ (636)	$ 2,032	$ 1,396	$ (2,481)	$ 7,835	$ 5,354
Investment securities	(61)	372	311	149	258	407
Loans	(4,587)	18,072	13,485	1,920	24,730	26,650
Total increase (decrease)	**$ (5,284)**	**$ 20,476**	**$ 15,192**	**$ (412)**	**32,823**	**32,411**
(Increase) decrease in interest expense						
Demand deposits	(303)	(357)	(660)	740	(820)	(80)
Time deposits	6,183	(9,812)	(3,629)	3,811	(24,030)	(20,219)
Total Deposits	5,880	(10,169)	(4,289)	4,551	(24,850)	(20,299)
Securities sold under repurchase agreement and short-term borrowings and debt	65	(5,068)	(5,003)	(12,400)	(9,574)	(21,974)
Long-term borrowings and debt, net	(5,782)	(346)	(6,128)	9,448	(9,658)	(210)
Total (increase) decrease	**$ 163**	**$ (15,583)**	**$ (15,420)**	**$ 1,599**	**$ (44,082)**	**$ (42,483)**
Increase (decrease) in net interest income	**$ (5,121)**	**$ 4,893**	**$ (228)**	**$ 1,187**	**$ (11,259)**	**$ (10,072)**

(*) 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

2019 vs. 2018

For the year ended December 31, 2019, the Bank's interest income totaled $273.7 million, compared to $258.5 million during the year ended December 31, 2018. The $15.2 million, or 6% increase in interest income during 2019 was primarily attributable to (i) an $18.1 million increase in rate-driven interest income on loans, mostly resulting from a 33 basis point increase in average lending rates to 4.59% in 2019 attributable to an increase in market rates, as the Bank generally prices its loans based on short-term LIBOR rates plus a credit spread – with average spreads exhibiting 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, as a result of the Bank's efforts to improve its portfolio credit risk profile, which partly offset the overall lending rate increase; and (ii) an $1.4 million increase in rate-driven interest income on deposit placements, also mostly attributable to market rate increases, resulting in a 26 basis point increase in interest yields on deposit placements to 2.22% in 2019.

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% in 2018 attributable to an increase in market rates, as the Bank generally prices its loans based on short-term LIBOR rates plus a credit spread – with average spreads exhibiting 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% in 2018.

Interest Expense Variation

2019 vs. 2018

The Bank recorded an annual increase in interest expense of $15.5 million, or 10% from $148.7 million in 2018 to $164.2 million in 2019. This increase was primarily the result of a $15.6 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 to 3.10% in 2019 from 2.76% in 2018.

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.

Net Interest Income Variation

2019 vs. 2018

For the year ended December 31, 2019, the Bank's net interest income totaled $109.5 million, compared to $109.7 million during the year ended December 31, 2018. The $0.2 million, or 0.2% decrease in net interest income during 2019 was impacted by lower average lending volumes and decreased average liability deposit balances, impacting overall funding costs, which were partially offset by the net positive effect of increasing LIBOR-based market rates during 2019 which remained high through the first half of 2019, resulting in a 3 basis point increase in Net Interest Margin ("NIM") from 1.71% in 2018 to 1.74% in 2019. 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.

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.

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:

	For the Year ended December 31,								
	2019			2018			2017		
Description	**Average balance**	**Interest**	**Average yield/rate**	**Average balance**	**Interest**	**Average yield/rate**	**Average balance**	**Interest**	**Average yield/rate**
	(in $ millions, except percentages)								
Interest-Earning Assets									
Interest bearing deposits with banks	$ 756	$ 17.0	2.22%	$ 784	$ 15.6	1.96%	$ 909	$ 10.3	1.11%
Investment securities [1]	90	3.2	3.52%	92	2,9	3.12%	87	2.5	2.83%
Loans	5,449	253.5	4.59%	5,552	240.0	4.26%	5,498	213.3	3.83%
Total interest-earning assets	**$ 6,294**	**$ 273.7**	**4.29%**	**$ 6,427**	**$ 258.5**	**3.97%**	**$ 6,494**	**$ 226.1**	**3.43%**
Allowance for loan losses	(101)			(98)			(110)		
Non-interest-earning and other assets	153			122			84		
Total Assets	**$ 6,346**			**$ 6,451**			**$ 6,468**		
Interest-Bearing Liabilities									
Demand deposits	$ 98	1.9	1.91%	$ 82	1.2	1.48%	$ 132	1.1	0.87%
Time deposits	2,621	65.5	2.47%	2,868	61.9	2.13%	3,044	41.7	1.35%
Deposits [2]	2,719	67.4	2.45%	2,950	63.1	2.11%	3,176	42.8	1.33%
Securities sold under repurchase agreements and short-term borrowings and debt	1,117	38.9	% 3.44	1,123	33.9	2.98%	710	12.0	1.66%
Long-term borrowings and debt, net [3]	1,388	57.8	4.11%	1,245	51.7	4.09%	1,478	51.5	3.43%
Total interest-bearing liabilities	**$ 5,224**	**$ 164.2**	**3.10%**	**$ 5,318**	**$ 148.7**	**2.76%**	**$ 5,364**	**$ 106.3**	**1.95%**
Non-interest bearing liabilities and other liabilities	117			102			82		
Total Liabilities	**$ 5,341**			**$ 5,420**			**$ 5,446**		
Total equity	**1,005**			**1,031**			**1,022**		
Total Liabilities and Equity	**$ 6,346**			**$ 6,451**			**$ 6,468**		
Net interest spread			1.19%			1.21%			1.48%
Net interest income and net interest margin		**$ 109.5**	1.74%		**$ 109.7**	1.71%		**$ 119.8**	1.85%

(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 3.58%, 3.21% and 2.99%, for 2019, 2018 and 2017, 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) Includes lease liabilities, 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,		
	2019	2018	2017
		(in $ thousands)	
Syndications	$ 5,622	$ 4,950	$ 6,608
Documentary and standby letters of credit	9,506	10,767	$ 10,430
Other commissions, net	519	1,468	476
Fees and commissions, net	**$ 15,647**	**$ 17,185**	**$ 17,514**

During the year ended December 31, 2019, fees and commissions totaled $15.6 million, compared to $17.2 million for the year ended December 31, 2018. The $1.5 million, or 9%, decrease resulted from the net effect of: a 12% decrease in fees from letters of credit on lower letters of credit revenues, which were partially offset by a 14% year-on-year increase in syndication fees. The Bank has positioned itself as a relevant player in originating syndicated transactions across the Region, and was able to close six transactions during 2019, for a total principal amount of $1.3 billion, compared to seven transactions during 2018, for a total principal amount of $847 million. Other commissions, net, which are mostly comprised of the opening and confirmation of credit commitments and guarantee contracts, net of commission expenses, also registered a 65% decrease in 2019 compared to 2018.

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 a 25% decrease in syndication fees, denoting the uneven nature of this transactional business, which was offset by a 3% increase in fees from letters of credit, evidencing an upward trend in fee generation over the last two years, consistent with the Bank's focus on enhancing its participation in the trade value chain. 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.

Gain (loss) on financial instruments, net

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

	For the Year Ended December 31,		
	2019	2018	2017
		(in $ thousands)	
Gain (loss) on derivative financial instruments and changes in foreign currency, net	$ 672	$ (1,226)	$ (437)
(Loss) gain on financial instruments at fair value through profit or loss	(2,258)	648	(732)
Gain realized on financial instruments at fair value with changes in other comprehensive income	186	194	249
Gain (loss) gain on sale of loans	21	(625)	181
Loss on financial instruments, net	**$ (1,379)**	**$ (1,009)**	**$ (739)**

During the year ended December 31, 2019, the Bank recorded a net loss on financial instruments of $1.4 million, compared to a net loss on financial instruments of $1.0 million for the year ended December 31, 2018, and a net loss on financial instruments of $0.7 million for the year ended December 31, 2017. The $0.4 million, or 37% increase in loss on financial instruments during 2019 was mainly attributable to investment securities losses held at fair value through profit and loss. The $0.3 million, or 37%, increase in loss on financial instruments during 2017 was mainly related to higher losses on derivative financial instruments and foreign currency exchange held for risk management hedging purposes.

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, 2019, the Bank reported a gain on sale of loans of $21 thousand, on decreased sale activity in the secondary markets, compared to a net loss on sale of loans of $0.6 million during the year ended December 31, 2018, as the Bank reduced its exposure in 2018 associated with a previously executed structured transaction, and compared to gains on sale of loans of $0.2 million for the year ended December 31, 2017.

Other income, net

During the year ended December 31, 2019, the Bank recorded other income, net of $2.9 million, compared to $1.7 million for each of the years ended December 31, 2018, and 2017. The $1.2 million or 72% increase in other income is mainly related to the payment of a matured investment security in the amount of $0.8 million.

Impairment loss on financial instruments

For the year ended December 31, 2019, the Bank's impairment loss on financial instruments totaled $0.4 million, a substantially improved result when compared to $57.5 million and $9.4 million for the years ended December 31, 2018 and 2017, respectively. The result in 2019 was primarily due to improved credit quality derived from reduced levels of credit-impaired loans, the Bank's improved country risk profile and the scheduled repayments at maturity in 2019 of certain exposures that had previously undergone some credit deterioration since their origination, some of which were related to internal country risk downgrades or to the incorporation of certain exposures in our watch-list.

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, which was mostly associated with impairment losses on certain credit exposures that underwent restructuring processes during 2017, which were partially offset by recoveries from both lower end-of-period portfolio balances and the shift in the overall portfolio mix toward shorter-term trade exposures during 2017.

Gain (loss) on non-financial assets, net

For the year ended December 31, 2019, the gain on non-financial assets, net amounted to $0.5 million, as the Bank realized the sale of an investment property, while no other impairment loss in non-financial assets were registered during the year ended December 31, 2019.

For the year ended December 31, 2018, the loss on non-financial assets, net 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 year ended December 31, 2017, the Bank did not report gain or loss on non-financial assets, net.

Operating Expenses

During the year ended December 31, 2019, the Bank's operating expenses totaled $40.7 million, compared to $48.9 million for the year ended December 31, 2018. The $8.2 million, or 17% decrease was mainly attributable to a 14% decrease in employee-related expenses resulting from the Bank's personnel restructuring in 2018, together with other cost savings, such as previous rental expenses which, due to the adoption of a new accounting standard IFRS 16 in 2019, are now characterized as depreciation and interest expense, as well as the absence of certain one-time expenses that were recorded in 2018.

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.

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,		
	2019	2018	2017
	(in $ thousands, except percentages)		
COMMERCIAL:			
Net interest income	$ 108,398	$ 109,781	$ 120,581
Other income (expense)	17,835	18,002	18,926
Total revenues	126,233	127,783	139,507
Impairment loss on financial instruments	(744)	(57,621)	(9,928)
Gain (loss) on non-financial assets, net	500	(5,967)	0
Operating expenses	(31,183)	(37,436)	(35,916)
Profit for the segment	**$ 94,806**	**$ 26,759**	**$ 93,663**
TREASURY:			
Net interest income	$ 1,117	$ (38)	$ (766)
Other income (expense)	(693)	(156)	(428)
Total revenues	424	(194)	(1,194)
Recovery on financial instruments	314	106	489
Operating expenses	(9,491)	(11,482)	(10,959)
Loss for the segment	**$ (8,753)**	**$ (11,570)**	**$ (11,664)**
TOTAL:			
Net interest income	$ 109,515	$ 109,743	$ 119,815
Other income (expense)	17,142	17,846	18,498
Total revenues	126,657	127,589	138,313
Impairment loss on financial instruments	(430)	(57,515)	(9,439)
Gain (loss) on non-financial assets, net	500	(5,967)	0
Operating expenses	(40,674)	(48,918)	(46,875)
Total profit for reportable segments	**$ 86,053**	**$ 15,189**	**$ 81,999**
Unallocated impairment loss on non-financial assets	0	(4,051)	0
Profit for the year	**$ 86,053**	**$ 11,138**	**$ 81,999**

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) recovery or impairment loss on financial instruments and gain or loss on non-financial assets, net; and (v) direct and allocated operating expenses.

Year 2019 vs. Year 2018

The Commercial Business Segment's profit of $94.8 million for the year 2019 was mainly impacted by: (i) substantially lower impairment losses of $0.7 million in 2019, compared to $57.6 million in 2018, which was due to the Bank's improved risk profile as a result of higher quality loan originations, the timely collection of scheduled maturities of its watch-list exposures, and no new credits classified as credit-impaired loans since the third quarter of 2018, (ii) steady top line total revenues resulting in a $1.5 million or 1% decrease, as the Bank was able to maintain relatively stable financial margins and average Commercial Portfolio volumes, mainly resulting from the shifting of its credit underwriting toward lower risk countries and (iii) a $6.2 million or 17% decrease in operating expenses as a result of the Bank's continued efforts and focus on effective cost control management and overall improved structural and operational efficiencies.

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 $57.6 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.

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 2019 vs. Year 2018

The Treasury Business Segment reported a loss of $8.7 million for the year 2019, compared to a loss of $11.6 million for the year 2018. The improvement of $2.8 million, or 24% was primarily associated with an increase in total revenues, mainly from the $1.2 million increase in net interest income, as a result of a positive gap income in an environment characterized by increasing interest rates, as well as a $2.0 million or 17% decrease in operating expenses as a result of the Bank's continued effort and focus on effective cost control management and overall improved structural and operational efficiencies.

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.

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, 2019	2018
	(in $ thousands)	
Assets		
Cash and due from banks	$ 1,178,170	$ 1,745,652
Securities and other financial assets, net	88,794	123,598
Loans	5,892,997	5,778,424
Interest receivable	41,757	41,144
Allowance for loan losses	(99,307)	(100,785)
Unearned interest and deferred fees	(12,114)	(16,525)
Loans, net	5,823,333	5,702,258
Customers' liabilities under acceptances	115,682	9,696
Derivative financial instruments - assets	11,157	2,688
Equipment and leasehold improvements, net	18,752	6,686
Intangibles, net	1,427	1,633
Investment properties	3,494	0
Other assets	8,857	16,974
Total Assets	**$ 7,249,666**	**$ 7,609,185**
Liabilities and Equity		
Demand deposits	$ 85,786	$ 211,381
Time deposits	2,802,550	2,759,441
	2,888,336	2,970,822
Interest payable	5,219	12,154
Total deposits	2,893,555	2,982,976
Securities sold under repurchase agreement	40,530	39,767
Borrowings and debt, net	3,138,310	3,518,446
Interest payable	10,554	13,763
Customers' liabilities under acceptances	115,682	9,696
Derivative financial instruments - liabilities	14,675	34,043
Allowance for loan commitments and financial guarantees contracts losses	3,044	3,289
Other liabilities	17,149	13,615
Total Liabilities	**$ 6,233,499**	**$ 6,615,595**
Equity		
Common stock	$ 279,980	$ 279,980
Treasury stock	(59,669)	(61,076)
Additional paid-in capital in excess of value assigned to common stock	120,362	119,987
Capital reserves	95,210	95,210
Regulatory reserves	136,019	136,019
Retained earnings	446,083	423,050
Other comprehensive income (loss)	(1,818)	420
Total Equity	**$ 1,016,167**	**$ 993,590**
Total Liabilities and Equity	**$ 7,249,666**	**$ 7,609,185**

2019 vs. 2018

As of December 31, 2019, total assets amounted to $7,250 million, a 5% decrease compared to $7,609 million as of December 31, 2018, which was mainly attributable to a lower liquidity position in cash and due from banks, partly compensated by the growth of the Bank's Loan Portfolio, both detailed as follows.

The Bank's cash and due from banks, most of which consisted of actively managed liquid assets, totaled $1,178 million as of December 31, 2019, compared to $1,746 million as of December 31, 2018, as liquidity balances at the end of 2018 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.

As of December 31, 2019, the Bank's Loan Portfolio totaled $5,893 million, compared to $5,778 million as of December 31, 2018. The $115 million, or 2% Loan Portfolio increase as of December 31, 2019, mainly relates to the Bank's ability to generate new client relationships and to continue to deploy longer tenor transactions with its traditional client base of top quality financial institutions, export corporations and "multilatinas".

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 of Latin American issuers, which accounted for only 1% of total assets as of December 31, 2019 and 2018.

As of December 31, 2019, total liabilities amounted to $6,233 million, a $382 million or 6% decrease, compared to $6,616 million as of December 31, 2018, which was mainly attributable to lower funding sources in the form of borrowings and debt, which decreased 11% as of December 31, 2019 compared to December 31, 2018, as the Bank had scheduled toward year-end 2018 more sources of funding in anticipation of a potential temporary decline in its deposit base. Deposit balances totaled $2,888 million as of December 31, 2019, an $82 million or 3% decrease compared to $2,971 million as of December 31, 2018. Deposit balances as a percentage of total liabilities increased to 46% as of December 31, 2019, compared to 45% of total liabilities as of December 31, 2018. The majority of the deposits are placed by central banks or designees (i.e., Class A shareholders of the Bank), with 61% and 71% of total deposits at the end of these periods, respectively.

Total equity increased by 2% to $1,016 million as of December 31, 2019, compared to $$994 million as of December 31, 2018. The increased equity levels during 2019 reflect higher profits totaling $86 million for the year ended December 31, 2019, while the Bank maintained a level of dividends similar to prior years at $1.54 per share. 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	12 - month average PD %	External Rating (1)	Description
1 to 4	0.09	Aaa – Ba1	Exposure to clients or countries with payment ability to satisfy their financial commitments.
5 to 6	2.35	Ba2 – B3	Exposure to clients or countries with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	7.90	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.
8-9	30.67	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, structure and types of credits.
10	100	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 and countries are reviewed every three to twelve months, depending on the 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,		
	2019	2018	2017
	(in $ millions, except percentages)		
Credit-impaired loans	$ 62	$ 65	$ 59
Asset-specific allocation from the allowance for loan losses	54	49	28
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,					
	2019	%	2018	%	2017	%
	(in $ millions, except percentages)					
Brazil	$ 2	100%	$ 37	89%	$ 29	87%
Colombia	0	0%	0	0%	0	0%
Mexico	0	0%	0	0%	0	0%
Panama	0	0%	0	0%	0	1%
Paraguay	0	0%	4	11%	0	0%
Uruguay	0	0%	0	0%	4	12%
Total	**$ 2**	**100%**	**$ 42**	**100%**	**$ 33**	**100%**

During the year ended December 31, 2019, the Bank had write-offs against the allowance for loan losses totaling $2 million, representing 0.04% of the average Loan Portfolio in 2019, compared to $42 million, representing 0.75% of the average Loan Portfolio in 2018, and compared to $33 million, or 0.61% of the average Loan Portfolio in 2017, explained by the Bank's improved credit quality derived from reduced levels of credit-impaired loans, and lower single-ticket size of the loan charged-off in 2019.

In the three-year period ended December 31, 2019, the Bank disbursed $45,161 million in credits and had write-off loans for $77 million, representing 0.17% of credits disbursed.

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

	As of December 31,		
	2019	2018	2017
	(in $ thousands)		
Credit-impaired loans:			
Brazil:			
Private corporations	$ 61,845	$ 61,844	$ 54,275
Argentina:			
Private corporations	0	2,857	0
Panama:			
Private corporations	0	0	0
Paraguay:			
Private corporations	0	0	4,484
Uruguay:			
Private corporations	0	0	0
Total credit-impaired loans	**$ 61,845**	**$ 64,701**	**$ 58,759**

As of December 31, 2019, the Bank had credit-impaired loans of $62 million (or 1.05% of the Loan Portfolio), compared to $65 million (or 1.12% of the Loan Portfolio) as of December 31, 2018 and $59 million (or 1.07% of the Loan Portfolio) as of December 31, 2017. Credit-impaired loans decreased in 2019 mainly due to the net effect of (i) the sale of an exposure which resulted in a $0.5 million collection and a $2.5 million write-off against existing individually allocated reserves. Including principal and accrued interest, total loan write-offs against individually allocated credit allowances amounted to $2 million in 2019. As of December 31, 2019, $62 million in credit-impaired loans were to a single borrower in the Brazilian sugar sector, accounting for 100% 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 watch list. 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, 2019, the exposure of six clients for a total of $91.3 million, or 1.6% of total loans, were classified as potential problem loans under these guidelines, compared to six clients for a total of $53.4 million, or 0.9% of total loans as of December 31, 2018.

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,				
	2019	**2018**	**2017**	**2016**	**2015**
	(in $ millions, except percentages)				
Components of the allowance for losses					
Allowance for loan losses:					
Balance at beginning of the year	$ 100.8	$ 81.3	$ 106.0	$ 90.0	$ 77.7
Impairment loss	0.9	61.2	8.9	34.7	17.2
Recoveries	0.0	0.0	0.0	0.1	0.7
Loans write-off	(2.4)	(41.7)	(33.6)	(18.8)	(5.7)
Balance at the end of the year	$ 99.3	$ 100.8	$ 81.3	$ 106.0	$ 90.0
Allowance for loan commitments and financial guarantee contract losses:					
Balance at beginning of the year	$ 3.3	$ 6.8	$ 5.8	$ 5.4	$ 9.9
Impairment loss (recovery)	(0.2)	(3.5)	1.0	0.4	(4.4)
Balance at end of the year	$ 3.1	$ 3.3	$ 6.8	$ 5.8	$ 5.4
Total credit allowance for losses	**$ 102.4**	**$ 104.1**	**$ 88.1**	**$ 111.8**	**$ 95.4**

	As of December 31,				
	2019	2018	2017	2016	2015
Total credit allowance for losses to total Commercial Portfolio	1.57%	1.65%	1.47%	1.73%	1.33%
Charge-offs to average Loan Portfolio	0.04%	0.75%	0.61%	0.29%	0.08%

The total credit allowance for losses amounted to $102.4 million as of December 31, 2019, representing 1.57% of the total Commercial Portfolio, compared to $104.1 million and 1.65%, respectively, as of December 31, 2018, and $88.1 million and 1.47%, respectively, as of December 31, 2017. The $1.7 million year-over-year decrease in 2019 was mainly related to the sale of an exposure which resulted in a $0.5 million collection and a $2.4 million write-off against existing individually allocated reserves. During the year 2018, the effects of impaired loan restructurings, sale and partial write-offs against existing individually allocated credit allowances 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 in 2018.

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,									
	2019		2018		2017		2016		2015	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in $ millions, except percentages)									
Allowance for loan losses										
Argentina	$ 13.1	13.2	$ 12.1	12.0	$ 5.0	6.1	$ 7.3	6.9	$ 14.5	16.1
Brazil	58.8	59.2	57.0	56.5	42.4	52.1	49.1	46.4	10.9	12.1
Chile	0.4	0.4	0.2	0.2	0.6	0.7	1.1	1.1	0.5	0.6
Colombia	2.3	2.3	3.7	3.7	3.5	4.3	6.7	6.3	24.7	27.5
Costa Rica	4.4	4.4	6.4	6.4	1.7	2.1	1.7	1.6	2.9	3.2
Dominican Republic	0.6	0.6	1.4	1.4	1.2	1.5	4.6	4.3	9.0	10.0
Ecuador	5.3	5.3	5.4	5.4	2.7	3.3	2.3	2.2	6.9	7.7
El Salvador	1.9	2.0	2.7	2.6	1.3	1.6	2.5	2.3	3.0	3.3
Guatemala	1.6	1.6	1.6	1.6	3.3	4.1	1.2	1.1	2.6	2.9
Honduras	4.7	4.7	3.4	3.3	6.2	7.6	1.7	1.6	5.1	5.7
Jamaica	1.2	1.2	0.7	0.7	0.5	0.6	0.1	0.1	0.6	0.7
Mexico	0.8	0.8	0.7	0.7	1.2	1.5	6.7	6.3	3.1	3.5
Nicaragua	0.0	0.0	0.0	0.0	2.1	2.6	0.9	0.8	0.7	0.8
Panama	2.7	2.7	3.6	3.6	3.6	4.5	9.8	9.3	1.0	1.1
Paraguay	0.6	0.6	0.9	0.9	4.8	5.9	6.4	6.0	0.9	1.0
Uruguay	0.0	0.0	0.0	0.0	0.0	0.1	2.2	2.1	0.7	0.8
Other [1]	0.9	1.0	1.0	1.0	1.2	1.4	1.7	1.6	2.9	3.0
Total Allowance for loan losses	**$ 99.3**	**100.0%**	**$ 100.8**	**100.0%**	**$ 81.3**	**100.0%**	**$ 106.0**	**100.0%**	**$ 90.0**	**100.0%**
Allowance for loan commitments and financial guarantee contract losses										
Argentina	0.0	0.0	$ 0.1	2.9	$ 0.1	1.1	$ 0.0	0.0	$ 1.0	19.2
Colombia	0.1	3.0	0.1	2.7	5.5	80.8	4.7	82.2	2.8	51.9
Ecuador	1.7	54.6	2.2	68.1	1.1	15.4	0.8	13.2	0.8	15.4
Other [1]	1.2	42.4	0.9	26.3	0.1	2.7	0.3	4.6	0.8	13.5
Total allowance for loan commitments and financial guarantee contract losses	**$ 3.0**	**100.0%**	**$ 3.3**	**100.0%**	**$ 6.8**	**100.0%**	**$ 5.8**	**100.0%**	**$ 5.4**	**100.0%**

	As of December 31,									
	2019		2018		2017		2016		2015	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in $ millions, except percentages)									
Total allowance for credit losses										
Argentina	$ 13.1	12.8	$ 12.2	11.7	$ 5.0	5.7	$ 7.3	6.5	$ 15.5	16.3
Brazil	59.1	57.7	57.3	55.1	42.4	48.1	49.1	44.0	11.0	11.5
Chile	0.4	0.4	0.2	0.2	0.6	0.7	1.1	1.0	0.5	0.6
Colombia	2.4	2.4	3.8	3.6	9.1	10.3	11.4	10.2	27.5	28.9
Costa Rica	4.9	4.8	6.7	6.5	1.7	1.9	1.7	1.5	2.9	3.0
Dominican Republic	0.6	0.5	1.4	1.4	1.2	1.4	4.7	4.2	9.0	9.4
Ecuador	7.0	6.8	7.7	7.4	3.8	4.3	3.1	2.8	7.7	8.1
El Salvador	2.1	2.0	2.7	2.6	1.3	1.5	2.5	2.2	3.0	3.1
Guatemala	1.8	1.7	1.6	1.6	3.3	3.8	1.2	1.0	2.6	2.7
Honduras	4.7	4.6	3.4	3.2	6.2	7.0	1.7	1.5	5.2	5.4
Jamaica	1.2	1.2	0.7	0.7	0.5	0.6	0.1	0.1	0.6	0.6
Mexico	0.8	0.8	0.8	0.7	1.2	1.4	6.7	6.0	3.3	3.4
Nicaragua	0.0	0.0	0.0	0.0	2.1	2.4	0.9	0.8	0.7	0.8
Panama	2.7	2.6	3.6	3.5	3.7	4.2	9.9	8.9	1.4	1.5
Paraguay	0.7	0.7	0.9	0.8	4.8	5.4	6.4	5.7	0.9	0.9
Uruguay	0.0	0.0	0.0	0.0	0.0	0.0	2.2	2.0	0.7	0.8
Other (1)	0.9	1.0	1.1	1.0	1.2	1.3	1.8	1.6	2.9	3.0
Total allowance for credit losses	**$ 102.4**	**100.0%**	**$ 104.1**	**100.0%**	**$ 88.1**	**100.0%**	**$ 111.8**	**100.0%**	**$ 95.4**	**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.

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		2018		2017		2016		2015	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(in $ millions, except percentages)									
Private sector commercial banks and Financial Institutions	$ 18.3	17.8	$ 19.0	18.3	$ 17.2	19.6	$ 11.3	10.1	$ 16.5	17.3
State-owned commercial banks	3.6	3.5	8.7	8.3	3.6	4.1	6.7	6.0	13.6	14.2
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.6	0.0	0.0
State-owned organization	5.5	5.4	6.7	6.4	4.3	4.9	3.9	3.5	10.7	11.2
Private corporations	75.0	73.3	69.7	67.0	63.0	71.4	89.2	79.8	54.6	57.3
Total	**$ 102.4**	**100.0%**	**$ 104.1**	**100.0%**	**$ 88.1**	**100.0%**	**$ 111.8**	**100.0%**	**$ 95.4**	**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.

Allowance for losses on financial instruments

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

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. Incurred 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 ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. There are two measurement bases:

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

- Stages 2 and 3: Lifetime ECL, 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 instruments

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 through customer and country rating models which include projections of the inputs under analysis.

Supplementary, for the expected credit loss measurement the results of the alert model can be considered, which are analyzed through a severity indicator to total risk resulting from the estimates and assumptions of several macroeconomics factors. These estimates and assumptions are supported by a base scenario associated to a probability of occurrence of 95%. Other scenarios represent optimistic and pessimistic results. The implementation and interpretation of the outcomes of the alert are based on the expert judgement of management, based on suggestions of areas such as Credit Risk, Economic Studies and Loan Recovery of the Bank.

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 readily 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.

Level 3 Financial Instrument Valuations

In order to value an instrument, exposure, 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

The Bank applied IFRS 16 issued in January 2016 as a replacement of IAS 17 "Leases", with effective date of initial application on January 1, 2019. As a result, the Bank has changed its accounting policy for lease contracts using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. In transition to IFRS 16, the Bank recognized right-of-use assets for $17.4 million, a decrease in liability loss under the methodology of IAS 17 and a lease liability of $21.0 million, recognizing the difference in retained earnings of $1.9 million. The Bank discounted the lease payments using its internal funding costs at January 1, 2019, resulting in an applied weighted average cost of 4.81%.

For information regarding the Bank's basis of preparation and changes in significant accounting policies, see Item 18, "Financial Statements," notes 2 and 3, respectively. Additionally, for information regarding the Bank's fair value of financial instruments, see Item 18, "Financial Statements," note 7.

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,		
	2019	**2018**	**2017**
	(in $ millions)		
United States of America	$ 1,132	$ 1,650	$ 612
Other O.E.C.D. countries	4	50	0
Multilateral	20	0	0
Latin America	4	6	7
Total	**$ 1,160**	**$ 1,706**	**$ 619**

The Bank's liquid assets, in the form of cash and cash equivalents, totaled $1,160 million as of December 31, 2019, compared to $1,706 million as of December 31, 2018 as the Bank returned to its historical adequate levels of prudent liquidity management. Liquid assets to total assets ratio amounted to 16% as of December 31, 2019, compared to 22% as of December 31, 2018, while at these same dates, the liquid assets to total deposits ratios were 40% and 57%, respectively. As of December 31, 2019, $1,129 million, or 97%, of the Bank's liquid assets were held in deposits with the Federal Reserve Bank of New York, compared to $1,648 million, or 97%, as of December 31, 2018.

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, 2019 and 2018 amounted to $86 million and $725 million, respectively; representing 3% and 24% 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, 2019 and 2018, the Bank's short-term loan and investment securities portfolio (maturing within one year based on original contractual term) totaled $3,485 million and $3,912 million, respectively. As of December 31, 2019 and 2018, it had an average original term to maturity of 189 and 226 days, respectively, and an average remaining term to maturity of 131 days and 118 days, respectively.

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled $2,497 million and $1,990 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the medium-term assets had an average original term to maturity of three years and three months (1,185 days) and three years and nine months (1,350 days), respectively; and an average remaining term to maturity of two years and eight months (990 days), and one year and ten months (692 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	Negative	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 3, 2019. The outlook was revised to negative from stable.

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 latest 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 most recent confirmation of the Bank's credit ratings on March 31, 2020. The outlook remained negative from S&P.

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,		
	2019	**2018**	**2017**
		(in percentages)	
Deposits	47.7%	45.5%	57.0%
Securities sold under repurchase agreements	0.7	0.6	0.0
Short-term borrowings and debt	26.4	31.0	20.9
Long-term borrowings and debt, net	25.2	22.9	22.1
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, 2019, 65% 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, 2019, 2018 and 2017, was 36 days, 35 days and 83 days, respectively. As of December 31, 2019, deposits from the Bank's five largest depositors, all except one of which were central and state-owned banks in the Region, represented 49% of the Bank's total deposits, compared to 49% as of December 31, 2018.

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

	As of December 31,		
	2019	**2018**	**2017**
		(in $ millions)	
Argentina	$ 141	$ 142	$ 142
Barbados	20	25	0
Bolivia	28	26	0
Brazil	415	379	384
Colombia	41	30	44
Costa Rica	153	133	138
Dominican Republic	62	21	2
Ecuador	590	522	217
El Salvador	50	0	34
France	1	1	4
Germany	165	130	77
Guatemala	0	34	71
Haiti	63	61	60
Honduras	260	128	176
Mexico	2	300	300
Multilateral	103	151	101
Netherlands	5	18	34
Nicaragua	135	190	268
Panama	433	391	437
Paraguay	160	268	337
Spain	1	0	0
Trinidad and Tobago	20	20	70
United States of America	40	1	33
Total	**$ 2,888**	**$ 2,971**	**$ 2,929**

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, 2019, the Bank had outstanding Repos for $41 million, compared to outstanding Repos for $40 million as of December 31, 2018 and no outstanding Repos as of December 31, 2017.

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, 2019, short-term borrowings and debt totaled $1,596 million, a 21% decrease compared to $2,021 million as of December 31, 2018, as the Bank relied more on deposits and longer tenor funding transactions. The average term remaining to maturity of short-term borrowings and debt as of December 31, 2019 was 76 days, compared to 146 days as of December 31, 2018.

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,		
	2019	**2018**	**2017**
	(in $ millions, except percentages)		
Short-term borrowings, debt and Repos			
Advances from banks and financial institutions	$ 1,596	$ 2,021	$ 1,073
Securities sold under repurchase agreements	41	40	0
Total short-term borrowings, debt and Repos	**$ 1,637**	**$ 2,061**	**$ 1,073**
Maximum amount outstanding at any month-end	$ 1,637	$ 2,061	$ 1,073
Amount outstanding at year-end	$ 1,637	$ 2,061	$ 1,073
Average amount outstanding during the year	$ 1,117	$ 1,123	$ 710
Weighted average interest rate on average amount outstanding	3.44%	2.98%	1.66%
Weighted average interest rate on amount outstanding at year end	2.32%	2.93%	2.16%

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, 2019, gross long-term borrowings and debt increased 2% to $1,526 million, from $1,501 million as of December 31, 2018, as a result of the Bank's commercial lending origination activities and its liquidity position management. As of December 31, 2019, the average term remaining to maturity of the Bank's medium and long-term borrowing and debt was one year and seven months (580 days), compared to two years (735 days) as of December 31, 2018.

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,		
	2019	2018	2017
	(in $ millions, except percentages)		
Long-term borrowings and debt (*)			
Amount outstanding at year-end	$ 1,526	$ 1,501	$ 1,143
Maximum amount outstanding at any month-end	$ 1,527	$ 1,501	$ 2,010
Net average amount outstanding during the year	$ 1,388	$ 1,245	$ 1,478
Weighted average interest rate on average amount outstanding	4.11%	4.09%	3.43%
Weighted average interest rate on amount outstanding at year end	3.56%	4.35%	3.60%

(*) Gross of prepaid commissions of $3.4 million, $3.5 million and $4.2 million as of December 31, 2019, 2018 and 2017, respectively.

Global syndicated loans continue to provide a vehicle to access new sources of financing. As of December 31, 2019, the Bank has two outstanding syndicated loans:

i) 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.

ii) 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.

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, 2019, the Bank was in compliance with all covenants.

Debt Capital Markets

Program in Mexico

In 2019, the Bank reestablished its short- and long-term notes program (the "Mexico Program") in the Mexican local market, previously established in 2012, and 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. This new Mexico Program had an effective duration of five years.

As of December 31, 2019, the total principal amount outstanding of issuances of "certificados bursátiles" in the Mexican capital markets under this Mexico Program was MXN5.0 billion (five billion Mexican Pesos) equivalent to $253 million, comprised of a three-year tenor issuance of "certificados bursátiles" in the Mexican capital markets: Bladex19 in the initial principal amount of MXN3.0 billion (three billion Mexican Pesos), issued in August 2019, and reopened in October 2019 for an additional principal amount of MXN2.0 billion (two billion Mexican Pesos).

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 2019, the Bank issued $179 million in new private placements; and as of December 31, 2019, private issuances through its Euro Medium-Term Note Program amounted to $222 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, 2019.

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 successfully placed its first public issuance listed on this market on June 9, 2016 in a principal amount of JPY8 billion, equivalent to $73 million, which matured on June 10, 2019, and replaced with a three-year term private issuance for a principal amount of JPY7.4 billion, equivalent to $69 million.

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, 2019:

		Amount (*)	**Weighted Average Cost**
	(in $ millions, except percentage)		
Short-term Repos and borrowings at fixed interest rate			
Due in 0 to 30 days	$	194	2.18%
Due in 31 to 90 days		404	2.28%
Due in 91 to 180 days		50	2.36%
Total	**$**	**648**	**2.26%**
Short-term borrowings at floating interest rate			
Due in 0 to 30 days	$	216	3.15%
Due in 31 to 90 days		525	3.17%
Due in 91 to 180 days		25	2.22%
Due in 181 to 365 days		200	2.16%
Total	**$**	**966**	**2.93%**
Short-term placements at fixed interest rate			
0 to 30 days	$	22	0.00%
Total	**$**	**22**	**0.00%**
Short-term placements at floating interest rate			
Due in 31 to 90 days	$	0	0.00%
Total	**$**	**0**	**0.00%**
Medium and long-term borrowings at fixed interest rate			
Due in 0 to 30 days	$	1	6.95%
Due in 31 to 90 days		31	3.33%
Due in 91 to 180 days		1	7.00%
Due in 181 to 365 days		4	6.95%
Due in 1 through 6 years		28	3.43%
Total	**$**	**65**	**3.72%**
Medium and long-term borrowings at floating interest rate			
Due in 31 to 90 days	$	50	2.56%
Due in 91 to 180 days		20	2.50%
Due in 181 to 365 days		1	9.06%
Due in 1 through 6 years		587	3.04%
Total	**$**	**658**	**3.00%**
Medium and long-term placements at fixed interest rate			
Due in 91 to 180 days	$	350	3.25%
Due in 181 to 365 days		21	3.33%
Due in 1 through 6 years		132	1.97%
Total	**$**	**503**	**2.92%**
Medium and long-term placements at floating interest rate			
Due in 91 to 180 days	$	0	0.00%

Due in 181 to 365 days		0	0.00%
Due in 1 through 6 years		300	7.55%
Total	**$**	**300**	**7.55%**
Grand Total	**$**	**3,162**	**3.24**

(*) Gross of prepaid commissions of $3.4 million as of December 31, 2019.

See Item 3.D., "Key Information--Risk Factors—Risks Relating to the Bank's Business--The ongoing COVID-19 pandemic and measures intended to prevent its spread could have material adverse effects on the Bank's business, results of operations, cash flows and financial condition," and Item 5.D., "Operating and Financial Review and Prospects—Trend Information."

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 2019, 2018 and 2017.

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, 2019, net cash used by operating activities was $92 million, mainly attributable to a net increase of $112 million in loans.

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.

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, 2019, net cash provided by investing activities was $31 million, primarily as a result of the $28 million in net proceeds from maturities of securities at amortized cost, along with $22 million in net proceeds from the sale and redemption of securities at fair value through OCI, which was partially offset by the $18 million cash used in the purchases of securities at amortized cost.

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.

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, 2019, the net cash used in financing activities was $485 million, which was primarily the result of a $429 million net decrease in short-term borrowings and debt, along with the repayments of $369 million in long-term borrowings and debt, and $62 million paid as cash dividends, partially offset by the $372 million in proceeds from long-term borrowings and debt.

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.

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, 2019. 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 due from banks	$ 1,155	$ 1,155	$ 0	$ 0	$ 0	$ 0	$ 0
Investment Portfolio [1]	80	10	5	6	5	53	0
Loans [1]	5,893	1,788	2,243	1,096	548	217	0
Total interest-earning assets	**7,128**	**2,953**	**2,248**	**1,103**	**553**	**270**	**0**
Non-interest earning assets, allowance for credit losses and other asset	122	0	0	0	0	0	122
Total assets	**$ 7,250**	**$ 2,953**	**$ 2,248**	**$ 1,103**	**$ 553**	**$ 270**	**$ 122**
Interest-bearing liabilities							
Deposits	$ 2,888	$ 1,796	$ 775	$ 197	$ 120	$ 0	$ 0
Securities sold under repurchase agreements	41	0	41	0	0	0	0
Borrowings and debt [2]	3,138	1,885	650	401	25	157	20
Total interest-bearing liabilities	**6,067**	**3,680**	**1,465**	**599**	**146**	**157**	**20**
Non-interest-bearing liabilities and other liabilities	167	0	0	0	0	0	167
Total liabilities	**6,234**	**3,680**	**1,465**	**599**	**146**	**157**	**187**
Total Stockholders' equity	1,016	0	0	0	0	0	1,016
Total liabilities and stockholders' equity	**$ 7,250**	**$ 3,680**	**$ 1,465**	**$ 599**	**$ 146**	**$ 157**	**$ 1,203**
Interest rate sensitivity gap	-	(727)	783	504	407	113	(1,081)
Cumulative interest rate sensitivity gap	-	(727)	56	560	968	1,081	0
Cumulative gap as a % of total interest-earning assets	-	-10%	1%	8%	14%	15%	0%

(1) Gross of interest receivable and allowance for losses.

(2) Gross of prepaid commissions.

The Bank's interest rate risk is the exposure of earnings (current and potential) and capital to changes in interest rates. Due to the fact that the significant majority of the Bank's assets and liabilities are either short-term or have short-term US-LIBOR based repricing schedules, the Bank has a relatively low exposure to interest rate volatility, with most interest rate sensitivity being short-term in nature (up to six months). Through an active interest rate management strategy, the Bank has aligned this moderate exposure to profit from an increase in short-term LIBOR rates. The Bank's policy with respect to interest rate risk provides that the Bank establishes limits with regards to: (1) changes in net interest income due to a potential impact, given certain movements in interest rates and (2) changes in the amount of available equity funds of the Bank, given a one basis point movement in interest rates.

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

Equity

The following table presents information regarding the Bank's capital position as of the dates indicated:

	As of December 31,		
	2019	**2018**	**2017**
	(in $ thousands)		
Common stock	$ 279,980	$ 279,980	$ 279,980
Treasury stock	(59,669)	(61,076)	(63,248)
Additional paid-in capital in excess of value assigned to common stock	120,362	119,987	119,941
Capital reserves	95,210	95,210	95,210
Regulatory reserves	136,019	136,019	129,254
Retained earnings	446,083	423,050	479,712
Other comprehensive income (loss)	(1,818)	420	1,963
Total equity	**$ 1,016,167**	**$ 993,590**	**$ 1,042,812**

The Bank's equity consists of issued and fully paid ordinary common stock and retained earnings. As of December 31, 2019, total equity increased to $1,016 million, compared to $994 million as of December 31, 2018 and $1,043 million as of December 31, 2017. Total equity increased $23 million, or 2%, during the year ended December 31, 2019, primarily due to greater profits totaling $86 million in 2019, while the Bank maintained a level of dividends similar to prior years at $1.54 per share, denoting a strong dividend pay-out ratio during 2019.

Total equity decreased $49 million, or 5%, during the year ended December 31, 2018, primarily due to lower profits totaling $11 million in 2018, 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.

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

For the Bank's expected credit reserves under IFRS 9, the line "Regulatory Reserves" established by the Superintendency has been used to present the difference between the application of the accounting standard used and the prudential regulations of the Superintendency to comply with the requirements of Rule No. 4-2013.

As of December 31, 2019 and 2018, the total amount of the regulatory reserves calculated according to the guidelines of Rule No. 4-2013 of the Superintendency was $136.0 million, appropriated from retained earnings for purposes of compliance with local regulatory requirements. This appropriation is restricted from dividend distribution in order to comply with local regulations.

As of December 31, 2019, the capital ratio of total equity to total assets was 14.0%, and the Bank's Tier 1 capital ratio calculated according to Basel III capital adequacy guidelines was 19.8%, compared to 13.1% and 18.1%, respectively, as of December 31, 2018. The 2019 leverage ratio was 7.1x compared to 7.7x in 2018.

As of December 31, 2019, the Bank's total capital to risk-weighted asset ratio, calculated according to the guidelines of the Banking Law, was 17.3%, compared to 17.1% as of December 31, 2018.

See Item 4, "Information on the Company—Business Overview—Supervision and Regulation.

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

The following are the most important trends, uncertainties and events that the Bank's management believes are likely to materially affect the Bank or that could cause the financial information disclosed herein not to be indicative of the Bank's future operating results or financial condition.

COVID-19:

- During the first quarter of 2020 the COVID-19 pandemic has impacted a number of countries with increasing severity, including many countries in the Region. In March 2020, the World Health Organization declared COVID-19 a global pandemic. The outbreak has reached more than 160 countries and has led governments and other authorities around the world, including federal, state and local authorities in the Region, to impose strict measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders. The COVID-19 pandemic represents a severe threat to global and Regional growth. The negative effect on growth is expected to be seen both in demand and supply channels. On the one hand, quarantine measures, illness, and negative consumer and business sentiment will suppress demand. At the same time, the closure of some factories and disruption to supply chains have, and will continue to, create supply bottlenecks. The continuing spread of the novel coronavirus will have dramatic economic and financial market implications, and the economic impact of the pandemic is likely to vary due to regional and country-specific characteristics. As the COVID-19 pandemic spreads throughout Latin America, the Region will continue to face severe health, social, economic and financial challenges for a significant period of time, the duration of which cannot be predicted with accuracy at the present time. These challenges will have a materially damaging impact on the Region in the short and medium term, and perhaps longer. As the Region sinks into what is likely to be a deep recession, attention is turning to the scope for and possible effectiveness of fiscal stimulus measures, as well as to the long-term impact of such stimulus on public finances. In this environment characterized by fiscal limitations, very weak domestic demand and flagging local currencies, there are questions around monetary policy and the potential for central banks to cut rates to support growth. Central banks may again find policy initially complicated by currency depreciation. Even so, we do expect several central banks in the region to act to cut rates, with the caveat that real rates are already very low after last year's easing cycle and that the capacity of monetary policy to support growth in the absence of demand will be limited.

- Furthermore, the borrowers to which the Bank lends operate a wide range of businesses and are active in numerous economic sectors, many of which are facing, and will continue to face, significant challenges and negative impacts as a result of the COVID-19 outbreak. These impacts may include, among others, reduced business volumes, temporary closures of the Bank's borrowers' facilities, insufficient liquidity, delayed or defaulted payments from the Bank's borrowers' own customers, increased levels of indebtedness or the unavailability of sufficient financing for the Bank's borrowers, and other factors which are beyond the Bank's control.

- We do believe, moreover, that risks are weighted to the downside. Depending on the success or failure of governments in containing the COVID-19 pandemic (and related market panic), the economic impact on the Region could be much greater than we currently expect, and the Region could be facing another year of recession.

- The Bank has been carefully monitoring the COVID-19 pandemic and its impact on its business. Starting in March, the COVID-19 pandemic and measures to prevent its spread began to affect the Bank's business in a number of ways, including the following. While the duration of the COVID-19 pandemic cannot be foreseen, many of these effects, as well as others that cannot currently be predicted, may continue to affect the Bank's business and operations for the medium- and perhaps the long-term.

- As soon as the effects of COVID-19 pandemic started to unfold, Bladex was able to significantly increase its cash position, continuously maintaining levels well above regulatory liquidity requirements based on Basel III standards. The Bank's capacity to maintain a strong liquidity position is attributable to its historically diversified and stable funding sources that include many longstanding relationships with correspondent banks and investors across the globe, as well as deposits from Latin American central banks, which are also the Bank's Class A shareholders. The Bank intends to maintain this additional liquidity pool, as long as it is required to sustain the Bank's resiliency in an environment of market volatility and high preference for liquidity from all economic agents. Signals such as the gradual opening of economies and the progressive reopening of the debt capital markets will likely indicate that a more flexible liquidity management approach may be adopted. In the meantime, the Bank's priority is to ensure that it maintains a robust liquidity pool to satisfy the requirements of its different stakeholders.
- Since mid-March 2020, the Bank established strict credit underwriting criteria, with a focus on serving its strategic customer base, in client segments and industries that the Bank believes are better suited to face the effects of the COVID-19 pandemic. This has resulted in a reduction of the loan portfolio, as the Bank has been able to collect on scheduled maturities and then lend on a selective basis. Given the short-term nature of the Bank's business, coupled with the high quality of its client base, including 55% of the Commercial Portfolio as of March 31, 2020, placed with top-tier financial institutions across the Region, the Bank has the possibility of managing the size of its portfolio as it sees fit, giving it flexibility to respond to the current uncertain business environment.
- The Bank expects that global recession, driven by the effects of the COVID-19 pandemic, will translate into asset quality deterioration for banks globally. As a result, the Bank has implemented a continuous review process of its entire portfolio on a name by name basis, classifying countries and sectors by risk categories. Sectors identified as high risk include airlines, oil and gas upstream and supply chain, sugar, retail and automotive industry, and represent a total of approximately 12% of the total portfolio as of March 31, 2020. None of these sectors individually represented more than 3% of the Bank's portfolio. Furthermore, as of the date of this annual report, the Bank has been able to collect the vast majority of loan maturities so asset quality remains sound, although it is too early to assess the full extent of the potential impact going forward.
- Since mid-March 2020, the Bank has experienced an increase in credit spreads for new funding, in line with trends being seen across the market. Having said this, the very gradual but progressive reopening of the debt capital markets has also resulted in a stabilization of the aforesaid costs. In a normal environment, the short-term nature of the Bank's trade finance business allows a relatively smooth translation into the asset book. However, the current situation of restricted credit appetite to engage in new transactions and the strategic preference to maintain high levels of liquid assets could result in a slower transition of this incremental costs into the loan book and consequently the increase in costs could have an initial impact on the Bank's interest margin.

· The Bank has taken considerable measures to mitigate risk for its employees and business operations such as:

- Activation of the Bank's Business Continuity Plan since March 13, 2020. As a result, the Bank has been able to continue the ongoing business remotely and to continue processing transactions without material operational or technological disruption. All the Bank's staff, a total of 177 employees, has been operating remotely from their homes, in six different countries, and the Bank's day-to-day operations have been running without interruption. In relation to human capital, supervisors with the support from the human resources team maintain a constant follow-up with the Bank's employees to ensure that they are in good physical and mental health as well as to ensure that productivity remains at normal levels and work schedules are met.

- The Bank has implemented specific cyber-security measures and controls, supported by tools to protect the main points of attack, namely email and end points (laptops). These tools include (i) email protection tools on all mail flows (incoming and outgoing), which identify and protect against phishing, malware and even a zero day attack (zero days); (ii) End-Point Protection, a next generation antivirus software, that allows the detection of threats based on behavior, as well as modules for automatic incident detection and response; and (iii) encrypted and secure communication to access the Bank's resources through a virtual private network (VPN) platform used to access the Bank's resources (applications, shared folders). All measures are accompanied by continuous monitoring by the Bank's information security and technology personnel, as well as by the outsourced SOC (security operation center).
- The Bank has implemented constant and effective digital communications, both internally and externally with clients, correspondent banks and other stakeholders. As a result, the Bank has not experienced a significant impact on its business resulting from mobility and travel restrictions.
- The Bank arranged a virtual 2020 Annual Meeting of Shareholders for the first time, which management believed was in the best interests of the Bank's shareholders and employees, in light of the latest information and advice regarding travel and mobility.

Other Trend Information:

- We believe that increasing borrowing costs as a result of the COVID-19 pandemic will expose financial vulnerabilities that have accumulated over years of low interest rates. While the sharp fall in the oil price is expected to benefit the oil importing countries in the Region, it is expected to dampen investment and economic activity in countries that are heavily dependent on oil exports.
- The Bank's results may be affected by changes in global economic conditions, including the global recession and the shock related to COVID-19, the fall in the prices of oil and other commodities, uncertainties regarding U.S. policies affecting the dollar exchange rate, liquidity access, interest rates, slower economic growth in developed countries and trading partners, and the effect that these changes may have on the economic condition of countries in the Region, including the Region's foreign trade growth, and, therefore, the growth of the Bank's trade financing business.
- We expect South America to face lower export revenues, both from the drop in commodity prices and a reduction in export volumes, especially to China, Europe and the United States which are important trade partners. The sharp decline in oil prices will hit the oil exporters especially. The tightening of financial conditions will affect negatively the large and financially integrated economies and those with underlying vulnerabilities. COVID-19 containment measures in several countries will reduce economic activity in the service and manufacturing sectors for at least the next quarter, with a rebound expected once the pandemic is contained.
- In Central America and Mexico, a slowdown in the United States is expected to lead to a reduction in trade, foreign direct investment, tourism flows, and remittances. Key agricultural exports (coffee, sugar and bananas) as well as trade flows through the Panama Canal could also be adversely affected by lower global demand. Local COVID-19 outbreaks will strain economic activity in the next quarters and aggravate already uncertain business conditions (especially in Mexico).
- In the Caribbean, lower tourism demand due to travel restrictions and "the fear factor"—even after the COVID-19 outbreak recedes—are expected to weigh heavily on economic activity. Commodity exporters are also expected to be strongly impacted and a reduction in remittances is likely to add to the economic strain.

- As a result, capital flows to the Region could be significantly curtailed. A slowdown in capital flows could potentially destabilize exchange rates and the financing of current account balances, which may cause inflationary pressures and tighter monetary policies. A resulting economic slowdown or related political events in the Region could have a material adverse effect on the growth prospects in the Region, and on the Bank's asset quality and operations.
- Changes in risk perception in the markets in which the Bank operates could lead to increased or decreased competition, and impact the availability of U.S. dollar liquidity, which could affect spreads over the cost of funds on the Bank's Loan Portfolio and, consequently, impact the Bank's net interest spreads.
- A prolonged downturn in global debt capital markets stemming from COVID-19-related market volatility, 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. Furthermore, de-risking by global banks may reduce lender access to cross border payment processing, and to lower fund inflows into the Region.

Year 2019

Bladex's profit for the year 2019 totaled $86.1 million, or $2.17 per share, compared to $11.1 million, or $0.28 per share for 2018. This increase in profits was mainly driven by: (i) substantially lower impairment losses of $0.4 million in 2019, compared to $57.5 million in 2018, which was due to the Bank's improved risk profile as a result of higher quality loan originations, the timely collection of scheduled maturities of its watch-list exposures, and no new credits classified as credit-impaired loans since the third quarter of 2018, (ii) steady top line total revenues resulting in a $1.5 million or 1% decline, as the Bank was able to maintain relatively stable financial margins and average Commercial Portfolio volumes, mainly resulting from the shifting of its credit underwriting toward lower risk countries and (iii) an $8.2 million or 17% decrease in operating expenses as a result of the Bank's continued efforts and focus on effective cost control management and overall improved structural and operational efficiencies, leading to an improved efficiency ratio of 32% in 2019 from 38% in 2018.

For the year ended December 31, 2019, the Bank's net interest income totaled $109.5 million, compared to $109.7 million during the year ended December 31, 2018. The $0.2 million, or 0.2% decrease in net interest income during 2019 was impacted by lower average lending volumes and decreased average liability deposit balances, impacting overall funding costs, which were partially offset by the net positive effect of increasing LIBOR-based market rates during 2019 which remained high through the first half of 2019, resulting in a 3 basis point increase in NIM from 1.71% in 2018 to 1.74% in 2019. 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.

During the year ended December 31, 2019, fees and commissions totaled $15.6 million, compared to $17.2 million for the year ended December 31, 2018. The $1.5 million, or 9%, decrease resulted from the net effect of: a 12% decrease in fees from letters of credit on lower letters of credit revenues, which were partially offset by a 14% year-on-year increase in syndication fees. The Bank has positioned itself as a relevant player in originating syndicated transactions across the Region, and was able to close six transactions during 2019, for a total principal amount of $1.3 billion, compared to seven transactions during 2018, for a total principal amount of $847 million. Other commissions, net, which are mostly comprised from the opening and confirmation of credit commitments and guarantee contracts, net of commission expenses, also registered a 65% decrease in 2019 compared to 2018.

ROAE stood at 8.6% for 2019, compared to 1.1% for 2018, as a result of greater profits for 2019. As of December 31, 2019, the Bank's Tier 1 capital ratio calculated according to Basel III capital adequacy guidelines was 19.8%, compared to 18.1% as of December 31, 2018. The 2019 leverage ratio was 7.1x compared to 7.7x in 2018.

The Bank's 2019 efficiency ratio reached 32%, compared to 38% for the year 2018, as the Bank reported lower revenues and operating expenses decreased by 17% in 2019, which was mainly attributable to a 14% decrease in employee-related expenses resulting from the Bank's personnel restructuring in 2018, together with other cost savings, such as the adoption of a new accounting standard IFRS 16 in 2019 and the absence of one-time charges recorded in 2018. The Bank's operating expenses to average assets ratio was 64 basis points in 2019, compared to 76 basis points in 2018.

The weighted average funding cost for the year ended December 31, 2019 was 3.10%, compared to 2.76% for the year ended December 31, 2018, an increase of 34 basis points, mainly reflecting higher LIBOR-based market rates, which was partly offset by lower funding spreads.

Year 2018

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 higher quality borrowers, including financial institutions, sovereign and state-owned entities and top tier corporate clients.

The Bank's net interest income totaled $109.7 million for the year ended December 31, 2018, 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 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 partially offset by the net positive effect of an increasing interest rate environment on the repricing of the Bank's assets and liabilities.

The Bank was able to consolidate its commissions income, which remained relatively stable at levels above $17 million during 2018, significantly contributing to its goal of diversifying revenue streams. This was made possible due to the performance of the traditional letters of credit business and the Bank's role as a relevant player in loan structuring and syndication activities in the Region. During 2018, the Bank successfully closed seven facilities for a total of $847 million, demonstrating once again its capacity to provide solutions to clients across the Region and consolidating its key role of supporting Latin American financial institutions and corporations in their growth and expansion plans.

ROAE stood at 1.1% for 2018, compared to 8.0% for 2017, as a result of lower profits for 2018 on the back of higher impairment losses. As of December 31, 2018, the Bank's Tier 1 capital ratio calculated according to Basel III capital adequacy guidelines was 18.1%, compared to 21.1% as of December 31, 2017. The 2018 leverage ratio was 7.7x compared to 6.0x in 2017.

The Bank's 2018 efficiency ratio reached 38%, compared to 34% for the year 2017, as the Bank reported lower profits and operating expenses increased by 4% in 2018, mainly attributable to non-recurring expenses incurred in 2018 from personnel restructurings and from the streamlining of processes and of technological infrastructure, in the Bank's efforts to optimize its operating infrastructure. The Bank's operating expenses to average assets ratio was 76 basis points in 2018, compared to 72 basis points in 2017.

The weighted average funding cost for the year ended December 31, 2018 was 2.76%, compared to 1.95% for the year ended December 31, 2017, an increase of 81 basis points, mainly reflecting higher LIBOR-based market rates, which was partly offset by lower funding spreads.

E. Off-Balance Sheet Arrangements

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

As of December 31, 2019, the Bank's off-balance sheet arrangements, as defined in the Instructions to Item 5.E. of Form 20-F, included documentary letters of credit, stand-by letters of credit, and guarantees (covering commercial risk). These arrangements are kept off-balance sheet as long as the Bank does not incur an obligation relating to them or itself become entitled to an asset.

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

	As of December 31,		
	2019	**2018**	**2017**
	(in $ thousands)		
Documentary letters of credit	$ 169,320	$ 218,988	$ 273,449
Stand-by letters of credit and guarantees – Commercial risk	255,481	179,756	168,976
Total off-balance sheet arrangements	**$ 424,801**	**$ 398,744**	**442,425**
Credit commitments	68,571	103,143	45,578
Total loan commitments and financial guarantee contracts	**$ 493,372**	**$ 501,887**	**$ 488,003**

Fees and commission income from off-balance sheet arrangements amounted to $11 million for the year ended December 31, 2019, compared to $13 million and $11 million for the years ended December 31, 2018, and 2017, respectively.

The allowance for loan commitments and financial guarantee contracts losses reflects management's estimates of expected credit losses on off-balance sheet items, and is recognized in the consolidated statement of financial position, with the resulting recovery or impairment loss recorded in the consolidated statement of profit or loss. As of December 31, 2019, total allowance for loan commitments and financial guarantee contracts losses amounted to $3 million, nearly unchanged compared to $3 million as of December 31, 2018 and compared to $7 million as of December 31, 2017.

F. Tabular Disclosure of Contractual Obligations

The following tables set forth information regarding the Bank's contractual obligations and commercial commitments as of December 31, 2019.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
	(in $ millions)				
Deposits	$ 2,888	$ 2,888	$ 0	$ 0	$ 0
Repos	41	41	0	0	0
Short-term borrowings and debt	1,596	1,596	0	0	0
Long-term borrowings and debt (1)	1,526	479	925	122	0
Accrued interest payable	16	16	0	0	0
Future contractual interest payable, not yet accrued (2)	104	22	62	20	0
Leasehold obligations	20	1	3	3	13
Total contractual obligations	**$ 6,191**	**$ 5,043**	**$ 990**	**$ 145**	**$ 13**

(1) Gross of prepaid commissions of $3.4 million as of December 31, 2019. Certain debt obligations are subject to covenants that could accelerate the payment of these obligations.

(2) Consists of future interest payable on interest-bearing liabilities and their hedges, calculated on the basis of their respective interest rates as of December 31, 2019 for the days remaining to maturity. Some of these obligations have floating interest rates which could fluctuate in the future and hence change the value of interest payable accordingly.

	Amount of Commitment Expiration by Period				
Other Commercial Commitments	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
	(in $ millions)				
Letters of credit (4)	$ 285	$ 285	$ 0	$ 0	$ 0
Stand-by letters of credit	204	194	10	0	0
Guarantees	51	51	0	0	0
Other commercial commitments	69	10	9	50	0
Total Commercial Commitments	**$ 609**	**$ 540**	**$ 19**	**$ 50**	**$ 0**

(3) Includes customers' liabilities under acceptances outstanding (on-balance sheet assets) for a total amount of $115.7 million as of December 31, 2019.

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

Item 6. Directors, Executive Officers and Employees

A. Directors and Executive Officers

Directors

The following table and biographies set forth certain information concerning the Directors of the Bank as of March 31, 2020, including information with respect to each Director's current position with the Bank and other institutions, class of shares which such Director represents, country of citizenship, the year that each Director's term expires, and age.

Name	Country of Citizenship	Position Held with The Bank	Year Term Expires	Director Since	Age
CLASS A					
João Carlos de Nóbrega Pecego Chief Executive Officer Banco Patagonia, Argentina	Brazil	Director	2022	2010	56
José Alberto Garzón Gaitán Legal Vice President and General Secretary Banco de Comercio Exterior de Colombia	Colombia	Director	2020	2017	49
Javier González Fraga Chairman Banco de la Nación Argentina	Argentina	Director	2020	2017	71
CLASS E					
Ricardo Manuel Arango Senior Partner Arias, Fábrega & Fábrega, Panama	Panama	Director	2022	2016	59
Herminio A. Blanco President IQOM, Mexico	Mexico	Director	2022	2004	69
Mario Covo Founding Partner DanaMar LLC, United States	United States	Director	2020	1999	62
Miguel Heras Castro Managing Director Inversiones Bahia Ltd., Panama	Panama	Chairman of the Board	2021	2015	51
Roland Holst Board Member Sudameris Bank, Paraguay	Paraguay	Director	2022	2017	50
ALL CLASSES OF COMMON STOCK [(1)]					
Isela Costantini Chief Executive Officer Grupo ST, Argentina	Argentina	Director	2021	2019	48
Alexandra M. Aguirre Partner Morrison & Foerster LLP, United States	United States	Director	2021	2020	43

[(1)] Denotes class(es) of common stock of the Bank that elect the directors listed.

João Carlos de Nóbrega Pecego has served as a Director of the Board since 2010. Mr. Pecego has served as Chief Executive Officer of Banco Patagonia, Argentina since 2014. Mr. Pecego has also served as Vice President of GPAT Compañía Financiera since 2016, Director of Patagonia Valores since 2011, Director of Banco Patagonia Uruguay since 2011 and Director of ABA, Asociación de Bancos de la Argentina since 2018. Mr. Pecego was President of Grupo Brasil from 2015 to 2017 and Director of Visa Argentina, from 2012 to 2017 and Director of ADEBA, Asociación de Bancos Argentinos from 2014 to 2018. Mr. Pecego was also Vice President of Banco Patagonia, Argentina, from 2011 to 2014. He has been employed by Banco do Brasil in various capacities since 1978, holding the positions of Manager of the main agencies in the State of São Paulo, Commercial Superintendent in the South Region of Brasil, Executive Manager responsible for Projects and Corporate Financing and Regional General Director – Head of Latin America of Banco do Brasil based in Argentina from 2009 to 2011. Mr. Pecego holds a degree in Business Administration from Universidad Costa Braga, a postgraduate degree in Business Management from Instituto São Luiz, São Paulo, an MBA in International Business from Fundación Don Cabral, Minais Gerais and in Marketing from Pontificia Universidade Católica do Rio de Janeiro, (PUC). Mr. Pecego's professional experience in and related to the banking industry qualifies him to serve on the Board.

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

Javier González Fraga has served as a Director of the Board since 2017. Mr. González Fraga served as the Chairman of Banco de la Nación Argentina from 2017 to 2019. He was a candidate for Vice President of Argentina in 2011. Mr. González Fraga served as Chairman of the Central Bank of Argentina on two occasions between 1989 and 1991, and as Vice President of the Buenos Aires Stock Exchange from 1994 to 1999. Mr. González Fraga was a Director of the Argentine Institute of Capital Markets from 1992 to 1999 and a member of the Board of Public Companies in Argentina in 1987. In 1998, Mr. González Fraga was recognized by Konex as Best SMES Entrepreneur of the Decade, in his capacity as Founder of the dairy company La Salamandra S.A., Argentina. He was a Professor at UCA Pontificia Universidad Católica Argentina from 1973 to 2000. Mr. González Fraga holds a Bachelor's degree in Economics from UCA and is a Ph.D. candidate, having various papers and books published. Mr. González Fraga's business background and financial expertise qualify him to serve on the Board.

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

Herminio A. Blanco has served as a Director of the Board since 2004. Dr. Blanco has served as President of IQOM since 2005. IQOM offers business solutions on international trade, investment and regulatory affairs. In January 2019 Dr. Blanco and his partners established IQOM Strategic Advisors in Washington D.C. to represent the interests of the Mexican private sector in the U.S. and to provide strategic intelligence, analysis and lobbying of the U.S. Congress and the Federal government. Since January 2017, IQOM has been the lead advisor of the Consejo Coordinador Empresarial, the umbrella organization of the Mexican private sector, in the renegotiation of the North American Free Trade Agreement ("NAFTA"). Dr. Blanco has been a member of the board of directors for CYDSA since 2004 and of Fibra Uno since 2011, and he is chairman of Arcelor-Mittal Mexico. He has also been a member of the Trilateral Commission since 2001 and of Science and Technology in Society in Kyoto, Japan. Dr. Blanco served as Secretary of Trade and Industry of Mexico from 1994 to 2000, Undersecretary for International Trade and Negotiations and Chief Negotiator of NAFTA from 1990 to 1993. He was also responsible for the negotiation of the free trade agreement with the European Union, with the European Free Trade Area, with various Latin American countries and with Israel from 1994 to 2003 and launched the process that led to the negotiation of the free trade agreement with Japan. Dr. Blanco holds a B.A. in Economics from Instituto Tecnológico de Estudios Superiores de Monterrey, Moterrey Tech, a Ph.D. in economics from University of Chicago, and a Doctor Honoris Causa from Rikkyo University in Japan. Dr. Blanco's extensive experience and background in foreign trade and finance, along with his academic and consulting skills, qualify him to serve on the Board.

Mario Covo has served as a Director of the Board since 1999. Dr. Covo is a Founding Partner of DanaMar LLC in New York, a financial consulting firm established in 2013, and of Larch Lane Partners, an investment advisory firm established in 2019. He was a Founding Partner of Helios Advisors in 2003, a Founding Partner of Finaccess International, Inc. in 2000 and a Founding Partner of Columbus Advisors in 1995. Dr. Covo worked at Merrill Lynch from 1989 to 1995, where he was Head of Emerging Markets-Capital Markets. Prior to working for Merrill Lynch, Dr. Covo worked at Bankers Trust Company of New York from 1985 to 1989 as Vice President in the Latin American Merchant Banking Group, focusing on corporate finance and debt-for-equity swaps. Prior to that Dr. Covo was an International Economist for Chase Econometrics from 1984 to 1985, focusing primarily on Latin America. Dr. Covo holds a Ph.D. in Economics from Rice University and a B.A. with honors from Instituto Tecnológico Autónomo de Mexico. Dr. Covo's extensive background and experience in the financial services industry, and his exposure to the markets in which the Bank operates qualify him to serve on the Board.

Miguel Heras Castro has served as a Director of the Board since 2015 and was elected Chairman of the Board as of July 16, 2019. Mr. Heras is the Founder and Managing Partner of MKH Capital Partners in Florida, U.S.A. Since 1999, he has served as Managing Director and as a member of the Board of Directors of Inversiones Bahia, Ltd. in Panama, the largest investment group in Central America, focusing on the financial, infrastructure, energy, real estate, and communications markets. Mr. Heras currently leads the private equity and venture capital team of the group. Mr. Heras currently serves on the boards of Cable Onda, Gas Natural Atlántico, Sistemas de Generación S.A. (SIGSA), Televisora Nacional and Bahia Motors. He is also a member of The Wharton School of the University of Pennsylvania Executive Board for Latin America, Vice President of the Board of the Panama Food Bank Foundation and was a Director of the Biodiversity Museum. His knowledge and experience in the banking industry consolidated while he served as member of the Board of Directors and Asset-Liability Committee (ALCO) of Banco Continental de Panama for more than 5 years. Mr. Heras structured the acquisition of several companies and banking institutions, and in 2007 led the negotiation for the integration of the banking businesses of Banco Continental de Panamá and Banco General, which converted Banco General in one of the largest banks in Central America. In addition, Mr. Heras was also a member of the Board of Directors of Amnet Telecommunications Holdings, Cable and Wireless (Panama) Inc. and the Panamanian Stock Exchange. Mr. Heras was Minister of the Treasury of the Republic of Panama and President of the Council on Foreign Trade from 1996 to 1998. He served as Vice Minister of the Treasury from 1994 to 1996. Mr. Heras holds a Bachelor of Science in Economics from the Wharton School of Commerce and Finance of the University of Pennsylvania. Mr. Heras' professional expertise in economics, finance and private equity and his experience as a board member of different companies qualifies him to serve on the Board.

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

Isela Costantini was appointed Director of the Board on July 16, 2019. Ms. Costantini is currently the Chief Executive Officer of GST Financial Services in Argentina. She is a member of the board of San Miguel S.A. and Aracar Group since 2019, IRSA S.A. since 2017, and the Food Bank of Argentina since 2015. In addition, she is a counsel member of CIPPEC (Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento) since 2017 and executive board member of Novae since 2019. She has previously served as President and Chief Executive Officer of Aerolíneas Argentinas in 2016 and held multiple positions at General Motors, where she began working in 1998 and became President of the company for Argentina, Paraguay and Uruguay from 2012 to 2015. Ms. Costantini holds a Social Communications Degree, with a Major in Advertising from Pontificia Universidade Catolica do Parana (PUC-PR), Brazil and an MBA, with specialization in Marketing and International Business from Loyola University in Chicago. Her professional expertise in restructuring, marketing and communications, and experience as board member and leadership roles in different entities, qualify her to serve on the Board.

Alexandra M. Aguirre was appointed Director of the Board on February 7, 2020. Ms. Aguirre is a partner at Morrison & Foerster, LLP. Previously, Ms. Aguirre was a shareholder at Greenberg Traurig LLP. Ms. Aguirre has been acting as Secretary and General Counsel and Vice-Chair of the Governance and Nominations Committee of Pan American Development Foundation and Director of Fundación Uno since 2015, member of the Presidential Advisory Council (PAC) of INCAE Business School since 2019. She is also a board member of the Women Lawyer's Interest of the International Bar Association since 2019 and Commissioner of Latina Commission of the Hispanic Bar Association since 2018. Ms. Aguirre holds a Bachelor's Degree in Marketing and Entrepreneurial from Babson College and a Juris Doctor from Northeastern University School of Law. Ms. Aguirre has been listed for the awards of "40 under 40" (The M&A Advisor 2015) and the Florida Super Lawyers, Rising Star (Super Lawyers Magazine 2009). She was also a finalist to receive the Top Dealmaker of the Year Award, Corporate Category (Daily Business Review 2012) and recipient of M&A Deal of the Year Award (Latin Lawyers Magazine 2008). Ms. Aguirre is admitted to practice law in Florida, District of Columbia and New York. Her professional expertise in corporate finance law, corporate governance and cross-border financing transactions in Latin America and United States and her experience as board member in different entities, qualify her to serve on the Board.

See Item 10, "Additional Information – Memorandum and Articles of Association" for a description of the shareholders' voting rights with respect to the election of directors.

Executive Officers

The following table and biographies set forth the names of the executive officers of the Bank, their respective positions at the date hereof and positions held by them with the Bank and other entities in prior years:

Name	Position Held with the Bank	Country of Citizenship	Age
Jorge Salas (*)	Chief Executive Officer	Spain	49
Erica Lijtztain	Executive Vice President Chief Operating Officer	Argentina	48
Alejandro Jaramillo	Executive Vice President Chief Commercial Officer	Colombia	44
Ana Graciela de Méndez	Executive Vice President Chief Financial Officer	Panama	53
Eduardo Vivone	Executive Vice President Treasury and Capital Markets	Argentina	55
Alejandro Tizzoni	Executive Vice President Chief Risk Officer	Argentina	43
Jorge Luis Real	Executive Vice President Chief Legal Officer and Corporate Secretary	Panama	47
Jorge Córdoba	Executive Vice President Chief Audit Officer	Panama	46

Jorge Salas has been the Chief Executive Officer of the Bank since March 9, 2020. Before joining Bladex, Mr. Salas served as President and Chief Executive Officer of Banesco USA, in Coral Gables Florida for 5 years, and previously worked in various capacities in the Banesco Financial group since 2000, including as President and Chief Executive Officer of Banesco Panama from 2008 to 2014. Mr. Salas holds a Degree in Business Administration (Banking and Finance) from Universidad Metropolitana, in Caracas Venezuela, a Diploma for Specialization in Economics from the University of Colorado at Boulder, as well as a Master in Public Policy and an MBA both from the University of Chicago.

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

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

Ana Graciela de Méndez has served as Executive Vice President, Chief Financial Officer or CFO of the Bank since December 2017. She previously served in various capacities within the Bank, including as Senior Vice President of Finance and the alternate to the CFO from 2014 to 2017, as Vice President of Financial Planning and Analysis from 2002 to 2014, and several other assignments within the Bank's Finance, Commercial and Economic areas since 1990, when she joined the Bank. Mrs. Méndez holds a Master's Degree in Finance from the A.B. Freeman School of Business at Tulane University (USA) and from the Business School at Universidad Francisco Marroquin (Guatemala); completed Panama´s Advanced Management Program from the Haas School of Business at UC Berkeley (USA); and holds a Bachelor's Degree in Business and Economics with specialization in Economics and Mathematics, from Albertus Magnus College (U.S.).

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

Alejandro Tizzoni has served as Executive Vice President, Chief Risk Officer of the Bank since May 2016. He also served in various capacities related to the Bank's risk management since 2006, as Senior Vice President from 2012 to 2016, Vice President from 2008 to 2012 and Senior Analyst from 2006 to 2008. Mr. Tizzoni has served in different capacities in the credit risk area in banking and the international private sector in Argentina from 1997 to 2006. Mr. Tizzoni is a FIBA Anti-Money Laundering certified associate (AMLCA) by Florida International University, performed a fintech programme by Saïd Business School, University of Oxford, holds a Master Degree in Enterprise Risk Management from the NYU Stern School of Business, an MBA from the University of Louisville, and a Bachelor's degree in Business Administration and a Certified Public Accountant, both from the University of Buenos Aires in Argentina.

Jorge Luis Real serves as Executive Vice President, Legal and Corporate Secretary since February 2018. He previously served as Senior Vice President, Chief Legal Officer of the Bank from 2016 to 2018 and was appointed Secretary of the Board of Directors in April of 2016. He previously served as Head of Legal Risk of the Bank from 2014 to 2016. Before joining the Bank, he was Coordinator of Latin American Legal Affairs at BNP Paribas, New York from 2010 to 2014, Head of Legal Department at BNP Paribas Panama from 2005 to 2010, Head of Legal Department Panama Group of BBVA from 2000 to 2005 and Lawyer at Mauad & Mauad in Panama in 2000. Mr. Real has a Law and Political Science degree from Universidad Católica Santa María La Antigua in Panama, holds a Master's degree in Commercial and Corporate Law from Université Panthéon-Assas (Paris II) in France. He was admitted to practice law in Panama by the Panamanian Supreme Court of Justice in 1998. Mr. Real is a Florida International Banker's Association (FIBA) Anti-Money Laundering certified associate (AMLCA), certified by the Florida International University.

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

B. Compensation

Compensation of Executive Officers and Directors

The Compensation Committee has reviewed and discussed the below “Compensation of Executive Officers and Directors” section with the Bank’s management, and based on this review and discussion, the Compensation Committee recommended to the Board that the discussion be included in the proxy statement for the Annual Shareholders’ Meeting to be held April 29, 2020 (commonly referred to as the “say on pay” proposal).

Compensation Consultant

The Compensation Committee has authority to retain compensation consulting firms to assist it in the evaluation of executive officer and employee compensation and benefit programs. During 2019, the Compensation Committee did not retain or obtain the advice of any compensation consultant.

Executive Officers Compensation

Annually, in order to incentivize the alignment and collaboration of all areas of the Bank, the Bank pays to its executive officers variable compensation, based on the extent to which each officer meets certain individual and corporate objectives which are defined by the Board of Directors. This variable compensation is paid in both cash and in stock options and/or restricted stock units.

During the fiscal year ended December 31, 2019, the aggregate amount of variable cash compensation paid by the Bank to its current executive officers for their services was $1,005,000.

In February 2008, the Board approved the 2008 Stock Incentive Plan (as amended, the “2008 Plan”), which allows the Bank, from time to time, to grant restricted shares, restricted stock units, stock options and/or other stock-based awards to the directors, executive officers and non-executive employees of the Bank. This plan was revised in October 2015, and amended and restated as the 2015 Stock Incentive Plan (“2015 Plan”).

On February 6, 2019, the Bank granted to current executive officers 23,743 restricted stock units corresponding to 2018 performance. These restricted stock units vest 25% of the amount granted per year, with the first vesting on February 6, 2020, and the subsequent vestings on each anniversary of the first vesting date. As of December 31, 2019, the compensation cost charged against the Bank’s 2019 income in connection with these restricted stock units was $174,556. The total remaining compensation cost of $180,444 will be charged over a period of 3.1 years.

The Bank sponsors a defined contribution plan for its expatriate officers. The Bank’s contributions are determined as a percentage of the eligible officer’s annual salary, with each officer contributing an additional amount withheld from his salary. All contributions are administered by a trust through an independent third party. During 2019, the Bank charged to salaries expense $82,050 with respect to the contribution plan.

2019 Chief Executive Officer Compensation

The compensation of the Bank’s Chief Executive Officer for 2019 included an annual base salary of $350,000, and a performance-based cash bonus of $550,000, an aggregate of $14,000 from the Bank to the Chief Executive Officer’s contribution plan, and limited perquisites and other benefits amounting to $20,860. The Chief Executive Officer is eligible to receive a severance payment of $350,000 upon his departure.

Results of the 2019 Advisory Vote on Compensation of Executive Officers

At the Bank’s annual meeting of shareholders held on April 17, 2019, the Bank’s shareholders were asked to approve, on an advisory basis, the Bank's fiscal year 2018 executive officers’ compensation programs (commonly referred to as the “say on pay” proposal). A substantial majority (95.39%) of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee believes that these results affirm the Bank’s shareholders’ support for its approach to executive compensation, and therefore did not change its approach in fiscal year 2019. The Compensation Committee will continue working to ensure that the design of the Bank’s executive officers’ compensation program is focused on long-term shareholder value creation and emphasizes pay for performance.

Compensation and Risk

The Bank reviews and monitors the extent to which compensation practices and programs for senior executives and employees whose activities, individually or as a group, may create incentives for excessive risk taking.

The Bank and the Board have not identified any risks arising from the Bank’s compensation policies and practices that are reasonably likely to have a material adverse effect on the Bank. Furthermore, certain aspects of the Bank’s executive compensation programs, such as the combination of performance-based short-term cash bonuses and performance-based long-term equity awards, reduce the likelihood of excessive risk-taking, and instead create incentives for senior executives to work for long-term growth of the Bank.

Board of Directors Compensation

Each non-employee Director of the Bank receives an annual cash retainer of $85,000 for his or her services as a Director and the Chairman of the Board receives an annual cash retainer in the amount of $135,000.

The Chairman of the Audit Committee receives an additional annual retainer of $8,500 and the Chairmen of the Compensation Committee, Risk Policy and Assessment Committee, Finance and Business Committee, and Compliance and Anti-Money Laundering Committee each receives an additional annual retainer of $5,000. The non-Chairman members of the Audit Committee receive an additional annual retainer of $3,000, and each member of the Board receives an additional annual retainer of $8,500 for his or her participation in excess of two committees. The aggregate amount of cash compensation paid by the Bank during the year ended December 31, 2019 to the Directors of the Bank as a group for their services as Directors was $864,875.

As approved by the Board of Directors on December 9, 2014, each non-employee director of the Bank receives an annual equity compensation of 6,000 restricted shares and the Chairman of the Board receives an annual equity compensation of 9,000 restricted shares, granted once a year under the 2015 Plan.

During the fiscal year ended December 31, 2019, the aggregate number of restricted shares awarded to non-employee directors of the Bank as a group under the 2015 Plan was 57,000 Class E shares. These restricted shares vest 35% on each of the first and second anniversaries of the award date, and 30% on the third anniversary of the award date. As of December 31, 2019, the total cost for these restricted shares amounted to $1,292,760, of which $569,941 was registered during 2019, and the remaining compensation cost of $722,819 for these restricted shares will be charged against income over a period of 2.3 years.

Beneficial Ownership

As of December 31, 2019, the Bank's Executive Officers and Directors, as a group, beneficially owned an aggregate of 320,105 Class E shares, representing approximately 1.0% (based on 31,077,662 Class E shares outstanding as of December 31, 2019) of all issued and outstanding Class E shares as of such date. "Beneficial ownership", as the term is used in this section, means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is deemed to be the beneficial owner of securities that can be acquired within 60 days from December 31, 2019 through the exercise of any option or through the vesting of any restricted stock or restricted stock units. Ordinary shares subject to options that are currently exercisable or exercisable within 60 days, or that constitute restricted stock or restricted stock units that will vest within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such options, restricted stock or restricted stock units, but are not deemed outstanding for computing the ownership percentage of any other person.

The following table sets forth information regarding beneficial ownership of the Bank's Class E shares, including stock options and restricted stock units and holdings of unvested stock options and unvested restricted stock units by the Bank's current executive officers eligible to receive restricted stock units as of December 31, 2019. Except where noted, all holders listed below have sole voting power and investment power over the shares beneficially owned by them. Unless otherwise noted, the address of each person listed below is c/o Torre V, Business Park, Avenida La Rotonda, Urbanización Costa del Este, Panama, Republic of Panama.

Name	Number of Shares Owned as of December 31, 2019 (1)	Number of Shares that may be acquired within 60 days as of December 31, 2019 (2)	Total Number of Shares Beneficially Owned	Percent of Class Beneficially Owned	Unvested Restricted Stock Units (3)
Erica Lijtztain	1,008	2,262	3,270	*	5,779
Alejandro Jaramillo	2,074	2,744	4,818	*	6,657
Ana Graciela de Méndez	756	1,592	2,348	*	4,020
Eduardo Vivone	933	2,053	2,986	*	5,275
Alejandro Tizzoni	4,919	2,012	6,931	*	5,735
Jorge Luis Real	458	792	1,250	*	1,920
Jorge Córdoba	0	334	334	*	1,003
Total	**10,148**	**11,789**	**21,937**		**30,389**

* Less than one percent of the outstanding Class E shares.

(1) Includes shares purchased by the executive and restricted stock units vested and transferred to the executive as of such date.

(2) Includes vested traditional stock options, as well as options and restricted stock units that will vest within 60 days of December 31, 2019.

(3) Includes unvested restricted stock units granted to executive officers on February 6, 2019, February 6, 2018 and June 14, 2017, under the 2015 Plan, respectively. These restricted stock units vest 25% each year on the relevant grant date's anniversary, except for the 2017 grant. The 2017 grant will vest 25% on June 14, 2017, followed by 25% on each anniversary of the first vesting date. Any unvested portion of the grants referenced above that will not vest within 60 days of December 31, 2019, is not deemed to be beneficially owned by the individuals listed in the table.

The following table sets forth information regarding beneficial ownership of the Bank's Class E shares, including restricted shares and stock options and holdings of unvested restricted shares and unvested stock options by members of the Bank's Board, as of December 31, 2019:

Name	Number of Shares Owned as of December 31, 2019 (1)	Number of Shares that may be acquired within 60 days as of December 31, 2019 (2)	Total Number of Shares Beneficially Owned	Percent of Class Beneficially Owned	Restricted Shares (3)
Ricardo Manuel Arango	10,200	0	10,200	*	11,700
Herminio A. Blanco	68,560	0	68,560	*	11,700
Mario Covo	53,427	0	53,427	*	11,700
José Alberto Garzón	6,300	0	6,300	*	11,700
Javier González Fraga	6,300	0	6,300	*	11,700
Miguel Heras Castro	58,300	0	58,300	*	11,700
Roland Holst	13,950	0	13,950	*	9,900
João Carlos de Nóbrega Pecego (4)	6,300	0	6,300	*	11,700
Gonzalo Menéndez Duque +	69,831	0	69,831	*	17,550
Total	**293,168**	**0**	**293,168**		**109,350**

* Less than one percent of the outstanding Class E shares.

(1) Includes Class E shares purchased by the director or restricted shares vested and transferred to the director pursuant to the 2003 Restricted Stock Plan, the 2008 Plan and the 2015 Plan as of such date.

(2) Includes vested / unexercised traditional stock options.

(3) Includes unvested restricted Class E shares granted under the Bank's 2008 Plan and 2015 Plan. An aggregate amount of 57,000 restricted shares were granted to directors on April 17, 2019; these restricted shares vest 35% in each of the first and second year and 30% in the third year on the relevant grant date's anniversary.

(4) 27,779 Class E shares corresponding to Mr. Pecego's entitlement under the Bank's 2008 and 2015 Plans were assigned by Mr. Pecego to Banco do Brasil.

\+ Mr. Gonzalo Menéndez Duque was awarded 9,000 shares on April 17, 2019. Mr. Menéndez Duque passed away on June 29, 2019.

For additional information regarding stock options granted to executive officers and directors, see Item 18, "Financial Statements," note 28.

Stock Ownership Policy for Directors and Executive Officers

Since October 2013, the Board of Directors has adopted share ownership guidelines for directors and executive officers. These guidelines enable the Bank to meet its objective of aligning directors' and executives' interests with those of the shareholders.

Under these guidelines, each director is required to accumulate 9,000 shares (13,500 for the Chairman of the Board) within three years of joining the Board, and to maintain at least this ownership level while serving as a member of the Board. Presently, all Board members are in compliance with the guidelines that apply to them.

The Chief Executive Officer is required to own shares of the Bank's common stock worth at least two and a half times his annual base salary. Other Executive Officers are required to own stock equal to one time their annual base salary. These executive officers have up to seven years to comply with this share ownership requirement, measured from the later of the date of adoption of these guidelines or the date that they became subject to the guidelines. All executive officers named in the Beneficial Ownership table in this Annual Report are in compliance with the guidelines as they apply to them.

The following elements are included in determining the Directors' and Executive Officers' share ownership for purposes of these guidelines: shares owned individually and by minor dependents or spouses; unvested restricted shares and restricted stock units; and vested or unvested stock options.

C. Board Practices

Board Leadership Structure

The Board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide an independent oversight of management.

The Bank currently separates the positions of Chief Executive Officer and Chairman of the Board. Mr. N. Gabriel Tolchinsky served as Chief Executive Officer from April 30, 2018 to March 9, 2020 and was succeeded by Mr. Jorge Salas as of March 9, 2020. Mr. Gonzalo Menéndez Duque served as Chairman of the Board from 1995 to 1998 and from 2002 until June 29, 2019 when he passed away and was succeeded by Mr. Miguel Heras Castro, as Chairman of the Board, and by Ms. Alexandra M. Aguirre, as Director representing all classes of share, for the reminder of the term set to expire in April 2021.

In compliance with the Sarbanes-Oxley Act, Section 303A of the New York Stock Exchange Listed Company Manual, the Rules of the Superintendency of Banks of Panama, the Bank's organizational documents and charters of each of the following Board committees, a majority of the members of the Board of Directors, all members of the Audit Committee, and all members of the Compensation Committee of the Bank are independent directors.

Our Board believes that its leadership structure promotes an effective board that supports and challenges management appropriately.

Meetings of the Board and Committees

During the fiscal year ended December 31, 2019, the Board held six meetings. Directors attended an average of 91% of the total number of Board meetings held during the fiscal year ended December 31, 2019.

The following table sets forth the membership and number of meetings for each of the five committees of the Board during the fiscal year ended December 31, 2019:

Name	Audit	Risk Policy and Assessment	Finance and Business	Compliance and Anti-Money Laundering	Compensation
Ricardo Manuel Arango		Member	Member	Chairman	
Herminio A. Blanco	Chairman	Member			
Isela Costantini	Member	Member			
Mario Covo		Member	Chairman		
José Alberto Garzón	Member				Member
Javier González Fraga	Member				Member
Miguel Heras Castro		Chairman	Member	Member	
Roland Holst		Member	Member		
João Carlos de Nóbrega Pecego			Member		Chairman
Number of Committee Meetings Held in 2019	6	8	5	7	5

Audit Committee

The Audit Committee is a standing committee of the Board. According to its Charter, the Audit Committee must be comprised of at least three independent directors. The current members of the Audit Committee are Mr. Herminio A. Blanco (Chair), Ms. Isela Costantini, Mr. José Alberto Garzón and Mr. Javier González Fraga.

The Board has determined that all members of the Audit Committee are independent directors under the terms defined by applicable laws and regulations, including rules promulgated by the SEC under the Sarbanes-Oxley Act, Section 303A of NYSE Listed Company Manual, and Rule No. 05-2011, as amended by Rule No. 05-2014 of the Superintendency of Banks of Panama. In addition, at least one of the members of the Audit Committee is an "audit committee financial expert," as defined by the SEC in Item 407 of Regulation S-K. The Audit Committee's financial expert is Mr. Javier González Fraga, who replaced Mr. Menendez Duque in such capacity after his passing on June 29, 2019.

The purpose of the Audit Committee is to provide assistance to the Board in fulfilling its oversight responsibilities regarding the processing of the Bank's financial information, the integrity of the Bank's financial statements, the Bank's system of internal controls over financial reporting, the performance of both the internal audit and the independent registered public accounting firm, the Bank's corporate governance, compliance with legal and regulatory requirements and the Bank's Code of Ethics. The Audit Committee meets with each of the internal and independent auditors and the Bank's management to discuss the Bank's audited consolidated financial statements and management's discussion and analysis of financial condition and results of operations.

The Audit Committee meets at least six times per year, as required by the Superintendency of Banks of Panama and the Committee charter, or more often if the circumstances so require. During the fiscal year ended December 31, 2019, the Committee met six times.

The Audit Committee, in its capacity as a committee of the Board, is directly responsible for recommending to the shareholders the renewal or replacement of the Bank's independent auditors at the Annual Shareholders' Meeting, the compensation of the independent auditors (including the pre-approval of all audit and non-audit services) and oversight of the independent auditors, including the resolution of disagreements regarding financial reporting between the Bank's management and the independent auditors. The Bank's independent auditors are required to report directly to the Committee.

The Charter of the Audit Committee requires an annual self-evaluation of the Committee's performance.

The Audit Committee pre-approved all audit and non-audit services of the Bank's independent auditors in 2019.

The Audit Committee's Charter may be found on the Bank's website at https://www.bladex.com/en/corporate-governance/committees-board.

Risk Policy and Assessment Committee

The Risk Policy and Assessment Committee is a standing committee of the Board. The current members of the Risk Policy and Assessment Committee are Mr. Miguel Heras Castro (Chair), Mr. Ricardo Manuel Arango, Mr. Herminio A. Blanco, Mr. Mario Covo, Ms. Isela Costantini and Mr. Roland Holst.

The Risk Policy and Assessment Committee is responsible for reviewing and recommending to the Board, for its approval, all policies related to the prudent enterprise risk management. The Committee also reviews and assesses exposures to the risks facing the Bank's business within the risk levels the Bank is willing to take in accordance with its applicable policies, including the review and assessment of the quality and profile of the Bank's credit facilities, the exposure to country, market, liquidity, technological, and information security (including cybersecurity) risks and the analysis of operational risks, which take into account the legal risks associated with the Bank's products.

In addition, the Risk Policy and Assessment Committee assesses and approves credit limits and approves management proposals for granting different types of financing up to the legal limit applicable to the Bank in accordance with current regulations on the date of approval of each transaction and/or economic group. The Committee reports to the Board, and refers transactions to the Board for consideration and approval when the transaction limit exceeds the authorization limit delegated to the Committee.

The Risk Policy and Assessment Committee performs its duties through the review of reports received regularly from management and through its interactions with the Risk Management area and other members of the Bank's management. The Risk Policy and Assessment Committee charter requires the Committee to meet at least four times per year. During the fiscal period ended December 31, 2019, the Risk Policy and Assessment Committee held eight meetings.

The Risk Policy and Assessment Committee Charter may be found on the Bank's website at https://www.bladex.com/en/corporate-governance/committees-board.

Finance and Business Committee

The Finance and Business Committee is a standing committee of the Board. The current members of the Finance and Business Committee are Mr. Mario Covo (Chair), Mr. Ricardo Manuel Arango, Mr. Miguel Heras Castro, Mr. Roland Holst and Mr. João Carlos de Nóbrega Pecego.

The fundamental role of the Finance and Business Committee is to review and analyze all issues related to the development and execution of the Bank's business and its financial management including, among others, capital management, portfolio management (assets and liabilities), liquidity management, gap and funding management, tax related matters and the financial performance of the Bank in general. The Finance and Business Committee charter requires the Committee to meet at least five times per year. During the fiscal year ended December 31, 2019, the Committee held five meetings.

The Finance and Business Committee Charter may be found on the Bank's website at https://www.bladex.com/en/corporate-governance/committees-board.

Compliance and Anti-Money Laundering Committee

The Compliance and Anti-Money Laundering Committee is a standing committee of the Board. The current members of the Compliance and Anti-Money Laundering Committee are Directors Mr. Ricardo Manuel Arango (Chair) and Mr. Miguel Heras Castro, and the Bank's Chief Executive Officer, Chief Operating Officer, Chief Commercial Officer, Chief Risk Officer, Chief Audit Officer, Chief Legal Officer and Chief Compliance Officer.

The Compliance and Anti-Money Laundering Committee acts in support of the Board, fulfilling its responsibilities in compliance matters while also fulfilling the functions attributed to them pursuant to applicable laws and regulations related to compliance, including the responsibility to direct the Bank's Compliance Program on a strategic level.

Compliance includes all the laws and regulations that are applicable to the Bank and are related to Anti-Money Laundering and the Combating of the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction (AML/CFT), the U.S. Treasury Department's Office of Foreign Assets Control (OFAC), the Foreign Accounts Tax Compliance Act (FATCA), the OECD's Common Reporting Standards (CRS), and the Foreign Corrupt Practices Act (FCPA).

The Committee holds regular meetings at least every two months. During the fiscal year ended December 31, 2019, the Compliance and Anti-Money Laundering Committee held seven meetings.

The Compliance and Anti-Money Laundering Committee Charter may be found on the Bank's website at https://www.bladex.com/en/corporate-governance/committees-board.

Compensation Committee

The Compensation Committee is a standing committee of the Board. The current members of the Compensation Committee are Mr. João Carlos de Nóbrega Pecego (Chair), Mr. José Alberto Garzón and Mr. Javier González Fraga.

The Charter of the Compensation Committee requires that all members of the Committee be independent directors. No member of the Compensation Committee can be an employee of the Bank. The Board has determined that all members of the Compensation Committee are independent under the terms defined by applicable laws and regulations, including rules promulgated by the SEC under the Sarbanes-Oxley Act, Section 303A of the Manual for Companies listed on the NYSE, and Rule No. 05-2011, as amended by Rule No. 05-2014 of the Superintendency of Banks of Panama. The Compensation Committee charter requires the Committee to meet at least five times per year. During the fiscal year ended December 31, 2019, the Compensation Committee held five meetings.

The Compensation Committee's primary responsibilities are to assist the Board by: identifying candidates to become Board members and recommending nominees for the annual meetings of shareholders; making recommendations to the Board concerning candidates for Chief Executive Officer and counseling on succession planning for executive officers; recommending compensation for Board members and committee members, including cash and equity compensation; recommending compensation policies for executive officers and employees of the Bank, including cash and equity compensation, policies for senior management and employee benefit programs and plans; reviewing and recommending changes to the Bank's Code of Ethics; and advising executive officers on issues related to the Bank's personnel. In addition, this Committee submits recommendations on issues related to improving the Bank's operating model, and evaluates and proposes technology and communications strategic plans.

The Compensation Committee will consider qualified director candidates recommended by shareholders. All director candidates will be evaluated in the same manner regardless of how they are recommended, including recommendations by shareholders. For the current director nominees, the Committee considers candidate qualifications and other factors, including, but not limited to, diversity in background and experience, industry knowledge, educational level and the needs of the Bank. Shareholders can mail any recommendations and an explanation of the qualifications of the candidates to the Secretary of the Bank at Torre V, Business Park, P.O. Box 0819-08730, Panama City, Republic of Panama.

Although the Bank does not have a formal policy or specific guidelines for the consideration of diversity by the Compensation Committee in identifying nominees for director, diversity is one of the factors the Compensation Committee considers. The Compensation Committee generally views and values diversity from the perspective of professional and life experiences, and recognizes that diversity in professional and life experiences may include considerations of race, national origin or other characteristics in identifying individuals who possess the qualifications that the Committee believes are important to be represented on the Board. The fact that out of a total of ten members, seven different nationalities are represented, reflects the importance given to diversity by the Board of Directors.

The Charter of the Compensation Committee requires an annual self-evaluation of the Committee's performance.

The Compensation Committee Charter may be found on the Bank's website at https://www.bladex.com/en/corporate-governance/committees-board.

None of the Bank's executive officers serve as a director or a member of the Compensation Committee, or any other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of the Board or the Compensation Committee. None of the members of the Compensation Committee has ever been an employee of the Bank.

Corporate Governance Practices

The Board has decided not to establish a Corporate Governance Committee. Given the importance that Corporate Governance has for the Bank, the Board decided to address all matters related to Corporate Governance at the Board level. Further, the Audit Committee is responsible for promoting continued improvement in the Bank's Corporate Governance and verifying compliance with all applicable policies.

The Bank has included the information regarding its Corporate Governance practices necessary to comply with Section 303A of the NYSE's Listed Company Manual/Corporate Governance Rules on "Corporate Governance" section of the Bank's website at https://www.bladex.com/en/corporate-governance.

Shareholders, employees of the Bank, and other interested parties may communicate directly with the Board by corresponding to the address below:

Board of Directors of Banco Latinoamericano de Comercio Exterior, S.A.
c/o Mr. Miguel Heras Castro
Director and Chairman of the Board of Directors
Torre V, Business Park
Avenida La Rotonda, Urbanización Costa del Este
P.O. Box 0819-08730
Panama City, Republic of Panama

In addition, the Bank has selected Ethics Line, an online reporting system, to provide shareholders, employees of the Bank, and other interested parties with an alternative channel to report anonymously, any actual or possible violations of the Bank's Code of Ethics, as well as other work-related situations or irregular or suspicious transactions, accounting matters, internal audit or accounting controls. In order to file a report, a link is provided on the Bank's website at http://www.bladex.com.

D. Employees

The following table presents the total number of permanent employees, geographically distributed, on the dates indicated:

	As of December 31,		
	2019	**2018**	**2017**
Bladex Head Office in Panama	152	140	148
New York Agency	5	5	5
Representative Office in Argentina	4	4	7
Representative Office in Brazil	6	6	12
Representative Office in Mexico	4	6	10
Representative Office in Colombia	4	4	5
Representative Office in Peru	0	2	6
Total Number of Permanent Employees	**175**	**167**	**193**

E. Share Ownership

See Item 6.B., "Directors, Executive Officers and Employees–Compensation–Beneficial Ownership."

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of December 31, 2019, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no person was the registered owner of more than 12.4% of the total outstanding shares of voting capital stock of the Bank.

The following table sets forth information regarding the Bank's shareholders that are the beneficial owners of 5% or more of any one class of the Bank's voting stock, on December 31, 2019.

	As of December 31, 2019		
	Number of Shares	**% of Class**	**% of Total Common Stock**
Class A Common Stock			
Banco de la Nación Argentina Bartolomé Mitre 326 CP 1036 AAF Buenos Aires, Argentina	1,045,348	16.5	2.6
Banco do Brasil SAUN Qd 5, Lote B, Torre II, 12 Andar Edificio Banco do Brasil CEP 70040-912 Brasilia, DF - Brazil	974,551	15.4	2.5
Banco de Comercio Exterior de Colombia Edif. Centro de Comercio Internacional Calle 28 No. 13A-15 C.P. 110311 Bogotá, Colombia	488,547	7.7	1.2
Banco de la Nación (Perú) Ave. República de Panamá 3664 San Isidro, Lima, Perú	446,556	7.0	1.1
Banco Central del Paraguay Federación Rusa y Augusto Roa Bastos Asunción, Paraguay	434,658	6.9	1.1
Banco Central del Ecuador Ave. 10 de Agosto N11- 409 y Briceño Quito, Ecuador	431,217	6.8	1.1
Banco del Estado de Chile Ave. Libertador Bernardo O'Higgins No.1111 Santiago, Chile	323,413	5.1	0.8
Sub-total shares of Class A Common Stock	4,144,290	65.4	10.4

	As of December 31, 2019		
	Number of Shares	**% of Class**	**% of Total Common Stock**
Total Shares of Class A Common Stock	**6,342,189**	**100.0**	**16.0**

Class B Common Stock	**Number of Shares**	**% of Class**	**% of Total Common Stock**
Banco de la Provincia de Buenos Aires San Martín 137 C1004AAC Buenos Aires, Argentina	884,461	40.5	2.2
Banco de la Nación Argentina Bartolomé Mitre 326 CP 1036 AAF Buenos Aires, Argentina	295,945	13.6	0.7
The Korea Exchange Bank 35, Euljiro, Jun-gu Seoul 100-793, Korea	147,173	6.7	0.4
Sub-total shares of Class B Common Stock	1,327,579	60.8	3.3
Total Shares of Class B Common Stock	**2,182,426**	**100.0**	**5.5**

Class E Common Stock	**Number of Shares**	**% of Class**	**% of Total Common Stock**
Brandes Investment Partners, L.P. (1) 11988 El Camino Real, Suite 600 San Diego, California 92130 United States	4,916,428	15.8	12.4
Paradice Investment Management, LLC (2) 257 Fillmore Street, Suite 200 Denver, Colorado 80206 United States	2,381,058	7.7	6.0
Principal Global Investors, LLC (3) 711 High Street Des Moines, Iowa 50392 United States	2,306,400	7.4	5.8
Sub-total shares of Class E Common Stock	9,603,886	30.9	24.2
Total Shares of Class E Common Stock	**31,077,662**	**100.0**	**78.5**

Class F Common Stock	**Number of Shares**	**% of Class**	**% of Total Common Stock**
Total Shares of Class F Common Stock	0	0.0	0.0
Total Shares of Common Stock	**39,602,277**		**100.0**

(1) Source: Schedule 13G/A filing with the U.S. Securities and Exchange Commission dated January 7, 2020.
(2) Source: Schedule 13G/A filing with the U.S. Securities and Exchange Commission dated February 7, 2020.
(3) Source: Shareholder Identification Report performed by Ipreo, a service provider of Bladex.

All common shares have the same rights and privileges regardless of their class, except that:

- The affirmative vote of three-quarters (3/4) of the issued and outstanding Class A shares is required (1) to dissolve and liquidate the Bank, (2) to amend certain material provisions of the Articles of Incorporation, (3) to merge or consolidate the Bank with another entity and (4) to authorize the Bank to engage in activities other than those described in its Articles of Incorporation;
- The Class E shares are freely transferable without restriction to any person, while the Class A shares, Class B shares and Class F shares can only be transferred to qualified holders of each class;
- The Class B shares and Class F shares may be converted into Class E shares;
- The holders of Class A shares, Class B shares and Class F shares benefit from pre-emptive rights in respect of shares of the same class of shares owned by them that may be issued by virtue of a capital increase, in proportion to the shares of the class owned by them, but the holders of Class E shares do not; and
- All classes vote separately for their respective directors. The holders of the Class A common shares have the right to elect three (3) Directors; the holders of the Class E common shares can elect five (5) Directors; and the holders of the Class F common shares have the right to elect one (1) Director, so long as the number of issued and outstanding Class F common shares is equal to or greater than fifteen per cent (15%) of the total number of issued and outstanding common shares of the corporation.

Set forth below are the number of shares of each class of the Bank's common stock issued and outstanding as of the dates listed below:

	Number of Shares Outstanding as of		
Class of Shares	**December 31, 2019**	**December 31, 2018**	**December 31, 2017**
Class A Common Shares	6,342,189	6,342,189	6,342,189
Class B Common Shares	2,182,426	2,245,227	2,408,806
Class E Common Shares	31,077,662	30,951,135	30,677,840
Class F Common Shares	0	0	0
Total Common Shares	**39,602,277**	**39,538,551**	**39,428,835**

The number of the Bank's Class A common shares outstanding as of December 31, 2019 did not change from December 31, 2018. Class B common shares decreased by 62.8 thousand shares during the same period, due to the conversions of Class B into Class E common shares. During the year ended December 31, 2019, Class E common shares outstanding increased by 126.5 thousand shares, mostly as a result of the Class B conversions into Class E common shares and restricted stock units granted to the Bank's Directors.

As of December 31, 2019, there were a total of 54 holders of record of our Class E shares, of which 16 were registered with addresses in the United States. Such United States record holders were, as of such date, the holders of record of approximately 95% of our outstanding Class E shares. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders reside, as many of these ordinary shares were held of record by brokers or other nominees. None of our Class A shares or Class B shares are held in the United States.

The Bank had no preferred stock issued and outstanding as of December 31, 2019.

B. Related Party Transactions

Certain Directors of the Bank are also Directors and Executive Officers of banks and/or other companies located in Latin America, the Caribbean and elsewhere. Some of these banks and/or other companies own shares of the Bank's common stock and have entered into loan transactions with the Bank in the ordinary course of business, in compliance with Panamanian regulatory related party limits set forth above in Item 4.B, "Information on the Company—Business Overview—Supervision and Regulation—Panamanian Law."

As of December 31, 2019, and 2018, the Bank had credit transactions in the normal course of business with 11% and 17%, respectively, of its Class "A" and "B" stockholders. All transactions were made based on arm's-length terms and subject to prevailing commercial criteria and market rates and were subject to all of the Bank's Corporate Governance and control procedures. As of December 31, 2019, and 2018, approximately 11% and 9%, respectively, of the outstanding loan portfolio was placed with the Bank's Class "A" and "B" stockholders and their related parties. As of December 31, 2019, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no Class "A" or "B" shareholder was the registered owner of more than 3.5% of the total outstanding shares of the voting capital stock of the Bank.

In addition, the Bank had extended transactions, in the ordinary course of business, to two entities whose directors and/or executive officers are also directors of the Bank. These entities were:

i) Banco General S.A. – Costa Rica and Panama, of which the Bank's director, Ricardo Manuel Arango, is also a director of its parent company. Two outstanding loans were made to Banco General S.A. – Costa Rica, disbursed on April 30, 2018 and December 19, 2019, together with a total outstanding amount of $19 million as of December 31, 2019. The largest amount outstanding during 2019 was $50 million. The outstanding loans had a weighted average interest rate of 3.15%.

ii) Sudameris Bank SAECA, of which the Bank’s director, Roland Holst, is also a director. Five loans were made to Sudameris Bank SAECA on September 25, October 8 and 16, and December 23 and 27, of 2019, with a total outstanding amount of $30 million as of December 31, 2019, which was the largest amount outstanding during 2019. The outstanding loans had a weighted average interest rate of 2.52%.

All of the abovementioned loans were granted for commercial business purposes. The terms and conditions of the loan transactions, including interest rates and collateral requirements, are substantially the same as the terms and conditions of comparable loan transactions entered into with other persons under similar market conditions. The loan transactions did not involve more than the normal risk of collectability or present other unfavorable features. In accordance with the Risk Policy and Assessment Committee’s charter, Directors of the Bank shall not participate in the approval process for credit facilities extended to institutions in which they are Executive Officers or Directors, nor do they participate with respect to decisions regarding country exposure limits in countries in which the institutions are domiciled.

For more information regarding the Bank ’ s related party transactions, see Item 18, “Financial Statements,” note 28.

C. Interests of Experts and Counsel

Not required in this Annual Report.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

The information included in Item 18 of this Annual Report is referred to and incorporated by reference into this Item 8.A.

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

Dividends

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

On April 15, 2020, the Board declared a quarterly cash dividend of $0.25 per common share corresponding to the first quarter of 2020. The dividend for the first quarter of 2020 decreased by 35% as a prudent measure in managing the Bank under current market conditions. The cash dividend will be paid on May 13, 2020 to the Bank’s shareholders of record as of April 27, 2020.

For the year ended December 31, 2019, the Board declared quarterly cash dividends of $0.385 per common share for each quarter of 2019. The cash dividend paid per share to the Bank's shareholders totaled $1.54 per common share in 2019.

No special dividends were declared during three-year period ended December 31, 2019.

The following table presents information regarding dividends paid to holders of common shares on the dates indicated:

Payment date	Record date	Dividend per share	
May 13, 2020	April 27, 2020	$	0.25
March 12, 2020	February 26, 2020	$	0.385
November 19, 2019	October 29, 2019	$	0.385
August 14, 2019	July 30, 2019	$	0.385
May 15, 2019	April 29, 2019	$	0.385
March 26, 2019	March 11, 2019	$	0.385
November 20, 2018	November 6, 2018	$	0.385
August 15, 2018	July 31, 2018	$	0.385
May 17, 2018	May 2, 2018	$	0.385
February 21, 2018	February 2, 2018	$	0.385
November 21, 2017	November 1, 2017	$	0.385
August 17, 2017	August 2, 2017	$	0.385
May 18, 2017	May 3, 2017	$	0.385
February 16, 2017	February 1, 2017	$	0.385

The Bank has no preferred shares issued and outstanding as of December 31, 2019.

B. Significant Changes

Not applicable.

Item 9. The Offer and Listing

A. Offer and Listing Details

The Bank's Class E shares are listed on the NYSE under the symbol "BLX". The following table shows the high and low market prices of the Class E shares on the NYSE for the periods indicated:

	Price per Class E Share (in $) [(1)]	
	High	**Low**
2019	22.94	16.96
2018	30.43	15.33
2017	30.45	25.51
2016	30.50	19.63
2015	34.49	22.16
2020:		
March	18.66	10.05
February	20.78	17.61
January	22.71	20.03
2019:		
December	22.25	20.65
November	22.85	20.42
October	21.18	19.00

	Price per Class E Share (in $) (1)	
	High	Low
2020:		
First Quarter	22.71	10.05
2019:		
First Quarter	21.87	16.96
Second Quarter	22.94	19.60
Third Quarter	21.98	17.58
Fourth Quarter	22.85	19.00
2018:		
First Quarter	30.43	26.80
Second Quarter	29.94	24.58
Third Quarter	25.37	19.29
Fourth Quarter	21.31	15.33

(1) Corresponds to the highest and lowest sales price of the stock at any time during any given trading day. Source: NYSE Connect.

B. Plan of Distribution

Not required in this Annual Report.

C. Markets

The Bank's Class A shares and Class B shares were sold in private placements or sold in connection with the Bank's 2003 rights offering, are not listed on any exchange and are not publicly traded. The Bank's Class E shares, which constitute the only class of shares publicly traded (listed on the NYSE), represent 78.5% of the total shares of the Bank's common stock issued and outstanding as of December 31, 2019. The Bank's Class B shares are convertible into Class E shares on a one-to-one basis. There are no issued or outstanding Class F shares.

D. Selling Shareholders

Not required in this Annual Report.

E. Dilution

Not required in this Annual Report.

F. Expenses of the Issue

Not required in this Annual Report.

Item 10. Additional Information

A. Share Capital

Not required in this Annual Report.

B. Memorandum and Articles of Association

Articles of Incorporation

Bladex is a bank organized under the laws of the Republic of Panama, and its Articles of Incorporation are recorded in the Public Registry Office of Panama, Republic of Panama, Section of Mercantile Persons, at microjacket 021666, roll 1050 and frame 0002.

Article 2 of the Bank's Articles of Incorporation states that the purpose of the Bank is to promote the economic development and foreign trade of Latin American countries. To achieve this purpose, the Bank may engage in any banking or financial business, investment or other activity intended to promote the foreign trade and economic development of countries in Latin America. The Articles of Incorporation provide that Bladex may engage in activities beyond those described above provided that it has obtained shareholder approval in a resolution adopted upon the affirmative majority vote of the common shares, either present or represented, in a meeting of shareholders called to obtain such authorization, including the affirmative vote of the holders of three-quarters (3/4) of the Class A shares issued and outstanding.

The Bank's Articles of Incorporation provide that the Board shall direct and control the business and management of the assets of the Bank, except for those matters specifically reserved to shareholders by law or the Articles of Incorporation. The Board, however, may grant general and special powers of attorney authorizing directors, officers and employees of the Bank or other persons to transact such business and affairs within the competence of the Board, as the Board may deem convenient to entrust to such persons.

The Articles of Incorporation do not contain provisions limiting the ability of the Board to approve a proposal, arrangement or contract in which a Director is materially interested, or limiting the ability of the Board to fix the compensation of its members. In addition, the Articles of Incorporation do not contain provisions requiring the mandatory retirement of a Director at any prescribed age, or requiring a person to own a certain number of shares to qualify as a Director.

The Board consists of ten members: three Directors elected by the holders of the Class A common shares; five Directors elected by the holders of the Class E common shares; and two Directors elected by the holders of all common shares. For so long as the number of Class F common shares issued and outstanding is equal to or greater than fifteen percent (15%) of the total number of common shares issued and outstanding, the holders of the Class F common shares will have the right to elect one director and the Board will consist of eleven members. As of December 31, 2019, no Class F shares or preferred shares were issued and outstanding.

The Directors are elected by shareholders for periods of three (3) years and they may be re-elected. The holders of the Class A, Class E and Class F shares vote separately as a class in the election of Directors representing their respective class. In the election of Directors, each shareholder of each class electing a Director has a number of votes equal to the number of shares of such class held by such shareholder multiplied by the number of Directors to be elected by such class. The shareholder may cast all votes in favor of one candidate or distribute them among two or more of the Directors to be elected, as the shareholder may decide.

All common shares have the same rights and privileges regardless of their class, except that:

- the affirmative vote of three-quarters (3/4) of the issued and outstanding Class A shares is required (A) to dissolve and liquidate the Bank, (B) to amend certain material provisions of the Articles of Incorporation, (C) to merge or consolidate the Bank with another entity and (D) to authorize the Bank to engage in activities other than those described as the purposes of the Bank in its Articles of Incorporation;
- the Class E shares are freely transferable, but the Class A shares, Class B shares and Class F shares may only be transferred to qualified holders;
- the Class B shares and Class F shares may be converted into Class E shares;
- the holders of Class A shares, Class B shares and Class F shares benefit from pre-emptive rights, but the holders of Class E shares do not;
- the classes vote separately for their representative directors; and
- the rights, preferences, privileges and obligations of the preferred shares are determined by the Board at the time of their issuance in a certificate of designation.

Under the Bank's Articles of Incorporation, preferred shares have no voting rights, except in accordance with their certificate of designation mentioned above. Holders of preferred shares will have the right to elect one Director only upon a default of the terms of such preferred shares and only if contemplated in the certificate of designation. In the event the holders of the preferred shares are entitled to elect a Director, the total number of Directors on the Board will be increased by one. The rights of the holders of the common shares may be changed by an amendment to the Articles of Incorporation of the Bank.

Amendments to the Articles of Incorporation may be adopted by the affirmative majority vote of the common shares represented at the respective meeting, except for the following amendments which require, in addition, the affirmative vote of three-quarters (3/4) of all issued and outstanding Class A shares: (i) any amendment to the Bank's purposes or powers, (ii) any amendment to the capital structure of the Bank and the qualifications to become a holder of any particular class of shares, (iii) any amendment to the provisions relating to the notice, quorum and voting at shareholders' meetings, (iv) any amendment to the composition and election of the Board, as well as notices, quorum and voting at meetings of Directors, (v) any amendments to the powers of the Chief Executive Officer of the Bank and (vi) any amendments to the fundamental financial policies of the Bank.

The Articles of Incorporation of Bladex provide that there will be a general meeting of holders of the common shares every year, on such date and in such place as may be determined by resolution of the Board, to elect Directors and transact any other business duly submitted to the meeting by the Board. In addition, extraordinary meetings of holders of the common shares may be called by the Board, as it deems necessary. The Board or the Chairman of the Board must call an extraordinary meeting of holders of the common shares when requested in writing by one or more holders of common shares representing at least one-twentieth (1/20) of the issued and outstanding capital.

Notice of meetings of shareholders, whether ordinary or extraordinary, are personally delivered to each registered shareholder or sent by fax, telex, courier, air mail or any other means authorized by the Board of the Directors, at least 30 days before the date of the meeting, counted from the date that the notice is sent. The notice of the meeting must include the agenda of the meeting. At any meeting of shareholders, shareholders with a right to vote may be represented by a proxy, who need not be a shareholder and who may be appointed by public or private document, with or without power of substitution.

Upon request to the Board or the Chairman of the Board, shareholders representing at least one-twentieth (1/20) of the issued and outstanding shares of any given class may hold a meeting separately as a class for the purpose of considering any matter which, in accordance with the provisions of the Articles of Incorporation and the By-Laws, is within their competence. In order to have a quorum at any meeting of shareholders, a majority of the common shares issued and outstanding must be represented at the meeting. Whenever a quorum is not obtained at a meeting of shareholders, the meeting shall be held on the second date set forth in the notice of the meeting. All resolutions of shareholders shall be adopted by the affirmative majority vote of the common shares represented at the meeting where the resolution was adopted, except where a super-majority vote of the Class A shareholders is required, as described above.

Class A shares may be issued only as registered shares in the name of the following entities in Latin American countries: (i) central banks, (ii) banks in which the State is the majority shareholder or (iii) other government agencies. Class B shares may be issued only in the name of banks or financial institutions. Class E shares and preferred shares may be issued in the name of any person, whether a natural person or a legal entity. Class F shares may be issued only: (i) in the name of state entities or agencies of countries that are not Latin American countries, including central banks and banks in which the State is the majority shareholder or (ii) in the name of multilateral financial institutions, whether international or regional.

Neither Bladex's Articles of Incorporation nor its By-Laws contain any provision requiring disclosure with respect to a shareholder's ownership above a certain threshold.

The Amended and Restated Articles of Incorporation were filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2008, filed with the SEC on June 26, 2009 and the Bylaws were filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2009, filed with the SEC on June 11, 2010. See Item 19, "Exhibits" for hyperlinks to these documents.

C. Material Contracts

The Bank has not entered into any material contract outside the ordinary course of business during the two-year period immediately preceding the date of this Annual Report.

D. Exchange Controls

Currently, there are no restrictions or limitations under Panamanian law on the export or import of capital, including foreign exchange controls, the payment of dividends or interest, or the rights of foreign shareholders to hold or vote stock.

E. Taxation

The following is a summary of certain U.S. federal and Panamanian tax matters that may be relevant with respect to the acquisition, ownership and disposition of the Bank's Class E shares. Prospective purchasers of Class E shares should consult their own tax advisors as to United States, Panamanian or other tax consequences of the acquisition, ownership and disposition of Class E shares. The Bank may be subject to the tax regime of other countries or jurisdictions due to its operations.

This summary does not address the consequences of the acquisition, ownership or disposition of the Bank's Class A or Class B shares.

United States Taxes

This summary describes the material U.S. federal income tax consequences of the ownership and disposition of the Class E shares, but does not purport to be a comprehensive description of all of the tax considerations that may be relevant to holders of Class E shares. Except as specifically noted, this summary applies only to current holders that hold Class E shares as capital assets for U.S. federal income tax purposes and does not address classes of holders that are subject to special treatment under the United States Internal Revenue Code of 1986, as amended (the "Code") such as dealers in securities or currencies, financial institutions, tax-exempt entities, regulated investment companies, insurance companies, securities traders that elect mark-to-market tax accounting, persons subject to the alternative minimum tax, non-U.S. investors (including, without limitation, non-U.S. investors subject to tax as U.S. expatriates and non-U.S. investors holding Class E shares in connection with a U.S. trade or business), persons receiving Class E shares in connection with the performance of services, persons holding Class E shares as part of a hedging, constructive ownership or conversion transaction or a straddle, holders whose functional currency is not the U.S. dollar, or a holder that owns 10% or more (directly, indirectly or constructively) of the shares of the Bank, by vote or value.

This summary is based upon the Code, existing, temporary and proposed regulations promulgated thereunder, judicial decisions and administrative pronouncements, all as in effect on the date of this Annual Report and which are subject to change (possibly on a retroactive basis) and to differing interpretations. Purchasers or holders of Class E shares should consult their own tax advisors as to the U.S. federal, state and local, and foreign tax consequences of the ownership and disposition of Class E shares in their particular circumstances.

As used herein, a “U.S. Holder” refers to a beneficial holder of Class E shares that is, for U.S. federal income tax purposes: (1) an individual citizen or resident of the United States, (2) a corporation, or an entity treated as a corporation, organized or created in or under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to U.S. federal income taxation without regard to the source of its income, (4) a trust, if both (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons (as defined in the Code) have the authority to control all substantial decisions of the trust, or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust, and (5) any holder otherwise subject to U.S. federal income taxation on a net income basis with respect to Class E shares (including a non-resident alien individual or foreign corporation that holds, or is deemed to hold, any Class E share in connection with the conduct of a U.S. trade or business). If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Class E shares, the U.S. federal income tax consequences to a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of Class E shares that is a partnership and the partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of Class E shares.

Taxation of Distributions

Subject to the “Passive Foreign Investment Company Status” discussion below, to the extent paid out of current or accumulated earnings and profits of the Bank as determined under U.S. federal income tax principles (“earnings and profits”), distributions made with respect to Class E shares (other than certain pro rata distributions of capital stock of the Bank or rights to subscribe for shares of capital stock of the Bank) will be includable in income of a U.S. Holder as ordinary dividend income in accordance with the U.S. Holder’s regular method of accounting for U.S. federal income tax purposes whether paid in cash or Class E shares. To the extent that a distribution exceeds the Bank’s earnings and profits, such distribution will be treated, first, as a nontaxable return of capital to the extent of the U.S. Holder’s tax basis in the Class E shares and will reduce the U.S. Holder’s tax basis in such shares, and thereafter as a capital gain from the sale or disposition of Class E shares. See Item 10, “Additional Information–Taxation–United States Taxes–Taxation of Capital Gains.” The amount of the distribution will equal the gross amount of the distribution received by the U.S. Holder, including any Panamanian taxes withheld from such distribution.

Distributions made with respect to Class E shares out of earnings and profits generally will be treated as dividend income from sources outside the United States. U.S. Holders that are corporations will not be entitled to the “dividends received deduction” under Section 243 of the Code with respect to such dividends. Dividends may be eligible for special rates applicable to “qualified dividend income” received by an individual, provided, that: (1) the Bank is not a “Passive Foreign Investment Company” (“PFIC”) in the year in which the dividend is paid nor in the immediately preceding year, (2) the class of stock with respect to which the dividend is paid is readily tradable on an established securities market in the United States, and (3) the U.S. Holder held his shares for more than 60 days during the 121-day period beginning 60 days prior to the ex-dividend date and meets other holding period requirements. Subject to certain conditions and limitations, Panamanian tax withheld from dividends will be treated as a foreign income tax eligible for deduction from taxable income or as a credit against a U.S. Holder’s U.S. federal income tax liability. Distributions of dividend income made with respect to Class E shares generally will be treated as “passive” income or, in the case of certain U.S. Holders, “general category income,” for purposes of computing a U.S. Holder’s U.S. foreign tax credit.

A holder of Class E shares that is not a U.S. Holder (“non-U.S. Holder”) generally will not be subject to U.S. federal income tax or withholding tax on distributions received on Class E shares that are treated as dividend income for U.S. federal income tax purposes. Special rules may apply in the case of non-U.S. Holders that are (1) engaged in a U.S. trade or business, or (2) former citizens or long-term residents of the United States, “controlled foreign corporations,” corporations that accumulate earnings to avoid U.S. federal income tax, or certain foreign charitable organizations, each within the meaning of the Code. Such persons should consult their own tax advisors as to the U.S. federal income or other tax consequences of the ownership and disposition of Class E shares.

Taxation of Capital Gains

Subject to the "Passive Foreign Investment Company Status" discussion below, gain or loss realized by a U.S. Holder on the sale or other disposition of Class E shares generally will be subject to U.S. federal income tax as capital gain or loss in an amount equal to the difference between the U.S. Holder's tax basis in the Class E shares and the amount realized on the disposition. Such gain will be treated as long-term capital gain if the Class E shares are held by the U.S. Holder for more than one year at the time of the sale or other disposition. Otherwise, the gain will be treated as a short-term capital gain. Gain realized by a U.S. Holder on the sale or other disposition of Class E shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes, unless the gain is attributable to an office or fixed place of business maintained by the U.S. Holder outside the United States or is recognized by an individual whose tax home is outside the United States, and certain other conditions are met. For U.S. federal income tax purposes, capital losses are subject to limitations on deductibility. As a general rule, U.S. Holders that are corporations can use capital losses for a taxable year only to offset capital gains in that year. A corporation may be entitled to carry back unused capital losses to the three preceding tax years and to carry over losses to the five following tax years. In the case of non-corporate U.S. Holders, capital losses in a taxable year are deductible to the extent of any capital gains plus ordinary income of up to $3,000. Unused capital losses of non-corporate U.S. Holders may be carried over indefinitely.

A non-U.S. Holder of Class E shares will generally not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of Class E shares. However, special rules may apply in the case of non-U.S. Holders that are: (1) engaged in a U.S. trade or business, (2) former citizens or long-term residents of the United States, "controlled foreign corporations," corporations that accumulate earnings to avoid U.S. federal income tax, or certain foreign charitable organizations, each within the meaning of the Code, or (3) certain non-resident alien individuals who are present in the United States for 183 days or more during a taxable year. Such persons should consult their own tax advisors as to the United States or other tax consequences of the purchase, ownership and disposition of the Class E shares.

Passive Foreign Investment Company Status

Under the Code, certain rules apply to an entity classified as a PFIC. A PFIC is defined as any foreign (i.e., non-U.S.) corporation if either: (1) 75% or more of its gross income for the taxable year is passive income (generally including, among other types of income, dividends, interest and gains from the sale of stock and securities) or (2) 50% or more of its assets (by value) produce, or are held for the production of, passive income. The application of the PFIC rules to banks is not entirely clear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The Internal Revenue Service ("IRS") issued a notice in 1989 (the "Notice"), and has proposed regulations (the "Proposed Regulations"), that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank, or the "active bank exception." In addition, under separate statutory provisions of the Code certain "qualified" banking income is excluded from the definition of passive income for purposes of the PFIC rules. The Notice, the Proposed Regulations and the exclusion for qualified banking income all have different requirements for qualifying as an active foreign bank, and for determining the banking income that may be excluded from passive income. Moreover, the Proposed Regulations have been outstanding since 1994 and will not be effective unless finalized.

While the Bank conducts, and intends to continue to conduct, a significant banking business, there can be no assurance that the Bank will satisfy the specific requirements for the active bank exception under the Notice, the Proposed Regulations or the exclusion for qualified banking income. Based on estimates of the Bank's current and projected gross income and gross assets, the Bank does not believe that it will be classified as a PFIC for the Bank's current or future taxable years. The determination of whether the Bank is a PFIC, however, is made annually and is based upon the composition of the Bank's income and assets (including income and assets of entities in which we hold at least a 25% interest), and the nature of the Bank's activities.

Because final regulations have not been issued and because the Notice and the Proposed Regulations are inconsistent, the Bank's status under the PFIC rules is subject to uncertainty. While the Bank conducts, and intends to continue to conduct, a significant banking business, there can be no assurance that it will satisfy the specific requirements under the Notice, the Proposed Regulations or the exclusion for qualified banking income. Accordingly, U.S. Holders could be subject to U.S. federal income tax under the rules described below.

If the Bank were to become a PFIC for purposes of the Code, unless a U.S. Holder makes one of the elections described below, a U.S. Holder generally will be subject to a special tax charge with respect to: (a) any gain realized on the sale or other disposition of Class E shares, and (b) any "excess distribution" by the Bank to the U.S. Holder (generally, any distributions, including return of capital distributions, received by the U.S. Holder on the Class E shares in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years, or, if shorter, the U.S. Holder's holding period). Under these rules: (1) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the Class E shares, (2) the amount allocated to the current taxable year would be treated as ordinary income, (3) the amount allocated to each prior taxable year generally would be subject to tax at the highest rate in effect for that year, and (4) an interest charge at the rate generally applicable to underpayments of tax would be imposed with respect to the resulting tax attributable to each such prior taxable year. For purposes of the foregoing rules, a U.S. Holder of Class E shares that uses such stock as security for a loan will be treated as having disposed of such stock.

If the Bank were to be classified as a PFIC, U.S. Holders of interests in a non-U.S. Holder of Class E shares may be treated as indirect holders of their proportionate share of the Class E shares and may be taxed on their proportionate share of any excess distributions or gain attributable to the Class E shares. An indirect holder also must treat an appropriate portion of its gain on the sale or disposition of its interest in the actual holder as gain on the sale of Class E shares.

If the Bank were to become a PFIC, a U.S. Holder could make an election, provided the Bank complies with certain reporting requirements, to have the Bank treated, with respect to such U.S. Holder, as a "qualified electing fund", hereinafter referred to as a QEF election, in which case, the electing U.S. Holder would be required to include annually in gross income the U.S. Holder's proportionate share of the Bank's ordinary earnings and net capital gains, whether or not such amounts are actually distributed. If the Bank were to become a PFIC, the Bank intends to make reasonable best efforts to so notify each U.S. Holder and to comply with all reporting requirements necessary for a U.S. Holder to make a QEF election and will provide to record U.S. Holders of Class E shares such information as may be required to make such QEF election.

If the Bank were to become a PFIC in any year, a U.S. Holder that beneficially owns Class E shares during such year must make an annual return on IRS Form 8621, which describes the income received (or deemed to be received if a QEF election is in effect) from the Bank. The Bank will, if applicable, provide all information necessary for a U.S. Holder of record to make an annual return on IRS Form 8621.

A U.S. Holder that owns certain "marketable stock" in a PFIC may elect to mark-to-market such stock and, subject to certain exceptions, include in income any gain (increases in market value) or loss (decreases in market value to the extent of prior gains recognized) realized annually as ordinary income or loss to avoid the adverse consequences described above. U.S. Holders of Class E shares are urged to consult their own tax advisors as to the consequences of owning stock in a PFIC and whether such U.S. Holder would be eligible to make either of the aforementioned elections to mitigate the adverse effects of such consequences.

Information Reporting and Backup Withholding

The Bank and any U.S. payor making payments in respect of Class E shares will generally be required to provide the IRS with information concerning certain payments made on Class E shares, including the name, address and taxpayer identification number of the beneficial owner of Class E shares, and the aggregate amount of dividends paid to such beneficial owner during the calendar year. Under the backup withholding rules, a holder may be subject to backup withholding at a current rate of 24% with respect to proceeds received on the sale or exchange of Class E shares within the United States and to dividends paid, unless such holder: (1) is a corporation or comes within certain other exempt categories (including non-U.S. Holders, securities broker-dealers, other financial institutions, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts), and, when required, demonstrates this fact or (2) provides a taxpayer identification number, certifies as to no loss of exemption and otherwise complies with the applicable requirements of the backup withholding rules. Non-U.S. Holders generally are exempt from information reporting and backup withholding, but may be required to provide a properly completed IRS Form W-8BEN or W-8BEN-E (or other similar form) or otherwise comply with applicable certification and identification procedures in order to prove their exemption. Backup withholding is not an additional tax and any amounts withheld from a payment to a holder of Class E shares will be refunded (or credited against such holder's U.S. federal income tax liability, if any) provided that the required information is timely furnished to the IRS.

There is no income tax treaty between Panama and the United States.

3.8% Medicare Tax On "Net Investment Income"

Certain U.S. Holders who are individuals, estates or trusts may be required to pay an additional 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of Class E shares.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Bank's Class E shares, subject to certain exceptions (including an exception for Class E shares held in custodial accounts maintained by United States financial institutions) by filing IRS Form 8938 with their annual U.S. federal income tax return. U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations with respect to their ownership and disposition of the Class E shares.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Class E shares. Prospective purchasers should consult their own tax advisors to determine the tax consequences of their particular situations.

Panamanian Taxes

The following is a summary of the principal Panamanian tax consequences arising in connection with the ownership and disposition of the Bank's Class E shares. This summary is based upon the laws and regulations of Panama, as well as court precedents and interpretative rulings, in effect as of the date of this Annual Report, all of which are subject to prospective and retroactive change.

General Principle

The Bank is exempt from income tax in Panama under a special exemption granted to the Bank pursuant to Contract Law 103-78 of July 25, 1978 between Panama and Bladex. In addition, under general rules of income tax in Panama, only income that is deemed to be Panamanian source income is subject to taxation in Panama. Accordingly, since the Bank's income is derived primarily from sources outside of Panama and is not deemed to be Panamanian source income, even in the absence of the special exemption, the Bank would have limited income tax liability in Panama.

Taxation of Distributions

Dividends, whether cash or in kind, paid by the Bank in respect of its shares are also exempt from dividend tax or other withholding under the special exemption described above. In the absence of this special exemption, there would be a 10% withholding tax on dividends or distributions paid in respect of the Bank's registered shares to the extent the dividends were paid from income derived by the Bank from Panamanian sources, and a 5% withholding tax on dividends or distributions paid from income derived by the Bank from non-Panamanian sources.

Taxation of Capital Gains

Since the Class E shares are listed on the NYSE, any capital gains realized by an individual or a corporation, regardless of its nationality or residency, on the sale or other disposition of such shares on the NYSE would be exempted from capital gains taxes in Panama.

F. Dividends and Paying Agents

Not required in this Annual Report.

G. Statement by Experts

Not required in this Annual Report.

H. Documents on Display

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. Information is also available on the Bank's website at: http://www.bladex.com.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure About Market Risk

The Bank’s risk management policies, as approved by the Board from time to time, are designed to identify and control the Bank’s credit and market risks by establishing and monitoring appropriate limits on the Bank’s credit and market exposures. Certain members of the Board constitute the Risk Policy and Assessment Committee and the Finance and Business Committee, which meet on a regular basis and monitor and control the risks in each specific area. At the management level, the Bank has a Risk Management Department that measures and controls overall risk management of the Bank (credit, operational and market risk).

The Bank’s businesses are subject to market risk. The components of this market risk are interest rate risk inherent in the Bank’s financial position, foreign exchange risk, and the price risk in the Bank’s investment securities portfolio.

Interest Rate Risk Management and Sensitivity

The tables below list the notional amounts and weighted interest rates, as of December 31, 2019 and 2018, for derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including the Bank's investment securities, loans, borrowings and placements, interest rate swaps, cross currency swaps and forward currency exchange agreements.

As of December 31, 2019:

	Expected maturity date								
	2020	2021	2022	2023	2024	There-after	Without maturity	Total 2019	Fair value 2019
	($ Equivalent in thousands)								
ASSETS:									
Securities and other financial assets									
Fixed rate									
U.S. Dollars	28,294	34,813	16,533	-	-	-	6,492	86,132	87,310
Average fixed rate	4.29%	4.40%	5.06%	-	-	-	-	4.16%	
Brazilian Real	1,889	-	-	-	-	-	-	1,889	1,889
Average fixed rate	-	-	-	-	-	-	-	-	
Loans									
Fixed rate									
U.S. Dollars	2,454,136	150,292	28,649	13,959	689	8,572	-	2,656,297	2,828,044
Average fixed rate	3.55%	4.45%	4.97%	7.54%	4.00%	4.00%	-	3.64%	
Mexican Peso	96,643	-	-	-	-	-	-	96,643	95,623
Average fixed rate	9.76%	-	-	-	-	-	-	9.76%	
Euro Dollar	4,394	-	-	-	-	-	-	4,394	4,286
Average fixed rate	1.20%	-	-	-	-	-	-	1.20%	
Floating rate									
U.S. Dollars	1,587,324	474,139	531,892	146,517	128,131	105,813	-	2,973,816	3,034,889
Average floating rate	3.63%	5.57%	5.41%	4.65%	4.09%	4.02%	-	4.34%	
Mexican Peso	60,014	47,613	29,010	13,898	5,170	6,142	-	161,847	158,286
Average floating rate	10.33%	10.57%	10.66%	10.79%	11.29%	11.24%	-	10.57%	
LIABILITIES:									
Borrowings and Placements (1)									
Fixed rate									
U.S. Dollars	1,049,567	30,074	-	-	-	-	-	1,079,641	1,082,969
Average fixed rate	2.57%	2.85%	-	-	-	-	-	2.58%	
Mexican Peso	7,242	3,031	52	-	-	-	-	10,325	10,369
Average fixed rate	6.96%	8.22%	8.99%	-	-	-	-	7.34%	
Euro Dollar	-	-	-	-	59,465	-	-	59,465	55,637
Average fixed rate	-	-	-	-	3.54%	-	-	3.54%	
Japanese Yen	-	-	67,831	-	-	-	-	67,831	68,093
Average fixed rate	-	-	0.52%	-	-	-	-	0.52%	
Australian Dollar	21,083	-	-	-	-	-	-	21,083	21,084
Average fixed rate	3.33%	-	-	-	-	-	-	3.33%	
Floating rate									
U.S. Dollars	916,500	495,500	60,000	62,500	-	-	-	1,534,500	1,542,633
Average floating rate	2.23%	2.96%	3.27%	3.14%	-	-	-	2.54%	
Mexican Peso	120,619	1,488	267,336	-	-	-	-	389,443	386,078
Average floating rate	8.08%	9.06%	8.15%	-	-	-	-	8.13%	
INTEREST RATE SWAPS:									
Interest Rate Swaps – Investment Securities									
U.S. Dollars fixed to floating	-	5,000	-	-	-	-	-	5,000	(0.045)

	Expected maturity date								
	2020	**2021**	**2022**	**2023**	**2024**	**There-after**	**Without maturity**	**Total 2019**	**Fair value 2019**
	($ Equivalent in thousands)								
Average pay rate	-	3.25%	-	-	-	-		3.25%	
Average receive rate	-	2.99%	-	-	-	-	-	2/99%	
Interest Rate Swaps – Loans									
U.S. Dollars fixed to floating	-	16,000	-	-	-	-	-	16,000	(0.156)
Average pay rate	-	4.05%	-	-	-	-	-	4.05%	
Average receive rate	-	3.36%	-	-	-	-	-	3.36%	
Interest Rate Swaps – Borrowings									
U.S. Dollars fixed to floating	50,000	25,000	-	-	-	-	-	75,000	0.059
Average pay rate	3.07%	2.71%	-	-	-	-	-	2.83%	
Average receive rate	2.54%	2.81%	-	-	-	-	-	2.72%	
Interest Rate Swaps – Issuances									
U.S. Dollars fixed to floating	350,000	5,000	-	20,000	-	-	-	375,000	(0.988)
Average pay rate	3.55%	3.69%		3.70%	-	-	-	3.66%	
Average receive rate	3.25%	2.85%	-	2.97%	-	-	-	2.01%	
CROSS CURRENCY SWAPS:									
Cross Currency Swaps									
Receive U.S. Dollars	-	-	2,110	8,764	-	-	-	10.874	
U.S. Dollars fixed rate	-	-	-	-	-	-	-		
U.S. Dollars floating rate	-	-	5.62%	5.72%	-	-	-	5.67%	
Pay U.S. Dollars	21,064	-	279,422	-	56,063	-	-	356,549	
U.S. Dollars fixed rate	2.53%	-	-	-	-	-	-	2.53%	
U.S. Dollars floating rate	-	-	2.64%		4.49%	-	-	3.01%	
Receive Mexican Peso	-	-	211,308	-	-	-	-	211,308	
Mexican Peso floating rate	-	-	8.13%	-	-	-	-	8.13%	
Pay Mexican Peso	-	-	2,110	8,764	-	-	-	10,874	
Mexican Peso floating rate	-	-	11%	11.2%				11.1%	
Receive Euro Dollar	-	-	-	-	56,063	-	-	56,063	
Euro Dollar fixed rate	-	-	-	-	3.75%	-	-	3.75%	
Receive Japanese Yen	-	-	68,114	-	-	-	-	68,114	
Japanese Yen fixed rate	-	-	0.52%	-	-	-	-	0.52%	
Receive Australian Dollar	21,064	-	-	-	-	-	-	21.064	
Australian Dollar fixed rate	3.33%	-	-	-	-	-	-	3.33%	
FORWARD CURRENCY EXCHANGE AGREEMENTS:									
Receive U.S. Dollars/ Pay Mexican Pesos	67,299	-	-	-	-	-	-	67,299	(2,55)
Average exchange rate	19.68	-	-	-	-	-	-	19.68	
Receive U.S. Dollars/ Pay Brazilian Reales	2,080	-	-	-	-	-	-	2,080	(0,0234)
Average exchange rate	4.06	-	-	-	-	-	-	4.06	
Receive U.S. Dollars/ Pay Euro Dollars	5,162	-	-	-	-	-	-	5,162	0,624
Average exchange rate	1.29	-	-	-	-	-	-	1.29	

(1) Borrowings and placements include Repos, short and long-term borrowings and debt, gross of prepaid commissions.

As of December 31, 2018:

	Expected maturity date								
	2019	**2020**	**2021**	**2022**	**2023**	**There-after**	**Without maturity**	**Total 2018**	**Fair value 2018**
	($ Equivalent in thousands)								
ASSETS:									
Securities and other financial assets									
Fixed rate									
U.S. Dollars	36,294	10,231	35,237	19,204	-	6,158	8,750	115,874	115,584
Average fixed rate	6.99%	4.86%	4.35%	4.87%	-	9.45%	-	5.25%	
Brazilian Real	6,273	-	-	-	-	-	-	6,273	6,273
Average fixed rate	-	-	-	-	-	-	-	-	
Loans									
Fixed rate									
U.S. Dollars	2,492,636	75,806	24,501	14,304	14,542	7,602	-	2,629,391	2,681,520
Average fixed rate	4.31%	5.90%	6.07%	7.46%	7.40%	4.00%	-	4.41%	
Mexican Peso	67,224	2,800	963	457	-	-	-	71,445	71,532
Average fixed rate	10.37%	9.12%	1050%	12.53%	-	-	-	10.34%	
Euro Dollar	1,521	4,478	-	-	-	-	-	5,999	6,081
Average fixed rate	1.80%	1.20%	-	-	-	-	-	1.35%	
Floating rate									
U.S. Dollars	1,625,047	676,278	329,875	206,623	71,255	4,237	-	2,913,315	3,086.163
Average floating rate	4.35%	4.89%	5.78%	5.39%	5.83%	6.84%	-	4.75%	
Mexican Peso	32,867	50,942	37,242	17,844	10,831	8,548	-	158,274	178,101
Average floating rate	11.20%	11.24%	11.30%	11.29%	11.37%	11.85%	-	11.29%	
LIABILITIES:									
Borrowings and Placements (1)									
Fixed rate									
U.S. Dollars	752,967	374,269	4,831	-	-	-	-	1,132,068	1,095,538
Average fixed rate	2.99%	3.30%	2.95%	-	-	-	-	3.09%	
Mexican Peso	8,448	6,958	2,912	50	-	-	-	18,367	19,990
Average fixed rate	6.54%	6.96%	8.22%	8.99%	-	-	-	6.97%	
Euro Dollar	-	-	-	-	-	60,315	-	60,315	63,212
Average fixed rate	-	-	-	-	-	3.56%	-	3.56%	
Japanese Yen	72,670	-	-	-	-	-	-	72,670	71,969
Average fixed rate	0.46%	-	-	-	-	-	-	0.46%	
Australian Dollar	-	21,143	-	-	-	-	-	21,143	21,371
Average fixed rate	-	3.33%	-	-	-	-	-	3.33%	
Floating rate									
U.S. Dollars	1,303,800	70,000	540,500	60,000	62,500	-	-	2,036,800	2,064,374
Average floating rate	2.99%	3.27%	3.84%	4.03%	3.85%	-	-	3.28%	
Mexican Peso	180,380	15,868	10,022	14,129	-	-	-	220,399	222,308
Average floating rate	9.18%	9.67%	9.62%	9.50%	-	-	-	9.25%	
INTEREST RATE SWAPS:									
Interest Rate Swaps – Investment Securities									
U.S. Dollars fixed to floating	4,500	-	5,000	3,000	-	-	-	12,500	98
Average pay rate	9.75%	-	3.25%	3.88%	-	-	-	5.63%	
Average receive rate	10.41%	-	3.63%	3.84%	-	-	-	5.96%	
Interest Rate Swaps – Loans									
U.S. Dollars fixed to floating	-	50,000	15,333	-	-	-	-	65,333	(55)
Average pay rate	-	5.50%	4.05%	-	-	-	-	4.78%	
Average receive rate	-	5.38%	3.98%	-	-	-	-	4.68%	
Interest Rate Swaps – Borrowings									
U.S. Dollars fixed to floating	337,000	63,000	40,000	-	-	-	-	440,000	(2,776)
Average pay rate	2.60%	2.59%	2.30%	-	-	-	-	2.50%	
Average receive rate	2.81%	2.87%	2.49%	-	-	-	-	2.72%	
Interest Rate Swaps – Issuances									
U.S. Dollars fixed to floating	-	350,000	5,000	-	-	20,000	-	375,000	(6,057)

	Expected maturity date							
	2019	**2020**	**2021**	**2022**	**2023**	**There-after**	**Without maturity**	**Total 2019**
				($ Equivalent in thousands)				
Average pay rate	-	4.39%	4.50%	-	-	3.70%	-	4.20%
Average receive rate	-	3.25%	2.85%	-	-	3.78%	-	3.29%
CROSS CURRENCY SWAPS:								
Cross Currency Swaps								
Receive U.S. Dollars	-	-	-	5,272	-	6,213	-	11,484
U.S. Dollars fixed rate	-	-	-	-	-	-	-	-
U.S. Dollars floating rate	-	-	-	6.24%	-	6.49%	-	6.36%
Pay U.S. Dollars	146,505	23,025	-	-	-	68,768	-	238,297
U.S. Dollars fixed rate	4.12%	2.53%	-	-	-	5.20%	-	3.95%
U.S. Dollars floating rate	3.96%	-	-	-	-	-	-	3.96%
Receive Mexican Peso	73,312	-	-	-	-	-	-	73,312
Mexican Peso floating rate	9.11%	-	-	-	-	-	-	9.11%
Pay Mexican Peso	-	-	-	5,272	-	6,213	-	11,484
Mexican Peso floating rate	-	-	-	10.81%	-	12.03%	-	11.42%
Receive Euro Dollar	-	-	-	-	-	68,768	-	68,768
Euro Dollar fixed rate	-	-	-	-	-	3.75%	-	3.75%
Receive Japanese Yen	73,193	-	-	-	-	-	-	73,193
Japanese Yen fixed rate	0.46%	-	-	-	-	-	-	0.46%
Receive Australian Dollar	-	23,025	-	-	-	-	-	23,025
Australian Dollar fixed rate	-	3.33%	-	-	-	-	-	3.33%
FORWARD CURRENCY EXCHANGE AGREEMENTS:								
Receive U.S. Dollars/ Pay Mexican Pesos	45,160	-	-	-	-	-	-	45,160
Average exchange rate	20.49%	-	-	-	-	-	-	20.49%
Receive U.S. Dollars/ Pay Brazilian Reales	6,183	-	-	-	-	-	-	6,183
Average exchange rate	3.93%	-	-	-	-	-	-	3.93%
Receive U.S. Dollars/ Pay Euro Dollars	1,641	5,162	-	-	-	-	-	6,802
Average exchange rate	1.21%	1.29%	-	-	-	-	-	1.25%
Receive Euro Dollars/ Pay U.S. Dollars	124,349	-	-	-	-	-	-	124,349
Average exchange rate	1.19%	-	-	-	-	-	-	1.19%

(1) Borrowings and placements include Repos, short and long-term borrowings and debt, gross of prepaid commissions.

Although certain assets and liabilities may have similar maturities or periods of re-pricing, they may be impacted in varying degrees by changes in market interest rates. The maturity of certain types of assets and liabilities may fluctuate in advance of changes in market rates, while the maturity of other types of assets and liabilities may lag behind changes in market rates. In the event of a change in interest rates, prepayment and early withdrawal levels could deviate significantly from the maturities assumed in calculating the table above.

Foreign Exchange Risk Management and Sensitivity

The Bank accepts deposits and raises funds principally in U.S. dollars, and makes most loans in U.S. dollars. Currency exchange risk arises when the Bank accepts deposits or raises funds in one currency and lends or invests the proceeds in another. In general, foreign currency-denominated assets are funded with liability instruments denominated in the same currency. In those cases where assets are funded in different currencies, forward foreign exchange or cross-currency swap contracts are used to fully hedge the risk resulting from this cross currency funding, which, though economically hedged, might give rise to some accounting volatility.

The Bank does not run any foreign exchange trading business nor does it maintain open positions in any currencies beyond the minimum operational balances required to run the business of its representative offices and the foreign currency-denominated assets, liabilities and hedging derivative instruments.

Most of the Bank's assets and most of its liabilities are denominated in U.S. dollars and, therefore, the Bank has no significant foreign exchange risk, nor does it hold material open foreign exchange positions. As of December 31, 2019, the Bank had an equivalent of $478 million in non-U.S. dollar financial assets and $478 million of non-U.S. dollar financial liabilities, reflecting a net currency position of $0.3 million. Most of this net currency position came from the Bank's Mexican pesos loan book, which as of December 31, 2019 amounted to the equivalent of $474 million, mostly funded with liabilities denominated in the same currency. The rest of the open position is hedged with derivatives in order to avoid any currency mismatch.

Price Risk Management and Sensitivity

Price risk corresponds to the risk that arises from the volatility in the price of the financial instruments held by the Bank, which may result from observed transaction prices that fluctuate freely according to supply and demand or from changes in the risk factors used for determining prices (interest rates, exchange rates, credit risk spreads, etc.).

The table below lists the carrying amount and fair value of the Investment Portfolio and the interest rate swaps associated with this portfolio as of the dates below:

	As of December 31, 2019		As of December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in $ thousands)			
INVESTMENT SECURITIES				
Securities at amortized cost (1)	75,271	75,271	85,326	85,036
Securities at FVOCI	6,983	6,983	21,798	21,798
Interest rate swaps (2)	(0.0419)	(0.0419)	98	98

(1) As of December 31, 2019 and 2018, amounts do not include the interest receivable of $837 thousand and $1,140 thousand, and the allowance for losses of $113 thousand and $140 thousand, respectively.

(2) As of December 31, 2019 and 2018, includes interest rate swaps that applies for hedge accounting.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

The Bank maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Such controls include those designed to ensure that information for disclosure is accumulated and communicated to the members of the Board and management, as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") evaluated the effectiveness of the Bank's disclosure controls and procedures as of December 31, 2019, and concluded that they were effective as of December 31, 2019.

b) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Management, with the participation and supervision of the Bank's CEO and CFO, has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2019. Such evaluation included (i) the documentation and understanding of the Bank's internal control over financial reporting and (ii) a test of the design and the operating effectiveness of internal controls over financial reporting. This evaluation was the basis of management's conclusions.

Management's evaluation was based on the criteria set forth by the Internal Control-Integrated Framework 2013 of the Committee of Sponsoring Organizations of the Treadway Commission.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Bank's internal control over financial reporting includes policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Bank's transactions and dispositions of its assets;

(2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that the Bank's receipts and expenditures are being made only in accordance with authorizations of the Bank's management and the Board; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on the assessment and criteria described above, the Bank's management concluded that, as of December 31, 2019, the Bank's internal control over financial reporting was effective.

The Bank's independent registered public accounting firm, KPMG, has issued an attestation report on the effectiveness of the Bank's internal control over financial reporting.

c) Attestation Report of the Registered Public Accounting Firm

KPMG
Ave. Samuel Lewis y
Calle 56 Este, Obarrio
Panamá, República de Panamá

Teléfono: (507) 208-0700
Website: kpmg.com.pa

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Banco Latinoamericano de Comercio Exterior, S. A. and subsidiaries' (the Bank) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Bank as of December 31, 2019 and 2018, the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated April 30, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG

Panama City, Republic of Panama
April 30, 2020

d) Changes in Internal Control over Financial Reporting

During the year 2019, the Bank performed an internal project that successfully achieved the adoption of IFRS 16. The Bank's internal controls over financial reporting were adjusted to mitigate key risks for the adoption of IFRS 16. A risk-based analysis was addressed and documented accordingly, which is aligned with the Bank's internal control standards.

There has been no other change in the Bank's internal control over financial reporting during 2019 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

The Board has determined that at least one member of the Audit Committee is an "audit committee financial expert," as defined in the rules enacted by the SEC under the Sarbanes-Oxley Act, Section 303A of NYSE Listed Company Manual, and Rule No. 05-2011, as amended by Rule No. 05-2014, of the Superintendency of Banks of Panama. The Audit Committee's financial expert is Mr. Javier González Fraga, who replaced Mr. Gonzalo Menéndez Duque in such capacity after his passing on June 29, 2019. Mr. González Fraga is independent as defined by the NYSE Listed Company Manual and Item 407 of Regulation S-K.

See Item 6.A., "Directors and Executive Officers."

Item 16B. Code of Ethics

The Bank has adopted a Code of Ethics that applies to the Bank's principal executive officer, principal financial officer and principal accounting officer and was amended in July of 2019 and approved by the Board of Directors in its meetings held on July 16, 2019 to further strengthen the anti-corruption anti-bribery provisions contained therein, specifically referring to compliance with the U.S. Foreign Corrupt Practices Act of 1977. The Bank's Code of Ethics includes the information regarding its corporate governance practices necessary to comply with Section 303A of the NYSE Rules.

A copy of the Bank's amended Code of Ethics is being filed with the SEC as an Exhibit to this Annual Report on Form 20-F for the fiscal year ended December 31, 2019, and may also be found on the Bank's website at https://www.bladex.com/en/corporate-governance (for purposes of Section 406 of the Sarbanes-Oxley Act of 2002).

Item 16C. Principal Accountant Fees and Services

The following table summarizes the fees paid and/or accrued by the Bank for audit services provided by KPMG, as well as fees paid by the Bank for audit-related services provided by KPMG and Deloitte (the Bank's independent registered public accounting firm until 2017).

	As of December 31,	
	2019	**2018**
Audit fees	$ 680,000	$ 684,919
Audit-related fees	185,149	259,671
Tax fees	0	0
All other fees	0	0
Total	**$ 865,149**	**$ 944,590**

The following is a description of the type of services included within the categories listed above:

- Audit fees include aggregate fees billed for professional services rendered by KPMG, for the audit of the Bank's annual financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements.
- Audit-related fees include aggregate fees billed for assurance and related services by KPMG and Deloitte, respectively, that are reasonably related to the performance of the audit or review of the Bank's financial statements and are not reported under the "Audit fees." These services are associated primarily with funding programs as part of the normal course of business of the Bank.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and non-audit services to be provided to the Bank by the Bank's independent accounting firm. All of the services related to the audit fees, audit-related fees, tax fees and all other fees described above were approved by the Audit Committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

The corporate governance practices of the Bank and those required by the NYSE for domestic companies in the United States differ in two significant ways:

First, under Section 303A.04 of the NYSE Rules, a listed company must have a nomination/corporate governance committee comprised entirely of independent directors. However, it is common practice among public companies in Panama, including the Bank, not to have a corporate governance committee. The Bank addresses all corporate governance matters in plenary meetings of the Board, and the Audit Committee has been given the responsibility of improving the Bank's corporate governance practices and monitoring compliance with such practices.

Second, under Section 303A.08 of the NYSE Rules, shareholders must approve all equity compensation plans and material revisions to such plans, subject to limited exceptions. However, under Panamanian law, any contracts, agreements and transactions between the Bank and one or more of its directors or officers, or companies in which they have an interest, only need to be approved by the Board, including equity compensation plans. The Board must inform shareholders of the equity compensation plans and/or material revisions to such plans at the next shareholders' meeting and shareholders may revoke the Board's approval of the equity compensation plans and/or material revisions to such plans at such meeting.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

The Bank is providing the financial statements and related information specified in Item 18.

Item 18. Financial Statements

List of Consolidated Financial Statements

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Item 19. Exhibits

List of Exhibits

Exhibit 1.1.	Amended and Restated Articles of Incorporation
Exhibit 1.2.	By-Laws
Exhibit 2.1.	Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934
Exhibit 8.1.	List of Subsidiaries
Exhibit 11.1	Code of Ethics
Exhibit 12.1.	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a – 14(a) and 15d – 14(a)
Exhibit 12.2.	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a – 14(a) and 15d – 14(a)
Exhibit 13.1.	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
Exhibit 13.2.	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

/s/ Jorge Salas

Chief Executive Officer

April 30, 2020

EXHIBIT INDEX

Exhibit

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

Consolidated Financial Statements
as of December 31, 2019

(With the Reports of Independent Registered Public Accounting Firm)

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

Consolidated Financial Statements

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KPMG
Ave. Samuel Lewis y
Calle 56 Este, Obarrio
Panamá, República de Panamá

Teléfono: (507) 208-0700
Website: kpmg.com.pa

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated *Financial Statements*

We have audited the accompanying consolidated statements of financial position of Banco Latinoamericano de Comercio Exterior, S.A. and subsidiaries (the Bank) as of December 31, 2019 and 2018, the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Bank's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 30, 2020 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses

As discussed in Notes 4.4 and 5 to the consolidated financial statements, the Bank's allowance for loan losses (ALL) was $99,307 thousand as of December 31, 2019. The Bank applies a three-stage approach to measure the ALL, using an expected credit loss (ECL) methodology. The ECL methodology uses complex models which incorporate inputs and assumptions that involve significant judgment. The ALL is determined as a function of the Bank's assessment of the probability of default (PD), loss given default (LGD) and exposure at default (EAD) associated with the financial asset. It reflects a probability weighted outcome that considers the customer's credit risk rating, the country risk rating, which contemplates multiple economic scenarios, and historical recovery rates. When the Bank determines that there has been a significant increase in credit risk (SICR) since initial recognition or when the financial asset is in default, lifetime ECL is recorded; otherwise, a 12-month ECL is recorded. When the financial asset is in default, the Bank assesses ECL on an individual basis, considering the expected cash flows, discount rates and related collateral valuation.

We identified the assessment of the ALL as a critical audit matter because it involved significant measurement uncertainty requiring substantial auditor judgment, as well as industry knowledge and experience. Significant auditor judgment was required to evaluate the criteria for identifying a SICR, the occurrence of events of default and the Bank's ECL models. Specifically, this included the models for customer and country risk ratings, including the macro-economic forecasts embedded therein, PD and LGD. When assessing the ECL on an individual basis, significant auditor judgment was required to evaluate the expected cash flows, including the recovery through collateral.

The primary procedures we performed to address this critical audit matter included the following:

— We tested certain internal controls over the Bank's ALL process with the involvement of our financial risk management, credit risk and information technology professionals with specialized skills, industry knowledge and relevant experience. These included controls related to: (i) the validation of models that determine PD and LGD; (ii) the review of significant assumptions and judgments used by the Bank to determine customer and country risk ratings, including the forecast macro-economic variables; (iii) the identification of whether there has been SICR or an event of default; (iv) data inputs into the ALL models, including technology controls over its extraction and processing; (v) loan reviews to determine customer credit risk ratings; and (vi) country risk rating reviews.

— We involved financial risk management professionals with specialized skills, industry knowledge and relevant experience, who assisted in: (i) evaluating the methodology and key inputs used in determining the PD and LGD parameters produced by the models; (ii) evaluating the country risk rating models, including the forecast macro-economic variables.

— We involved credit risk professionals with specialized skills, industry knowledge and relevant experience, who assisted in: (i) evaluating, for a sample of customers, the Bank's assigned credit risk rating, and the Bank's judgment on whether there was a SICR or an event of default; and (ii) evaluating the collateral values used in the assessment of ECL on an individual basis.

We have served as the Bank's auditor since 2018.

/s/ KPMG

Panama City, Republic of Panama
April 30, 2020

Deloitte.

Deloitte, lnc.
Contadores Públicos Autorizados
RUC 16292-152-155203 D.V. 65
Torre Banco Panamá, piso 12
Avenida Boulevard y la Rotonda
Costa del Este, Panamá
Apartado 0816-01558
Panamá, Rep. de Panamá

Teléfono: (507) 303-4100
Fax: (507) 269-2386
infopanama@deloitte.com
www.deloitte.com/pa

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year ended December 31, 2017 of Banco Latinoamericano de Comercio Exterior, S.A. and subsidiaries (the "Bank") and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, such consolidated financial statements present fairly, in all material respects, the results of their operations and their cash flows for the year ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the Bank's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte

April 30, 2018 (April 30, 2019 as to the effects of reclassifications and non-material error corrections in the 2017 financial statements)

Panama, Republic of Panama

We began serving as the Bank’s auditor in 2007. In 2018 we became the predecessor auditor.

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

Consolidated statement of financial position
December 31, 2019
(In thousands of US dollars)

	Notes	2019	2018
Assets			
Cash and due from banks	7,8	1,178,170	1,745,652
Securities and other financial assets, net	5,7,9	88,794	123,598
Loans		5,892,997	5,778,424
Interest receivable		41,757	41,144
Allowance for loan losses		(99,307)	(100,785)
Unearned interest and deferred fees		(12,114)	(16,525)
Loans, net	5,7,10	5,823,333	5,702,258
Customers' liabilities under acceptances	5,7	115,682	9,696
Derivative financial instruments - assets	5,7,13	11,157	2,688
Equipment and leasehold improvements, net	15	18,752	6,686
Intangibles, net	16	1,427	1,633
Investment properties		3,494	—
Other assets	17	8,857	16,974
Total assets		7,249,666	7,609,185
Liabilities and Equity			
Liabilities:			
Demand deposits		85,786	211,381
Time deposits		2,802,550	2,759,441
	7,18	2,888,336	2,970,822
Interest payable		5,219	12,154
Total deposits		2,893,555	2,982,976
Securities sold under repurchase agreements	5,7,19	40,530	39,767
Borrowings and debt, net	7,20	3,138,310	3,518,446
Interest payable		10,554	13,763
Customers' liabilities under acceptances	5,7	115,682	9,696
Derivative financial instruments - liabilities	5,7,13	14,675	34,043
Allowance for loan commitments and financial guarantees contracts losses	5,7	3,044	3,289
Other liabilities	21	17,149	13,615
Total liabilities		6,233,499	6,615,595
Equity:			
Common stock	23	279,980	279,980
Treasury stock	23	(59,669)	(61,076)
Additional paid-in capital in excess of value assigned to common stock	23	120,362	119,987
Capital reserves	31	95,210	95,210
Regulatory reserves	31	136,019	136,019
Retained earnings		446,083	423,050
Other comprehensive income (loss)	24	(1,818)	420
Total equity		1,016,167	993,590
Total liabilities and equity		7,249,666	7,609,185

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

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

Consolidated statements of profit or loss
For the year ended December 31, 2019
(In thousands of US dollars, except per share data and number of shares)

	Notes	2019	2018	2017
Interest income:				
Deposits		17,011	15,615	10,261
Securities		3,209	2,899	2,492
Loans		253,462	239,976	213,326
Total interest income	26	273,682	258,490	226,079
Interest expense:				
Deposits		(67,435)	(63,146)	(42,847)
Borrowings and debt		(96,732)	(85,601)	(63,417)
Total interest expense	26	(164,167)	(148,747)	(106,264)
Net interest income		109,515	109,743	119,815
Other income (expense):				
Fees and commissions, net	25	15,647	17,185	17,514
Loss on financial instruments, net	12	(1,379)	(1,009)	(739)
Other income, net		2,874	1,670	1,723
Total other income, net	26	17,142	17,846	18,498
Total revenues		126,657	127,589	138,313
Impairment loss on financial instruments	5,26	(430)	(57,515)	(9,439)
Gain (impairment loss) on non-financial assets	14,26	500	(10,018)	—
Operating expenses:				
Salaries and other employee expenses	28	(24,179)	(27,989)	(27,653)
Depreciation of equipment and leasehold improvements	15	(2,854)	(1,282)	(1,578)
Amortization of intangible assets	16	(702)	(1,176)	(838)
Other expenses	29	(12,939)	(18,471)	(16,806)
Total operating expenses	26	(40,674)	(48,918)	(46,875)
Profit for the year		86,053	11,138	81,999
Per share data:				
Basic earnings per share (in US dollars)	22	2.17	0.28	2.09
Diluted earnings per share (in US dollars)	22	2.17	0.28	2.08
Weighted average basic shares (in thousands of shares)	22	39,575	39,543	39,311
Weighted average diluted shares (in thousands of shares)	22	39,575	39,543	39,329

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

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

Consolidated statements of comprehensive income
For the year ended December 31, 2019
(In thousands of US dollars)

	Notes	2019	2018	2017
Profit for the year		86,053	11,138	81,999
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Change in fair value on equity instrument at FVOCI, net of hedging	24	491	(1,224)	187
Items that are or may be reclassified subsequently to profit or loss:				
Change in fair value on debt financial instruments at FVOCI, net of hedging	24	(2,694)	2,667	(3,948)
Reclassification of gains (losses) on financial instruments to the profit or loss	24	261	(1,704)	7,035
Exchange difference in conversion of foreign currency operation	24	(296)	(1,282)	1,490
Other comprehensive income (loss)	24	(2,238)	(1,543)	4,764
Total comprehensive income for the year		83,815	9,595	86,763

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

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

Consolidated statements of changes in equity
For the year ended December 31, 2019
(In thousands of US dollars)

	Common stock	Treasury stock	Additional paid-in capital in excess of value assigned to common stock	Capital reserves	Regulatory reserves	Retained earnings	Other comprehensive income	Total equity
Balances at January 1, 2017	279,980	(69,176)	120,594	95,210	62,459	525,048	(2,801)	1,011,314
Profit for the year	—	—	—	—	—	81,999	—	81,999
Other comprehensive income	—	—	—	—	—	—	4,764	4,764
Issuance of restricted stock	—	1,259	(1,229)	—	—	—	—	30
Compensation cost - stock options and stock units plans	—	—	296	—	—	—	—	296
Exercised options and stock units vested	—	4,697	280	—	—	—	—	4,977
Repurchase of “Class B” and “Class E” common stock	—	(28)	—	—	—	—	—	(28)
Regulatory credit reserve	—	—	—	—	1,865	(1,865)	—	—
Dymanic provision	—	—	—	—	64,930	(64,930)	—	—
Dividends declared	—	—	—	—	—	(60,540)	—	(60,540)
Balances at December 31, 2017	279,980	(63,248)	119,941	95,210	129,254	479,712	1,963	1,042,812
Profit for the year	—	—	—	—	—	11,138	—	11,138
Other comprehensive income (loss)	—	—	—	—	—	—	(1,543)	(1,543)
Issuance of restricted stock	—	1,259	(1,259)	—	—	—	—	—
Compensation cost - stock options and stock units plans	—	—	1,051	—	—	—	—	1,051
Exercised options and stock units vested	—	3,355	254	—	—	—	—	3,609
Repurchase of “Class B” and “Class E” common stock	—	(2,442)	—	—	—	—	—	(2,442)
Regulatory credit reserve	—	—	—	—	(20,498)	20,498	—	—
Dymanic provision	—	—	—	—	27,263	(27,263)	—	—
Dividends declared	—	—	—	—	—	(61,035)	—	(61,035)
Balances at December 31, 2018, previously reported	279,980	(61,076)	119,987	95,210	136,019	423,050	420	993,590
Effect for change in accounting policy	—	—	—	—	—	(1,926)	—	(1,926)
Balances at January 1, 2019, adjusted	279,980	(61,076)	119,987	95,210	136,019	421,124	420	991,664
Profit for the year	—	—	—	—	—	86,053	—	86,053
Other comprehensive income (loss)	—	—	—	—	—	—	(2,389)	(2,389)
Transfer of fair value on equity instrument at FVOCI						(151)	151	—
Issuance of restricted stock	—	1,259	(1,259)	—	—	—	—	—
Compensation cost - stock options and stock units plans	—	—	1,782	—	—	—	—	1,782
Exercised options and stock units vested	—	148	(148)	—	—	—	—	—
Dividends declared	—	—	—	—	—	(60,943)	—	(60,943)
Balances at December 31, 2019	279,980	(59,669)	120,362	95,210	136,019	446,083	(1,818)	1,016,167

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

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

Consolidated statement of cash flows
For the year ended December 31, 2019
(In thousands of US dollars)

	2019	2018	2017
Cash flows from operating activities			
Profit for the year	86,053	11,138	81,999
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation of equipment and leasehold improvements	2,854	1,282	1,578
Amortization of intangible assets	702	1,176	838
Gain on sale of investment properties	(500)	—	—
Impairment loss on financial instruments	430	57,515	9,439
(Gain) loss, net on sale of financial assets at fair value through OCI	(186)	(194)	(249)
Amortization of premium and discount related to securities at amortized cost	1,037	698	732
Compensation cost - share-based payment	1,782	1,051	296
Net changes in hedging position	(18,273)	12,403	(1,833)
Loss for disposal of equipment and leasehold improvements	22	24	2,205
Loss for derecognition of intangible assets	—	2,705	16
Impairment on investment properties at fair value through profit or loss	—	3,849	—
Impairment loss on other assets	—	3,464	—
Unrealized loss on investment instrument “debenture” measured at fair value through profit or loss	2,258	—	—
Interest income	(273,682)	(258,490)	(226,079)
Interest expense	164,167	148,747	106,264
Net decrease (increase) in operating assets:			
Pledged deposits	21,008	13,781	8,571
Loans	(111,967)	(305,464)	479,226
Other assets	7,891	(6,449)	(269)
Net increase (decrease) in operating liabilities:			
Due to depositors	(78,822)	41,978	125,992
Financial liabilities at fair value through profit or loss	—	—	(24)
Other liabilities	3,074	(6,432)	(4,695)
Cash flows provided by (used in) operating activities	(192,152)	(277,218)	584,007
Interest received	274,031	242,276	239,394
Interest paid	(174,311)	(138,646)	(107,051)
Net cash (used in) provided by operating activities	(92,432)	(173,588)	716,350
Cash flows from investing activities:			
Acquisition of equipment and leasehold improvements	(1,028)	(603)	(2,654)
Acquisition of intangible assets	(496)	(58)	(3,370)
Proceeds from the sale in investment properties	500	1,270	—
Proceeds from the sale of securities at fair value through OCI	14,037	—	17,040
Proceeds from the redemption of securities at fair value through OCI	8,094	4,635	—
Proceeds from redemption of securities at amortized cost	28,274	9,807	17,526
Purchases of securities at fair value through OCI	—	(9,875)	(8,402)
Purchases of securities at amortized cost	(18,316)	(26,701)	(9,978)
Net cash provided by (used in) investing activities	31,065	(21,525)	10,162
Cash flows from financing activities:			
Increase in securities sold under repurchase agreements	764	39,767	—
Net increase (decrease) in short-term borrowings and debt	(428,611)	950,259	(396,205)
Proceeds from long-term borrowings and debt	371,536	609,017	219,905
Repayments of long-term borrowings and debt	(368,843)	(256,173)	(883,476)
Payments of leases liabilities	(1,072)	—	—
Dividends paid	(58,881)	(61,539)	(60,605)
Exercised stock options	—	3,609	4,977
Repurchase of common stock	—	(2,442)	(27)
Net cash (used in) provided by financing activities	(485,107)	1,282,498	(1,115,431)
(Decrease) increase net in cash and cash equivalents	(546,474)	1,087,385	(388,919)
Cash and cash equivalents at beginning of the year	1,706,192	618,807	1,007,726
Cash and cash equivalents at end of the year	1,159,718	1,706,192	618,807

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

1. Corporate information

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

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

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

Bladex Head Office's subsidiaries are the following:

- Bladex Holdings Inc. is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Bladex Holdings Inc. has ownership in Bladex Representaçao Ltda.

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

- Bladex Development Corp. was incorporated under the laws of the Republic of Panama on June 5, 2014. Bladex Development Corp. is 100% owned by Bladex Head Office.

- BLX Soluciones, S.A. de C.V., SOFOM, E.N.R.("BLX Soluciones") was incorporated under the laws of Mexico on June 13, 2014. BLX Soluciones is 99.9% owned by Bladex Head Office, and Bladex Development Corp. owns the remaining 0.1%. The company specializes in offering financial leasing and other financial products such as loans and factoring.

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 7, 2020.

2. Basis of preparation of the consolidated financial statements

2.1 Statement of compliance

The consolidated financial statements of Banco Latinoamericano de Comercio Exterior, S. A. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 Presentation currency

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

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items:

Items	Basis of measurement
Securities and other financial instruments at fair value through other comprehensive income	Fair value
Other financial instruments at fair value through profit or loss	Fair value
Financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships	At amortized cost adjusted for the hedge risk components associated to the hedging relationship
Investment properties	Fair value

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of Bladex and its subsidiaries. Bladex consolidates its subsidiaries from the date on which control is transferred to the Bank. All intercompany balances and transactions have been eliminated on consolidation. Specifically, the Bank controls an investee if, and only if, the Bank has the following elements:

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

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

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

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of the financial statements of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies.

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

2.4 Basis of consolidation

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

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

3. Changes in significant accounting policies

3.1 New accounting policies adopted

Leases under IFRS 16

The Bank applied IFRS 16 with effective date of initial application on January 1, 2019. As a result, the Bank has changed its accounting policy for lease contracts using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019.

Accounting policy applicable as of January 1, 2019:

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset –this may be specified explicitly or implicitly; and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.

- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.

- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:

  - The Bank has the right to operate the asset; or
  - The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or modified, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for lease agreements of office spaces in buildings in which the Bank is a lessee, it chose not to separate the components of the contract that do not correspond to the lease and to account for all of them under a single lease component.

3. Changes in significant accounting policies (continued)

3.1 New accounting policies adopted

A. Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Bank assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.1.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

B. As a lessee

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognizes right-of-use assets and lease liabilities for most leases. These leases are presented in the consolidated statement of financial position.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank´s internal funding cost rate as at January 1, 2019. The right-of-use assets are measured at their book value as if IFRS 16 had been applied since the inception date, by discounting total lease payments to present value using the Bank’s internal funding cost rate, for the weighted average term of the contract, adjusted for any prepayment, incremental cost, dismantling cost and depreciation that would have been recognized from the beginning of the contract until the date of implementation of the standard.

The right-of-use asset is subsequently depreciated using the straight-line method from the inception date until the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if applicable, and is adjusted for certain new measurements of the lease liability. The Bank presents its right of use assets in equipment and improvements to the leased property and the liability for lease in obligations and debt, net in the consolidated statement of financial position.

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- For lease contracts with similar characteristics, the internal funding cost rate of the Bank was applied, according to the average term of the lease.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term, for those contracts that included the option to extend or rescind the lease.

C. As a lessor

The Bank does not require to make any adjustments on transition of IFRS 16 for its leases like a lessor, except when acting as an intermediate lessor. The Bank accounted its leases in accordance with IFRS 16 on the date of initial application.

Under IFRS 16, the Bank should the evaluate the classification of the sublease by reference to the right-of-use assets, and not by reference to the underlying asset. At transition, the Bank revalued the classification of a sublease contract previously classified as an operating lease under IAS 17. The Bank concluded that the sublease is an operating lease under IFRS 16.

On transition to IFRS 16, the right-of-use assets recognized as a result of lease agreements that qualify as investment property are presented in the consolidated statement of financial position and are measured at fair value.

The Bank applied IFRS 15 to revenue from contracts with customers to assign the consideration in the contract to each lease component and that is not a lease.

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

3. Changes in significant accounting policies (continued)

3.1 New accounting policies

Impacts on consolidated financial statements

In transition to IFRS 16, the Bank recognized right-of-use assets and lease liabilities, recognizing the difference in retained earnings.

The impact of transition is as follows:

	January 1, 2019
Right-of-use assets presented in equipment and improvements to leased property	17,435
Deferred liability loss under the methodology of IAS 17	1,604
Leases liabilities	(20,965)
Decrease in retained earnings	1,926

When measuring the lease liabilities, the Bank discounted the lease payments using its internal funding cost rate at January 1, 2019. The weighted average rate applied is 4.81%.

	January 1, 2019
Operating lease commitment disclosed as at December 31, 2018	16,790
Extensions and termination options that are reasonably true of being exercised	11,160
	27,950
Discounted lease liabilities using the internal funding cost rate as at January 1, 2019	20,965

Accounting policy applicable until December 31, 2018:

Leases under NIC 17

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

a. Banks as a lessee

Leases where the lessor does not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases.

Collections from operating leases are recognized as an income in profit or loss using the straight-line method during the lease term.

b. Bank as a sub-lessor

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

3. Changes in significant accounting policies (continued)

3.2 New accounting policies and amendments not yet adopted

In September 2019, the IASB (International Accounting Standards Board) finalized the Phase 1 of the Project of IBOR Reform and issued the document Interest Rate Benchmark Reform (“the Reform”), which contains amendments to IFRS 9 Financial Instruments; to the IAS 39 Financial Instruments: Recognition and Measurement; and IFRS 7 Financial Instruments: Disclosures, as a first reaction to the potential effects the IBOR reform could have on financial reporting to the entities that report IFRS. These amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The following summarizes the changes that are made to the Amendments (amendments to IFRS 9, IAS 39 and IFRS 7):

a. Modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of the Reform;

b. Are mandatory for all hedging relationships that are directly affected by the Reform;

c. Are not intended to provide relief from any other consequences arising from the Reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and

d. Require specific disclosures about the extent to which the entities’ hedging relationships are affected by the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively, early application is permitted. The Bank is evaluating possible impact scenarios for its hedging positions, considering the Reform, mainly in those whose maturity exceeds the deadline of the Reform.

4. Significant accounting policies

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

4.1 Currency and foreign currency transactions

Foreign currency transactions

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

Transactions and balances

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate effective at the date on which fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate effective at the date of the transaction.

4. Significant accounting policies (continued)

Transactions whose terms are denominated in a currency other than the functional currency, including transactions denominated in local currency of foreign entities whose functional currency is the US dollar, are recorded at the exchange rate prevailing at the date of the transaction. Assets and liabilities in foreign currency are translated into US dollars using month-end spot foreign exchange rates. The effects of translation of monetary assets and liabilities into US dollar are included in current year's earnings on the line "gain (loss) on financial instruments, net" in profit or loss.

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

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Bank disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is attributed to non-controlling interest.

4.2 Interest

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL). For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not credit-impaired, or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market interest rates.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4. Significant accounting policies (continued)

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income and interest expense calculated using the effective interest method presented in the consolidated statement of profit or loss includes:

- Interest on financial assets and financial liabilities measured at amortized cost
- Interest on securities measured at fair value through other comprehensive income

Other interest income and expense presented in the consolidated statement of profit or loss includes:

- Interest expense on lease liabilities
- The effective portion of the variability in interest cash flow changes in qualifying hedging derivatives, in the same period as the hedged cash flows affect interest income/expense

4. Significant accounting policies (continued)

4.3 Fees and commissions

Fees, commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are described in note 4.2

Other fees and commissions are recognized as the related services are performed based on the contractual terms set with a customer.

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

Type of services	**Nature and timing of satisfaction of performance obligations, including significant payment termsLetters**
Letter of Credit	
Opening	Guarantee to honor the estipulated amount agreed to in the terms and conditions entered into with the customer, upon presentation of required documentation.
Negotiations	Review of the shipping documents, by the beneficiary,under presentation and acceptance of payment on demand or on the day the reimbursement is made by the designated bank.
Acceptance	Commitment issued to the beneficiary to pay to a supplier in a future date, once all the shipping documents have been reviewed as to compliance with the terms and conditions of the letter of credit.
Confirmation	Commitment issued to the issuer bank and the beneficiary to honor or negotiate shipping documents.
Amendment	A request to amend the original letter of credit on behalf of the beneficiary modifying the original terms and conditions.
Syndications	
Structuring	Advise to the borrower by structuring the terms and conditions of a credit facility, and coordinating among the lenders' and the borrowers' legal counsel all legal aspects relating to the credit facility, among others.
Other Services	
Other	Assignment of rights, transferability, reimbursements, payments, discrepancies, courier charges and transfers.

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities

A. Date of recognition and initial measurement

The Bank initially recognizes loans, deposits, securities and financial liabilities on the trade date, the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

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

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

B. Classification

The Bank classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss based on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of these financial assets, except for those designated as hedged items in qualifying fair value hedging relationships, which are measured at amortized cost adjusted for the hedge risk components associated to the hedging relationship.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI).

A debt instrument is measured at fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI

Unrealized gains or losses for financial assets at FVOCI are reported as net increases or decreases in other comprehensive income in the consolidated statement of changes in equity until realized. The gains or losses realized on the sale of securities, which are included in the gain (loss) on the sale of financial instruments, are determined individually for each instrument. Exchange gains or losses are recognized in gains or losses.

For an equity instrument designated as measured at FVOCI, the accumulated gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss but is transferred within equity to retained earnings.

The rest of financial assets are classified at FVTPL.

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

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

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

The Bank classifies all financial liabilities as subsequently measured at amortized cost, except for those liabilities designated as hedged items in qualifying fair value hedging relationships, which are measured at amortized cost adjusted for the hedge risk components associated to the hedging relationship.

C. Business model assessment

The Bank assesses the objective of the business model in which the financial asset is held at a portfolio level, because this reflects the way the business is managed, and information is provided to management. The information considers the following:

- The Bank’s policies and objectives for the portfolio and the operation of those policies in practice. In particular, if the management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Bank’s management;

- The risks that affect the performance of the business model and how those risks are managed;

- The frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realized.

The Bank’s Commercial business comprises primarily the loan portfolio that is held for collecting contractual cash flows. Sales of loans from theses portfolios are very infrequent and lower volume.

Certain debt securities are held by the Bank’s Treasury business whose objective is to hold assets to collect the contractual cash flows. These securities may be sold, but such sales are not expected to be more than infrequent. Additionally, certain other debt securities are held in separate portfolios within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Accordingly, such sales are comprehensive rather than incidental and consequently implies a higher frequency and volume of sale.

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

At the initial recognition of a financial asset, it is determined whether the newly recognized financial asset is part of an existing business model or whether it reflects the start of a new business model. The Bank reassesses its business model at each reporting date to determine whether business models have changed since the previous reporting date.

For the current and previous reporting dates, the Bank has not identified a change in its business model.

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

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

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding at a point in time and for other basic lending risks and costs as well as profit margin.

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

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, so that it would not meet this condition. In making the assessment, the Bank considers the following:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

E. Reclassification

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

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

F. Derecognition of financial assets and financial liabilities

Financial assets

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

Upon derecognition of a financial asset, the difference between the carrying amount of the derecognized asset, and the sum of the consideration received and any accumulated gain or loss that has been recognized in other comprehensive income is recognized in the consolidated financial statement of profit or loss.

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

Any accumulated gain or loss recognized in other comprehensive income regarding equity instruments designated at fair value with changes in other comprehensive income is not recognized in the consolidated statement of profit or loss. Any interest in the transfer of a financial assets that qualify for derecognition, booked or held by the Bank is recognized as a separate asset or liability.

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is extinguished, when the obligation specified in the contract is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

G. <u>Modified financial asset or liability</u>

Financial assets

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

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

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

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

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

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

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

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

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

- Continue with its current accounting treatment for the existing financial asset 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 financial asset'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 financial asset that is modified is not automatically considered to have a lower credit risk. The assessment should consider credit risk over the expected life of the asset based on historical and forward-looking information, including information about the circumstances that led to the modification. Evidence that the criteria for the recognition of lifetime expected credit losses are subsequently no longer met may include a history of up-to-date and timely payment in subsequent periods. A minimum period of observation will be necessary before a financial asset may qualify to return to a 12-month expected credit loss measurement.
- Make the appropriate quantitative and qualitative disclosures required for renegotiated or modified assets to reflect the nature and the effect of such modifications (including the effect on the measurement of expected credit losses) and how the Bank monitors these financial assets that have been modified.

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

Financial Liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in the consolidated financial statement of profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

H. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Generally, this is not the case with a contractual compensation agreement; therefore, related assets and liabilities are presented with their gross amounts in the consolidated statement of financial position.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions.

I. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction, between market participants at the measurement date or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

J. Allowances for losses on financial instruments

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

The Bank assigns to each exposure a risk rating which is defined using quantitative and qualitative factors that are indicative of the risk 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.

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

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

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

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

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

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

i) Measurement of expected credit losses

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

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

Internal rating	12 - month average PD (1) %	External rating (2)	Description
1 - 4	0.09	Aaa – Ba1	Exposure in customers or countries with payment ability to satisfy their financial commitments.
5 - 6	2.35	Ba2 – B3	Exposure in customers or countries with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	7.90	Caa1 - Caa3	Exposure in customers whose primary source of payment (operating cash flow) is inadequate, and who show evidence of deterioration in their working capital that does not allow them to satisfy payments on the agreed terms, or in countries where the operation carries certain risks.
8 - 9	30.67	Ca	Exposure in customers whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms, or in countries where the operation is limited or restricted to certain terms, structure and types of credits.
10	100	C	Exposure in customers with operating cash flow that does not cover their costs, are in suspension of payments, presumably will also have difficulties fulfilling possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

(1) Probability of default
(2) Credit rating by Moody's Investors Service.

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

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

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

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

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

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

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 are lower than the carrying value of that credit. The formula-based component (collective assessment basis), covers the Bank’s performing credit portfolio and it is established based on a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management’s qualitative judgment. This assessment considers comprehensive information that incorporates not only past-due data, but other relevant credit information, such as forward looking macro-economic information.

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

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

- <u>Individually Assessed</u>

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

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

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

- Collectively Assessed

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

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

ii) Definition of Default

The Bank considers a financial asset to be in default when it presents any of the following characteristics:

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

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

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

iii) Significant increase in credit risk

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

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

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

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

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

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

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

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

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

In order to determine whether there has been a significant increase in the credit risk of the financial instrument, the assessment is based on quantitative information and qualitative information.

The Bank considers the following factors, among others, when measuring significant increase in credit risk:

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

Additionally, management also applies complementary judgment to capture elements of prospective nature or loss expectations based on risks identified in the environment that are not necessarily reflected in the historical data.

4. Significant accounting policies (continued)

4.4 Financial assets and liabilities (continued)

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

Reserves = ∑(E x PD x LGD); where:

- Exposure (E) = the total accounting balance at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio to account for 12-month ECL and lifetime probability of default to account for more than 12-month ECL. Default rates are based on Bladex's historical portfolio performance per rating category, in addition to international rating agency's probabilities of default for categories 6, 7 and 8, in view of the greater robustness of data for such cases.
- Loss Given Default (LGD) = a factor is applied, based on historical information, as well as best practices in the banking industry, volatility and simulated scenarios based on forward-looking information. Management applies judgment and historical loss experience.

K. Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. 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.

4.5 Derivative financial instruments for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the consolidated statement of financial position. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain/loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Policy applicable for all hedging relationships

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated.

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

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

4. Significant accounting policies (continued)

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

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

Derivatives held for trading purposes include interest rate swaps, cross-currency swaps and foreign exchange forward contracts used for risk management purposes that do not qualify for hedge accounting. These derivatives are reported as asset or liabilities, as applicable. Changes in realized and unrealized gains and losses from these financial instruments are recognized as gains or losses on financial instruments.

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

i) Hedge accounting relationship

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

ii) Hedge ratio

The hedge ratio is the ratio between the amount of hedged item and the amount of the hedging instrument. For most of the hedging relationships, the hedge ratio is 1:1 as the underlying of the hedging instrument perfectly matches the designated hedged risk. For a hedging relationship with a correlation between the hedged item and the hedging instrument that is not 1:1 relationship, generally set the hedge ratio so as to adjust for the type of relation in order to improve effectiveness.

iii) Discontinuation of hedge accounting

The Bank discontinues hedge accounting prospectively in the following situations:

1. It is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item.
2. The derivative expires or is sold, terminated or exercised.
3. It is determined that designation of the derivative as a hedging instrument is no longer appropriate.

The Bank carries all derivative financial instruments in the consolidated statement of financial position at fair value.

4. Significant accounting policies (continued)

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

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk, except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognized in OCI. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

If the hedge relationship is terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively and the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment where hedging gains/losses are recognized in profit or loss; they are recognized in the same line as the hedged item.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of variability in cash flows attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in OCI and recognized in profit or loss when the hedged cash flows affect earnings. The ineffective portion is recognized in profit or loss as loss on financial instruments, net. If the cash flow hedge relationship is terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively and the related amounts in OCI are reclassified into profit or loss when hedged cash flows occur.

Net investment hedges

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

4.6 Cash and cash equivalents

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

4.7 Loans

Loans are reported at their amortized cost in the consolidated statement of financial position, considering the principal outstanding amounts and interest receivable net of unearned interest, deferred fees and allowance for expected credit losses. The loans recognized and designated as hedged items in qualifying fair value hedging relationships, are measured at amortized cost adjusted for the hedge risk components associated to the hedging relationship.

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

4. Significant accounting policies (continued)

4.8 Securities and other financial assets

Securities and other financial assets caption in the statement of financial position includes:

- Debt investment securities measured at amortized cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- Debt and equity investment securities measured at FVOCI; and
- Debt investment securities measured at FVTPL

4.9 Deposits, borrowings and repurchase agreements

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

Repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase that security (or an asset that is substantially identical) at a fixed price on a future date. The Bank continues to recognize the securities in their entirety in the consolidated statement of financial position because it retains substantially all the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price.

Because in the repurchase agreements the Bank sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

4.10 Loan commitments and financial guarantee contracts

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

The Bank, on behalf of its client’s base, issues, confirms and advises letters of credit to facilitate foreign trade transactions. When issuing, confirming and advising letters of credit, the Bank adds its own unqualified assurance that the Bank will pay upon presentation of complying documents as per the terms and conditions established in the letter of credit. The Bank also issues, confirms and advises stand-by letters of credit and guarantees, which are issued on behalf of institutional clients in connection with financing between its clients and third parties. The Bank applies the same credit policies used in its lending process, and once the commitment is issued, it becomes irrevocable and remains valid until its expiration upon the presentation of complying documents on or before the expiry date.

Credit commitments

Commitments to extend credit are binding legal agreements to lend to customers. Commitments generally have fixed expiration dates or other termination clauses and require payment of a fee to the Bank. As some commitments expire without being drawn on, the total commitment amounts do not necessarily represent future cash requirements.

4.11 Equipment and leasehold improvements

Equipment and leasehold improvements are stated at cost excluding the costs of day–to–day maintenance, less accumulated depreciation and impairment losses. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of assets and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

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

4. Significant accounting policies (continued)

4.11 Equipment and leasehold improvements (continued)

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

Right-of-use assets arising from IFRS 16 are included within this caption. The corresponding accounting policy regarding recognition and subsequent measurement is set out in Note 3.1.

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

4.12 Investment property

Property that is held with the intention of generating a return on rent, capital appreciation or under operating lease contracts and that are not occupied by the Bank, are classified as investment properties. Investment properties are initially measured at cost including all costs related to the transaction and, when applicable, the costs associated with their financing, except for those investment properties derived from sublease contracts recognized under IFRS 16 which are recognized at fair value. Subsequent to initial recognition, investment properties are measured at fair value.

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

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

Subsequent expenditure is capitalized to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost of the item can be measured reliably.

All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Changes in fair value are recognized in profit or loss. Investment property is derecognized when disposed of.

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

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

4.13 Intangible assets

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

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

4. Significant accounting policies (continued)

4.13 Intangible assets (continued)

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

4.14 Impairment of non-financial assets

A non-financial asset is impaired when an entity will not be able to recover that asset's carrying value, either through its use or sale. If circumstances arise which indicate that a non-financial asset might be impaired, a review should be undertaken of its cash generating abilities through use or sale. This review will produce an amount which should be compared with the asset's carrying value, and if the carrying value is higher, the difference must be written off as impairment in profit or loss. On the other hand, if there is any indication that previously recognized impairment losses may no longer exist or may have decreased, the Bank makes an estimate of the recoverable amount. In that case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

4.15 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

4.16 Share-based payments

Compensation cost is based on the grant date fair value of both stock and options and is recognized over the requisite service period of the employee. The fair value of each option is estimated at the grant date using a binomial option-pricing model. When stocks options and restricted stock units vested are exercised, the Bank's policy is to sale treasury stock.

4.17 Equity

Reserves

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

Other capital reserves, presented as other comprehensive income include:

- Translation reserve : The translation reserve comprises all foreign currency differences arising from the translation of the consolidated financial statements of foreign operations when the functional currency of the foreign operation is different from the US dollars, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

- Hedging reserve : The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

- Fair value reserve : The fair value reserve comprises the cumulative net change in the fair value of investment securities measured at FVOCI, less the ECL allowance recognized in profit or loss.

4. Significant accounting policies (continued)

4.17 Equity (continued)

Treasury stock and contracts on own shares

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

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

4.18 Earnings per share

Basic earnings per share is computed by dividing the profit for the year (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year. Diluted earnings per share measure performance incorporating the effect that potential common shares, such as stock options and restricted stock units outstanding during the same period, would have on earnings per share. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except for the denominator, which is increased to include the number of additional common shares that would have been issued if the beneficiaries of stock purchase options and restricted stock units plans could exercise their options.

4.19 Taxes

Income taxes

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

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract law signed between the Republic of Panama and Bladex.
- Bladex Representacao Ltda. is subject to income taxes in Brazil.
- Bladex Development Corp. is subject to income taxes in Panama.
- BLX Soluciones, S.A. de C.V., SOFOM, is subject to income taxes in Mexico.
- The New York Agency and Bladex Holdings, Inc. incorporated in USA are subject to federal and local taxation in USA based on the portion of income that is effectively connected with its operations in that country.

Current and deferred tax

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

As of January 1st, 2019, IFRIC 23 – Uncertainty over income tax treatment took effect and it was applicable to the financial statements to be issued as of December 31st, 2019.

The Bank, together with its tax experts, have carried out the corresponding assessment to the applicable laws and regulations in its different jurisdictions concluding that there is no uncertainty about the tax treatments applied in each tax legislation.

4.20 Segment reporting

The Bank's segment reporting is based on the following business segments: Commercial, which incorporates the Bank's core business of financial intermediation and fee generation activities relating to the Bank's commercial portfolio; and Treasury, which is responsible for the Bank's funding and liquidity management, including its activities in investment securities, as well as management of the Bank's interest rate, liquidity, price, and currency risks.

4. Significant accounting policies (continued)

4.21 Judgments, estimates and significant accounting assumptions

A Judgments

The preparation of the consolidated financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date and the reported amounts of revenues and expenses during the year.

Material estimates that are particularly susceptible to significant changes relate to the determination of the allowances for expected credit losses, impairment of securities, and the fair value of financial instruments. Actual results could differ from those estimates. Management believes these estimates are adequate.

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

Determining the reserve for expected credit losses

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

i. Significant increase of credit risk

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

ii. Establishing groups of assets with similar credit risk characteristics

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

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

Determining the fair value on financial instruments

i. Models and assumptions used

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

4. Significant accounting policies (continued)

4.21 Judgments, estimates and significant accounting assumptions (continued)

ii. Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 7.

Business model assessment

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

B. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Going concern

The Bank’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern, even considering the events set out in Note 32. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Impairment losses on loans at amortized cost

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

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

5. Financial Risk

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

A. Credit risk

i. Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortized cost, and securities at FVOCI. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 4.4 (J).

Loans

	December 31, 2019				
	PD Ranges	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1 - 4	0.03 - 0.74	2,928,401	—	—	2,928,401
Grades 5 - 6	0.75 - 3.95	2,330,150	85,173	—	2,415,323
Grades 7 - 8	3.96 - 30.67	343,606	143,822	—	487,428
Grades 9 - 10	30.68 - 100	—	—	61,845	61,845
		5,602,157	228,995	61,845	5,892,997
Loss allowance		(28,892)	(15,842)	(54,573)	(99,307)
Total		**5,573,265**	**213,153**	**7,272**	**5,793,690**

	December 31, 2018				
	PD Ranges	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1 - 4	0.03 - 0.80	2,268,324	—	—	2,268,324
Grades 5 - 6	0.81 - 4.12	2,791,410	368,735	—	3,160,145
Grades 7 - 8	4.13 - 30.43	281,017	4,237	—	285,254
Grades 9 - 10	30.44 - 100	—	—	64,701	64,701
		5,340,751	372,972	64,701	5,778,424
Loss allowance		(34,957)	(16,389)	(49,439)	(100,785)
Total		**5,305,794**	**356,583**	**15,262**	**5,677,639**

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

5. Financial Risk (continued)

A. Credit risk (continued)

Loan commitments and financial guarantees issued

December 31, 2019	12-month PD Ranges	Stage 1	Stage 2	Stage 3	Total
Commitments and contingencies					
Grades 1 - 4	0.03 - 0.74	153,874	—	—	153,874
Grades 5 - 6	0.75 - 3.95	150,631	27,446	—	178,077
Grades 7 - 8	3.96 - 30.67	161,421	—	—	161,421
		465,926	27,446	—	493,372
Customers' liabilities under acceptances					
Grades 1 - 4	0.03 - 0.74	13,367	—	—	13,367
Grades 5 - 6	0.75 - 3.95	5,491	—	—	5,491
Grades 7 - 8	3.96 - 30.67	96,824	—	—	96,824
		115,682	—	—	115,682
		581,608	**27,446**	—	**609,054**
Loss allowance		(2,683)	(361)	—	(3,044)
Total		**578,925**	**27,085**	**—**	**606,010**

December 31, 2018	12-month PD Ranges	Stage 1	Stage 2	Stage 3	Total
Commitments and contingencies					
Grades 1 - 4	0.03 - 0.80	111,224	—	—	111,224
Grades 5 - 6	0.81 - 4.12	126,046	16,318	—	142,364
Grades 7 - 8	4.13 - 30.43	248,299	—	—	248,299
		485,569	16,318	—	501,887
Customers' liabilities under acceptances					
Grades 1 - 4	0.03 - 0.80	7,750	—	—	7,750
Grades 5 - 6	0.81 - 4.12	—	—	—	—
Grades 7 - 8	4.13 - 30.43	1,946	—	—	1,946
		9,696	—	—	9,696
		495,265	**16,318**	—	**511,583**
Loss allowance		(3,089)	(200)	—	(3,289)
Total		**492,176**	**16,118**	**—**	**508,294**

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

5. Financial Risk (continued)

A. Credit risk (continued)

Securities at amortized cost

December 31, 2019					
	12-month PD Ranges	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1 - 4	0.03 - 0.74	73,047	—	—	73,047
Grades 5 - 6	0.75 - 3.95	—	1,500	—	1,500
		73,047	1,500	—	74,547
Loss allowance		(103)	(10)	—	(113)
Total		**72,944**	**1,490**	**—**	**74,434**

December 31, 2018					
	12-month PD Ranges	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1 - 4	0.03 - 0.80	83,835	—	—	83,835
Grades 5 - 6	0.81 - 4.12	—	1,491	—	1,491
		83,835	1,491	—	85,326
Loss allowance		(113)	(27)	—	(140)
Total		**83,722**	**1,464**	**—**	**85,186**

Securities at fair value through other comprehensive income (FVOCI)

December 31, 2019					
	12-month PD Ranges	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1 - 4	0.03 - 0.74	5,094	—	—	5,094
		5,094	—	—	5,094
Loss allowance		—	—	—	—
Total		**5,094**	**—**	**—**	**5,094**

December 31, 2018					
	12-month PD Ranges	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1 - 4	0.03 - 0.80	18,911	—	—	18,911
Grades 5 - 6	0.81 - 4.12	—	2,887	—	2,887
		18,911	2,887	—	21,798
Loss allowance		(33)	(140)	—	(173)
Total		**18,878**	**2,747**	**—**	**21,625**

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

5. Financial Risk (continued)

A. Credit risk (continued)

The following table presents information of the current and past due balances of loans in stages 1, 2 and 3:

	December 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Current	5,602,157	228,995	47,169	5,878,321
Past due				
90-120 days	—	—	3,724	3,724
151-180 days	—	—	—	—
More than 180 days	—	—	10,952	10,952
Total past due	—	—	14,676	14,676
Total	**5,602,157**	**228,995**	**61,845**	**5,892,997**

	December 31, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Current	5,340,751	372,972	57,025	5,770,748
Past due				
90-120 days	—	—	2,410	2,410
151-180 days	—	—	2,857	2,857
More than 180 days	—	—	2,409	2,409
Total past due	—	—	7,676	7,676
Total	**5,340,751**	**372,972**	**64,701**	**5,778,424**

As of December 31, 2019 and 2018, other financial assets were no past due or impaired balances.

The following table presents an analysis of counterparty credit exposures arising from derivative transactions. The Bank's derivative transactions are generally fully secured by cash.

	December 31, 2019		
	Notional value USD	**Derivative financial instrument - fair value asset**	**Derivative financial instrument - fair value liabilities**
Interest rate swaps	521,333	407	(1,903)
Cross-currency swaps	369,869	10,125	(10,197)
Foreign exchange forwards	74,471	625	(2,575)
Total	**965,673**	**11,157**	**(14,675)**

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

5. Financial Risk (continued)

A. Credit risk (continued)

	December 31, 2018		
	Notional value USD	**Derivative financial instrument - fair value asset**	**Derivative financial instrument - fair value liabilities**
Interest rate swaps	893,500	621	(9,410)
Cross-currency swaps	249,782	1,134	(17,378)
Foreign exchange forwards	182,494	933	(7,255)
Total	**1,325,776**	**2,688**	**(34,043)**

ii. Collateral and other credit enhancements

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

<u>Derivatives and repurchase agreements</u>

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

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

Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance–sheet assets and liabilities unless certain conditions for offsetting are met.

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

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

<u>Loans</u>

The main types of collateral obtained are, as follows:

- For commercial lending, liens on real estate property, inventory and trade receivables.

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

5. Financial Risk (continued)

A. Credit risk (continued)

The Bank holds guarantees and other financial credit enhancements against certain exposures in the loan portfolio. As of December 31, 2019, and 2018, the coverage ratio to the carrying amount of the loan portfolio was 12% and 8% respectively.

iii. Implementation of forward-looking information

The Bank incorporates information of the economic environments on a forward-looking view, when assessing whether the credit risk of a financial instrument has significantly increased since initial recognition through customer and country rating models which include projections of the inputs under analysis.

Supplementary, for the expected credit loss measurement the results of the alert model can be considered, which are analyzed through a severity indicator to total risk resulting from the estimates and assumptions of several macroeconomics factors. These estimates and assumptions are supported by a base scenario associated to a probability of occurrence of 95%. Other scenarios represent optimistic and pessimistic results. The implementation and interpretation of the outcomes of the alert are based on the expert judgement of management, based on suggestions of areas such as Credit Risk, Economic Studies and Loan Recovery of the Bank.

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

Principal macroeconomies variables of the country rating model with forward-looking scenarios are:

Variables	**Description**
GDP Growth (Var. %)	% Variation in the growth of the Gross Domestic Product (GDP)
ComEx Growth (Var. %)	% Variation in foreign trade growth (Exp. + Imp.)

The model uses, as main inputs, the following macroeconomic variables: the percentage variation of the gross domestic product of Latin America and the percentage of the foreign trade index growth. The main movements and changes in the variables are analyzed, in general and in particular for each country in the region. This historical and projected information over a period of five years allows Management a complementary means to estimate the macroeconomic effects in the Bank's portfolio.

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

5. Financial Risk (continued)

A. **Credit risk (continued)**

The table below lists the macroeconomic assumptions by country used in the base, optimistic and pessimistic scenarios over the five-year average forecast period.

		Variable			
		GDP Growth (Var.%)		ComEx Growth Index (Var.%)	
Country	**Scenario**	**2019**	**2018**	**2019**	**2018**
Brazil	Central	2.0%	1.7%	4.1%	5.6%
	Upside	3.0%	2.7%	7.6%	9.1%
	Downside	0.6%	0.3%	0.1%	1.6%
Colombia	Central	3.4%	3.1%	6.6%	7.3%
	Upside	4.5%	4.2%	9.6%	10.3%
	Downside	2.1%	1.8%	3.1%	3.8%
Mexico	Central	1.5%	1.5%	2.2%	3.0%
	Upside	2.5%	2.5%	6.2%	7.0%
	Downside	0.3%	0.3%	-2.3%	-1.5%
Chile	Central	2.2%	2.4%	3.1%	4.1%
	Upside	3.3%	3.5%	6.6%	7.6%
	Downside	1.0%	1.2%	-0.9%	0.1%
Ecuador	Central	1.3%	1.1%	4.6%	6.3%
	Upside	2.3%	2.1%	7.6%	9.3%
	Downside	-0.2%	-0.4%	1.1%	2.8%
Guatemala	Central	3.5%	3.4%	4.1%	3.4%
	Upside	4.5%	4.4%	7.1%	6.4%
	Downside	2.3%	2.2%	0.6%	-0.1%
Dominican Republic	Central	5.0%	5.4%	5.8%	6.4%
	Upside	6.2%	6.6%	9.3%	9.9%
	Downside	3.7%	4.1%	1.8%	2.4%
Panama	Central	4.6%	4.3%	3.0%	3.3%
	Upside	6.1%	5.8%	6.0%	6.3%
	Downside	3.2%	2.9%	-0.5%	-0.2%

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

5. Financial Risk (continued)

A. Credit risk (continued)

iv. Loss allowances

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy; see Note 4.4(J)

Loans

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2018	**34,957**	**16,389**	**49,439**	**100,785**
Transfer to lifetime expected credit losses	(2,488)	2,488	—	—
Net effect of changes in allowance for expected credit losses	(2,154)	5,881	7,987	11,714
Financial instruments that have been derecognized during the year	(27,118)	(8,916)	(500)	(36,534)
New financial assets originated or purchased	25,695	—	—	25,695
Write-offs	—	—	(2,405)	(2,405)
Recoveries	—	—	52	52
Allowance for expected credit losses as of December 31, 2019	**28,892**	**15,842**	**54,573**	**99,307**

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2017	**19,821**	**33,477**	**27,996**	**81,294**
Transfer to lifetime expected credit losses	(514)	514	—	—
Transfer to credit-impaired financial instruments	(111)	(7,864)	7,975	—
Transfer to 12-month expected credit losses	4,471	(4,471)	—	—
Net effect of changes in reserve for expected credit losses	(4,665)	5,823	55,153	56,311
Financial instruments that have been derecognized during the year	(16,400)	(11,090)	—	(27,490)
New financial assets originated or purchased	32,355	—	—	32,355
Write-offs	—	—	(41,686)	(41,686)
Recoveries	—	—	1	1
Allowance for expected credit losses as of December 31, 2018	**34,957**	**16,389**	**49,439**	**100,785**

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

5. Financial Risk (continued)

A. Credit risk (continued)

Securities at amortized cost

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2018	**113**	**27**	**—**	**140**
Net effect of changes in allowance for expected credit losses	(1)	(17)	—	(18)
Financial instruments that have been derecognized during the year	(46)	—	—	(46)
New financial assets originated or purchased	37	—	—	37
Allowance for expected credit losses as of December 31, 2019	**103**	**10**	**—**	**113**

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2017	**144**	**52**	**—**	**196**
Net effect of changes in reserve for expected credit losses	(23)	(25)	—	(48)
Financial instruments that have been derecognized during the year	(64)	—	—	(64)
New financial assets originated or purchased	56	—	—	56
Allowance for expected credit losses as of December 31, 2018	**113**	**27**	**—**	**140**

Securities at fair value through other comprehensive income (FVOCI)

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2018	**33**	**140**	**—**	**173**
Financial instruments that have been derecognized during the year	(33)	(140)	—	(173)
Allowance for expected credit losses as of December 31, 2019	**—**	**—**	**—**	**—**

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

5. Financial Risk (continued)

A. Credit risk (continued)

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2017	**24**	**198**	**—**	**222**
Transfer to lifetime expected credit losses	(5)	(58)	—	(63)
New financial assets originated or purchased	14	—	—	14
Allowance for expected credit losses as of December 31, 2018	**33**	**140**	**—**	**173**

Loan commitments and financial guarantee contracts

The allowance for expected credit losses on loan commitments and financial guarantee contracts reflects the Bank's management estimate expected credit losses of customers' liabilities under acceptances and items such as: confirmed letters of credit, stand-by letters of credit, guarantees, and credit commitments.

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2018	**3,089**	**200**	**—**	**3,289**
Net effect of changes in reserve for expected credit loss	(17)	170	—	153
Financial instruments that have been derecognized during the year	(2,497)	(9)	—	(2,506)
New instruments originated or purchased	2,108	—	—	2,108
Allowance for expected credit losses as of December 30, 2019	**2,683**	**361**	**—**	**3,044**

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

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

5. Financial Risk (continued)

A. Credit risk (continued)

The following table provides a reconciliation between:

- Amounts shown in the previous tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- The 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

			Securities		
December 31, 2019	**Loans**	**Loan commitments and financial guarantee contracts**	**At amortized cost**	**FVOCI**	**Total**
Net effect of changes in allowance for expected credit losses	11,714	153	(18)	—	11,849
Financial instruments that have been derecognized during the year	(36,534)	(2,506)	(46)	(173)	(39,259)
New financial assets originated or purchased	25,695	2,108	37	—	27,840
Total	**875**	**(245)**	**(27)**	**(173)**	**430**

			Securities		
December 31, 2018	**Loans**	**Loan commitments and financial guarantee contracts**	**At amortized cost**	**FVOCI**	**Total**
Net effect of changes in allowance for expected credit losses	56,311	182	(48)	(63)	56,382
Financial instruments that have been derecognized during the year	(27,490)	(6,666)	(64)	—	(34,220)
New financial assets originated or purchased	32,355	2,928	56	14	35,353
Total	**61,176**	**(3,556)**	**(56)**	**(49)**	**57,515**

			Securities		
December 31, 2017	**Loans**	**Loan commitments and financial guarantee contracts**	**At amortized cost**	**FVOCI**	**Total**
Net effect of changes in allowance for expected credit losses	35,584	799	(45)	(71)	36,267
Financial instruments that have been derecognized during the year	(44,088)	(971)	(440)	(12)	(45,511)
New financial assets originated or purchased	17,363	1,241	79	—	18,683
Total	**8,859**	**1,069**	**(406)**	**(83)**	**9,439**

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

5. Financial Risk (continued)

A. Credit risk (continued)

v. Credit-impaired financial assets

Credit-impaired loans and advances are graded 8 to 10 in the Bank's internal credit risk grading system.

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans.

	2019	2018
Credit-impaired loans and advances at January 1,	49,439	27,996
Classified as credit-impaired during the year	—	7,975
Change in expected credit losses allowance	7,664	54,342
Release for asset sale	(500)	—
Recoveries of amounts previously written off	52	1
Interest income	323	811
Write-offs	(2,405)	(41,686)
Credit-impaired loans and advances at December 31,	**54,573**	**49,439**

vi. Modified financial assets

As of December 31, 2018, the Bank received a new financial asset (debentures) with a fair value of $8.8 million as part of a restructured loan with a book value of $35 million. The remaining balance of $26.2 million was written off against the allowance for loan losses.

vii. Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector, industry and by country. An analysis of concentrations of credit risk from loans, loan commitments, financial guarantees and investment securities is as follows.

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

5. Financial Risk (continued)

A. Credit risk (continued)

Concentration by sector and industry

	Loans		Securities				Loan commitments and financial guarantee contracts	
			At amortized cost		FVOCI			
	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount - principal	5,892,997	5,778,424	74,547	85,326	5,094	21,798	115,682	9,696
Amount committed/guaranteed	—	—	—	—	—	—	493,372	501,887
Concentration by sector								
Corporations:								
Private	1,782,808	1,893,696	2,998	7,264	—	—	213,161	196,663
State-owned	780,491	742,912	23,792	23,816	—	7,743	69,821	97,142
Financial institutions:								
Private	2,692,787	2,458,690	19,276	12,642	—	6,157	75,130	13,093
State-owned	589,690	624,100	—	—	—	2,887	250,941	204,685
Sovereign	47,221	59,026	28,481	41,604	5,094	5,011	—	—
Total	**5,892,997**	**5,778,424**	**74,547**	**85,326**	**5,094**	**21,798**	**609,054**	**511,583**
Concentration by industry								
Financial institutions	3,282,477	3,082,790	19,276	12,642	—	9,044	326,071	217,778
Industrial	925,375	986,262	21,658	25,826	—	—	143,560	66,117
Oil and petroleum derived products	561,068	634,615	5,132	5,254	—	7,743	71,571	94,271
Agricultural	327,288	446,960	—	—	—	—	—	—
Services	370,753	393,925	—	—	—	—	20,497	47,137
Mining	162,364	20,000	—	—	—	—	—	—
Sovereign	47,221	59,026	28,481	41,604	5,094	5,011	—	—
Other	216,451	154,846	—	—	—	—	47,355	86,280
Total	**5,892,997**	**5,778,424**	**74,547**	**85,326**	**5,094**	**21,798**	**609,054**	**511,583**

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

5. Financial Risk (continued)

A. Credit risk (continued)

Risk rating and concentration by country

	Loans		Securities				Loan commitments and financial guarantee contracts	
			At amortized cost		FVOCI			
	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount - principal	5,892,997	5,778,424	74,547	85,326	5,094	21,798	115,682	9,696
Amount committed/guaranteed	—	—	—	—	—	—	493,372	501,887
Rating								
1-4	2,928,401	2,268,324	73,047	83,835	5,094	18,911	167,241	118,974
5-6	2,415,323	3,160,145	1,500	1,491	—	2,887	183,568	142,364
7-8	487,428	285,254	—	—	—	—	258,245	250,245
8	—	—	—	—	—	—	—	—
9	—	64,701	—	—	—	—	—	—
10	61,845	—	—	—	—	—	—	—
Total	**5,892,997**	**5,778,424**	**74,547**	**85,326**	**5,094**	**21,798**	**609,054**	**511,583**
Concentration by country								
Argentina	226,481	604,112	—	—	—	—	—	6,980
Belgium	13,742	13,278	—	—	—	—	—	—
Bolivia	7,000	14,187	—	—	—	—	400	293
Brazil	1,015,316	1,156,223	1,500	1,491	—	2,887	50,000	50,000
Canada	—	—	—	—	—	—	657	422
Chile	683,132	176,976	—	—	5,094	5,011	8	—
Colombia	906,092	625,932	15,338	28,183	—	—	50,610	52,000
Costa Rica	220,380	370,087	—	—	—	—	59,161	38,598
Dominican Republic	289,853	301,067	—	—	—	—	16,500	16,500
Ecuador	174,267	188,445	—	—	—	—	252,391	249,170
El Salvador	54,233	70,048	—	—	—	—	5,555	824
France	152,530	—	—	—	—	—	47,906	—
Germany	34,613	17,500	—	—	—	—	—	18,000
Guatemala	278,557	328,830	—	—	—	—	44,200	15,293
Honduras	128,937	89,205	—	—	—	—	300	250
Hong Kong	10,400	—	—	—	—	—	—	—
Jamaica	38,312	21,727	—	—	—	—	—	—
Luxembourg	59,813	17,664	—	—	—	—	—	—
Mexico	754,465	867,441	21,505	27,123	—	—	27,377	22,731
Nicaragua	—	—	—	—	—	—	—	—
Panama	268,356	485,546	36,204	28,529	—	6,157	25,304	34,897
Paraguay	127,970	158,685	—	—	—	—	10,652	—
Peru	150,301	78,191	—	—	—	—	8,033	4,875
Singapore	90,955	38,500	—	—	—	—	—	—
Switzerland	—	—	—	—	—	—	10,000	—
Trinidad and Tobago	181,676	144,874	—	—	—	7,743	—	—
United States of America	25,000	—	—	—	—	—	—	—
Uruguay	619	9,906	—	—	—	—	—	750
Total	**5,892,997**	**5,778,424**	**74,547**	**85,326**	**5,094**	**21,798**	**609,054**	**511,583**

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

5. Financial Risk (continued)

A. Credit risk (continued)

vii. Offsetting financial assets and liabilities

The following tables include financial assets and liabilities that are offset in the consolidated financial statement or subject to an enforceable master netting arrangement:

a) Derivative financial instruments – assets

December 31, 2019						
				Gross amounts not offset in the consolidated statement of financial position		
Description	**Gross amounts of assets**	**Gross amounts offset in the consolidated statement of financial position**	**Net amount of assets presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net Amount**
Derivative financial instruments used for hedging	11,157	-	11,157	-	(9,350)	1,807
Total	**11,157**	-	**11,157**	-	**(9,350)**	**1,807**

December 31, 2018						
				Gross amounts not offset in the consolidated statement of financial position		
Description	**Gross amounts of assets**	**Gross amounts offset in the consolidated statement of financial position**	**Net amount of assets presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net Amount**
Derivative financial instruments used for hedging	2,688	-	2,688	-	(1,496)	1,192
Total	**2,688**	-	**2,688**	-	**(1,496)**	**1,192**

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

5. Financial Risk (continued)

A. Credit risk (continued)

b) Securities sold under repurchase and derivative financial instruments – liabilities

December 31, 2019

Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net Amount
				Financial instruments	Cash collateral pledged	
Securities sold under repurchase agreements	(40,530)	-	(40,530)	41,937	320	1,727
Derivative financial instruments used for hedging	(14,675)	-	(14,675)	-	14,632	(43)
Total	**(55,205)**	-	**(55,205)**	**41,937**	**14,952**	**1,684**

December 31, 2018

Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net Amount
				Financial instruments	Cash collateral pledged	
Securities sold under repurchase agreements	(39,767)	-	(39,767)	43,628	-	3,861
Derivative financial instruments used for hedging	(34,043)	-	(34,043)	-	35,960	1,917
Total	**(73,810)**	-	**(73,810)**	**43,628**	**35,960**	**5,778**

5. Financial Risk (continued)

B. Liquidity risk

i. Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents which consist of deposits from banks, customers, debt securities issued, other borrowings and commitments maturing within the next month.

The following table details the Bank's liquidity ratios, described in the previous paragraph, as of December 31, 2019 and 2018, respectively, along with average information for the year:

	December 31, 2019	**December 31, 2018**
At December 31,	52.48%	92.83%
Year average	37.82%	52.17%
Maximum of the year	53.38%	112.96%
Minimum of the year	23.23%	21.98%

The following table include the Bank's liquid assets by geographical location:

(in millions of USD dollars)	**December 31, 2019**	**December 31, 2018**
United State of America	1,132	1,650
Other countries O.E.C.D	4	50
Latin America	4	6
Other Countries	20	—
Total	**1,160**	**1,706**

The following table includes the Bank's demand deposits from customers and its ratio to total deposits from customers:

(in millions of USD dollars)	**December 31, 2019**	**December 31, 2018**
Demands liabilities and overnight	86	725
% Demands liabilities and overnight of total deposits	2.97%	24.00%

The liquidity requirements resulting from the Bank's demand deposits from customers is satisfied by the Bank's liquid assets as follows:

(in millions of USD dollars)	**December 31, 2019**	**December 31, 2018**
Total liquid assets	1,160	1,706
% Total assets of total liabilities	40.15%	57.00%
% Total liquid assets in the U.S. Federal Reserve	97.37%	97.00%

5. Financial Risk (continued)

B. Liquidity risk (continued)

The remaining liquid assets were composed of short-term deposits in other banks.

While the Bank's liabilities generally expire in shorter periods than their assets, the associated liquidity risk is diminished by the short-term nature of the loan portfolio, because the Bank is primarily engaged in financing foreign trade.

The following table includes the carrying amount for the Bank's loans and securities short-term portfolio with maturity within one year based on their original contractual term together with its average remaining term:

(in millions of USD dollars)	December 31, 2019	December 31, 2018
Loan portfolio and investment portfolio less than/equal to 1 year according to its original term	3,485	3,912
Average term (days)	189	226

The following table includes the carrying amount for the Bank's loans and securities medium term portfolio with maturity based over one year based on their original contractual term together with its average remaining term:

(in millions of USD dollars)	December 31, 2019	December 31, 2018
Loan portfolio and investment portfolio greater to 1 year according to its original term	2,497	1,990
Average term (days)	1,185	1,350

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

5. Financial Risk (continued)

B. Liquidity risk

ii. Maturity analysis for financial liabilities and financial assets

The following table details the future undiscounted cash flows of assets and liabilities grouped by their remaining maturity with respect to the contractual maturity:

	December 31, 2019						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Gross Inflow (outflow)**	**Carrying amount**
Assets							
Cash and due from banks	1,178,288	—	—	—	—	1,178,288	1,178,170
Securities and other financial assets, net	16,684	6,457	7,293	54,544	6,492	91,470	88,794
Loans, net	1,960,381	967,594	1,207,469	1,822,519	150,742	6,108,705	5,823,333
Derivative financial instruments - assets	—	625	—	10,532	—	11,157	11,157
Total	**3,155,353**	**974,676**	**1,214,762**	**1,887,595**	**157,234**	**7,389,620**	**7,101,454**
Liabilities							
Deposits	(2,574,180)	(198,786)	(122,680)	—	—	(2,895,646)	(2,893,555)
Securities sold under repurchase agreements	(40,691)	—	—	—	—	(40,691)	(40,530)
Borrowings and debt, net	(1,407,612)	(451,736)	(230,776)	(1,147,699)	(13,422)	(3,251,245)	(3,148,864)
Derivative financial instruments - liabilities	(2,425)	(775)	(1,711)	(12,014)	—	(16,925)	(14,675)
Total	**(4,024,908)**	**(651,297)**	**(355,167)**	**(1,159,713)**	**(13,422)**	**(6,204,507)**	**(6,097,624)**
Contingencies							
Confirmed lettes of credit	84,235	77,493	7,592	—	—	169,320	169,320
Stand-by letters of credit and guaranteed	35,906	95,440	114,078	10,057	—	255,481	255,481
Credit commitments	—	—	—	68,571	—	68,571	68,571
Total	**120,141**	**172,933**	**121,670**	**78,628**	**—**	**493,372**	**493,372**
Net position	**(989,696)**	**150,446**	**737,925**	**649,254**	**143,812**	**691,741**	**510,458**

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

5. Financial Risk (continued)

B. Liquidity risk (continued)

	December 31, 2018						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Gross Inflow (outflow)**	**Carrying amount**
Assets							
Cash and due from banks	1,745,671	—	—	—	—	1,745,671	1,745,652
Securities and other financial assets, net	14,870	5,152	21,702	69,802	13,993	125,519	123,598
Loans, net	1,873,995	1,434,229	972,201	1,611,558	19,785	5,911,768	5,702,258
Derivative financial instruments - assets	(2,104)	19	78	1,111	—	(896)	2,688
Total	**3,632,432**	**1,439,400**	**993,981**	**1,682,471**	**33,778**	**7,782,062**	**7,574,196**
Liabilities							
Deposits	(2,515,096)	(291,804)	(184,360)	—	—	(2,991,260)	(2,982,976)
Securities sold under repurchase agreements	(11,604)	—	(28,873)	—	—	(40,477)	(39,767)
Borrowings and debt, net	(956,634)	(402,871)	(958,442)	(1,281,454)	(68,464)	(3,667,865)	(3,532,209)
Derivative financial instruments - liabilities	(4,421)	(8,516)	(3,946)	(8,634)	(3,260)	(28,777)	(34,043)
Total	**(3,487,755)**	**(703,191)**	**(1,175,621)**	**(1,290,088)**	**(71,724)**	**(6,728,379)**	**(6,588,995)**
Contingencies							
Confirmed letters of credit	75,720	141,985	1,283	—	—	218,988	218,988
Stand-by letters of credit and guaranteed	75,273	31,107	73,176	200	—	179,756	179,756
Credit commitments	36,000	—	—	67,143	—	103,143	103,143
Total	**186,993**	**173,092**	**74,459**	**67,343**	**—**	**501,887**	**501,887**
Net position	**(42,316)**	**563,117**	**(256,099)**	**325,040**	**(37,946)**	**551,796**	**483,314**

The amounts in the table above have been compiled as follows:

Type of financial instrument	**Basis on which amounts are compiled**
Financial assets and liabilities	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross and the net amounts for derivatives that are net settled.

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

5. Financial Risk (continued)

B. Liquidity risk (continued)

iii. Liquidity reserves

As part of management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, which can be readily sold to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with banks.

The following table sets out the components of the Banks's liquidity reserves:

	December 31, 2019		December 31, 2018	
	Amount	**Fair Value**	**Amount**	**Fair Value**
Balance with Central Banks	1,129,016	1,129,016	1,648,306	1,648,306
Cash and balances with other bank	49,154	49,154	97,346	97,346
Undrawn credit lines granted by others banks, unannounced	1,773,000	1,773,000	1,365,000	1,365,000
Total Liquidity reserves	**2,951,170**	**2,951,170**	**3,110,652**	**3,110,652**

iv. Financial assets available to support future funding

The following table sets out the Bank's financial assets available to support future funding:

December 31, 2019	**Guaranteed**	**Available as collateral**
Cash and due from banks	18,452	1,159,718
Notional of investment securities	40,531	38,045
Loan portfolio	—	5,823,333
Total assets	**58,983**	**7,021,096**

December 31, 2018	**Guaranteed**	**Available as collateral**
Cash and due from banks	39,460	1,706,192
Notional of investment securities	39,767	66,601
Loan portfolio	—	5,702,258
Total assets	**79,227**	**7,475,051**

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

5. Financial Risk (continued)

C. Market risk

For the definition of market risk and information on how the Bank manages the market risks of trading and non-trading portfolios, see note 6.

The following is a summary of the Bank's interest rate gap position for the financial assets and liabilities based on their next repricing date:

	December 31, 2019						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Non interest rate risk**	**Total**
Assets							
Demand deposits and time deposits	1,155,155	—	—	—	—	—	1,155,155
Securities and other financial assets	14,935	6,351	5,055	53,300	—	—	79,641
Loans	4,031,432	1,096,355	548,028	208,443	8,739	—	5,892,997
Total assets	5,201,522	1,102,706	553,083	261,743	8,739	—	7,127,793
Liabilities							
Demand deposits and time deposits	(2,570,324)	(197,300)	(120,419)	—	—	(293)	(2,888,336)
Securities sold repurchase agreements	(40,530)	—	—	—	—	—	(40,530)
Borrowings and debt	(2,534,382)	(401,432)	(25,261)	(157,321)	—	(19,914)	(3,138,310)
Total liabilities	(5,145,236)	(598,732)	(145,680)	(157,321)	—	(20,207)	(6,067,176)
Net effect of derivative financial instruments held for interest risk management	(2,425)	(150)	(1,711)	(1,482)	—	—	(5,768)
Total interest rate sensitivity	**53,861**	**503,824**	**405,692**	**102,940**	**8,739**	**(20,207)**	**1,054,849**

	December 31, 2018						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Non interest rate risk**	**Total**
Assets							
Demand deposits and time deposits	1,736,008	—	—	—	—	—	1,736,008
Securities and other financial assets	12,833	3,279	20,182	64,673	6,157	—	107,124
Loans	4,002,558	1,259,088	331,875	177,301	7,602	—	5,778,424
Total assets	5,751,399	1,262,367	352,057	241,974	13,759	—	7,621,556
Liabilities							
Demand deposits and time deposits	(2,504,077)	(285,492)	(181,253)	—	—	—	(2,970,822)
Securities sold under repurchase agreements	(11,535)	—	(28,232)	—	—	—	(39,767)
Borrowings and debt	(2,827,219)	(142,799)	(78,572)	(409,541)	(60,315)	—	(3,518,446)
Total liabilities	(5,342,831)	(428,291)	(288,057)	(409,541)	(60,315)	—	(6,529,035)
Net effect of derivative financial instruments held for interest risk management	(139,362)	58,748	(159,500)	160,037	57,188	—	(22,889)
Total interest rate sensitivity	**269,206**	**892,824**	**(95,500)**	**(7,530)**	**10,632**	**—**	**1,069,632**

Management of interest rate risk is complemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50bps, 100bps and 200bps, respectively, parallel fall or rise in all yield curves which are assessed accordingly to market conditions.

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

5. Financial Risk (continued)

C. Market risk (continued)

The following is an analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movements in yield curves and a constant financial position:

	Change in interest rate	Effect on profit or loss	Effect on Equity
December 31, 2019	+200 bps	14,297	(66,840)
	-200 bps	(14,297)	66,840
December 31, 2018	+200 bps	5,881	(20,508)
	-200 bps	(5,298)	20,508

Interest rate movements affect reported equity in the following ways:

- Retained earnings: increases or decreases in net interest income and in fair values of derivatives reported in profit or loss;
- Fair value reserve: increases or decreases in fair values of financial assets at FVOCI reported directly in equity; and
- Hedging reserve: increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships.

This sensitivity provides a consideration of changes in interest rates, considering last year interest rate volatility.

i. Exposure to currency risk

The following table presents the maximum exposure amount in foreign currency of the Bank's carrying amount of total assets and liabilities, excluding derivative financial assets and liabilities which are included in other assets and liabilities based on their fair value.

	December 31, 2019						
	Brazilian Real	European Euro	Japanese Yen	Colombian Peso	Mexican Peso	Other Currencies [1]	Total
Exchance rate	4.02	1.12	108.67	3,287.50	18.88		
Assets							
Cash and due from banks	274	17	4	34	4,243	58	4,630
Loans	—	—	—	—	473,729	—	473,729
Total Assets	**274**	**17**	**4**	**34**	**477,972**	**58**	**478,359**
Liabilities							
Borrowings and debt	—	—	—	—	(478,038)	—	(478,038)
Total liabilities	**—**	**—**	**—**	**—**	**(478,038)**	**—**	**(478,038)**
Net currency position	**274**	**17**	**4**	**34**	**(66)**	**58**	**321**

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

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

5. Financial Risk (continued)

C. Market risk (continued)

	December 31, 2018						
	Brazilian Real	**European Euro**	**Japanese Yen**	**Colombian Peso**	**Mexican Peso**	**Other Currencies (1)**	**Total**
Exchance rate	3.87	1.14	109.98	3,253.00	19.66		
Assets							
Cash and due from banks	291	16	1	62	505	44	919
Loans	—	—	—	—	173,953	—	173,953
Total Assets	**291**	**16**	**1**	**62**	**174,458**	**44**	**174,872**
Liabilities							
Borrowings and debt	—	—	—	—	(173,577)	—	(173,577)
Total liabilities	**—**	**—**	**—**	**—**	**(173,577)**	**—**	**(173,577)**
Net currency position	**291**	**16**	**1**	**62**	**881**	**44**	**1,295**

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

6. Financial risk management

The risk is inherent to the Bank's activities. Risks are classified into two categories: financial and non-financial risks. Financial risks are those associated within the Bank's business model, with impact in the Bank's consolidated statement of financial position and profit or loss, as follows: country risk, credit risk, market risk and liquidity risk. Non-financial risks are those related to the Bank's operating model and the regulatory environment that may affect the integrity of the information, the Bank's reputation and also its profit or loss accounts, as follows: operational, technological, cyber security, compliance (know your customer, money laundering, terrorism financing), environmental, fraud risks, among others.

Lead by the Head of Integral Risk Management, an ongoing process of identification, measurement, monitoring, control, mitigation and reporting to all operating areas within the Bank is carried out continuously, considering the different types of risk to which the Bank is exposed according to the size and complexity of its operations, products and services.

The Bank has in place policies, standards and procedures, structures, and manuals associated to the integral risk management, designed to identify potential events that may affect it, all of which are consistent with the risk profile of the business, considering the complexity and the volume of its operations.

The Board of Directors is responsible for establishing the Bank's acceptable risk profile, for which it has the knowledge and understanding of the risks to which the Bank is exposed to. The Board of Directors designate the members of the Risk Policy and Assessment Committee (CPER, for its Spanish acronym), which is responsible for overseeing the overall risk process within the Bank.

CPER oversees the assessment and recommendation for approval to the Board of Directors of all the policies related to a reasonable Risk Management. Furthermore, the Committee also reviews and assesses the exposure, within the risk levels stated in its policies, by which the Bank is willing to assume the various risks it faces through the business management.

The Head of Integral Risk Management directly reports to the CEO and the CPER, and has as a main duty to ensure the comprehensive risk management of the Bank's operating model and IT platform, as well as for the financial and credit related risks, being responsible for implementing and maintaining risk-related procedures in place to ensure that an independent control process is kept, monitoring the compliance of the risk principles, policies and limits at all levels throughout the Bank. The Head of Integral Risk Management works closely with CPER to ensure that procedures are consistent with the Integral Risk Management Governance Framework.

6. Financial risk management (continued)

Risk Management Committees:

- Operational and Information Security Risk Committee
- Country Risk Committee
- Credit Committee (Management Credit Committee / Board of Directors Delegate Credit Committee / CPER)
- Management and monitoring Committee
- Asset and Liability Committee (ALCO)

A. Credit risk

As part of the embedded risk, the Bank will incur in losses and/or its assets will be impaired as a result of the failure of its borrowers to comply in a timely manner or to meet the terms of credit agreements.

The Bank's customer base consists primarily of corporations, large companies, local and regional financial institutions, as well as state-owned enterprises. The Bank focuses its risk assessment on an in-depth analysis of the entity or economic group that involves: the nature of the business, the countries where it operates, types of products offered, duration of the relationship, track record and reputation, among others.

Credit risk management comprises two main stages: origination and monitoring. The credit origination process involves the activities of identifying and analyzing the customer's creditworthiness and approving the terms and conditions for credit extensions. The monitoring process consists of annual credit reviews of existing exposures, "ad hoc" reviews on a case-by-case basis when conditions so require, and portfolio reviews by the Bank's credit committees. The objective is to maximize the risk-adjusted rate of return by keeping credit risk exposures within acceptable parameters. This process involves the Risk and Business Units under the supervision of the Board of Directors, through the Risk Policy and Assessment Committee (CPER).

The Bank has developed internally a loss model to determine the required level of expected credit losses associated with potential losses in financial instruments, based on IFRS 9 - Financial Instruments.

<u>Individually assessed reserves</u>

The Bank individually assesses the appropriate reserves for certain significant financial asset, by considering interest payment delays, credit rating downgrading or any breach of the original contractual terms. Factors considered when determining a reserve include the sustainability of the counterparty's business plan, its ability to improve performance when facing a difficult financial situation, projected payments and expected results in the event of bankruptcy, the availability of other financial support, the realizable value of collateral, and the timing of expected cash flows. Impairment loss is assessed at each report date, unless unforeseen circumstances require special attention.

<u>Collectively assessed reserves</u>

Reserves are separately assessed at each reporting date for each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, to determine whether it is appropriate to provide for, due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in individual loan assessments. The collective assessment considers either portfolio information (e.g. historical losses in the portfolio, delinquency levels, credit utilization, loan-to-collateral ratios and expected collections and recoveries after impairment) or economic data (such as current economic conditions, unemployment, local or industry-specific situations).

The Bank generally supports its assessment on historical experience and forward-looking information. However, when significant market, regional and/or global events occur, the Bank includes these macroeconomic factors in its assessments. Depending on the characteristics of the individual or collective assessment, these factors include: unemployment rates, current levels of impaired debt, changes in law, changes in regulation, bankruptcy trends and other consumer data. The Bank may use the above factors, as appropriate, to adjust for impairment.

The time elapsed since a loss is incurred and a specific individual reserve requirement its identified should be taken into consideration for the evaluation. The impairment reserve is reviewed by credit management to ensure alignment with the Bank's general policy.

6. Financial risk management (continued)

A. Credit risk (continued)

Financial guarantees and letters of credit are assessed in a similar manner to amortized cost loans.

A supplemental qualitative review may result in adjustments to the level of provisions, based on prospective reviews of potential risk scenarios for businesses or loans not yet captured in the Bank's historical information.

The Bank has developed an internal customer, counterparty and country rating model, which allows for proactive risk management in terms of exposure limits, transaction typology and time limits, among others.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position at fair value. With derivatives that are settled gross, the Bank is also exposed to settlement risk, which is the risk that the Bank will honor its obligation, but the counterparty will be unable to deliver the value of the consideration.

Credit Commitments.

The Bank makes available to its customers guarantees that may require the Bank to make payments on behalf of these customers and to take on commitments to issue lines of credit to ensure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers for a specific event, usually related to the import or export of goods. Such commitments expose the Bank to risks similar to those loans which are mitigated by the same controls established in processes and policies.

B. Liquidity risk

Liquidity risk is the possibility of an economic loss to the Bank due to the difficulty in liquidating assets or obtaining financial resources on normal terms.

The Bank conducts daily reviews of the Liquidity Coverage Ratio (LCR). The LCR methodology follows local standards and guidelines recommended by the Basel Committee. The Bank also monitors the Net Stable Funding Rate (NSFR), to maintain an adequate funding structure over the long term.

Liquidity is controlled through the periodic review of:

- The maturity schedule to identify maturity "gaps" in the various time frames.
- Deposit concentration report to identify possible increases in amounts and maturities that may affect the Bank's liquidity.

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

C. Market risk

Market risk is the risk that the value of the Bank's assets and liabilities will decline due to changes in market conditions that may adversely affect its income. The risk is inherent in the financial instruments associated with the Bank's operations and activities, including: loans, investments and securities, liabilities and debt, derivatives, etc. The main risks include: interest rate risk and foreign exchange risk, which can affect asset prices and result in losses for the Bank.

With respect to interest rate risk management, the Bank's policy requires Management to assess the asset and liability positions in order to reduce potential adverse impacts on net interest income due to market interest rates fluctuations.

6. Financial risk management (continued)

The Bank manages interest rate risk by closely monitoring the appreciation of the assets and liabilities through hedging to reduce potential negative impacts on earnings and capital.

Management conducts periodic sensitivity analyses simulating market changes in interest rates to determine potential impacts on net interest income (both upward and downward). In addition, the Bank monitors the DV01 limit, for which a parallel 1-base point shock is applied to the interest rate curve and assesses if there is any impact on capital.

Foreign exchange risk is the risk of change in the market value of a financial instrument due to fluctuations in the exchange rate of a given currency. The Bank operates primarily in U.S. dollars, so exposure to this type of risk is minimized. For transactions in currencies other than the US dollar, the Bank manages the exchange rate risk by arranging derivative instruments for hedging purposes, or by establishing natural hedges matching assets and liabilities expressed in the same currency. For liquidity positions, the Bank has established thresholds in order to limit the maximum level of exposure.

D. Operational risk

Operational risk is the possibility of incurring losses due to deficiencies, failures or inadequacies in human resources, processes, technology, infrastructure, management information, models used, or the occurrence of external events. If this occurs, it can damage the Bank’s reputation and result in regulatory sanctions, which can lead to financial losses. The Bank, like any other financial institution, is exposed to operational risks.

Bladex’s main objective with Operational Risk Management is to reduce losses generated from operational risk and maintain an adequate administration thereof through the use of established management tools such as: risk profile, risk mapping, global and specific limits, operational risk indicators, and using as well the analysis of what is recorded in the Events and Incidents Database in order to monitor action plans of the actual or potential risks.

The Bank emphasizes the awareness of its employees, promoting a Risk Management culture that has continuity over time and that allows them to understand and assimilate the importance of this concept from each of the processes that are executed within their areas. This is done throughout the training of all employees on an annual basis to raise their awareness in general terms of operational risks and to include updates on the standard or regulatory laws as required.

E. Fraud risk

Fraud is any intentional act or omission designed to deceive others, resulting in a loss for the victim and/or a gain for the perpetrator.

Identification of fraud risk considers both internal and external factors, and their impact on the achievement of the Bank’s objectives. Internal fraud is related to losses arising from any type of action, involving Bank employees, aimed at defrauding, misappropriating property or violating regulations, laws or internal policies. External fraud is related to losses arising from any type of action by a third party aimed at defrauding, misappropriating property or infringing the law.

To manage this risk, the Bank has a general fraud risk management program in place, which includes: establishing fraud risk governance policies, evaluating fraud risk, designing and developing control activities to prevent and detect fraud, and investigating fraud, in addition to monitoring and evaluating the fraud risk management program.

F. Cybersecurity

Cybersecurity or information technology security refers to the procedures designed, and measures implemented to protect computers, networks, programs and data against cyber-attacks, in other words, unauthorized access or attacks aimed at operating, or misusing, the Bank’s technology platform to access the financial system. The Bank has approved policies and implemented procedures defining roles and responsibilities for managing information security as part of the IT security and technology risk management framework. These policies and procedures apply throughout the Bank and cover all relationships between the workforce, vendors and suppliers, as well as any other individual who, on a permanent or temporary basis with the Bank, has some form of access to data, resource management and IT systems.

6. Financial risk management (continued)

F. Cybersecurity (continued)

The Bank's Information Security Officer is responsible for ensuring compliance with policies and procedures by anyone with access to our systems.

The Bank's cybersecurity program has been developed with a holistic approach, allowing us to encompass both technical and strategic measures in a single framework.

7. Fair value of financial instruments

The Bank determines the fair value of its financial instruments using the fair value hierarchy established in IFRS 13 - Fair Value Measurements and Disclosure, which requires the Bank to maximize the use of observable inputs (those that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market information obtained from sources independent of the reporting entity) and to minimize the use of unobservable inputs (those that reflect the reporting entity's own assumptions about the inputs that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances) when measuring fair value. Fair value is used on a recurring basis to measure assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to assess assets and liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses some valuation techniques and assumptions when estimating fair value.

The Bank applied the following fair value hierarchy:

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

Level 2 – Assets or liabilities valued based on observable market data for similar instruments, quoted prices in markets that are not active; or other observable inputs that can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Assets or liabilities for which significant valuation inputs are not readily observable in the market; instruments measured based on the best available information, which might include some internally-developed data, and considers risk premiums that a market participant would require.

When determining the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers the inputs that market participants would use when pricing the asset or liability. When possible, the Bank uses active markets and observable prices to value identical assets or liabilities.

When identical assets and liabilities are not traded in active markets, the Bank uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the size of the bid-ask spread, and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in those markets.

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

7. Fair value of financial instruments (continued)

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

A. Recurring valuation

Financial instruments at FVTPL and FVOCI

Financial instruments at FVTPL and FVOCI are carried at fair value, which is based upon quoted prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

When quoted prices are available in an active market, financial instruments at FVTPL and financial instruments at FVOCI are classified in level 1 of the fair value hierarchy. If quoted market prices are not available or they are available in markets that are not active, then fair values are estimated based upon quoted prices for similar instruments, or where these are not available, by using internal valuation techniques, principally discounted cash flows models. Such securities are classified within levels 2 and 3 of the fair value hierarchy.

Derivative financial instruments and hedged items that qualify as a fair value hedging relationship

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

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

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

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

Financial instruments assets and liabilities recognized and designated as hedged items that qualify as a fair value hedging relationship are measured at amortized cost and adjusted for the effect of the risks covered in the hedging relationship.

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

7. Fair value of financial instruments (continued)

A. Recurring valuation (continued)

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

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Securities and other financial assets:				
Securities at FVOCI - Corporate debt	—	—	—	—
Securities at FVOCI - Sovereign debt	—	5,094	—	5,094
Equity instrument at FVOCI	—	1,889	—	1,889
Debt instrument at fair value through profit or loss	—	—	6,492	6,492
Total securities and other financial assets	—	6,983	6,492	13,475
Derivative financial instruments - assets:				
Interest rate swaps	—	407	—	407
Cross-currency swaps	—	10,125	—	10,125
Foreign exchange forwards	—	625	—	625
Total derivative financial instrument assets	—	11,157	—	11,157
Total assets at fair value	**—**	**18,140**	**6,492**	**24,632**
Liabilities				
Derivative financial instruments - liabilities:				
Interest rate swaps	—	1,903	—	1,903
Cross-currency swaps	—	10,197	—	10,197
Foreign exchange forwards	—	2,575	—	2,575
Total derivative financial instruments - liabilities	—	14,675	—	14,675
Total liabilities at fair value	**—**	**14,675**	**—**	**14,675**

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

7. Fair value of financial instruments (continued)

A. Recurring valuation (continued)

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

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

Fair value calculations are provided only for a limited portion of assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used for estimates, comparisons of fair value information disclosed by the Bank with those of other companies may not be meaningful for comparative analysis.

7. Fair value of financial instruments (continued)

B. Non-recurring valuation

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

Financial instruments with carrying value that approximates fair value

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

Securities at amortized cost

The fair value has been estimated upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon quoted prices of similar instruments, or where these are not available, on discounted expected future cash flows using market rates commensurate with the credit quality and maturity of the security. These securities are classified in Levels 2 and 3.

Loans

The fair value of the loan portfolio, including impaired loans, is estimated by discounting expected future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31 of the relevant year. These assets are classified in Levels 2 and 3.

Transfer of financial assets

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

Short and long-term borrowings and debt

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

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

7. Fair value of financial instruments (continued)

B. Non-recurring valuation (continued)

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

	December 31, 2019				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash and deposits on banks	1,178,170	1,178,170	—	1,178,170	—
Securities at amortized cost (1)	75,271	75,724	—	56,914	18,810
Loans, net (2)	5,823,333	6,162,885	—	6,101,040	61,845
Customers' liabilities under acceptances	115,682	115,682	—	115,682	—
Investment properties	3,494	3,494	—	—	3,494
Liabilities					
Deposits	2,888,336	2,888,336	—	2,888,336	—
Securities sold under repurchase agreements	40,530	40,530	—	40,530	—
Borrowings and debt, net (3)	3,118,396	3,126,333	—	3,126,333	—
Customers' liabilities under acceptances	115,682	115,682	—	115,682	—

	December 31, 2018				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash and deposits on banks	1,745,652	1,745,652	—	1,745,652	—
Securities at amortized cost (1)	86,326	85,036	—	73,869	11,167
Loans, net (2)	5,702,258	5,958,540	—	5,884,527	74,013
Customers' liabilities under acceptances	9,696	9,696	—	9,696	—
Liabilities					
Deposits	2,970,822	2,970,822	—	2,970,822	—
Securities sold under repurchase agreements	39,767	39,767	—	39,767	—
Borrowings and debt, net	3,518,446	3,558,763	—	3,558,763	—
Customers' liabilities under acceptances	9,696	9,696	—	9,696	—

(1) The carrying value of securities at amortized cost is net of the accrued interest receivable of $0.8 million and the allowance for expected credit losses of $0.1 million as of December 31, 2019 and the accrued interest receivable of $1.1 million and the allowance for expected credit losses $0.1 million as of December 31, 2018.

(2) The carrying value of loans at amortized cost is net of the accrued interest receivable of $41.7 million, the allowance for expected credit losses of $99.3 million and unearned interest and deferred fees of $12.1 million for December 31, 2019, and the accrued interest receivable of $41.1 million, the allowance for expected credit losses of $100.8 million and unearned interest and deferred fees of $16.5 million for December 31, 2018.

(3) The borrowings and debt exclude the lease liabilities for an amount of $19.9 million

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

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

7. Fair value of financial instruments (continued)

C. Valuation framework

The Bank has an established control framework for the measurement of fair values, which is independent of front office management, to verify the valuation of significant fair value measurements of derivative financial instruments, securities and other financial instrument. Specific controls include:

- Verification of observable pricing.
- Validation of performance of valuation models.
- A review and approval process for new models and changes to existing models.
- Analysis and assessment of significant valuation fluctuations.
- Review of significant unobservable inputs, valuation adjustments and changes to fair value measurement of Level 3 instruments.

D. Level 3 - Fair value measurement

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

Carrying amount as of of January 1, 201	—
Originitation	8,750
Carryin amout as of December 31, 2018	8,750
Unrealized loss	(2,258)
Carrying amount as of December 31, 2019	**6,492**

Significant inputs used to determine fair value for Level 3 financial instruments

The following table presents the significant inputs used to determine the fair value for Level 3 financial instruments:

2019	2018
Unobservable inputs	***Unobservable inputs***
Discount rate for similar companies of the same business line adjusted due to the debt-equity structure of the issuer	- Discount rate for similar companies of the same business line adjusted due to the debt-equity structure of the issuer
Observable inputs	
Average recovery factor for companies that reported default – Moody's	- Premium or liquidity rate from liquidity analysis carried out by experts

	Range of estimates	
Fair value measurement sensitivity to unobservable inputs	**2019**	**2018**
A significant increase in volatility would result in a lower fair value	12.97% a 27.50%	18.28% a 45.00%

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

7. Fair value of financial instruments (continued)

D. Level 3 - Fair value measurement (continued)

During 2018, a premium or liquidity rate obtained from liquidity cost studies carried out by experts was used as part of the inputs to measure fair value, and for the year 2019, as a result of obtaining better observable data, a recovery factor with respect to historical average data provided by Moody's for defaulted companies in Brazil was obtained.

The effect of unobservable inputs on fair value measurement

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used would have the following effects.

Debentures at fair value through profit or loss	*Effect on profit or loss*
+ 100 bps to the observable and unobservable inputs	(230)
- 100 bps to the unobservable and observable inputs	240

8. Cash and due from banks

	December 31, 2019	**December 31, 2018**
Cash and due from banks	23,015	9,644
Interest-bearing deposits in banks	1,155,155	1,736,008
Total	1,178,170	1,745,652
Less:		
Pledged deposits	18,452	39,460
Cash equivalents	**1,159,718**	**1,706,192**

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

	December 31, 2019		**December 31, 2018**	
	Amount	**Interest rate range**	**Amount**	**Interest rate range**
Interest-bearing deposits in banks:				
Demand deposits (1)	1,135,155	1.55% a 5.10%	1,686,008	2.43% to 6.5%
Time deposits	20,000	—	50,000	—
Total	**1,155,155**		**1,736,008**	
Pledged deposits	**18,452**	1.55%	**39,460**	2.40%

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

8. Cash and due from banks (continued)

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

	December 31, 2019	December 31, 2018
Country:		
Switzerland	9,567	8,697
United States of America (2)	5,645	19,078
France	1,770	-
Japan	1,470	2,451
Netherlands	-	494
Spain	-	8,740
Total	**18,452**	**39,460**

(1) Interest-bearing demand deposits based on daily rates determined by banks. In addition, rates of 5.10% and 6.5% corresponds to a deposit placed in MXN – México.

(2) Includes pledged deposits of $3.5 million and $3.0 million at December 31, 2019 and 2018, respectively, with the New York State Banking Department under March 1994 legislation and deposits pledged to guarantee derivative financial instrument transactions.

9. Securities and other financial assets, net

All securities and other financial assets as of December 31, 2019 and 2018 are presented as follows:

At December 31, 2019		At fair value			
		With changes in other comprehensive income (loss)			
Carring amount	**Amortized cost**	**Recyclable to profit and loss**	**Non-recyclable to profit and loss**	**With changes in profit or loss**	**Total securities and other financial assets, net**
Principal	74,547	5,094	1,889	6,492	88,022
Interest receivable	837	48	—	—	885
Reserves	(113)	—	—	—	(113)
	75,271	5,142	1,889	6,492	88,794

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

In 2019, the Bank sold 767,301 shares which were designated in their initial recognition at fair value with changes in other comprehensive income due to market changes affecting the liquidity of the instrument. The cumulative fair value of the shares sold was $4.8 million and the cumulative loss recognized in OCI was $151 thousand, which was transferred to retained earnings.

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

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

Securities and other financial assets by contractual maturity are shown in the following table:

At December 31, 2019		At fair value			
		With changes in other comprehemsive income			
	Amortized cost	Recyclabe to profit ans loss	Non-recyclable to profit and loss	With changes in profit or loss	Total securities and other financial assets, net
Due within 1 year	28,295	—	1,889	—	30,184
After 1 year but within 5 years	46,252	5,094	—	—	51,346
After 5 years but within 10 years	—	—	—	—	—
Non maturity	—	—	—	6,492	6,492
Balance - principal	**74,547**	**5,094**	**1,889**	**6,492**	**88,022**

At December 31, 2018		At fair value			
		With changes in other comprehemsive income			
	Amortized cost	Recyclabe to profit ans loss	Non-recyclable to profit and loss	With changes in profit or loss	Total securities and other financial assets, net
Due within 1 year	28,551	7,743	6,273	—	42,567
After 1 year but within 5 years	56,775	7,898	—	—	64,673
After 5 years but within 10 years	—	6,157	—	—	6,157
Non maturity	—	—	—	8,750	8,750
Balance - principal	**85,326**	**21,798**	**6,273**	**8,750**	**122,147**

The following table includes the securities pledge to secure repurchase transactions accounted for as secured pledged:

	December 31, 2019			December 31, 2018		
	Amortized cost	Fair value	Total	Amortized cost	Fair value	Total
Securities pledged to secure repurchase transactions	36,843	5,094	41,937	38,618	5,010	43,628
Securities sold under repurchase agreements	(35,647)	(4,883)	(40,530)	(35,114)	(4,653)	(39,767)

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

	Year ended December 31		
	2019	2018	2017
Realized gain on sale of securities	266	194	766
Realized loss on sale of securities	(80)	—	(517)
Net gain on sale of securities at FVOCI	**186**	**194**	**249**

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

10. Loans

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

	December 31, 2019	December 31, 2018
Fixed interest rates	2,757,333	2,706,834
Floating interest rates	3,135,664	3,071,590
Total	**5,892,997**	**5,778,424**

As of December 31, 2019, and 2018, 74% and 82% of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

As of December 31, 2019, the range of interest rates on loans fluctuates from 1.20% to 13.93% (December 31, 2018 1.20% to 12.25%).

As of December 31, 2019, and 2018, the Bank had credit transactions in the normal course of business with 11% and 17%, respectively, of its Class "A" and "B" stockholders. All transactions were made based on arm's-length terms and subject to prevailing commercial criteria and market rates and were subject to all of the Bank's Corporate Governance and control procedures. As of December 31, 2019, and 2018, approximately 11% and 9%, respectively, of the outstanding loan portfolio was placed with the Bank's Class "A" and "B" stockholders and their related parties. As of December 31, 2019, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no Class "A" or "B" shareholder was the owner of record of more than 3.5% of the total outstanding shares of the voting capital stock of the Bank.

Recognition and derecognition of financial assets

During the years ended December 31, 2019, 2018 and 2017, the Bank sold loans measured at amortized cost. These sales were made based on compliance with the Bank's strategy to optimize credit risk of its loan portfolio.

The carrying amounts and gains arising from the derecognition of these financial instruments are presented in the following table. These gains are presented within the line "Gain (loss) on financial instruments, net" in the consolidated statement of profit or loss.

	Assignments and participations	Gains (losses)
Carrying amount as of December 31, 2019	15,000	21
Carrying amount as of December 31, 2018	61,667	(625)
Carrying amount as of December 31, 2017	77,400	181

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

11. Loan commitments and financial guarantee contracts

In the normal course of business, to meet the financing needs of its customers, the Bank is party to loan commitments and financial guarantee contracts. These instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated statement of financial position. Credit risk represents the possibility of loss resulting from the failure of a customer to perform in accordance with the terms of a contract.

The Bank's outstanding loan commitments and financial guarantee contracts are as follows:

	December 31, 2019	December 31, 2018
Documentary letters of credit	169,320	218,988
Stand-by letters of credit and guarantees - commercial risk	255,481	179,756
Credit commitments	68,571	103,143
Total loans commitments and financial guarantee contracts	**493,372**	**501,887**

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

Maturities	December 31, 2019	December 31, 2018
Up to 1 year	424,744	434,544
From 1 to 2 years	8,628	200
From 2 to 5 years	60,000	67,143
Total	**493,372**	**501,887**

12. Gain (loss) on financial instruments, net

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

	December 31,		
	2019	**2018**	**2017**
Gain (loss) on derivative financial instruments and changes in foreign currency, net	672	(1,226)	(437)
(Loss) gain on financial instruments at fair value through profit or loss	(2,258)	648	(732)
Realized gain on sale of a financial instruments at FVOCI	186	194	249
Gain (loss) on sale of loans	21	(625)	181
	(1,379)	**(1,009)**	**(739)**

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

13. Derivative financial instruments

The following table details quantitative information on the notional amounts and carrying amounts of the derivative instruments used for hedging by type of risk hedged and type of hedge:

	December 31, 2019		
		Carrying amount of the hedging instruments	
	Nominal Amount	Asset (1)	Liability (2)
Interest rate risk			
Fair value hedges	398,333	407	(805)
Cash flow hedges	123,000	—	(1,098)
Interest rate and foreign exchange risk			
Fair value hedges	346,844	10,125	(8,527)
Cash flow hedges	23,025	—	(1,670)
Foreign exchange risk			
Cash flow hedges	72,391	625	(2,552)
Net investment	2,080	—	(23)
	965,673	**11,157**	**(14,675)**

	December 31, 2018		
		Carrying amount of the hedging instruments	
	Nominal Amount	Asset (1)	Liability (2)
Interest rate risk			
Fair value hedges	433,500	108	(6,134)
Cash flow hedges	460,000	513	(3,276)
Interest rate and foreign exchange risk			
Fair value hedges	226,757	1,134	(15,994)
Cash flow hedges	23,025	—	(1,384)
Foreign exchange risk			
Cash flow hedges	176,311	933	(7,177)
Net investment	6,183	—	(78)
	1,325,776	**2,688**	**(34,043)**

(1) Included in the consolidated statement of financial position under the line Derivative financial instruments - assets.
(2) Included in the consolidated statement of financial position under the line Derivative financial instruments - liabilities.

13. Derivative financial instruments (continued)

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

As part of the financial risk management, the Bank uses the following hedging relationships:

- Fair value hedge
- Cash flow hedge
- Net investment hedge

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

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

A. Fair value hedge

This type of hedge is used to mitigate the risk of changes in foreign exchange currency rates, as well as changes in interest rate risk. Within the derivative financial instruments used by the Bank for fair value hedging are interest rate swap contracts whereby a series of interest rate flows in a single currency are exchanged over a prescribed period and cross currency swaps contracts that generally involve the exchange of both interest and principal amounts in two different currencies.

The Bank's exposure to interest rate risk is disclosed in Note 5(C)(i). Interest rate risk to which the Bank applies hedge accounting arises from fixed-rate euro medium term notes and other long-term notes issuances ("Certificados Bursatiles"), fixed-rate loans and advances, whose fair value fluctuates when benchmark interest rates change. The Bank hedges interest rate risk only to the extent of benchmark interest rates because the changes in fair value of a fixed-rate note or loan are significantly influenced by changes in the benchmark interest rate. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

Before fair value hedge accounting is applied by the Bank, the Bank determines whether an economic relationship between the hedged item and the hedging instrument exists based on an assessment of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Bank assesses whether the fair value of the hedged item and the hedging instrument respond similarly to similar risks. The Bank further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item. The sources of ineffectiveness mainly come from forward rates, discount rates and cross currency basis (cost of the operation).

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

13. Derivative financial instruments (continued)

A. Fair value hedge (continued)

The following table details the notional amounts and carrying amounts of derivative instruments used in fair value hedges by type of risk and hedged item, along with the changes during the period used to determine and recognize the ineffectiveness of the hedge:

	December 31, 2019				
		Carrying amount of the hedging instruments			
	Nominal Amount	Asset [1]	Liability [2]	Changes in fair value used to calculate hedge ineffectiveness [3]	Ineffectiveness recognized in profit or loss [3]
Interest rate risk					
Loan	13,333	—	(166)	(127)	(9)
Securities at FVOCI	5,000	—	(45)	(97)	(17)
Borrowings and debt	380,000	407	(594)	5,203	(65)
Interest rate and foreign exchange risk					
Loan	6,430	276	—	(482)	(214)
Borrowings and debt	340,414	9,849	(8,527)	7,234	55
Total	**745,177**	**10,532**	**(9,332)**	**11,731**	**(250)**

	December 31, 2018				
		Carrying amount of the hedging instruments			
	Nominal Amount	Asset [1]	Liability [2]	Changes in fair value used to calculate hedge ineffectiveness [3]	Ineffectiveness recognized in profit or loss [3]
Interest rate risk					
Loan	66,000	10	(64)	(66)	31
Securities at FVOCI	12,500	98	—	114	(228)
Borrowings and debt	355,000	—	(6,070)	(1,118)	43
Interest rate and foreign exchange risk					
Loan	11,484	1,134	—	(310)	(610)
Borrowings and debt	215,273	—	(15,994)	(1,085)	(323)
Total	**660,257**	**1,242**	**(22,128)**	**(2,465)**	**(1,087)**

(1) Included in the consolidated statement of financial position under the line Derivative financial instruments - assets.
(2) Included in the consolidated statement of financial position under the line Derivative financial instruments - liabilities.
(3) Included in the consolidated statement of profit or loss is the line Loss on financial instruments, net.

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

13. Derivative financial instruments (continued)

A. Fair value hedge (continued)

The following table details the notional amounts and carrying amounts of the hedged items at fair value by type of risk and hedged item, along with the changes during the period used to determine and recognize the ineffectiveness of the hedge:

	December 31, 2019				
	Carrying amount of hedged items				
	Asset	Liability	Line in the consolidated statement of financial position that includes the carrying amount of the hedged items	Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged items	Change in fair value of the hedged items used to calculate hedge ineffectiveness [1]
Interest rate risk					
Loan	13,583	—	Loans, net	158	118
Securities at FVOCI	5,142	—	Securities and other financial assets, net	94	80
Borrowings and debt	—	(381,587)	Borrowings and debt, net	18	(5,268)
Interest rate and foreign exchange risk	—	—			—
Loan	6,202	—	Loans, net	(495)	268
Borrowings and debt	—	(336,117)	Borrowings and debt, net	(973)	(7,179)
Total	**24,927**	**(717,704)**		**(1,198)**	**(11,981)**

	December 31, 2018				
	Carrying amount of hedged items				
	Asset	Liability	Line in the consolidated statement of financial position that includes the carrying amount of the hedged items	Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged items	Change in fair value of the hedged items used to calculate hedge ineffectiveness [1]
Interest rate risk					
Loan	66,208	—	Loans, net	97	97
Securities at FVOCI	11,958	—	Securities and other financial assets, net	(298)	(342)
Borrowings and debt	—	(350,263)	Borrowings and debt, net	5,286	1,161
Interest rate and foreign exchange risk	—	—			
Loan	10,616	—	Loans, net	(1,148)	(300)
Borrowings and debt	—	(199,901)	Borrowings and debt, net	15,005	762
Total	**88,782**	**(550,164)**		**18,942**	**1,378**

[1] Included in the consolidated statement of profit or loss is the line Loss on financial instruments, net.

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

13. Derivative financial instruments (continued)

A. Fair value hedge (continued)

The following table details the maturity of the notional amount for the derivative instruments used in fair value hedges:

	December 31, 2019		
Maturity	**Interest rate swaps**	**Foreign exchange and interest rate risks**	**Total**
Fair value hedge			
Less to 1 year	350,000	—	350,000
1 to 2 years	48,333	—	48,333
2 to 5 years	—	346,844	346,844
Total	**398,333**	**346,844**	**745,177**

	December 31, 2018		
Maturity	**Interest rate swaps**	**Foreign exchange and interest rate risks**	**Total**
Fair value hedge			
Less to 1 year	4,500	146,505	151,005
1 to 2 years	400,000	—	400,000
2 to 5 years	29,000	10,419	39,419
More than 5 years	—	68,768	68,768
Total	**433,500**	**225,692**	**659,192**

B. Cash flow hedge

This type of hedge is used to mitigate the risk of changes in foreign exchange currency rates, as well as changes in interest rate risk, that could include variability in the future cash flows. Within the derivative financial instruments used by the Bank for a cash flow hedging are interest rate swaps contracts whereby a series of interest rate flows in a single currency are exchanged over a prescribed period, cross currency swaps contracts that generally involve the exchange of both interest and principal amounts in two different currencies, and foreign exchange forward contracts, an agreement to purchase or sell foreign currency at a future date at agreed-upon terms.

The Bank’s exposure to market risk is disclosed in Note 5 (C) (ii). The Bank determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in interest rates and foreign currency exchange rates on the future cash flows. This assessment is performed using analytical techniques, such as cash flow sensitivity analysis. As noted above for fair value hedges, by using derivative financial instruments to hedge exposures to changes in interest rates and foreign currency exchange rates, the Bank exposes itself to credit risk of the counterparties to the derivatives, which is not offset by the hedged items. This exposure is managed similarly to that off fair value hedges.

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

13. Derivative financial instruments (continued)

B. Cash flow hedge (continued)

The Bank determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an assessment of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Bank assesses whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate or foreign currency. The Bank further supports this qualitative assessment by using sensitivity analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item. The Bank assesses hedge effectiveness using the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The sources of ineffectiveness arise mainly because of the differences in discount rates (OIS - Overnight Index Swap).

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 8.3 years.

The Bank recognized the lifetime associated cost of the foreign exchange forward contracts into interest income, in profit or loss, as an adjustment to the yield on hedged items creating an accumulated reserve in OCI, reclassified to profit or loss at their maturity. The Bank estimates that approximately $241 thousand are expected to be reclassified into profit or loss during the year ending December 31, 2020.

The Bank recognized the lifetime associated cost of the foreign exchange forward contracts into interest expense, in profit or loss, as an adjustment to the yield on hedge items creating an accumulated reserve in OCI, reclassified to profit or loss at their maturity. The Bank estimates that approximately $6 thousand are expected to be reclassified into profit or loss during the year ending December 31, 2020.

The following table details the notional amounts and carrying amounts of derivative instruments used in cash flow hedges by type of risk and hedged item, along with the changes during the period used to determine and recognize the ineffectiveness of the hedge:

	December 31, 2019						
		Carrying amount of hedging instruments					
	Nominal amount	Asset [1]	Liability [2]	Change in fair value used for calculating hedge ineffectiveness	Changes in the fair value of the hedging instruments recognized in OCI [3]	Ineffectiveness recognized in profit or loss [4]	Amount reclassified from the hedge reserve to profit or loss [4]
Interest rate risk							
Borrowings and debt	123,000	—	(1,098)	(1,459)	(1,458)	1	39
Interest rate and foreign exchange risk							
Borrowings and debt	23,025	—	(1,670)	(284)	(283)	1	—
Foreign exchange risk							
Loans	72,391	625	(2,552)	(2,346)	(2,344)	2	(1,070)
Deposits	—	—	—	—	—	—	(5,545)
Total	**218,416**	**625**	**(5,320)**	**(4,089)**	**(4,085)**	**4**	**(6,576)**

[1] Included in the consolidated statement of financial position under the line Derivative financial instruments - assets.
[2] Included in the consolidated statement of financial position under the line Derivative financial instruments - liabilities.
[3] Included in equity in the consolidated statement of financial position on the line Other comprehensive income
[4] Included in the consolidated statement of profit or loss under the line Loss on financial instruments, net.

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

13. Derivative financial instruments (continued)

B. Cash flow hedge (continued)

	December 31, 2018						
		Carrying amount of hedging instruments					
	Nominal amount	Asset (1)	Liability (2)	Change in fair value used for calculating hedge ineffectiveness	Changes in the fair value of the hedging instruments recognized in OCI (3)	Ineffectiveness recognized in profit or loss (4)	Amount reclassified from the hedge reserve to profit or loss (4)
Interest rate risk							
Borrowings and debt	460,000	513	(3,276)	847	847	—	183
Interest rate and foreign exchange risk							
Borrowings and debt	23,025	—	(1,384)	(2,246)	(2,246)	—	—
Foreign exchange risk							
Loans	51,962	814	(1,513)	(626)	(626)	—	2,700
Deposits	124,349	119	(5,664)	(7,196)	(7,196)	—	4,414
Total	**659,336**	**1,446**	**(11,837)**	**(9,221)**	**(9,221)**	**—**	**7,297**

The following table details the nominal amounts and carrying amounts of the cash flow hedged items by type of risk and hedged item, along with the changes during the period used to determine and recognize the ineffectiveness of the hedge:

	December 31, 2019				
	Carrying amount of hedged items				
	Asset	Liability	Line in the consolidated statement of financial position that includes the carrying amount of the hedged items	Change in the fair value of the hedged items used to calculate the hedge ineffectiveness (4)	Cash flow hedge reserve
Interest rate risk					
Borrowings and debt	—	(70,110)	Borrowings and debt, net	1,458	1,072
Interest rate and foreign exchange risk					
Borrowings and debt	—	(21,234)	Borrowings and debt, net	283	(5)
Foreign exchange risk					
Loan	73,861	—	Loans, net	2,344	263
Borrowings and debt	—	—	Deposit	—	—
Total	**73,861**	**(91,344)**		**4,085**	**1,330**

(1) Included in the consolidated statement of financial position under the line Derivative financial instruments - assets.
(2) Included in the consolidated statement of financial position under the line Derivative financial instruments - liabilities.
(3) Included in equity in the consolidated statement of financial position on the line Other comprehensive income.
(4) Included in the consolidated statement of profit or loss under the line of Loss on financial instruments, net.

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

13. Derivative financial instruments (continued)

B. Cash flow hedge (continued)

	December 31, 2018				
	Carrying amount of hedged items				
	Asset	Liability	Line in the consolidated statement of financial position that includes the carrying amount of the hedged items	Change in the fair value of the hedged items used to calculate the hedge ineffectiveness (4)	Cash flow hedge reserve
Interest rate risk					
Borrowings and debt	—	(390,516)	Borrowings and debt, net	(847)	(427)
Interest rate and foreign exchange risk		—			
Borrowings and debt	—	(42,554)	Borrowings and debt, net	2,246	(19)
Foreign exchange risk					
Loan	52,128	—	Loans, net	626	(19)
Borrowings and debt		(108,422)	Deposit	7,196	2,373
Total	**52,128**	**(541,492)**		**9,221**	**1,908**

(1) Included in the consolidated statement of profit and loss or the line Loss on financial instruments, net.

The following table details the maturity of the derivative instruments used in cash flow hedges:

	December 31, 2019			
Maturity	**Foreign exchange risk**	**Interest rate swaps**	**Foreign exchange and interest rate risks**	**Total**
Cash flow hedge				
Less to 1 year	74,471	63,000	23,025	160,496
1 to 2 years	—	40,000	—	40,000
2 to 5 years	—	20,000	—	20,000
Total	**74,471**	**123,000**	**23,025**	**220,496**

	December 31, 2018			
Maturity	**Foreign exchange risk**	**Interest rate swaps**	**Foreign exchange and interest rate risks**	**Total**
Cash flow hedge				
Less to 1 year	177,333	337,000	—	514,333
1 to 2 years	5,161	63,000	23,025	91,186
2 to 5 years	—	60,000	—	60,000
Total	**182,494**	**460,000**	**23,025**	**665,519**

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

13. Derivative financial instruments (continued)

C. Net investment hedge

A foreign currency exposure arises from a net investment either in a subsidiary that has a different functional currency from that of the Bank or in a financial instrument in a foreign currency designated at FVOCI. The hedge risk in the net investment hedge is the variability in the US dollar against any other foreign currency that will result in a reduction in the carrying amount.

The Bank's policy is to hedge the net investment only to the extent of the debt principal; therefore, the hedge ratio is established by aligning the principal amount in foreign currency of the debt with the carrying amount of the net investment that is designated.

When the hedging instrument is a forward foreign exchange contract, the Bank establishes a hedge relationship where the notional of the forward foreign exchange contract matches the carrying amount of the designated net investment. The Bank ensures that the foreign currency in which the hedging instrument is denominated is the same as the functional currency of the net investment. The only source of ineffectiveness that is expected to arise from these hedging relationships is due to the effect of the counterparty and the Bank's own credit risk on the fair value of the derivative.

The following table details the notional amount and carrying amount of the derivative instruments used as net investment hedge by type of risk and hedged item, along with changes during the period used to determine and recognize the ineffectiveness of the hedge:

	December 31, 2019						
		Carrying amount of hedging instruments					
	Nominal Amount	Asset (1)	Liability (2)	Change in fair value used to calculate hedge ineffectiveness	Changes in the fair value of the hedging instruments recognized in OCI (3)	Ineffectiveness recognized in profit or loss (4)	Amount reclassified from the hedge reserve to profit or loss (4)
Foreign exchange risk							
Net investment	2,080	—	(23)	(23)	(23)	—	(78)
Total	**2,080**	**—**	**(23)**	**(23)**	**(23)**	**—**	**(78)**

	December 31, 2018						
		Carrying amount of hedging instruments					
	Nominal Amount	Asset (1)	Liability (2)	Change in fair value used to calculate hedge ineffectiveness	Changes in the fair value of the hedging instruments recognized in OCI (3)	Ineffectiveness recognized in profit or loss (4)	Amount reclassified from the hedge reserve to profit or loss (4)
Foreign exchange risk							
Net investment	6,183	—	(78)	(78)	(78)	—	50
Total	**6,183**	**—**	**(78)**	**(78)**	**(78)**	**—**	**50**

Derivative instruments used in net investment hedges at the period ending in 2019 and 2018 have a maturity of less than 30 days.

(1) Included in the consolidated statement of financial position under the line Derivative financial instruments - assets.
(2) Included in the consolidated statement of financial position under the line Derivative financial instruments - liabilities.
(3) Included in equity in the consolidated statement of financial position on the line Other comprehensive income.
(4) Included in the consolidated statement of profit or loss under the line of Loss on financial instruments, net.

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

13. Derivative financial instruments (continued)

C. Net investment hedge (continued)

The following table details the nominal value and carrying amount of the net investment hedged items by type of risk and hedged item, along with changes during the period used to determine and recognize the ineffectiveness of the hedge:

	December 31, 2019				
	Carring amount items designated as hedged				
	Asset (1)	Liability (2)	Line in the consolidated statement of financial position that includes the carrying value of the item hedged	Change in the fair value of the hedged item used to recognise ineffectiveness (3)	Cash flow hedge reserve
Foreign exchange risk					
Net investment	1,889	—	Securities and other financial assets, net	23	23
Total	**1,889**	**—**		**23**	**23**

	December 31, 2019				
	Carring amount items designated as hedged				
	Asset (1)	Liability (2)	Line in the consolidated statement of financial position that includes the carrying value of the item hedged	Change in the fair value of the hedged item used to recognise ineffectiveness (3)	Cash flow hedge rese rve
Foreign exchange risk					
Net investment	6,273		Securities and other financial assets, net	78	78
Total	**6,273**	**—**		**78**	**78**

(1) Included in the consolidated statement of profit or loss under the line Loss on financial instruments, net.

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

14. Gain (loss) on non - financial assets, net

The gain or loss on non-financial assets is presented as follows:

	December 31,	
	2019	**2018**
Profit on sale of investment properties	500	—
Impairment loss on other assets	—	(3,464)
Impairment loss on investment properties	—	(3,849)
Write off on intangible assets	—	(2,705)
	500	**(10,018)**

During 2019, the Bank realized the sale of an investment property, which results in a gain of $500 thousand.

As of December 31, 2018, the Bank made write offs corresponding mainly to technological projects classified as intangible assets by $2.7 million and other assets under development with a book value of $1.3 million. In addition, the storage silos received as payment for a restructured loan operation that were recorded as investment property with a carrying amount of $3.8 million and other assets under development of the deed with a carrying amount of $1.7 million, were assessed by the Bank, determining a fair value of zero. As of December 31, 2017, no impairment losses were reported.

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

15. Equipment and leasehold improvements

The following table provides a summary of the items include in equipment and leasehold improvement:

	December 31, 2019	December 31, 2018
Equipment and leasehold improvements, net	6,230	6,686
Right-of-use assets	12,522	—
	18,752	**6,686**

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

	IT equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Total
Cost:					
Balance as of January 1, 2017	4,386	3,778	6,771	618	15,553
Additions	246	461	39	1,908	2,654
Disposals	(462)	(2,255)	—	(21)	(2,738)
Balance as of December 31, 2017	4,170	1,984	6,810	2,505	15,469
Additions	411	12	111	69	603
Disposals	(253)	(97)	(80)	(62)	(492)
Reclassifications	10	—	—	—	10
Balance as of December 31, 2018	4,338	1,899	6,841	2,512	15,590
Additions	683	36	185	124	1,028
Disposals	(63)	(102)	(176)	(33)	(374)
Effect of movements in exchange rates	(53)	(62)	(47)	(14)	(176)
Balance as of December 31, 2019	**4,905**	**1,771**	**6,803**	**2,589**	**16,068**
Accumulated depreciation:					
Balance as of January 1, 2017	2,742	1,645	2,174	443	7,004
Amortisation for the year	587	149	474	368	1,578
Disposals	(459)	(54)	—	(20)	(533)
Balance as of December 31, 2017	2,870	1,740	2,648	791	8,049
Amortisation for the year	516	64	480	222	1,282
Disposals	(159)	(89)	(127)	(94)	(469)
Reclassifications	42	—	—	—	42
Balance as of December 31, 2018	3,269	1,715	3,001	919	8,904
Amortisation for the year	584	62	508	260	1,414
Disposals	(59)	(97)	(175)	(21)	(352)
Effect of movements in exchange rates	(40)	(53)	(35)	—	(128)
Balance as of December 31, 2019	**3,754**	**1,627**	**3,299**	**1,158**	**9,838**
Carrying amounts as of:					
December 31, 2019	**1,151**	**144**	**3,504**	**1,431**	**6,230**
December 31, 2018	**1,069**	**184**	**3,840**	**1,593**	**6,686**
December 31, 2017	**1,300**	**244**	**4,162**	**1,714**	**7,420**

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

15. Equipment and leasehold improvements

Leases

In accordance with the accounting policy described in note 3.1, the Bank has applied IFRS 16, under the modified retrospective method. The following is the detail of the movement of right-of-use assets on the leases for which the Bank is a lessee:

	Building
Balance at January 1, 2019	17,435
Additions	14
Depreciation by right-of-use assets	(1,440)
Revaluation currency effect	7
Reclassification to investment property	(3,494)
Balance at December 31, 2019	**12,522**

The Bank leases office spaces in buildings. The lease of main office space typically runs for a period of 15 years, and for the representative offices from 3 to 5 years. Some leases include an option to renew the lease for a similar additional period after the end of the contract term.

The Bank sub-leases some of its property under operating leases.

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

16. Intangible assets

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

Costs:	
Balance as of January 1, 2017	13,883
Additions	3,370
Disposals	(81)
Balance as of December 31, 2017	17,172
Additions	58
Disposals	(3,315)
Reclassifications	(10)
Balance as of December 31, 2018	13,905
Additions	496
Balance as of December 31, 2019	**14,401**
Accumulated amortization:	
Balance as of January 1, 2017	10,974
Amortisation for the year	838
Disposals	(65)
Balance as of December 31, 2017	11,747
Amortisation for the year	1,176
Disposals	(609)
Reclassifications	(42)
Balance as of December 31, 2018	12,272
Amortisation for the year	702
Balance as of December 31, 2019	**12,974**
Carrying amounts as of:	
December 31, 2019	**1,427**
December 31, 2018	**1,633**
December 31, 2017	**5,425**

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

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

17. Other assets

Following is a summary of other assets:

	December 31, 2019	December 31, 2018
Accounts receivable [1]	3,549	13,333
Interest receivable - deposits	26	281
IT projects under development	521	357
Other	4,761	3,003
	8,857	**16,974**

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

18. Deposits

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

	December 31, 2019	December 31, 2018
Demand	85,786	211,381
Up to 1 month	1,285,949	1,192,252
From 1 month to 3 months	628,981	412,638
From 3 months to 6 months	593,431	533,135
From 6 months to 1 year	289,189	462,156
From 1 year to 2 years	5,000	70,047
From 2 years to 5 years	—	89,213
	2,888,336	**2,970,822**

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

	December 31, 2019	December 31, 2018
Aggregate amounts of $100,000 or more	2,888,043	2,970,438
Aggregate amounts of deposits in the New York Agency	240,003	265,349

	December 31th		
	2019	2018	2017
Interest expense on deposits made in the New York Agency	6,277	5,937	2,524

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

19. Securities sold under repurchase agreements

As of December 31, 2019 and 2018, the Bank has financing transactions under repurchase agreements for $40.5 million and $39.8 million, respectively.

During the year ended December 31, 2019 and 2018, interest expense related to financing transactions under repurchase agreements totaled $1.1 million and $635 thousand, respectively. These expenses are included as interest expense – borrowings and debt line in the consolidated statement of profit or loss.

20. Borrowings and debt

Borrowings consist of bilateral funding and syndicated loans obtained from international banks. Debt instruments consist of public and private issuances under the Bank's Euro Medium Term Notes Program ("EMTN") as well as public issuances in the Mexican and Japanese markets.

The Bank's funding activities include: (i) EMTN, which may be used to issue notes for up to $2.250 million, with maturities from 7 days up to a maximum of 30 years, at fixed or floating interest rates, or at discount, and in various currencies. The notes are generally issued in bearer or registered form through one or more authorized financial institutions; (ii) Short-and Long-Term Notes ("Certificados Bursatiles") Program (the "Mexican Program") in the Mexican local market, registered with the Mexican National Registry of Securities administered by the National Banking and Securities Commission in Mexico ("CNBV", for its acronym in Spanish), for an authorized aggregate principal amount of 10 billion Mexican pesos with maturities from 1 day to 30 years.

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2019, the Bank was in compliance with all those covenants.

Borrowings and debt are detailed as follows:

	December 31, 2019						
	Short-Term			Long-term			
Carring amount	Borrowings	Debt	Lease Liabilities	Borrowings	Debt	Lease Liabilities	Total
Principal	1,573,663	22,000	1,145	723,419	802,676	18,769	3,141,672
Prepaid commissions	—	—	—	(1,456)	(1,906)	—	(3,362)
	1,573,663	**22,000**	**1,145**	**721,963**	**800,770**	**18,769**	**3,138,310**

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

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

20. Borrowings and debt (continued)

Short-term borrowings and debt

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

	December 31, 2019	December 31, 2018
Short-term borrowings:		
At fixed interest rates	607,500	695,500
At floating interest rates	966,163	1,279,674
Total borrowings	1,573,663	1,975,174
Short-term debt:		
At fixed interest rates	22,000	2,700
At floating interest rates	—	43,230
Total debt	22,000	45,930
Total short-term borrowings and debt	**1,595,663**	**2,021,104**
Maximum balance at any month-end	1,595,663	2,021,104
Range of fixed interest rates on borrowings and debt in U.S. dollars	2.07% to 2.52%	2.74% to 3.30%
Range of floating interest rates on borrowings in U.S. dollars	2.09% to 2.35%	2.72% to 3.41%
Range of fixed interest rates on borrowings in Mexican pesos	8.08%	—
Range of floating interest rate on borrowings in Mexican pesos	7.71% to 8.310%	8.49% to 9.39%

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

	December 31, 2019	December 31, 2018
Currency		
US dollar	1,476,000	1,926,000
Mexican peso	119,663	95,104
Total	**1,595,663**	**2,021,104**

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

20. Borrowings and debt (continued)

Long-term borrowings and debt

The breakdown of borrowings and long-term debt (original maturity of more than one year), along with contractual interest rates, plus prepaid commissions of $3.5 million and $4.2 million as of December 31, 2019 and December 31, 2018, respectively, are as follows (excludes lease liabilities):

Long-term borrowings:	**December 31, 2019**	**December 31, 2018**
At fixed interest rates with due dates from October 2020 to February 2022	65,435	63,367
At floating interest rates with due dates from February 2020 to August 2023	657,984	823,017
Total long-term borrowings	723,419	886,384
Long-term debt:		
At fixed interest rates with due dates from May 2020 to March 2024	502,880	503,229
At floating interest rates with due dates from March 2022 to June 2023	299,796	111,276
Total long-term debt	802,676	614,505
Total long-term borrowings and debt	1,526,095	1,500,889
Less: Prepaid commissions	(3,362)	(3,547)
Total long-term borrowings and debt, net	**1,522,733**	**1,497,342**
Maximum outstanding balance at any month – end	1,527,126	1,500,889
Range of fixed interest rates on borrowings and debt in U.S. dollars	2.56% to 3.25%	2.25% to 3.25%
Range of floating interest rates on borrowings and debt in U.S. dollars	2.46% to 3.36%	3.26% to 4.46%
Range of fixed interest rates on borrowings in Mexican pesos	5.73% to 9.09%	5.25% to 9.09%
Range of floating interest rates on borrowings and debt in Mexican pesos	8.14% to 9.13%	9.19% to 9.71%
Range of fixed interest rates on debt in Japanese yens	0.52%	0.46%
Range of fixed interest rates on debt in Euros	3.75%	3.75%
Range of fixed interest rates on debt in Australian dollars	3.33%	3.33%

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

20. Borrowings and debt (continued)

Long-term borrowings and debt (continued)

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

	December 31, 2019	December 31, 2018
Currency		
US dollar	1,097,611	1,203,101
Mexican peso	280,105	143,661
Japanese yen	67,831	72,670
Euro	59,465	60,315
Australian dollar	21,083	21,142
Total	**1,526,095**	**1,500,889**

Future payments of long-term borrowings and debt outstanding as of December 31, 2019, are as follows:

Payments	Outstanding
2020	478,817
2021	530,094
2022	395,219
2023	62,500
2024	59,465
	1,526,095

Reconciliation of movements of borrowings and debt arising from financing activities, as presented in the consolidated statements of cash flows :

	2019	2018	2017
Balance as of January 1,	**3,518,446**	**2,211,567**	**3,246,813**
Net (decrease) increase in short-term borrowings and debt	(428,611)	950,259	(396,205)
Proceeds from long-term borrowings and debt	371,536	609,017	219,905
Repayments of long-term borrowings and debt	(368,843)	(256,173)	(883,476)
Payment of lease liabilities	(1,072)	—	—
Recognition of lease liabilities	20,979	—	—
Change in foreign currency	20,044	1,903	23,487
Adjustment of fair value for hedge accounting relationship	4,943	753	(483)
Other adjustments	888	1,120	1,525
Balance as of December 31,	**3,138,310**	**3,518,446**	**2,211,567**

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

20. Borrowings and debt (continued)

Lease liabilities

Maturity analysis of contractual undiscounted cash flows of the lease liability is detailed below:

	December 31, 2019
Due within 1 year	2,005
After 1 year but within 5 years	10,470
After 5 years but within 10 years	13,492
Total undiscounted lease liabilities	**25,967**
Short-term	1,145
Long-term	18,769
Lease liabilities included in the statement of financial position	**19,914**

Amounts recognized in the statement of cash flows

	December 31, 2019
Cash outflow for leases	**1,072**

Amounts recognized in profit or loss

	December 31, 2019
Interest on lease liabilities	**912**
Income from sub-leasing right-of-use assets	**(1,661)**

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

21. Other liabilities

Following is a summary of other liabilities:

	December 31, 2019	December 31, 2018
Accruals and other accumulated expenses	11,901	8,602
Accounts payable	2,526	453
Others	2,722	4,560
	17,149	**13,615**

22. Earnings per share

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

	December 31, 2019	December 31, 2018	December 31, 2017
(Thousands of U.S. dollars)			
Profit for the year	86,053	11,138	81,999
(U.S. dollars)			
Basic earnings per share	2.17	0.28	2.09
Diluted earnings per share	2.17	0.28	2.08
(Thousands of shares)			
Weighted average of common shares outstanding applicable to basic EPS	39,575	39,543	39,311
Effect of diluted securities:			
Stock options and restricted stock units plan	—	—	18
Adjusted weighted average of common shares outstanding applicable to diluted EPS	**39,575**	**39,543**	**39,329**

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

23. Capital and Reserves

A. Common stock and additional paid-in capital

Common stock

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

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

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

The following table provides detailed information on the movement of the shares by class for each of the years ended December 31, 2019, 2018 and 2017:

(Share units)	"Class A"	"Class B"	"Class E"	"Class F"	Total
Authorized	**40,000,000**	**40,000,000**	**100,000,000**	**100,000,000**	**280,000,000**
Outstanding at January 1, 2017	6,342,189	2,474,468	30,343,390	—	39,160,047
Conversions	—	(64,663)	64,663	—	—
Repurchased common stock	—	(1,000)	—	—	(1,000)
Restricted stock issued – directors	—	—	57,000	—	57,000
Exercised stock options - compensation plans	—	—	142,268	—	142,268
Restricted stock units – vested	—	—	70,519	—	70,519
Outstanding at December 31, 2017	**6,342,189**	**2,408,805**	**30,677,840**	**—**	**39,428,834**
Conversions	—	(64,386)	64,386	—	—
Repurchased common stock	—	(99,193)	(64)	—	(99,257)
Restricted stock issued – directors	—	—	57,000	—	57,000
Exercised stock options - compensation plans	—	—	102,918	—	102,918
Restricted stock units – vested	—	—	49,055	—	49,055
Outstanding at December 31, 2018	**6,342,189**	**2,245,226**	**30,951,135**	**—**	**39,538,550**
Conversions	—	(62,799)	62,799	—	—
Repurchased common stock	—	(1)	1	—	—
Restricted stock issued – directors	—	—	57,000	—	57,000
Exercised stock options - compensation plans	—	—	—	—	—
Restricted stock units – vested	—	—	6,727	—	6,727
Outstanding at December 31, 2019	**6,342,189**	**2,182,426**	**31,077,662**	**—**	**39,602,277**

Additional paid-in capital

As of December 31, 2019, 2018 and 2017, the additional paid-in capital consists of additional cash contributions to the common capital paid by shareholders.

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

23. Capital and Reserves

B. Treasury stock

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

	"Class A"		"Class B"		"Class E"		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at January 1, 2017	318,140	10,708	589,174	16,242	1,912,477	42,226	2,819,791	69,176
Repurchase of common stock	—	—	1,000	28	—	—	1,000	28
Restricted stock issued – directors	—	—	—	—	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	—	—	—	—	(142,268)	(3,140)	(142,268)	(3,140)
Restricted stock units – vested	—	—	—	—	(70,519)	(1,557)	(70,519)	(1,557)
Outstanding at December 31, 2017	**318,140**	**10,708**	**590,174**	**16,270**	**1,642,690**	**36,270**	**2,551,004**	**63,248**
Repurchase of common stock	—	—	99,193	2,441	64	1	99,257	2,442
Restricted stock issued - directors	—	—	—	—	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	—	—	—	—	(102,918)	(2,272)	(102,918)	(2,272)
Restricted stock units - vested	—	—	—	—	(49,055)	(1,083)	(49,055)	(1,083)
Outstanding at December 31, 2018	**318,140**	**10,708**	**689,367**	**18,711**	**1,433,781**	**31,657**	**2,441,288**	**61,076**
Repurchase of common stock	—	—	—	—	—	—	—	—
Restricted stock issued - directors	—	—	—	—	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	—	—	—	—	—	—	—	—
Restricted stock units - vested	—	—	—	—	(6,727)	(148)	(6,727)	(148)
Outstanding at December 31, 2019	**318,140**	**10,708**	**689,367**	**18,711**	**1,370,054**	**30,250**	**2,377,561**	**59,669**

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

24. Other comprehensive income

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

	Financial instruments FVH	Financial Instruments CFH	Foreign currency translation adjustment	Total
Balance as of January 1, 2017	**(581)**	**(2,220)**	**—**	**(2,801)**
Change in fair value of debt instruments, net of hedging	976	(4,924)	—	(3,948)
Change in fair value of equity instruments at FVOCI, net of hedging	187	—	—	187
Reclassification of gains (losses) on financial instruments included in profit or loss [1]	(279)	7,314	—	7,035
Exchange difference in conversion of foreign operating currency	—	—	1,490	1,490
Other comprehensive income (loss) for the year	884	2,390	1,490	4,764
Balance as of December 31, 2017	**303**	**170**	**1,490**	**1,963**
Change in fair value of debt instruments, net of hedging	(174)	2,841	—	2,667
Change in fair value of equity instruments at FVOCI, net of hedging	(1,224)	—	—	(1,224)
Reclassification of gains (losses) on financial instruments included in profit or loss [1]	(170)	(1,534)	—	(1,704)
Exchange difference in conversion of foreign operating currency	—	—	(1,282)	(1,282)
Other comprehensive income (loss) for the year	(1,568)	1,307	(1,282)	(1,543)
Balance as of December 31, 2018	**(1,265)**	**1,477**	**208**	**420**
Change in fair value of debt instruments, net of hedging	4	(2,698)	—	(2,694)
Change in fair value of equity instruments at FVOCI, net of hedging	491	—	—	491
Reclassification of gains (losses) on financial instruments included in profit or loss [1]	157	104	—	261
Exchange difference in conversion of foreign operating currency	—	—	(296)	(296)
Other comprehensive income (loss) for the year	652	(2,594)	(296)	(2,238)
Balance as of December 31, 2019	**(613)**	**(1,117)**	**(88)**	**(1,818)**

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

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

24. Other comprehensive income (continued)

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

Details about other comprehensive income components	Amount reclassified from other comprehensive income			Line item affected in the consolidated statement of profit or loss
	December 31,			
	2019	2018	2017	
Realized gains (losses) on securities at FVOCI:	157	87	84	Net gain (loss) on financial instruments
Gains (losses) on derivative financial instruments:				
Foreign exchange forwards	(3,261)	(2,502)	(7,611)	Interest income – loans
	(1,733)	(1,650)	(2,102)	Interest expense – borrowings and deposits
	(61)	(1,530)	7,216	Net gain (loss) on foreign currency exchange
Interest rate swaps	56	4	86	Net gain (loss) on interest rate swaps
Cross-currency swaps	(9)	—	12	Net gain (loss) on cross-currency swaps
	(5,008)	**(5,678)**	**(2,399)**	

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

25. Fee and commission income

Fee and commission income from contracts with customers broken down by main types of services according to the scope of IFRS 15, are detailed as follows:

	December 31, 2019			
	Syndications	Documentary and stand-by letters of credit	Other Commissions, net	Total
Openning and confirmation	—	8,381	1,312	9,693
Negotiation and acceptance	—	399	—	399
Amendment	—	632	(27)	605
Structuring	5,622	—	—	5,622
Other	—	94	(766)	(672)
	5,622	**9,506**	**519**	**15,647**

	December 31, 2018			
	Syndications	Documentary and stand-by letters of credit	Other Commissions, net	Total
Openning and confirmation	—	9,281	1,738	11,019
Negotiation and acceptance	—	379	—	379
Amendment	—	1,020	(151)	869
Structuring	4,950	—	—	4,950
Others	—	87	(119)	(32)
	4,950	**10,767**	**1,468**	**17,185**

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

	December 31, 2019
Commission income - Loans & commitments, net	476
Commission income - Letters of credit	10,430
Commission income - Arrangements	6,608
Total	**17,514**

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

25. Fee and commission income (continued)

The following table provides information on the ordinary income that is expected to be recognized on the contracts in force:

	Up to 1 year	1 to 2 years	More than 2 years	Total
Ordinary income expected to be recognized on the contracts as of December 31, 2019	1,462	95	1,026	2,583

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

26. Business segment information

The Bank's activities are managed and executed in two business segments: Commercial and Treasury. Information related to each reportable segment is set out below. Business segment results are based on the Bank's managerial accounting process, which assigns assets, liabilities, revenue and expense items to each business segment on a systematic basis. The maximum decision-making operating authority of the Bank is represented by the Chief Executive Officer and the Executive Committee, who review the internal management reports for each division at least every six months. Segment profit, as included in the internal management reports is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industry.

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

The Commercial Business Segment encompasses the Bank's core business of financial intermediation and fee generating activities developed to cater to corporations, financial institutions and investors in Latin America. These activities include the origination of bilateral short-term and medium-term loans, structured and syndicated credits, loan commitments, and financial guarantee contracts such as issued and confirmed letters of credit, stand-by letters of credit, guarantees covering commercial risk, and other assets consisting of customers' liabilities under acceptances.

Profits from the Commercial Business Segment include (i) net interest income from loans; (ii) fees and commissions from the issuance, confirmation and negotiation of letters of credit, guarantees and loan commitments, and through loan structuring and syndication activities; (iii) gain on sale of loans generated through loan intermediation activities, such as sales in the secondary market and distribution in the primary market; (iv) recovery or impairment loss on financial instruments, as well as gain (loss) in other non-financial assets, net; and (v) direct and allocated operating expenses.

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

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

26. Business segment information (continued)

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) on 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.

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

	December 31, 2019		
	Commercial	**Treasury**	**Total**
Interest income	253,462	20,220	273,682
Interest expense	(730)	(163,437)	(164,167)
Inter-segment net interest income	(144,334)	144,334	—
Net interest income	108,398	1,117	109,515
Other income (expense), net	17,835	(693)	17,142
Total income	126,233	424	126,657
Impairment loss on financial assets	(744)	314	(430)
Gain (impairment loss) on non-financial assets	500	—	500
Operating expenses	(31,183)	(9,491)	(40,674)
Segment profit (loss)	**94,806**	**(8,753)**	**86,053**
Segment assets	**5,967,157**	**1,273,678**	**7,240,835**
Segment liabilities	**134,657**	**6,081,693**	**6,216,350**

	December 31, 2018		
	Commercial	**Treasury**	**Total**
Interest income	239,976	18,514	258,490
Interest expense	—	(148,747)	(148,747)
Inter-segment net interest income	(130,195)	130,195	—
Net interest income	109,781	(38)	109,743
Other income (expense), net	18,002	(156)	17,846
Total income	127,783	(194)	127,589
Impairment loss on financial assets	(57,621)	106	(57,515)
Impairment loss on non-financial assets	(5,967)	—	(5,967)
Operating expenses	(37,436)	(11,482)	(48,918)
Segment profit (loss)	**26,759**	**(11,570)**	**15,189**
Segment assets	**5,734,159**	**1,858,333**	**7,592,492**
Segment liabilities	**12,985**	**6,588,995**	**6,601,980**

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

26. Business segment information (continued)

	December 31, 2017		
	Commercial	**Treasury**	**Total**
Interest income	213,326	12,753	226,079
Interest expense	—	(106,264)	(106,264)
Inter-segment net interest income	(92,745)	92,745	—
Net interest income	120,581	(766)	119,815
Other income (expense), net	18,926	(428)	18,498
Total income	139,507	(1,194)	138,313
Impairment loss (gain) on financial assets	(9,928)	489	(9,439)
Gain (impairment loss) on non-financial assets	—	—	—
Operating expenses	(35,916)	(10,959)	(46,875)
Segment profit (loss)	**93,663**	**(11,664)**	**81,999**
Segment assets	**5,481,628**	**774,681**	**6,256,309**
Segment liabilities	**13,214**	**5,191,170**	**5,204,384**

Reconciliation on information on reportable segments

	2019	**2018**	**2017**
Profit (loss) for the year	86,053	15,189	81,999
Impairment loss on non-financial assets - unallocated	—	(4,051)	—
Total profit (loss) for the year	86,053	11,138	81,999
Assets:			
Assets from reportable segments	7,240,835	7,592,492	6,256,309
Other assets - unallocated	8,831	16,693	11,438
Total assets	7,249,666	7,609,185	6,267,747
Liabilities:			
Liabilities from reportable segments	6,216,350	6,601,980	5,204,384
Other liabilities - unallocated	17,149	13,615	20,551
Total Liabilities	6,233,499	6,615,595	5,224,935

The Bank applied IFRS 16, as of January 1, 2019, using the modified retrospective approach to recognize right-of-use assets for $17.4 million presented within equipment and leasehold improvements and lease liabilities for $20.9 million.

As of December 31, 2019 assets and liabilities were allocated between Commercial and Treasury segments.

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

26. Business segment information (continued)

As a result of the adoption of the new standard, certain amounts related to equipment and leasehold improvements and intangibles were reclassified for presentation purposes in the consolidated financial statement.

Geographic information

The geographic information analyses the Bank's revenue and non-current assets by the Bank's country of domicile and other countries. In presenting the geographic information below, segment revenue is based on customer's country risk and segment non-current assets are based on the geographic location of the assets.

2019	Panama	Brazil	Mexico	Colombia	Costa Rica	Ecuador	Argentina	Other	Total
Total revenues	8,649	13,122	18,757	10,348	10,702	13,640	14,889	36,550	126,657
Non-current assets*	20,976	222	1,510	55	—	—	185	725	23,673
2018	Panama	Brazil	Mexico	Colombia	Costa Rica	Ecuador	Argentina	Other	Other
Total revenues	13,913	17,887	14,577	15,440	11,115	10,414	9,959	34,284	127,589
Non-current assets*	6,520	126	1,495	7	—	—	37	134	8,319
2017	Panama	Brazil	Mexico	Colombia	Costa Rica	Ecuador	Argentina	Other	Other
Total revenues	10,829	27,908	17,451	18,465	11,814	9,545	6,975	35,326	138,313
Non-current assets*	15,934	88	1,702	16	—	—	33	192	17,965

* Includes equipment and lesehold improvements, intangibles and investment properties

Disaggregation of revenue from contract with customers

As of December 31, 2019, 2018, and 2017, respectively, the Bank has no customer, either individually or as group of companies, that represents more than 10% of the total revenues.

27. Related party transactions

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

	December 31, 2019	**December 31, 2018**
Assets		
Demand deposits	3,812	5,179
Loans, net	49,101	201,762
Securities at fair value through other comprehensive income, net	—	2,913
Total asset	**52,913**	**209,854**
Liabilities		
Demand deposits	—	200,000
Time deposits	120,000	40,000
Total liabilities	**120,000**	**240,000**
Contingencies		
Stand-by letters of credit	20,000	—
Loss allowance	(49)	—

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

27. Related party transactions (continued)

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

	December 31, 2019	December 31, 2018	December 31, 2017
Interest income			
Loans	2,837	2,751	985
Total interest income	2,837	2,751	985
Interest expense			
Deposits	(3,927)	(984)	(530)
Borrowings and debt [(1)]	(645)	—	—
Total interest expense	(4,572)	(984)	(530)
Net interest income (expenses)	**(1,735)**	**1,767**	**455**
Other income (expense)			
Fees and commissions, net	132	1	—
(Loss) gain on financial instruments, net	(41)	41	—
Other income, net	—	1	—
Total other income, net	91	43	—
Operating expenses			
Depreciation of equipment and leasehold improvements	(899)	—	—
Other expenses	(409)	(2,287)	—
Total operating expenses	(1,308)	(2,287)	—
Net income from related parties	**(2,952)**	**(477)**	**455**

(1) This caption includes the financial cost relating to leases and depreciation expense for the right-of-use assets that rises from the lease contract with related parties where the Bank acts as a lessee through September 30, 2019.

The total compensation paid to directors and the executives as representatives of the Bank amounted to:

	December 31, 2019	December 31, 2018	December 31, 2017
Expenses:			
Compensation costs to directors	2,289	2,331	2,581
Compensation costs to executives	3,244	4,943	3,299

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

28. Salaries and other employee expenses

	December 31, 2019	December 31, 2018	December 31, 2017
Wages and salaries	13,232	18,487	16,191
Payroll taxes	1,721	2,120	2,629
Personnel benefits	8,867	6,732	8,644
Share–based payments	359	650	189
Total	**24,179**	**27,989**	**27,653**

28. Salaries and other employee expenses (continued)

A. Cash and stock-based compensation plans

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

i. 2015 Stock Incentive Plan – Directors and Executives

In February 2008, the Board of Directors of the Bank approved an incentive plan for directors and executives allowing the Bank to grant restricted stock, restricted stock units, stock purchase options, and/or other similar compensation instruments. The maximum aggregate number of shares which may be granted under this plan is three million "Class E" common shares. The 2008 Stock Incentive Plan is administered by the Board of Directors who has the authority at its discretion to select the directors and executives to whom the awards may be granted; to determine whether and to what extent awards are granted, and to amend the terms of any outstanding award under this plan. This plan was updated in October 2015, modified and renamed as "2015 Stock Incentive Plan"

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

During 2019, 2018 and 2017, the Board of Directors approved the grant of restricted stock to directors and stock options and restricted stock units to certain executives of the Bank, as follows:

Restricted stock – Directors

During the years 2019, 2018 and 2017, the Board of Directors granted 57,000, each year, of "Class E" common shares. The fair value of restricted stock granted was based on the stock closing price in the New York Stock Exchange of the "Class E" shares on April 17, 2019, April 11, 2018 and April 19, 2017. The fair value of restricted stock granted totaled $1.3 million in 2019, $1.6 million in 2018, and $1.6 million in 2017, of which $570 thousand, $739 thousand and $788 thousand were recognized in profit or loss during 2019, 2018 and 2017, respectively.

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

28. Salaries and other employee expenses

A. Cash and stock-based compensation plan

Restricted stock – Directors (continued)

The total expense recognized in profit or loss during 2019, 2018 and 2017 of restricted stock – directors amounted $1.4 million, $1.5 million and $1.7 million, respectively. The remaining cost pending amortization of $1.1 million at December 31, 2019 will be amortized over 2.3 years.

Restricted stock loses their restriction from the year following the anniversary date, as follows: 35% in the first and second year, and 30% in the third year.

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

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2017	96,900	27.86
Granted	57,000	27.80
Vested	(61,950)	28.50
Outstanding at December 31, 2017	91,950	27.40
Granted	57,000	28.70
Vested	(45,300)	28.07
Outstanding at December 31, 2018	103,650	27.82
Granted	57,000	22.68
Vested	(51,300)	27.19
Outstanding at December 31, 2019	109,350	25.44
Expected to vest	109,350	

The fair value of vested stock during the years 2019, 2018 and 2017 was $1.4 million, $1.3 million and $1.8 million, respectively.

Restricted Stock Units and Stock Purchase Options granted to certain Executives

The Board of Directors approved the grant of stock purchase options and restricted stock units to certain executives of the Bank with a grant date fair value of $355 thousand in 2019, $581 thousand in 2018 and $650 thousand in 2017. The distribution of the fair value was in restricted stock units.

Restricted stock units

The fair value of the restricted stock units was based on the "Class E" stock closing price in the New York Stock Exchange on the grant date. These stock units vest 25% each year on the grant date's anniversary. The restricted stock units are exchanged at a ratio of 1: 1 for common shares "Class E".

Compensation costs of the restricted stock units are amortized during the period of restriction by the accelerated method. During 2019, 2018 and 2017, the cost recognized in profit or loss as a result of the amortization of these grants totaled $359 thousand, $503 thousand and $811 thousand, respectively. The remaining compensation cost pending amortization of $321 thousand in 2019 will be amortized over 3.1 years.

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

28. Salaries and other employee expenses

A. Cash and stock-based compensation plan

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

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

	Shares	Weighted average grant date fair value	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 1, 2017	167,436	19.35		
Granted	25,289	25.70		
Forfeited	(71,401)	18.61		
Vested	(70,519)	19.76		
Outstanding at December 31, 2017	50,805	21.07		
Granted	23,412	24.80		
Forfeited	—	—		
Vested	(49,055)	20.90		
Outstanding at December 31, 2018	25,162	24.86		
Granted	23,743	14.95		
Forfeited	—	—		
Vested	(6,727)	24.92		
Outstanding at December 31, 2019	42,178	19.27	2.64 years	153.20
Expected to vest	42,178	19.27	2.63 years	153.20

The fair value of vested stock during the years 2019, 2018 and 2017 is $168 thousands, $1.0 million, and $1.4 million, respectively.

Stock purchase options

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

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

28. Salaries and other employee expenses

A. Cash and stock-based compensation plan

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

Related cost recognized in profit or loss during 2018 and 2017 as a result of the amortization of these plans that amounted to $14 thousand and $118 thousand, respectively.

A summary of stock options granted is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 1, 2017	485,845	26.87		
Granted	—	—		
Forfeited	(69,934)	28.63		
Exercised	(142,268)	24.84		
Outstanding at December 31, 2017	273,643	27.48		
Granted	—	—		
Forfeited	(28,315)	29.25		
Exercised	(102,918)	24.55		
Outstanding at December 31, 2018	142,410	29.25		
Granted	—	—		
Forfeited	—	—		
Exercised	—	—		
Outstanding at December 31, 2019	142,410	29.25	2.11 years	—
Exercisable	142,410	29.25	2.11 years	—
Expected to vest	142,410	29.25	2.11 years	—

During 2019 there were no options exercised. The intrinsic value of exercised options during the years 2018 and 2017 was $406 thousand and $593 thousand, respectively.

During 2018 and 2017, the Bank received $2.5 million and $3.5 million, respectively from exercised options.

B. Other plans - Expatriate Top Executives Plan

The Bank sponsors a defined contribution plan for its expatriate top executives based in Panama, which are not eligible to participate in the Panamanian social security system. The Bank’s contributions are determined as a percentage of the annual salaries of top executives eligible for the plan, each contributing an additional amount withheld from their salary. Contributions to this plan are managed by a fund manager through a trust. The executives are entitled to the Bank’s contributions after completing at least three years of service in the Bank. During the years 2019, 2018 and 2017, the Bank charged to salaries expense $87 thousand, $102 thousand and $163 thousand, respectively, that correspond to the Bank’s contributions to this plan.

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

29. Other expenses

	December 31, 2019	December 31, 2018	December 31, 2017
Administrative	5,560	6,391	6,846
Professional services	3,487	4,293	3,911
Maintenance and repairs	1,770	2,912	1,673
Regulatory fees	994	1,246	977
Rental - office and equipment	658	2,913	2,394
Advertising and marketing	290	337	683
Other	180	379	322
Total	**12,939**	**18,471**	**16,806**

30. Litigation

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

31. Applicable laws and regulations

Liquidity index

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

As of December 31, 2019 and 2018, the minimum LCR to be reported to the SBP was 25% for both periods. The Bank´s LCR as of December 31, 2019 and 2018 was 131% and 238%, respectively.

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

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

As of December 31, 2019 and 2018, the percentage of the liquidity index reported by the Bank to the regulator was 100.36% and 124.39%, respectively.

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

31. Applicable laws and regulations (continued)

Capital adequacy

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

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

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

	December 31, 2019	**December 31, 2018**
Tier 1 capital	1,026,125	995,743
Risk weighted assets	5,937,648	5,830,875
Tier 1 capital ratio	17.28%	17.08%

Leverage ratio

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

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

	December 31, 2019	**December 31, 2018**
Ordinary capital	890,106	859,725
Non-risk-weighted assets	7,323,187	7,779,919
Leverage ratio	12.15%	11.05%

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

31. Applicable laws and regulations (continued)

Specific credit provisions

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

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

Article 34 of this Rule establishes that all credits must be classified in the following five (5) categories, according to their default risk and loan conditions, and establishes a minimum reserve for each classification: normal 0%, special mention 20%, substandard 50%, doubtful 80%, and unrecoverable 100%.

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

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

	December 31, 2019					
Loans	**Normal**	**Special Mention**	**Substandard**	**Doubtful**	**Unrecoverable**	**Total**
Corporations	2,487,859	13,595	—	—	61,845	2,563,299
Banks:						
Private	2,692,787	—	—	—	—	2,692,787
State-owned	589,690	—	—	—	—	589,690
	3,282,477	—	—	—	—	3,282,477
Sovereign	47,221	—	—	—	—	47,221
Total	**5,817,557**	**13,595**	**—**	**—**	**61,845**	**5,892,997**
Allowance for loan losses IFRS (*) :	**42,396**	**2,338**	**—**	**—**	**54,573**	**99,307**

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

31. Applicable laws and regulations (continued)

Specific credit provisions (continued)

Loans	December 31, 2018					
	Normal	Special Mention	Substandard	Doubtful	Unrecoverable	Total
Corporations	2,571,907	—	—	64,701	—	2,636,608
Banks:						
Private	2,458,690	—	—	—	—	2,458,690
State-owned	624,100	—	—	—	—	624,100
	3,082,790	—	—	—	—	3,082,790
Sovereign	59,026	—	—	—	—	59,026
Total	**5,713,723**	**—**	**—**	**64,701**	**—**	**5,778,424**
Allowance for loan losses IFRS (*) :	**51,346**	**—**	**—**	**49,439**	**—**	**100,785**

As of December 31, 2019, there are no restructured loans. As of December 31, 2018, the total restructured loans amounted to $9.0 million.

(*) As of December 31, 2019 and December 31, 2018, there is no excess in the specific provision calculated in accordance with Agreement No. 8-2014 of the SBP, over the provision calculated in accordance with IFRS.

Specific credit provisions (continued)

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

Non-accruing loans	December 31, 2019					
	Normal	Special Mention	Substandard	Doubtful	Unrecoverable	Total
Impaired loans	—	—	—	—	61,845	61,845
Total	**—**	**—**	**—**	**—**	**61,845**	**61,845**

Non-accruing loans	December 31, 2019					
	Normal	Special Mention	Substandard	Doubtful	Unrecoverable	Total
Impaired loans	—	—	—	64,701	—	64,701
Total	**—**	**—**	**—**	**64,701**	**—**	**64,701**

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

31. Applicable laws and regulations (continued)

Specific credit provisions (continued)

Credit risk coverage - dynamic provision

	December 31, 2019	December 31, 2018
Non-accruing loans:		
Private corporations	61,845	64,701
Total non-accruing loans	**61,845**	**64,701**
Interest that would be reversed if the loans had been classified as non-accruing loans	1,379	1,056
Income from collected interest on non-accruing loans	631	2,879

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

The dynamic provision is an equity item associated to the regulatory capital but does not replace or offset the capital adequacy requirements established by the SBP.

Methodology for the constitution of the regulatory credit reserve

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

The parameters established in this methodology are the following:

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

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

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

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

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

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

31. Applicable laws and regulations (continued)

As of December 31, 2019 and December 31, 2018, the total amount of the dynamic provision and the regulatory credit reserve calculated according to the guidelines of Rule No. 4-2013 of the SBP is $136.0 million for both periods , appropriated from retained earnings for purposes of compliance with local regulatory requirements. This appropriation is restricted from dividend distribution in order to comply with local regulations. The provision and reserve are detailed as follows:

	December 31, 2019	December 31, 2018
Dynamic provision	136,019	136,019
Regulatory credit reserve	—	—
	136,019	**136,019**

Capital reserve

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

32. Subsequent Events

Bladex announced a quarterly cash dividend of $0.385 US dollar cents per share corresponding to the fourth quarter of 2019. The cash dividend was approved by the Board of Directors at its meeting held on February 7, 2020 and it was payable on March 12, 2020 to the Bank's stockholders as of February 26, 2020 record date.

As part of an orderly and programmed succession plan, the Board announced on January 27, 2020, that, effective March 9, 2020, Mr. N. Gabriel Tolchinsky will step down as Chief Executive Officer, and will be succeeded by Mr. Jorge Salas.

Bladex announced a quarterly cash dividend of $0.25 US dollar cents per share corresponding to the results of the first quarter of 2020. The cash dividend was approved by the Board of Directors at its meeting held on April 8, 2020 and it will be payable on May 13, 2020 to the Bank's stockholders as of April 27, 2020 record date.

The outbreak of the novel Coronavirus disease, also known as COVID-19, initially reported in December of 2019, has spread rapidly as a pandemic among the world´s population during the first quarter of 2020. The COVID-19 has negatively affected the economic conditions of companies in most of the countries in the world, causing global uncertainty which can significantly affect Bladex's operations, as well as the operations of its customers, counterparties and suppliers. The duration and severity of the impacts of COVID-19 are uncertain at this time, and the Bank cannot predict the impact it may have in its operations and financial situation, which could be material and adverse. The Bank's Management will continue to monitor and modify the operating and financial strategies in order to mitigate the possible risks that could affect the business.

Exhibit 2.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of the date of the Annual Report "Form 20-F", Banco Latinoamericano de Comercio Exterior, S.A. ("Bladex" or the "Bank") only has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as part of the Bank's Common Stock, with title "Class E".

Description of Class E Common Stock

The following description of the Bank's Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Bank's Amended and Restated Articles of Incorporation (the "Articles of Incorporation") filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2008, filed with the SEC on June 26, 2009, and the Bank's the Bylaws filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2009, filed with the SEC on June 11, 2010, each of which incorporated by hyperlink reference in the exhibit section to the Annual Report on Form 20-F of which this Exhibit 2.1 is a part. Bladex encourages you to read the Bank's Articles of Incorporation, Bylaws and the applicable provisions of the Panamanian Corporation Law of 1927, for additional information.

Authorized Capital Shares

The Bank's authorized capital consists of two hundred and ninety million (290,000,000) shares, of which one hundred million (100,000,000) are Class E common shares without par value. For more information of the Bank's authorized capital composition, please refer to Article 4 (Authorized Capital) of the Bank's Articles of Incorporation.

Voting Rights

All common shares have the same rights and privileges regardless of their class, except that:

- The affirmative vote of three-quarters (3/4) of the issued and outstanding Class A shares is required (1) to dissolve and liquidate the Bank, (2) to amend certain material provisions of the Articles of Incorporation, (3) to merge or consolidate the Bank with another entity and (4) to authorize the Bank to engage in activities other than those described in its Articles of Incorporation;
- The Class E shares are freely transferable without restriction to any person, while the Class A shares, Class B shares and Class F shares can only be transferred to qualified holders of each class;
- The Class B shares and Class F shares may be converted into Class E shares;
- The holders of Class A shares, Class B shares and Class F shares benefit from pre-emptive rights in respect of shares of the same class of shares owned by them that may be issued by virtue of a capital increase, in proportion to the shares of the class owned by them, but the holders of Class E shares do not; and
- All classes vote separately for their respective directors. The holders of the Class A common shares have the right to elect three (3) Directors; the holders of the Class E common shares can elect five (5) Directors; and the holders of the Class F common shares have the right to elect one (1) Director, so long as the number of issued and outstanding Class F common shares is equal to or greater than fifteen per cent (15%) of the total number of issued and outstanding common shares of the corporation. As of the date of this annual report, no Class F shares have been issued.

The holders of common shares of each class are entitled to one (1) vote per share so held, except that in the elections of the members of the Board of Directors, the holders of shares of each class shall have a number of votes equal to the number of shares of the respective class multiplied by the number of directors to be elected, and may cast all of their votes for only one candidate or distribute them among the total number of directors to be elected or any two or more of them, as they may deem convenient.

Dividend Rights

The holders of all classes of Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the Board of Directors in its discretion out of funds legally available for the payment of dividends.

Other Restrictions

Currently, there are no restrictions or limitations under Panamanian law or the Bank's Articles of Incorporation or Bylaws on the export or import of capital, including foreign exchange controls, the payment of dividends or interest, or the rights of foreign shareholders to hold or vote stock.

Other Rights and Preferences

Class E shares shall have no pre-emptive rights in respect of any class of shares issued by virtue of a capital increase. The liability of shareholders is limited to the amounts unpaid for shares subscribed.

Taxation

There is no income tax treaty between Panama and the United States. For a brief description of taxes, including withholding provisions, to which U.S. holders of the Bank's Class E common shares are subject under the existing laws and regulations of Panama, see Item 10.E "Taxation."

Listing

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

Exhibit 8.1

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

Name of Subsidiary	**Jurisdiction of Incorporation**
Bladex Holdings Inc.	United States
Bladex Representação Ltda.	Brazil
Bladex Development Corp.	Panama
BLX Soluciones, S.A. de C.V., SOFOM, E.N.R.	Mexico

CODE OF ETHICS

UPDATED: July 2019

Approved by the Board of Directors at their meeting held on July 16th, 2019, as stated in the respective minutes.

PROLOGUE

This Code of Ethics (hereinafter referred to as the "Code" of Banco Latinoamericano de Comercio Exterior, S.A. (Foreign Trade Bank of Latin America, Inc., hereinafter also called "Bladex" the "Bank", the "Institution", the "Organization" or "us") contains the general principles and policies that should guide the ethical-professional conduct of the Organization's Employees and Directors. Its objective is to uphold the values that are fundamental for a proper conduct of the Institution's business and management, in line with the principles and values of the Bank that, as a regional Bank, with a shareholding structure representing both the public and the private sectors, conjugates a series of interests that require guidelines for undertaking its business and activities.

It is essential for the Institution to have a clear direction of the Organization in line with the fundamental principles and values of human beings and the environment in which we operate; hence this Code aims to define the action framework that would enable us to attain such commitment. People and work become one, discarding any duality or incoherence between the work and individual behavior in the concrete undertaking of business and vis-à-vis the shareholders.

The Bank's Customers should not only receive products of an adequate quality according to their price, but also an honest, transparent and trustworthy treatment. Each shareholder, in turn, deserves to receive, from Bladex, a precise, timely and transparent accounting. The Institution has a moral responsibility to look after the interests of all those involved in its activities, even more so when considering that we are a financial entity that depends on the trust people have placed in us.

The Bank is a company that works with the money and securities of third parties, a particularity that requires trust and honesty in each of its functions, both toward the inside as well as to the outside of the Organization. The relationship between the Bank and its Shareholders, Employees, Customers, Suppliers and its social environment is based on trust, correctness and honesty, which will make it possible for all participants in the system to trust each other.

This trust depends on the way that Bladex members put the Organization's values in practice when they go about their jobs, thus extolling the high ethical standards being promoted by Bladex, the preservation of the confidentiality of its Customers' information, the avoidance of conflicts of interest and the compliance with the laws and regulations governing the Bank's activities.

Bladex does neither finance any business, nor intents to get into any business relationship with financial institutions or companies that do not follow such ethical standards, nor with those of which we are aware of their participation in unlawful or degrading businesses or such business as may go against public security or be harmful to the environment or that may not fully comply with current legal dispositions in force. We uphold a policy of complete rejection of and auto-protection against, any activities that may be linked to money laundering, the financing of terrorism, the financing of the proliferation of weapons of mass destruction, fraud, graft, corruption or similar practices, whatever their derivation may be and it is the obligation of each member of this Organization to join forces with the different actions being promoted in that sense for monitoring, detecting or helping to identify and reject any activity that might violate this Policy.

For certain specific matters that require detailed regulations, the norms of this Code shall be developed or complemented with those set forth in the manuals, policies and guidelines that are currently in force, as they may be revised from time to time, or as they may be issued in future.

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I. INTRODUCTION

General Principles and Objectives

This Code establishes the norms binding those that are subject hereto (People Covered by this Code), as such term is defined hereunder, to respect it and denounce any attempt to violate it.

Aware of the social and individual responsibilities of the different activities and functions involved in managing the Institution, the general principles and action policies are defined herein for guiding the decisions and actions of each person that is part thereof.

Our mission, as members of this Institution, whether individually or collectively, is to act in line with the ethical values and principles of human beings, the Bank and society.

The Institution promotes and upholds the ethical values it considers essential in its operations: **Commitment, Humility, Excellence, Respect and Integrity (hereinafter altogether referred to as the "Values").**

The main objective hereof is to fix the general ethical framework for going about their job and for each one of the Institution's activities.

The content hereof covers the general situations and issues that might come up in the scope of your activities, as well as such cases as may be referring more specifically to the management and workings of the Institution itself.

The norms compiled in this Code make up a tool for constant consultations and knowledge; they form a guideline for the decisions to be made by each of the Bank's members, according to their position and function.

Each of the Institution's members should act in line with these Values in a uniform way, coherently and constantly. A responsible exercise of properties and acting correctly should always be undertaken.

This Code describes general conducts from an ethical point of view; however, it is everyone's duty to assume an individual responsibility in making the Board of Directors, the Compensation Committee, the Audit Committee, Senior Management, Compliance department or Human Development department, as the case may be, aware of any facts that might generate some degree of ethical difficulty when making decisions, through the tools and mechanism the Bank has assigned thereto.

Although the Code intends to address a wide range of practices and procedures, Bladex cannot foresee all the problems and situations that might arise.

If any of the People Covered by this Code are not sure what they should do in a given situation, then they must seek for additional information and guidance before acting. The People Covered by this Code should use their good judgment and common sense; if something appears incorrect or unethical, it is likely to be so. If you have any questions regarding the best course of action to be taken in a specific situation, or, if you suspect or are aware of the possible violation of any law, rule or ethical norm of Bladex, then you must immediately contact Human Development department that It will focus on how to handle the situation. Any allegations relating to possible infringements of this Code, or any other norm that develops or complements it, must be made through the tool that the Bank has provided for it, available on the Bank's intranet and on its website.

II. PERSONS SUBJECT TO THIS CODE COMPLIANCE

Persons Subject to this Code are, except for legal or other reasons justified by the Audit Committee, the following (hereinafter "Subject to the Code"):

- The Directors and Dignitaries of the Bank and those of its subsidiary companies.
- The members of the Senior Management of the Bank and its subsidiary companies.
- All persons (employees) who provide their services in the areas of the Bank or its subsidiaries.
- The representatives or agents of the Bank or its subsidiary companies directly related to its activity.
- Such other persons who, by the characteristics of their activity, must be subject, in the opinion of the Ethics Committee, temporarily or permanently to the provisions of this Code.

III. FUNDAMENTAL PRINCIPLES

III.1. Personal Finances

Those Subject to the Code must maintain exemplary financial conduct, having to give full and timely fulfilment of their obligations and financial commitments always. It Is Imperative that those who demand this behavior from their clients have consistent behavior.

The above means that those Subject to the Code must handle their banking, financial and commercial matters in general responsibly and in accordance with their real debt capacity. A criterion of utmost prudence Must prevail in this area, which is not compatible with the existence of unpaid or overdue obligations.

Those Subject to the Code that require it must request loans or financing exclusively in formal and recognized financial institutions that are habitually dedicated to these turns and that are within the current legal framework. Informal entities whose financings imply a high financial cost, or the creation of disproportionate guarantees are prohibited.

Private investments or businesses carried out by those Subject to the Code must not be contrary to the interests of the Institution, ethics or good manners.

The extending of personal loans to third parties as a habitual business practice and/or getting involved in unlawful business shall be considered as inappropriate behavior for all People Covered by this Code.

III.2. Conflicts of Interest

Any transaction which by its nature involves the Bank and a shareholder, Director, Dignitary or employee of the Bank, or a person from whom such shareholder, Director, Dignitary or employee is a shareholder, director, official, employee or agent, or a Person with whom any of them have a family relationship (all of them, "Related Persons"), presents a situation of potential conflict of interest. Therefore, all transactions of this kind must be conducted in the best interest of the Bank, with strict adherence to applicable laws and regulations and never for the individual benefit of a shareholder, or Director, Dignitary or employee related to The Bank or its Related People. For the purposes of the application of this standard, the guidelines and policies of the Bank, will develop the scope of the concepts contained here, including, for example, the minimum shareholding that a person should have in a company or the degree of Kinship to be considered as Related Persons.

Regarding the decisions made by the Bank about such transaction where there might be a conflict of interest, it must proceed as follows:

Ÿ Those Subject to the Code who may find themselves in a conflict of interest situation regarding a specific transaction must disclose it to the Compliance Officer.

Ÿ Subject to the Code who may find themselves in a conflict of interest situation regarding a specific transaction must refrain from any communications that could influence the people in charge of such transaction, regarding the issue that causes the conflict of interest situation.

Ÿ If it is appropriate to take a collegiate decision regarding the transaction, then such decisions shall be made with the abstention of Subject to the Code who may have a conflict situation.

III.2.a. Transactions with Related Parties

Bladex strictly adheres to the dispositions that establish limits to transactions between natural and legal persons considered as "Related Parties", in force applicable in the jurisdictions in which it operates. If there are differences between the different legislations, Bladex will always adopt the most stringent and conservative.

Any transaction carried out with a Related Party must be assessed in the first instance by the Bank’s Legal and Compliance departments. This Review is intended to determine that it does not contravene the laws and regulations in force of the Republic of Panama, those issued by the *Securities and Exchange Commission* ("SEC") of the United States of America, or any other existing legal provision applicable to the Bank.

III.2.b. Invitations and Gifts

None of those Subject to the Code will request or accept from third parties’ fees, intentionally, either directly or indirectly, commissions, gifts, securities, remuneration or lucrative advantages, whether in liquid sums of money or in kind, in connection with a transaction, service or business made with the Institution and/or its Affiliates, for the purpose of influencing an act or decision by them for the benefit of the Bank or the Subjects of the Code, or inducing third parties to seek their influence for the purpose of or grant an improper advantage in favor of the Bank or the Subjects to the Code.

Except for the above, reasonable social courtesies such as symbolic or corporate gifts, invitations to dinners or events for a work meeting are excluded. This, provided that, under no circumstances, does a commitment, influence or that, in its nature, nature or frequency, it could be interpreted as a deliberate will to affect the independence, impartiality or criterion of the as well as that they are infrequent and with minimal value, and transparent and openly. Notwithstanding the foregoing, Code Subjects must not accept gifts or invitations of the type described in this section worth more than $200. In case of doubt as to whether or not it is appropriate to accept a gift or invitation, you must pose it to the Compliance Officer before accepting one or the other.

If the situation is inconvenient to refuse a gift, it must be reported in writing to the Compliance Officer, who may order the disposal of the gift and the donation of the money raised to a non-profit organization.

III.2.c. Corporate Gift and Gift Delivery

According to the Bank's marketing policies and strategies, corporate gifts and hand-outs may be delivered to its Customers on the Bank´s behalf, if they adequately represent the corporate image of the Institution and its destination is exclusively for Customers.

The Bank does not, nor will the Code Subjects in its name make, cash payments, donations or gifts to third parties for the purpose of influencing an act or decision by customers for the benefit of the Bank or the Subjects to the Code or inducing customers to use influences in order to procure a business or grant an inadequate advantage in favor of the Bank or the Subjects to the Code.

Except for the above, reasonable social courtesies such as symbolic or corporate gifts, invitations to dinners or events for a work meeting are excluded. This, provided that, under no circumstances, does it mean a commitment, influence or that, in its nature, nature or frequency, it could be interpreted as a deliberate will to affect the independence, impartiality or judgment of the third, as well as infrequent and minimally valuable, and transparent and openly. Notwithstanding the foregoing, Code Subjects must not make gifts, donations, contributions or invitations of the type described in this section, the value of which is greater than $200.

III.2.d. Relationship with Suppliers

The relationship between the Subjects to the Code and suppliers must remain strictly independent and according to the corporate interests, in faithful fulfillment of the provisions of this Code always having to privilege the parameters of utility, quality and Institution's budget.

In the case of external auditors, the Bank must observe, in addition to the foregoing, the provisions of ISB standard No. 1 of the SEC and the Sarbanes-Oxley Act regarding the rules of independence prohibiting hiring of the auditors ' signature. That was part of the team that audited the Bank's financial statements and its subsidiaries over the past two years.

In addition, the Bank should observe the provisions of the Foreign Corrupt **Practices** Act **("FCPA")** regarding the relationships that suppliers may have, including their intermediaries or agents, with members of political parties or government officials and the fate or use of money paid to suppliers, their agents and/or to and hold them for their services.

The Bank does not, nor will the Code Subjects in its name make, cash payments, donations or gifts to suppliers for the purpose of influencing an act or decision by suppliers for the benefit of the Bank or the Subjects to the Code, or inducing suppliers to use (r) influences in order to procure a business or grant an inadequate advantage in favor of the Bank or the Subjects to the Code.

Except for the above, reasonable social courtesies such as symbolic or corporate gifts, invitations to dinners or events for a work meeting are excluded. This, provided that, under no circumstances, does it mean a commitment, influence or that, in its nature, nature or frequency, it could be interpreted as a deliberate will to affect the independence, impartiality or judgment of the third, as well as infrequent and minimally valuable, and transparent and openly. Notwithstanding the foregoing, Code Subjects must not make gifts, donations, contributions or invitations of the type described in this section, the value of which is greater than $200.

III.2.e. Travel Per-Diem and Expenses to be Reported

The funds that the Institution provides to its employees for the performance of their activities They are owned by that, so they should be given the use for which they were assigned, keeping strict transparency and making the required reports in accordance with the guidelines that the Bank establishes for that purpose.

III.2.f. Use of insider information and other related aspects

All People Covered by this Code must abstain, when going about their personal investments, from using such information as they may have become aware of because of their position and work for their own benefit or that of any other person. Those who do have access to any inside or confidential information of Bladex or its securities, must abstain from trading in those instruments. In turn, those who are aware of the investment policies and strategies, plans, studies or negotiations, should not use such information, neither directly nor indirectly, for obtaining any advantage in any operations, neither for their own benefit nor for that of any third party.

None of those Subject to the Code may make use of privileged information to carry out transactions with securities issued by any of the companies belonging to its client portfolio, or from any other issuer in respect of which it owns this type of Information.

They are also subject to these rules of use of insider information, all currencies, rate insurance or similar insurance modalities that exist on the market financial (derivatives), simultaneous operations and short sales.

Any acquisition or disposal referred to public offering securities made by any employee of the Institution that, depending on its position, accesses or can access information privileged, must be communicated to the Compliance Officer, in writing.

Without prejudice to the above, it is advisable for the employees of the Institution to carry out their personal transactions for investment and non-speculative purposes.

III.2. f.1. “Window period” and “Black-out Period”

A Window period is the time interval during which the Subject to the Code can freely trade transactions that involve shares of the Bank’s stock.

Generally, unless there is any reason that leads the Bank to close the Open Period, it is established that it begins three (3) business days after the issuance of the press releases on the Bank's financial results and lasts for a period of forty-five (45) calendar days after the issuance of the corresponding press release, or until the 15th day of the month of the close of each quarter (March, June, September and December), whichever occurs first.

The period that begins after the last day of the Open Period and ends at the end of three (3) business days after the issuance of the following press release on the Bank's financial results is called the "Blackout Period".

Bladex retains the right to increase the duration of the Blackout Period or to restrict the window period at its entire discretion.

People Covered by this Code must submit written notification using the form provided by the Bank thereto of any type of trades of Bladex shares carried out, immediately upon their execution, to the following persons designated thereto:

· For Bank Directors or Dignitaries, including the CEO, notification must be made to the Chairman of the Board of Directors of the Bank with a copy to the Shareholder Relations Department.

· For the Chairman of the Board of Directors of the Bank, notification must be made to the President of the Bank's Audit Committee with a copy to the Shareholder Relations Department.

· For Bank Employees, notification must be made to the CEO with a copy to the Human Development and the Shareholders Relations departments.

The above designated persons shall send copies of the completed notification forms received to the Bank's Shareholders Relations Department in case of Directors and Dignitaries.

Notification forms for reporting any fact foreseen in this section are available through the Bank's Intranet or from Shareholders Relations Department. A copy of the completed and signed form, either an original or copy received by fax or in PDF format, must be filed in the employee records of the corresponding Director, Dignitary or Employee kept in the Bank's Shareholders Relations and Human Development departments.

The procedures established herein are applicable to any type of purchase, sale or trade of Bladex shares (including shares obtained by exercising stock options), carried out on their own account or through another party, either an individual or legal entity, including family members, friends or coworkers.

Notwithstanding the above, those Subject to the Code must abstain from carrying out trades in Bladex shares, even if within the "Window Period" set forth in this section, if they become aware of any confidential, privileged and insider information of material importance related to Bladex and its business that has not been disclosed to the market by Bladex.

Any of the above-mentioned individuals to whom this policy is applicable who does not comply with the dispositions contained herein and carries out a transaction of selling/buying shares during the Black Out Period, must reverse said transaction within two (2) weeks. Any profits obtained from this reversion shall be handed to the Bank and any loss shall be assumed by the individual.

The Audit Committee of the Board of Directors shall determine the severity of the infringement and shall apply such disciplinary measures as it may deem to be appropriate.

III.2. f.2. "Rule" 10b5-1 of the "Securities and Exchange Commission" (SEC)

Any Subject to the Code has the option of establishing a contract, instruction or advance plan for the purchase and sale of shares under the Rule 10b5-1 of the Securities Exchange Act of 1934, which would allow them to purchase and/or sell shares of the bank during the period Restricted.

Such contract, instruction or advance plan for the purchase and sale of shares adopted with the respective broker ("broker") may only be implemented for an open period and must specify the number of shares to be purchased or sold and the Price and date of purchase or sale. As an alternative to the foregoing, a written formula or algorithm or a computer program may be included to determine the amount, price and date of the sale or purchase of shares.

In any event, the contract, instruction or advance plan referred to above must prohibit the person concerned from modifying or altering thereafter the quantity, price and date of the purchase or sale of shares, unless such modification is made during an Open period when the person concerned has no knowledge of privileged or confidential information.

Any contract, instruction or advance plan for the purchase and sale of shares to be used must be previously approved in writing prior to entry into force by the following authorities:

- If the contract, instruction or advance plan for the purchase and sale of shares comes from a Director or Dignitary of the bank, including the CEO, it must be approved by the Chairman of the Board of Directors.

- If the contract, instruction or advance plan for the purchase and sale of shares comes from the Chairman of the Board of Directors, it must be approved by the President of the Bank's Audit Committee.

- If the contract, instruction or advance plan for the purchase and sale of shares comes from a Bank’s employee, it must be approved by the CEO.

In addition, in the case of Directors, Dignitaries and Chairman of the Board, a copy of the contract, instruction or advance plan must be sent for the purchase and sale of shares to the Shareholder Relations department, and in the case of Bank’s employees, then a copy must be sent to Human Development department.

III.2. f.3. Revocation and modifications of contracts, instructions or anticipated plans for the purchase and sale of shares:

Any Director, Dignitary and Bank´s employee may revoke his/her contract, instruction or advance Plan of purchase and sale of shares in an open period by written notice to his/her "broker".

Under certain circumstances, a contract, instruction or Advance Purchase and Sale Plan of shares must be revoked. This includes circumstances such as the merger announcement or an event that would cause the transaction to violate the law or have an adverse effect on the bank. In such circumstances, the Shareholder Relations department must be authorized to notify the "broker" of the owner of the contract, instruction or Advance Plan of Purchase and Sale of shares.

III.2.g. Personal relationships with applicants.

In the field of recruitment and hiring of personnel, no applicant may receive preferential treatment with respect to other candidates based on personal or family relations or be the subject of any kind of discrimination.

III.3. Handling Confidential Information

III.3.a. Information safekeeping

The information on the operations of the institution and its clients is confidential, so the use, conservation and safekeeping of the respective document must be kept strictly in accordance with the internal regulations.

Therefore, it is the responsibility of every employee to keep with due security all documents and/or values in his charge, in addition to any information of the institution's and its clients ' property.

III.3.b. Restrictions on the flow of information

Any confidential information on issuers of public offering securities, their financial instruments or transactions in which they are involved, must be kept under strict confidentiality. It is forbidden to divulge or communicate to third parties of this information, even if they are persons of the same institution, being applicable the ethical-professional principle of banking confidentiality.

If, based on labor relations within the Institution, it is necessary to communicate to a third-party confidential matter, the following procedure must be followed:

· Clearly establish that the information is confidential.

· To make known the restrictions on the dissemination of such information.

· To make known the prohibition of making financial transactions based on that information.

It is prohibited to communicate, reproduce or transmit to third parties, verbally or by written or electronic means, bank information on business strategy aspects, databases, customer segmentations or any business information or Operations of the institution and its clients, even if the employee did not intervene directly.

Those Subject to the Code must refrain from responding, without prior consultation to the Compliance Officer or Human Development to the questions asked about such operations or any other matter that may cause liability or damage to the Bank or its customers.

It is of paramount importance the care and responsible management of the information of stock markets, both in the relationship with clients and in its correct personal administration.

Likewise, the Subject to the Code to which it is appropriate to participate in the preparation of the reports and documents that Bladex must register and/or present to the respective supervisory authorities shall make a reasonable, complete, safe, timely and understandable. The same conduct must be observed in the preparation of any other public communication carried out by the Bank.

III.4. Acting on behalf of Bladex

III.4.a. Individual responsibility

As part of the institution, the employees assume the individual responsibility of their actions and behaviors, which includes the knowledge and obligatory fulfillment of the provisions established in the manuals, guidelines, regulations and internal procedures.

An employee must not perform illegal acts or take any conduct that may be detrimental to the prestige, interests or assets of the Institution or its employees. If a subordinate receives instructions incompatible with the values, policies and internal norms, he or she must communicate it to the higher bodies of the Human Development department, to take the necessary measures and safeguards.

The use of the resources that the Bank makes available to collaborators is for the sole purpose of the business and to better carry out the assigned functions. The use of institutional e-mail should not compromise the Bank's image or prestige.

You must keep the most complete loyalty to the Institution in all its aspects, and not use your name for personal purposes. Nor should any kind of information be published or disseminated that would violate the dignity of the Institution or its employees.

III.4.b. Job Responsibility

All employees must devote their time and capacity fully to the service of the Institution during working hours. Consequently, you cannot use the offices or other assets of the Institution for activities outside of your duties.

With respect to other activities or external commitments, an employee must not assume responsibilities or functions that may mean any kind of conflict of interest with the management of the Bank. In the absence of this contraindication, the acceptance of any work, representation or external advice for which a payment is received, must be informed in writing to the Compliance Officer and duly authorized by Human Development department. In any case, such activities must not interfere with the performance and obligations of the employee, nor do they require hours of dedication so long as to affect their physical or mental capacity.

It is forbidden to the Bank's employees to provide services of any kind to other banks or financial institutions, as well as to companies that belong to or that are related to the Bank's clients, that will result in a conflict of interest and/or make to assume unfair competition for Bladex.

Bladex's employees who perform university teaching must exercise such a function outside their working day.

Participation in non-remunerated activities outside the institution is permitted if it does not interfere with the performance and moral conduct of the person within the Bank and is known and duly authorized by the respective supervisor.

In the case of non-profit organizations, the Institution authorizes and motivates the participation of its employees in charitable and social assistance activities.

III.4.c. Publications and Public Presentations

Any Subject to the Code that must represent the bank in lectures, conferences, seminars or external meetings of a similar nature must inform previously the content of its presentation to, and have, the prior authorization of the corresponding supervisor.

All information requirements that the media make about Bladex must be forwarded to, and previously approved by, the Marketing department, abstaining Subject to the Code of providing background or giving interviews to any media which have not been duly validated or authorized by that department.

The products and services of the Institution are of its exclusive property, as well as the contribution that all Subject to the Code lends for its development and implementation. These conditions remain unchanged, even when the person is no longer linked to the Institution.

Any personal communication, whether written or verbal, must be made in its own name, not involving the Bank under any circumstances.

III.4.d. Appointment to Public Office and other designations

Positions or appointments in public functions are not compatible with the performance as a member of the Institution, whether such positions of a municipal, governmental or other public connotation, designated or elected. Functions arising from irrevocable civic obligations, such as designations as a jury of conscience, in accordance with applicable law are exempt from this consideration.

In any case, any Subject to the Code may request the Compliance Officer to perform public connotations that are not governmental or municipal, to the extent that there are no legal incompatibilities with his work in the Bank and that the exercise of such functions does not jeopardize the reputation of the Institution

III.4.e. Exercise of attributions

Bladex's employees may only sign documents, represent, or exercise authority on behalf of the Bank if they have the power or the specific attribution in accordance with the position and function they perform. Any document evidencing the commitment, agreement or agreement by the Institution must be signed in accordance with the delegation of powers issued by the Board of Directors from time to time.

III.5 Illegitimate business and prevention of money laundering

Institution will only participate in legitimate businesses and in accordance with the law in force. It will maintain standards of quality, price and superior services, always acting within a framework of fair, legitimate and open competition. Illegal businesses are those that are not allowed by law, as well as those that do not respect and protect the internal rules of the Bank.

Any attempt to "money laundering" will be considered a threat to the Institution's trust and reputation and the Bank will do everything in its power to prevent it from being used for such purposes.

Any employee must comply with the policy and rules defined on the matter and when it is in the presence of a suspicious or unusual transaction, must report it directly and obligatorily to the Compliance Officer.

The Bank shall not establish any relationship with natural or legal persons, whether customers, investors or suppliers, if the money or services offered by them are suspected to be the product of illegal or illegitimate activities.

III.6. Personal Integrity

Those Subject to the Code must always keep, inside and outside the Institution, a behavior that reflects the values promoted by the Bank. The Institution demands respect for the dignity of all its employees and of them an honest and responsible conduct in all areas of daily work.

Special consideration in relation to the personal integrity deserves the prohibition to the Subject to the Code to manifest or exert any type of harassment, by any means, that can prejudice the labor situation or opportunities in the employment of any person.

Arbitrary discrimination on any basis, whether race, sex, religion, disability or other, constitute practices that are not accepted in the ethical framework defined by Bladex, this being a workplace in which respect, professionalism and Dignity.

In the same way, it is established that Bladex will encourage people to develop a quality of life associated with concepts such as health promotion and healthy recreation. In this line, the consumption, carrying or sale of drugs, alcohol or narcotics, within the company, is strictly prohibited.

III.7. Investigations

It is a duty to cooperate fully with any duly authorized internal or external investigation, including, among others, those related to problems of an ethical nature, or to legal demands of any kind.

Making false or misleading statements to internal or external auditors, to Legal and, to Compliance, or to the representatives or regulatory entities of Bladex, may be enough cause for dismissal or termination of any relationship with Bladex. You must never withhold or stop communicating any information relating to ethical problems which, for this reason, must be put to the attention of the corresponding management levels.

III.8. A culture of high honesty and ethics

The Sarbanes-Oxley Act of 2002, issued in the United States of America, establishes the obligation to ensure adequate internal controls in the organization to:

- Ensure reasonable assurance that transactions are duly registered and are carried out only according to the authorizations of the Board of Directors;
- Design effective internal controls to ensure that significant information related to the Company and its consolidated subsidiaries are disclosed;
- Implement measures to prevent, deter and detect fraud.

The implementation of these measures must be recorded in a separate document drawn up by the Bank's Management, in accordance with the general international acceptance guidelines on the subject.

The Bank requires maintaining information related to the events and operational risk incidents that are presented. It is the duty of all members of the Bladex task force to report and disclose in a timely manner all events or incidents of operational risk presented in the processes, both to those responsible for each department and to the Operational Risk department.

III.9. Relations with the public Sector and regulatory entities

The deference and courtesy of Bladex and its representatives to members of the public sector and regulatory entities must be of an institutional nature. These relationships should not be used for personal gain as a member of Bladex's team. At all times, high moral and civic standards must be observed and laws respected.

Bladex, as a multinational bank, is subject to a number of laws and regulations of its operation in the different countries in which it has a presence or operations. Failure to comply with such laws and regulations may be subject to penalties. It is the responsibility of each collaborator to know and understand the legal aspects applicable to the performance of the assigned tasks, to the activity of the department to which it belongs and to the Bank in its entirety, in order to avoid incurring acts that may cause damage to the Bank.

Any Subject to the Code must inform Compliance if he or she has a direct or indirect relationship with a public official or Politically Exposed Person. For the purposes of this rule, the partner's relationship with his spouse, parents, children and siblings, grandparents, grandchildren, in-laws, sons-in-law, daughters-in-law and brothers-in-law, as well as those with whom he has an intimate relationship of coexistence, is considered as a direct relationship. Relationship is considered to be an indirect relationship which relates to public or association proceedings.

None of the Code Subjects will request, offer, pay, promise, transfer, authorize, plan or accept, intentionally, whether directly or indirectly, cash payments, commissions, gifts, securities, remuneration or lucrative advantages, for or from members of political parties or government officials, whether domestic or abroad, in connection with a transaction, service or business made with the Bank and/or its Affiliates, for the purpose of influencing an act or decision by them for the benefit of the Bank or the Subjects to the Code, or induce them to use their influences in order to procure or retain a business or to grant an improper advantage in favor of the Bank or the Subjects to the Code.

Except for the above, reasonable social courtesies such as symbolic or corporate gifts, invitations to dinners or events for a work meeting are excluded. This, provided that (i) does not mean, under any circumstances, a commitment, influence or that, in its nature, nature or frequency, it could be interpreted as a deliberate will to affect the independence, impartiality or criterion of the person; (ii) are infrequent and with a minimum value; (iii) are transparent and open; (iv) is lawful under the laws and regulations applicable to political party member or government official; and (v) be done in good faith. Notwithstanding the foregoing, Code Subjects must not accept or make gifts or invitations of the type described in this section worth more than $200. In case of doubt as to whether or not it is appropriate to accept or make a gift or invitation, you must pose it to the Compliance Officer before accepting or making one or the other.

III.10. Social network presence

Each Subject to the Code must apply the Bank's rules on social media behavior, acting with respect, using good judgment and common sense, and taking care of the information they share. You should refrain from posting confidential information about Bladex, your customers or collaborators or reviews that may be attributed to Bladex.

When posting information or opinion on their own behalf, Code Subjects should avoid referring to their status as a Bank contributor or any other content that may attribute the published content to Bladex.

III.11. Environmental protection

The Bank recognizes that protection of the environment is vital to the survival of society. Therefore, it favors in its businesses measures that seek the protection of the environment. The Bank also promotes its employees to the efficient use of natural resources and recycling, among others.

III.12. Prevention of Corrupt Practices

Pursuant to the U.S. Foreign Corrupt Practices Act **("FCPA")** issued in the United States of America, the payment of bribes and corrupt practices to government officials, state authorities, political figures in foreign countries, including reaching suppliers and customers, is strictly prohibited and all Subjects bound must refrain from making any payment or promise payment, gifts, gifts, benefits, regardless of whether they are payments in cash or in kind, either directly or indirectly, to national or foreign officials, or government officials or members of political parties, for the purpose of influencing or inducing them for the purpose of obtaining or retaining business for the benefit of the Issuer, or of obtaining an unlawful advantage for the benefit of the Issuer.

The Bank's Administration shall ensure the implementation of measures aimed at preventing and detecting acts that violate the provisions of this section and shall be recorded in a separate document, in accordance with the guidelines of general international acceptance on the Matter.

The Bank must maintain information related to the operational risk events and incidents that arise. It is the obligation of all Code Subjects to promptly report and disclose all events or operational risk incidents that occur in the processes, both to those responsible for each of the areas and to the Operational Risk area.

IV. ETHICS COMMITTEE

The Bank's Ethics Committee is responsible for constantly evaluating and updating this Code and reviewing and implementing the necessary mechanisms to disseminate and promote the highest standards of behavior at the Institution and will be in accordance with established, from time to time, in its rules of procedure, ensuring, at the very least, the participation with the voice and vote of a Director and the Executive Vice President of Audit, who will have a voice, but without a vote, for the purpose of evaluating and monitoring compliance with the Code of Ethics and present periodically the outcome of the matters dealt with in the Ethics Committee to the Committee on Compensation and Organizational Management.

Unless otherwise stated in this Code, the Ethics Committee shall report to the Compensation Committee on the failure of any Subject to comply with the Code of the rules contained in this Code of ethics. The Compensation Committee, in turn, will inform the Audit Committee of the occurrence of such breaches, for the knowledge of the members of the Audit Committee and for the adoption of the corresponding actions and/or penalties.

V. COMPLIANCE REGULATIONS

The provisions contained in this Code of Ethics are mandatory for all those Subject to the Code. These provisions are complemented, for employees within a general framework, with the provisions of the employment contract, in the internal labor regulations, legal rules, banking regulations and rules of internal procedure and guidelines in force or dictate the future.

Bladex shall penalize those Subject to the Code for incurring any conduct which is apart from, or contravenes, the rules of the Code of Ethics, without prejudice that such conduct may constitute at the same time an infringement of the internal regulations and/or the contract of employment, where the sanctions scheme provided for in that regulation and/or the law shall also be applicable.

Bladex must submit and/or make available to each Subject to the Code a copy of the Code of Ethics at the time of hiring.

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A. (“Bladex”)

SPECIAL STATEMENT BY SENIOR FINANCIAL EXECUTIVES RELATED TO THE BLADEX CODE OF ETHICS (THE "CODE")

The CEO, the CFO and the Accounting Vice-president, as Senior Financial Executives ("Senior Executives") of Bladex, hereby accept the provisions of the Code and agree to comply with the additional provisions contained herein.

I. This Special Statement by Bladex's Senior Executives is intended to promote:

- Honest and ethical conduct, including ethical management of current or apparent conflicts of interest between personal and professional relationships;
- A complete, fair, accurate, timely and understandable disclosure in the reports and documents Bladex issue or present to the "Securities and Exchange Commission" ("SEC") and other public communications made by Bladex;
- Compliance with applicable laws, government rules and regulations;
- Timely internal reporting of Code violations to an appropriate person or to persons identified in the Code; and
- The responsibility for adherence to the Code.

Every Senior Executive must adhere to a high standard of business ethics and should be sensitive to situations that may result in current or apparent conflicts of interest. Bladex always expects its top executives to meet the principles of this Code. A violation of this Code is a cause of disciplinary action including dismissal and possible legal action. Any consultation on the application of the Code must be referred to the Audit Committee of the Board of Directors of Bladex.

II.Senior Executives must ethically handle conflicts of real or apparent interest.

A "Conflict of interest" occurs when the private interest of a Senior Executive interferes with the interests of, or his service to, Bladex. For instance, a conflict of interest from a Senior Executive may arise if a Senior Executive, or a member of his family, receives improper personal benefits because of his position at Bladex.

Any Top-level Executive shall ensure that the guidelines for the handling of conflicts of interest referred to in point III. 2 of the Code are strictly followed, and to avoid situations that are typified in that point.

In situations involving a Top-level Executive, in which there is the appearance of, or potential, conflicts of interest, but the Top Executive believes that it is not a significant conflict of interest, the Top Executive shall obtain approval from the Committee of Audit before getting involved in such a situation. No approval of this type will be considered an exception to the Code

III.Disclosure and Compliance

- Every Senior Executive should be familiar with the disclosure and compliance requirements generally applicable to Bladex;

- Every Senior Executive shall refrain from misrepresenting, or causing other misrepresenting, facts about Bladex, whether in or out of Bladex, including the Directors and Dignitaries of Bladex and auditors, or government regulators and autonomous organizations.

- Every Senior Executive must, to the extent appropriate in their area of responsibility, consult with other executives and employees of Bladex with the aim of promoting full, fair, accurate, timely and understandable disclosures in the reports that Bladex files or present to the SEC, and in other public communications made by Bladex; and

- It is the responsibility of each Senior Executive to promote compliance with the standards and restrictions imposed by applicable laws, rules and regulations.

IV.Reporting and Responsibilities

Each Senior Executive must:

- Once the Code has been adopted (or as subsequently applied, by becoming Senior Executive), declare in writing to the Board of Directors that they have received and read and understood the Code;

- Refrain from retaliating against any other Senior Executive or employee of Bladex or his family, for reports of potential violations made in good faith.

- Notify the Audit Committee promptly if you know of any violation of the Code, understanding that omitting to do so will be considered a violation of the same.

The Audit Committee is responsible for applying the Code in specific situations where doubts arise and has the authority to interpret it in any situation. Any exception should be considered by the Audit Committee.

Bladex will follow the following procedures in the investigations to enforce the Code:

- The Audit Committee shall take all appropriate actions to investigate any potential violations that have been reported to them;

- If, after the investigation, the Audit Committee believes that no violation has occurred, the Audit Committee is not required to take any other action;

- If the audit Committee determines that a violation has occurred, it shall consider appropriate measures which may include both a review of, and modifications to, applicable policies and procedures; Or the recommendation that the Top Executive get fired;

V.Changes or exceptions to Code compliance

The Audit Committee shall be responsible for granting exceptions to compliance with the Code, as appropriate.

Any exception granted in accordance with the Code shall be informed and registered with the SEC and shall be reported to the shareholders of Bladex within the time limits determined by the SEC rules and any applicable law of any banking, securities or exchange regulators in Bladex appear listed.

VI. Other policies and procedures

This Code shall be the only Code of Ethics adopted by Bladex for the purposes of the "Sarbanes-Oxley Act" of 2002 and the Rules and forms applicable to registered companies.

VII. Amendments

Any amendment to the Code must be approved by the Compensation Committee and ratified by a majority vote of the Board's Audit Committee.

VIII. Confidentiality

Every reports and records prepared or maintained in accordance with the Code shall be considered confidential and shall be kept and protected as such. Except as required by law or this code, such matters shall not be disclosed to anyone outside the Audit Committee and the Bladex Board of Directors.

IX. Internal use

This Code is for internal use only of Bladex and does not represent an admission, by or on behalf of Bladex, of any fact, circumstance, or legal conclusion.

I have read and understood the terms of the Code. I acknowledge the responsibilities and obligations incurred by me because of being Subject to the Code. Hereby expressly agree to comply with the Code.

/s/Chief Executive Officer

/s/Chief Financial Officer /s/ Accounting Vice-president

Exhibit 12.1

CERTIFICATION

I, Jorge Salas, certify that:

1. I have reviewed this Annual Report on Form 20-F of Banco Latinoamericano de Comercio Exterior, S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the Audit Committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 30, 2020

By: /s/ Jorge Salas
Chief Executive Officer

Exhibit 12.2

CERTIFICATION

I, Ana Graciela de Méndez, certify that:

1. I have reviewed this Annual Report on Form 20-F of Banco Latinoamericano de Comercio Exterior, S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the Audit Committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 30, 2020

By: /s/ Ana Graciela de Méndez
Chief Financial Officer

Exhibit 13.1

CERTIFICATION

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the Annual Report on Form 20-F (the "Report") for the period ended December 31, 2019 of Banco Latinoamericano de Comercio Exterior, S.A. (the "Company").

I, Jorge Salas, the Chief Executive Officer of the Company, certify that:

(i) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2020

By: /s/ Jorge Salas
Chief Executive Officer

Exhibit 13.2

CERTIFICATION

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the Annual Report on Form 20-F (the “Report”) for the period ended December 31, 2019 of Banco Latinoamericano de Comercio Exterior, S.A. (the “Company”).

I, Ana Graciela de Méndez, the Chief Financial Officer of the Company, certify that:

(i) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2020

By: /s/ Ana Graciela de Méndez
Chief Financial Officer