

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, 2020

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.
(Translation of Registrant's name into English)

REPUBLIC OF PANAMA
(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
Class E Common Stock

Trading Symbol
BLX

Name of each exchange on which registered
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

6,342,189	Shares of Class A Common Stock
2,178,365	Shares of Class B Common Stock
31,157,386	Shares of Class E Common Stock
0	Shares of Class F Common Stock
39,677,940	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 whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ 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 Latinoamericano de Comercio Exterior, S.A., and its subsidiaries, with all intercompany balances and transactions having been eliminated for consolidating purposes. References to “Bladex Head Office” are to Banco Latinoamericano de Comercio Exterior, S.A. in its individual capacity. References to Bladex’s loan portfolio (the “Loan Portfolio”) are to the Bank’s loans at amortized cost, gross of interest receivable, allowance for loan losses, unearned interest and deferred fees. References to Bladex’s commercial portfolio (the “Commercial Portfolio”) are to the Bank’s Loan Portfolio plus customers’ liabilities under acceptances, and loan commitments and financial guarantee contracts, such as confirmed and stand-by letters of credit, and guarantees covering commercial risk. References to Bladex’s credit portfolio (the “Credit Portfolio”) are to the Bank’s Commercial Portfolio plus Bladex’s investment portfolio (the “Investment Portfolio”) consisting of securities at fair value through other comprehensive income (“FVOCI”) and securities at amortized cost, gross of interest receivable and the allowance for expected credit losses. 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 emergence of widespread health emergencies or pandemics, including the magnitude and duration of the COVID-19 pandemic and its impact on financial market and economic conditions both in the Region and globally, as well as on the Bank’s business, results of operations, financial condition and prospects;
- 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 Bank's ability to grow its 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 risks related to the discontinuation of the London Interbank Offered Rate ("LIBOR") and other reference rates, including increased expenses and litigation and the effectiveness of any hedging strategies;
- 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 applicable compulsory reserve and deposit requirements;
- the 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;
- 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 2021 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, 2020 and 2019, and for the years ended December 31, 2020, December 31, 2019 and December 31, 2018 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”). The following selected financial data as of December 31, 2018, 2017 and 2016, and for the years ended December 31, 2017 and 2016, are derived from the Forms 20-F for the years 2018 and 2017 already filed with the SEC. The Consolidated Financial Statements as of, and for the years ended December 31, 2020, 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 and 2016 were audited by the independent registered public accounting firm Deloitte, Inc. 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,				
	2020	2019	2018	2017	2016
Consolidated Statement of Financial Position Data:	(in \$ thousands)				
Cash and due from banks	\$ 863,812	\$ 1,178,170	\$ 1,745,652	\$ 672,048	\$ 1,069,538
Securities and other financial assets, net	398,068	88,794	123,598	95,484	107,821
Loans, net	4,896,647	5,823,333	5,702,258	5,448,788	5,949,984
Total assets	6,288,898	7,249,666	7,609,185	6,267,747	7,180,783
Total deposits, less interest payable	3,138,900	2,888,336	2,970,822	2,928,844	2,802,852
Securities sold under repurchase agreement	10,663	40,530	39,767	0	0
Borrowings and debt, net	1,985,070	3,138,310	3,518,446	2,211,567	3,246,813
Total liabilities	5,250,978	6,233,499	6,615,595	5,224,935	6,169,469
Common stock	279,980	279,980	279,980	279,980	279,980
Total equity	\$ 1,037,920	\$ 1,016,167	\$ 993,590	\$ 1,042,812	\$ 1,011,314

	As of and for the Year Ended December 31,				
	2020	2019	2018	2017	2016
	(in \$ thousands, except per share data and ratios)				
Consolidated Statement of profit or loss Data:					
Total interest income	\$ 180,973	\$ 273,682	\$ 258,490	\$ 226,079	\$ 245,898
Total interest expense	(88,523)	(164,167)	(148,747)	(106,264)	(90,689)
Net interest income	92,450	109,515	109,743	119,815	155,209
Fees and commissions, net	10,418	15,647	17,185	17,514	14,306
Loss on financial instruments, net	(4,794)	(1,379)	(1,009)	(739)	(2,919)
Other income, net	1,083	2,874	1,670	1,723	1,378
Total other income, net	6,707	17,142	17,846	18,498	12,765
Total revenues	99,157	126,657	127,589	138,313	167,974
Reversal (provision) for credit losses	1,464	(430)	(57,515)	(9,439)	(35,115)
Gain (loss) on non-financial assets, net	296	500	(10,018)	0	0
Total operating expenses	(37,324)	(40,674)	(48,918)	(46,875)	(45,814)
Profit for the year	\$ 63,593	\$ 86,053	\$ 11,138	\$ 81,999	\$ 87,045
Weighted average basic shares	39,656	39,575	39,543	39,311	39,085
Weighted average diluted shares	39,656	39,575	39,543	39,329	39,210
Basic shares period end	39,678	39,602	39,539	39,429	39,160
Per Common Share Data:					
Basic earnings per share	1.60	2.17	0.28	2.09	2.23
Diluted earnings per share	1.60	2.17	0.28	2.08	2.22
Book value per share (period end) ⁽¹⁾	26.16	25.66	25.13	26.45	25.83
Regular cash dividends declared per share	1.00	1.54	1.54	1.54	1.54
Regular cash dividends paid per share	1.135	1.54	1.54	1.54	1.54
Selected Financial Ratios:					
Performance Ratios:					
Return on average total assets ⁽²⁾	0.96%	1.36%	0.17%	1.27%	1.16%
Return on average total equity ⁽³⁾	6.19%	8.56%	1.08%	8.02%	8.76%
Net interest margin ⁽⁴⁾	1.41%	1.74%	1.71%	1.85%	2.08%
Net interest spread ⁽⁴⁾	1.13%	1.19%	1.21%	1.48%	1.84%
Efficiency Ratio ⁽⁵⁾	37.6%	32.1%	38.3%	33.9%	27.3%
Total operating expenses to average total assets	0.56%	0.64%	0.76%	0.72%	0.61%
Regular cash dividend payout ratio ⁽⁶⁾	70.8%	70.8%	546.7%	73.8%	69.1%
Liquidity Ratios:					
Liquid assets ⁽⁷⁾ / total assets	16.67%	16.00%	22.42%	9.87%	14.03%
Liquid assets ⁽⁷⁾ / total deposits	33.40%	40.15%	57.43%	21.13%	35.95%
Asset Quality Ratios:					
Credit-impaired loans ⁽⁸⁾ to Loan Portfolio ⁽⁹⁾	0.22%	1.05%	1.12%	1.07%	1.09%
Charged-off loans to Loan Portfolio	1.15%	0.04%	0.72%	0.60%	0.31%
Allowance for loan losses to Loan Portfolio	0.84%	1.69%	1.74%	1.48%	1.76%
Allowance for loan commitments and financial guarantee contracts losses to total loan commitments and financial guarantee contracts plus customers' liabilities under acceptances	0.45%	0.50%	0.64%	1.39%	1.37%
Capital Ratios:					
Total equity to total assets	16.50%	14.02%	13.06%	16.64%	14.08%
Average total equity to average total assets ⁽¹⁰⁾	15.54%	15.84%	15.98%	15.80%	13.28%
Total assets to total equity	6.1x	7.1x	7.7x	6.0x	7.1x
Tier 1 capital to risk-weighted assets (Basel III – IRB) ⁽¹¹⁾	26.0%	19.8%	18.1%	21.1%	17.9%
Risk-weighted assets (Basel III – IRB) ⁽¹¹⁾	\$ 3,995,175	\$ 5,137,523	\$ 5,494,080	\$ 4,931,046	\$ 5,662,453
Capital Adequacy Ratio (Regulatory) ⁽¹²⁾	20.21%	17.28%	17.08%	18.71%	16.61%
Leverage Ratio (Regulatory) ⁽¹³⁾	14.08%	12.15%	11.05%	14.50%	12.63%

(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 2020, 2019, 2018, 2017 and 2016, return on average total assets is calculated as profit for the year divided by average total assets. Average total assets for 2020, 2019, 2018, 2017 and 2016, is calculated on the basis of daily average balances.

(3) For the years 2020, 2019, 2018, 2017 and 2016, return on average total equity is calculated as profit for the year divided by average total equity. Average total equity for 2020, 2019, 2018, 2017 and 2016, is calculated on the basis of daily average balances.

(4) For the years 2020, 2019, 2018, 2017 and 2016, 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 2020, 2019, 2018, 2017 and 2016, 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 well as corporate debt securities rated A- or above. See Item 5.B. “Operating and Financial Review and Prospects—Liquidity and Capital Resources—Liquidity” and Item 18, “Financial Statements,” note 5.
- (8) As of December 31, 2020, 2019, 2018, 2017 and 2016, the Bank had credit-impaired loans of \$11 million, \$62 million, \$65 million, \$59 million and \$65 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 at amortized cost, gross of the allowance for loan losses, interest receivable and unearned interest and deferred fees.
- (10) For the years 2020, 2019, 2018, 2017 and 2016, average total assets and average total equity are calculated on the basis of daily average balances.
- (11) 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, utilizing internal-ratings based approach or "IRB" for credit risk and standardized approach for operational risk.
- (12) As defined by the Superintendency of Banks of Panama through Rules No. 01-2015 and 03-2016, based on Basel III standardized approach.
- (13) As defined by the Superintendency of Banks of Panama through Article No. 17 of Rule No. 1-2015 that 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 consolidated statement of financial position.

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 effects of the COVID-19 pandemic have adversely affected, and are expected to continue to adversely affect, the Bank's businesses and results of operations, and its duration and future impacts on the economy in the Region and on its businesses, results of operations and financial condition remain uncertain.

The negative economic conditions arising from the pandemic negatively impacted the Bank's financial results during 2020 in various respects, including requiring it to implement policies focused substantially on maintaining liquidity and therefore not allowing the Bank to grow its Credit Portfolio in line with growth in recent years. While management believes these policies have been prudent in the circumstances and have allowed the Bank to perform well during a challenging year, these policies resulted in a reduction in the Bank's net interest income during 2020 compared to 2019. The Bank also saw a reduction in 2020 in its income from fees and commissions related to a decline in mandated structured loan transactions, as a result of the negative economic effects caused by the COVID-19 pandemic throughout the Region.

Overall, 2020 proved to be a very challenging year for the markets in the Region where Bladex operates, as Latin American economic growth was severely impacted by high uncertainty and volatility caused by the negative effects of the COVID-19 pandemic. The borrowers to which the Bank lends operate a wide range of businesses and are active in numerous economic sectors, many of which have faced, 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 may 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 ongoing effects of 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 still 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 the Bank's operational and financial performance will depend on future developments, including the speed and success of the rollout of COVID-19 vaccines both globally and in the Region, and the duration of the efficacy of the vaccines. As of the date hereof, the rollout of vaccines in the Region has proceeded significantly more slowly than in the U.S., Great Britain, the European Union and other countries, and the timing widespread vaccine availability remains uncertain.

The Bank's management continues to closely monitor the pandemic and related risks as they evolve globally and in the Region. The magnitude and duration of the pandemic and its future direct and indirect effects on the global and Regional economies and the Bank's business, results of operations and financial condition are highly uncertain and depend on future developments that cannot be predicted, including the likelihood of further surges of COVID-19 cases and the spread of more easily communicable variants of COVID-19, the timing and availability of effective medical treatments and vaccines, future actions taken by governmental authorities, including any stimulus legislation in the Region, and/or other third parties in response to the pandemic. The pandemic may cause prolonged global or Regional negative economic conditions or longer lasting effects on economic conditions than currently exist, which could have a material adverse effect on the Bank's business, results of operations and financial condition. In addition, the foregoing factors and conditions could result in potential downgrades to the Bank's credit ratings, negative impacts to regulatory capital and liquidity and further restrictions on dividends and/or common stock repurchases.

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.

Turmoil in the international financial markets, including but not limited to conditions surrounding the ongoing COVID-19 pandemic, 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, 2020, 50% of the Bank's total deposits represented deposits from central banks or their designees (i.e., the Bank's Class A shareholders), 25% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions, 15% of the Bank's deposits represented deposits from state-owned and private, corporations and international organizations, and 10% 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. In addition, if some private or state-owned international banks cease to provide deposits 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.

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 Bank's level of allowances reflects assumptions and estimates made in the context of changing political and economic conditions in the Region, including, but not limited to, the impact of ongoing turmoil related to the COVID-19 pandemic. The Bank's allowances for losses could be inadequate to cover losses in its Credit Portfolio due to, among other factors, concentration of exposure or deterioration in certain sectors or countries, including but not limited to the impact of ongoing turmoil related to the COVID-19 pandemic 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 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 the ongoing effects of the COVID-19 pandemic, volatility in commodity 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 due, among other possible factors, to reduced demand for new credits and/or unscheduled voluntary prepayments by clients. For example, the Bank's Commercial Portfolio decreased by 15% as of December 31, 2020 to \$5,551 million, from \$6,502 million as of December 31, 2019, as a result of the implementation by management of measures favoring liquidity, emphasizing sectors which management considers defensive in the current economic context (such as oil & gas (downstream), electric power and food and beverage) and stricter credit underwriting standards, in each case in order to confront market conditions related to the ongoing COVID-19 pandemic. 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 negative effects 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, impacted the Bank's Commercial Portfolio in a number of ways, including a reduction in Commercial Portfolio balances. In particular, as loans in the Commercial Portfolio were substantially repaid or prepaid in accordance with their terms, the Bank has been lending on a more selective basis, having established stricter 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 effects of the COVID-19 pandemic have adversely affected, and are expected to continue to adversely affect, the Bank's businesses and results of operations, and its duration and future impacts on the economy in the Region and on its businesses, results of operations and financial condition remain uncertain," 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 promote 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 (including the U.S.) 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, the Bank 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.

The U.S. has issued 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, its counterparties, or its customers are located, have operations, or do business.

For example, since 2015 and through 2021, 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. Importantly, no SDN or blocked person currently has any operational or management role in the Bank, or has any authority to negotiate on behalf of the Bank or make binding commitments on behalf of the Bank.
- 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 capital ratio (Basel III – IRB) to be 26.0% as of December 31, 2020. In addition, as of December 31, 2020, the Bank's Capital Adequacy Ratio, calculated according to the guidelines of the Banking Law (as defined below), was 20.21%.

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.

Reforms to and replacement of interbank offered rates (“IBORs”) and certain other rates or indices may adversely affect the Bank’s business, financial condition and results of operations.

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. Fundamental reform of significant interest rate benchmarks is being undertaken globally, including the replacement of interbank offered rates (“IBORs”) with certain alternative reference rates (“ARRs”). Due to the nature of its business, the Bank’s portfolio is mainly constituted of short-term fixed rate assets and liabilities. However, the Bank has exposures to IBORs (USD LIBOR only) on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition. The Bank anticipates that IBOR reform will impact its risk management and hedge accounting.

Although LIBOR was planned to be discontinued by the end of 2021, consultations have finished and regulatory changes have been announced. Therefore, this means that certain LIBOR tenors will continue until June 30, 2023. It remains unclear what benchmark 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. Although certain ARR's have been proposed to replace LIBOR and other IBORs, market and client adoption of alternatives may vary across or within categories of contracts, products and services, resulting in market fragmentation, decreased trading volumes and liquidity, increased complexity and modeling and operational risks. ARR's have compositions and characteristics that differ significantly from the benchmarks they may replace, in some cases have limited history, and may demonstrate less predictable performance over time than the benchmarks they replace. Additionally, most ARR's are calculated on a compounded or weighted-average basis, involve complex billing and reconciliation and, unlike IBORs, do not reflect bank credit risk and therefore may require a spread adjustment. The market transition from IBORs to ARR's is complex and there are important differences between the fallbacks, triggers and calculation methodologies being implemented in cash and derivatives markets (including within cash markets). Any mismatch between the adoption of ARR's in loans, securities and derivatives markets may impact hedging or other financial arrangements the Bank has implemented, and as a result the Bank may experience unanticipated market exposures. There can be no assurance that ARR's will be comparable or adequate alternatives to IBORs or perform in the same way, that existing assets and liabilities based on or linked to IBORs will transition successfully to ARR's, of the timing of adoption and degree of integration and acceptance of ARR's in the financial markets, or of the future availability or representativeness of such ARR's.

Furthermore, the discontinuation of IBORs, including LIBOR, requires the Bank to transition a significant number of IBOR-based products and contracts, including related hedging arrangements. The transitioning of certain contracts, products and clients will be more complex. Additionally, some outstanding IBOR products may be particularly challenging to modify due to requirements that all impacted parties consent to such modification. There is no guarantee that the Bank and other market participants will be able to successfully modify all outstanding IBOR-based products or be adequately prepared for a discontinuation of an IBOR at the time such IBOR may cease to be published or otherwise discontinued. Also, there can be no assurance that existing or new provisions for successor rates in the Bank's IBOR-based products will include adequate methodologies for adjustments or that the characteristics of the successor rates will be similar to or produce the economic equivalent of the benchmarks they seek to replace. These changes may adversely affect the yield on loans or securities held by the Bank, amounts paid on securities the Bank has issued, amounts received and paid on derivatives the Bank has entered into, the value of such loans, securities or derivative instruments, the trading market for such products and contracts, and the Bank's ability to effectively use hedging instruments to manage risk. Furthermore, there is no guarantee that liquidity in ARR-based products will develop, and it is possible that ARR-based products will perform differently to IBOR-based products during times of economic stress, adverse or volatile market conditions and across the credit and economic cycle, which may impact the value, return on and profitability of the Bank's ARR-based assets. Certain impacted clients, counterparties and other market participants may refuse, delay, or lack operational readiness to transition to ARR's, resulting in the risk that some contracts and products may not transition to an ARR before discontinuation of the relevant IBOR, exposing the Bank to financial, operational, supervisory, conduct and legal risks.

The Bank's products and contracts that reference IBORs, in particular LIBOR, may contain language that determines when a successor rate including the ARR and/or the applicable spread adjustment to the designated rate (including IBORs) would be selected or determined. If a trigger is satisfied, the Bank's products and contracts may give the calculation agent (which may be Bladex) discretion over the successor rate to be selected. The Bank may face a risk of litigation, disputes or other actions from clients, counterparties, customers, investors or others regarding the interpretation or enforcement of IBOR-based contract provisions or if the Bank fails to appropriately communicate the effect that the transition to ARR's will have on existing and future products.

Failure to meet industry-wide IBOR transition milestones and to cease issuance of IBOR Products by relevant cessation dates may, subject to certain regulatory exceptions, result in supervisory enforcement by applicable regulators, increase our cost of, and access to, capital and other consequences. In addition, IBOR Products held by the Bank's may become less liquid as the transition process develops, and other unforeseen consequences may arise if such products are held beyond relevant cessation dates.

Uncertainty as to the nature of potential changes, ARRs 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.

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 effects of the COVID-19 pandemic have adversely affected, and are expected to continue to adversely affect, the Bank's businesses and results of operations, and its duration and future impacts on the economy in the Region and on its businesses, results of operations and financial condition remain uncertain," and Item 5.D., "Operating and Financial Review and Prospects--Trend Information."

Global economic changes, including the effects of the ongoing COVID-19 pandemic, volatility 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 in which the Bank operates. In addition, country risk associated with certain of the most vulnerable countries in the Region, as well as risk associated with the Region as a whole, may deteriorate as a result of potentially disorderly sovereign debt restructurings in certain countries, including Argentina, Costa Rica and El Salvador. 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. 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, 2020, 56% of the Bank's Credit Portfolio was outstanding to borrowers in the following five countries: Brazil (\$1,063 million, or 18%), Colombia (\$795 million, or 13%), Mexico (\$656 million, or 11%), Chile (\$583 million, or 10%), and Peru (\$347 million, or 6%).

In addition, as of December 31, 2020, of the Bank's total Credit Portfolio balances, 12% were to five borrowers in Brazil, 8% were to five borrowers in Colombia, 6% were to five borrowers in Chile, 5% were to five borrowers in Peru, and 4% were to five borrowers in Mexico. 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 former Trump administration in the U.S. had increasingly threatened to impose tariffs on a variety of imports from countries throughout the world, including the Region, and did impose 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. China may not have met certain commitments it made in phase one, which could negatively impact negotiations for a second phase of the agreement.

Furthermore, on November 3, 2020, the United States held a presidential election in which Joseph R. Biden, Jr. was elected president of the United States. Mr. Biden was inaugurated on January 20, 2021. The full extent of Mr. Biden's legislative agenda, the relationship between the executive and legislative powers and future U.S. policies with respect to matters of importance to the Region and its economy, particularly trade and migration, remain uncertain and will start to be developed in the coming months. 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 continued to be bound by E.U. laws and regulations. The UK and the E.U. agreed to the Trade and Cooperation Agreement (the "TCA") in December 2020, which covers topics such as tariffs and other barriers to trade, among other topics, but does not cover financial services regulation. There is uncertainty on what the future of financial services regulation (and certain other topics not adequately covered by the TCA) 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, 2020, \$586 million, or 12% of the Bank's Loan Portfolio was comprised of oil and gas related loans, and \$337 million, or 7% 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. Most of these loans are unsecured and collateral securing some of 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 volatility in certain commodity prices, including the price of oil, 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.

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 generating 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 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. 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, as well as highly liquid corporate debt securities rated above 'A-', 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, 2020, the Bank had 52 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.

Recent Developments during 2020

During 2020, Latin American economies faced significant shocks and an environment of great uncertainty. This was primarily due to the effects generated by the COVID-19 pandemic and measures implemented to contain its spread throughout the several countries in the Region. Faced with an adverse and volatile environment, economic activity, inflation and financial conditions in the Region were significantly affected.

The global economic impact of COVID-19 was very difficult to predict, as its shockwaves simultaneously impacted both supply (affecting production processes) and demand (suspension of investment and consumption decisions, and a further deterioration of confidence), in each case in a Latin American Region that had already been exhibiting weak economic performance.

Early lockdowns affected economies in historic proportions. The greatest economic impact resulted from the closure of borders, containment measures, breakdown of the global supply chain, cancellation of investments and a slowdown in consumption.

Similarly, the crisis triggered a considerable contraction in international trade, strong fluctuations in the prices of primary goods, and high volatility in financial markets.

In addition, the lockdown measures adopted in the vast majority of countries around the world to contain the spread of the pandemic have gravely hurt tourism and tourism-related activities, such as commercial aviation and hospitality services (restaurants and hotels).

The world economy entered a strong recession in 2020, registering a 3.3% decrease in world output, according to International Monetary Fund (“IMF”) estimates, which was the largest contraction in world production since 1946. This significant decrease was due to a general decline in economic activity in both developed and emerging economies.

Regarding the main trade partners of Latin America, the U.S. entered into a recession in 2020, with negative growth of 3.5%; China, on the other hand, recorded growth of 2.3%, in each case according to IMF estimates. As a result of the COVID-19 pandemic, of the main global economies, China is expected to be the only one that grew at a positive rate in 2020. However, while China did avoid a recession, its rate of growth in 2020 represented the largest growth slowdown in 40 years.

In order to confront the effects of the pandemic, both developed and emerging economies implemented unprecedented fiscal and monetary policies, including almost \$13 trillion dollars in fiscal actions and approximately \$8.5 trillion dollars in announcements of monetary measures, as described in the IMF’s 2020 annual report. These efforts have helped alleviate the situation, softening the impacts of the drop in economic activity, but also producing high levels of liquidity which have underpinned a rise in global debt, as well as a significant decrease in financial volatility, while also contributing to lower profitability and an increase in risk appetite in financial markets. This situation exacerbated a greater disconnect between financial dynamics and the real economy.

For Latin America, the IMF has estimated a GDP contraction of -7.0% in 2020, well below the growth of 1.8% estimated at the beginning of 2020 and representing Latin America’s worst regional performance since the great depression of the 1930s. In this sense, the main economies of the Region fell into recession: Brazil (-4.1%), Mexico (-8.2%), Argentina (-10.0%), Chile (-5.8%), Peru (-11.1 %) and Colombia (-6.8%). These contractions are explained both by the significant decrease in domestic demand in each of its components and by the lower external demand.

It is worth highlighting that the COVID-19 pandemic has manifested itself in a non-uniform way. Factors such as each country’s ability to react to the health emergency in the short term and to adopt policies to provide aid to the most impacted sectors have largely accounted for the dynamics of economic activity over the year. The severity of the economic shutdown and the economic performance of each country prior to the pandemic have also differed across countries.

Structural factors, such as the degree of integration into international trade and global value chains, the productive structure, demographic factors and the sophistication of labor markets, have also been crucial in assessing the extent to which economies have been affected in the current crisis.

Likewise, foreign trade in the Region registered a reduction of 12.0% in 2020 according to The Economist Intelligence Unit. This substantial reduction was the result of decreases in commodity prices, lower export volumes due to diminished external demand, and the contraction of imports caused by quarantines and similar measures and slow internal economic activity.

With respect to economic policies, fiscal policy became the most important tool for the countries of the Region, with several countries putting in place important packages of fiscal measures to mitigate the social and economic effects of the pandemic crisis. Central banks of the Region have also implemented measures to support aggregate demand and preserve financial stability, leading to a significant expansion of liquidity, as well as an increase in financing directed at specific sectors of the economies.

Faced with the complex global situation driven by the health crisis and the persistence of negative product gaps in the Region, governments had to find a balance in their economic policies between promoting growth and restoring their ability to continue to make tactical economic policy adjustments. Fiscal policy was mainly aimed at cushioning the negative effects of the pandemic as a priority in all countries in the Region. Monetary policy continued to support growth, as inflation expectations remained stable and well anchored. However, structural reforms that seek to promote greater openness to trade and investment, stimulate competitiveness, and address overly strict regulations in the labor market, continue to remain key tasks on the Latin American and Caribbean agenda.

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

Within this economic context, 2020 proved to be a very challenging year for markets in which Bladex operates. Nevertheless, Bladex's unique business model – characterized by its short-term trade nature and high-quality borrower base – proved to be a fundamental and differentiating advantage throughout the COVID-19 pandemic, allowing the Bank to strengthen sound asset quality, capitalization and liquidity levels.

As soon as the effects of the 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, supported by broad access to debt capital markets evidenced by its third bond issued in the Rule 144A/Regulation S market and the continued support of deposits from our Class A shareholders. The Bank assumed a defensive approach which prioritized liquidity management, underwriting credit soundness – working closely with and attending to the needs of its client base under tighter credit underwriting standards – and risk/reward targets for each transaction, over portfolio growth that resulted in a year-over-year decrease but well-diversified, high quality Credit Portfolio.

Strategies for 2021 and Subsequent Years

Resume business growth under improved economic environment

The Bank plans to continue to recuperate its pre-COVID-19 portfolio balances, focusing on lending to its top-tier client base of banks and corporations throughout the Latin American Region, favoring defensive sectors and taking advantage of business opportunities emerging from economic recovery, the positive commodity cycle and an increasing trend in trade flows expected for 2021. Prudent liquidity management will continue to be a priority, although the Bank expects to return to historical levels as market volatility has subdued, supported by its ample and diversified funding sources.

Since the World Health Organization declared a global pandemic on March 11, 2020, Bladex activated its Business Continuity Plan, which remains in place as of the date of this annual report, including work-from-home policies for employees. The Bank has remotely operated and processed transactions uninterrupted, without compromising its standards and quality of service. It has also reinforced and implemented cybersecurity measures and controls, which are continuously monitored both by its information security and technology personnel and by an outsourced security operation center (SOC). The Bank plans to gradually return to its normal operating environment, in all cases prioritizing the health and safety of its employees, as the rollout of vaccines accelerates in the countries where the Bank maintains offices.

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", for its acronym in Spanish) 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.

Depending on the proposed amount, lines of credit are approved by different credit committees. The Bank's management credit committee has authority to approve credit lines up to \$30 million, under the allowed terms and conditions approved for each country by the Board credit committees. Credit lines exceeding that amount and/or conditions, must be approved by other credit committees, which are composed of certain members of the Board. All credit lines must fully comply with the Legal Lending Limit established by the Panamanian Regulator. 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, 2020, the Bank's legal lending limit prescribed by Panamanian law for corporations and sovereign borrowers amounted to \$262 million, and for financial institutions and financial groups amounted to \$314 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, 2020, 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 at amortized cost 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 securities at amortized cost, gross of interest receivable and the allowance for expected credit losses.

As of December 31, 2020, the Credit Portfolio amounted to \$5,946 million, compared to \$6,582 million as of December 31, 2019 and \$6,397 million as of December 31, 2018. The \$636 million, or 10% decrease during 2020 compared to 2019 was largely attributable to the Bank's defensive approach to favor liquidity over loan growth during most of 2020 as part of the prudential measures implemented by management since the onset of the COVID-19 pandemic.

Commercial Portfolio

The Bank's Commercial Portfolio amounted to \$5,551 million as of December 31, 2020, compared to \$6,502 million as of December 31, 2019, and \$6,290 million as of December 31, 2018. The \$951 million, or 15% decrease during 2020 reflects prudential measures implemented by the Bank's management since the onset of the COVID-19 pandemic, favoring liquidity, emphasizing sectors which management considers defensive in the current economic context (such as oil & gas (downstream), electric power and food and beverage) and stricter credit underwriting standards.

As of December 31, 2020, 75% of the Bank's Commercial Portfolio remaining-term profile was scheduled to mature within one year, compared to 73% as of December 31, 2019 and 74% as of December 31, 2018, which reflects higher short term lending origination throughout 2020. As of those same dates, trade-related finance transactions represented 43%, 40% and 45%, respectively, of the Bank's Commercial Portfolio, while trade-related finance transactions represented 57%, 53% and 59%, 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, 2020, the Commercial Portfolio's exposure remained diversified across regions and industry sectors, with 54% of the total Commercial Portfolio representing the Bank's traditional client base of financial institutions and 46% of the total Commercial Portfolio represented by corporations, of which 34% and 54% 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 5% of the total Commercial Portfolio or lower as of December 31, 2020, except for certain sectors that the Bank considers to be defensive in the current economic context, such as oil & gas (downstream) at 7%, and electric power and food and beverage, each at 6% of the Commercial Portfolio as of December 31, 2020. Geographically, 59% of the portfolio remained geographically distributed in investment grade countries as of December 31, 2020, up 5 percent points from December 31, 2019, as the Bank weighted during the year its portfolio towards lower-risk countries, taking advantage of good risk/return opportunities. On a country-risk basis, Brazil represented the largest country-risk exposure at 18% of the total Commercial Portfolio, of which 91% were with financial institutions. Other relevant country-risk exposures were to investment grade countries such as Colombia at 14%, Mexico at 11%, Chile at 10%, and top-rated countries outside of Latin America (which relates to transactions carried out in Latin America) at 9% of the total portfolio. The Bank also continued adjusting its exposure towards lower-risk countries, evidenced by a 103% increase year-over-year in Peru, now representing 6% of total Commercial Portfolio, while continuing to decrease exposure in Argentina, down 42% year-over-year, now representing 2% of the total Commercial Portfolio.

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,							
	2020	%	2019	%	2018	%	2017	%
	(in \$ millions, except percentages)							
Loans at amortized cost	\$ 4,911	88.5	\$ 5,893	90.6	\$ 5,778	91.9	\$ 5,506	91.8
Loan commitments and financial guarantee contracts	565	10.2	493	7.6	502	8.0	487	8.1
Customers' liabilities under acceptances	74	1.3	116	1.8	10	0.1	6	0.1
Total	\$ 5,551	100.0	\$ 6,502	100.0	\$ 6,290	100.0	\$ 5,999	100.0

Loan Portfolio

As of December 31, 2020, the Bank's Loan Portfolio totaled to \$4,911 million, compared to \$5,893 million as of December 31, 2019 and \$5,778 million as of December 31, 2018. The \$982 million, or 17% Loan Portfolio decrease during 2020 was mainly attributable to lower lending origination during the year, reflecting the Bank's defensive approach to favor liquidity over loan growth during most of the year, as part of prudential measures implemented at the onset of the COVID-19 pandemic, coupled with a continued emphasis on sectors which management considers defensive in the current economic context (such as oil & gas (downstream), electric power and food and beverage) and stricter credit underwriting standards. As of December 31, 2020, the Loan Portfolio had an average remaining maturity term of 348 days, and 63% of the Bank's Loan Portfolio was scheduled to mature within one year, compared to an average remaining maturity of 380 days, or 71% maturing within one year as of December 31, 2019, and 323 days, or 73% maturing within one year as of December 31, 2018.

As of December 31, 2020, the Bank's credit-impaired loans totaled \$11 million (or 0.22% of the Loan Portfolio), compared to \$62 million (or 1.05% of the Loan Portfolio) as of December 31, 2019 and \$65 million (or 1.12% of the Loan Portfolio) as of December 31, 2018. Credit-impaired loans decreased in 2020 mainly due to the sale of \$11.6 million of an outstanding credit-impaired exposure classified as Stage 3 (under accounting standard IFRS 9), which resulted in a \$52.1 million write-off against its individually assigned allowance for credit losses. As of December 31, 2020, \$11 million in credit-impaired loans were related to a single transaction in the retail trade 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 \$4.2 million, representing coverage of 40%.

Loans classified as Stage 1 under IFRS 9, with credit conditions unchanged since origination, decreased by 18% during 2020, reflecting the prudential measures implemented since the onset of the COVID-19 pandemic in 2020, while loans classified as Stage 2 under IFRS 9, which represent loans with exposures whose credit conditions have deteriorated since origination, increased by 25%, mainly as a result of the Bank's internal country ratings' downward revisions.

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,										
	2020	% of Total Loans	2019	% of Total Loans	2018	% of Total Loans	2017	% of Total Loans	2016	% of Total Loans
(in \$ millions, except percentages)										
Argentina	\$ 131	2.7	\$ 226	3.8	\$ 604	10.5	\$ 295	5.3	\$ 325	5.4
Belgium	10	0.2	14	0.2	13	0.2	11	0.2	4	0.1
Bolivia	12	0.2	7	0.1	14	0.2	15	0.3	18	0.3
Brazil	972	19.8	1,015	17.2	1,156	20.0	1,019	18.5	1,164	19.3
Chile	534	10.9	683	11.6	177	3.1	171	3.1	69	1.2
Colombia	714	14.5	906	15.4	626	10.8	829	15.1	653	10.8
Costa Rica	146	3.0	220	3.7	370	6.4	356	6.5	400	6.6
Dominican Republic	202	4.1	290	4.9	301	5.2	250	4.5	244	4.1
Ecuador	46	0.9	174	3.0	188	3.3	94	1.7	129	2.1
El Salvador	40	0.8	54	0.9	70	1.2	55	1.0	105	1.7
France	151	3.1	153	2.6	0	0.0	0	0.0	0	0.0
Germany	0	0.0	35	0.6	18	0.3	38	0.7	50	0.8
Guatemala	281	5.7	279	4.7	329	5.7	309	5.6	316	5.2
Honduras	10	0.2	129	2.2	89	1.5	75	1.4	73	1.3
Hong Kong	2	0.0	11	0.2	0	0.0	0	0.0	0	0.0
Jamaica	23	0.5	38	0.7	22	0.4	24	0.4	8	0.1
Luxembourg	50	1.0	60	1.0	18	0.3	20	0.4	15	0.2
Mexico	607	12.4	754	12.8	867	15.0	850	15.4	927	15.4
Nicaragua	0	0.0	0	0.0	0	0.0	30	0.5	37	0.6
Panama	241	4.9	268	4.6	485	8.4	500	9.1	499	8.3
Paraguay	101	2.1	128	2.2	159	2.7	60	1.1	108	1.8
Peru	273	5.6	150	2.6	78	1.4	212	3.8	467	7.8
Singapore	75	1.5	91	1.5	39	0.7	55	1.0	70	1.2
Switzerland	0	0.0	0	0.0	0	0.0	4	0.1	46	0.8
Trinidad & Tobago	166	3.4	182	3.1	145	2.5	175	3.2	184	3.1
United Kingdom	10	0.2	0	0.0	0	0.0	0	0.0	0	0.0
United States of America	114	2.3	25	0.4	0	0.0	44	0.8	73	1.2
Uruguay	0	0.0	1	0.0	10	0.2	15	0.3	37	0.6
Total	\$ 4,911	100.0	\$ 5,893	100.0	\$ 5,778	100.0	\$ 5,506	100.0	\$ 6,021	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, 2020, the Bank's combined Loan Portfolio associated with European country risk represented \$221 million, or 4.50% of the total Loan Portfolio, compared to \$261 million, or 4.42% of the total Loan Portfolio as of December 31, 2019 and \$48 million, or 0.84% as of December 31, 2018.

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,										
	2020	% of Total Loans	2019	% of Total Loans	2018	% of Total Loans	2017	% of Total Loans	2016	% of Total Loans
(in \$ millions, except percentages)										
Private sector commercial banks and financial institutions	\$ 2,232	45.4	\$ 2,693	45.7	\$ 2,459	42.5	\$ 2,084	37.9	\$ 1,739	28.9
State-owned commercial banks	477	9.7	590	10.0	624	10.8	574	10.4	515	8.5
Central banks	0	0.0	0	0.0	0	0.0	0	0.0	30	0.5
State-owned organizations	742	15.1	780	13.2	743	12.9	723	13.1	787	13.1
Private corporations	1,425	29.1	1,783	30.3	1,893	32.8	2,125	38.6	2,950	49.0
Sovereign	35	0.7	47	0.8	59	1.0	0	0.0	0	0.0
Total	\$ 4,911	100.0	\$ 5,893	100.0	\$ 5,778	100.0	\$ 5,506	100.0	\$ 6,021	100.0

As of December 31, 2020, the Bank's Loan Portfolio industry exposure mainly included: (i) 55% in the financial institutions sector; (ii) 15% in the industrial sector, mostly comprised of food and beverage (5%), electric power (5%) and other manufacturing (3%); and (iii) 12% in the oil and gas sector, which in turn was divided into downstream (7%), upstream (3%) and integrated (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, 2020, by type of rate and type of borrower:

	As of December 31, 2020			
	(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	\$ 1,082	\$ 62	\$ 0	\$ 1,144
State-owned commercial banks	300	0	0	300
State-owned organizations	394	0	0	394
Private corporations	648	15	7	670
Sovereign	12	24	0	36
Subtotal	\$ 2,436	\$ 101	\$ 7	\$ 2,544
FLOATING RATE				
Private sector commercial banks and financial institutions	\$ 813	\$ 274	\$ 0	\$ 1,087
State-owned commercial banks	119	57	0	176
State-owned organizations	57	291	0	348
Private corporations	241	515	0	756
Sovereign	0	0	0	0
Subtotal	\$ 1,230	\$ 1,137	\$ 0	\$ 2,367
Total	\$ 3,666	\$ 1,238	\$ 7	\$ 4,911

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 \$565 million, or 10% of the total Commercial Portfolio, as of December 31, 2020, compared to \$493 million, or 8% of the total Commercial Portfolio, as of December 31, 2019 and \$502 million, or 8% of the total Commercial Portfolio, as of December 31, 2018. Confirmed and stand-by letters of credit, and guarantees covering commercial risk represented 76% of the total loan commitments and financial guarantee contracts as of December 31, 2020, compared to 86% and 79%, as of December 31, 2019 and 2018, 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:

	2020		As of December 31, 2019		2018	
	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	\$ 0	0.0	\$ 7	1.4
Bolivia	3	0.5	0	0.1	0	0.0
Brazil	50	8.8	50	10.2	50	10.0
Canada	0	0.0	1	0.1	0	0.0
Chile	8	1.4	0	0.0	0	0.0
Colombia	50	8.9	48	9.6	52	10.4
Costa Rica	56	9.9	59	12.0	39	7.7
Dominican Republic	16	2.9	16	3.3	17	3.3
Ecuador	94	16.6	155	31.5	247	49.3
El Salvador	1	0.1	6	1.1	1	0.2
France	85	15.0	48	9.7	0	0.0
Germany	0	0.0	0	0.0	18	3.6
Guatemala	44	7.8	44	9.0	15	3.0
Honduras	0	0.1	0	0.1	0	0.0
Mexico	5	0.9	17	3.5	23	4.5
Panama	61	10.8	22	4.4	29	5.9
Paraguay	12	2.1	11	2.2	0	0.0
Peru	46	8.2	6	1.2	3	0.6
Switzerland	0	0.0	10	2.0	0	0.0
Uruguay	34	6.0	0	0.0	1	0.1
Total loan commitments and financial guarantee contracts	\$ 565	100.0	\$ 493	100.0	\$ 502	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 highly liquid corporate debt securities rated above 'A', and investments in securities issued by Latin American entities related to the Bank's investment management activities.

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,		
	2020	2019	2018
	(in \$ millions)		
Securities at amortized cost	\$ 164	\$ 75	\$ 85
Securities at FVOCI	231	5	22
Investment Portfolio	\$ 395	\$ 80	\$ 107
Equity instrument at FVOCI	0	2	6
Financial instrument at fair value through profit and loss (debentures)	0	6	9
Interest receivable	3	1	2
Reserves	(0)	(0)	(0)
Total securities and other financial assets, net	\$ 398	\$ 89	\$ 124

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,					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
	(in \$ millions, except percentages)					
Brazil	\$ 41	10.4	\$ 2	1.8	\$ 4	4.1
Chile	41	10.4	5	6.4	5	4.7
Colombia	30	7.6	15	19.3	28	26.3
Mexico	44	11.1	22	27.0	27	25.3
Multilateral Organizations	113	28.5	0	0.0	0	0.0
Panama	10	2.6	36	45.5	35	32.4
Peru	26	6.7	0	0.0	0	0.0
Trinidad and Tobago	0	0.0	0	0.0	8	7.2
United States of America	90	22.7	0	0.0	0	0.0
Total	\$ 395	100.0	\$ 80	100.0	\$ 107	100.0

	As of December 31,					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
	(in \$ millions, except percentages)					
Private sector commercial banks and financial institutions	\$ 34	8.5	\$ 19	24.2	\$ 19	17.5
State-owned commercial banks	28	7.2	0	0.0	3	2.7
Sovereign debt	20	5.1	34	42.2	46	43.5
State-owned organizations	196	49.5	24	29.8	32	29.5
Private corporations	117	29.7	3	3.8	7	6.8
Total	\$ 395	100.0	\$ 80	100.0	\$ 107	100.0

	As of December 31,					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
	(in \$ millions, except percentages)					
In one year or less	\$ 75	18.9	\$ 28	35.5	\$ 36	33.9
After one year through five years	320	81.1	51	64.5	65	60.4
After five years through ten years	0	0.0	0	0.0	6	5.7
Total	\$ 395	100.0	\$ 80	100.0	\$ 107	100.0

As of December 31, 2020, 2019 and 2018, 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, 2020, the Bank's securities at amortized cost increased to \$164 million, from \$75 million as of December 31, 2019. The \$89 million, or 119% increase during the year in the securities at amortized cost portfolio was mostly attributable to \$144 million of investment securities acquired in 2020 as part of the strategy to increase Treasury's investment management activities, partially offset by \$53 million in proceeds received from redemption of investment securities during 2020. As of December 31, 2020, securities at amortized cost with a carrying value of \$11 million were pledged to secure repurchase transactions accounted for as secured financings.

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.

Securities at FVOCI

As of December 31, 2020, the Bank's securities at FVOCI increased to \$231 million, from \$5 million as of December 31, 2019. The \$226 million increase during the year in the securities at FVOCI was mainly attributable to \$227 million in securities purchases by the creation of a highly liquid corporate debt securities portfolio during the year. As of December 31, 2020, 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, and corporate debt securities classified as high quality liquid assets ("HQLA") in accordance with the specifications of the Basel Committee.

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.

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:

	2020		As of December 31, 2019		2018	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
(in \$ millions, except percentages)						
Argentina	\$ 133	2.1	\$ 231	3.2	\$ 609	7.9
Brazil	1,017	16.4	1,023	14.2	1,169	15.2
Chile	576	9.3	690	9.6	183	2.4
Colombia	752	12.1	929	12.9	660	8.6
Costa Rica	147	2.4	222	3.1	372	4.9
Dominican Republic	204	3.3	292	4.1	304	4.0
Ecuador	47	0.8	178	2.5	189	2.5
France	152	2.5	156	2.2	0	0.0
Guatemala	283	4.6	281	3.9	332	4.3
Honduras	10	0.2	131	1.8	90	1.2
Mexico	657	10.6	784	10.9	899	11.7
Multilateral Organizations	163	2.6	20	0.3	0	0.0
Panama	257	4.2	310	4.3	529	6.9
Paraguay	101	1.6	129	1.8	161	2.1
Peru	300	4.8	151	2.1	79	1.0
Singapore	75	1.2	91	1.3	38	0.5
Trinidad & Tobago	166	2.7	182	2.5	154	2.0
United States of America	896	14.5	1,162	16.2	1,669	21.8
Other countries ⁽¹⁾	255	4.1	231	3.1	237	3.0
Total ⁽²⁾	\$ 6,191	100.0	\$ 7,193	100.0	\$ 7,674	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 2020 was comprised of Canada (\$51 million), Germany (\$50 million), Luxembourg (\$50 million), El Salvador (\$41 million), Jamaica (\$23 million), Bolivia (\$12 million), United Kingdom (\$11 million), Belgium (\$10 million), Switzerland (\$3 million), Hong Kong (\$2 million) and Japan (\$1 million). "Other countries" in 2019 was comprised of Luxembourg (\$60 million), El Salvador (\$55 million), Jamaica (\$38 million), Germany (\$35 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).
- (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, 2020, overall cross border outstandings totaled \$6,191 million, a \$1,002 million, or 14% decrease compared to \$7,193 million as of December 31, 2019, mainly as a result of the Bank's prudential measures implemented since the onset of the COVID-19 pandemic.

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.

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,		
	2020	2019	2018
	(in \$ millions)		
Private sector commercial banks and financial institutions	\$ 2,345	\$ 2,761	\$ 2,546
State-owned commercial banks and financial institutions	558	613	681
Central banks	689	1,129	1,648
Sovereign debt	56	81	47
State-owned organizations	992	808	838
Private corporations	1,551	1,801	1,914
Total	\$ 6,191	\$ 7,193	\$ 7,674

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,		
	2020	2019	2018
	(in \$ millions)		
Argentina	\$ 8.2	\$ 14.9	\$ 10.0
Brazil	7.1	13.1	17.9
Chile	2.7	2.8	2.6
Colombia	13.5	10.3	15.4
Costa Rica	7.1	10.7	11.1
Dominican Republic	3.3	5.7	4.1
Ecuador	9.2	13.6	10.4
El Salvador	1.3	1.7	1.5
Germany	1.0	1.6	2.0
Guatemala	8.5	7.9	7.5
Honduras	2.9	2.9	2.4
Jamaica	1.1	1.7	2.1
Mexico	14.5	18.8	14.6
Panama	7.6	8.6	13.9
Paraguay	2.0	2.3	1.6
Peru	0.9	0.5	2.4
Trinidad and Tobago	7.9	8.2	5.0
Other countries ⁽¹⁾	0.4	1.4	3.1
Total revenues	\$ 99.2	\$ 126.7	\$ 127.6

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.

Net Revenues

During the year ended December 31, 2020, the Bank recorded net revenues totaling \$99.2 million, representing a \$27.5 million or 22% decrease compared to 2019. The main driver of this decline was lower net interest income due to the Bank's defensive approach to favor liquidity over loan growth during most of the year, as evidenced by lower average lending volumes and higher average cash position levels, coupled with the impact of lower market (LIBOR) rates on the Bank's assets financed by its equity base.

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.

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 Superintendent 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 Superintendent of Banks has signed and executed agreements or letters of understanding with 28 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 Superintendent 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 (Capital Adequacy Ratio). 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 up to 1.25% of credit risk-weighted assets).

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. As a consequence of the global COVID-19 outbreak, the Superintendency of Banks adopted an exceptional and temporary measure which allows banks to use up to 80% of the dynamic reserves for the creation of specific reserves solely to compensate for any decrease in retained earnings resulting from the creation of IFRS provisions or specific reserves for the modified loan portfolio.

General License Banks are required to maintain a ratio of ordinary primary capital over risk-weighted assets of 4.50%. In addition, General License Banks are required to maintain a ratio of primary capital over risk weighted assets of 6.00%.

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 of Banks. In any event, the internal financial models must comply with the aforementioned minimum specific reserve requirements and the following minimum requirements: Special Mention loans 2%; Sub-standard loans 15%; Doubtful loans 50%; and Unrecoverable 100%. 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.

Measures implemented as a result of COVID-19 pandemic

To preserve the health and stability of the financial system, the Superintendency of Banks of Panama issued Agreement No. 02-2020 (as amended to this date) that requires banks to evaluate the loans granted to individual and business clients, whose payment capacity has been affected by the outbreak of COVID-19 and the Panamanian Government's protective measures, and, if appropriate, provide temporary financial relief. The relief measures were originally in place until June 30, 2020 and subsequently extended to June 30, 2021. In addition to these measures, on June 30, 2020, the Panamanian Government enacted Law No. 156 of 2020 on June 30, 2020 (the "Moratorium Law"), which allows for a moratorium on scheduled payments of mortgage loans, personal loans, car loans, credit cards, SME loans, commercial loans, loans to the transportation sector, and loans to the agriculture and livestock sector until December 31, 2020.

The new temporary regulations created a temporary regulation for loans classified as "Modified Loans". The regulation defines a Modified Loan as a loan for which the original terms and conditions have been modified at the request of the borrower or at the Bank's initiative, without being considered a restructured loan. The new terms of Modified Loans have to consider financial feasibility criteria based on the borrower's capacity to pay and the bank's credit policies. Credits that are modified through contractual payment deferrals or other modifications are subject to special monitoring by the Bank and if the borrower does not comply with the new terms will be classified as "Restructured Credits".

The Superintendency of Banks recently approved new amendments to Agreement No. 2-2020, which require banking entities to maintain provisions equivalent to three percent (3%) of the modified loan portfolio gross balance, including uncollected accrued interest and capitalized interests; modified loans secured with deposits pledged in the same bank may be excluded from this calculation up to the secured amount.

As of December 31, 2020, the Bank had one credit for a total of \$8.8 million classified as a Modified Special Mention Loan subject to this temporary financial relief measure, with an assigned Stage 2 IFRS 9 allowance for losses of \$1.8 million. The Bank did not require additional complementary equity reserves because such Stage 2 IFRS 9 allowance exceeds the generic provision equivalent to the 3% required by Rule No. 9-2020.

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

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

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

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

Corporate Governance

The board of directors of a bank must be comprised of at least seven members, with knowledge and experience in the banking business, including at least two independent directors. The majority of the members of the board of directors may not be part of the banks’ management nor have material conflicts of interest. None of the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer may preside over the board of directors. Members of the board of directors who participate in board-established committees must have specialized knowledge and experience in the areas assigned to the committees in which they participate. The board of directors shall meet at least every three months. The board of directors shall keep detailed minutes of all meetings.

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

Integral Risk Management

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

Additional Regulatory Requirements

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

Supervision, Inspection and Reports

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

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

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

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

The laws and regulations require supervised entities to perform due diligence reviews on their clients and their transactions. The verification of information and documentation will depend on the clients’ risk profile. Supervised entities have the obligation to ensure that the information provided by their clients is up-to-date. In addition, banks are required to know and keep information about the ultimate beneficial owners of their clients. Clients classified as higher risk clients are required to update their information more frequently, as an extended or enhanced due diligence measure. Supervised entities are further required to implement 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 must comply with basic supervision and monitoring measures in order to prevent and avoid the use of their banking operations and/or transactions for money laundering operations. These basic 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 statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies, including changes in how they are interpreted or implemented, could have a material adverse impact on the New York Agency and its operations. In addition to laws and regulations, state and federal bank regulatory agencies (including the U.S. Federal Reserve Board) may issue policy statements, interpretive letters and similar written guidance applicable to the New York Agency (including the Bank). These issuances also may affect the conduct of the New York Agency's business or impose additional regulatory obligations. The brief description below is qualified in its entirety by reference to the full text of the statutes, regulations, policies, interpretive letters and other written guidance that are described.

U.S. Federal Law

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

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

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

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

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

New York State Law

The New York Agency, established in 1989, is licensed by the Superintendent of Financial Services of the State of New York (the “Superintendent”), under the New York Banking Law. The New York Agency maintains an international banking facility that also is regulated by the Superintendent and the U.S. Federal Reserve Board. The New York Agency is examined by the Department of Financial Services and is subject to banking laws and regulations applicable to a foreign bank that operates a New York agency. New York agencies of foreign banks are regulated substantially the same as, and have similar powers to, New York state-chartered banks, subject to certain exceptions (including with respect to capital requirements and deposit-taking activities).

The Superintendent is empowered by law to require any branch or agency of a foreign bank to maintain in New York specified assets equal to a percentage of the branch’s or agency’s liabilities, as the Superintendent may designate. Under the current requirement, the New York Agency is required to maintain a pledge of a minimum of \$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, 2020, the New York Agency maintained a pledge deposit with a carrying value of \$10 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.

On January 1, 2020, the Anti-Money Laundering Act of 2020 (“AMLA 2020”) became effective when the U.S. Congress overrode former President Donald Trump’s veto of the National Defense Authorization Act. AMLA 2020 is the most consequential anti-money laundering legislation passed by the U.S. Congress in decades. Among its many provisions, AMLA 2020 provides for expanded whistleblower rewards and protections, the establishment of a beneficial ownership registration database that will be implemented by the Financial Crimes Enforcement Network (“FinCEN”), new Bank Secrecy Act violations and enhanced penalties for repeat and egregious violators. AMLA 2020 requires that various U.S. regulatory agencies (such as FinCEN) promulgate regulations implementing the requirements of AMLA 2020.

The New York Agency is a “financial institution” for purposes of the Bank Secrecy Act and must comply with the aforementioned anti-money laundering laws and regulations. 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, but the changes to the Bank Secrecy Act effected through AMLA may expose the New York Agency to heightened anti-money laundering requirements, obligations, or regulatory uncertainty as additional anti-money laundering requirements are developed and implemented.

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. However, despite the Bank’s internal controls and good faith attempts to comply with Sanctions, it may, from time to time, process or effect transactions which are the subject of Sanctions or in which a person subject to Sanctions has an interest due to the nature of the Bank’s activities, the geographical location of the Bank’s counterparties and customer base, or these parties’ attempts to conceal or disguise the true nature of their involvement in these transactions.

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, which apply throughout the Bank, cover any access to data, resource management and information systems by the Bank’s employees, providers and suppliers, as well as any other person who deals with the Bank on a permanent or temporary basis and has some form of access to data, resource management and IT systems.

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 a single framework. This framework is based on four fundamental pillars: Perimeter Security, Service and Infrastructure Security, User Security and Data Security.

Actions implemented due to the COVID-19 pandemic

The Bank successfully implemented its Business Continuity Plan, which provides, among other things, that 100% of its staff is working remotely (telecommuting). This has increased the frequency of risks associated with cybersecurity, such as increased e-mail attack attempts and increased attack attempts due to the widespread use of remote connection protocols.

To counteract these risks, the Bank’s management has reinforced the controls and 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.

Managing interest rate benchmark reform and any risks arising due to reform

The Bank’s LIBOR Transition Steering Committee monitors and manages the transition to ARR. The Committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The Committee reports to the Board of Directors and collaborates with other business functions as needed. It provides periodic reports to management regarding interest rate risk and risks arising from IBOR reform.

At the end of 2020, the Bank commenced amending existing loans and advances to corporate customers, including loan commitments to corporate customers. These amendments incorporate a fallback provision stating that the existing LIBOR benchmark rate will be replaced by SOFR (Secured Overnight Financing Rate) when LIBOR ceases to exist. The Bank plans to finish the process of amending contractual terms by the end of 2021.

For further information regarding the Bank's interest rate benchmark transitions and related risks, see Item 3.D., "Key Information--Risk Factors—Risks Relating to the Bank's Business--Reforms to and replacement of interbank offered rates ("IBORs") and certain other rates or indices may adversely affect the Bank's business, financial condition and results of operations", and Item 18, "Financial Statements," note 4.

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, 2018 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, 2019, filed with the SEC on April 30, 2020. 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,		
	2020	2019	2018
	(in \$ thousands, except per share amounts and percentages)		
Interest income	\$ 180,973	\$ 273,682	\$ 258,490
Interest expense	(88,523)	(164,167)	(148,747)
Net interest income	92,450	109,515	109,743
Other income (expense):			
Fees and commissions, net	10,418	15,647	17,185
Loss on financial instruments, net	(4,794)	(1,379)	(1,009)
Other income, net	1,083	2,874	1,670
Total other income, net	6,707	17,142	17,846
Total revenues	99,157	126,657	127,589
Reversal (provision) for credit losses	1,464	(430)	(57,515)
Gain (loss) on non-financial assets, net	296	500	(10,018)
Operating expenses:			
Salaries and other employee expenses	(21,462)	(24,179)	(27,989)
Depreciation of investment property, equipment and leasehold improvements	(3,587)	(2,854)	(1,282)
Amortization of intangible assets	(753)	(702)	(1,176)
Other expenses	(11,522)	(12,939)	(18,471)
Total operating expenses	(37,324)	(40,674)	(48,918)
Profit for the year	\$ 63,593	\$ 86,053	\$ 11,138
Basic earnings per share	\$ 1.60	\$ 2.17	\$ 0.28
Diluted earnings per share	\$ 1.60	\$ 2.17	\$ 0.28
Weighted average basic shares	39,656	39,575	39,543
Weighted average diluted shares	39,656	39,575	39,543
Return on average total assets ⁽¹⁾	0.96%	1.36%	0.17%
Return on average total equity ⁽²⁾	6.19%	8.56%	1.08%

(1) For the years 2020, 2019 and 2018, return on average total assets is calculated as profit for the year divided by average total assets. Average total assets for 2020, 2019 and 2018 is calculated on the basis of daily average balances.

(2) For the years 2020, 2019 and 2018, return on average total equity is calculated as profit for the year divided by average total equity. Average total equity for 2020, 2019 and 2018 is calculated on the basis of daily average balances.

Profit for the year

Bladex's profit for the year 2020 totaled \$63.6 million, or \$1.60 per share, compared to \$86.1 million, or \$2.17 per share for 2019. This decrease in profits was mainly driven by the Bank's defensive approach of favoring liquidity over loan growth during most of 2020, as part of the prudential measures implemented since the onset of the COVID-19 pandemic. This mainly resulted in a \$17.1 million, or 16% decrease in net interest income during 2020, following management's decision to preserve the Bank's liquidity, to implement stricter credit underwriting standards, and to focus on sectors considered to be defensive in the current economic context (such as oil & gas (downstream), electric power and food and beverage), together with its successful collection of virtually all scheduled loan maturities, all of which resulted in a reduction of average lending volumes throughout the year, an effect that was coupled with the negative impact of decreased market rates in the Bank's net interest margin. The reduction in profit in 2020 was also a result of a \$5.2 million, or 33% decrease in fees and commissions, mostly due to the absence of mandated structured transactions in a year impacted by market uncertainty. These negative effects were partially offset by: (i) a \$3.4 million, or 8% decrease in operating expenses as a result of lower variable compensation and other savings generated by the Bank as a response to the current economic climate, and (ii) reversal of provisions for credit losses of \$1.5 million in 2020, compared to provision charges of \$0.4 million in 2019, derived from reduced levels of credit-impaired loans, lower Commercial Portfolio balances and the collection of loans in higher risk sectors and countries.

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.

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,		
	2020	2019	2018
	(in \$ millions, except percentages)		
Net interest income (loss) by Business Segment			
Commercial	\$ 87.9	\$ 108.4	\$ 109.8
Treasury	4.5	1.1	(0.0)
Total Net Interest Income	\$ 92.4	\$ 109.5	\$ 109.7
Net interest margin (1)	1.41%	1.74%	1.71%
Net interest spread	1.13%	1.19%	1.21%

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 2020 compared to 2019 and 2019 compared to 2018. Volume and rate variances have been calculated based on average balances and average interest rates over the periods presented. The annual rates include the impact of changes in market rates, as well as the impact of any change in composition of the various products within each category of asset or liability. This analysis is calculated separately for each product and, as a result, changes in the granularity or groupings considered in this analysis would produce a different attribution result, and due to the complexities involved, precise allocation of changes in interest rates between volume and rates is inherently complex and judgmental.

	2020 vs. 2019			2019 vs. 2018		
	Volume(*)	Rate(*)	Net Change	Volume(*)	Rate(*)	Net Change
	(in \$ thousands)					
Increase (decrease) in interest income						
Interest bearing deposits						
with banks	\$ 2,456	\$ (14,572)	\$ (12,116)	\$ (636)	\$ 2,032	\$ 1,396
Investment securities	1,515	(1,193)	322	(61)	372	311
Loans	(18,882)	(62,033)	(80,915)	(4,587)	18,072	13,485
Total increase (decrease)	\$ (14,911)	\$ (77,798)	\$ (92,709)	\$ (5,284)	\$ 20,476	\$ 15,192
(Increase) decrease in interest expense						
Demand deposits	(321)	1,610	1,289	(303)	(357)	(660)
Time deposits	(1,445)	41,791	40,346	6,183	(9,812)	(3,629)
Total Deposits	(1,766)	43,401	41,635	5,880	(10,169)	(4,289)
Securities sold under repurchase agreement and short-term borrowings and debt	1,102	13,883	14,985	65	(5,068)	(5,003)
Long-term borrowings and debt, net	(1,389)	20,413	19,024	(5,782)	(346)	(6,128)
Total (increase) decrease	\$ (2,053)	\$ 77,697	\$ 75,644	\$ 163	\$ (15,583)	\$ (15,420)
Increase (decrease) in net interest income	\$ (16,964)	\$ (101)	\$ (17,065)	\$ (5,121)	\$ 4,893	\$ (228)

(*) 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

2020 vs. 2019

For the year ended December 31, 2020, the Bank's interest income totaled \$181.0 million, compared to \$273.7 million during the year ended December 31, 2019. The \$92.7 million, or 34% decrease in interest income during 2020 was primarily attributable to a \$77.8 million rate-driven decrease in interest income for total interest-earning assets mostly associated with a 111 basis point decrease in average lending rates to 3.48% in 2020 as lower LIBOR-based market rates more than offset higher lending spreads, coupled with the prudential measures implemented by the Bank as of the onset of the COVID-19 pandemic, which favored low-yielding liquid assets over loan growth during most part of the year, and therefore reduced its average loan volumes by 10% and almost doubled its average liquidity position throughout 2020.

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.

Interest Expense Variation

2020 vs. 2019

For the year ended December 31, 2020, the Bank recorded an interest expense of \$88.5 million, a \$75.6 million, or 46% annual decrease compared to \$164.2 million in 2019. This annual decrease was primarily the result of a \$77.7 million rate-driven decrease in interest expense for total interest-bearing liabilities, attributable to lower LIBOR-based market rates and the Bank's increased reliance on deposits. Overall, the average interest rate paid on interest-bearing liabilities decreased to 1.59% in 2020 from 3.10% in 2019.

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.

Net Interest Income Variation

2020 vs. 2019

For the year ended December 31, 2020, the Bank's net interest income totaled \$92.4 million, compared to \$109.5 million during the year ended December 31, 2019. The \$17.1 million, or 16% decrease in net interest income during 2020 was impacted by the Bank's defensive approach to favor liquidity over loan growth during most of the year, as evidenced by higher average cash position levels (23% of average interest-earning assets in 2020) and lower average loan balances, coupled with the impact of lower market (LIBOR) rates on the Bank's assets financed by its substantial equity base. These effects were partly offset by the widening of the Bank's net lending spread differential throughout 2020, as liabilities repriced faster than loans in a decreasing market rate environment, and as the Bank was able to increase lending spreads in its lending origination to top quality borrowers as the COVID-19 pandemic emerged and continued.

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.

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

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

Description	For the Year ended December 31,								
	2020			2019			2018		
	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	\$ 1,502	\$ 4.9	0.32%	\$ 756	\$ 17.0	2.22%	\$ 784	\$ 15.6	1.96%
Investment securities ⁽¹⁾	157	3.6	2.21%	90	3.2	3.52%	92	2.9	3.12%
Loans	4,881	172.5	3.48%	5,449	253.5	4.59%	5,552	240.0	4.26%
Total interest-earning assets	\$ 6,540	\$ 181.0	2.72%	\$ 6,294	\$ 273.7	4.29%	\$ 6,427	\$ 258.5	3.97%
Allowance for loan losses	(67)			(101)			(98)		
Non-interest-earning and other assets	135			153			122		
Total Assets	\$ 6,608			\$ 6,346			\$ 6,451		
Interest-Bearing Liabilities									
Demand deposits	\$ 205	0.6	0.29%	\$ 98	1.9	1.91%	\$ 82	1.2	1.48%
Time deposits	2,770	25.2	0.89%	2,621	65.5	2.47%	2,868	61.9	2.13%
Deposits ⁽²⁾	2,975	25.8	0.85%	2,719	67.4	2.45%	2,950	63.1	2.11%
Securities sold under repurchase agreements and short-term borrowings and debt	1,061	24.0	2.22%	1,117	38.9	3.44%	1,123	33.9	2.98%
Long-term borrowings and debt, net ⁽³⁾	1,440	38.8	2.65%	1,388	57.8	4.11%	1,245	51.7	4.09%
Total interest-bearing liabilities	\$ 5,476	\$ 88.6	1.59%	\$ 5,224	\$ 164.2	3.10%	\$ 5,318	\$ 148.7	2.76%
Non-interest bearing liabilities and other liabilities	105			117			102		
Total Liabilities	\$ 5,581			\$ 5,341			\$ 5,420		
Total equity	1,027			1,005			1,031		
Total Liabilities and Equity	\$ 6,608			\$ 6,346			\$ 6,451		
Net interest spread			1.13%			1.19%			1.21%
Net interest income and net interest margin		\$ 92.4	1.41%		\$ 109.5	1.74%		\$ 109.7	1.71%

(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 2.27%, 3.58% and 3.21%, for 2020, 2019 and 2018, 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,		
	2020	2019	2018
	(in \$ thousands)		
Syndications	\$ 603	\$ 5,622	\$ 4,950
Documentary and standby letters of credit	9,000	9,506	10,767
Other commissions, net	815	519	1,468
Fees and commissions, net	\$ 10,418	\$ 15,647	\$ 17,185

During the year ended December 31, 2020, fees and commissions totaled \$10.4 million, compared to \$15.6 million for the year ended December 31, 2019. The \$5.2 million, or 33% decrease in fees and commissions was mainly attributable to lower levels of business from the Bank's syndication desk in a year impacted by market uncertainty, as the Bank was able to close two mandated structured transactions during 2020, for a total principal amount of \$200 million, compared to six transactions closed during 2019, for a total principal amount of \$1.3 billion. Commissions from letter of credit business decreased 5% in 2020, performing similarly to pre-COVID levels in the second half of the year. Other commissions, net, which are mostly comprised of the opening and confirmation of credit commitments and guarantee contracts, net of commission expenses, registered a 57% increase in 2020 compared to 2019.

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.

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,		
	2020	2019	2018
	(in \$ thousands)		
(Loss) gain on derivative financial instruments and foreign currency exchange, net	\$ (1,813)	\$ 672	\$ (1,226)
(Loss) gain on financial instruments at fair value through profit or loss	(2,175)	(2,258)	648
Unrealized loss on financial instruments at fair value through profit or loss	(806)	0	0
Realized gain on sale of securities at fair value through OCI	0	186	194
Gain (loss) on sale of loans	0	21	(625)
Loss on financial instruments, net	\$ (4,794)	\$ (1,379)	\$ (1,009)

During the year ended December 31, 2020, the Bank recorded a net loss on financial instruments of \$4.8 million, compared to a net loss on financial instruments of \$1.4 million for the year ended December 31, 2019, and a net loss on financial instruments of \$1.0 million for the year ended December 31, 2018. The \$3.4 million, or 248% increase in loss on financial instruments during 2020 was mainly attributable to the fair value adjustment of a debt instrument received as part of a loan restructuring back in 2018, and, to a lesser extent, to the ineffectiveness of the Bank's foreign currency derivatives position to hedge the risk associated mainly with a portion of the notes issued under its Mexican note program. 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.

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, 2020, the Bank reported no results from sale of loans, due to decreased sale activity in the secondary markets in 2020, compared to a gain on sale of loans of \$21 thousand during the year ended December 31, 2019, and 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.

Other income, net

During the year ended December 31, 2020, the Bank recorded other income, net of \$1.1 million, compared to \$2.9 million and \$1.7 million for the years ended December 31, 2019, and 2018, respectively. The \$1.8 million or 62% decrease in other income in 2020 is mainly related to the payment of a matured investment security in the amount of \$0.8 million that was recorded in 2019.

Reversal (provision) for credit losses

For the year ended December 31, 2020, the Bank's reversal of provisions for credit losses totaled \$1.5 million, an improved result when compared to credit loss provision charges of \$0.4 million for the year ended December 31, 2019. The reversal of provisions for credit losses in 2020 was primarily due to improved credit quality derived from reduced levels of credit-impaired loans during the year, and from a 17% year-over-year decrease in Loan Portfolio balance at the end of 2020, as the Bank (i) was able to collect on virtually all scheduled loan maturities, (ii) implemented prudential measures since the onset of the COVID-19 pandemic, which prioritized liquidity over loan growth during most of the year, and (iii) focused its loan origination on sectors which management considers to be defensive in the current economic context (such as oil & gas (downstream), electric power and food and beverage) under stricter credit underwriting standards.

For the year ended December 31, 2019, the Bank's provision for credit losses totaled \$0.4 million, a substantially improved result when compared to \$57.5 million for the year ended December 31, 2018. 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, provision for credit losses 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.

Gain (loss) on non-financial assets, net

For the years ended December 31, 2020 and 2019, the gain on non-financial assets, net, amounted to \$0.3 million and \$0.5 million, respectively, as the Bank registered an unrealized gain on an investment property in 2020, and a realized gain on the sale of an investment property in 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.

Operating Expenses

During the year ended December 31, 2020, the Bank's operating expenses totaled \$37.3 million, compared to \$40.7 million for the year ended December 31, 2019. The \$3.4 million or 8% decrease in operating expenses was primarily related to lower personnel expenses, mostly due to lower performance-based variable compensation, as well as other cost savings related to the COVID-19 pandemic.

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.

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,		
	2020	2019	2018
	(in \$ thousands, except percentages)		
COMMERCIAL:			
Net interest income	\$ 87,921	\$ 108,398	\$ 109,781
Other income (expense), net	8,597	15,577	18,002
Total revenues	96,518	123,975	127,783
Reversal (provision) for credit losses	1,889	(744)	(57,621)
Gain (loss) on non-financial assets, net	296	500	(5,967)
Operating expenses	(28,021)	(31,183)	(37,436)
Profit for the segment	\$ 70,682	\$ 92,548	\$ 26,759
TREASURY:			
Net interest income	\$ 4,529	\$ 1,117	\$ (38)
Other income (expense), net	(1,890)	1,565	(156)
Total revenues	2,639	2,682	(194)
Provision (reversal) for credit losses	(425)	314	106
Operating expenses	(9,303)	(9,491)	(11,482)
Loss for the segment	\$ (7,089)	\$ (6,495)	\$ (11,570)
TOTAL:			
Net interest income	\$ 92,450	\$ 109,515	\$ 109,743
Other income (expense), net	6,707	17,142	17,846
Total revenues	99,157	126,657	127,589
Reversal (provision) for credit losses	1,464	(430)	(57,515)
Gain (loss) on non-financial assets, net	296	500	(5,967)
Operating expenses	(37,324)	(40,674)	(48,918)
Total profit for reportable segments	\$ 63,593	\$ 86,053	\$ 15,189
Unallocated impairment loss on non-financial assets	0	0	(4,051)
Profit for the year	\$ 63,593	\$ 86,053	\$ 11,138

The Commercial Business Segment

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. 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 and distribution in the primary market; (iv) gain (loss) on sale on financial instruments measured at FVTPL; (v) reversal (provision) for credit losses; (vi) gain (loss) on other non-financial assets, net; and (vii) direct and allocated operating expenses.

Year 2020 vs. Year 2019

The Commercial Business Segment's profit of \$70.7 million for the year 2020 was mainly impacted by: (i) reversal of provisions for credit losses totaling \$1.9 million in 2020, compared to provision charges of \$0.7 million in 2019, which was due to lower Loan Portfolio balances as well as the Bank's timely collection of scheduled maturities and improved asset quality on origination focused on defensive sectors under stricter credit underwriting standards, (ii) lower core income generation from interest and commission income, impacted by the Bank's defensive approach to prioritize liquidity over loan growth during most of the year, coupled with the impact of decreased market rates, and lower transactions from the Bank's syndication desk in a year impacted by market uncertainty, and (iii) a \$3.3 million or 8% decrease in operating expenses primarily related to lower personnel expenses, mostly due to a lower performance-based variable compensation, and other cost savings related to the COVID-19 pandemic.

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 provisions for credit 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.

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, as well as highly liquid corporate debt securities rated above 'A-', 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) on financial instruments at FVTPL, gain (loss) on sale of securities at FVOCI, and other income), provision (reversal) for credit losses, and direct and allocated operating expenses.

Year 2020 vs. Year 2019

The Treasury Business Segment reported a loss of \$7.1 million for the year 2020, compared to a loss of \$6.5 million for the year 2019. The \$0.6 million, or 9% increase in the Treasury Business Segment's loss was primarily associated with losses on financial instruments mainly due to the ineffectiveness of the Bank's derivatives hedging position, and a \$0.4 million provision for credit losses recorded in 2020 compared to a \$0.3 million reversal for credit losses in 2019. These factors were only partially compensated by an increase in net interest income due to the Bank's liability sensitivity interest rate gap in a declining interest rate environment, coupled with an increased bond portfolio driving higher yields of assets managed by the Treasury Business Segment.

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.

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,	
	2020	2019
	(in \$ thousands)	
Assets		
Cash and due from banks	\$ 863,812	\$ 1,178,170
Securities and other financial assets, net	398,068	88,794
Loans at amortized cost	4,911,397	5,892,997
Interest receivable	27,350	41,757
Loss allowances	(41,165)	(99,307)
Unearned interest and deferred fees	(5,884)	(12,114)
Loans at amortized cost, net	4,891,698	5,823,333
Loans at fair value through profit or loss	4,949	0
Loans, net	4,896,647	5,823,333
Customers' liabilities under acceptances	74,366	115,682
Derivative financial instruments - assets	27,778	11,157
Equipment and leasehold improvements, net	16,213	18,752
Intangibles, net	1,984	1,427
Investment properties	3,214	3,494
Other assets	6,816	8,857
Total Assets	\$ 6,288,898	\$ 7,249,666
Liabilities and Equity		
Demand deposits	\$ 170,660	\$ 85,786
Time deposits	2,968,240	2,802,550
	3,138,900	2,888,336
Interest payable	1,975	5,219
Total deposits	3,140,875	2,893,555
Securities sold under repurchase agreement	10,663	40,530
Borrowings and debt, net	1,985,070	3,138,310
Interest payable	9,175	10,554
Acceptance outstanding	74,366	115,682
Derivative financial instruments - liabilities	9,211	14,675
Allowance for loan commitments and financial guarantees contracts losses	2,904	3,044
Other liabilities	18,714	17,149
Total Liabilities	\$ 5,250,978	\$ 6,233,499
Equity		
Common stock	\$ 279,980	\$ 279,980
Treasury stock	(57,999)	(59,669)
Additional paid-in capital in excess of value assigned to common stock	120,414	120,362
Capital reserves	95,210	95,210
Regulatory reserves	136,019	136,019
Retained earnings	464,088	446,083
Other comprehensive income (loss)	208	(1,818)
Total Equity	\$ 1,037,920	\$ 1,016,167
Total Liabilities and Equity	\$ 6,288,898	\$ 7,249,666

2020 vs. 2019

As of December 31, 2020, total assets amounted to \$6,289 million, a 13% decrease compared to \$7,250 million as of December 31, 2019, which was mainly attributable to a decrease in the Bank's Loan Portfolio and cash and due from banks, which was partially offset by growth in the Bank's Investment Portfolio, all as described below.

The Bank's cash and due from banks, most of which consist of actively managed liquid assets, totaled \$864 million as of December 31, 2020, compared to \$1,178 million as of December 31, 2019, a \$314 million decrease in cash and due from banks as the Bank shifted, in the second half of 2020, some of its cash to corporate debt securities classified as high quality liquid assets ("HQLA") in accordance with the specifications of the Basel Committee, in order to improve the overall yield of its liquidity position.

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 highly liquid corporate debt securities rated above 'A' (alluded to in the prior paragraph), and investments in securities issued by Latin American entities related to the Bank's investment management activities, which amounted to \$398 million, or 6% of total assets as of December 31, 2020, a 348% increase compared to \$89 million, or 1% of total assets as of December 31, 2019.

As of December 31, 2020, the Bank's loans at amortized cost, or the Loan Portfolio, totaled \$4,911 million, compared to \$5,893 million as of December 31, 2019. The \$982 million, or 17% Loan Portfolio decrease as of December 31, 2020 was mainly attributable to the prudential measures implemented by management since the onset of the COVID-19 pandemic, including stricter credit underwriting and an emphasis on sectors which management considers defensive in the current economic context (such as oil & gas (downstream), electric power and food and beverage). As a result, in 2020 the Bank focussed its origination in short-term lending to its traditional client base of top quality financial institutions, export corporations and "multilatinas", while it was able to collect on virtually all loan scheduled maturities.

As of December 31, 2020, total liabilities amounted to \$5,251 million, a \$982 million or 16% decrease, compared to \$6,233 million as of December 31, 2019, which was mainly attributable to lower funding sources in the form of borrowings and debt, which decreased 37% as of December 31, 2020 compared to December 31, 2019, as the Bank increased its deposits and reduced its reliance on short-term borrowings. Deposit balances totaled \$3,139 million as of December 31, 2020, a \$251 million or 9% increase compared to \$2,888 million as of December 31, 2019. Deposit balances as a percentage of total liabilities increased to 60% as of December 31, 2020, compared to 46% of total liabilities as of December 31, 2019. The majority of the deposits are placed by central banks or designees (i.e., Class A shareholders of the Bank), with 50% and 61% of total deposits at the end of these periods, respectively.

Total equity increased by 2% to \$1,038 million as of December 31, 2020, compared to \$1,016 million as of December 31, 2019. The increased equity level during 2020 was primarily due to profits totaling \$64 million in 2020, net of \$45 million in declared cash dividends, which were reduced in April of 2020 by 35%, to an annualized level of \$1.00 per share compared to prior years at \$1.54 per share, as a prudential measure under deteriorated market conditions. 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 customer 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 mapping of its internal credit risk grades to external ratings is as follows:

<u>Internal rating</u>	<u>12 - month average PD ⁽¹⁾</u> <u>%</u>	<u>External rating ⁽²⁾</u>	<u>Description</u>
1 to 4	0.09	Aaa – Ba1	Exposure in customers or countries with payment ability to satisfy their financial commitments.
5 to 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 transaction involves 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 transaction is limited or restricted to certain terms, structure and types of credits.
10	100	C	Exposure to 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⁾ PD refers to probability of default.

⁽²⁾ External rating in accordance to Moody's Investors Service.

In order to periodically monitor the quality of the portfolio, customers 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 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 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.

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 the effect of such modifications (including the effect on the measurement of expected credit losses) and how the Bank monitors these loans that have been modified.

The Bank recognizes a loss allowance for expected credit losses 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 of 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.

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.

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,		
	2020	2019	2018
	(in \$ millions, except percentages)		
Credit-impaired loans	\$ 11	\$ 62	\$ 65
Asset-specific allocation from the allowance for loan losses	5	54	49
Credit-impaired loans as a percentage of Loan Portfolio	0.2%	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,					
	2020	%	2019	%	2018	%
	(in \$ millions, except percentages)					
Brazil	\$ 52	93%	\$ 2	100%	\$ 37	89%
Chile	4	7%	0	0%	0	0%
Paraguay	0	0%	0	0%	4	11%
Total	<u>\$ 56</u>	<u>100%</u>	<u>\$ 2</u>	<u>100%</u>	<u>\$ 42</u>	<u>100%</u>

During the year ended December 31, 2020, the Bank had write-offs against the allowance for loan losses totaling \$56 million, representing 1.16% of the average Loan Portfolio in 2020, compared to \$2 million, representing 0.04% of the average Loan Portfolio in 2019, and compared to \$42 million, representing 0.75% of the average Loan Portfolio in 2018. The year-over-year write-off increase in 2020 was associated with (i) the sale of \$11.6 million of an outstanding credit-impaired loan classified as Stage 3, which resulted in a \$52.1 million write-off against its individually assigned allowance for credit losses, and (ii) the sale of a \$17.5 million watchlist loan classified as Stage 2, which resulted in a \$4.4 million write-off against its individually assigned allowance for credit losses.

In the three-year period ended December 31, 2020, the Bank disbursed \$40,080 million in credits and had write-off loans for \$101 million, representing 0.25% of credits disbursed.

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

	As of December 31,		
	2020	2019	2018
	(in \$ thousands)		
Credit-impaired loans:			
Brazil:			
Private corporations	\$ 0	\$ 61,845	\$ 61,844
Argentina:			
Private corporations	0	0	2,857
Panama:			
Private corporations	10,593	0	0
Total credit-impaired loans	<u>\$ 10,593</u>	<u>\$ 61,845</u>	<u>\$ 64,701</u>

As of December 31, 2020, the Bank had credit-impaired loans of \$11 million (or 0.22% of the Loan Portfolio), compared to \$62 million (or 1.05% of the Loan Portfolio) as of December 31, 2019 and \$65 million (or 1.12% of the Loan Portfolio) as of December 31, 2018. Credit-impaired loans decreased in 2020 mainly due to the sale of \$11.6 million of an outstanding credit-impaired loan classified as Stage 3 (under accounting standard IFRS 9), which resulted in a \$52.1 million write-off against its individually assigned allowance for credit losses. As of December 31, 2020, \$11 million in credit-impaired loans were to a single borrower in the retail trade 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 \$4.6 million, representing a coverage of 43%.

As of the end of each reported period, the Bank did not have, other than those specified above, 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 or 7" pursuant to our risk rating. As of December 31, 2020, the exposure of two clients for a total of \$9.3 million, or 0.19% of the Loan Portfolio, were classified as potential problem loans under these guidelines, compared to six clients for a total of \$91.3 million, or 1.6% of total loans as of December 31, 2019.

Allowance for losses on financial instruments

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

	As of December 31,				
	2020	2019	2018	2017	2016
	(in \$ millions, except percentages)				
Components of the allowance for losses					
Allowance for loan losses:					
Balance at beginning of the year	\$ 99.3	\$ 100.8	\$ 81.3	\$ 106.0	\$ 90.0
(Reversals) provisions	(1.7)	0.9	61.2	8.9	34.7
Recoveries	0.1	0.0	0.0	0.0	0.1
Loans write-off	(56.5)	(2.4)	(41.7)	(33.6)	(18.8)
Balance at the end of the year	\$ 41.2	\$ 99.3	\$ 100.8	\$ 81.3	\$ 106.0
Allowance for loan commitments and financial guarantee contract losses:					
Balance at beginning of the year	\$ 3.1	\$ 3.3	\$ 6.8	\$ 5.8	\$ 5.4
Provisions (reversals)	(0.2)	(0.2)	(3.5)	1.0	0.4
Balance at end of the year	\$ 2.9	\$ 3.1	\$ 3.3	\$ 6.8	\$ 5.8
Allowance for Investment Portfolio losses:					
Balance at beginning of the year	\$ 0.1	\$ 0.3	\$ 0.4	\$ 0.9	\$ 7.7
Provisions (reversals)	0.4	(0.2)	(0.1)	(0.5)	(0.1)
Write-off	0.0	0.0	0.0	0.0	(6.7)
Balance at end of the year	\$ 0.5	\$ 0.1	\$ 0.3	\$ 0.4	\$ 0.9
Total credit allowance for losses	\$ 44.6	\$ 102.5	\$ 104.4	\$ 88.6	\$ 112.7
Total credit allowance for losses to total Credit Portfolio	0.75%	1.56%	1.63%	1.45%	1.71%
Charge-offs to average Loan Portfolio	1.16%	0.04%	0.75%	0.61%	0.29%

The total credit allowance for losses amounted to \$44.6 million as of December 31, 2020, representing 0.75% of the total Credit Portfolio, compared to \$102.5 million and 1.56%, respectively, as of December 31, 2019, and \$104.4 million and 1.63%, respectively, as of December 31, 2018. The \$57.9 million year-over-year decrease in 2020 was mainly associated with the sale of a former credit-impaired loan in Stage 3 and watchlist loan in Stage 2, totaling \$56 million in write-offs against previously constituted reserves, coupled with the Bank's improved mix of its Credit Portfolio exposure.

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,																			
2020				2019				2018				2017				2016			
Total		%		Total		%		Total		%		Total		%		Total		%	
(in \$ millions, except percentages)																			
Allowance for loan losses																			
Argentina	\$	15.6	37.9	\$	13.1	13.2	\$	12.1	12.0	\$	5.0	6.1	\$	7.3	6.9				
Brazil		3.6	8.7		58.8	59.2		57.0	56.5		42.4	52.1		49.1	46.4				
Chile		0.6	1.5		0.4	0.4		0.2	0.2		0.6	0.7		1.1	1.1				
Colombia		3.6	8.7		2.3	2.3		3.7	3.7		3.5	4.3		6.7	6.3				
Costa Rica		3.0	7.3		4.4	4.4		6.4	6.4		1.7	2.1		1.7	1.6				
Dominican Republic		0.5	1.2		0.6	0.6		1.4	1.4		1.2	1.5		4.6	4.3				
Ecuador		1.2	2.9		5.3	5.3		5.4	5.4		2.7	3.3		2.3	2.2				
El Salvador		1.4	3.4		1.9	2.0		2.7	2.6		1.3	1.6		2.5	2.3				
Guatemala		1.5	3.6		1.6	1.6		1.6	1.6		3.3	4.1		1.2	1.1				
Honduras		0.4	1.0		4.7	4.7		3.4	3.3		6.2	7.6		1.7	1.6				
Jamaica		0.8	1.9		1.2	1.2		0.7	0.7		0.5	0.6		0.1	0.1				
Mexico		2.4	5.8		0.8	0.8		0.7	0.7		1.2	1.5		6.7	6.3				
Nicaragua		0.0	0.0		0.0	0.0		0.0	0.0		2.1	2.6		0.9	0.8				
Panama		5.2	12.6		2.7	2.7		3.6	3.6		3.6	4.5		9.8	9.3				
Paraguay		0.5	1.2		0.6	0.6		0.9	0.9		4.8	5.9		6.4	6.0				
Uruguay		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.1		2.2	2.1				
Other ⁽¹⁾		0.9	2.3		0.9	1.0		1.0	1.0		1.2	1.4		1.7	1.6				
Total Allowance for loan losses	\$	41.2	100.0%	\$	99.3	100.0%	\$	100.8	100.0%	\$	81.3	100.0%	\$	106.0	100.0%				
Allowance for loan commitments and financial guarantee contract losses																			
Argentina	\$	0.0	0.0	\$	0.0	0.0	\$	0.1	2.9	\$	0.1	1.1	\$	0.0	0.0				
Colombia		0.2	6.9		0.1	3.0		0.1	2.7		5.5	80.8		4.7	82.2				
Ecuador		1.1	37.9		1.7	54.6		2.2	68.1		1.1	15.4		0.8	13.2				
Other ⁽¹⁾		1.6	55.2		1.2	42.4		0.9	26.3		0.1	2.7		0.3	4.6				
Total allowance for loan commitments and financial guarantee contract losses	\$	2.9	100.0%	\$	3.0	100.0%	\$	3.3	100.0%	\$	6.8	100.0%	\$	5.8	100.0%				
Allowance for Investment Portfolio losses																			
Brazil	\$	0.3	60.0	\$	0.0	0.0	\$	0.2	66.7	\$	0.3	75.0	\$	0.8	100.0				
Mexico		0.1	20.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0				
Panama		0.0	0.0		0.1	100.0		0.1	33.3		0.1	25.0		0.0	0.0				
Other ⁽¹⁾		0.1	20.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0				
Total allowance for Investment Portfolio losses	\$	0.5	100.0%	\$	0.1	100.0%	\$	0.3	100.0%	\$	0.4	100.0%	\$	0.9	100.0%				

	As of December 31,														
	2020		2019		2018		2017		2016						
	Total	%	Total	%	Total	%	Total	%	Total	%					
(in \$ millions, except percentages)															
Total allowance for credit losses															
Argentina	\$	15.5	34.9	\$	13.1	12.8	\$	12.2	11.7	\$	5.0	5.7	\$	7.3	6.5
Brazil		4.2	9.4		59.1	57.7		57.5	55.1		42.7	48.1		49.9	44.3
Chile		0.6	1.3		0.4	0.4		0.2	0.2		0.6	0.7		1.1	1.0
Colombia		3.8	8.4		2.4	2.4		3.8	3.6		9.1	10.3		11.4	10.2
Costa Rica		3.8	8.5		4.9	4.8		6.7	6.5		1.7	1.9		1.7	1.5
Dominican Republic		0.5	1.0		0.6	0.5		1.4	1.4		1.2	1.4		4.7	4.2
Ecuador		2.4	5.3		7.0	6.8		7.7	7.4		3.8	4.3		3.1	2.8
El Salvador		1.5	3.3		2.1	2.0		2.7	2.6		1.3	1.5		2.5	2.2
Guatemala		1.7	3.9		1.8	1.7		1.6	1.6		3.3	3.8		1.2	1.0
Honduras		0.4	0.8		4.7	4.6		3.4	3.2		6.2	7.0		1.7	1.5
Jamaica		0.8	1.8		1.2	1.2		0.7	0.7		0.5	0.6		0.1	0.1
Mexico		2.5	5.7		0.8	0.8		0.8	0.7		1.3	1.4		6.8	6.0
Nicaragua		0.0	0.0		0.0	0.0		0.0	0.0		2.1	2.4		0.9	0.8
Panama		5.3	11.9		2.8	2.7		3.7	3.5		3.8	4.2		9.9	8.8
Paraguay		0.5	1.2		0.7	0.7		0.9	0.8		4.8	5.4		6.4	5.6
Uruguay		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		2.2	2.0
Other ⁽¹⁾		1.1	2.6		0.9	0.9		1.1	1.0		1.2	1.3		1.8	1.5
Total allowance for credit losses	\$	44.6	100.0%	\$	102.5	100.0%	\$	104.4	100.0%	\$	88.6	100.0%	\$	112.7	100.0%

(1) Other consists of allowances for credit losses allocated to countries in which total allowances for credit 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, loan commitments and financial guarantee contract losses and Investment Portfolio losses, by type of borrower as of the dates indicated:

	As of December 31,														
	2020		2019		2018		2017		2016						
	Total	%	Total	%	Total	%	Total	%	Total	%					
(in \$ millions, except percentages)															
Private sector commercial banks and															
Financial Institutions	\$	10.5	23.6	\$	18.4	17.9	\$	19.1	18.3	\$	17.4	19.6	\$	11.4	10.2
State-owned commercial banks		3.0	6.7		3.6	3.5		8.8	8.4		3.8	4.3		7.0	6.2
Central banks		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.7	0.6
State-owned organization		6.5	14.6		5.5	5.4		6.8	6.5		4.3	4.9		4.4	3.9
Private corporations		24.5	54.9		75.0	73.2		69.7	66.8		63.0	71.1		89.2	79.1
Sovereign		0.1	0.2		0.0	0.0		0.0	0.0		0.1	0.1		0.0	0.0
Total	\$	44.6	100.0%	\$	102.5	100.0%	\$	104.4	100.0%	\$	88.6	100.0%	\$	112.7	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 a historical cost basis, except for the following items mostly measured on a fair value basis: (i) securities and other financial instruments at FVOCI, (ii) other financial instruments at fair value through profit or loss, (iii) financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships, and (iv) investment properties. The carrying values of recognized financial assets and financial liabilities that are 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.

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 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 losses of financial instruments, 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 financial instruments by an evaluation of the exposures on a case-by-case basis. 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 individually assessed are included in a group of credit transactions with similar characteristics and is collectively assessed to determine whether there is impairment. 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. The Bank records impairment 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. 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.

The main assumptions of those estimates are based on:

- The Bank's results may be affected by changes in global economic conditions.
- As the recovery begins, we will have a better idea of what has happened to both demand and aggregate supply due to the significant effects of the COVID-19 pandemic.
- General political, economic and business conditions in Latin American, and other regions, countries or territories in which we operate.
- Given that most of the Region will experience a comparatively slow vaccine rollout, risks to our outlook appear weighted to the downside. If the current wave of the virus worsens again, or a subsequent wave takes hold before large numbers have been vaccinated, the recovery could be delayed further.
- 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 plus interests 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 or yield index for emerging markets public information. The present value of the exposure at maturity represents the fair value of the instrument.

Recent Accounting Pronouncements

IFRS 9 and 7 – Phase 1 of the IBOR reform

In September 2019, the International Accounting Standards Board (IASB) finalized Phase 1 of the IBOR Reform and issued the document Interest Rate Benchmark Reform (the "Reform"), which contains amendments to IFRS 9 and IFRS 7. These amendments are effective for annual periods beginning on or after January 1, 2020.

In August 2020, the IASB published the second phase of the project amendments to the Reform; this document contains exemptions and clarifications for the applicable financial instruments. The amendments issued in the second phase of the project are mandatory for annual periods beginning on or after January 1, 2021, and early adoption is permitted.

As of December 31, 2020, the Bank had not made the adoption of the reforms contained in phases 1 and 2 of the project amendments.

IFRS 16 – Phase 1 Reform

In May 2020, the IASB published the document “Rental Lease concessions related to COVID-19”, which amends IFRS 16 Leases effective June 1, 2020. The publication provides relief to lessees with respect to rental concessions granted as a result of COVID-19, where the lessee must re-measure its responsibilities under a lease using a revised discount rate. As of December 31, 2020, the Bank has not modified or received concessions in its lease agreements signed with third parties.

For information regarding the Bank’s basis of preparation of significant accounting policies and new accounting standards, see Item 18, “Financial Statements,” notes 2, 3 and 4. 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.

Actions implemented due to the COVID-19 pandemic

Following the COVID-19 pandemic and its potential impact on the availability of resources, the Bank activated its Contingent Liquidity Plan, based on internally designed market triggers, in order to ensure a robust liquidity position given the situation caused by the pandemic. This led the Bank to adjust the scenario of its LCR from a regular level of one to a level of three, which includes more restrictive assumptions for inflows and outflows of cash, with a downward adjustment in the percentages of funding source renewals and of Loan Portfolio collections. Other additional elements included in the Contingent Liquidity Plan are, among others, the collection of all loan maturities and the case-by-case approval of all new credit disbursements by the Credit Committee, establishing at least biweekly meetings.

Following the execution of the previously described Contingent Liquidity Plan, the Bank achieved a significant increase in its cash position in a short period of time, managing to continuously maintain a robust level of liquidity, exceeding regulatory requirements.

The Bank's capacity to maintain these strong liquidity levels, even in a context of increased market volatility and uncertainty, is attributable to historically diversified and stable funding sources, including deposits from central banks in Latin America and the Caribbean, who are also the Bank's Class A shareholders. In addition, the Bank has maintained a fluid access to a significant base of correspondent banks and investors from debt capital markets across the globe, which have maintained and even increased their availability of funding to the Bank during the pandemic in 2020. Furthermore, the Bank has been able to collect on the majority of scheduled maturities of its loan portfolio and has then disbursed new transactions on a selective basis, prioritizing preserving liquidity and prudent risk management over loan growth, with a focus on adequate levels of risk / return.

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 risk area as of December 31 of each year:

	As of December 31,		
	2020	2019	2018
	(in \$ millions)		
United States of America	\$ 830	\$ 1,132	\$ 1,650
Other O.E.C.D. countries	100	4	50
Multilateral Organizations	112	20	0
Latin America	6	4	6
Total	\$ 1,048	\$ 1,160	\$ 1,706

The Bank's liquid assets, in the form of cash and cash equivalents and highly rated corporate debt securities (above 'A-'), totaled \$1,048 million as of December 31, 2020, compared to \$1,160 million as of December 31, 2019. Liquid assets to total assets ratio amounted to 17% as of December 31, 2020, compared to 16% as of December 31, 2019, while at these same dates, the liquid assets to total deposits ratios were 33% and 40%, respectively. As of December 31, 2020, \$689 million, or 66% of the Bank's liquid assets were held in deposits with the Federal Reserve Bank of New York, compared to \$1,129 million, or 97% as of December 31, 2019. As of December 31, 2020, \$202 million, or 19% of total liquid assets represented corporate debt securities classified as high quality liquid assets ("HQLA") in accordance with the specifications of the Basel Committee, in order to improve the overall yield of its liquidity position.

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, 2020 and 2019 amounted to \$171 million and \$86 million, respectively; representing 5% and 3% 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, 2020 and 2019, the Bank's short-term loan and investment securities portfolio (maturing within one year based on original contractual term) totaled \$3,114 million and \$3,485 million, respectively. As of December 31, 2020 and 2019, it had an average original term to maturity of 195 and 189 days, respectively, and an average remaining term to maturity of 149 days and 131 days, respectively.

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled \$2,193 million and \$2,497 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the medium-term assets had an average original term to maturity of three years and nine months (1,382 days) and three years and three months (1,185 days), respectively; and an average remaining term to maturity of two years and five months (887 days), and two years and eight months (990 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	F3	P-2	A-2
Long-Term	BBB	Baa2	BBB
Rating Outlook	Negative	Stable	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 May 27, 2020. The outlook was revised to stable from negative.

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 affirmation of the Bank's credit ratings on April 14, 2021. The outlook was revised to stable from negative.

Credit Rating from Fitch Ratings Ltd. ("Fitch")

The Bank's credit ratings from Fitch were downgraded to "BBB/F3" from "BBB+/F2" on June 18, 2020, with a negative outlook, with the most recent affirmation of the Bank's credit ratings on February 10, 2021.

Critical factors supporting the Bank's investment-grade credit ratings mainly include its solid tier one capitalization, prudent risk management, its historically solid asset quality and financial performance, and stable funding structure. 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,		
	2020	2019 (in percentages)	2018
Deposits	61.1%	47.7%	45.5%
Securities sold under repurchase agreements	0.2	0.7	0.6
Short-term borrowings and debt	7.5	26.4	31.0
Long-term borrowings and debt, net	31.2	25.2	22.9
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 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, 2020, 55% 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, 2020, 2019 and 2018, was 32 days, 36 days and 35 days, respectively. As of December 31, 2020, deposits from the Bank's five largest depositors, all except two of which were central and state-owned banks in the Region, represented 42% of the Bank's total deposits, compared to 49% as of December 31, 2019.

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

	As of December 31,		
	2020	2019 (in \$ millions)	2018
Argentina	\$ 141	\$ 141	\$ 142
Barbados	0	20	25
Bolivia	0	28	26
Brazil	444	415	379
Chile	175	0	0
Colombia	34	41	30
Costa Rica	169	153	133
Dominican Republic	108	62	21
Ecuador	525	590	522
El Salvador	38	50	0
France	18	1	1
Germany	155	165	130
Guatemala	50	0	34
Haiti	74	63	61
Honduras	95	260	128
Mexico	0	2	300
Multilateral	154	103	151
Netherlands	0	5	18
Nicaragua	0	135	190
Panama	552	433	391
Paraguay	206	160	268
Spain	10	1	0
Trinidad and Tobago	20	20	20
United States of America	171	40	1
Total	\$ 3,139	\$ 2,888	\$ 2,971

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, 2020, the Bank had outstanding Repos for \$11 million, compared to outstanding Repos for \$41 million as of December 31, 2019 and \$40 million as of December 31, 2018.

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, 2020, short-term borrowings and debt totaled \$381 million, a 76% decrease compared to \$1,596 million as of December 31, 2019, 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, 2020 was 177 days, compared to 76 days as of December 31, 2019.

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,		
	2020	2019	2018
	(in \$ millions, except percentages)		
Short-term borrowings, debt and Repos			
Advances from banks and financial institutions	\$ 381	\$ 1,596	\$ 2,021
Securities sold under repurchase agreements	11	41	40
Total short-term borrowings, debt and Repos	\$ 392	\$ 1,637	\$ 2,061
Maximum amount outstanding at any month-end	\$ 1,776	\$ 1,637	\$ 2,061
Amount outstanding at year-end	\$ 392	\$ 1,637	\$ 2,061
Average amount outstanding during the year	\$ 1,061	\$ 1,117	\$ 1,123
Weighted average interest rate on average amount outstanding	2.22%	3.44%	2.98%
Weighted average interest rate on amount outstanding at year end	2.25%	2.32%	2.93%

Long-term borrowings and debt

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

Interest rates on most long-term borrowings and issuances are adjusted monthly, quarterly or semi-annually based on short-term LIBOR rates plus a credit spread. The credit spread is defined according to several factors, including credit ratings, risk perception, and the original contractual term to maturity. The Bank uses these funds primarily to finance its medium-term and long-term Loan Portfolio, as well as to further enhance the stability of its overall funding base. As of December 31, 2020, gross long-term borrowings and debt increased 4% to \$1,593 million, from \$1,526 million as of December 31, 2019, as a result of the Bank’s commercial lending origination activities and its liquidity position management. As of December 31, 2020, the average term remaining to maturity of the Bank’s medium and long-term borrowing and debt was 2 years and 9 months (1,011 days), compared to one year and seven months (580 days) as of December 31, 2019.

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,		
	2020	2019	2018
	(in \$ millions, except percentages)		
Long-term borrowings and debt (*)			
Amount outstanding at year-end	\$ 1,593	\$ 1,526	\$ 1,501
Maximum amount outstanding at any month-end	\$ 1,630	\$ 1,527	\$ 1,501
Net average amount outstanding during the year	\$ 1,440	\$ 1,388	\$ 1,245
Weighted average interest rate on average amount outstanding	2.65%	4.11%	4.09%
Weighted average interest rate on amount outstanding at year end	2.08%	3.56%	4.35%

(*) Gross of prepaid commissions of \$7.7 million, \$3.4 million and \$3.5 million as of December 31, 2020, 2019 and 2018, respectively.

Global syndicated loans continue to provide a vehicle to access new sources of financing. As of December 31, 2020, 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 August 2020, the Bank closed a \$150 million syndicated loan. Wells Fargo Bank, National Association and BNP Paribas Securities Corp. acted as Joint Lead Arrangers and Bookrunners. The syndicated loan was structured with dual tranches; Tranche A, with a maturity in August 2021, for \$100MM, and Tranche B, with a maturity in August 2022, for \$50MM. The lenders on the syndicated loan were a mix of the Bank's existing lenders and new lenders from the U.S., Asia and Europe.

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, 2020, 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. The Mexico Program had an effective duration of five years.

As of December 31, 2020, the total principal amount outstanding of issuances of "certificados bursátiles" in the Mexican capital markets under this Mexico Program was MXN10.0 billion (ten billion Mexican Pesos) equivalent to \$502 million. The program consists of three issuances: Series Bladex 19 in the principal amount of MXN5 billion (five billion Mexican pesos) which matures in August, 2022; Series Bladex 20 in the principal amount of MXN915 million (nine hundred fifteen million Mexican pesos) which matures in June, 2023; and Series Bladex 20-2 in the principal amount of MXN4,085 million (four billion, eighty-five million Mexican pesos) which matures in May, 2025.

Euro Medium Term Note Program

The Bank renewed its Euro Medium-Term Note Program in July 16, 2020, which is primarily targeted at non-bank institutional investors and includes multiple placements with short-, medium-, and long-term tenors.

During 2020, the Bank issued \$85.6 million in new private placements; and as of December 31, 2020, private issuances through its Euro Medium-Term Note Program amounted to \$258 million, placed in Asia, Europe and Latin America. In addition, the Bank has one outstanding bond due in September 2025 issued in 2020 pursuant to Rule 144A/Regulation S with a total principal amount of \$400 million as of December 31, 2020.

Tokyo Pro-Bond Program

In October 2020, the listing of our Euro Medium-Term Note Program was updated 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 it with a three-year term private issuance for a principal amount of JPY7.4 billion, equivalent to \$69 million which matured in June 2020.

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, 2020:

	Amount (*)	Weighted Average Cost
	(in \$ millions, except percentage)	
Short-term Repos and borrowings at fixed interest rate		
Due in 0 to 30 days	\$ 50	0.45%
Due in 91 to 180 days	11	1.17%
Due in 181 to 365 days	5	0.85%
Total	\$ 66	0.60%
Short-term borrowings at floating interest rate		
Due in 0 to 30 days	\$ 20	0.80%
Due in 31 to 90 days	32	4.98%
Due in 91 to 180 days	25	0.80%
Due in 181 to 365 days	200	1.06%
Total	\$ 277	1.47%
Short-term placements at fixed interest rate		
0 to 30 days	\$ 0	0.00%
Total	\$ 0	0.00%
Short-term placements at floating interest rate		
Due in 31 to 90 days	\$ 49	5.05%
Total	\$ 49	5.05%
Medium and long-term borrowings at fixed interest rate		
Due in 0 to 30 days	\$ 0	7.83%
Due in 31 to 90 days	1	7.83%
Due in 91 to 180 days	16	3.26%
Due in 181 to 365 days	11	3.27%
Due in 1 through 6 years	40	2.05%
Total	\$ 68	2.60%
Medium and long-term borrowings at floating interest rate		
Due in 0 to 30 days	\$ 0	5.74%
Due in 31 to 90 days	0	5.67%
Due in 91 to 180 days	1	5.72%
Due in 181 to 365 days	218	1.29%

	<u>Amount (*)</u>	<u>Weighted Average Cost</u>
	(in \$ millions, except percentage)	
Due in 1 through 6 years	190	1.58%
Total	\$ 409	1.43%
Medium and long-term placements at fixed interest rate		
Due in 181 to 365 days	\$ 5	2.83%
Due in 1 through 6 years	779	3.44%
Total	\$ 784	3.44%
Medium and long-term placements at floating interest rate		
Due in 1 through 6 years	\$ 332	4.52%
Total	\$ 332	4.52%
Grand Total	\$ 1,985	2.85%

(*) Gross of prepaid commissions of \$7.7 million as of December 31, 2020.

See Item 3.D., “Key Information--Risk Factors—Risks Relating to the Bank’s Business--The effects of the COVID-19 pandemic have adversely affected, and are expected to continue to adversely affect, the Bank’s businesses and results of operations, and its duration and future impacts on the economy in the Region and on its businesses, results of operations and financial condition remain uncertain,” 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 2020, 2019 and 2018.

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, 2020, net cash provided by operating activities was \$1,247 million, mainly attributable to a net decrease of \$911 million in loans and a net increase of \$251 million in operating liabilities due to depositors.

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.

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, 2020, net cash used in investing activities was \$320 million, primarily as a result of the \$227 million in purchases of securities at fair value through OCI and \$144 million in purchases of securities at amortized cost.

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.

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, 2020, the net cash used in financing activities was \$1,241 million, which was primarily the result of a \$1,212 million net decrease in short-term borrowings and debt and a \$30 million decrease in securities sold under repurchase agreements, along with repayments from long-term borrowings and debt of \$781 million and \$45 million paid as cash dividends, partially offset by the \$828 million in proceeds from long-term borrowings and debt.

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 \$59 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.

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, 2020. 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.

	<u>Total</u>	<u>0-30 Days</u>	<u>31-90 Days</u>	<u>91-180 Days</u>	<u>181-365 Days</u>	<u>More than 365 Days</u>	<u>Non-Interest Sensitive / without maturity</u>
	(in \$ millions, except percentages)						
Interest-earning assets							
Cash and due from banks	\$ 864	\$ 860	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4
Investment Portfolio ⁽¹⁾	396	5	5	9	56	321	0
Loans ⁽¹⁾	4,916	1,861	1,607	896	435	117	0
Total interest-earning assets	6,176	2,726	1,612	905	491	438	4
Non-interest earning assets, allowance for credit losses and other asset	113	0	0	0	0	0	113
Total assets	\$ 6,289	\$ 2,726	\$ 1,612	\$ 905	\$ 491	\$ 438	\$ 117
Interest-bearing liabilities							
Deposits	\$ 3,139	\$ 1,678	\$ 998	\$ 166	\$ 290	\$ 7	\$ 0
Securities sold under repurchase agreements	11	0	0	6	5	0	0
Borrowings and debt ⁽²⁾	1,985	842	262	46	16	819	0
Total interest-bearing liabilities	5,135	2,520	1,260	218	311	826	0
Non-interest-bearing liabilities and other liabilities	116	0	0	0	0	0	116
Total liabilities	5,521	2,520	1,260	218	311	826	116
Total Stockholders' equity	1,038	0	0	0	0	0	1,038
Total liabilities and stockholders' equity	\$ 6,289	\$ 2,520	\$ 1,260	\$ 218	\$ 311	\$ 826	\$ 1,154
Interest rate sensitivity gap	-	206	352	687	180	(388)	(1,037)
Cumulative interest rate sensitivity gap	-	206	558	1,245	1,425	1,037	-
Cumulative gap as a % of total interest-earning assets	-	3%	9%	20%	23%	17%	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,		
	2020	2019	2018
	(in \$ thousands)		
Common stock	\$ 279,980	\$ 279,980	\$ 279,980
Treasury stock	(57,999)	(59,669)	(61,076)
Additional paid-in capital in excess of value assigned to common stock	120,414	120,362	119,987
Capital reserves	95,210	95,210	95,210
Regulatory reserves	136,019	136,019	136,019
Retained earnings	464,088	446,083	423,050
Other comprehensive income (loss)	208	(1,818)	420
Total equity	\$ 1,037,920	\$ 1,016,167	\$ 993,590

The Bank's equity consists of issued and fully paid ordinary common stock and retained earnings. As of December 31, 2020, total equity increased to \$1,038 million, compared to \$1,016 million as of December 31, 2019 and \$994 million as of December 31, 2018. Total equity increased \$22 million, or 2% during the year ended December 31, 2020, primarily due to profits totaling \$64 million in 2020, net of \$45 million in declared cash dividends, which were reduced in April of 2020 by 35%, to an annualized level of \$1.00 per share compared to prior years at \$1.54 per share, as a prudential measure under deteriorated market conditions, still denoting a strong dividend pay-out ratio during 2020.

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.

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, 2020 and 2019, 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, 2020, the capital ratio of total equity to total assets was 16.5%, and the Bank's Tier 1 capital ratio calculated according to Basel III capital adequacy guidelines (utilizing IRB approach for credit risk) was 26.0%, compared to 14.0% and 19.8%, respectively, as of December 31, 2019. The 2020 leverage ratio was 6.1x compared to 7.1x in 2019.

As of December 31, 2020, the Bank's Capital Adequacy Ratio, calculated according to the guidelines of the Banking Law, was 20.2%, compared to 17.3% as of December 31, 2019.

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.

- Since it commenced in December 2020, the global rollout of coronavirus (COVID-19) vaccines has become the most important variable in making economic—and to some extent political—forecasts. Assuming that the rollout proceeds as we currently expect, most developed countries should have immunized 60-70% of their population by mid-2022. However, the initial economic effects of the vaccine rollout is expected to be felt sooner, and we expect that global economic recovery will pick up pace from mid-2021. Notwithstanding the vaccine rollout in developed countries, however, the rollout in Latin America has proceeded significantly more slowly, and widespread vaccination coverage is not expected to be achieved in the Region until mid-2022 in the largest economies, at the earliest.
- 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. The Region is expected to 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. These challenges are expected to have a materially damaging impact on the Region in the short and medium term, and perhaps even longer.
- The projections implicitly assume that the central banks of the major economies will maintain an expansionary monetary policy, which would sustain dollar liquidity globally and boost growth in the respective economies. Premature monetary tightening and withdrawal of fiscal stimulus could shorten the recovery in the large economies, with consequent adverse impacts on the Region through trade and other channels through which external shocks are transmitted. At the Regional level, it is also expected that monetary stimulus measures will remain in place and that fiscal stimulus measures will not be withdrawn prematurely. Otherwise, the expected recovery in activity could stall.
- Resurgent inflation could be a constraint for some countries, along with potential volatility in financial markets. The economic recovery of some advanced economies relying on fiscal stimulus could lead to an increase in inflation. Any increase in long-term interest rates in the United States could restrict global financial conditions and put pressure on financial markets in emerging economies. Excess liquidity in international markets could be reversed in a disorderly way.
- The Bank's results may be affected by changes in global economic conditions, including the global recession and the economic aftermath of the COVID-19 pandemic, 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 core trade financing business.
- There are high levels of indebtedness in the private sector, which could bring associated solvency problems. 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. Any increase in the number of bankruptcies of companies affected by the pandemic would have possible effects on financial stability in the Region. 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 pandemic. 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.

- There are vulnerabilities associated with an increase in the levels of public debt, in part derived from the fiscal stimulus granted in various countries and its impact on the sustainability of public finances.
- Possible distortions in the valuation of some financial assets could lead to an abrupt correction in their prices. 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 lower fund inflows into the Region.
- The materialization of these risks could generate new episodes of volatility, greater risk aversion and tightening of global financial conditions, which in an environment of high indebtedness could translate into risks to financial stability in some of the most vulnerable economies.
- The Bank has taken considerable measures to mitigate risk for its employees and business operations related to the ongoing COVID-19 pandemic, such as:
 - § The Bank has been carefully monitoring the COVID-19 pandemic and its impact on its business. 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's prudent liquidity management aims to sustain its resiliency in the event of increased market volatility.
 - § Since mid-March 2020, the Bank established stricter 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 in 2020, as the Bank has been able to collect almost all scheduled credit maturities, coupled with credit prepayments, on account of the high quality of its borrower base and the short-term nature of its portfolio (as of December 31, 2020, 75% of the remaining-term Commercial Portfolio was scheduled to mature within a year), and then lend on a selective basis. Given the aforementioned short-term nature of the Bank's business, coupled with the high quality of its client base, including 54% of the Commercial Portfolio as of December 31, 2020, placed with top-tier financial institutions, and 16% of the Commercial Portfolio as of December 31, 2020, with sovereign and state/owned corporations 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 implemented a continuous review process in 2020 of its entire portfolio on a name by name basis, classifying countries and sectors by risk categories. This process allowed the Bank to gain a deep understanding of the impacts of COVID-19 on sectors and clients by country, having been in close contact with most of its client base throughout the year. Sectors identified as high risk, such as airlines, sugar, oil and gas upstream and supply chain, retail, among other, represented a total of approximately 9% of the total Commercial Portfolio as of December 31, 2020. In addition, the Bank continued downsizing exposure to higher risk sectors, such as the airline industry, which has been decreased by \$99 million, or 67% since March 31, 2020, now representing less than 1% of total portfolio as of December 31, 2020, and the sugar industry, which has decreased by \$57 million, or 43% since March 31, 2020. In addition, the Bank reduced its credit-impaired loans (or NPL) balances to 0.22% of the Loan Portfolio as at December 31, 2020.

- § The Bank has successfully implemented its Business Continuity Plan since March 13, 2020. As a result, the Bank has been able to continue its 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 addition, the Bank has implemented specific cybersecurity measures and controls, supported by tools to protect the main points of attack, namely email and end points (laptops). In relation to human capital, supervisors with support from the human resources team maintain 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.
- § Constant and effective digital communications have been successfully held, 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 again successfully held its 2021 Annual Meeting of Shareholders on a virtual basis, after having held it virtually for the first time in 2020. Management believes that holding the meeting virtually is in the best interests of the Bank's shareholders and employees.

Year 2020

Bladex's profit for the year 2020 totaled \$63.6 million, or \$1.60 per share, compared to \$86.1 million, or \$2.17 per share for 2019. This decrease in profits was mainly driven by the Bank's defensive approach of favoring liquidity over loan growth during most of 2020, as part of the prudential measures implemented since the onset of the COVID-19 pandemic. This mainly resulted in a \$17.1 million, or 16% decrease in net interest income during 2020, following management's decision to preserve the Bank's liquidity, to implement stricter credit underwriting standards, and to focus on sectors considered to be defensive in the current economic context (such as oil & gas (downstream), electric power and food and beverage), together with its successful collection of virtually all scheduled loan maturities, all of which resulted in a reduction of average lending volumes throughout the year, an effect that was coupled with the negative impact of decreased market rates in the Bank's net interest margin. The reduction in profit in 2020 was also a result of a \$5.2 million, or 33% decrease in fees and commissions, mostly due to the absence of mandated structured transactions in a year impacted by market uncertainty. These negative effects were partially offset by: (i) a \$3.4 million, or 8% decrease in operating expenses as a result of lower variable compensation and other savings generated by the Bank as a response to the current economic climate, and (ii) reversal of provisions for credit losses of \$1.5 million in 2020, compared to provision charges of \$0.4 million in 2019, derived from reduced levels of credit-impaired loans, lower Commercial Portfolio balances and the collection of loans in higher risk sectors and countries.

For the year ended December 31, 2020, the Bank's net interest income totaled \$92.4 million, compared to \$109.5 million during the year ended December 31, 2019. The \$17.1 million, or 16% decrease in net interest income during 2020 was impacted by the Bank's defensive approach to favor liquidity over loan growth during most of the year, as evidenced by higher average cash position levels (23% of average interest-earning assets in 2020) and lower average loan balances, coupled with the impact of lower market (LIBOR) rates on the Bank's assets financed by its substantial equity base. These effects were partly offset by the widening of the Bank's net lending spread differential throughout 2020, as liabilities repriced faster than loans in a decreasing market rate environment, and as the Bank was able to increase lending spreads in its lending origination to top quality borrowers as the COVID-19 pandemic emerged and continued.

During the year ended December 31, 2020, fees and commissions totaled \$10.4 million, compared to \$15.6 million for the year ended December 31, 2019. The \$5.2 million, or 33% decrease in fees and commissions was mainly attributable to lower levels of business from the Bank's syndication desk in a year impacted by market uncertainty, as the Bank was able to close two mandated structured transactions during 2020, for a total principal amount of \$200 million, compared to six transactions closed during 2019, for a total principal amount of \$1.3 billion. Commissions from letter of credit business decreased 5% in 2020, performing similarly to pre-COVID levels in the second half of the year. Other commissions, net, which are mostly comprised of the opening and confirmation of credit commitments and guarantee contracts, net of commission expenses, registered a 57% increase in 2020 compared to 2019.

ROAE stood at 6.2% for 2020, compared to 8.6% for 2019, due lower profits for the year coupled with higher capitalization in 2020. As of December 31, 2020, the Bank's Tier 1 capital ratio calculated according to Basel III capital adequacy guidelines (utilizing IRB approach for credit risk) was 26.0%, compared to 19.8% as of December 31, 2019. The 2020 Asset to Equity ratio was 6.1x compared to 7.1x in 2019.

The Bank's 2020 efficiency ratio reached 38%, compared to 32% for the year 2019, as the Bank's total revenues decreased by 22% in 2020. The Bank's operating expenses decreased by 8% in 2020, which was mainly attributable to lower personnel expenses, mostly due to a lower performance-based variable compensation, and other cost savings during the COVID-19 pandemic. The Bank's operating expenses to average assets ratio was 56 basis points in 2020, compared to 64 basis points in 2019.

The weighted average funding cost for the year ended December 31, 2020 was 1.59%, compared to 3.10% for the year ended December 31, 2019, a decrease of 151 basis points, benefiting from the impact of lower LIBOR-based market rates on the Bank's narrow, liability-sensitive interest rate gap position, and on a higher average deposit base.

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 (utilizing IRB approach for credit risk) 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.

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, 2020, 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,		
	2020	2019	2018
		(in \$ thousands)	
Documentary letters of credit	\$ 216,782	\$ 169,320	\$ 218,988
Stand-by letters of credit and guarantees – Commercial risk	210,497	255,481	179,756
Total off-balance sheet arrangements	\$ 427,279	\$ 424,801	\$ 398,744
Credit commitments	137,619	68,571	103,143
Total loan commitments and financial guarantee contracts	\$ 564,898	\$ 493,372	\$ 501,887

Fees and commission income from off-balance sheet arrangements amounted to \$10 million for the year ended December 31, 2020, compared to \$11 million and \$13 million for the years ended December 31, 2019, and 2018, 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, 2020, total allowance for loan commitments and financial guarantee contracts losses amounted to \$3 million, nearly unchanged compared to \$3 million as of December 31, 2019 and compared to \$3 million as of December 31, 2018.

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, 2020.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1	1 – 3 years	3 – 5 years	More than 5
		year			years
		(in \$ millions)			
Deposits	\$ 3,139	\$ 3,132	\$ 7	\$ 0	\$ 0
Securities sold under repurchase agreements	11	11	0	0	0
Short-term borrowings and debt	381	381	0	0	0
Long-term borrowings and debt ⁽¹⁾	1,593	252	634	683	24
Accrued interest payable	11	11	0	0	0
Future contractual interest payable, not yet accrued ⁽²⁾	113	10	23	77	3
Leasehold obligations	19	1	3	5	10
Total contractual obligations	\$ 5,267	\$ 3,798	\$ 667	\$ 765	\$ 37

- (1) Gross of prepaid commissions of \$7.7 million as of December 31, 2020. 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, 2020 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.

Other Commercial Commitments	Amount of Commitment Expiration by Period				
	Total	Less than 1	1 – 3 years	3 – 5 years	More than 5
		year			years
		(in \$ millions)			
Letters of credit ⁽⁴⁾	\$ 291	\$ 291	\$ 0	\$ 0	\$ 0
Stand-by letters of credit	160	148	12	0	0
Guarantees	50	50	0	0	0
Other commercial commitments	138	5	133	0	0
Total Commercial Commitments	\$ 639	\$ 494	\$ 145	\$ 0	\$ 0

- (3) Includes customers' liabilities under acceptances outstanding (on-balance sheet assets) for a total amount of \$74.4 million as of December 31, 2020.

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 the date of this Annual Report, 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	57
José Alberto Garzón Gaitán Legal Vice President and General Counsel Banco de Comercio Exterior de Colombia	Colombia	Director	2023	2017	50
Eduardo Hecker Chairman Banco de la Nación Argentina	Argentina	Director	2023	2020	64
CLASS E					
Ricardo Manuel Arango Senior Partner Arias, Fábrega & Fábrega, Panama	Panama	Director	2022	2016	60
Herminio A. Blanco President IQOM, Mexico	Mexico	Director	2022	2004	70
Mario Covo Founding Partner DanaMar LLC, United States	United States	Director	2023	1999	63
Miguel Heras Castro Managing Director Inversiones Bahia Ltd., Panama	Panama	Chairman of the Board	2024	2015	52
Roland Holst Board Member Sudameris Bank, Paraguay	Paraguay	Director	2022	2017	51
ALL CLASSES OF COMMON STOCK ⁽¹⁾					
Isela Costantini Chief Executive Officer Grupo ST, Argentina	Argentina	Director	2024	2019	49
Alexandra M. Aguirre Partner Morrison & Foerster LLP, United States	United States	Director	2024	2020	45

⁽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, 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, Director of Visa Argentina and Director of ADEBA, Asociación de Bancos Argentinos. Mr. Pecego was also Vice President of Banco Patagonia, Argentina from 2011 to 2014 and President of GPAT Compañía Financiera from 2011 to 2016. 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 Brazil, Executive Manager responsible for Projects and Corporate Financing and Regional General Director - Head of Latin America of Banco do Brasil based in Argentina. Mr. Pecego holds a degree in Business Administration, a postgraduate degree in Business Management from Instituto São Luiz, São Paulo, an MBA in International Business from Fundación Don Cabral, Minas Gerais and in Marketing from Pontificia Universidade Católica do Rio de Janeiro, (PUC). Mr. Pecego was formally commended by the Brazilian government for his work in Mercosur. 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, 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 and Attorney in the Legal Department. 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 and General Manager of Servibolsa Ltda. Servicios Inmobiliarios. He was 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. 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. 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 qualifies him to serve on the Board.

Eduardo Hecker has served as a Director of the Board since 2020. Mr. Hecker has served as Chairman of Banco de la Nación Argentina, Argentina, Chairman of Asociación de Bancos Públicos y Privados de la República Argentina (ABAPRA) and Play Digital S.A. since 2019. He previously served as Director of DEL Consultores, Argentina. Mr. Hecker was President of the Comisión Nacional de Valores, Chairman of Banco de la Ciudad de Buenos Aires, Argentina, Second Vice President of Asociación de Bancos Públicos y Privados de la República Argentina (ABAPRA), Director of Red Link, S.A., Argentina, Secretary of Desarrollo Económico de la Ciudad de Buenos Aires and Director of Centro de Estudios para la Producción-Secretaría de Industria, Comercio y Minería de Argentina. He is currently Director of the Program for Specialization in Banking Administration of Universidad de la Matanza (UNLaM), Argentina and is the author of the following books: *Los desafíos del desarrollo, diagnósticos y propuestas*, published in 2005; *Hacia el desarrollo económico, ventajas competitivas, actores y políticas en la Ciudad de Buenos Aires*, published in 2003; and *La inversión extranjera en la Argentina en los años '90*, published in 1998, among others. In 2003, Mr. Hecker was recognized by Noticias Urbanas with a Quality Award granted under the topic Best Government Management during his office of Secretary of Economic Development of the city of Buenos Aires. Mr. Hecker holds a degree in Economics of Universidad de Buenos Aires, Argentina. His extensive experience along with his academic and consulting skills, qualify him to serve in 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 and as Chairman of its Editorial Committee. He also served as a member of the board of directors of the Panama Stock Exchange and as its Chairman. 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. Mr. Arango worked at White & Case in New York. 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.

Hermínio 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 United States and to provide strategic intelligence, analysis and lobbying of the United States 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, Undersecretary for International Trade and Negotiations and Chief Negotiator of NAFTA. 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 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, Monterrey 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, a Founding Partner of Finaccess International, Inc. and a Founding Partner of Columbus Advisors. Dr. Covo worked at Merrill Lynch, 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 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, focusing primarily on Latin America. Dr. Covo holds a Ph.D. in Economics from Rice University and a B.A. with honors from Instituto Tecnológico Autónomo de México. Dr. Covo’s extensive background and experience in the financial services industry, and his exposure to the markets in which the Bank operates qualify him to serve on the Board.

Miguel Heras Castro has served as a Director of the Board since 2015 and was elected Chairman of the Board in 2019. Mr. Heras is the Founder and Managing Partner of MKH Capital Partners, a private equity firm based in Florida, U.S.A. Since 1999, he has served as Managing Director and as a member of the Board of Directors of Inversiones Bahía, Ltd. in Panama, the largest investment group in Central America, focusing on the financial, infrastructure, energy, real estate, and communications markets. Mr. Heras currently serves on the boards of Cable Onda, Gas Natural Atlántico, Televisora Nacional and Bahía Motors. He is also a member of The Wharton School of the University of Pennsylvania Executive Board for Latin America and is Vice President of the Board of the Panama Food Bank Foundation. He obtained extensive knowledge and experience in the banking industry while serving as a member of the Board of Directors and Asset-Liability Committee (ALCO) of Banco Continental de Panamá 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 into 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 2017. 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 and Quantitative Analyst at Starmine Corp. in San Francisco, California. He was a Teaching Assistant of Econometrics, Public Finance, Finance, Program Evaluation, Macroeconomics and Labor Economics at the University of Chicago. Dr. Holst worked at Garantía PFP, a pension fund, as an Investment Manager and was General Manager of Bolsa de Valores de Asunción, Paraguay. 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 has served as a Director of the Board since 2019. Ms. Costantini is currently the Chief Executive Officer of GST Financial Services in Argentina. She has served as a member of the boards of each of San Miguel S.A. and Novae 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. She has previously served as President and Chief Executive Officer of Aerolíneas Argentinas and held multiple positions at General Motors, where she began working in 1998 and became President of the company for Argentina, Paraguay and Uruguay. 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. Ms. Costantini professional expertise in restructuring, marketing and communications, and experience as a board member and in leadership roles in different entities, qualify her to serve on the Board.

Alexandra M. Aguirre has served as a Director of the Board since 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 has also served as a board member of the Women Lawyer's Interest of the International Bar Association since 2019. 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. Ms. Aguirre's 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	50
Erica Lijztain	Executive Vice President Chief Operating Officer	Argentina	49
Alejandro Jaramillo	Executive Vice President Chief Commercial Officer	Colombia	45
Ana Graciela de Méndez	Executive Vice President Chief Financial Officer	Panama	54
Eduardo Vivone	Executive Vice President Treasury and Capital Markets	Argentina	56
Alejandro Tizzoni	Executive Vice President Chief Risk Officer	Argentina	44
Jorge Luis Real	Executive Vice President Chief Legal Officer and Corporate Secretary	Panama	48
Jorge Córdoba	Executive Vice President Chief Audit Officer	Panama	47

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 Lijztain was appointed Executive Vice President, Chief Operating Officer in February 2018, and has served as Senior Vice President, Corporate Services, since June 2017. She previously served in 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. Lijztain is a Certified International Investment Analyst, and holds a Master’s degree in Business Administration from University Torcuato di Tella, Argentina, and a Bachelor’s degree in Economic Science – Actuary from University of Buenos Aires, Argentina.

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 Marroquín (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 (USA).

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 within the Risk Management Department since 2006, as Senior Vice President from 2012 to 2016, Vice President from 2008 to 2012 and Senior Analyst from 2006 to 2008. Mr. Tizzoni served in different capacities in the credit risk area in banking and the international private sector in Argentina and Chile 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 in 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 held April 21, 2021 (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. In 2020, the Compensation Committee retained a specialized consultant to review the Bank’s Salary Compensation scheme. The results of the consultant’s review are expected to be presented to the Board for consideration during the course of 2021.

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, 2020, the aggregate amount of variable cash compensation paid by the Bank to its current executive officers for their services was \$2,357,570.

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 7, 2020, the Bank granted to current executive officers 51,829 restricted stock units corresponding to 2019 performance. These restricted stock units vest 25% of the amount granted per year, with the first vesting on February 7, 2021, and the subsequent vestings on each anniversary of the first vesting date. As of December 31, 2020, the compensation cost charged against the Bank’s 2020 income in connection with these restricted stock units was \$440,296. The total remaining compensation cost of \$462,134 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 2020, the Bank charged to salaries expense \$70,733 with respect to the contribution plan.

2020 Chief Executive Officer Compensation

The Bank's current Chief Executive Officer's compensation for 2020 included an annual base salary of \$500,000, a signing bonus of \$300,000, and limited perquisites and other benefits amounting to \$19,690. The Chief Executive Officer is eligible to receive a severance payment of \$1,000,000 upon his departure.

The compensation of the Bank's former Chief Executive Officer through March 9, 2020 included an annual base salary of \$350,000, a performance-based cash bonus of \$1,050,000, an aggregate of \$2,333 related to the former Chief Executive Officer's contribution plan, and limited perquisites and other benefits amounting to \$1,557. In addition, the former Chief Executive Officer received a severance payment of \$350,000 and other moving expenses totaling \$28,567.

Results of the 2020 Advisory Vote on Compensation of Executive Officers

At the Bank's annual meeting of shareholders held on April 29, 2020, our shareholders were asked to approve, on an advisory basis, the Bank's fiscal year 2019 executive officers' compensation programs (commonly referred to as the "say on pay" proposal). A substantial majority (93.85%) 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 our shareholders' support for the Bank's approach to executive compensation, and therefore did not change its approach in fiscal year 2020. 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 each 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, 2020 to the Directors of the Bank as a group for their services as Directors was \$950,375.

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, 2020, the aggregate number of restricted shares awarded to non-employee directors of the Bank as a group under the 2015 Plan was 63,000 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, 2020, the total cost for these restricted shares amounted to \$727,020 of which \$306,245 was registered during 2020, and the remaining compensation cost of \$420,775 for these restricted shares will be charged against income over a period of 2.3 years.

Beneficial Ownership

As of December 31, 2020, the Bank's Executive Officers and Directors, as a group, beneficially owned an aggregate of 360,704 Class E shares, representing approximately 1% (based on 31,157,386 Class E shares outstanding as of December 31, 2020) 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, 2020 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 restricted stock units and holdings of unvested stock options and unvested restricted stock units by the Bank's executive officers eligible to receive restricted stock units as of December 31, 2020. 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, 2020 ⁽¹⁾	Number of Shares that may be acquired within 60 days as of December 31, 2020 ⁽²⁾	Total Number of Shares Beneficially Owned	Percent of Class Beneficially Owned	Unvested Restricted Stock Units ⁽³⁾
Jorge Salas	-	-	-	*	-
Erica Lijztain	3,270	4,493	7,763	*	10,210
Alejandro Jaramillo	6,103	6,118	12,221	*	14,034
Ana Graciela de Méndez	2,348	3,265	5,613	*	7,448
Eduardo Vivone	2,986	4,423	7,409	*	10,333
Alejandro Tizzoni	7,806	4,585	12,391	*	10,565
Jorge Luis Real	1,250	1,290	2,540	*	2,620
Jorge Córdoba	334	573	907	*	1,385
Total	24,097	24,747	48,844		56,595

* 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 restricted stock units that will vest within 60 days of December 31, 2020.

(3) Includes unvested restricted stock units granted to executive officers on February 7, 2020, February 6, 2019 and February 6, 2018, under the 2015 Plan, respectively. These restricted stock units vest 25% each year on the relevant grant date's anniversary. Any unvested portion of the grants referenced above that will not vest within 60 days of December 31, 2020, 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 holdings of unvested restricted shares and unvested stock options by members of the Bank's Board, as of December 31, 2020:

Name	Number of Shares Owned as of December 31, 2020 ⁽¹⁾	Number of Shares that may be acquired within 60 days as of December 31, 2020 ⁽²⁾	Total Number of Shares Beneficially Owned	Percent of Class Beneficially Owned	Restricted Shares ⁽³⁾
Alexandra M. Aguirre	-	-	-	*	6,000
Ricardo Manuel Arango	31,175	-	31,175	*	11,700
Herminio A. Blanco	77,608	-	77,608	*	11,700
Isela Costantini	-	-	-	*	6,000
Mario Covo	65,027	-	65,027	*	11,700
José Alberto Garzón	12,300	-	12,300	*	11,700
Eduardo Hecker	-	-	-	*	6,000
Miguel Heras Castro	94,300	-	94,300	*	14,700
Roland Holst	19,150	-	19,150	*	11,700
João Carlos de Nóbrega Pecego	12,300	-	12,300	*	11,700
Total	311,860	-	311,860		102,900

* 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 63,000 restricted shares were granted to directors on April 29, 2020; 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.

For additional information regarding stock options granted to executive officers and directors, see Item 18, "Financial Statements," note 29.

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, within three years of joining the Board, is required to accumulate 9,000 shares (13,500 for the Chairman of 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.

As defined by the SEC in Item 407 of Regulation S-K, at least one of the members of the Audit Committee is an “audit committee financial expert”.

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, 2020, the Board held ten meetings. Directors attended an average of 97% of the total number of Board meetings held during the fiscal year ended December 31, 2020.

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, 2020:

Name	Audit	Risk Policy and Assessment	Finance and Business	Compliance and Anti- Money Laundering	Compensation
Alexandra M. Aguirre	Member				Member
Ricardo Manuel Arango		Member	Member	Chairman	
Herminio A. Blanco	Chairman	Member			
Isela Costantini	Member				Member
Mario Covo		Member	Chairman		
José Alberto Garzón	Member			Member	Member
Eduardo Hecker	Member				Member
Miguel Heras Castro		Chairman	Member		
Roland Holst		Member	Member		
João Carlos de Nóbrega Pecego			Member		Chairman
Number of Committee Meetings Held in 2020	6	13	6	6	6

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. Alexandra M. Aguirre, Ms. Isela Costantini, Mr. José Alberto Garzón and Mr. Eduardo Hecker.

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 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. Herminio A. Blanco.

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, 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, 2020, the Audit 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 Audit Committee.

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

The Audit Committee pre approved all audit and non audit services of the Bank’s independent auditors in 2020.

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. According to its charter, the Risk Policy and Assessment Committee must be comprised of at least three directors. 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 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 model risks and 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. It reports to the Board and refers transactions for consideration and approval by the Board when the transaction limit exceeds its delegated authorizations.

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, 2020, the Risk Policy and Assessment Committee held 13 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. According to its charter, the Finance and Business Committee must be comprised of at least three directors. 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, 2020, the Committee held six 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. José Alberto Garzón, and the Bank's Chief Executive Officer, Chief Operating Officer, Chief Commercial Officer, Chief Risk Officer, Chief Audit Officer, Chief Legal Officer and Corporate Secretary, Chief Compliance Officer and the New York Agency's 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, 2020, the Compliance and Anti-Money Laundering Committee held six 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. According to its charter, the Compensation Committee must be comprised of at least three directors. The current members of the Compensation Committee are Mr. João Carlos de Nóbrega Pecego (Chair), Ms. Alexandra M. Aguirre, Ms. Isela Costantini, Mr. José Alberto Garzón and Mr. Eduardo Hecker.

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 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, 2020, the Compensation Committee held six 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. Additionally, this Committee submits recommendations on issues related to improving the Bank's operating model and evaluates and proposes technology and communications strategic plans. Further, the Compensation Committee is responsible for promoting continued improvement in the Bank's corporate governance and verifying compliance with all applicable policies.

The Compensation Committee considers qualified director candidates recommended by shareholders. All director candidates are evaluated in the same manner regardless of how they are recommended, including recommendations by shareholders. For the current director nominees, the Committee considered 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.

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.

The Bank's corporate governance manual complies with Section 303A of the NYSE's Listed Company Manual/Corporate Governance Rules and is available in the "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 on-line 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>.

Sustainable and Responsible Business Practices

The Board recognizes the importance of its responsibilities related to Environmental, Social and Governance (ESG) matters. The Bank is further enhancing its corporate responsibility efforts by undertaking a formal ESG materiality assessment to identify the issues that represent the most significant opportunities and risks for the Bank.

Diversity

Diversity is among the factors considered by the Board's Compensation Committee when evaluating candidates for positions on the Bank's Board of Directors. 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 gender, race, national origin or other characteristics that can contribute to the Bank's strategic vision and mission. Gender diversity was strengthened with the appointment of two female Directors who represent the shareholders of all classes. Moreover, the fact that seven different nationalities are represented on the ten-member Board of Directors reflects the importance given to diversity by the Board of Directors.

The presence of different nationalities and cultures among our employees enhances Bladex's brand. Having a multicultural work environment is one of our main strengths which facilitates business management across the Region.

D. Employees

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

	As of December 31,		
	2020	2019	2018
Bladex Head Office in Panama	154	152	140
New York Agency	5	5	5
Representative Office in Argentina	4	4	4
Representative Office in Brazil	6	6	6
Representative Office in Mexico	4	4	6
Representative Office in Colombia	4	4	4
Representative Office in Peru	0	0	2
Total Number of Permanent Employees	177	175	167

Human Capital Management

At Bladex, management considers human capital the backbone for all of the Bank's business activities and, as such, employees' wellbeing is the basis for meeting the Bank's objectives. In turn, year after year, the behavior of the Bank's employees reflects its core values: commitment, humility, excellence, respect and integrity. This is the result of a robust talent management program that begins with the recruitment and selection process and is maintained through a comprehensive training model and benefit programs for the Bank's employees.

Bladex strives to be a great place to work and to build a career. The Bank therefore offers a strong career development program which includes various rubrics, tools, resources and opportunities designed to assist colleagues in building critical skills and in enhancing their career growth within the organization. The Bank also ensures that it is in full compliance with health and safety standards through wide-ranging training programs and comprehensive internal audit processes.

The Bank's goal is to have all employees, regardless of their race, ethnicity, religion, age, gender, national origin, or other characteristics, feel valued, respected and accepted for their unique characteristics and contributions to Bladex.

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, 2020, 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 14.4% 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, 2020.

	As of December 31, 2020		
	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 Brasília, 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
Total Shares of Class A Common Stock	6,342,189	100.0	16.0
	Number of Shares	% of Class	% of Total Common Stock
Class B Common Stock			
Banco de la Provincia de Buenos Aires San Martín 137 C1004AAC Buenos Aires, Argentina	884,461	40.6	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	60.9	3.3
Total Shares of Class B Common Stock	2,178,365	100.0	5.5
	Number of Shares	% of Class	% of Total Common Stock
Class E Common Stock			
Brandes Investment Partners, L.P. ⁽¹⁾ 11988 El Camino Real, Suite 600 San Diego, California 92130 United States	5,720,951	18.4	14.4
BlackRock, Inc. ⁽²⁾ 55 East 52 nd Street New York, New York 10055 United States	1,554,037	5.0	3.9
Sub-total shares of Class E Common Stock	7,274,988	23.4	18.3
Total Shares of Class E Common Stock	31,157,386	100.0	78.5
	Number of Shares	% of Class	% of Total Common Stock

Class F Common Stock			
Total Shares of Class F Common Stock	0	0.0	0.0
Total Shares of Common Stock	39,677,940		100.0

(1) Source: Schedule 13G/A filing with the U.S. Securities and Exchange Commission dated January 7, 2021.

(2) Source: Schedule 13G filing with the U.S. Securities and Exchange Commission dated February 2, 2021.

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:

Class of Shares	Number of Shares Outstanding as of		
	December 31, 2020	December 31, 2019	December 31, 2018
Class A Common Shares	6,342,189	6,342,189	6,342,189
Class B Common Shares	2,178,365	2,182,426	2,245,227
Class E Common Shares	31,157,386	31,077,662	30,951,135
Class F Common Shares	-	-	-
Total Common Shares	39,677,940	39,602,277	39,538,551

The number of the Bank's Class A common shares outstanding as of December 31, 2020 did not change from December 31, 2019. Class B common shares slightly decreased by 4.1 thousand shares during the same period, due to the conversions of Class B into Class E common shares. During the year ended December 31, 2020, Class E common shares outstanding increased by 79.7 thousand shares, mostly as a result of restricted shares issued to the Bank's Directors.

As of December 31, 2020, there were a total of 53 holders of record of our Class E shares, of which 15 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, 2020.

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, 2020, and 2019, the Bank had credit transactions in the normal course of business with 12% and 11%, 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 each of December 31, 2020 and December 31, 2019, approximately 11% of the outstanding Loan Portfolio was placed with the Bank's Class "A" and "B" stockholders and their related parties. As of December 31, 2020, 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., of which the Bank's director, Ricardo Manuel Arango, is also a director of its parent company. During 2020, the largest amount outstanding was \$19 million, which had a weighted average interest rate of 3.15%. However, as of December 31, 2020, the Bank had no outstanding loans to Banco General S.A.
- ii) Sudameris Bank SAECA, of which the Bank's director, Roland Holst, is also a director. As of December 31, 2020, three loans remained outstanding to Sudameris Bank SAECA in the total amount of \$23 million. These loans were made on May 8, September 28 and December 7, 2020. These outstanding loans had a weighted average interest rate of 2.07%. During 2020, the largest amount outstanding was \$30 million.

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. 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.

The cash dividend declared per share to the Bank's shareholders totaled \$1.00 per common share for the year ended December 31, 2020, a 35% decrease compared to the \$1.54 per common share cash dividend declared in 2019, as the Board decreased the quarterly cash dividend to \$0.25 from \$0.385 per common share, as a prudential measure in managing the Bank under prevailing market and economic conditions in 2020.

No special dividends were declared during three-year period ended December 31, 2020.

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

Payment date	Record date	Dividend per share
March 10, 2021	February 23, 2021	\$ 0.25
November 25, 2020	November 9, 2020	\$ 0.25
August 25, 2020	August 10, 2020	\$ 0.25
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

The Bank has no preferred shares issued and outstanding as of December 31, 2020.

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
2020	22.71	7.73
2019	22.94	16.96
2018	30.43	15.33
2017	30.45	25.51
2016	30.50	19.63
2021:		
March	16.92	14.57
February	16.07	15.00
January	16.78	14.37
2020:		
December	16.13	14.55
November	15.25	12.76
October	14.37	11.60
2021:		
First Quarter	16.92	14.37
2020:		
First Quarter	22.71	10.05
Second Quarter	14.93	7.73
Third Quarter	13.06	10.55
Fourth Quarter	16.13	11.60
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

⁽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, which 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, 2020. 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.

At the Annual Meeting of Shareholders held on April 29, 2020, an amendment to Article 12 of the Bank's Articles of Incorporation was approved to delete a provision that required that the Board of Directors always nominate the Chief Executive Officer from one of the two Directors to be elected by the holders of all of the common shares. This amendment provides further independence at the Board level and also gives the Board more flexibility to nominate persons from a broader scope of candidates, who are not necessarily involved in the day-to-day operations of the Bank.

The Bank's Amended Articles of Incorporation are being filed as an exhibit to this Annual Report on Form 20-F for the fiscal year ended December 31, 2020.

The Bank's By-Laws 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 hyperlink to this document.

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, and (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. 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, (2) former citizens or long-term residents of the United States; (3) “controlled foreign corporations;” (4) corporations that accumulate earnings in excess of an amount that is deemed to be necessary for its reasonable business needs; or (5) 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 Code provides a specific exception from passive income classification for income derived in the “active conduct of a banking business”. The Internal Revenue Service (“IRS”) issued a notice in 1989 (the “Notice”), and the U.S. Department of Treasury has issued multiple sets of 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.” The Notice and the Proposed Regulations have different requirements for qualifying as an active foreign bank, and for determining the banking income that may be excluded from passive income.

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 income derived in the active conduct of a banking business. 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: <https://www.bladex.com/en>.

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, 2020 and 2019, 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, 2020:

	Expected maturity date									
	2021	2022	2023	2024	2025	There- after	Without maturity	Total 2020	Fair value 2020	
	(\$ Equivalent in thousands)									
ASSETS:										
Securities and other financial assets										
Fixed rate										
U.S. Dollars	74,653	160,978	151,330	-	8,461	-	-	395,422	399,458	
Average fixed rate	4.21%	2.76%	2.86%	-	4.02%	-	-	3.10%		
Brazilian Real	-	-	-	-	-	-	-	-	-	
Average fixed rate	-	-	-	-	-	-	-	-		
Loans at amortized cost										
Fixed rate										
U.S. Dollars	2,363,202	60,999	31,759	3,389	3,944	7,733	-	2,471,026	2,482,753	
Average fixed rate	2.44%	4.03%	5.50%	4.68%	4.68%	4.00%	-	2.53%		
Mexican Peso	73,518	-	-	-	-	-	-	73,518	73,494	
Average fixed rate	7.28%	-	-	-	-	-	-	7.28%		
Euro Dollar	-	-	-	-	-	-	-	-	-	
Average fixed rate	-	-	-	-	-	-	-	-		
Floating rate										
U.S. Dollars	1,153,404	560,402	174,755	163,440	37,495	91,191	-	2,180,687	2,202,747	
Average floating rate	1.95%	3.84%	2.86%	2.85%	4.59%	2.02%	-	2.63%		
Mexican Peso	76,515	48,409	31,148	12,427	17,667	-	-	186,166	186,255	
Average floating rate	7.70%	7.99%	8.22%	8.34%	8.51%	-	-	7.98%		
LIABILITIES:										
Fixed rate										
U.S. Dollars	95,922	40,036	-	-	400,000	-	-	535,958	538,436	
Average fixed rate	1.30%	2.04%	-	-	2.38%	-	-	2.16%		
Mexican Peso	2,874	49	-	-	205,917	-	-	208,840	216,192	
Average fixed rate	8.22%	8.99%	-	-	6.94%	-	-	6.96%		
Euro Dollar	-	-	-	64,757	12,238	24,475	-	101,470	105,507	
Average fixed rate	-	-	-	3.54%	0.90%	0.90%	-	2.59%		
Japanese Yen	-	71,591	-	-	-	-	-	71,591	71,751	
Average fixed rate	-	0.52%	-	-	-	-	-	0.52%		
Australian Dollar	-	-	-	-	-	-	-	-	-	
Average fixed rate	-	-	-	-	-	-	-	-		
Floating rate										
U.S. Dollars	462,456	160,000	62,500	-	-	-	-	684,956	685,695	
Average floating rate	1.13%	1.52%	1.44%	-	-	-	-	1.25%		
Mexican Peso	82,390	253,499	45,937	-	-	-	-	381,826	382,801	
Average floating rate	5.03%	4.87%	5.05%	-	-	-	-	4.93%		
Interest Rate Swaps – Investment Securities										
U.S. Dollars fixed to floating	5,000	-	-	-	-	-	-	5,000	(71)	
Average pay rate	3.25%	-	-	-	-	-	-	3.25%		
Average receive rate	1.23%	-	-	-	-	-	-	1.23%		
Interest Rate Swaps – Loans										
U.S. Dollars fixed to floating	10,667	-	-	-	-	-	-	10,667	(72)	
Average pay rate	4.05%	-	-	-	-	-	-	4.05%		
Average receive rate	1.61%	-	-	-	-	-	-	1.61%		
Interest Rate Swaps – Borrowings										
U.S. Dollars fixed to floating	70,000	40,000	-	-	-	-	-	110,000	(167)	
Average pay rate	1.52%	2.04%	-	-	-	-	-	1.71%		
Average receive rate	2.15%	2.04%	-	-	-	-	-	2.11%		
Interest Rate Swaps – Issuances										
U.S. Dollars fixed to floating	-	-	20,000	-	-	-	-	20,000	(1,015)	
Average pay rate	-	-	3.70%	-	-	-	-	3.70%		
Average receive rate	-	-	1.26%	-	-	-	-	1.26%		
CROSS CURRENCY SWAPS:										
Cross Currency Swaps										
Receive U.S. Dollars	1,069	1,069	1,937	-	-	-	-	4,075	4,340	
U.S. Dollars fixed rate	-	-	-	-	-	-	-	-		
U.S. Dollars floating rate	4.15%	4.15%	4.15%	-	-	-	-	4.15%		
Pay U.S. Dollars	-	271,646	-	68,768	197,854	23,654	-	561,922	(593,915)	
U.S. Dollars fixed rate	-	-	-	-	2.22%	2.12%	-	2.17%		
U.S. Dollars floating rate	-	1.01%	-	2.79%	-	-	-	1.90%		
Receive Mexican Peso	-	200,815	-	-	205,083	-	-	405,898	428,757	
Mexican Peso fixed rate	-	-	-	-	6.97%	-	-	6.97%		
Mexican Peso floating rate	-	4.87%	-	-	-	-	-	4.87%		
Pay Mexican Peso	987	987	1,789	-	-	-	-	3,763	(3,983)	
Mexican Peso floating rate	7.98%	7.98%	7.98%	-	-	-	-	7.98%		
Receive Euro Dollar	-	-	-	61,188	12,238	24,475	-	97,901	112,309	
Euro Dollar fixed rate	-	-	-	3.75%	0.90%	0.90%	-	1.85%		
Receive Japanese Yen	-	71,688	-	-	-	-	-	71,688	72,759	
Japanese Yen fixed rate	-	0.52%	-	-	-	-	-	0.52%		
Receive Australian Dollar	-	-	-	-	-	-	-	-		
FORWARD CURRENCY EXCHANGE AGREEMENTS:										
Receive U.S. Dollars/ Pay Mexican Pesos	71,353	-	-	-	-	-	-	71,353	(3,589)	
Average exchange rate	21.51%	-	-	-	-	-	-	21.51%		
Receive U.S. Dollars/ Pay Brazilian Reales	368	-	-	-	-	-	-	368	(16)	
Average exchange rate	5.43%	-	-	-	-	-	-	5.43%		
Receive U.S. Dollars/ Pay Euro Dollars	-	-	-	-	-	-	-	-		
Average exchange rate	-	-	-	-	-	-	-	-		

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

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 at amortized cost										
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)	
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.

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, 2020, the Bank had an equivalent of \$184 million in non-U.S. dollar financial assets and \$184 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, 2020 amounted to the equivalent of \$184 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, 2020		As of December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in \$ thousands)				
INVESTMENT SECURITIES				
Securities at amortized cost ⁽¹⁾	165,564	168,110	75,271	75,724
Securities at FVOCI	231,348	231,348	6,983	6,983
Interest rate swaps ⁽²⁾	(101)	(101)	(42)	(42)

(1) As of December 31, 2020 and 2019, the carrying value of securities at amortized cost is net of accrued interest receivable of \$1.9 million and \$0.8 million, and the allowance for expected credit losses of \$0.4 million and \$0.1 million, respectively.

(2) As of December 31, 2020 and 2019, 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, 2020, and concluded that they were effective as of December 31, 2020.

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, 2020. 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, 2020, 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
Torre PDC, 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, 2020, 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, 2020, 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, 2020 and 2019, the related consolidated statements of profit or loss, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated April 29, 2021 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 29, 2021

d) Changes in Internal Control over Financial Reporting

There has been no change in the Bank's internal control over financial reporting during the fiscal year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

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. Herminio A. Blanco. Mr. Blanco 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 April of 2020 and approved by the Board of Directors in its meetings held on April 28, 2020 to further strengthen the conflicts of interest from corporate gifts and 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, 2020, 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,	
	2020	2019
Audit fees	\$ 771,412	\$ 680,000
Audit-related fees	399,768	185,149
Tax fees	0	0
All other fees	0	0
Total	\$ 1,171,180	\$ 865,149

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 and audit-related 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

<u>Exhibit 1.1.</u>	<u>Amended and Restated Articles of Incorporation</u>
<u>Exhibit 1.2.</u>	<u>By-Laws</u>
<u>Exhibit 2.1.</u>	<u>Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934</u>
<u>Exhibit 8.1.</u>	<u>List of Subsidiaries</u>
<u>Exhibit 11.1</u>	<u>Code of Ethics</u>
<u>Exhibit 12.1.</u>	<u>Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a – 14(a) and 15d – 14(a)</u>
<u>Exhibit 12.2.</u>	<u>Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a – 14(a) and 15d – 14(a)</u>
<u>Exhibit 13.1.</u>	<u>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</u>
<u>Exhibit 13.2.</u>	<u>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</u>

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 29, 2021

EXHIBIT INDEX

Exhibit

<u>Exhibit 1.1.</u>	<u>Amended and Restated Articles of Incorporation</u>
<u>Exhibit 1.2.</u>	<u>By-Laws</u>
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**Banco Latinoamericano
de Comercio Exterior, S.A.
and Subsidiaries**

Consolidated Financial Statements
as of December 31, 2020

(With the Independent Auditors' Report thereon)

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

Consolidated Financial Statements

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KPMG
Torre PDC, 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, 2020 and 2019, the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, 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, 2020, 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 29, 2021 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.

As discussed in Notes 3.4 and 5 to the consolidated financial statements, the Bank's allowance for loan losses (ALL) was \$41.2 million as of December 31, 2020, of which \$36.6 million related to the allowance for loan losses evaluated on a collective basis (collective ALL) and \$4.6 million related to the allowance for loan losses evaluated on an individual basis (individual ALL). Fundamental to the Bank's ALL estimate are the customer credit risk rating and the country risk rating which the Bank assigns to each loan. These ratings are determined using models that incorporate judgmental inputs and assumptions including, for the customer credit rating model, forecasts of customer's financial performance and conditions and, for the country risk rating model, future macroeconomic scenarios and related assumptions. The Bank applies a three-stage approach to measure ALL. Generally, loans are initially classified in stage 1. Subsequently, the customer credit and country risk ratings are used to assess whether there has been a significant increase in credit risk (SICR), stage 2, or when the financial asset is credit impaired, stage 3. The Bank calculates a collective ALL for loans in stages 1 and 2 and assesses ECL on an individual basis for loans in stage 3. Lifetime ECL is recorded when the Bank determines that there has been a SICR (stage 2) or when the financial asset is in default (stage 3); otherwise, a 12-month ECL is recorded (stage 1). The collective ALL is the product of multiplying the Bank's estimates of probability of default (PD), loss given default (LGD) and the exposure at default (EAD) of each loan. The Bank uses models to develop the PD and LGD, which are derived from internal historical default and loss experience adjusted for current conditions. The Bank calculates ECL on an individual basis based on the expected cash flows which consider the possible recovery scenarios including the related collateral valuation when applicable. As a response to the COVID-19 pandemic, the Bank performed more frequent assessments of customer credit and country risk ratings to identify emerging risks.

We identified the assessment of the collective and individual ALL as a critical audit matter. It requires a high degree of audit effort involving subjective auditor judgment, including specialized skills and knowledge, due to the number and complexity of significant assumptions and the resulting significant measurement uncertainty. The collective and individual ALL methodologies required significant assumptions in the methods and models used to determine the PDs, LGDs and customer credit and country risk ratings. These significant assumptions included: historical observation periods; forecasts of macroeconomic scenarios and customer's financial performance and conditions, including the current and potential impacts of the COVID-19 pandemic; and cash flow recovery scenarios.

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

- We evaluated the design and tested the operating effectiveness of certain internal controls related to the Bank's collective and individual ALL estimate. These included controls relating to: (i) model validation related to PD, LGD and collective ALL models, including the historical observation periods; (ii) review and approval of significant assumptions and judgments used by the Bank to determine customer credit and country risk ratings; (iii) data inputs for the collective and individual ALL models, including those used to determine PDs, LGDs and customer credit and country risk ratings, including technology controls over the sources of data and its extraction and processing.
- We involved financial risk management professionals with specialized skills and knowledge, who assisted in: (i) evaluating the Bank's collective and individual ALL methodologies for compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board; (ii) assessing the conceptual soundness and performance testing of the PD and LGD models by inspecting model documentation to determine whether the models are suitable for their intended use; (iii) evaluating the customer credit and country risk rating models by comparing them to relevant industry practices, considering the Bank's business environment; and (iv) assessing the macroeconomic variables used by the Bank by comparing them to publicly available information, considering current and potential COVID-19 pandemic impacts.
- We involved credit risk professionals with specialized skills and knowledge, who assisted in: (i) testing a selection of the Bank's customer credit risk ratings by developing an independent rating using information related to the borrower's financial performance and conditions obtained from the Bank and from independent sources and comparing to the Bank's rating; and (ii) evaluating the sources of repayment and any relevant guarantees or underlying collateral used in the individual ALL estimate.

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

/s/ KPMG

Panama City, Republic of Panama
April 29, 2021

Consolidated statement of financial position

December 31, 2020

(In thousands of US dollars)

	Notes	2020	2019
Assets			
Cash and due from banks	7,8	863,812	1,178,170
Securities and other financial assets, net	5,7,9	398,068	88,794
Loans, net	5,7,10	4,896,647	5,823,333
Customers' liabilities under acceptances	5,7	74,366	115,682
Derivative financial instruments - assets	5,7,13	27,778	11,157
Equipment and leasehold improvements, net	15	16,213	18,752
Intangibles, net	16	1,984	1,427
Investment properties	17	3,214	3,494
Other assets	18	6,816	8,857
Total assets		6,288,898	7,249,666
Liabilities and Equity			
Liabilities:			
Demand deposits		170,660	85,786
Time deposits		2,968,240	2,802,550
	5,7,19	3,138,900	2,888,336
Interest payable		1,975	5,219
Total deposits		3,140,875	2,893,555
Securities sold under repurchase agreements	5,7,20	10,663	40,530
Borrowings and debt, net	7,21	1,985,070	3,138,310
Interest payable		9,175	10,554
Acceptance outstanding	5,7	74,366	115,682
Derivative financial instruments - liabilities	5,7,13	9,211	14,675
Allowance for loan commitments and financial guarantees contracts losses	5,7	2,904	3,044
Other liabilities	22	18,714	17,149
Total liabilities		5,250,978	6,233,499
Equity:			
Common stock	24	279,980	279,980
Treasury stock	24	(57,999)	(59,669)
Additional paid-in capital in excess of value assigned to common stock	24	120,414	120,362
Capital reserves	32	95,210	95,210
Regulatory reserves	32	136,019	136,019
Retained earnings		464,088	446,083
Other comprehensive income (loss)	25	208	(1,818)
Total equity		1,037,920	1,016,167
Total liabilities and equity		6,288,898	7,249,666

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

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

Consolidated statement of profit or loss

For the year ended December 31, 2020

(In thousands of US dollars, except per share data and number of shares)

	Notes	2020	2019	2018
Interest income:				
Deposits		4,895	17,011	15,615
Securities		3,531	3,209	2,899
Loans		172,548	253,462	239,976
Total interest income	27	180,973	273,682	258,490
Interest expense:				
Deposits		(25,800)	(67,435)	(63,146)
Borrowings and debt		(62,723)	(96,732)	(85,601)
Total interest expense	27	(88,523)	(164,167)	(148,747)
Net interest income		92,450	109,515	109,743
Other income (expense):				
Fees and commissions, net	26	10,418	15,647	17,185
Loss on financial instruments, net	12	(4,794)	(1,379)	(1,009)
Other income, net		1,083	2,874	1,670
Total other income, net	27	6,707	17,142	17,846
Total revenues		99,157	126,657	127,589
Reversal (provisión) for credit losses	5,27	1,464	(430)	(57,515)
Gain (loss) on non-financial assets, net	14,27	296	500	(10,018)
Operating expenses:				
Salaries and other employee expenses	29	(21,462)	(24,179)	(27,989)
Depreciation of investment properties, equipment and improvements	15,17	(3,587)	(2,854)	(1,282)
Amortization of intangible assets	16	(753)	(702)	(1,176)
Other expenses	30	(11,522)	(12,939)	(18,471)
Total operating expenses	27	(37,324)	(40,674)	(48,918)
Profit for the year		63,593	86,053	11,138
Per share data:				
Basic earnings per share (in US dollars)	23	1.60	2.17	0.28
Diluted earnings per share (in US dollars)	23	1.60	2.17	0.28
Weighted average basic shares (in thousands of shares)	23	39,656	39,575	39,543
Weighted average diluted shares (in thousands of shares)	23	39,656	39,575	39,543

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

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Consolidated statement of comprehensive income****For the year ended December 31, 2020**

(In thousands of US dollars)

	Notes	2020	2019	2018
Profit for the year		63,593	86,053	11,138
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	25	546	491	(1,224)
Items that are or may be reclassified subsequently to profit or loss:				
Change in fair value on financial instruments, net of hedging	25	2,265	(2,694)	2,667
Reclassification of gains (losses) on financial instruments to the profit or loss	25	(425)	261	(1,704)
Exchange difference in conversion of foreign currency operation	25	(360)	(296)	(1,282)
Other comprehensive income (loss)	25	2,026	(2,238)	(1,543)
Total comprehensive income for the year		<u>65,619</u>	<u>83,815</u>	<u>9,595</u>

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

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

Consolidated statement of changes in equity
For the year ended December 31, 2020
(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, 2018	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	-	-	-	-	6,765	(6,765)	-	-
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)	-	-	-	-	-
Repurchase of "Class B" and "Class E" common stock	-	-	-	-	-	-	-	-

Dividends declared	-	-	-	-	-	(60,943)	-	(60,943)
Balances at December 31, 2019	<u>279,980</u>	<u>(59,669)</u>	<u>120,362</u>	<u>95,210</u>	<u>136,019</u>	<u>446,083</u>	<u>(1,818)</u>	<u>1,016,167</u>
Profit for the year	-	-	-	-	-	63,593	-	63,593
Other comprehensive income (loss)	-	-	-	-	-	-	1,424	1,424
Transfer of fair value on equity instrument at FVOCI						(602)	602	-
Issuance of restricted stock	-	1,391	(1,391)	-	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	1,722	-	-	-	-	1,722
Exercised options and stock units vested	-	279	(279)	-	-	-	-	-
Dividends declared	-	-	-	-	-	(44,986)	-	(44,986)
Balances at December 31, 2020	<u>279,980</u>	<u>(57,999)</u>	<u>120,414</u>	<u>95,210</u>	<u>136,019</u>	<u>464,088</u>	<u>208</u>	<u>1,037,920</u>

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

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

Consolidated statements of cash flows
For the year ended December 31, 2020
(In thousands of US dollars)

	2020	2019	2018
Cash flows from operating activities			
Profit for the year	63,593	86,053	11,138
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation of investment property, equipment and leasehold improvements	3,587	2,854	1,282
Amortization of intangible assets	753	702	1,176
Gain on sale of investment properties	-	(500)	-
Unrealized gain on investment properties	(296)	-	-
(Reversal) provision for credit losses	(1,464)	430	57,515
Unrealized gain on financial instruments at fair value through profit or loss	806	-	-
Net gain on sale of financial assets at fair value through OCI	-	(186)	(194)
Compensation cost - share-based payment	1,722	1,782	1,051
Net changes in hedging position and foreign currency	(194)	(18,273)	12,403
Loss for disposal of equipment and leasehold improvements	30	22	24
Loss for derecognition of intangible assets	1	-	2,705
Impairment on investment properties at fair value through profit or loss	-	-	3,849
Impairment loss on other assets	-	-	3,464
Realized loss on investment instrument measured at fair value through profit or loss	2,175	2,258	-
Interest income	(180,973)	(273,682)	(258,490)
Interest expense	88,523	164,167	148,747
Net decrease (increase) in operating assets:	-	-	-
Pledged deposits	648	21,008	13,781
Loans	911,073	(111,967)	(305,464)
Other assets	2,321	7,891	(6,449)
Net increase (decrease) in operating liabilities:	-	-	-
Due to depositors	250,564	(78,822)	41,978
Other liabilities	1,432	3,074	(6,432)
Cash flows provided by operating activities	1,144,301	(193,189)	(277,916)
Interest received	194,129	275,068	242,974
Interest paid	(91,021)	(174,311)	(138,646)
Net cash provided by (used in) operating activities	1,247,409	(92,432)	(173,588)
Cash flows from investing activities:			
Acquisition of equipment and leasehold improvements	(997)	(1,028)	(603)
Acquisition of intangible assets	(1,311)	(496)	(58)
Proceeds from the sale in investment properties	-	500	1,270
Proceeds from the sale of securities at fair value through OCI	1,882	14,037	0
Proceeds from the redemption of securities at fair value through OCI	-	8,094	4,635
Proceeds from redemption of securities at amortized cost	52,576	28,274	9,807
Purchases of securities at fair value through OCI	(227,027)	-	(9,875)
Purchases of investments at fair value with changes in profit or loss	(1,433)	-	0
Purchases of securities at amortized cost	(143,595)	(18,316)	(26,701)
Net cash (used in) provided by investing activities	(319,904)	31,065	(21,525)
Cash flows from financing activities:			
(Decrease) increase in securities sold under repurchase agreements	(29,867)	764	39,767
Net (decrease) increase in short-term borrowings and debt	(1,212,023)	(428,611)	950,259
Proceeds from long-term borrowings and debt	827,732	371,536	609,017
Repayments of long-term borrowings and debt	(781,274)	(368,843)	(256,173)
Payments of leases liabilities	(1,114)	(1,072)	-
Dividends paid	(44,669)	(58,881)	(61,539)
Exercised stock options	-	-	3,609
Repurchase of common stock	-	-	(2,442)
Net cash (used in) provided by financing activities	(1,241,215)	(485,107)	1,282,498
(Decrease) increase net in cash and cash equivalents	(313,710)	(546,474)	1,087,385
Cash and cash equivalents at beginning of the year	1,159,718	1,706,192	618,807
Cash and cash equivalents at end of the year	846,008	1,159,718	1,706,192

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 to 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 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 Representação 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 9, 2021.

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 (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognizes the related assets, liabilities, non-controlling interest and other components of equity, while any resulting 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. Significant accounting policies

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

3.1 Foreign currency

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.

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 in the caption of "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.

3. Significant accounting policies (continued)

3.2 Interests

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.

Methodology for 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.

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

3. Significant accounting policies (continued)**3.2 Interests (continued)**

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

- Interest on securities measured at fair value through other comprehensive income.
- Interest on loans measured at fair value through profit or loss.
- 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.

3.3 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 3.2.

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 terms
<u>Letters of credit</u>	
Issuance	Guarantee to honor the stipulated amount agreed to in the terms and conditions entered with the customer, upon presentation of required documentation.
Negotiation	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
<u>Syndications</u>	
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.
<u>Other services</u>	
Other	Assignment of rights, transferability, reimbursements, payments, discrepancies, courier charges and transfers.

3. Significant accounting policies (continued)

3.4 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, when the assessment of the financial instrument's contractual terms and the cash flows derived from it determine that the SPPI criteria is not met for its classification at amortized cost or at fair value through other comprehensive income.

3. Significant accounting policies (continued)

3.4 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 these portfolios are very infrequent and of a low 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.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

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 periods, the Bank has not identified a change in its business models.

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).

The Bank measures its financial assets and liabilities at fair value through profit or loss, when the assessment of the financial instrument's contractual terms and the cash flows derived from it determines that the SPPI criteria is not met for its classification at amortized cost or at fair value through other comprehensive income.

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 models 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.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

F. Derecognition of financial assets and financial liabilities (continued)

Financial assets (continued)

- 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.

The Bank assesses the transfer of risks and benefits by comparing the entity's exposure, before and after the transfer, with the variation in the amounts and timing of the net cash flows of the transferred asset; additionally, the continued participation in a transferred financial asset is measured by the lowest value between the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to pay.

In derecognizing the financial asset, allowance for losses are deducted from the gross carrying amount of the financial asset; any accumulated gain or loss that has been recognised in other comprehensive income is recognised in the consolidated statement of profit or loss.

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 qualifies 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 a 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.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

G. Modified financial asset or liability

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 according to the original terms with the contractual cash flows of the revised terms; both amounts discounted at the original effective interest.

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 its amount equal to 12-month expected credit losses.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

When the modification of a financial asset results in the derecognition of an existing financial asset and the subsequent recognition of a modified financial asset, the modified asset is considered a new financial asset, at the time of derecognition, the reserve for expected credit losses (ECL) is recalculated to determine the net carrying value of the asset at that date. The new financial asset will have an allowance for losses measured based on 12-month for expected credit losses except for rare cases where the new financial asset is considered to be impaired, because a high risk of default remains, which has not been reduced in the modification. The Bank monitors the credit risk of the modified or renegotiated financial assets by assessing qualitative and quantitative information, considering them in the same way as customers with expired status under new terms.

Financial Liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. The Bank considers that the terms of a modified financial liability are substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted at the original effective interest rate presents a difference greater than 10% of the discounted present value of the cash flows still remaining from the original financial liability.

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.

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.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

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.

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.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

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 to customers with operating cash flows that do 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.

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 increase 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.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

The allowance for expected credit losses includes an asset-specific component and a formula-based component. The asset-specific component, or specific allowance, relates to the provision for losses on credits considered impaired and measured individually case-by-case. A specific allowance is established when the discounted cash flows (or observable fair value of collateral) of the credit 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:

- Individually Assessed

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 transactions 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.

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.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

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.

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 principal or interest; 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.

3. Significant accounting policies (continued)

3.4 Financial assets and liabilities (continued)

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.

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

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

- Exposure (E) = the total accounting balance at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio to account for 12-month 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.

Recoveries of amounts previously written off are recognized when cash is received in the allowance for losses as mentioned in Note 3.4 (J).

3. Significant accounting policies (continued)

3.5 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 immediately recognized in profit or loss 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 hedging relationship.

Applicable standards 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 hedging 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.

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 dollars 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 profit or loss.

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.

3. Significant accounting policies (continued)

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

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, the hedge ratio is generally set 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.

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 in profit or loss 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 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.

3. Significant accounting policies (continued)

3.6 Cash and due from banks

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

3.7 Loans

Loans reported in the consolidated statement of financial position include:

- Loans at amortized cost
- Loans measured at fair value through profit or loss

Loans at amortized cost consider 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.

Loans measured at FVTPL arise as the result of the assessment of the financial instrument's contractual terms and it is determined that the cash flows derived from the evaluated instrument do not meet with the SPPI criteria for its classification at amortized cost or at fair value through other comprehensive income.

3.8 Securities and other financial assets

Securities and other financial assets caption in the consolidated 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

3.9 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.

3. Significant accounting policies (continued)

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

3.11 Leases

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.

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.

The details of the lease policy are described as follows:

A. Definition of a lease

The Bank determines at the beginning of the contract if an agreement is or contains a lease according to IFRS 16. The Bank assesses if a contract is or contains a lease based on the definition of a lease.

3. Significant accounting policies (continued)**3.11 Leases (continued)****B. As a lessee**

The Bank recognizes right-of-use assets and lease liabilities for most leases. These leases are presented in the consolidated statement of financial position. Lease liabilities are measured at the present value of the lease payments, discounted at the Bank's internal funding cost rate. The right-of-use assets are measured at their book value, 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 accumulated depreciation.

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.

C. As a sublessor

Sub-leases of assets for rights of use are classified as operating leases. The subleased portion is classified as investment property, which is subsequently measured by applying the cost model. Leases receivable are recognized as income in the consolidated statement of profit or loss in the period in which they are earned.

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.

D. Investment properties - Right of use

Rights-of-use assets that the Bank holds under sublease agreements for the purpose of obtaining lease income are classified as investment properties in the consolidated statement of financial position. These assets are measured at initial recognition using the same criteria used to recognize other rights-of-use assets. After initial recognition, the carrying amount of these assets is amortized on a straight-line basis over their life. The estimated useful life of these investment properties is closely related to the principal lease agreement.

3.12 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

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

3. Significant accounting policies (continued)

3.12 Equipment and leasehold improvements (continued)

Equipment and leasehold improvements include right of use of assets arising from the lease policy. Regarding the recognition and subsequent measurement for lease contracts are set out in Note 3.11.

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.

3.13 Investment property

Properties that are held with the intention of generating a return from rental, capital appreciation or both, as well as right-of-use assets recognized under IFRS 16 that the Bank holds under sublease agreements and that are not occupied by the Bank, are classified as investment properties in the consolidated statement of financial position and are initially measured at cost, including all transaction-related costs and, where applicable, costs associated with financing.

After initial recognition, investment properties are measured at fair value, except for those investment properties – right of use recognized under IFRS 16 that the Bank holds under sublease agreements which are subsequently measured in accordance with IFRS 16.

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.

3. Significant accounting policies (continued)

3.14 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.

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.

3.15 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.

3.16 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.

3.17 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.

3.18 Equity

Reserves

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

3. Significant accounting policies (continued)

3.18 Equity (continued)

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 other than the US dollar, 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.

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.

3.19 Earnings per share

Basic earnings per share is computed by dividing the profit for the year (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year. Diluted earnings per share measure performance incorporating the effect that potential common shares, such as stock options and restricted stock units outstanding during the same period, would have on 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.

3.20 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.

3. Significant accounting policies (continued)

3.20 Taxes (continued)

The Bank performs an annual assessment of laws and regulations in its different jurisdictions together with its tax experts to determine uncertainty regarding income tax treatments, concluding that there is no uncertainty about tax treatments applied in each tax legislation.

3.21 Segment reporting

The Bank's segment reporting is based on the following business segments: Commercial, which incorporates the Bank's core business of financial intermediation and fee generating 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.

3.22 Judgments, estimates and significant accounting assumptions

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

A. Judgments

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

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 in 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.

3. Significant accounting policies (continued)

3.22 Judgments, estimates and significant accounting assumptions (continued)

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.

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. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Impairment losses on financial instruments at amortized cost

The Bank individually assesses all credit impaired loans at amortized cost at each reporting date to assess whether an impairment 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.

3. Significant accounting policies (continued)

3.22 Judgments, estimates and significant accounting assumptions (continued)

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).

4. New accounting standards

4.1 New accounting policies and amendments not yet adopted

In September 2019, the International Accounting Standards Board (IASB) finalized Phase 1 of the IBOR Reform and issued the document Interest Rate Benchmark Reform (“the Reform”), which contains amendments to IFRS 9 and IFRS 7. These amendments are effective for annual periods beginning on or after 1 January 2020.

In August 2020, the IASB published the second phase of the project amendments to the Reform; this document contains exemptions and clarifications for the applicable financial instruments.

Phase 2 of the Reference Interest Rate Reform Project

This document contains:

- Clarifications on changes in the basis used for determining contractual cash flows
- Practical exemptions applicable to the existing criteria for re-estimating financial assets and liabilities at variable interest rates to account for modifications resulting from the Reform.
- Practical exemptions allowing changes in the initial documentation of hedging relationships
- Waivers for hedge groups of hedged items and interest rate risk portfolios when the items in the designated group are subject to the contractual amendments resulting from the Reform
- Adds additional requirements when there are changes in the basis used to determine the contractual cash flows of the financial asset or liability that has given rise to the designation of a hedge
- Provides temporary waiver in the designation of risk components
- New disclosure requirements are included in the financial statements

The amendments issued in the second phase of the project are mandatory for annual periods beginning on or after 1 January 2021, and early adoption is permitted.

As of 31 December 2020, the Bank has not made the adoption of the reforms contained in phases 1 and 2 of the project amendments.

Managing interest rate benchmark reform and any risks arising due to reform

Fundamental reform of significant interest rate benchmarks is being undertaken globally, including the replacement of interbank offered rates (IBORs) with alternative nearly risk-free rates. Due to the nature of its business, the Bank’s portfolio is mainly constituted of short-term fixed rate assets and liabilities. However, the Bank has exposures to IBORs (USD LIBOR only) on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition. The Bank anticipates that IBOR Reform will impact its risk management and hedge accounting.

The Bank’s LIBOR Transition Steering Committee (LTSC) monitors and manages the transition to alternative rates. The Committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR Reform and how to manage communication about IBOR reform with counterparties. The Committee reports to the Board of Directors and collaborates with other business functions as needed. It provides periodic reports to management on interest rate risk and risks arising from IBOR Reform.

4. New accounting standards (continued)

4.1 New accounting policies and amendments not yet adopted (continued)

Although USD LIBOR was planned to be discontinued by the end of 2021, consultations and possible regulatory changes are in progress. This may mean that certain USD LIBOR tenors may continue to be published until June 30, 2023.

At the end of 2020, the Bank commenced amending existing loans and advances to corporate customer, including loan commitments. These amendments incorporate a fallback provision stating that the existing USD LIBOR benchmark rate will be replaced by SOFR (Secured Overnight Financing Rate) when USD LIBOR ceases to exist. The Bank plans to finish the process of amending contractual terms by the end of 2021.

The main risks to which the Bank is exposed as a result of IBOR reform are operational. Such operational risks include the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use USD LIBOR curves and revision of operational controls related to the Reform. Financial risk is predominantly limited to interest rate risk.

Non-derivative financial instruments and loan commitments

Quantitative Information

Disaggregated information by financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period December 31, 2020 is the following. The information presented is the remaining exposure as at each reporting period.

	USD LIBOR as of December 31, 2021 (Notional in US\$ thousands)	USD LIBOR as of December 31, 2022 (Notional in US\$ thousands)	USD LIBOR as of June 30, 2023 (Notional in US\$ thousands)
Non-derivative financial assets			
Loans	1,034,252	473,643	416,833
Non-derivative financial liabilities			
Borrowings	222,500	62,500	12,500
Loan commitments	63,333	60,000	10,000

The Bank has USD LIBOR exposures on floating-rate loans and advances to customers and loan commitments.

4. New accounting standards (continued)

4.1 New accounting policies and amendments not yet adopted (continued)

Derivatives held for risk management and hedge accounting

The Bank's derivative instruments are governed by ISDA's 2006 definitions. ISDA has reviewed its definitions in light of IBOR Reform and issued an IBOR fallbacks supplement on October 23, 2020. This sets out how the amendments to new alternative benchmark rates (e.g., SOFR) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or in ISDA declaring a non-representative determination of an IBOR.

The Bank plans to adhere to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement. If derivative counterparties also adhere to the protocol, then new fallbacks will be automatically implemented in existing derivative contracts on the later of when the supplement becomes effective or both counterparties adhere to the protocol. From that date, all new derivatives that reference the ISDA definitions will also include the fallbacks. Consequently, the Bank is monitoring whether its counterparties will also adhere to the protocol and, if there are counterparties that will not, then the Bank plans to negotiate with them bilaterally about inclusion of new fallback clauses.

As of December 31, 2020, the Bank has not amended its derivatives instruments with its counterparties.

Hedge Accounting

The Bank has evaluated the extent to which its fair value and cash flow hedging relationships are subject to uncertainty driven by IBOR Reform as at the reporting date. The Bank's hedged items and hedging instruments continue to be indexed to USD LIBOR benchmark rates. These USD LIBOR benchmark rates are quoted each day and IBOR cash flows are exchanged with its counterparties as usual.

The Bank has very limited cash flow hedging relationships with USD LIBOR risks extending beyond the anticipated revised cessation date for USD LIBOR. Exposure to USD LIBOR designated in a cash flow hedging relationship at 31 December 2020 is a nominal amount of \$20 million attributable to the interest rate swap hedging USD LIBOR cash flows on the Bank's USD liabilities maturing in 2023.

The Bank expects that SOFR will replace USD LIBOR, but there is uncertainty over the timing and amount of the replacement rate cash flows. Such uncertainty may impact the hedging relationship – e.g., its effectiveness assessment and highly probable assessment. For these assessments, the Bank assumes that the hedged benchmark interest rate, the cash flows of the hedged item and/or the hedging instrument will not be altered as a result of IBOR Reform.

If a hedging relationship impacted by uncertainty about IBOR Reform has not been highly effective throughout the financial reporting period, then the Bank will evaluate whether the hedge is expected to be highly effective prospectively and whether the effectiveness of the hedging relationship can be reliably measured. The hedging relationship will not be discontinued as long as it meets all criteria for hedge accounting, with the exception of the requirement that the hedge was actually highly effective.

Hedging relationships impacted by uncertainty about IBOR Reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness. The Bank has measured its hedging instruments indexed to IBORs using available quoted market rates for IBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in IBOR on a similar basis.

4. New accounting standards (continued)

4.1 New accounting policies and amendments not yet adopted (continued)

Hedge Accounting (continued)

When the uncertainty arising from IBOR reform no longer exists, the Bank will cease to apply the assumptions that the hedged benchmark interest rate, the cash flows of the hedged item and/or hedging instrument will not be altered as a result of IBOR Reform. At that time, the Bank will also remeasure the cumulative changes in the hedged cash flows and the hedging instrument based on new alternative benchmark rates – i.e., SOFR. For the purpose of remeasuring the cumulative changes in the hedged cash flows, the Bank will amend the terms of the hypothetical derivative to reflect the changes required by IBOR Reform in the hedged item.

Quantitative Information

Disaggregated information by derivative financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period December 31, 2020 is the following. The information presented is the remaining notional amount as at each reporting period.

	USD LIBOR as at December 31, 2021 (Notional US\$,000)	USD LIBOR as at December 31, 2021 (Notional US\$,000)	USD LIBOR as at June 30, 2023 (Notional US\$,000)
Derivatives held for risk management			
Derivative financial instruments - assets	3,006	1,937	-
Derivative financial instruments - liabilities	400,414	88,768	68,768

Leasing Reform IFRS 16

In May 2020, the IASB published the document “Rental Lease concessions related to COVID-19”, which contains amendments to IFRS 16 Leases effective as of June 1, 2020, in order to provide relief to the lessee with respect to the rental concessions granted as a result of the events of COVID-19, where in the existing event the lessee must re-measure the responsibility of the lease using a revised discount rate.

At the reporting date, the Bank has not modified nor received concessions in the lease agreements entered into with third parties.

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 the outstanding balances. 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 3.4 (J).

The Bank's Management has not made any adjustment to the methodology and key inputs used to determine the PD and LGD parameters produced by the model, after assessing the impact in the economic sectors caused by the pandemic COVID-19 (as set out in Note 6).

Loans at amortized cost

December 31, 2020					
	PD Ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1 - 4	0.03 - 0.74	2,582,794	-	-	2,582,794
Grades 5 - 6	0.75 - 3.95	1,928,142	167,996	-	2,096,138
Grades 7 - 8	3.96 - 30.67	102,532	119,340	10,593	232,465
Grades 9 - 10	30.68 - 100	-	-	-	-
		4,613,468	287,336	10,593	4,911,397
Loss allowance		(16,661)	(19,916)	(4,588)	(41,165)
Total		<u>4,596,807</u>	<u>267,420</u>	<u>6,005</u>	<u>4,870,232</u>

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		<u>5,573,265</u>	<u>213,153</u>	<u>7,272</u>	<u>5,793,690</u>

5. Financial risk (continued)

A. Credit risk (continued)

Loan commitments, financial guarantees issued and customers' liabilities under acceptances

December 31, 2020					
	12-month PD Ranges	Stage 1	Stage 2	Stage 3	Total
Commitments and contingencies					
Grades 1 - 4	0.03 - 0.74	245,927	-	-	245,927
Grades 5 - 6	0.75 - 3.95	198,638	38,446	-	237,084
Grades 7 - 8	3.96 - 30.67	81,887	-	-	81,887
		526,452	38,446	-	564,898
Customers' liabilities under acceptances					
Grades 1 - 4	0.03 - 0.74	1,498	-	-	1,498
Grades 5 - 6	0.75 - 3.95	723	-	-	723
Grades 7 - 8	3.96 - 30.67	72,145	-	-	72,145
		74,366	-	-	74,366
		600,818	38,446	-	639,264
Loss allowance		(2,426)	(478)	-	(2,904)
Total		598,392	37,968	-	636,360
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	4.13 - 30.43	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	4.13 - 30.43	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

5. Financial risk (continued)

A. Credit risk (continued)

Securities at amortized cost

December 31, 2020					
	12-month PD Ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1 - 4	0.03 - 0.74	108,505	-	-	108,505
Grades 5 - 6	0.75 - 3.95	50,562	5,007	-	55,569
		159,067	5,007	-	164,074
Loss allowance		(462)	(33)	-	(495)
Total		158,605	4,974	-	163,579

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

Securities at fair value through other comprehensive income (FVOCI)

December 31, 2020					
	12-month PD Ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1 - 4	0.03 - 0.74	231,348	-	-	231,348
		231,348	-	-	231,348
Loss allowance		(43)	-	-	(43)
Total		231,305	-	-	231,305

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

5. Financial risk (continued)

A. Credit risk (continued)

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

	December 31, 2020			Total
	Stage 1	Stage 2	Stage 3	
Current	4,613,468	287,336	10,593	4,911,397
	December 31, 2019			Total
	Stage 1	Stage 2	Stage 3	
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

As of December 31, 2020, and 2019, other financial assets were not past due nor impaired.

5. Financial risk (continued)

A. Credit risk (continued)

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

	December 31, 2020		
	Notional value USD	Derivative financial instruments - fair value asset	Derivative financial instruments - fair value liabilities
Interest rate swaps	145,667	1,831	(1,774)
Cross-currency swaps	565,997	25,947	(3,848)
Foreign exchange forwards	71,353	-	(3,589)
Total	783,017	27,778	(9,211)

	December 31, 2019		
	Notional value USD	Derivative financial instruments - fair value asset	Derivative financial instruments - 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)

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.

Derivatives and repurchase agreements

In the ordinary course of business, the Bank enters into derivative financial instrument transactions and securities sold under repurchase agreements under industry standard 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.

5. Financial risk (continued)

A. Credit risk (continued)

Such arrangements provide for single net settlement of all financial instruments covered only 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.

Loans

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.

The Bank holds guarantees and other financial credit enhancements against certain exposures in the loan portfolio. As of December 31, 2020, and 2019, the coverage ratio to the carrying amount of the loan portfolio was 12%..

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 central scenario. Other scenarios represent upside and downside results. The implementation and interpretation of the outcomes of the alert are based on the expert judgment 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 (For example, 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.

5. Financial risk (continued)

A. Credit risk (continued)

Main macroeconomics 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.

The table below lists the macroeconomic assumptions by country used in the central, upside and downside scenarios over the five-year forecasted average available for each reporting period.

Country	Scenario	Variable			
		GDP Growth (Var.%)		ComEx Growth Index (Var.%)	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Brazil	Central	0.7%	2.0%	4.0%	4.1%
	Upside	1.7%	3.0%	7.5%	7.6%
	Downside	-0.7%	0.6%	0.0%	0.1%
Colombia	Central	1.4%	3.4%	4.6%	6.6%
	Upside	2.5%	4.5%	7.6%	9.6%
	Downside	0.1%	2.1%	1.1%	3.1%
Mexico	Central	0.2%	1.5%	3.5%	2.2%
	Upside	1.2%	2.5%	7.5%	6.2%
	Downside	-1.0%	0.3%	-1.0%	-2.3%
Chile	Central	1.5%	2.2%	6.4%	3.1%
	Upside	2.6%	3.3%	9.9%	6.6%
	Downside	0.3%	1.0%	2.4%	-0.9%
Panama	Central	2.5%	4.6%	4.2%	3.0%
	Upside	3.5%	6.1%	7.2%	6.0%
	Downside	1.3%	3.2%	0.7%	-0.5%
Guatemala	Central	2.5%	3.5%	4.2%	4.1%
	Upside	3.5%	4.5%	7.2%	7.1%
	Downside	1.3%	2.3%	0.7%	0.6%
Peru	Central	1.4%	3.3%	5.1%	4.2%
	Upside	2.4%	4.3%	8.6%	7.7%
	Downside	0.2%	2.1%	1.1%	0.2%
Ecuador	Central	-0.2%	1.3%	2.7%	4.6%
	Upside	0.8%	2.3%	5.7%	7.6%
	Downside	-1.7%	-0.2%	-0.8%	1.1%

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 3.4(J)

Loans at amortized cost

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2019	28,892	15,842	54,573	99,307
Transfer to lifetime expected credit losses	(886)	886	-	-
Transfer to credit-impaired financial instruments	-	(2,100)	2,100	-
Net effect of changes in allowance for expected credit losses	134	13,443	(118)	13,459
Financial instruments that have been derecognized during the year	(24,307)	(3,729)	-	(28,036)
New financial assets originated or purchased	12,828	-	-	12,828
Write-offs	-	(4,426)	(52,106)	(56,532)
Recoveries	-	-	139	139
Allowance for expected credit losses as of December 31, 2020	16,661	19,916	4,588	41,165

	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

5. Financial risk (continued)

A. Credit risk (continued)

Loan commitments, financial guarantee contracts and customers' liabilities under acceptances

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, 2019	2,683	361	-	3,044
Transfer to lifetime expected credit losses	(96)	96	-	-
Net effect of changes in reserve for expected credit losses	37	42	-	79
Financial instruments that have been derecognized during the year	(1,864)	(21)	-	(1,885)
New instruments originated or purchased	1,666	-	-	1,666
Allowance for expected credit losses as of December 31, 2020	2,426	478	-	2,904
	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 losses	(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 31, 2019	2,683	361	-	3,044

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, 2019	103	10	-	113
Transfer to lifetime expected credit losses	(10)	10	-	-
Net effect of changes in allowance for expected credit losses	15	23	-	38
Financial instruments that have been derecognized during the year	(76)	(10)	-	(86)
New financial assets originated or purchased	430	-	-	430
Allowance for expected credit losses as of December 31, 2020	462	33	-	495

	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

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, 2019	-	-	-	-
Financial instruments that have been derecognized during the year	43	-	-	43
Allowance for expected credit losses as of December 31, 2020	43	-	-	43

5. Financial risk (continued)

A. Credit risk (continued)

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	-	-	-	-

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 (reversal) provision for credit losses' line item in the consolidated statement of profit or loss and other comprehensive income.

	Loans at amortized cost	Loan commitments and financial guarantee contracts	Securities		Total
			At amortized cost	FVOCI	
December 31, 2020					
Net effect of changes in allowance for expected credit losses	13,459	79	38	-	13,576
Financial instruments that have been derecognized during the year	(28,036)	(1,885)	(86)	-	(30,007)
New financial assets originated or purchased	12,828	1,666	430	43	14,967
Total	(1,749)	(140)	382	43	(1,464)
	Loans at amortized cost	Loan commitments and financial guarantee contracts	Securities		Total
			At amortized cost	FVOCI	
December 31, 2019					
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

5. Financial risk (continued)

A. Credit risk (continued)

December 31, 2018	Loans at amortized cost	Loan commitments and financial guarantee contracts	Securities		Total
			At amortized cost	FVOCI	
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

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 allowance for credit losses for credit-impaired loans

	December 31, 2020	December 31, 2019
Credit-impaired loans and advances at beginning of year	54,573	49,439
Classified as credit-impaired during the year	2,100	-
Change in allowance for expected credit losses	(744)	7,164
Recoveries of amounts previously written off	139	52
Interest income	626	323
Write-offs	(52,106)	(2,405)
Credit-impaired loans and advances at end of year	4,588	54,573

During the year ended December 31, 2020, the sale of the outstanding credit-impaired loan in Stage 3, classified at amortized cost, was made for \$11.6 million. This sale resulted in a write off against the allowance for credit losses of \$ 52.1 million.

5. Financial risk (continued)

A. Credit risk (continued)

vi. 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.

Concentration by sector and industry.

	Loans at amortized cost		Loan commitments and financial guarantee contracts		Securities			
					At amortized cost		FVOCI	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Carrying amount - principal	4,911,397	5,892,997	74,366	115,682	164,074	74,547	231,348	5,094
Amount committed/guaranteed	-	-	564,898	493,372	-	-	-	-
Concentration by sector								
Corporations:								
Private	1,425,929	1,782,808	276,249	213,161	56,979	2,998	60,403	-
State-owned	741,791	780,491	92,299	69,822	29,985	23,792	23,858	-
Financial institutions:								
Private	2,231,742	2,692,787	65,434	75,130	33,715	19,276	-	-
State-owned	476,520	589,690	205,282	250,941	28,276	-	141,974	-
Sovereign	35,415	47,221	-	-	15,119	28,481	5,113	5,094
Total	<u>4,911,397</u>	<u>5,892,997</u>	<u>639,264</u>	<u>609,054</u>	<u>164,074</u>	<u>74,547</u>	<u>231,348</u>	<u>5,094</u>
Concentration by industry								
Financial institutions	2,708,262	3,282,477	270,716	326,071	61,991	19,276	141,974	-
Manufacturing	760,985	925,375	173,493	143,560	66,053	21,658	45,654	-
Oil and petroleum derived products	586,030	561,068	98,189	71,571	20,911	5,132	38,607	-
Agricultural	336,715	327,288	-	-	-	-	-	-
Services	264,597	370,753	63,086	20,497	-	-	-	-
Mining	94,955	162,364	-	-	-	-	-	-
Sovereign	35,415	47,221	-	-	15,119	28,481	5,113	5,094
Other	124,438	216,451	33,780	47,355	-	-	-	-
Total	<u>4,911,397</u>	<u>5,892,997</u>	<u>639,264</u>	<u>609,054</u>	<u>164,074</u>	<u>74,547</u>	<u>231,348</u>	<u>5,094</u>

5. Financial risk (continued)

A. Credit risk (continued)

Risk rating and concentration by country

	Loans at amortized cost		Loan commitments and financial guarantee contracts		Securities			
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	At amortized cost December 31, 2020	December 31, 2019	FVOCI December 31, 2020	December 31, 2019
Carrying amount - principal	4,911,397	5,892,997	74,366	115,682	164,074	74,547	231,348	5,094
Amount committed/guaranteed	-	-	564,898	493,372	-	-	-	-
Rating								
1-4	2,582,794	2,928,401	247,425	167,241	108,505	73,047	231,348	5,094
5-6	2,096,138	2,415,323	237,807	183,568	55,569	1,500	-	-
7-8	232,465	487,428	154,032	258,245	-	-	-	-
10	-	61,845	-	-	-	-	-	-
Total	4,911,397	5,892,997	639,264	609,054	164,074	74,547	231,348	5,094
Concentration by country								
Argentina	130,944	226,481	-	-	-	-	-	-
Belgium	9,807	13,742	-	-	-	-	-	-
Bolivia	12,000	7,000	2,800	400	-	-	-	-
Brazil	971,652	1,015,316	50,000	50,000	41,128	1,500	-	-
Canada	-	-	-	657	-	-	-	-
Chile	533,945	683,132	7,911	8	11,992	-	28,972	5,094
Colombia	714,258	906,092	50,333	50,610	29,998	15,338	-	-
Costa Rica	146,200	220,380	56,876	59,161	-	-	-	-
Dominican Republic	202,433	289,853	16,500	16,500	-	-	-	-
Ecuador	45,511	174,267	165,275	252,391	-	-	-	-
El Salvador	40,000	54,233	1,087	5,555	-	-	-	-
France	150,810	152,530	84,862	47,906	-	-	-	-
Germany	-	34,613	-	-	-	-	-	-
Guatemala	281,485	278,557	43,845	44,200	-	-	-	-
Honduras	10,199	128,937	345	300	-	-	-	-
Hong Kong	1,800	10,400	-	-	-	-	-	-
Jamaica	23,274	38,312	-	-	-	-	-	-
Luxembourg	50,000	59,813	-	-	-	-	-	-
Mexico	607,099	754,465	4,995	27,377	43,910	21,505	-	-
Panama	241,097	268,356	61,435	25,304	10,399	36,204	-	-
Paraguay	100,816	127,970	11,800	10,652	-	-	-	-
Peru	272,752	150,301	47,245	8,033	26,647	-	-	-
Singapore	75,095	90,955	-	-	-	-	-	-
Switzerland	-	-	-	10,000	-	-	-	-
Trinidad and Tobago	165,995	181,676	-	-	-	-	-	-
United States of America	113,816	25,000	-	-	-	-	89,794	-
United Kingdom	10,409	-	-	-	-	-	-	-
Uruguay	-	619	33,955	-	-	-	-	-
Multinational	-	-	-	-	-	-	112,582	-
Total	4,911,397	5,892,997	639,264	609,054	164,074	74,547	231,348	5,094

5. Financial risk (continued)

A. Credit risk (continued)

- vi. 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, 2020						
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	Gross amounts not offset in the consolidated statement of financial position		Net Amount
				Financial instruments	Cash collateral received	
Derivative financial instruments used for hedging	27,778	-	27,778	-	(24,720)	3,058
Total	<u>27,778</u>	<u>-</u>	<u>27,778</u>	<u>-</u>	<u>(24,720)</u>	<u>3,058</u>
December 31, 2019						
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	Gross amounts not offset in the consolidated statement of financial position		Net Amount
				Financial instruments	Cash collateral received	
Derivative financial instruments used for hedging	11,157	-	11,157	-	(9,350)	1,807
Total	<u>11,157</u>	<u>-</u>	<u>11,157</u>	<u>-</u>	<u>(9,350)</u>	<u>1,807</u>

5. Financial risk (continued)

A. Credit risk (continued)

b) Securities sold under repurchase agreements and derivative financial instruments – liabilities

December 31, 2020						
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	(10,663)	-	(10,663)	11,998	18	1,353
Derivative financial instruments used for hedging	(9,211)	-	(9,211)	-	7,786	(1,425)
Total	<u>(19,874)</u>	<u>-</u>	<u>(19,874)</u>	<u>11,998</u>	<u>7,804</u>	<u>(72)</u>
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	<u>(55,205)</u>	<u>-</u>	<u>(55,205)</u>	<u>41,937</u>	<u>14,952</u>	<u>1,684</u>

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 and customers, as well as corporate debt securities rated A- or above.

The following table details the Bank's liquidity ratios, described in the previous paragraph, for the year ended December 31, 2020 and 2019, respectively:

	December 31, 2020	December 31, 2019
At the end of the year	249.42%	52.48%
Year average	115.98%	37.82%
Maximum of the year	249.42%	53.38%
Minimum of the year	53.26%	23.23%

The following table includes the Bank's liquid assets by geographical location:

	December 31, 2020			December 31, 2019
(in millions of USD dollars)	Cash and due from banks	Securities FVOCI	Total	Cash and due from banks
United State of America	740	90	830	1,132
Other O.E.C.D countries	100	-	100	4
Latin America	6	-	6	4
Other countries	-	-	-	20
M ultinational	-	112	112	-
Total	846	202	1,048	1,160

The following table includes the Bank's demand deposits from customers and its ratio to total deposits from customers:

	December 31, 2020	December 31, 2019
(in millions of USD dollars)		
Demand liabilities and "overnight"	171	86
% Demand liabilities and "overnight" to total deposits	5.44%	2.97%

5. Financial risk (continued)

B. Liquidity risk (continued)

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, 2020	December 31, 2019
Total liquid assets	1,048	1,160
% Total assets to total liabilities	33.40%	40.15%
% Total liquid assets in the U.S. Federal Reserve	65.68%	97.37%

Even though the average term of the Bank's assets exceeds the average term of its liabilities, the associated liquidity risk is diminished by the short-term nature of a significant portion of the loan portfolio, since 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, 2020	December 31, 2019
Loan portfolio at amortized cost and investment portfolio less than/equal to 1 year according to its original terms	3,114	3,485
Average term (days)	195	189

The following table includes the carrying amount for the Bank's loans and securities medium term portfolio with maturity over one year based on their original contractual terms together with their average remaining term:

(in millions of USD dollars)	December 31, 2020	December 31, 2019
Loan portfolio at amortized cost and investment portfolio greater than/equal to 1 year according to its original terms	2,193	2,497
Average term (days)	1,382	1,185

5. Financial risk (continued)

B. Liquidity risk (continued)

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, 2020						
Description	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 Years	Gross inflows (outflows)	Carrying amount
Assets							
Cash and due from banks	863,831	-	-	-	-	863,831	863,812
Securities and other financial assets, net	11,541	20,961	60,311	312,027	-	404,840	398,068
Loans, net	1,712,049	998,923	1,255,069	293,489	1,156,625	5,416,155	4,896,647
Derivative financial instruments - assets	-	119	129	26,691	839	27,778	27,778
Total	2,587,421	1,020,003	1,315,509	632,207	1,157,464	6,712,604	6,186,305
Liabilities							
Deposits	(2,678,292)	(166,832)	(293,306)	(6,638)	-	(3,145,068)	(3,140,875)
Securities sold under repurchase agreements	-	(5,784)	(4,977)	-	-	(10,761)	(10,663)
Borrowings and debt, net	(166,034)	(60,816)	(456,932)	(1,425,806)	(24,922)	(2,134,510)	(1,994,245)
Derivative financial instruments - liabilities	(3,020)	(1,081)	(71)	(5,039)	-	(9,211)	(9,211)
Total	(2,847,346)	(234,513)	(755,286)	(1,437,483)	(24,922)	(5,299,550)	(5,154,994)
Contingencies							
Confirmed lettes of credit	167,301	29,466	20,015	-	-	216,782	216,782
Stand-by letters of credit and guarantees	35,041	106,943	55,963	12,550	-	210,497	210,497
Credit commitments	-	-	4,286	133,333	-	137,619	137,619
Total	202,342	136,409	80,264	145,883	-	564,898	564,898
Net position	(462,267)	649,081	479,959	(951,159)	1,132,542	848,156	466,413

5. Financial risk (continued)

B. Liquidity risk (continued)

Description	December 31, 2019						Carrying amount
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Gross inflows (outflows)	
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 guarantees	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

The amounts in the tables 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 simultaneously settle gross or net amounts.

5. Financial risk (continued)

B. Liquidity risk (continued)

iii. Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents.

The following table sets out the components of the Banks's liquidity reserves:

	December 31, 2020		December 31, 2019	
	Amount	Fair Value	Amount	Fair Value
Balances with Central Banks	688,612	688,612	1,129,016	1,129,016
Cash and balances with other bank ⁽¹⁾	157,396	157,396	30,702	30,702
Total Liquidity reserves	846,008	846,008	1,159,718	1,159,718

(1) Excludes pledged deposits.

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, 2020	
	Guaranteed	Available as collateral
Cash and due from banks	17,804	846,008
Notional of investment securities	11,450	371,900
Loans at amortized cost	-	4,911,397
Total assets	29,254	6,129,305

	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
Loans at amortized cost	-	5,823,333
Total assets	58,983	7,021,096

5. Financial risk (continued)

C. Market risk

The Bank manages market risk by considering the consolidated financial situation of the Bank. 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.

i. Interest rate risk

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, 2020						
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	859,481	-	-	-	-	4,331	863,812
Securities and other financial assets	9,554	9,139	55,960	320,769	-	-	395,422
Loans	3,468,477	895,794	434,813	117,262	-	-	4,916,346
Total assets	4,337,512	904,933	490,773	438,031	-	4,331	6,175,580
Liabilities							
Demand deposits and time deposits	(2,675,867)	(166,317)	(290,000)	(6,500)	-	(216)	(3,138,900)
Securities sold under repurchase agreements	-	(5,728)	(4,935)	-	-	-	(10,663)
Borrowings and debt	(1,103,703)	(45,859)	(16,511)	(794,522)	(24,475)	-	(1,985,070)
Total liabilities	(3,779,570)	(217,904)	(311,446)	(801,022)	(24,475)	(216)	(5,134,633)
Net effect of derivative financial instruments held for interest risk management	(3)	(373)	58	15,982	839	-	16,503
Total interest rate sensitivity	557,939	686,656	179,385	(347,009)	(23,636)	4,115	1,057,450
	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	1,170,092	-	-	-	-	-	1,170,092
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	5,216,459	1,102,706	553,083	261,743	8,739	-	7,142,730
Liabilities							
Demand deposits and time deposits	(2,570,324)	(197,300)	(120,419)	-	-	(293)	(2,888,336)
Securities sold under 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	68,798	503,824	405,692	102,940	8,739	(20,207)	1,069,786

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, parallel fall or rise in all yield curves which are assessed accordingly to market conditions.

5. Financial risk (continued)

C. Market risk (continued)

ii. Interest rate risk (continued)

Following is an analysis of the Bank's sensitivity to the most likely increase or decrease in market interest rates at the reporting date, 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, 2020	+50 bps	1,182	16,618
	-50 bps	(5,161)	107
December 31, 2019	+50 bps	3,064	7,461
	-50 bps	(3,064)	(7,461)

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 period interest rate volatility.

iii. Foreign exchange 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, based on their fair value.

	December 31, 2020						
	Brazilian Real	European Euro	Japanese Yen	Colombian Peso	Mexican Peso	Other Currencies (1)	Total
Exchange rate	5.19	1.22	103.23	3,430.19	19.92		
Assets							
Cash and due from banks	81	13	1	20	1,615	80	1,810
Loans	-	-	-	-	182,395	-	182,395
Total Assets	81	13	1	20	184,010	80	184,205
Liabilities							
Borrowings and debt	-	-	-	-	(183,863)	-	(183,863)
Total liabilities	-	-	-	-	(183,863)	-	(183,863)
Net currency position	81	13	1	20	147	80	342

(1) It includes other currencies such as: Argentine pesos, Australian dollar, Swiss franc, Sterling pound, Peruvian soles, and Chinese renminbi.

5. Financial risk (continued)

C. Market risk (continued)

iii. Foreign exchange risk (continued)

	December 31, 2019						Other Currencies (1)	Total
	Brazilian Real	European Euro	Japanese Yen	Colombian Peso	Mexican Peso			
Exchange 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 Chinese 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 Integrated 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 acronym in Spanish), 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 relating to a reasonable Integrated 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 Integrated 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 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 Integrated Risk Management works closely with CPER to ensure that procedures are consistent with the Integrated Risk Management Governance Framework.

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 in 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.

6. Financial risk management (continued)

A. Credit risk (continued)

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 (CPR).

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.

Individually assessed reserves

The Bank individually assesses the appropriate reserves for certain significant financial assets, 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 reporting date, unless unforeseen circumstances require special attention.

Collectively assessed reserves

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) and 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 is identified should be taken into consideration for the assessment. The impairment reserve is reviewed by credit management to ensure alignment with the Bank's general policy.

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.

6. Financial risk management (continued)

A. Credit risk (continued)

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recognized 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 for 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 potential 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.

The Bank manages interest rate risk by closely monitoring the appreciation and decline in value 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.

6. Financial risk management (continued)

C. Market risk (continued)

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, including 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 technological appliances, 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 the Bank's 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.

Impacts and actions implemented in the context of COVID-19

The COVID-19 pandemic and the measures implemented globally to prevent its spread could negatively impact the Bank's business in a number of ways. These impacts may include, among others, reduced business volumes, restricted access to funding sources, insufficient liquidity, delayed or defaulted payments from the Bank's customers or from the Bank's financial counterparties, 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. In this context, and in order to mitigate these risks, the Bank has implemented a series of measures and actions described below.

i. Liquidity risk

Following the COVID-19 pandemic and its potential impact on the availability of resources, the Bank activated its Liquidity Contingency Plan, based on internally designed market triggers, in order to ensure a robust position given the situation caused by the pandemic. This led the Bank to adjust the scenario of its internal liquidity coverage ratio "LCR" from a regular level of 1 to a level of 3, which implies more restrictive assumptions for inflows and outflows of cash, with a downward adjustment of the percentages of funding sources renewals and of loan portfolio collections. Other additional elements included in the Liquidity Contingency Plan are, among others, the collection of all loan maturities and the case-by-case approval of all new credit disbursements by the Credit Committee, establishing at least biweekly meetings.

Following the execution of the previously described Liquidity Contingency Plan, the Bank achieved a significant increase in its cash position in a short period of time, managing to continuously maintain a robust level of liquidity, exceeding regulatory requirements.

The Bank's capacity to maintain these strong liquidity levels, even in the current context, is attributable to historically diversified and stable funding sources, including deposits from central banks in Latin America and the Caribbean, who are also the Bank's Class A shareholders. In addition, the Bank has maintained a fluid access to a significant base of correspondent banks and investors from debt capital markets across the globe, which have maintained and even increased their availability of funding to the Bank in the last few months. Furthermore, the Bank has been able to collect on the majority of scheduled maturities of its loan portfolio and has then disbursed new transactions on a selective basis, prioritizing prudent risk management over loan growth, with a focus on adequate levels of risk / return.

The Bank intends to maintain this additional level of liquidity as long as the current environment of volatility and uncertainty remains, therefore it will continue to give preference to maintaining a resilient and robust liquidity position over the growth of its balance sheet and / or its profitability.

ii. Credit risk

The Bank determines the appropriate level of allowances for expected credit 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. This level of allowance reflects assumptions and estimates made in the context of changing political and economic conditions in the region, including but not limited to the impact of recent ongoing turmoil related to COVID-19.

6. Financial risk management (continued)

ii. Credit risk (continued)

The Bank has a Business Model mainly focused on financial institutions and large corporations, a portion of which represents “quasi-sovereign” risks, with an average short-term duration, allowing an agile adjustment of exposure in adverse scenarios.

Actions implemented due to the COVID-19 pandemic

In late March 2020, due to the context, Bladex elaborated a heat map including each country and industry in which it maintains exposure. This allowed the Bank to identify customers with higher levels of risk depending on the country, industry and financial position.

Four main variables were used to assign the level of customer risk:

Financial Institutions	Corporations
a. COVID-19 business impact	a. COVID-19 business impact
b. Portfolio quality and coverage levels	a. Foreign currency exchange risk
b. Solvency level	i. Commodity risk
ii. Liquidity position	d. Liquidity position

The Bank's Management holds conference and video calls frequently with its customers, focusing on those operating in higher risk industries. Any relevant information is presented to the Credit Committee.

As a result of the pandemic crisis, the loans portfolio was significantly reduced due to the implementation of the Liquidity Contingency Plan as the Bank's strategy to adjust the credit risk of the portfolio and prioritize liquidity. Initially, all operations were submitted for approval on a case-by-case basis by the Credit Committee with a meeting frequency of at least twice per week. Subsequently, the Bank progressively resumed originations with clients with good quality profiles with whom it maintained close commercial relationships and, based on the new information available, limits were raised for approval by the CPER for specific cases of short-term transactional clients with good financial situation..

The permanent review of transactions maturing in a 90-day horizon, has allowed the Bank to take quick actions to collect and to identify cases with a higher level of risk. Moreover, the Bank is assessing on a periodic basis the adequacy of the allowances for expected credit losses.

The Bank holds a low-risk portfolio, particularly due to the nature of its business, which focuses on a portfolio on financial institutions and corporations in the region and “quasi-sovereign” entities in strategic sectors, with whom it mainly conducts foreign trade operations. At December 31, 2020, 58% of placements were in investment grade countries, along with a short-term portfolio profile with 61% of the portfolio maturing within 1 year.

The Bank periodically assesses the adequacy and the validity of the allowance for expected credit losses calculation model. When assessing if the calculation model remains valid, characteristics and behavior of the loan portfolio are considered as a fundamental factor, as well as the active management by Risk and Business areas. Additionally, periodic and specific economic analyses that contribute to the active management of the portfolio are considered.

Given the current situation, the Bank has prepared 40 individual country risk analyses, as well as a comprehensive analysis at the beginning of the pandemic for 20 countries of Latin America and the Caribbean. Likewise, the results of the alert model have served as a guide to focus the consideration of the forward looking, which are duly incorporated in the rating models. In addition, statistical studies were conducted on the relationship between the quality of the loan portfolio and the behavior of the Latin American macroeconomic environment, concluding that these maintain a low correlation or a correlation that is not congruent with the behavior of the portfolio given the macroeconomic conditions. As a result of the above, the Bank has concluded that the methodology used remains valid in the context of the COVID-19 pandemic.

6. Financial risk management (continued)

iii. Market risk

The Bank's Management has not made any material adjustments to the Market Risk valuation metrics and models.

iv. Cybersecurity risk

Actions implemented due to the COVID-19 pandemic

The Bank successfully implemented its Business Continuity Plan, implicating among other things, that 100% of its staff is working remotely (Telecommuting).

This has increased the frequency of risks associated with cybersecurity, among them:

- Increased e-mail attack attempts.
- Increased attack attempts due to the widespread use of remote connection protocols.

To counteract these risks, the Bank's Management has reinforced the controls as follows:

- Monitoring of main attack vectors was expanded: e-mail and end-user devices.
- Awareness and training activities within the organization were reinforced.
- Frequency of vulnerability scans has been intensified.

7. Fair value of financial instruments

The Bank determines the fair value of its financial instruments using the fair value hierarchy, 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.

7. Fair value of financial instruments (continued)

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.

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.

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, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Securities and other financial assets:				
Securities at FVOCI - Corporate debt	-	226,235	-	226,235
Securities at FVOCI - Sovereign debt	-	5,113	-	5,113
Loans at fair value through profit or loss	-	-	4,949	4,949
Total securities and other financial assets	-	231,348	4,949	236,297
Derivative financial instruments - assets:				
Interest rate swaps	-	1,831	-	1,831
Cross-currency swaps	-	25,947	-	25,947
Foreign exchange forwards	-	-	-	-
Total derivative financial instrument assets	-	27,778	-	27,778
Total assets at fair value	-	259,126	4,949	264,075
Liabilities				
Derivative financial instruments - liabilities:				
Interest rate swaps	-	1,774	-	1,774
Cross-currency swaps	-	3,848	-	3,848
Foreign exchange forwards	-	3,589	-	3,589
Total derivative financial instruments - liabilities	-	9,211	-	9,211
Total liabilities at fair value	-	9,211	-	9,211

7. Fair value of financial instruments (continued)

A. Recurring valuation (continued)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Securities and other financial assets:				
Securities at FVOCI - Sovereign debt	-	5,094	-	5,094
Equity instrument at FVOCI	-	1,889	-	1,889
Debt instruments 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

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 and certain financial liabilities including customer's demand and time deposits, securities sold under repurchase agreements 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.

7. Fair value of financial instruments (continued)

B. Non-recurring valuation (continued)

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

	December 31, 2020				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<u>Assets</u>					
Cash and deposits on banks	863,812	863,812	-	863,812	-
Securities at amortized cost ⁽¹⁾	165,564	168,110	-	157,698	10,412
Loans at amortized cost, net ⁽²⁾	4,891,698	4,972,599	-	4,972,599	-
Customers' liabilities under acceptances	74,366	74,366	-	74,366	-
Investment properties	3,214	3,214	-	-	3,214
<u>Liabilities</u>					
Deposits	3,140,875	3,140,875	-	3,140,875	-
Securities sold under repurchase agreements	10,663	10,663	-	10,663	-
Borrowings and debt, net ⁽³⁾	1,966,271	1,989,719	-	1,989,719	-
Customers' liabilities under acceptances	74,366	74,366	-	74,366	-
	December 31, 2019				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<u>Assets</u>					
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 at amortized cost, 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
<u>Liabilities</u>					
Deposits	2,893,555	2,893,555	-	2,893,555	-
Securities sold under repurchase agreements	40,530	40,530	-	40,530	-
Borrowings and debt, net	3,118,396	3,126,333	-	3,126,333	-
Customers' liabilities under acceptances	115,682	115,682	-	115,682	-

(1) The carrying value of securities at amortized cost is net of accrued interest receivable of \$1.9 million and the allowance for expected credit losses of \$0.4 million as of December 31, 2020 (accrued interest receivable of \$0.8 million and the allowance for expected credit losses of \$0.1 million as of December 31, 2019).

(2) The carrying value of loans at amortized cost is net of accrued interest receivable of \$27.3 million, the allowance for expected credit losses of \$41.1 million and unearned interest and deferred fees of \$5.8 million for December 31, 2020 (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).

(3) Borrowings and debt exclude lease liabilities for an amount of \$18.7 million and \$19.9 million as of December 31, 2020 and December 31, 2019, respectively.

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 :

	Debt instruments at fair value through profit or loss (debentures)	Loans at fair value through profit or loss	Total
At December 31, 2018	-	-	-
Additions	8,750	-	8,750
Net changes in fair value	(2,258)	-	(2,258)
Sales	-	-	-
At December 31, 2019	6,492	-	6,492
Additions	1,433	5,750	7,183
Net changes in fair value	(2,175)	(801)	(2,976)
Sales	(5,750)	-	(5,750)
At December 31, 2020	-	4,949	4,949

For financial instruments measured at fair value in level 3 category, the Bank uses the following methodologies and inputs using present value techniques.

Loans at fair value through profit or loss - Level 3

The Bank realized the sale of the debt instrument measured at fair value through profit or loss for \$5.8 million. As a result, the Bank recognized a loan and classified it at fair value through profit or loss with a carrying amount of \$4.9 million as of December 31, 2020.

Inputs used in the fair value measurement are detailed as follows:

Observable inputs

- Forward interest rate referenced to 12M USD Libor

Unobservable inputs

- Discount rate or discount margin of floating rate bond "USD US composite B+" with credit risk similar to the instrument analyzed adjusted by the country risk premium.

Fair value measurement sensitivity to unobservable inputs – discount rate

A significant increase in volatility would result in a lower fair value

2020

3.128% to 8.89%

7. Fair value of financial instruments (continued)

D. Level 3 - Fair value measurement

As of December 31, 2020, Management used market data published in Bloomberg for the construction of the discount curve, which allows for a more accurate measurement of the instrument.

Loans at fair value through profit or loss - Level 3 (continued)

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 fair value measurements. For fair value measurements in level 3, changing one or more of the assumptions used would have the following effects.

<i>Loans at fair value through profit or loss</i>	<i>Effect on profit or loss</i>
+ 100 bps to the observable and unobservable inputs	(149)
- 100 bps to the observable and unobservable inputs	154

Debt instruments "debentures" at fair value through profit or loss - Level 3

The significant inputs used in determining the fair value of instruments categorized as level 3, using present value techniques, are as follows:

2020	2019
Unobservable inputs	Unobservable inputs
- Discount rate based on the return from CCC Corporate S&P Bond Index	- Discount rate for similar companies of the same business line adjusted due to the debt-equity structure of the issuer
- Probability of occurrence of the flows of each sale or conversion scenario	
	Observable inputs
	- Average recovery factor for companies that reported default – Moody's

Fair value measurement sensitivity to unobservable inputs – discount rate

A significant increase in volatility would result in a lower fair value

Range of estimates	
2020	2019
10.00% to 20.00%	12.97% to 27.50%

During 2020, Management used the discount rate based on the return from CCC Corporate S&P Bond Index, mostly composed of data from US/LATAM markets displayed in Bloomberg, which allows a more reliable measurement for the instrument.

8. Cash and due from banks

The following table presents the details of interest-bearing deposits in banks and pledged deposits:

	December 31, 2020	December 31, 2019
Cash and due from banks	4,331	8,078
Interest-bearing deposits in banks	859,481	1,170,092
Total	863,812	1,178,170
Less:		
Pledged deposits	17,804	18,452
Total cash and cash equivalents	846,008	1,159,718

	December 31, 2020		December 31, 2019	
	Amount	Interest rate Range	Amount	Interest rate Range
Interest-bearing deposits in banks:				
Demand deposits ⁽¹⁾	749,481	0.03% to 3.08%	1,150,092	1.55% to 5.10%
Time deposits	110,000	-	20,000	-
Total	859,481		1,170,092	
Pledged deposits	17,804	0.09%	18,452	1.55%

(1) Interest-bearing demand deposits based on daily rates determined by banks. In addition, rates of 3.08% and 5.10% correspond to a deposit placed in México.

	December 31, 2020	December 31, 2019
Country:		
United States of America ⁽¹⁾	11,515	5,645
Switzerland	3,027	9,567
Japan	1,330	1,470
Mexico	790	-
Canada	610	-
Netherlands	334	-
United Kingdom	130	-
France	50	1,770
Spain	18	-
Total	17,804	18,452

(1) Includes pledged deposits of \$10.0 million at December 31, 2020 and \$3.5 million at December 31, 2019, 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

Securities and other financial assets are presented as follows:

		At fair value			
At December 31, 2020		With changes in other comprehensive income (loss)			
Carrying 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	164,074	231,348	-	-	395,422
Interest receivable	1,985	1,156	-	-	3,141
Reserves ⁽¹⁾	(495)	(43)	-	-	(538)
	165,564	232,461	-	-	398,025

		At fair value			
At December 31, 2019		With changes in other comprehensive income (loss)			
Carrying 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 ⁽¹⁾	(113)	-	-	-	(113)
	75,271	5,142	1,889	6,492	88,794

(1) The loss allowance for losses for securities at FVOCI is included in equity in the consolidated statement of financial position in the line Other comprehensive income. As December 31, 2020 and 2019 the principal plus interest receivable of securities at FVOCI is \$232,504 and \$5,142, respectively.

As of December 31, 2020, and 2019, the Bank sold 261,164 and 767,301 shares, respectively, which were designated at 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 \$1.7 million and \$4.8 million, respectively, and the cumulative loss recognized in OCI was \$602 thousand and \$151 thousand, respectively, transferred to retained earnings.

Securities and other financial assets by contractual maturity are shown in the following table:

		At fair value			
		With changes in other comprehensive income			
At December 31, 2020	Amortized cost	Recyclable 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	40,625	34,027	-	-	74,652
After 1 year but within 5 years	123,449	197,321	-	-	320,770
After 5 years but within 10 years	-	-	-	-	-
Non maturity	-	-	-	-	-
Balance - principal	164,074	231,348	-	-	395,422

9. Securities and other financial assets, net (continued)

At December 31, 2019	At fair value				Total securities and other financial assets, net
	Amortized cost	With changes in other comprehensive income		With changes in profit or loss	
		Recyclable to profit ans loss	Non-recyclable to profit and loss		
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

The following table includes the securities pledged to secure repurchase transactions accounted for as secured pledged:

	December 31, 2020			December 31, 2019		
	Amortized cost	Fair value	Total	Amortized cost	Fair value	Total
Securities pledged to secure repurchase transactions	11,998	-	11,998	36,843	5,094	41,937
Securities sold under repurchase agreements	(10,663)	-	(10,663)	(35,647)	(4,883)	(40,530)

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
Realized gain on sale of securities	266	194
Realized loss on sale of securities	(80)	-
Net gain on sale of securities at FVOCI	186	194

For 2020, there were no sales of securities at fair value through other comprehensive income, with changes recyclable in profit or loss.

10. Loans

The following table presents the loan portfolio according to its classification and subsequent measurement:

	December 31, 2020	December 31, 2019
Loans at amortized cost	4,911,397	5,892,997
Interest receivable	27,350	41,757
Loss allowances	(41,165)	(99,307)
Unearned interest and deferred fees	(5,884)	(12,114)
Loans at amortized cost, net	4,891,698	5,823,333
Loans at fair value through profit or loss ⁽¹⁾	4,949	-
Loans, net	4,896,647	5,823,333

⁽¹⁾ The Bank realized the sale of debt instruments measured at fair value through profit or loss for \$5.8 million. As a result, the Bank recognized a loan and classified it at fair value through profit or loss with a carrying amount of \$4.9 million as of December 31, 2020.

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

	December 31, 2020	December 31, 2019
Fixed interest rate	2,544,544	2,757,333
Floating interest rates	2,317,802	3,135,664
Total	4,961,346	5,892,997

As of December 31, 2020, and 2019, 41% and 74% of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days. The range of interest rates on loans fluctuates from 0.43% to --9.70% (December 31, 2019 1.20% to 13.93%).

The following table details information relating to loans granted to class A and B shareholders:

	December 31, 2020	December 31, 2019
Class A and B shareholder loans	522,316	664,447
% Loans to class A and B shareholders over total loan portfolio	11%	11%
% Class A and B stockholders with loans over number of class A and B stockholders	12%	11%

10. Loans (continued)

Modified financial assets

The following table refers to modified financial assets during the year, where modification does not result in de-recognition:

	December 31, 2020
Gross carrying amount before modification	8,829
Allowance loss before modification ⁽¹⁾	(1,796)
Net amortized cost before modification	<u>7,033</u>
Gross carrying amount after modification	8,829
Allowance loss after modification ⁽²⁾	(1,802)
Net amortized cost after modification	<u>7,027</u>

⁽¹⁾ Expected credit loss for 12 months.

⁽²⁾ Expected credit loss within the life of the financial asset.

Recognition and derecognition of financial assets

During the year ended December 31, 2020, a Stage 3 impaired loan was sold for \$11.6 million and a Stage 2 loan with a significant increase in credit risk was sold for \$13.2 million, both classified at amortized cost. This resulted in a write-off against reserves of \$56.1 million. These sales were made based on compliance with the Bank's strategy to optimize credit risk of its loan portfolio.

During the years ended December 31, 2019 and 2018, 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 "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)

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, 2020	December 31, 2019
Documentary letters of credit	216,782	169,320
Stand-by letters of credit and guarantees - commercial risk	210,497	255,481
Credit commitments	137,619	68,571
Total loans commitments and financial guarantee contracts	564,898	493,372

The remaining maturity profile of the Bank's outstanding loan commitments and financial guarantee contracts is as follows:

Maturities	December 31, 2020	December 31, 2019
Up to 1 year	419,015	424,744
From 1 to 2 years	75,883	8,628
Over 2 to 5 years	70,000	60,000
Total	564,898	493,372

12. Gain (loss) on financial instruments, net

The following table sets forth the details for the gain or loss on financial instruments recognized in the consolidated statements of profit or loss:

	December 31		
	2020	2019	2018
Gain (loss) on derivative financial instruments and foreign currency exchange, net	(1,813)	672	(1,226)
(Loss) gain on financial instruments at fair value through profit or loss	(2,175)	(2,258)	648
Unrealized loss on financial instruments at fair value through profit or loss	(806)	-	-
Realized gain on sale of securities at fair value through OCI	-	186	194
Gain (loss) on sale of loans	-	21	(625)
	(4,794)	(1,379)	(1,009)

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, 2020		
	Nominal amount	Carrying amount of hedging instruments	
		Asset ⁽¹⁾	Liability ⁽²⁾
Fair value hedges	85,667	1,831	(233)
Cash flow hedges	60,000	-	(1,541)
Interest rate and foreign exchange risk			
Fair value hedges	344,489	2,856	(3,848)
Cash flow hedges	221,508	23,091	-
Foreign exchange risk			
Cash flow hedges	71,353	-	(3,589)
	783,017	27,778	(9,211)
	December 31, 2019		
	Nominal amount	Carrying amount of hedging instruments	
		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 hedges	2,080	-	(23)
	965,673	11,157	(14,675)

⁽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)

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 portfolios. 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 hedges

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 Bursátiles"), 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).

13. Derivative financial instruments (continued)

B. Fair value hedges (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 years used to determine and recognize the ineffectiveness of the hedge:

December 31, 2020					
		Carrying amount of hedging instruments		Changes in fair value used to calculate hedge ineffectiveness ⁽³⁾	Ineffectiveness recognized in profit or loss ⁽³⁾
	Nominal amount	Asset ⁽¹⁾	Liability ⁽²⁾		
Interest rate risk					
Loans	10,667	-	(132)	84	1
Securities at FVOCI	5,000	-	(101)	(29)	(20)
Borrowings and debt	70,000	1,831	-	199	(27)
Interest rate and foreign exchange risk					
Loans	4,075	356	-	178	(149)
Borrowings and debt	340,414	2,500	(3,848)	(2,524)	(468)
Total	430,156	4,687	(4,081)	(2,092)	(663)
December 31, 2019					
		Carrying amount of hedging instruments		Changes in fair value used to calculate hedge ineffectiveness ⁽³⁾	Ineffectiveness recognized in profit or loss ⁽³⁾
	Nominal amount	Asset ⁽¹⁾	Liability ⁽²⁾		
Interest rate risk					
Loans	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					
Loans	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)

⁽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 under the line Loss on financial instruments, net.

13. Derivative financial instruments (continued)

A. Fair value hedges (continued)

The following table details the notional amounts and carrying amounts of the fair value 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, 2020				
	Carrying amount of hedged items		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⁾
	Asset	Liability			
Interest rate risk					
Loans	10,837	-	Loans, net	74	(83)
Securities at FVOCI	5,113	-	Securities and other financial assets, net	85	9
Borrowings and debt	-	(71,937)	Borrowings and debt, net	(292)	(226)
Interest rate and foreign exchange risk					
Loans	3,789	-		(654)	(327)
Borrowings and debt	-	(339,688)	Borrowings and debt, net	1,083	2,056
Total	19,739	(411,625)		296	1,429
	December 31, 2019				
	Carrying amount of hedged items		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⁾
	Asset	Liability			
Interest rate risk					
Loans	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					
Loans	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)

⁽¹⁾ Included in the consolidated statement of profit or loss under the line Loss on financial instruments, net.

13. Derivative financial instruments (continued)

A. Fair value hedges (continued)

The following table details the maturity of the notional amount for the derivative instruments used in fair value hedges:

Maturity	December 31, 2020		
	Interest rate swaps	Foreign exchange and interest rate risks	Total
Fair value hedge			
Less than 1 year	85,667	-	85,667
Over 1 to 2 years	-	271,646	271,646
Over 2 to 5 years	-	72,843	72,843
Total	85,667	344,489	430,156

Maturity	December 31, 2019		
	Interest rate swaps	Foreign exchange and interest rate risks	Total
Fair value hedge			
Less than 1 year	350,000	-	350,000
Over 1 to 2 years	48,333	-	48,333
Over 2 to 5 years	-	346,844	346,844
Total	398,333	346,844	745,177

B. Cash flow hedges

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 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) and (iii). 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 of fair value hedges.

13. Derivative financial instruments (continued)

B. Cash flow hedges (continued)

The Bank determines whether an economic relationship exists between the cash flows of the hedged item and the 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 the 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 7 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 \$508 thousand are expected to be reclassified into profit or loss during the period of 12 months ending December 31, 2021.

The Bank recognized the associated costs for the forward foreign exchange contracts where the hedged item is an asset, as an integral part interest income (expense) of the underlying transaction, presented in the consolidated statement of profit or loss and as an accumulated reserve in Other comprehensive income in the consolidated statement of financial position, which at maturity of the transaction is reclassified to profit or loss.

The Bank recognized the associated costs for the forward foreign exchange contracts where the hedged item is a liability, as an integral part interest expense (expense) of the underlying transaction, presented in the consolidated statement of profit or loss and as an accumulated reserve in Other comprehensive income in the consolidated statement of financial position, which at maturity of the transaction is reclassified to profit or loss.

13. Derivative financial instruments (continued)

B. Cash flow hedges (continued)

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, 2020							
	Nominal amount	Carrying amount of hedging instruments		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⁾
		Asset ⁽¹⁾	Liability ⁽²⁾				
Interest rate risk							
Borrowings and debt	60,000	-	(1,541)	(443)	(442)	1	(75)
Interest rate and foreign exchange risk							
Borrowings and debt	221,508	23,091	-	23,380	23,481	101	(1,697)
Foreign exchange risk							
Loans	71,353	-	(3,589)	(3,466)	(3,465)	1	(1,927)
Total	352,861	23,091	(5,130)	19,471	19,574	103	(3,699)
December 31, 2019							
	Nominal amount	Carrying amount of hedging instruments		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⁾
		Asset ⁽¹⁾	Liability ⁽²⁾				
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)
Borrowings and debt	-	-	-	-	-	-	(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 under the line Other comprehensive income.

⁽⁴⁾ Included in the consolidated statement of profit or loss under the line Loss on financial instruments, net.

13. Derivative financial instruments (continued)

B. Cash flow hedges (continued)

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, 2020				
	Carrying amount of hedged items		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 ⁽¹⁾	Cash flow hedge reserve
	Asset	Liability			
Interest rate risk					
Borrowings and debt	-	(20,045)	Borrowings and debt, net	442	1,440
Interest rate and foreign exchange risk					
Borrowings and debt	-	(243,817)	Borrowings and debt, net	(23,481)	(1,980)
Foreign exchange risk					
Loans	74,509	-	Loans, net	3,465	562
Total	74,509	(263,862)		(19,574)	22

⁽¹⁾ Included in the consolidated statement of profit or loss under the line Loss on financial instruments, net.

	December 31, 2019				
	Carrying amount of hedged items		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 ⁽¹⁾	Cash flow hedge reserve
	Asset	Liability			
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					
Loans	73,861	-	Loans, net	2,344	263
Total	73,861	(91,344)		4,085	1,330

⁽¹⁾ Included in the consolidated statement of profit or loss under the line Loss on financial instruments, net.

13. Derivative financial instruments (continued)

B. Cash flow hedge (continued)

The following table details the maturity of the derivative instruments used in cash flow hedges:

December 31, 2020				
Maturity	Foreign exchange risk	Interest rate swaps	Foreign exchange and interest rate risks	Total
Cash flow hedge				
Less than 1 year	71,353	40,000	-	111,353
Over 2 to 5 years	-	20,000	197,854	217,854
More than 5 years	-	-	23,654	23,654
Total	71,353	60,000	221,508	352,861

December 31, 2019				
Maturity	Foreign exchange risk	Interest rate swaps	Foreign exchange and interest rate risks	Total
Cash flow hedge				
Less than 1 year	72,391	63,000	23,025	158,416
Over 1 to 2 years	-	40,000	-	40,000
Over 2 to 5 years	-	20,000	-	20,000
Total	72,391	123,000	23,025	218,416

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 of 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. As of December 30, 2020, The Bank holds no net investment hedges.

13. Derivative financial instruments (continued)

C. Net investment hedge (continued)

The following table details the notional amount and carrying amount of the derivative instruments used as net investment hedge at December 31, 2019 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						
	Nominal amount	Carrying amount of hedging instruments		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⁾
		Asset ⁽¹⁾	Liability ⁽²⁾				
Foreign exchange risk							
Net investment	2,080	-	(23)	(23)	(23)	-	(78)
Total	2,080	-	(23)	(23)	(23)	-	(78)

Derivative instruments used in net investment hedges at December 31, 2019 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 under the line Other comprehensive income.

⁽⁴⁾ Included in the consolidated statement of profit or loss under the line Loss on financial instruments, net.

The following table details the nominal value and carrying amount of the net investment hedged items at December 31, 2019, along with changes during the period used to determine and recognize the ineffectiveness of the hedge:

	December 31, 2019				
	Carrying amount of hedged items		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 ⁽¹⁾	Cash flow hedge reserve
	Asset	Liability			
Foreign exchange risk					
Net investment	1,889	-	Securities and other financial assets, net	23	23
Total	1,889	-		23	23

⁽¹⁾ Included in the consolidated statement of profit or loss under the line Loss on financial instruments, net.

14. Gain (loss) on non - financial assets, net

The gain or loss on non-financial assets is presented as follows:

	December 31,		
	2020	2019	2018
Gain on sale of investment property	-	500	-
Unrealized gain on investment property	296	-	-
Impairment loss on other assets	-	-	(3,464)
Impairment loss on investment property	-	-	(3,849)
Write off on intangible assets	-	-	(2,705)
	296	500	(10,018)

During 2019, the Bank realized the sale of an investment property, which resulted in a gain of \$500 thousand.

15. Equipment and leasehold improvements

The following table provides a summary of the items included in equipment and leasehold improvement:

	December 31, 2020	December 31, 2019
Equipment and leasehold improvements, net	4,990	6,230
Right-of-use assets	11,223	12,522
	16,213	18,752

15. Equipment and leasehold improvements (continued)

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, 2018	4,170	1,984	6,810	2,505	15,469
Additions	411	12	111	69	603
Disposals	(253)	(97)	(80)	(62)	(492)
Reclassifications	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 changes in exchange rates	(53)	(62)	(47)	(14)	(176)
Balance as of December 31, 2019	4,905	1,771	6,803	2,589	16,068
Additions	293	1	671	32	997
Disposals	(1,045)	(84)	(26)	(48)	(1,203)
Effect of changes in exchange rates	(17)	(11)	(20)	(1)	(49)
Balance as of December 31, 2020	4,136	1,677	7,428	2,572	15,813
Accumulated depreciation:					
Balance as of January 1, 2018	2,870	1,740	2,648	791	8,049
Amortization	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
Amortization	584	62	508	260	1,414
Disposals	(59)	(97)	(175)	(21)	(352)
Effect of changes in exchange rates	(40)	(53)	(35)	-	(128)
Balance as of December 31, 2019	3,754	1,627	3,299	1,158	9,838
Amortization	643	63	553	920	2,179
Disposals	(1,043)	(82)	(8)	(40)	(1,173)
Effect of changes in exchange rates	(14)	(7)	(14)	14	(21)
Balance as of December 31, 2020	3,340	1,601	3,830	2,052	10,823
Carrying amounts as of:					
December 31, 2020	796	76	3,598	520	4,990
December 31, 2019	1,151	144	3,504	1,431	6,230
December 31, 2018	1,069	184	3,840	1,593	6,686

15. Equipment and leasehold improvements (continued)

Leases

The following is the detail of the movement of right-of-use assets on the leases for which the Bank is a lessee:

	Building	
	December 31, 2020	December 31, 2019
Initial balance	12,522	17,435
Additions	68	14
Depreciation of right-of-use assets	(1,128)	(1,440)
Effect of changes in exchange rates	(34)	7
Reclassification to investment property	-	(3,494)
Decrease	(205)	
Ending balance	11,223	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. As of December 31, 2019, these contracts were reclassified as investment properties – right of use, as described in Note 17.

16. Intangible assets

A breakdown of software cost, accumulated amortization, additions, sales and disposals of intangible assets is as follows:

Costs:	
Balance as of January 1, 2018	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
Additions	1,311
Disposals	(1)
Balance as of December 31, 2020	15,711
Accumulated amortization:	
Balance as of January 1, 2018	11,747
Amortization	1,176
Disposals	(609)
Reclassifications	(42)
Balance as of December 31, 2018	12,272
Amortization	702
Balance as of December 31, 2019	12,974
Amortization	753
Balance as of December 31, 2020	13,727
Carrying amounts as of:	
December 31, 2020	1,984
December 31, 2019	1,427
December 31, 2018	1,633

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.

17. Investment properties

The following is the movement of investment properties arising from the reclassification of sublease agreements :

	Investment properties - right of use
Balance as of December 31, 2019	3,494
Amortization	(280)
Balance as of December 31, 2020	3,214

18. Other assets

Following is a summary of other assets:

	December 31, 2020	December 31, 2019
Accounts receivable	938	3,549
Prepaid expenses	2,541	1,070
Prepaid fees and commissions	486	1,110
Interest receivable - deposits	8	26
IT projects under development	218	521
Severance fund	1,927	1,863
Other	698	718
	6,816	8,857

19. Deposits

The maturity profile of the Bank's deposits, excluding interest payable, as follows:

	December 31, 2020	December 31, 2019
Demand	170,660	85,786
Up to 1 month	1, 127,120	1,285,949
From 1 month to 3 months	878,900	628,981
From 3 month to 6 months	544,860	593,431
From 6 month to 1 year	365,879	289,189
From 1 year to 2 years	51,481	5,000
	3,138,900	2,888,336

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

	December 31, 2020	December 31, 2019
Aggregate amount of \$100,000 or more	3,138,684	2,888,043
Aggregate amount of deposits in the New York Agency	657,851	240,003

	December 31,		
	2020	2019	2018
Interest expense on deposits made in the New York Agency	5,035	6,277	5,937

20. Securities sold under repurchase agreements

As of December 31, 2020, and 2019, the Bank had financing transactions under repurchase agreements for \$10.7 million and \$40.5 million, respectively.

During the years ended December 31, 2020, 2019 and 2018, interest expense related to financing transactions under repurchase agreements totaled \$432 thousand, \$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.

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

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***21. 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 Bursátiles") 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 30, 2020, the Bank was in compliance with all those covenants.

Borrowings and debt are detailed as follows:

December 31, 2020							
	Short-Term			Long-term			Total
	Borrowings	Debt	Lease Liabilities	Borrowings	Debt	Lease Liabilities	
Carrying amount Principal	331,585	49,350	1,244	477,010	1,116,033	17,555	1,992,777
Prepaid commissions	-	-	-	(1,158)	(6,549)	-	(7,707)
	331,585	49,350	1,244	475,852	1,109,484	17,555	1,985,070

December 31, 2019							
	Short-Term			Long-term			Total
	Borrowings	Debt	Lease Liabilities	Borrowings	Debt	Lease Liabilities	
Carrying amount 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

21. Borrowings and debt (continued)

Short-term borrowings and debt

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

	December 31, 2020	December 31, 2019
Short-term borrowings:		
At fixed interest rates	55,000	607,500
At floating interest rates	276,585	966,163
Total borrowings	331,585	1,573,663
Short-term debt:		
At fixed interest rates	-	22,000
At floating interest rates	49,350	-
Total debt	49,350	22,000
Total short-term borrowings and debt	380,935	1,595,663
Range of fixed interest rates on borrowings and debt in U.S. dollars	0.45% to 1.40%	2.07% to 2.52%
Range of floating interest rates on borrowings in U.S. dollars	0.47% to 1.65%	2.09% to 2.35%
Range of fixed interest rates on borrowings in Mexican pesos	0.00%	8.08%
Range of floating interest rates on borrowings and debt in Mexican pesos	4.97% to 5.05%	7.71% to 8.31%

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

	December 31, 2020	December 31, 2019
Currency		
US dollar	299,957	1,476,000
Mexican peso	80,978	119,663
Total	380,935	1,595,663

21. Borrowings and debt (continued)

Long-term borrowings and debt

The breakdown of borrowings and long-term debt (original maturity of more than one year, excluding lease liabilities), along with contractual interest rates, plus prepaid commissions as of December 31, 2020 and 2019, respectively, are as follows:

	December 31, 2020	December 31, 2019
Long-term borrowings:		
At fixed interest rates with due dates from April 2021 to May 2022	68,190	65,435
At floating interest rates with due dates from June 2021 to August 2023	408,820	657,984
Total long-term borrowings	477,010	723,419
Long-term debt:		
At fixed interest rates with due dates from July 2021 to December 2027	784,006	502,880
At floating interest rates with due dates from March 2022 to June 2023	332,027	299,796
Total long-term debt	1,116,033	802,676
Total long-term borrowings and debt	1,593,043	1,526,095
Less: Prepaid commissions	(7,707)	(3,362)
Total long-term borrowings and debt, net	1,585,336	1,522,733
Range of fixed interest rates on borrowings and debt in U.S. dollars	2.04% to 3.05%	2.56% to 3.25%
Range of floating interest rates on borrowings and debt in U.S. dollars	1.16% to 1.85%	2.46% to 3.36%
Range of fixed interest rates on borrowings in Mexican pesos	6.77% to 9.09%	5.73% to 9.09%
Range of floating interest rates on borrowings and debt in Mexican pesos	4.87% to 5.74%	8.14% to 9.13%
Range of fixed interest rates on debt in Japanese yens	0.52%	0.52%
Range of fixed interest rates on debt in Euros	0.9% to 3.75%	3.75%
Range of fixed interest rates on debt in Australian dollars	0.00%	3.33%

21. 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, 2020	December 31, 2019
Currency		
US dollar	910,296	1,097,611
Mexican peso	509,687	280,105
Euro	101,469	59,465
Japanese yen	71,591	67,831
Australian dollar	-	21,083
Total	<u><u>1,593,043</u></u>	<u><u>1,526,095</u></u>

Future payments of long-term borrowings and debt outstanding as of December 31, 2020, are as follows (excluding lease liabilities):

Payments	Outstanding
2021	252,045
2022	525,175
2023	108,436
2024	64,757
2025	618,154
2026	12,238
2027	12,238
	<u><u>1,593,043</u></u>

21. Borrowings and debt (continued)

Long-term borrowings and debt (continued)

Reconciliation – Movements of borrowings

The following table presents the reconciliation of movements of borrowings and debt arising from financing activities, as presented in the consolidated statements of cash flows :

	2020	2019	2018
Balance as of January 1,	3,138,310	3,518,446	2,211,567
Net decrease (increase) in short-term borrowings and debt	(1,212,023)	(428,611)	950,259
Proceeds from long-term borrowings and debt	827,732	371,536	609,017
Repayments of long-term borrowings and debt	(781,274)	(368,843)	(256,173)
Payment of lease liabilities	(1,114)	(1,072)	-
Recognition of lease liabilities	-	20,979	-
Net Increase in lease liabilities	48	-	-
Change in foreign currency	15,853	20,044	1,903
Adjustment of fair value for hedge accounting relationship	826	4,943	753
Other adjustments	(3,288)	888	1,120
Balance as of December 31,	1,985,070	3,138,310	3,518,446

The reconciliation of equity account movements is presented in the consolidated statement of changes in equity.

21. Borrowings and debt (continued)**Lease liabilities**

Maturity analysis of contractual undiscounted cash flows of the lease liabilities is detailed below:

	December 31, 2020	December 31, 2019
Due within 1 year	2,058	2,005
After 1 year but within 5 years	10,641	10,470
After 5 years but within 10 years	11,354	13,492
Total undiscounted lease liabilities	24,053	25,967
Short-term	1,244	1,145
Long-term	17,555	18,769
Lease liabilities included in the consolidated statement of financial position	18,799	19,914

Amounts recognized in the statement of cash flows:

	December 31, 2020	December 31, 2019
Payments of lease liabilities	1,114	1,072

Amounts recognized in profit or loss:

	December 31, 2020	December 31, 2019
Interest on lease liabilities	(862)	(912)
Income from sub-leasing right-of-use assets	265	277

22. Other liabilities

Following is a summary of other liabilities:

	December 31, 2020	December 31, 2019
Accruals and other accumulated expenses	9,213	11,901
Accounts payable	6,307	2,526
Others	3,194	2,722
	18,714	17,149

23. 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,		
	2020	2019	2018
Profit for the year	63,593	86,053	11,138
<i>(U.S. dollars)</i>			
Basic earnings per share	1.60	2.17	0.28
Diluted earnings per share	1.60	2.17	0.28
<i>(Thousands of shares)</i>			
Weighted average of common shares outstanding applicable to basic EPS	39,656	39,575	39,543
Effect of diluted securities:			
Stock options and restricted stock units plan	-	-	-
Adjusted weighted average of common shares outstanding applicable to diluted EPS	39,656	39,575	39,543

24. 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, 2020, 2019 and 2018:

(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, 2018	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
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
Conversions	-	(4,060)	4,060	-	-
Repurchased common stock	-	(1)	-	-	(1)
Restricted stock issued – directors	-	-	63,000	-	63,000
Restricted stock units – vested	-	-	12,664	-	12,664
Outstanding at December 31, 2020	6,342,189	2,178,365	31,157,386	-	39,677,940

Additional paid-in capital

As of December 31, 2020, 2019 and 2018, additional paid-in capital consists of additional cash contributions to the common capital paid by shareholders.

24. Capital and Reserves (continued)

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, 2018	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
Restricted stock issued - directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
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
Restricted stock issued - directors	-	-	-	-	(63,000)	(1,391)	(63,000)	(1,391)
Restricted stock units - vested	-	-	-	-	(12,664)	(279)	(12,664)	(279)
Outstanding at December 31, 2020	318,140	10,708	689,367	18,711	1,294,390	28,580	2,301,897	57,999

25. 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, 2018	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)
Change in fair value of debt instruments, net of hedging	264	2,001	-	2,265
Change in fair value of equity instruments at FVOCI, net of hedging	546	-	-	546
Reclassification of gains (losses) on financial instruments included in profit or loss ⁽¹⁾	(56)	(369)	-	(425)
Exchange difference in conversion of foreign operating currency	-	-	(360)	(360)
Other comprehensive income (loss) for the year	754	1,632	(360)	2,026
Balance as of December 31, 2020	141	515	(448)	208

⁽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.

25. 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,			
	2020	2019	2018	
Realized gains (losses) on securities at FVOCI:	(56)	157	87	Net gain (loss) on financial instruments
Gains (losses) on derivative financial instruments:				
Foreign exchange forwards	(2,337)	(3,261)	(2,502)	Interest income – loans
	-	(1,733)	(1,650)	Interest expense – borrowings and deposits
	(369)	(61)	(1,530)	Net gain (loss) on foreign currency exchange
Interest rate swaps	-	56	4	Net gain (loss) on interest rate swaps
Cross-currency swaps	-	(9)	-	Net gain (loss) on cross-currency swaps
	(2,762)	(5,008)	(5,678)	

26. 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, 2020				
	Syndications	Documentary and standby letters of credit	Other commissions, net	Total
Issuance and confirmation	-	8,090	1,400	9,490
Negotiation and acceptance	-	183	-	183
Amendment	-	688	-	688
Structuring	603	-	-	603
Other	-	39	(584)	(546)
	603	9,000	815	10,418
December 31, 2019				
	Syndications	Documentary and standby letters of credit	Other commissions, net	Total
Issuance and confirmation	-	8,381	1,312	9,693
Negotiation and acceptance	-	399	-	399
Amendment	-	632	(27)	605
Structuring	5,622	-	-	5,622
Others	-	94	(766)	(672)
	5,622	9,506	519	15,647
December 31, 2018				
	Syndications	Documentary and standby letters of credit	Other commissions, net	Total
Issuance 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

26. 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:

	December 31, 2020
Up to 1 year	1,917
From 1 to 2 years	361
More than 2 years	763
	3,041

27. 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 other income, net. 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, negotiation, acceptance and amendment 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 and distribution in the primary market; (iv) gain (loss) on sale on financial instruments measured at FVTPL; (v) reversal of (provision) for credit losses, (vi) gain (loss) on other non-financial assets, net; and (vii) direct and allocated operating expenses.

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*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***27. Business segment information (continued)**

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 consolidated statements of financial position, 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, as well as highly liquid corporate debt securities rated above 'A-', and financial instruments related to the investment management activities, consisting of securities at fair value through other comprehensive income ("FVOCI") and securities at amortized cost (the "Investment Portfolio"). 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) 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, 2020		
	Commercial	Treasury	Total
Interest income	172,548	8,425	180,973
Interest expense	(690)	(87,833)	(88,523)
Inter-segment net interest income	(83,937)	83,937	-
Net interest income	87,921	4,529	92,450
Other income (expense), net	8,597	(1,890)	6,707
Total income	96,518	2,639	99,157
Reversal of (provision for) credit losses	1,889	(425)	1,464
Gain (loss) on non-financial assets, net	296	-	296
Operating expenses	(28,021)	(9,303)	(37,324)
Segment profit (loss)	70,682	(7,089)	63,593
Segment assets	4,989,009	1,293,081	6,282,090
Segment liabilities	92,309	5,139,955	5,232,264

27. Business segment information (continued)

	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	15,577	1,565	17,142
Total income	123,975	2,682	126,657
(Provision for) reversal of credit losses	(744)	314	(430)
Gain (loss) on non-financial assets, net	500	-	500
Operating expenses	(31,183)	(9,491)	(40,674)
Segment profit (loss)	92,548	(6,495)	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
(Provision for) reversal of credit losses	(57,621)	106	(57,515)
(Loss) gain on non-financial assets, net	(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

27. Business segment information (continued)

Reconciliation on information on reportable segments

	2020	2019	2018
Profit for the year	63,593	86,053	15,189
Impairment loss on non-financial assets - unallocated	-	-	(4,051)
Total profit for the year	63,593	86,053	11,138
Assets:			
Assets from reportable segments	6,282,090	7,240,835	7,592,492
Other assets - unallocated	6,808	8,831	16,693
Total assets	6,288,898	7,249,666	7,609,185
Liabilities:			
Liabilities from reportable segments	5,232,264	6,216,350	6,601,980
Other liabilities - unallocated	18,714	17,149	13,615
Total liabilities	5,250,978	6,233,499	6,615,595

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, 2020, assets and liabilities were allocated between Commercial and Treasury segments.

As a result of the adoption of the new standard in the year 2019, certain amounts related to equipment and leasehold improvements and intangibles were reclassified for presentation purposes in the consolidated financial statements.

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.

2020	Panama	Brazil	Mexico	Colombia	Costa Rica	Ecuador	Argentina	Other	Total
Total revenues	7,580	7,054	14,480	13,462	7,142	9,242	8,163	32,034	99,157
Non-current assets*	19,888	129	535	56	-	-	212	591	21,411
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

* Includes equipment and leasehold improvements, intangibles and investment properties

Disaggregation of revenue from contract with customers

As of December 31, 2020, 2019, and 2018, respectively, the Bank has no customer, either individually or as group of companies, that represents more than 10% of total revenues.

28. Related party transactions

The detail of the assets and liabilities with related private corporations and financial institutions is as follows:

	December 31, 2020	December 31, 2019
Assets		
Demand deposits	3,269	3,812
Loans, net	22,499	49,101
Total asset	25,768	52,913
Liabilities		
Time deposits	240,000	120,000
Total liabilities	240,000	120,000
Contingencies		
Stand-by letters of credit	28,300	20,000
Loss allowance	(60)	(49)
Total contingencies	28,240	19,951

The detail of income and expenses with related parties is as follows:

	2020	December 31, 2019	2018
Interest income			
Loans	1,390	2,837	2,751
Total interest income	1,390	2,837	2,751
Interest expense			
Deposits	(2,961)	(3,927)	(984)
Borrowings and debt ⁽¹⁾	-	(645)	-
Total interest expense	(2,961)	(4,572)	(984)
Net interest income (expenses)	(1,571)	(1,735)	1,767
Other income (expense)			
Fees and commissions, net	420	132	1
(Loss) gain on financial instruments, net	-	(41)	41
Other income, net	-	-	1
Total other income, net	420	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	(1,151)	(2,952)	(477)

(1) This caption includes the financial cost relating to leases and depreciation expense for the right-of-use assets that originates from the lease contract with related parties where the Bank acts as a lessee through December 31, 2019.

28. Related party transactions (continued)

The total compensation paid to directors and the executives as representatives of the Bank amounted to:

	December 31,		
	2020	2019	2018
Expenses:			
Compensation costs to directors	2,033	2,289	2,331
Compensation costs to executives	5,448	3,244	4,943

Compensation costs to directors and executives, include annual cash retainers and the cost of granted restricted stock and restricted stock units.

29. Salaries and other employee expenses

The following table details salaries and other employee expenses:

	December 31,		
	2020	2019	2018
Wages and salaries	13,717	13,232	18,487
Payroll taxes	1,722	1,721	2,120
Personnel benefits	5,383	8,867	6,732
Share based payments	640	359	650
Total	21,462	24,179	27,989

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.

29. Salaries and other employee expenses (continued)

A. Cash and stock-based compensation plan (continued)

During 2020, 2019 and 2018, 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

For the year 2020, the Board of Directors granted 63,000 “Class E” common shares.

During the years 2019 and 2018, 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 29, 2020, April 17, 2019 and April 11, 2018. The fair value of restricted stock granted totaled \$727 thousand in 2020, \$1.3 million in 2019, and \$1.6 million in 2018, of which \$306 thousand, \$570 thousand and \$739 thousand were recognized in profit or loss during 2020, 2019 and 2018, respectively.

The total expense recognized in profit or loss during 2020, 2019 and 2018 of restricted stock – directors amounted \$1.1 million, \$1.4 million and \$1.5 million, respectively. The remaining cost pending amortization of \$699 thousand at December 31, 2020 will be amortized over 2.33 years.

Restricted stock loses their restriction from the year following the anniversary date, as follows: 35% in the first and second years, 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, 2018	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
Granted	63,000	11.54
Vested	(40,200)	26.26
Outstanding at December 31, 2020	132,150	18.56
Expected to vest	132,150	

The fair value of vested stock during the years 2020, 2019 and 2018 was \$1.1 million, \$1.4 million and \$1.3 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 \$902 thousand in 2020, \$355 thousand in 2019 and \$581 thousand in 2018. 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”.

29. Salaries and other employee expenses (continued)

A. Cash and stock-based compensation plan (continued)

Restricted Stock Units and Stock Purchase Options granted to certain Executives (continued)

Compensation costs of the restricted stock units are amortized during the period of restriction by the accelerated method. During 2020, 2019 and 2018, the cost recognized in profit or loss as a result of the amortization of these grants totaled \$640 thousand, \$359 thousand and \$503 thousand, respectively. The remaining compensation cost pending amortization of \$583 thousand in 2020 will be amortized over 3.17 years.

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, 2018	50,805	21.07		
Granted	23,412	24.80		
Vested	(49,055)	20.90		
Outstanding at December 31, 2018	25,162	24.86		
Granted	23,743	14.95		
Vested	(6,727)	24.92		
Outstanding at December 31, 2019	42,178	19.27		
Granted	51,829	17.41		
Vested	(12,664)	20.24		
Outstanding at December 31, 2019	81,343	17.93	2.59 years	15.71
Expected to vest	81,343	17.93	2.60 years	15.71

The fair value of vested stock during the years 2020, 2019 and 2018 is \$256 thousand, \$168 thousand, and \$1 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.

29. Salaries and other employee expenses (continued)

A. Cash and stock-based compensation plan (continued)

Restricted Stock Units and Stock Purchase Options granted to certain Executives (continued)

Related cost recognized in profit or loss during 2018 as a result of the amortization of these plans amounted to \$14 thousand.

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, 2018	273,643	27.48		
Granted	-	-		
Forfeited	(28,315)	29.25		
Exercised	(102,918)	24.55		
Outstanding at December 31, 2018	142,410	29.25		
Outstanding at December 31, 2019	142,410	29.25		
Outstanding at December 31, 2020	142,410	29.25	1.11 years	-
Exercisable	142,410	29.25	1.11 years	-
Expected to vest	-	-		-

During 2020 and 2019 there were no options exercised. The intrinsic value of exercised options during the years 2018 was \$406 thousand. During 2018, the Bank received \$2.5 million 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 2020, 2019 and 2018, the Bank charged to salaries expense \$75 thousand, \$87 thousand and \$102 thousand, respectively, that correspond to the Bank's contributions to this plan.

30. Other expenses

	December 31,		
	2020	2019	2018
Administrative	4,142	5,560	6,391
Professional services	3,316	3,487	4,293
Maintenance and repairs	2,081	1,770	2,912
Regulatory fees	964	994	1,246
Rental - office and equipment	575	658	2,913
Advertising and marketing	100	290	337
Other	344	180	379
Total	11,522	12,939	18,471

31. 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.

32. 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, 2020, and 2019, the minimum LCR to be reported to the SBP was 65% and 50%, respectively. The Bank's LCR as of December 31, 2020 and 2019 was 249% and 131%, 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:

$$\frac{\text{Liquid assets}}{\text{Liabilities (Deposits Received)}} \times 100 = X\% \text{ (Liquidity ratio)}$$

As of December 31, 2020, and 2019, the percentage of the liquidity index reported by the Bank to the regulator was 79.99% and 100.36%, respectively.

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.

32. Applicable laws and regulations (continued)

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 periods. However, they are under constant review by the Board.

	December 31, 2020	December 31, 2019
Capital funds	1,048,182	1,026,125
Risk-weighted assets	5,187,054	5,937,648
Capital adequacy index	20.21%	17.28%

Leverage ratio

Article No. 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 consolidated 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, 2020	December 31, 2019
Ordinary capital	912,164	890,106
Non-risk-weighted assets	6,479,416	7,323,187
Leverage ratio	14.08%	12.15%

Specific credit provisions

SBP 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.

32. Applicable laws and regulations (continued)

Article No. 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, 2020						
	Normal	Special Mention	Substandard	Doubtful	Unrecoverable	Total
Loans at amortized cost						
Corporations	2,147,846	9,281	10,593	-	-	2,167,720
Financial Institutions:						
Private	2,231,742	-	-	-	-	2,231,742
State-owned	476,520	-	-	-	-	476,520
	2,708,262	-	-	-	-	2,708,262
Sovereign	35,415	-	-	-	-	35,415
	4,891,523	9,281	10,593	-	-	4,911,397
Allowance for loan losses IFRS (*):	34,720	1,857	4,588	-	-	41,165
Loans at FVTPL						
Financial Institutions:						
Private	4,949	-	-	-	-	4,949
Total loans	4,896,472	9,281	10,593	-	-	4,916,346

32. Applicable laws and regulations (continued)

December 31, 2019						
Loans at amortized cost	Normal	Special Mention	Substandard	Doubtful	Unrecoverable	Total
Corporations	2,487,859	13,595	-	-	61,845	2,563,299
Financial Institutions:						
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
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As of December 31, 2020, and 2019, there are no restructured loans.

(*) As of December 31, 2020, and 2019, 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.

For statutory purposes only, non-accruing loans are presented by category as follows:

December 31, 2020						
Loans at amortized cost	Normal	Special Mention	Substandard	Doubtful	Unrecoverable	Total
Impaired loans	-	-	10,593	-	-	10,593
Total	-	-	10,593	-	-	10,593

December 31, 2019						
Loans at amortized cost	Normal	Special Mention	Substandard	Doubtful	Unrecoverable	Total
Impaired loans	-	-	-	-	61,845	61,845
Total	-	-	-	-	61,845	61,845

	December 31, 2020	December 31, 2019
Non-accruing loans:		
Private corporations	10,593	61,845
Total non-accruing loans	10,593	61,845

Interest that would be reversed if the loans had been classified as non-accruing loans	351	1,379
Income from collected interest on non-accruing loans	-	631

32. Applicable laws and regulations (continued)

Credit risk coverage - dynamic provision

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.

Modified Special Mention loans

SBP Rule No. 2-2020, which as an amendment to Rule 4-2013, with effect on March 31, 2020, allows banks to grant a grace period to customers affected in their businesses, regarding the COVID-19 effects, until June 30, 2020. As of that date, and as a result of an agreement signed between the Government of Panama and the Banking Association of Panama, as well as the issuance of Law No. 156 on moratorium, extended the financial relief to those affected by COVID-19 and who requested it until December 31, 2020. Subsequently, Rule No. 13-2020 which arise as an amendment to Rule No. 2-2020, with effect on October 2020 allows an additional grace of period to the financial relief until June 30, 2021.

On September 11, 2020, the Superintendence of Banks of Panama issued Rule No. 9-2020 amending Rule No. 2-2020 of March 16, 2020, by which, it defines that loans classified as normal and special mention, as well as restructured loans without arrears, may be modified in accordance with the guidelines established herein. Moreover, the loans amended in normal and special mention categories shall be classified in "modified special mention" category for the purpose of determining the respective provisions. Modified restructured loans in the substandard, doubtful or unrecoverable categories shall maintain the credit classification they had at the time of their modification with their respective provision.

In accordance with the Rule referred to in the preceding paragraph, about the modified special mention loan portfolio, banks will create a provision equivalent to the highest value between the IFRS provision of the modified special mention category and a generic provision equivalent to three percent (3%) of the gross balance of the modified loan portfolio, including uncollected accrued interest and capitalized interests; modified loans secured with deposits pledged in the same bank may be excluded from this calculation up to the secured amount. For this, the following scenarios will be considered:

1. In cases where the IFRS provision is equal to or greater than the generic provision of 3% established herein, the Bank will record the corresponding IFRS provision in the profit or loss of the year.
2. In cases where the IFRS provision is less than the generic provision of 3% established herein, the Bank will record such IFRS provision in the profit or loss and the difference must be record in the results or in a regulatory reserve in equity, taking into consideration the following aspects:
 - i. When the IFRS provision is equal to or greater than 1.5%, the Bank must record such IFRS provision in the profit or loss. Likewise, the difference to complete the 3% of the generic provision established herein must be recorded in a regulatory reserve in equity.
 - ii. When the IFRS provision is less than 1.5%, the Bank must ensure that this percentage is completed and recorded in the profit or loss. Likewise, the difference to complete the 3% of the generic provision established herein must be recorded in a new regulatory reserve in equity.

32. Applicable laws and regulations (continued)

Modified special mention loans (continued)

In accordance with the requirements of Article 4-E of Rule No. 9-2020, a detail of the portfolio of modified special mention category loans and their respective provisions and regulatory reserves as of December 31, 2020, classified according to the three-stage model of IFRS 9 follows:

Modified special mention loans (continued)

	Stage 1	Stage 2	Stage 3	Total
Modified special mention loans				
Modified loans				
Corporate	-	8,829	-	8,829
(-) Modified loans secured by pledged deposits in the same bank up to the guaranteed amount	-	-	-	-
(+) Interest receivable	-	7	-	7
(-) Unearned interest and deferred fees	-	-	-	-
Total loan portfolio subject to provisions Rule No. 9-2020	-	8,836	-	8,836
Allowance				
Allowance IFRS 9	-	1,767	-	1,767
Collective allowance (complement to 1.5%) *				-
Regulatory reserve (complement to 3%) *				-
Total allowance and reserves				1,767

* Because IFRS 9 provision for modified special mention loans by \$1.7million exceeds the generic provision equivalent to the 3% required by Rule No. 9-2020, the Bank does not require additional complementary equity reserves to the existing provision.

As part of the Bank's risk management, both individual and collective analyzes of the condition of the loans have been developed, including the segmentation of the portfolio in order to identify the employment situation or the opening of economic activity of each client and define who will be able to meet their bank obligations, who will have difficulties in doing so and who will definitely not be able to meet and thus determine if there has been a significant increase in risk and classify those loans according to the corresponding impairment stage. Additionally, different agreements have been reached with clients based on the individual analysis of their ability to generate the cash flows necessary to meet their obligations.

As of December 31, 2020, the modified special mention loan has complied with its contractual payments of the loan agreement.

It is important to note that in addition to the modified special mention loan, the Bank maintains corporate loans in Substandard category and that they embraced to the moratorium of Law No. 156 of June 30, 2020. As of December 31, 2020, these loans carrying amount is \$10.9 million (including interest) and present interest payments with a default of up to 30 days.

32. Applicable laws and regulations (continued)

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 higher 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 higher 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 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.

As of December 31, 2020, and 2019, 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 million for both years, 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, 2020	December 31, 2019
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 \$95.3 million, which was voluntarily established. Pursuant to Article No. 69 of the Banking Law, reduction of capital reserves requires prior approval of SBP.

33. Subsequent events

The Bank announced a quarterly cash dividend of \$0.25 US dollar cents per share corresponding to the fourth quarter of 2020. The cash dividend was approved by the Board of Directors at its meeting held on February 12, 2021 and it was paid on March 10, 2021 to the Bank's stockholders as of February 23, 2021 record date.

**AMENDED ARTICLES OF INCORPORATION
OF
BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.¹**

ARTICLE 1: (Name)

The name of the corporation is “**Banco Latinoamericano de Comercio Exterior, S.A.**” in Spanish and “**Foreign Trade Bank of Latin America, Inc.**” in English. The corporation may also use the commercial name “**Bladex**”.

ARTICLE 2: (Purpose)

The purpose of the corporation is to promote the economic development of Latin American countries, as well as their foreign trade. In order to fulfill said objective, the corporation may engage in all kinds of banking or financial business, investments and any other such business as may promote foreign trade as well as the development of Latin American countries. The corporation may also engage in different businesses than those described hereinabove, provided that it has obtained the approval of the shareholders thereto, by resolution adopted by the affirmative vote of one half (1/2) plus one of the common shares present or represented in a meeting of shareholders called to obtain such authorization, which affirmative vote shall necessarily include the vote of three-fourths (3/4) of class A common shares issued and outstanding.

ARTICLE 3: (Powers)

In pursuit of the above-mentioned purposes, the corporation shall have, among others, the power to:

- a) Grant loans and extend credit guaranteed by commercial documents, by credit instruments or by any other form of security, relating to the export of goods and services of any kind;
- b) Own, hold, purchase, sell, withdraw, make, draw, accept, endorse, discount, guarantee and carry out any operation with promissory notes, bills of exchange, option certificates for the acquisition of shares and any other securities or credit instruments in any country, as well as to carry out foreign exchange operations;
- c) Borrow and accept credits from any companies or banking and credit institutions, and to issue bonds, debentures, promissory notes and any other kind of obligations or instruments;
- d) Act as an international financial agent;
- e) Generally, carry out any kind of banking, securities and financial operations.

The list of powers mentioned above shall not be construed as a limitation or restriction of the powers of the corporation, but on the contrary, as additional and supplementary to the general powers and authorities granted to corporations by the laws of the Republic of Panama.

¹ The Amended and Restated Articles of Incorporation as filed with the Public Registry of Panama are originally written in Spanish language. This is an English translation of such Amended and Restated Articles of Incorporation. In the event of any discrepancies between the meaning of the terms of the Articles of Incorporation in English and the Articles of Incorporation in Spanish, the meaning of the terms of the Articles of Incorporation in Spanish will govern.

ARTICLE 4: (Authorized Capital)

The corporation shall have an authorized capital of two hundred and ninety million (290,000,000) shares, divided as follows:

(a) Two hundred and eighty million (280,000,000) common shares without par value, comprised of:

1. Forty million (40,000,000) class A common shares without par value;
2. Forty million (40,000,000) class B common shares without par value;
3. One hundred million (100,000,000) class E common shares without par value;
4. One hundred million (100,000,000) class F common shares without par value; and

(b) Ten million (10,000,000) preferred shares, with a par value of ten U.S. Dollars (US\$ 10.00) each.

The authorized capital shall be at least equal to the total amount represented by the preferred shares with par value, if any, plus an amount to be determined in respect of every common share without par value to be issued, and the amounts as may from time to time be added to the authorized capital by resolution of the board of directors.

All shares of the corporation, including common shares and preferred shares, shall be issued only in registered form.

All common shares shall have the same rights and privileges, regardless of their class, except in such cases where these articles of incorporation expressly provide otherwise. Each class A, class B, class E and class F common share shall be entitled to one vote at meetings of the shareholders, except that, in respect of the election of directors, voting rights shall be exercised cumulatively by class as provided by article 12 of these articles of incorporation.

Class A common shares may only be issued in the name of any of the following entities in Latin American countries:

- a) Central banks;
- b) Banks in which the State is the majority shareholder; or
- c) Other government agencies.

For purposes of these articles of incorporation, the expression "Latin American countries" includes the countries, associated free states and island territories in the Caribbean.

Class B common shares may only be issued in the name of banks or financial institutions.

Class E common shares may be issued in the name of any person, whether a natural person or a legal entity.

Class F common shares may only be issued in the name of:

- (i) State entities and agencies of non-Latin American countries, including, among others, central banks and banks in which the State is the majority shareholder, of those countries; or
- (ii) Multilateral financial institutions, be it international or regional institutions.

The board of directors shall determine whether a given person qualifies, or not, as a shareholder of the class A, B or F shares of the corporation.

The preferred shares may be issued in one or more series, and each of those series shall have such rights, preferences, privileges and obligations as the board of directors establishes at the time of their original issuance, through a certificate of designation, which shall be filed with the Public Registry of the Republic of Panama. The issuance of preferred shares will require the affirmative vote of a majority of the directors present, which majority must include the votes of no less than two (2) directors which represent the class A shareholders. The preferred shares have no voting rights, except as otherwise contemplated in their certificate of designation and only in the case of breach of their terms.

The preferred shareholders will only have the right to elect one (1) director (regardless of the existence of one or more series of preferred shares) in the event of a breach of the terms of the preferred shares, and only if so contemplated in the certificate of designation. The election of said director, if such be the case shall be made in accordance with the cumulative voting system set forth in Article 12 of these articles of incorporation. In the event the preferred shareholders have the right to elect one (1) director, the total number of directors of the corporation contemplated in Article 12 of these articles of incorporation shall be increased by one. The preferred shares that are redeemed and cancelled by the corporation may be reissued as part of the same or another series of preferred shares authorized by the board of directors of the corporation.

ARTICLE 5: (Transfer and Exchange of Shares)

Class A common shares may only be transferred between the class A shareholders or persons that qualify to be class A shareholders.

Class B common shares may only be transferred between the class B shareholders or persons that qualify to be class B shareholders.

Class E common shares may be freely transferred without restriction to any person, whether a natural person or a legal entity.

Class F common shares may only be transferred between class F shareholders or persons that qualify to be class F shareholders.

The holders of class B common shares may at any time, and with no limitation, exchange class B common shares for class E common shares, at a rate of one (1) class B common share for one (1) class E common share. Whenever the right of conversion dealt with in this paragraph is exercised, the class B shares being exchanged shall be converted into class E shares, and consequently the certificates representing the shares that are transferred shall be cancelled, and in their stead new certificates representing class E shares shall be issued.

Similarly, the holders of class F common shares may at any time, and with no limitation, exchange their class F common shares for class E common shares, at a rate of one (1) class F common share for one (1) class E common share.

Any time the right of conversion dealt with in this paragraph is exercised, the class F shares being exchanged shall be converted into class E shares, and consequently the certificates representing the shares that are transferred shall be cancelled, and in their stead new certificates representing class E shares shall be issued.

ARTICLE 6: (Pre-emptive Rights)

Class A, class B and class F shareholders shall have 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. Notwithstanding the foregoing, in any given year, the corporation may issue and sell up to three percent (3%) of the issued and outstanding class A, class B and class F common shares of record as of January 1st of such year, without triggering pre-emptive rights with respect to those shares. The holders of 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.

ARTICLE 7: (Share Register)

The share register required by law shall be kept at the main office of the corporation or at any other place determined by the board of directors. The corporation may appoint one or more transfer agents to register and transfer its shares. The share register may be kept by manual, electronic or any other means permitted by law. The shares in the corporation may be issued in the form of share certificates, global share certificates or in book entry form, as determined by the board of directors.

ARTICLE 8: (Domicile)

The domicile of the corporation shall be in Panama City, Republic of Panama, but the corporation may, as approved by the board of directors, carry out operations and establish branches in any part of the world, as well as keep its records and hold assets in any part of the world. The corporation may also establish such subsidiaries, as it may deem convenient in order to conduct its business and its operations, either within or outside of the Republic of Panama.

ARTICLE 9: (Duration)

The duration of the corporation shall be indefinite.

ARTICLE 10: (Meetings of Shareholders)

Meetings of shareholders may be held in the Republic of Panama or in any other country. There shall 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 of directors, to elect directors and transact any other business duly submitted to the meeting by the board of directors.

Holders of the common shares shall hold extraordinary meetings, when called by the board of directors, as it may deem it necessary. In addition, the board of directors or the President of the corporation shall 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 of the issued and outstanding capital.

ARTICLE 11: (Notice, Quorum and Voting in Meetings of Shareholders)

In order to have a quorum at any meeting of shareholders, it is required that one-half plus one of the common shares issued and outstanding be represented at the meeting. Whenever a quorum is not obtained at a meeting of shareholders, the meeting shall be held in the second meeting date set forth in the notice of the meeting with the common shares represented in such second meeting date. All resolutions of shareholders shall be adopted by the affirmative vote of one-half plus one of the common shares represented at the meeting where the resolution was adopted. However, the adoption of resolutions regarding the following matters, shall require the affirmative vote of one-half plus one of the common shares represented at the meeting plus three-quarters (3/4) of all issued and outstanding class A shares:

- a) Dissolution of the corporation;
- b) Any amendment to articles 2, 3, 4, 11, 12, 16 and 21 of the articles of incorporation;
- c) A merger or consolidation of the corporation.

Notice of meetings of shareholders, whether ordinary or extraordinary, shall be personally delivered to each registered shareholder with voting rights or sent by fax, telex, courier, air mail or any other means authorized by the board of the directors, at least thirty days before the date of the meeting, counted from the date that the notice was sent. The notice of the meeting shall include the agenda of the meeting. At any meeting of shareholders, shareholders 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.

Within a period of twenty (20) days prior to the date fixed for holding a meeting of shareholders, or during the meeting, any holder of common shares shall have the right to request, in the first case, the board of directors, and in the second case, the President of the meeting, to include any matter in the agenda. Such matter shall be considered by the meeting if the inclusion of the matter in the agenda is supported by the affirmative vote of two-thirds (2/3) of the common shares issued and outstanding.

Whenever the holders of the preferred shares are entitled to vote pursuant to article 4(c) of these articles of incorporation, a meeting of the holders of the preferred shares shall be called by the President of the corporation as soon as possible.

Upon request to the board of directors or the President of the corporation, shareholders representing at least one-twentieth 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 these articles of incorporation and the by-laws, is within their competence.

Quorum for a meeting of shareholders of any class of shares of common stock shall require that one-half plus one of the issued and outstanding shares of common stock of the said class be represented at the meeting.

Whenever a quorum is not obtained at a meeting of shareholders of any given class of shares of common stock, the meeting shall be held in the second meeting date set forth in the notice of the meeting with the common shares of that particular class represented in such second meeting date.

ARTICLE 12: (Board of Directors)

The Board of Directors shall direct and control the business and assets of the corporation, except for those matters specifically reserved to shareholders by law or these articles of incorporation. Without limiting the generality of the foregoing, the board of directors may dispose of the assets of the corporation or give them as security for obligations of the corporation or of its subsidiaries or affiliates or of persons in which the corporation has an interest.

The Board of Directors may grant general and special powers of attorney, authorizing directors, officers and employees of the corporation or other persons to transact such business and affairs within the competence of the board of directors, as the board of directors may deem convenient to entrust to each of them.

The board of directors shall consist of ten (10) members, but may be increased to eleven (11) members, as follows:

- a) Three (3) directors shall be elected by the holders of the class A common shares;
 - b) Five (5) directors shall be elected by the holders of the class E common shares;
 - c) Two (2) directors shall be elected by the holders of all of the common shares; and
 - d) 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, the class F shareholders shall have the right to elect one (1) director of the corporation. For purposes of this paragraph, on December 31st of each year, the Chairman and the Secretary of the corporation shall jointly determine, based upon the share register of the corporation, the percentage that the total number of issued and outstanding class F shares bear to the total number of issued and outstanding shares of common stock of the corporation on that date. Should the percentage so determined be such as to grant the class F shareholders the right to elect said director, the corporation shall take the necessary measures for the election of the same at the next ordinary annual meeting of shareholders. On the contrary, if the percentage so determined is such as to make the class F shareholders lose their right to representation on the board of directors, this shall be made known at the next ordinary annual meeting of shareholders and the class F director occupying the class F post will occupy so only until said ordinary annual meeting of shareholders, even if on that date the three-year term to which the class F director was elected had not yet expired. Despite the class F shareholders having lost the right to elect a director on a given year, this right shall be recovered if on any following December 31st the class F shareholders have a percentage of participation that allows them to elect one (1) director, as contemplated in this article.
-

The board of directors may nominate candidates for the position of director for the E and F class of shares and for those elected by all the classes jointly.

In the ordinary annual meeting of shareholders, the shareholders of each class shall elect the directors that they are entitled to appoint corresponding to each class of shares, in accordance with this article and the other provisions of these articles of incorporation. For all legal purposes, the composition of the board of directors shall remain the same until the new director or directors have been elected by the ordinary annual meeting of shareholders.

Directors shall be elected for periods of three (3) years and may be re-elected.

Whenever a person is elected as a class A or class F director, as the case may be, due to the position that such person occupies at an institution that is a class A or class F shareholder, respectively, and this is expressly stated at the time of such person's nomination and election, then, after having been elected as such, said person shall submit his or her resignation as a director of the corporation if such person ceases to have the stated relation with said institution. Should such person fail to submit his or her resignation as a director of the corporation, the board of directors may declare the position vacant and proceed to fill the vacancy by electing a new director. The new director shall hold such office for the remainder of the period for which the director whose resignation or removal caused said vacancy had been elected.

The holders of class A, class E and class F shares shall vote separately as a class for the election of directors of the corporation.

The holders of class A, class E and class F shares may meet separately as a class, whenever deemed convenient, for the purpose of removing a director elected by such class. In addition, in the event of a vacancy among the directors elected by any such class, if the board of directors has not filled the corresponding vacancy, such class may meet separately to elect a new director for the remainder of the period of its predecessor.

For the election of directors, the shareholders of each class shall have a number of votes equal to the number of shares for such class held by the shareholder, multiplied by the number of directors to be elected by such class, and the shareholder may cast all of the votes in favor of one candidate or distribute them among all the directors to be elected, or among two or more of them, as the shareholder may decide.

The meetings of the board of directors shall be held as frequently as the by-laws stipulate, or as determined by the board of directors, in the Republic of Panama or in any other country. Directors will be deemed to be present at meetings of the board of directors if they are in direct communication by telephone, videoconference or any other means of communications authorized by the board of directors.

Notice of meetings of the board of directors shall be given to each director by an officer or director of the corporation, by personal delivery, fax, e-mail, telex, courier or air mail. The presence of a majority of the directors in office who are not employees of the corporation shall be required in order to hold a valid meeting of the board of directors.

The resolutions of the board of directors shall be adopted by the affirmative vote of the majority of the directors present at the meeting.

Written resolutions of the board of directors that have been signed by a majority of the directors of the corporation shall be valid and binding resolutions of the board of directors, even if they have been signed on different dates and at different places, provided that the proposed resolution has been timely circulated among all directors.

ARTICLE 13: (Committees)

The board of directors may create one or more committees that shall have the powers and the duties delegated to them by the board of directors, subject to the provisions of these articles of incorporation. Each committee shall have two or more members of the board of directors, appointed in the manner and for the term which the board of directors may determine.

ARTICLE 14: (Advisory Council)

The board of directors may appoint an advisory council that may be comprised of up to ten (10) persons. The advisory council shall meet twice a year or whenever the board of directors of the corporation may convene it, and its duties shall only consist of providing advice to the board of directors.

ARTICLE 15: (Officers)

The corporation shall have a President, a Chief Executive Officer, a Treasurer and a Secretary who shall be elected by the board of directors; and it shall also have such other officers as the board of directors may determine from time to time.

ARTICLE 16: (Chief Executive Officer)

The Chief Executive Officer shall be the legal representative of the corporation, and shall have the following powers subject to the directives established by the board of directors:

- a) To manage the affairs of the corporation on a daily basis, especially the execution of its programs, the conduct of its operations, the custody of its patrimony and the fulfillment of all of the resolutions of the board of directors;
- b) To appoint, promote, transfer and remove the corporation's employees, as well as to fix their remuneration and other working conditions;
- c) To grant powers of attorney to be granted for the purposes of judicial or out-of-court representation of the corporation;
- d) To participate in the meetings of the board of directors, and to authorize by his signature the corporation's acts, contracts and documents, within the parameters established by the board of directors; and
- e) Any other powers which the board of directors may delegate to him.

In the permanent absence of the Chief Executive Officer, the representation of the corporation shall rest on the person or persons whom the board of directors may determine from time to time.

ARTICLE 17: (By-laws)

The board of directors may adopt and amend the by-laws of the corporation.

ARTICLE 18: (Amendments)

The corporation reserves the right to amend these articles of incorporation, from time to time, as the shareholders may approve, in accordance with article 11 of these articles of incorporation, and all of the rights conferred to shareholders, directors and officers shall be subject to this reservation.

ARTICLE 19: (Resident Agent)

As long as the board of directors does not otherwise decide, the resident agent of the corporation shall be the law firm of Arias, Fábrega & Fábrega, with a domicile in Plaza Bancomer Building, Fiftieth street, Panama City, Republic of Panama.

ARTICLE 20: (Subscribers)

The names, addresses and the number of shares subscribed by the original subscribers of shares in the corporation appear set down in the original Articles of Incorporation of the corporation, which has been duly registered in the Public Registry of the Republic of Panama.

ARTICLE 21: (Fundamental Financial Policies)

The fundamental financial policies of the corporation are the following:

- a) In all its credit operations, the corporation shall be guided by business criteria framed within the conditions of competition in the financial markets wherein it may operate. Specifically, the corporation shall not grant subsidies of interest rates nor banking commissions under any circumstances.
- b) For the rediscount of documents and the granting of loans, the corporation shall ascertain the existence of adequate conditions for the convertibility and transferability of the currencies required to liquidate the corresponding obligations at their maturity and, when proper, shall adopt the necessary measures to comply with such conditions.
- c) The corporation may only grant credit to borrowers organized, domiciled or operating in a country whose corresponding state agency is a holder of class A shares. Notwithstanding the foregoing, the corporation may grant credit to borrowers who do not meet the previously stated qualification, as long as the object of such loans is, directly or indirectly, related to the foreign trade of countries whose corresponding trade agency is a holder of class A shares. In order to facilitate the diversification and management of liquidity, credit and market risks, the restrictions described above shall not extend to the investment portfolio administered by the corporation's Treasury.
- d) The corporation may accept sight and time deposits, negotiate loans and lines of credit in its favor and, in general, issue all type of securities to obtain financial resources. The conditions of these operations by the corporation shall be framed within the policies determined to such effect by the board of directors.

The corporation may carry out studies and take any steps that it may deem to be relevant to establish export credit insurance systems of a multinational nature and collaborate with Latin American countries in carrying out market research for the promotion of exports of goods and services, in accordance with programs approved by the board of directors for such purpose.

ARTICLE 22: (First Transitory Article)

Without prejudice to the provisions of article 12 of these articles of incorporation, and in order to maintain a staggered board, the directors of the corporation shall be the following persons as from the moment of approval of these amendments to the articles of incorporation.

<u>Name</u>	<u>Represents Class</u>	<u>Term Expires</u>	<u>Address</u>
Guillermo Güemez García	A	2002	5 de Mayo No. 2, 4to. Piso Colonia Centro, Código Postal 06059 México D.F
Rossano Maranhao Pinto	A	2001	Edif. Sede III- 24 Andar CEP.70089-900 Brasilia- DH- Brasil
Sebastiao G. Toledo Cunha	B	2001	A. Paulista 1000–16 Piso CEP.01310-912 Sao Paulo, SP, Brasil
Ernesto A. Bruggia	B	2002	San Martín 137, Piso 1 1004 Buenos Aires, Argentina
Roland B. Bandelier	B	2001	7 World Trade Center, 26th Floor, New York New York 10048, U.S.A.
Valentín E. Hernández	B	2002	111 Wall St., 19th Floor, Zone 1, New York New York 10043, U.S.A.
Mario Covo	E	2002	17 Park Drive South Rye, New York, 10580 U.S.A.
Will C. Wood	E	2003	1550 El Camino Real, Suite 275, Menlo Park CA. 94025, U.S.A.
José Castañeda Vélez	All	2003	Calle 50 & Aquilino de la Guardia, Apdo. 6-1497 El Dorado, Panama Republic of Panama
Gonzalo Menéndez Duque	All	2003	Teatinos No. 180, Piso 13 Habitación No. 1322 Santiago, Chile

ARTICLE 23: (Second Transitory Article)

Upon the approval of these amendments to these articles of incorporation, all class B and class C shares of common stock shall be automatically converted into the new class B shares of common stock, without requiring any further act or authorization, at the rate of one class B or class C share of common stock, as the case may be, for one new class B share of common stock.

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: April 2020

Approved by the Board of Directors at their meeting held on April 28th, 2020, 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 clear 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 core principles and values of human beings and the environment in which it operates; 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 not finance any business of, nor intends to enter into any business relationship with, financial institutions or companies that do not follow ethical standards or those of which are known to participate in unlawful or degrading businesses or such business contravening public safety, that are harmful to the environment, or may not fully comply with applicable law. We uphold a policy of complete rejection of and self-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 origin may be and it is the obligation of each member of this Organization to collaborate in the different actions put in place for monitoring, detecting or helping to identify and reject any activity that might violate such policy.

For certain specific matters that require more detailed regulations, the norms of this Code shall be developed or complemented by those set forth in the relevant manuals, policies and guidelines that are currently in force, as such may be revised from time to time, or as may be issued in future.

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I. INTRODUCTION

General Principles and Objectives

This Code sets forth the norms binding those who are subject hereto (Persons Covered by this Code, as such term is defined hereunder), to respect it and denounce any attempt to disregard 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”)**.

This Code aims to establish the general ethical framework for work performance within each of the Institution’s activities.

The content hereof covers the general situations and issues that may arise in the scope of the Institution’s activities, as well as such cases that may relate more specifically to the management and performance of the Institution itself.

The norms compiled in this Code constitute a tool for constant consultation 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, coherent and constant manner. A responsible exercise of authority and acting correctly is always expected of all Persons Covered by this Code.

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 in the decision-making process, through the tools and mechanisms set forth by the Bank this purpose.

Although the Code intends to address a wide range of practices and procedures, Bladex cannot foresee all the problems and situations that may arise.

If any of the Persons Covered by this Code are not sure of what to do in a given situation, then additional information and guidance should be sought before taking any action. The Persons Covered by this Code should exercise good judgment and common sense; if something appears incorrect or unethical, it is likely to be so. If any questions regarding the best course of action to be taken in a specific situation arise, or, if a possible violation of any law, rule or ethical norm is suspected or known to have happened, , then Human Development Department should be contacted immediately in order for it to provide guidance with respect to the handling of the relevant situation. Any report of possible infringements of this Code, or any other norm that further develops or complements it, should be made through the tool that the Bank has made available for such purpose, available on the Bank's intranet and on its website.

II. PERSONS COVERED BY THIS CODE

Persons Covered by this Code are, except for legal or other reasons justified by the Audit Committee, the following (hereinafter "Persons Covered by the Code"):

- The Directors and Officers 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 nature 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

Persons Covered by the Code must maintain exemplary financial conduct, fulfilling their financial obligations and commitments on a timely manner at all times. It is imperative that those who demand this behavior of their clients also act accordingly.

The above means that Persons Covered by the Code must handle their banking, financial and commercial matters in general responsibly and in accordance with their effective capacity to incur debt. A criterion of utmost prudence must prevail in this area, which is not compatible with the existence of unpaid or overdue obligations.

Persons Covered by the Code that require it must request loans or financing exclusively to formal and recognized financial institutions that are habitually dedicated to such activities and that are acting 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 Persons Covered by the Code must not be contrary to the interests of the Institution, ethics or good social behavior.

The issuance 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 Persons Covered by this Code.

III.2. Conflicts of Interest

Any transaction which by its nature involves the Bank and a shareholder, Director, Officer or employee of the Bank, or a person from whom such shareholder, Director, Officer or employee is a shareholder, director, official, employee or agent, or a person with whom any of them has family ties (kinship), close friendship, business or prior labor 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, Officer or employee related to The Bank or its Related Persons. For the purposes of the application of this standard, the policies and guidelines of the Bank, shall further develop the scope of the concepts contained herein, including, for example, the minimum participation 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:

- Persons Covered by the Code who may find themselves in a conflict of interest situation regarding a specific transaction must disclose it to the Compliance Officer.
- Persons Covered by 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 persons in charge of such transaction, regarding the issue that causes the conflict of interest situation.
- If a collegiate decision regarding the transaction is in order, then such decision shall be made without the participation of Persons Covered by the Code who may be conflicted.

III.2.a. Transactions with Related Parties

Bladex strictly adheres to the dispositions in force that establish limits to transactions between natural and legal persons considered as Related Persons, as may be 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 ones.

Any transaction carried out with a Related Person 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 relevant 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. Receiving Invitations and Gifts

None of the Persons Covered by the Code shall 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 made by them for the benefit of the Bank or the Persons Covered by 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 Persons Covered by the Code.

Reasonable social courtesies such as symbolic or corporate gifts, invitations to dinners or events for a work meeting are excluded from the aforementioned prohibitions. This, provided that, under no circumstances any such courtesies shall be construed as a commitment, influence or that, in its nature or frequency, it could be interpreted as a deliberate will to affect the independence, impartiality or criterion of a person and they shall be infrequent, of minimal value, transparent and open. Notwithstanding the foregoing, the Persons Covered by the Code must not accept gifts or invitations of the type described in this section worth more than \$200, with an annual maximum limit of \$500 in aggregate (LI-088-G0100 Lineamientos para Aceptación u Ofrecimiento de Regalos, Invitaciones, Donaciones y Atenciones). In case of doubt as to whether it is appropriate to accept a gift or invitation, the Compliance Officer should be consulted before accepting one or the other.

If it would be inconvenient to refuse a gift, such situation must be reported in writing to the Compliance Officer, who may order the disposal of the gift and the donation of the money resulting therefrom to a non-profit organization.

III.2.c. Granting Invitations and Gifts

According to the Bank's marketing policies and strategies, corporate gifts and hand-outs may be granted to its Customers on the Bank's behalf, if they adequately represent the corporate image of the Institution and are granted exclusively to customers.

The Bank does not, nor will the Persons Covered by the Code acting on its behalf, make cash payments, donations or grant gifts to third parties for the purpose of influencing an act or decision by customers for the benefit of the Bank or the Persons Covered by 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 Persons Covered by the Code.

Reasonable social courtesies such as symbolic or corporate gifts, invitations to dinners or events for a work meeting are excluded from the aforementioned prohibitions. This, provided that, under no circumstances any such courtesies shall be construed as a commitment, influence or that, in its nature or frequency, it could be interpreted as a deliberate will to affect the independence, impartiality or criterion of a person and they shall be infrequent of minimal value, transparent and open. Notwithstanding the foregoing the Persons Covered by the Code must not accept gifts or invitations of the type described in this section worth more than \$200, with an annual maximum limit per client of \$500 in aggregate (LI-088-G0100 Lineamientos para Aceptación u Ofrecimiento de Regalos, Invitaciones, Donaciones y Atenciones).

III.2.d. Relationship with Suppliers

The relationship between the Persons Covered by the Code and suppliers must remain strictly independent and in line with the corporate interests, in accordance with the provisions of this Code always upholding the parameters of usefulness, quality and the Institution's budget.

With respect to 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 the hiring employees of the audit firm who have worked as part of the team that audited the Bank's financial statements and its subsidiaries in the previous two years.

In addition, the Bank should observe the provisions of the United States **Foreign Corrupt Practices Act ("FCPA")** with respect to the relationships that suppliers may have, including their intermediaries or agents, with members of political parties or governmental officials and the use of money paid to suppliers, their agents and/or intermediaries for their services.

The Bank does not, nor will the Persons Covered by the Code acting on its behalf, make cash payments, donations or grant gifts to suppliers for the purpose of influencing an act or decision by suppliers for the benefit of the Bank or the Persons Covered by the Code, or inducing suppliers to use influences to procure a business or grant an inadequate advantage in favor of the Bank or the Persons Covered by the Code.

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 are owned by the Institution, and as such they should be used exclusively for the purpose for which they were given, maintaining strict transparency and filing the mandatory reports in accordance with the guidelines that the Bank sets forth for this purpose.

III.2.f. Use of insider information and other related aspects

Persons Covered by the Code must abstain, when going about their personal investments, from using information they may have acquired or become aware of because of their position for their own benefit or that of any other person. Those who have access to any inside or confidential information of Bladex or its securities, must abstain from transacting with those instruments. In turn, those who are aware of the investment policies and strategies, plans, studies or negotiations, should not use such information, directly or indirectly, for gaining any advantage in any operations, for their own benefit or that of any third party.

None of the Persons Covered by 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.

All forms of currency or interest rate coverage or similar agreements that exist on the financial market (derivatives), simultaneous operations and short sales are also subject to the insider information provisions set forth herein.

Any acquisition or disposal relating to public offering of securities made by any employee of the Institution who, depending on the position held by such employee, accesses or is able to access privileged information, must be communicated in writing to the Compliance Officer.

Without prejudice to the above, it is advisable for the employees of the Institution to carry out their personal transactions for investment purposes and not speculative ones.

III.2. f.1. “Window period” and “Black-out Period”

A Window period is the time interval during which Persons Covered by the Code can freely enter into transactions that involve shares of the Bank’s stock.

In general, unless there is any reason that leads the Bank to close the Window Period, it shall commence three (3) business days after the issuance of the press releases communicating the Bank’s financial results and shall expire on the first to occur of (i) forty-five (45) calendar days from the issuance such press release, and (ii) the 15th day of the last month of each quarter (March, June, September and December).

The period that begins after the expiration of the Window Period and ends three (3) business days after the issuance of the press release regarding the Bank’s financial results is called the “Black-out Period”.

Bladex reserves the right to extend the duration of the Black-out Period or to restrict the Window Period at its sole discretion.

Persons Covered by this Code must submit written notification of any type of trades of Bladex shares carried out, immediately upon their execution by filling out the form provided by the Bank for such purpose , as follows:

- For Bank Directors or Officers, 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 Chair 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 reports received to the Bank's Shareholders Relations Department in case of Directors and Officers.

The forms used for reporting any event covered in this section are available through the Bank's Intranet or may be requested to 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, Officer 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, the Persons Covered by 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 it may deem appropriate.

III.2. f.2. "Rule" 10b5-1 of the "Securities and Exchange Commission" (SEC)

All Persons Covered by the Code have 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 Black-out Period.

Such contract, instruction or advance plan for the purchase and sale of shares adopted with the respective broker ("broker") may only be implemented for a Window 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 agreement, 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 a Window 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 Officer 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 Chair 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, Officers and Chairman of the Board, a copy of the agreement, instruction or advance plan for the purchase and sale of shares must be sent to the Shareholder Relations department, and in the case of Bank's employees, 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, Officer and Bank 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 job 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 documents must be kept strictly in accordance with internal policies.

Therefore, it is the responsibility of every employee to secure all entrusted documents and/or valuables, as well as any information of the institution's and that of its clients'.

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 disclose or communicate to third parties any such information, even to persons within the Institution, in compliance with ethical-professional principles 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.
- Inform 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.

Persons Covered by 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, Persons Covered by the Code required to participate in the preparation of the reports and documents that Bladex must register and/or present to the respective supervisory authorities shall make such disclosure in a reasonable, complete, safe, timely and understandable manner. The same conduct must be observed in the preparation of any other public communication issued by the Bank.

III.4. Acting on behalf of Bladex

III.4.a. Individual liability

As integral part of the Institution, employees assume the individual responsibility of their own actions and behavior, which includes the knowledge of and mandatory compliance with the provisions set forth in the manuals, guidelines, policies 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 an employee receives instructions that are incompatible with the values, policies and internal norms from a supervisor, he or she must communicate it to the higher-ranking members of the Human Development department, to take the necessary measures and safeguards.

The use given to the resources that the Bank makes available to employees shall be for the sole purpose of developing its business and to carry out the relevant functions in the best possible manner. The use of institutional e-mail should not compromise the Bank's image or prestige.

Employees must exercise the utmost and complete loyalty to the Institution in all its aspects, and not use its name for personal purposes. No information that would undermine the dignity of the Institution or its employees should be published or disseminated at any time.

III.4.b. Labor Responsibility

All employees must devote their time and capacity fully to the service of the Institution during working hours. Consequently, offices or other assets of the Institution shall not be used for other activities outside of the corresponding duties.

With respect to other activities or external endeavors, an employee must not assume responsibilities or functions that may constitute any kind of conflict of interest with the management of the Bank. In the absence of this contraindication, the acceptance or undertaking of any job, representation or external advisory for which payment is received, must be informed in writing to the Compliance Officer and duly authorized by Human Development department. In any case, such activities shall not interfere with the performance and obligations of the employee, nor shall they require prolonged hours of dedication that may affect the 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 could result in a conflict of interest and/or may constitute an unfair competition for Bladex.

Bladex's employees who practice university teaching may do so outside their working hours.

Participation in non-remunerated activities outside the institution is allowed so long as it does not interfere with the performance and moral conduct of the person within the Bank and is known and duly authorized by the relevant supervisor.

In the case of non-profit organizations, the Institution authorizes and encourages the participation of its employees in charitable and social assistance activities.

III.4.c. Publications and Public Presentations

Any of those Persons Covered by 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.

Any request for information that may be made by media outlets regarding Bladex must be forwarded to, and previously approved by, the Marketing department, and any of the Persons Covered by the Code must refrain from providing background or giving interviews to any such media outlets which have not been duly validated or authorized by that relevant department.

The products and services of the Institution are exclusive property thereof, as well as any contribution that any of those Persons Covered by the Code may with respect to 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 the name and on behalf of the employee, 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 unavoidable civil obligations, such as jury duty, in accordance with applicable law are excluded from this consideration.

In any case, any of the Persons Covered by the Code may request the Compliance Officer's authorization to hold an office of public connotations which may not be governmental or municipal, to the extent that there are no legal incompatibilities with the work conducted for the Bank and that the exercise of such functions does not jeopardize the reputation of the Institution.

III.4.e. Exercising Delegation of Powers

Bladex's employees may only sign documents, represent, or exercise authority on behalf of the Bank if they have the power or the specific delegation granted to them from time to time in accordance with the person's position and function performed. Any document evidencing the commitment, agreement or convention 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 Anti-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. For the purpose hereof, illegal businesses shall be those prohibited by law, as well as those that do not uphold and protect the internal policies of the Bank.

Any attempt to incur in "money laundering" activities will be considered a threat to the Institution's trust and reputation and the Bank shall do everything in its power to prevent it from being used for any such purposes.

Employees must comply with the policies and procedures set forth with respect to this matter and must report any suspicious or unusual transaction, 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

Persons Covered by the Code must always conduct themselves, inside and outside the Institution, in a manner that reflects the values promoted by the Bank. The Institution always demands respect for the dignity of all its employees and of them an honest and responsible conduct in all areas .

Special consideration in relation to the personal integrity deserves the prohibition to the Persons Covered by 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 tolerated in the ethical framework defined by Bladex, this being a workplace in which respect, professionalism and dignity must always prevail.

Likewise, Bladex encourages everyone to develop a quality of life associated with concepts such as promotion of health and wellness. 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 any duly with any authorized internal or external investigation, including, among others, those related to problems of an ethical nature, or legal procedures 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 sufficient cause for dismissal or termination of any relationship with Bladex. Any information relating to ethical problems which, for this reason, must be brought to the attention of the relevant management levels, should never be withheld or kept silent.

III.8. A culture of high honesty and ethics

The Sarbanes-Oxley Act of 2002, issued in the United States of America, provides for the obligation to ensure adequate internal controls in the organization to:

- Provide 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 is 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 is required to maintain information related to the events and operational risk incidents that may take place. 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 that may occur in the processes, both to each department supervisor 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 compliance with laws shall prevail.

Bladex, as a multinational bank, is subject to several laws and regulations of its operation in the different countries in which it has a presence or conducts operations. Failure to comply with such laws and regulations may be subject to penalties. It is the responsibility of each employee 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.

Persons Covered by the Code must inform Compliance department of any direct or indirect relationship with a public official or Politically Exposed Person. For the purpose hereof the relationship person with a 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 an intimate relationship exists, shall be considered as a direct relationship. A relationship that relates to undertakings of public nature or of association, shall be considered an indirect relationship.

None of the Persons Covered by the Code shall 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 Persons Covered by the Code.

III.10. Social network presence

Each of the Persons Covered by the Code must comply with the Bank's rules on social media behavior, behaving with respect, using good judgment and common sense, and taking care of the information they may share. Persons Covered by the Code 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, Persons Covered by the Code should avoid referring to their status as a Bank contributor or any other content that may link 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 Management 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 is required to maintain information related to the events and operational risk incidents that may take place. 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 that may occur in the processes, both to each department supervisor and to the Operational Risk department.

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 Persons Covered by 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 Persons Covered by the Code for incurring any conduct which deviates 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 of the Persons Covered by the Code a copy of the Code of Ethics at the time of hiring.

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.

Chief Executive Officer

Chief Financial Officer

Accounting Vice-president

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 29, 2021

By:

/s/ Jorge Salas

Chief Executive Officer

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 29, 2021

By:

/s/ Ana Graciela de Méndez

Chief Financial Officer

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, 2020 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 29, 2021

By:

/s/ Jorge Salas

Chief Executive Officer

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, 2020 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 29, 2021

By:

/s/ Ana Graciela de Méndez

Chief Financial Officer
