Bladex

CONSOLIDATED FINANCIAL STATEMENTS 2016

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

Consolidated Financial Statements
as of December 31, 2016 and 2015

With the Independent Auditors Report

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

Consolidated Financial Statements
as of December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year the ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Allowance for expected credit losses on loans

See Notes 3.6 and 5.6 to the consolidated financial statements

Key audit matter

The balance of loans at amortized cost as of December 31, 2016 is US$6,020,731 thousands, an 84% of the assets of the Bank, and the balance of allowance for expected credit losses on loans is US$105,988 thousands.

These items were significant to our audit due to the significance of the balance of loans at amortized cost in the consolidated financial statements taken as a whole and the significant judgments and estimates required to determine the allowance.

For loans whose allowance for expected credit losses is determined on an individual basis, the identification of impairment events and the determination of the impaired balance requires the application of significant judgments by the Administration, particularly those in relation to expected cash flows. For collectively assessed loans, impairment measurement requires significant judgment and critical assumptions, in particular in determining the probability of default, the loss given default, and whether there has been a significant increase in the credit risk of the loan.

How the matter was addressed in the audit

Our procedures included:

- Test the design and implementation and operational effectiveness of the key controls on the process of loan impairment analysis.
- Involve specialists to determine that the methodology used by the Bank is appropriate under the framework of the International Financial Reporting Standards.

How the matter was addressed in the audit (continue)

- For loans evaluated individually, we performed the following:

  i. Tested a sample of significant loans not identified as impaired and challenged Management's assumptions about its conclusion that the loan was not impaired by reprocessing the credit rating of the loan using updated credit and financial information from the loan file and taking into consideration, when available, public information showing an impairment event.

  ii. Tested a sample of impaired loans and evaluated the impairment measurement performed by the Administration through: a) evaluating the assumptions and judgments that the Administration made to determine the value of the future cash flows that are expected to be received and (b) reprocessed the value of provisions.

- For collectively assessed loans, we performed the following:

  i. Control and substantive tests, assisted by specialists, to validate the history of defaults and recoveries of the Bank's loan portfolio, and to test the accuracy and completeness of the information used for computation and establishment of probabilities of default and historical losses given default used in the calculation of the collective allowance for expected credit losses.

  ii. Involved specialists to reprocess the methodology used by the Administration in determining the allowance for expected credit losses.

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Valuation of Derivative Financial Instruments
See Notes 3.7 and 5.7 to the consolidated financial statements.

Key audit matter

Derivative financial instruments used for hedging at December 31, 2016 amounted to an asset carrying value of US$9,352 thousand and a liability carrying value of US$59,686 thousand. The valuation of the derivative financial instruments of the Bank involves a degree of complexity due to the valuation techniques used and the importance of the judgments and estimates made by the Administration due to the lack of quoted market prices that can be obtained in an active market. Our audit has focused on valuation tests, including those for inclusion of collateral.

How the matter was addressed in the audit

Our audit procedures included, with the assistance of specialists in valuation of derivative financial instruments:

- Tests of design, implementation and operational effectiveness of key controls in the identification, measurement and monitoring of the risk of valuation of the Bank's derivative financial instruments, including controls on data sources, price verification and other inputs used in valuation models.

- Analysis of the variables used in the models. This work included the calculation of the fair value of a sample of derivative financial instruments using independent variables and in some cases resulted in valuations different from those calculated by the Bank, which were within the reasonable ranges.

- Tests of key inputs to the valuation model to review the results of the model.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidated the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonable be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Luis Castro.

DELOITTE.

March 17, 2017
Panama, Republic of Panama

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

Consolidated statement of financial position
For the years ended December 31, 2016 and 2015
(In US$ thousand)

	Notes	2016	2015
Assets			
Cash and cash equivalents	4,18	1,069,538	1,299,966
Financial Instruments:			
At fair value through profit or loss	5.2,18	-	53,411
At fair value through OCI	5.3,18	30,607	141,803
Securities at amortized cost, net	5.4,18	77,214	108,215
Loans at amortized cost	5.6	6,020,731	6,691,749
Less:			
Allowance for expected credit losses	5.6	105,988	89,974
Unearned interest and deferred fees	5.6	7,249	9,304
Loans at amortized cost, net		5,907,494	6,592,471
At fair value - Derivative financial instruments used for hedging – receivable	5.7,5.8,18	9,352	7,400
Property and equipment, net	7	8,549	6,173
Intangibles, net	8	2,909	427
Other assets:			
Customers' liabilities under acceptances	18	19,387	15,100
Accrued interest receivable	18	44,187	45,456
Other assets	9	11,546	15,794
Total of other assets		75,120	76,350
Total assets		7,180,783	8,286,216
Liabilities and stockholders' equity			
Deposits:	10,18		
Noninterest-bearing - Demand		1,617	639
Interest-bearing - Demand		125,397	243,200
Time		2,675,838	2,551,630
Total deposits		2,802,852	2,795,469
At fair value – Derivative financial instruments used for hedging – payable	5.7,5.8,18	59,686	29,889
Financial liabilities at fair value through profit or loss	5.1,5.8,18	24	89
Securities sold under repurchase agreement	5.8,11,18	-	114,084
Short-term borrowings and debt	12.1,18	1,470,075	2,430,357
Long-term borrowings and debt, net	12.2,18	1,776,738	1,881,813
Other liabilities:			
Acceptances outstanding	18	19,387	15,100
Accrued interest payable	18	16,603	17,716
Allowance for expected credit losses on loan commitments and financial guarantees contracts	6	5,776	5,424
Other liabilities	13	18,328	24,344
Total other liabilities		60,094	62,584
Total liabilities		6,169,469	7,314,285
Stockholders' equity:	14,15,16,19		
Common stock		279,980	279,980
Treasury stock	15	(69,176)	(73,397)
Additional paid-in capital in excess of assigned value of common stock		120,594	120,177
Capital reserves		95,210	95,210
Retained earnings		587,507	560,642
Accumulated other comprehensive loss	5.3,5.7,19	(2,801)	(10,681)
Total stockholders' equity		1,011,314	971,931
Total liabilities and stockholders' equity		7,180,783	8,286,216

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

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

Consolidated statements of profit or loss
For the years ended December 31, 2016, 2015 and 2014
(In US$ thousand, except per share amounts)

	Notes	2016	2015	2014
Interest income:				
Deposits		4,472	2,050	1,545
At fair value through OCI		2,254	6,033	8,115
At amortized cost		239,172	212,229	203,238
Total interest income		245,898	220,312	212,898
Interest expense:				
Deposits		20,131	11,788	11,245
Short-term borrowings and debt		16,530	23,005	23,893
Long-term borrowings and debt		54,028	40,040	36,424
Total interest expense		90,689	74,833	71,562
Net interest income		155,209	145,479	141,336
Other income:				
Fees and commissions, net	21	14,306	19,200	17,502
Derivative financial instruments and foreign currency exchange	5.7	(486)	(23)	208
(Loss) Gain per financial instrument at fair value through profit or loss	22	(2,883)	5,731	2,361
(Loss) Gain per financial instrument at fair value through OCI		(356)	363	1,871
Gain on sale of loans at amortized cost		806	1,505	2,546
Other income		1,378	1,603	1,786
Net other income		12,765	28,379	26,274
Total income		167,974	173,858	167,610
Expenses:				
Impairment loss from expected credit losses on loans at amortized cost	5.6	34,760	17,248	6,782
Impairment loss from expected credit losses on investment securities	5.3,5.4	3	5,290	1,030
Impairment (recovery) loss from expected credit losses on loan commitments and financial guarantee contracts	6	352	(4,448)	3,819
Salaries and other employee expenses	23	25,196	30,435	31,566
Depreciation of equipment and leasehold improvements	7	1,457	1,371	1,545
Amortization of intangible assets	8	629	596	942
Other expenses	24	18,532	19,382	19,560
Total expenses		80,929	69,874	65,244
Profit for the year		87,045	103,984	102,366
Earnings per share:				
Basic	14	2.23	2.67	2.65
Diluted	14	2.22	2.66	2.63
Weighted average basic shares	14	39,085	38,925	38,693
Weighted average diluted shares	14	39,210	39,113	38,882

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

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

Consolidated statements of profit or loss and other comprehensive income
For the years ended December 31, 2016, 2015 and 2014
(In US$ thousand)

	Notes	2016	2015	2014
Profit for the year		87,045	103,984	102,366
Other comprehensive income (loss):				
Items that are or may be reclassified to consolidated statement of profit or loss:				
Net change in unrealized gain (losses) on financial instruments at fair value through OCI	19	8,078	(2,114)	2,212
Net change in unrealized losses on derivative financial instruments	19	(198)	(730)	(349)
Other comprehensive income (loss)	19	7,880	(2,844)	1,863
Total comprehensive income for the year		94,925	101,140	104,229

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

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

Consolidated statements of changes in equity
For the years ended December 31, 2016, 2015 and 2014
(In US$ thousand)

	Common stock	Treasury stock	Additional paid-in capital in excess of assigned value of common stock	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balances at January 1, 2014	279,980	(82,008)	120,624	95,210	454,896	(9,700)	859,002
Profit for the year	-	-	-	-	102,366	-	102,366
Other comprehensive income	-	-	-	-	-	1,863	1,863
Issuance of restricted stock	-	629	(629)	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	2,573	-	-	-	2,573
Exercised options and stock units vested	-	4,392	(2,924)	-	-	-	1,468
Repurchase of "Class B" and "Class E" common stock	-	(640)	-	-	-	-	(640)
Dividends declared	-	-	-	-	(55,593)	-	(55,593)
Balances at December 31, 2014	279,980	(77,627)	119,644	95,210	501,669	(7,837)	911,039
Profit for the year	-	-	-	-	103,984	-	103,984
Other comprehensive income	-	-	-	-	-	(2,844)	(2,844)
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	3,296	-	-	-	3,296
Exercised options and stock units vested	-	2,971	(1,504)	-	-	-	1,467
Dividends declared	-	-	-	-	(45,011)	-	(45,011)
Balances at December 31, 2015	279,980	(73,397)	120,177	95,210	560,642	(10,681)	971,931
Profit for the year	-	-	-	-	87,045	-	87,045
Other comprehensive income	-	-	-	-	-	7,880	7,880
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	3,063	-	-	-	3,063
Exercised options and stock units vested	-	2,962	(1,387)	-	-	-	1,575
Dividends declared	-	-	-	-	(60,180)	-	(60,180)
Balances at December 31, 2016	279,980	(69,176)	120,594	95,210	587,507	(2,801)	1,011,314

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

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

Consolidated statements of cash flows
For the years ended December 31, 2016, 2015 and 2014
(In US$ thousand)

	2016	2015	2014
Cash flows from operating activities			
Profit for the year	87,045	103,984	102,366
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Activities of derivative financial instruments used for hedging	21,333	(2,279)	33,338
Depreciation of equipment and leasehold improvements	1,457	1,371	1,545
Amortization of intangible assets	629	596	942
Impairment loss from expected credit losses	35,115	18,090	11,638
Net gain (loss) on sale of financial assets at fair value through OCI	356	(363)	(1,871)
Compensation cost - share-based payment	3,063	3,296	2,573
Interest income	(245,898)	(220,312)	(212,898)
Interest expense	90,689	74,833	71,562
Net decrease (increase) in operating assets:			
Net decrease (increase) in pledged deposits	(29,148)	6,546	(30,178)
Financial instruments at fair value through profit or loss	53,411	2,545	11,738
Net decrease (increase) in loans at amortized cost	650,217	(7,410)	(536,075)
Other assets	(39)	(7,738)	(5,191)
Net increase (decrease) in operating liabilities:			
Net increase due to depositors	7,383	288,775	145,358
Financial liabilities at fair value through profit or loss	(65)	37	(20)
Other liabilities	(1,774)	6,398	3,646
Cash provided by operating activities:			
Interest received	247,167	223,033	205,519
Interest paid	(91,802)	(71,972)	(70,530)
Net cash provided by (used in) operating activities	829,139	419,430	(266,538)
Cash flows from investing activities:			
Acquisition of equipment and leasehold improvements	(3,973)	(615)	(87)
Acquisition of intangible assets	(3,111)	-	(83)
Proceeds from disposal of equipment and leasehold improvements	140	32	13
Proceeds from disposal of intangible assets	-	1	7
Proceeds from the redemption of of financial instruments at fair value through OCI	107,088	151,131	62,535
Proceeds from the sale of financial instruments at fair value through OCI	102,655	118,210	223,219
Proceeds from maturities of financial instruments at amortized cost	55,240	44,923	19,883
Purchases of financial instruments at fair value through OCI	(84,153)	(86,629)	(287,770)
Purchases of financial instruments at amortized cost	(24,600)	(96,920)	(40,305)
Net cash provided by (used in) investing activities	149,286	130,133	(22,588)
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings and debt and securities sold under repurchase agreements	(1,074,366)	(448,615)	1,529
Proceeds from long-term borrowings and debt	403,489	946,084	641,138
Repayments of long-term borrowings and debt	(508,564)	(462,559)	(389,490)
Dividends paid	(60,135)	(59,943)	(54,262)
Exercised stock options	1,575	1,467	1,469
Repurchase of common stock	-	-	(640)
Net cash (used in) provided by financing activities	(1,238,001)	(23,566)	199,744
Net (decrease) increase in cash and cash equivalents	(259,576)	525,997	(89,381)
Cash and cash equivalents at beginning of the year	1,267,302	741,305	830,686
Cash and cash equivalents at end of the year	1,007,726	1,267,302	741,305

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

1. Corporate information

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

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

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

Bladex Head Office's subsidiaries are the following:

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

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

- Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owned 99% of Bladex Investimentos Ltda., and Bladex Holdings Inc. owned the remaining 1%. This company had invested substantially all of its assets in an investment fund, Alpha 4x Latam Fundo de Investimento Multimercado, incorporated in Brazil ("the Brazilian Fund"), registered with the Securities and Exchange Commission of Brazil ("CVM", for its acronym in Portuguese). Bladex Investimentos Ltda. merged with Bladex Representacao Ltda. on April 2016, being the former the extinct company under Brazilian law and prevailing the acquiring company Bladex Representacao Ltda.

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

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

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

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

The consolidated financial statements have been authorized for issue by resolution of the Board of Directors dated February 14, 2017.

2. Basis of preparation of the consolidated financial statements

2.1 Statement of compliance

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

2.2 Basis of valuation and presentation currency

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

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

2.3 Basis of consolidation

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

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

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

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

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

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

2. Basis of preparation of the consolidated financial statements

2.3 Basis of consolidation (continued)

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

In the event of a loss of control of a controlled subsidiary, the Bank applies the following procedures to remove the subsidiary from consolidation:

- Derecognition of the assets (including goodwill) and liabilities of the subsidiary
- Derecognition of the carrying amount of any non-controlling interest
- Derecognition of the cumulative translation differences, recorded in statement of changes in equity
- Recognition of the fair value of the consideration received
- Recognition of the fair value of any investment retained
- Recognition of any surplus or deficit to the consolidated statement of profit or loss
- Reclassification of the parent’s share of components previously recognized in other comprehensive income to the consolidated statement of profit or loss or retained earnings, as appropriate.

3. Summary of significant accounting policies

The following are the significant accounting policies applied consistently by the Bank to all years presented in these consolidated financial statements.

3.1 Currency and foreign currency transactions

3.1.1 Foreign currency transactions

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

3.1.2 Transactions and balances

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

Transactions whose terms are denominated in a currency other than the functional currency, including transactions denominated in local currency of the foreign entity with the US dollar as their functional currency, are recorded at the exchange rate prevailing at the date of the transaction. Assets and liabilities in foreign currency are translated into US dollar using month-end spot foreign exchange rates. The effects of translation of monetary assets and liabilities into US dollar are included in current year’s earnings in the gain (loss) on foreign currency exchange line item.

3. Summary of significant accounting policies (continued)

3.1 Currency and foreign currency transactions (continued)

3.1.2 Transactions and balances (continued)

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

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

3.2 Cash and cash equivalents

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

3.3 Financial instruments

3.3.1 Date of recognition

All financial assets and liabilities are initially recognized on the trade date, the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3.3.2 Initial measurement of financial instruments

The Bank classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of these financial assets. The Bank classifies all financial liabilities as subsequently measured at amortized costs, except for those liabilities measured at fair value through profit or loss as a result of hedge accounting, as well as liabilities measured at fair value in the case of undesignated derivatives.

3.3.3 Business model assessment

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

- The Bank's policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risk that affect the performance of the business model and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

3. Summary of significant accounting policies (continued)

3.3.4 Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

3.3.5 Financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets and liabilities at fair value through profit or loss include financial instruments acquired for trading purposes, and receivables (unrealized gains) and payables (unrealized losses) related to derivative financial instruments which are not designated as hedges or which do not qualify for hedge accounting.

Unrealized and realized gains and losses on assets and liabilities at FVTPL are recorded in the consolidated statement of profit or loss as net gain (loss) from financial instruments at FVTPL.

3.3.6 Financial assets at fair value through other comprehensive income (FVOCI)

These securities consist of debt instruments not classified as either securities at FVTPL or securities at amortized cost, and are subject to the same approval criteria as the rest of the credit portfolio. These securities are carried at fair value if both of the following conditions are met:

- The financial asset is held according to a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Unrealized gains and losses are reported as net increases or decreases to accumulated other comprehensive income (loss) ("OCI") in the consolidated statement of changes in equity until they are realized. Realized gains and losses from the sale of securities which are included in net gain on sale of securities are determined using the specific identification method.

3.3.7 Financial assets at amortized cost

Financial assets classified at amortized cost represent securities and loans whose objective is to hold them in order to collect contractual cash flows over the life of the instrument. These securities and loans are measured at amortized cost if both of the following conditions are met:

- The financial asset is held according to a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Summary of significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.8 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

3.3.9 Derecognition of financial assets and financial liabilities

<u>Financial assets</u>

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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

<u>Financial liabilities</u>

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 a an extinguishment of the original liability and the recognition of a new liability.

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

3. Summary of significant accounting policies (continued)

3.3.9 Derecognition of financial assets and financial liabilities (continued)

Impairment of financial assets – investment securities

The Bank conducts periodic reviews for all of its securities. The Bank recognizes a loss allowance for expected credit losses on investment securities measured at fair value through other comprehensive income and investment securities measured at amortized cost. If at the reporting date, the credit risk of these financial instruments has not increased significantly since initial recognition, the Bank will measure the loss allowance for those financial instruments at an amount equal to 12-month expected credit losses. However, if the Bank determines that the credit risk of those financial instruments has increased significantly since initial recognition, then it measures a loss allowance at an amount equal to the lifetime expected credit losses. If the Bank has measured a loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting year because of a significant increase in credit risk, but determines at the current reporting date that this presumption is no longer met; then it will measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date. The Bank recognizes in the consolidated statement of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance to the amount that is required to be recognized at the reporting date.

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

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

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

3.4 Non-financial assets

A non-financial asset is an asset with a physical or intangible value and it is subject to the impairment guidelines prescribed in IAS 36 – *Impairment of assets.*

3. Summary of significant accounting policies (continued)

3.4 Non-financial assets

3.4.1 Impairment of non-financial assets

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

3.5 Loans - at amortized cost

Loans are reported at their amortized cost considering the principal outstanding amounts net of unearned interest, and deferred fees and allowance for expected credit losses. Interest income is recognized using the effective interest rate method. This shall be calculated by applying the effective interest rate to the gross carrying amount of the loan, except for: a) purchased or originated credit-impaired loans. For these financial assets, the Bank applies the credit-adjusted effective interest rate to the amortiz ed cost of the financial asset from initial recognition; and b) loans that have subsequently become credit-impaired financial assets. For these loans, the Bank shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting ye ars.

The amortization of net unearned interest and deferred fees are recognized as an adjustment to the related loan yield using the effective interest rate method.

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

Default

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

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

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

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

Modified Loan

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

3. Summary of significant accounting policies (continued)

3.5 Loans - at amortized cost (continued)

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

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

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

The Bank maintains a system of internal credit quality indicators. These indicators are assigned depending on several factors which include: profitability, quality of assets, liquidity and cash flows, capitalization and indebtedness, economic environment and positioning, regulatory framework and/or industry, sensitivity scenarios and the quality of borrower's management and shareholders, among others.

A description of these indicators is as follows:

Rating	Description
1 to 4	Clients with payment ability to satisfy their financial commitments.
5 to 6	Clients with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	Clients exposed to systemic risks specific to the country or the industry in which they are located, facing adverse situations in their operation or financial condition. At this level, access to new funding is uncertain.
8	Clients whose primary source of payment (operating cash flow) is inadequate, and who show evidence of deterioration in their working capital that does not allow them to satisfy payments on the agreed terms, endangering recovery of unpaid balances.
9	Clients whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms. Due to the fact that the borrower presents an impaired financial and economic situation, the likelihood of recovery is low.
10	Clients with operating cash flow that does not cover their costs, are in suspension of payments, presumably will also have difficulties fulfilling possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

3. Summary of significant accounting policies (continued)

3.5 Loans - at amortized cost (continued)

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

The Bank's lending portfolio is comprised of the following segments: corporations, sovereign, middle-market companies and banking and financial institutions. The distinction between corporations and middle-market companies depends on the client's level of annual sales in relation to the country risk, among other criteria. Except for the sovereign segment, segments are broken down into state-owned and private.

The Bank's lending policy is applicable to all types of loans.

3.6 Allowance for expected credit losses

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

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

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

- 12-month ECLs (Stage 1), which applies to all loans (from initial recognition) as long as there is no significant deterioration in credit quality,

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

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

3. Summary of significant accounting policies (continued)

3.6 Allowance for expected credit losses (continued)

Significant increase in credit risk

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

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

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

For loan commitments, the Bank considers changes in the risk of a default occurring on the 'potential' loan to which a loan commitment relates, and for financial guarantee contracts, changes in the risk that the specified debtor will default, are taken into consideration. In order to determine whether there has been a significant increase in the credit risk of the financial instrument, the assessment is based on quantitative information and qualitative information. The Bank considers the following factors though not exhaustive, when measuring significant increase in credit risk:

a) Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception; b) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life; c) An actual or expected significant change in the financial instrument's external credit rating; d) Existing or forecast adverse changes in business, financial or economic conditions; e) An actual or expected significant change in the operating results of the borrower; f) An actual or expected significant adverse change in the regulatory environment; g) economic, or technological environment of the borrower; h) Significant changes in the value of the collateral supporting the obligation; i) 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.

The reserve balances, for exposures on loans at amortized cost and loan commitments and financial guarantees contracts, are calculated applying the following formula:

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

- Exposure (E) = the total accounting balance at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio to account for 12-month expected credit losses and lifetime probability of default to account for more than 12-month. Default rates are based on Bladex's historical portfolio performance per rating category, complemented by International Rating Agency's probabilities of default for categories 6, 7 and 8, in view of the greater robustness of data for such cases.
- Loss Given Default (LGD) = a factor is utilized, based on historical information, same as based on best practices in the banking industry, volatility and simulated scenarios based on forward-looking information. Management applies judgment and historical loss experience. Management also applies complementary judgment to capture elements of prospective nature or loss expectations based on risks identified in the environment that are not necessarily reflected in the historical data. The allowance policy is applicable to all classes of loans and, loan commitments and financial guarantee contracts of the Bank.

3. Summary of significant accounting policies (continued)

3.6 Allowance for expected credit losses (continued)

Write-off

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

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

3.7 Derivative financial instruments for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

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

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

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

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

Derivatives held for trading purposes include interest rate swap, cross-currency swap, foreign exchange forward and future contracts used for risk management purposes that do not qualify for hedge accounting. These derivatives are reported as asset or liabilities, as applicable. Changes in realized and unrealized gains and losses and interest from these financial instruments are included in gain or loss per financial instrument at fair value through profit or loss.

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

3. Summary of significant accounting policies (continued)

3.7 Derivative financial instruments and hedge accounting (continued)

Economic relationship

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

Hedge ratio

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

Discontinuation of hedge accounting

The Bank discontinues hedge accounting prospectively in the following situations:

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

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

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized in the consolidated statement of profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. 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.

Cash flow hedges

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

3. Summary of significant accounting policies (continued)

3.7 Derivative financial instruments and hedge accounting (continued)

Net investment hedges

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

3.8 Repurchase agreements

Repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Bank continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Bank sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

3.9 Borrowings and debt

Short and long-term borrowings and debt are accounted for at amortized cost.

3.10 Recognition of income and expenses

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers.

Income is recognized to the extent that is probable that the economic benefits will flow to the Bank and it is reliably measured, regardless of when the payment is made. This income is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment an excluding taxes or duty.

Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time.
- Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and other management and advisory fees.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

3. Summary of significant accounting policies (continued)

3.10 Recognition of income and expenses (continued)

Fees and commissions on loans at amortized cost

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on an effective interest rate basis. These fees are regarded as compensation for an ongoing involvement with the acquisition of a financial instrument. If the commitment expires without the Bank making the loan, the fee is recognized as revenue on expiration.

Loan origination fees, net of direct loan origination costs, are deferred, and the net amount is recognized as revenue over the contractual term of the loans as an adjustment to the yield. When there are concerns about the realization of loan principal or interest, these net fees are recognized as revenue at the credit-adjusted effective interest rate for credit-impaired financial assets. Underwriting fees are recognized as revenue when the Bank has rendered all services to the issuer and is entitled to collect th e fee from the issuer, when there are no contingencies related to the fee. Underwriting fees are recognized net of syndicate expenses.
In addition, the Bank recognizes credit arrangement and syndication fees as revenue after satisfying certain retention, timing and yield criteria.

Fees received in connection with a modification of terms of a loan at amortized cost are applied as a reduction of the recorded investment in the loan. Fees earned on letters of credit, financial guarantees and other commitments are amortized using the straight-line method over the life of such instruments.

3.11 Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

	Useful life in Years
Furniture and equipment	3 to 5 years
Leasehold improvements	3 to 15 years or up to the lease term

Improvements to leased properties, under operating leases are amortized on a straight line calculated without exceeding the len gth of the respective lease contracts.

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

3. Summary of significant accounting policies (continued)

3.12 Intangible assets

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

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

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

3.13 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the consolidated statement of financial positi on.

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

3.14 Operating leases

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

<u>Banks as a lessee</u>

Leases where the lessor do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

<u>Bank as a sub-lessor</u>

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

3. Summary of significant accounting policies (continued)

3.15 Provisions

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

3.16 Capital reserves

Capital reserves are established as an appropriation of retained earnings and are, as such, a form of retained earnings. Reductions of capital reserves require the approval of the Bank's Board of Directors and the SBP. Other capital reserves include:

- Translation reserve: The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.
- Hedging reserve: The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.
- Fair value reserve: The fair value reserve comprises the cumulative net change in the fair value of investment securities measured at FVOCI, less the ECL allowance recognized in profit or loss.

3.17 Share–based payment transactions

The Bank applies IFRS 2 for share–based payment transactions to account for compensation costs on restricted stock, restricted stock units and stock option plans. Compensation cost is based on the grant date fair value of both stock and options and is recognized over the requisite service period of the employee, using the accelerated method. The fair value of each option is estimated at the grant date using a binomial option-pricing model. When stocks options and restricted stock units vested are exercised, the Bank's policy is to reissue shares from treasury stock.

3.18 Income taxes

Current income tax

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

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract law signed between the Republic of Panama and Bladex.
- The Feeder and the Master are not subject to income taxes in accordance with the laws of the Cayman Islands. These companies received an undertaking exempting them from taxation of all future profits until March 7, 2026.
- Bladex Representacao Ltda. and Bladex Investimentos Ltda., are subject to income taxes in Brazil.
- Bladex Development Corp. is subject to income taxes in Panama.
- BLX Soluciones, S.A. de C.V., SOFOM, is subject to income taxes in Mexico.
- The New York Agency and Bladex Holdings, Inc. incorporated in USA are subject to federal and local taxation in USA based on the portion of income that is effectively connected with its operations in that country.

Deferred tax

Deferred tax is calculated based on the liability method, on temporary differences between the carrying amounts of assets and liabilities reported for financial purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the embodiment of assets and liabilities using the rate of income tax in effect on the date of the consolidated statement of financial position.

3. Summary of significant accounting policies (continued)

3.19 Earnings per share

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

3.20 Treasury shares and contracts on own shares

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

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

3.21 Segment reporting

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

3.22 Judgments, estimates and significant accounting assumptions

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

<u>Judgments</u>

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:

<u>Reserve for expected credit losses</u>

When determining the reserve for expected credit losses, management's judgment is required for evaluating the amount and timing of future cash flows in order to determine whether credit risk has increased significantly since initial recognition, considering the characteristics of the loans and the default patterns in the past for comparable financial instruments. Changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring. The Bank uses changes in the risk of a default occurring over the next 12 months to determine whether credit risk has increased significantly since initial recognition, unless circumstances indicate that a lifetime assessment is necessary.

3. Summary of significant accounting policies (continued)

3.22 Judgments, estimates and significant accounting assumptions (continued)

Fair value measurement

When the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 18.

Estimates and assumptions

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

Going concern

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

Impairment losses on loans at amortized cost

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

Impairment of investments securities measured at fair value through OCI and investment securities at amortized cost

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

3. Summary of significant accounting policies (continued)

3.23 Future changes in applicable accounting policies

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. IFRS 16 supersedes IAS 17 – Leases. The Bank is evaluating the potential impact of this new standard in its consolidated financial statements.

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

4. Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash and due from banks	598,027	2,601
Interest-bearing deposits in banks	471,511	1,297,365
Total	1,069,538	1,299,966
Less:		
Pledged deposits	61,812	32,664
Total cash and cash equivalents	**1,007,726**	**1,267,302**

Interest-bearing deposits in banks

Demand deposits

As of December 31, 2016 and 2015, cash in banks balances correspond to bank deposits, bearing interest based on the daily rates determined by banks for between 0.01% and 0.77% and 0.01% to 0.35%, respectively.

Time deposits

As of December 31, 2016 and 2015, cash equivalents balances correspond to demand deposits (overnight), bearing an average interest rate of 0.83% to 0.88% and 0.40% to 0.52%, respectively.

Pledged deposits

	December 31, 2016	December 31, 2015
Pledged deposits:		
New York[(1)]	2,800	3,300
Panama[(2)]	59,012	29,364
Total	**61,812**	**32,664**

[(1)] The New York Agency had a pledged deposit with the New York State Banking Department, as required by law since March 1994.
[(2)] The Bank had pledged deposits to secure derivative financial instruments transactions and repurchase agreements.

5. Financial instruments

5.1 Financial instruments at FVTPL – Fair value through profit or loss

The fair value of financial liabilities at FVTPL is as follows:

	December 31, 2016	December 31, 2015
Liabilities		
Interest rate swaps	-	15
Foreign exchange forward	24	74
Total	**24**	**89**

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

5. Financial instruments (continued)

5.1 Financial instruments at FVTPL – Fair value through profit or loss (continued)

The information on the nominal amounts of derivative financial instruments at FVTPL is as follows:

	December 31, 2016			December 31, 2015		
	Nominal Amount	Fair Value		Nominal Amount	Fair Value	
		Asset	Liability		Asset	Liability
Interest rate swaps	-	-	-	14,000	-	15
Forward foreign exchange	1,274	-	24	1,675	-	74
Total	**1,274**	**-**	**24**	**15,675**	**-**	**89**

5.2 Investment Funds at FVTPL – Fair value through profit or loss

The Bank maintained an investment in the Alpha4X Feeder Fund (the "Feeder") which was organized under a "Feeder-Master" structure. Under this structure, the Feeder invested all of its assets in the Master which in turn invested in various assets on behalf of its investor. At December 31, 2015, the investment funds consisted of the net asset value (NAV) of Bladex's investment in the Feeder and in the Brazilian Fund.

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

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

The following table summarizes the balances of investments in investment funds:

	December 31, 2016	December 31, 2015
Alpha4X Feeder Fund	-	49,585
Alpha4X Latam Fundo de Investimento Multimercado	-	3,826
	-	**53,411**

The Bank remained committed to being an investor of these funds until March 31, 2016 and was later redeemed completely.

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

5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income

The amortized cost, related unrealized gross gain (loss) and fair value of securities at fair value through other comprehensive income by country risk and type of debt are as follows:

	December 31, 2016			
		Unrealized		
	Amortized Cost	Gain	Loss	Fair Value
Corporate debt:				
Brazil	3,144	-	62	3,082
Venezuela	10,810	20	3	10,827
	13,954	20	65	13,909
Sovereign debt:				
Brazil	2,926	-	140	2,786
Chile	5,229	-	59	5,170
Trinidad and Tobago	9,283	-	541	8,742
	17,438	-	740	16,698
	31,392	**20**	**805**	**30,607**

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

5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income (continued)

	December 31, 2015			
		Unrealized		
	Amortized Cost	Gain	Loss	Fair Value
Corporate debt:				
Brazil	31,831	-	3,000	28,831
Chile	8,205	-	209	7,996
Colombia	17,815	-	7,110	10,705
Honduras	7,195	-	61	7,134
Panama	4,648	-	73	4,575
Peru	7,339	-	64	7,275
Venezuela	18,392	-	93	18,299
	95,425	-	10,610	84,815
Sovereign debt:				
Brazil	11,625	-	1,285	10,340
Chile	10,536	-	323	10,213
Colombia	12,046	-	670	11,376
Mexico	17,272	-	681	16,591
Trinidad and Tobago	9,705	-	1,237	8,468
	61,184	-	4,196	56,988
	156,609	**-**	**14,806**	**141,803**

As of December 31, 2016, there were no securities at fair value through OCI guaranteeing repurchase transactions.
As of December 31, 2015, securities at fair value through OCI with a carrying value of $87.6 million were pledged to secure repurchase transactions accounted for as secured financings.

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

5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income (continued)

The following table discloses those securities that have had unrealized losses for a period less than 12 months and for 12 months or longer:

	December 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	1,805	3	3,082	62	4,887	65
Sovereign debt	5,170	59	11,528	681	16,698	740
Total	**6,975**	**62**	**14,610**	**743**	**21,585**	**805**

	December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	63,611	1,010	21,204	9,600	84,815	10,610
Sovereign debt	23,468	846	33,520	3,350	56,988	4,196
Total	**87,079**	**1,856**	**54,724**	**12,950**	**141,803**	**14,806**

The following table presents the realized gains and losses on sale of securities at fair value through other comprehensive inco me:

	December 31, 2016	December 31, 2015	December 31, 2014
Realized gain on sale of securities	221	469	1,891
Realized loss on sale of securities	(577)	(106)	(20)
Net (loss) gain on sale of securities at fair value through other comprehensive income	**(356)**	**363**	**1,871**

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

5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income (continued)

Securities at fair value through other comprehensive income classified by issuer's credit quality indicators are as follows:

Rating[(1)]	December 31, 2016	December 31, 2015
1-4	30,607	133,989
5-6	-	6,224
7	-	1,590
8	-	-
9	-	-
10	-	-
Total	**30,607**	**141,803**

[(1)] Current ratings as of December 31, 2016 and 2015, respectively.

The amortized cost and fair value of securities at fair value through other comprehensive income by contractual maturity are shown in the following tables:

	December 31, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	-	-	21,068	20,212
After 1 year but within 5 years	17,656	16,994	79,689	69,625
After 5 years but within 10 years	13,736	13,613	55,852	51,966
	31,392	**30,607**	**156,609**	**141,803**

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

5. Financial instruments (continued)

5.3 Securities at fair value through other comprehensive income (continued)

The allowance for expected credit losses relating to securities at fair value through other comprehensive income is as follow:

	Stage 1 (1)	Stage 2 (2)	Stage 3 (3)	Total
Allowance for expected credit losses as of December 31, 2015	**234**	**178**	**6,737**	**7,149**
Transfer to lifetime expected credit losses	(31)	456	-	425
Transfer to credit-impaired financial assets	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(15)	(168)	-	(183)
Financial assets that have been derecognized during the year	(174)	(203)	-	(377)
Changes due to financial instruments recognized as of December 31, 2015:	(220)	85	-	(135)
New financial assets originated or purchased	28	-	-	28
Write-offs	-	-	(6,737)	(6,737)
Allowance for expected credit losses as of December 31, 2016	**42**	**263**	**-**	**305**

	Stage 1 (1)	Stage 2 (2)	Stage 3 (3)	Total
Allowance for expected credit losses as of December 31, 2014	**701**	**1,408**	**-**	**2,109**
Transfer to lifetime expected credit losses	(5,507)	5,507	-	-
Transfer to credit-impaired financial assets	-	(6,737)	6,737	-
Transfer to 12-month expected credit losses	-	-	-	-
Financial assets that have been derecognized during the year	(277)	-	-	(277)
Changes due to financial instruments recognized as of December 31, 2014:	(5,784)	(1,230)	6,737	(277)
New financial assets originated or purchased	5,317	-	-	5,317
Allowance for expected credit losses as of December 31, 2015	**234**	**178**	**6,737**	**7,149**

(1) 12-month expected credit losses
(2) Lifetime expected credit losses
(3) Credit-impaired financial assets (lifetime expected credit losses)

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

5. Financial instruments (continued)

5.4 Securities at amortized cost

The amortized cost, related unrealized gross gain (loss) and fair value of these securities by country risk and type of debt are as follows:

	December 31, 2016			
		Unrealized		
	Amortized Cost (1)	Gross Gain	Gross Loss	Fair Value
Corporate debt:				
Brazil	4,614	-	146	4,468
Panama	3,000	-	-	3,000
	7,614	-	146	7,468
Sovereign debt:				
Brazil	11,179	37	194	11,022
Colombia	29,812	34	280	29,566
Mexico	20,541	-	1,059	19,482
Panama	8,670	198	-	8,868
	70,202	269	1,533	68,938
	77,816	**269**	**1,679**	**76,406**

	December 31, 2015			
		Unrealized		
	Amortized Cost (2)	Gross Gain	Gross Loss	Fair Value
Corporate debt:				
Brazil	1,484	-	383	1,101
Costa Rica	5,000	-	-	5,000
Panama	20,008	45	-	20,053
	26,492	45	383	26,154
Sovereign debt:				
Brazil	21,903	-	3,260	18,643
Colombia	30,599	-	1,530	29,069
Mexico	20,871	-	1,684	19,187
Panama	8,876	4	-	8,880
	82,249	4	6,474	75,779
	108,741	**49**	**6,857**	**101,933**

(1) Amounts do not include allowance for expected credit losses of $602.
(2) Amounts do not include allowance for expected credit losses of $526.

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

Financial instruments (continued)

5.4 Securities at amortized cost (continued)

The amortized cost and fair value of securities at amortized cost by contractual maturity are shown in the following tables:

	December 31, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	3,988	4,025	28,454	28,474
After 1 year but within 5 years	68,537	67,358	43,236	39,206
After 5 years but within 10 years	5,291	5,023	37,051	34,253
	77,816	**76,406**	**108,741**	**101,933**

As of December 31, 2016, there were no securities at amortized cost, guaranteeing repurchase transactions. As of December 31, 2015, securities at amortized cost with a carrying value of $56.3 million, were pledged to secure repurchase transactions accounted for as secured financings.

Securities at amortized cost classified by issuer's credit quality indicators are as follows:

Rating[1]	December 31, 2016	December 31, 2015
1-4	76,333	94,257
5-6	1,483	14,484
7	-	-
8	-	-
9	-	-
10	-	-
Total	77,816	108,741

[1] Current ratings as of December 31, 2016 and 2015, respectively.

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

5. Financial instruments (continued)

5.4 Securities at amortized cost (continued)

The allowance for expected credit losses relating to securities at amortized cost is as follow:

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2015	**348**	**178**	**-**	**526**
Transfer to lifetime expected credit losses	(43)	444	-	**401**
Transfer to credit-impaired financial assets	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(5)	(91)	-	**(96)**
Financial assets that have been derecognized during the year	(317)	(28)	-	**(345)**
Changes due to financial instruments recognized as of December 31, 2015:	**(365)**	**325**	**-**	**(40)**
New financial assets originated or purchased	116	-	-	**116**
Allowance for expected credit losses as of December 31, 2016	**99**	**503**	**-**	**602**

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2014	**276**	**-**	**-**	**276**
Transfer to lifetime expected credit losses	(178)	178	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Financial assets that have been derecognized during the year	(207)	-	-	(207)
Changes due to financial instruments recognized as of December 31, 2014:	(385)	178	-	(207)
New financial assets originated or purchased	457	-	-	457
Allowance for expected credit losses as of December 31, 2015	**348**	**178**	**-**	**526**

(1) 12-month expected credit losses.
(2) Lifetime expected credit losses.
(3) Credit-impaired financial assets (lifetime expected credit losses).

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

5. Financial instruments (continued)

5.5 Recognition and derecognition of financial assets

During the years ended December 31, 2016, 2015 and 2014, the Bank sold certain financial instruments in the secondary market measured at amortized cost. These sales were made on the basis of compliance with the Bank's strategy to optimize the loan portfolio.

The amounts and gains arising from the derecognition of these financial instruments are presented in the following table. These gains are presented within the line "gain on sale of loans at amortized cost" in the consolidated statement of profit or loss.

	Assignments and Participations	Gains
For the year ended December 31, 2016	157,242	724
For the year ended December 31, 2015	92,438	422
For the year ended December 31, 2014	515,552	2,169

5.6 Loans – at amortized cost

The following table set forth details of the Bank's gross loan portfolio:

	December 31, 2016	December 31, 2015
Corporations:		
Private	2,655,910	3,254,792
State-owned	786,900	461,573
Banking and financial institutions:		
Private	1,738,999	1,974,960
State-owned	544,877	612,677
Middle-market companies:		
Private	294,045	387,747
Total	**6,020,731**	**6,691,749**

The composition of the gross loan portfolio by industry is as follows:

	December 31, 2016	December 31, 2015
Banking and financial institutions	2,283,876	2,587,637
Industrial	1,242,441	1,142,385
Oil and petroleum derived products	788,186	828,355
Agricultural	1,007,139	1,140,124
Services	419,440	670,013
Mining	54,000	110,655
Others	225,649	212,580
Total	**6,020,731**	**6,691,749**

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

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

Loans are reported at their amortized cost considering the principal outstanding amounts net of unearned interest, deferred fees and allowance for expected credit losses.

The amortization of net unearned interest and deferred fees are recognized as an adjustment to the related loan yield using the effective interest rate method.

The unearned discount interest and deferred commission amounted to $7,249 and $9,304 at December 31, 2016 and 2015, respectively.

Loans classified by borrower's credit quality indicators are as follows:

December 31, 2016

	Corporations		Banking and financial institutions		Middle-market companies	
Rating[1]	**Private**	**State-owned**	**Private**	**State-owned**	**Private**	**Total**
1-4	1,714,936	646,797	1,457,984	259,981	174,107	4,253,805
5-6	863,937	140,103	281,015	284,896	84,938	1,654,889
7	58,673	-	-	-	-	58,673
8	4,000	-	-	-	-	4,000
9	-	-	-	-	35,000	35,000
10	14,364	-	-	-	-	14,364
Total	**2,655,910**	**786,900**	**1,738,999**	**544,877**	**294,045**	**6,020,731**

December 31, 2015

	Corporations		Banking and financial institutions		Middle-market companies	
Rating[1]	**Private**	**State-owned**	**Private**	**State-owned**	**Private**	**Total**
1-4	2,644,758	351,216	1,757,668	309,559	212,746	5,275,947
5-6	558,612	110,357	217,292	303,118	174,094	1,363,473
7	46,716	-	-	-	-	46,716
8	-	-	-	-	-	-
9	-	-	-	-	-	-
10	4,706	-	-	-	907	5,613
Total	**3,254,792**	**461,573**	**1,974,960**	**612,677**	**387,747**	**6,691,749**

[1] Current ratings as of December 31, 2016 and 2015, respectively.

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

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

The following table provides a breakdown of gross loans by country risk:

	December 31, 2016	December 31, 2015
Country:		
Argentina	325,321	142,437
Belgium	4,180	12,629
Bermuda	-	19,600
Bolivia	18,318	19,911
Brazil	1,163,825	1,605,497
Chile	69,372	195,290
Colombia	653,012	620,547
Costa Rica	400,371	341,490
Dominican Republic	243,696	384,353
Ecuador	129,269	169,164
El Salvador	104,723	68,465
France	-	6,000
Germany	50,000	97,000
Guatemala	315,911	457,700
Honduras	72,319	118,109
Jamaica	7,399	16,520
Luxembourg	14,722	-
Mexico	927,041	788,893
Nicaragua	36,949	16,820
Panama	498,651	455,405
Paraguay	108,068	116,348
Peru	467,408	511,250
Singapore	70,204	11,655
Switzerland	46,000	44,650
Trinidad and Tobago	184,389	200,000
United States of America	73,083	53,516
Uruguay	36,500	218,500
Total	**6,020,731**	**6,691,749**

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

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

The remaining loan maturities are summarized as follows:

	December 31, 2016	December 31, 2015
Current:		
Up to 1 month	896,310	1,031,608
From 1 month to 3 months	1,300,675	1,336,901
From 3 months to 6 months	1,267,194	1,094,885
From 6 months to 1 year	551,794	1,170,114
From 1 year to 2 years	631,629	1,000,553
From 2 years to 5 years	1,211,847	967,416
More than 5 years	95,918	37,943
	5,955,367	6,639,420
Impaired	65,364	52,329
Total	**6,020,731**	**6,691,749**

As of December 31, 2016, the range of annual interest rates on loans fluctuates from 1.21% to 12.69% (2015: 0.92% to 12.35%).

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

	December 31, 2016	December 31, 2015
Fixed interest rates	2,709,555	3,177,147
Floating interest rates	3,311,176	3,514,602
Total	**6,020,731**	**6,691,749**

As of December 31, 2016 and 2015, 93% and 90%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

An analysis of credit-impaired balances is detailed as follows:

	December 31, 2016			2016	
	Recorded investment	Past due principal balance	Related allowance Stage 3	Average principal loan balance	Interest income recognized
With an allowance recorded:					
Private corporations	30,364	18,364	23,174	12,500	408
Middle-market companies	35,000	35,000	12,179	17,705	1,679
Total	**65,364**	**53,364**	**35,353**	**30,205**	**2,087**

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

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

	December 31, 2015			2015	
	Recorded investment	Past due principal balance	Related allowance Stage 3	Average principal loan balance	Interest income recognized
With an allowance recorded:					
Private corporations	51,422	4,706	20,703	9,946	230
Middle-market companies	907	907	448	7,472	49
Total	**52,329**	**5,613**	**21,151**	**17,418**	**279**

The following is a summary of information of interest amounts recognized on an effective interest basis on net carrying amount for those financial assets in Stage 3:

	December 31, 2016	December 31, 2015	December 31, 2014
Interest revenue calculated on the net carrying amount(net of credit allowance)	2,087	279	188

The following table presents an aging analysis of the loan portfolio:

	December 31, 2016							
	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total
Corporations	-	-	4,000	14,364	18,364	-	3,424,446	3,442,810
Banking and financial institutions	-	-	-	-	-	-	2,283,876	2,283,876
Middle-market companies	-	-	-	35,000	35,000	-	259,045	294,045
Total	**-**	**-**	**4,000**	**49,364**	**53,364**	**-**	**5,967,367**	**6,020,731**

	December 31, 2015							
	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total
Corporations	-	-	-	4,706	4,706	-	3,711,659	3,716,365
Banking and financial institutions	-	-	-	-	-	-	2,587,637	2,587,637
Middle-market companies	-	-	-	907	907	-	386,840	387,747
Total	**-**	**-**	**-**	**5,613**	**5,613**	**-**	**6,686,136**	**6,691,749**

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

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

As of December 31, 2016 and 2015 the Bank had credit transactions in the normal course of business with 16%, for both periods, respectively, of its Class "A" and "B" stockholders. All transactions were made based on arm's-length terms and subject to prevailing commercial criteria and market rates and were subject to all of the Bank's Corporate Governance and control procedures. As of December 31, 2016 and 2015, approximately 10% and 9%, respectively, of the outstanding loan portfolio was placed with the Bank's Class "A" and "B" stockholders and their related parties. As of December 31, 2016, 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.

The allowances for expected credit losses related to loans at amortized cost are as follows:

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2015	**59,214**	**9,609**	**21,151**	**89,974**
Transfer to lifetime expected credit losses	(9,117)	9,119	-	2
Transfer to credit-impaired financial assets	(7)	(6,317)	6,324	-
Transfer to 12-month expected credit losses	2,038	(2,077)	38	(1)
Net effect of changes in reserve for expected credit losses	(39,621)	48,021	26,491	34,891
Financial assets that have been derecognized during the year	(65,640)	(16,756)	-	(82,396)
Changes due to financial instruments recognized as of December 31, 2015:	(112,347)	31,990	32,853	(47,504)
New financial assets originated or purchased	82,169	-	-	82,169
Write-offs	-	-	(18,807)	(18,807)
Recoveries of amounts previously written off	-	-	156	156
Allowance for expected credit losses as of December 31, 2016	**29,036**	**41,599**	**35,353**	**105,988**

(1) 12-month expected credit losses.
(2) Lifetime expected credit losses.
(3) Credit-impaired financial assets (lifetime expected credit losses).

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

5. Financial instruments (continued)

5.6 Loans – at amortized cost (continued)

	Stage 1 (1)	Stage 2 (2)	Stage 3 (3)	Total
Allowance for expected credit losses as of December 31, 2014	**37,469**	**37,564**	**2,654**	**77,687**
Transfer to lifetime expected credit losses	(9,147)	9,147	-	-
Transfer to credit-impaired financial assets	-	(24,186)	24,186	-
Transfer to 12-month expected credit losses	101	(812)	-	(711)
Financial assets that have been derecognized during the year	(31,774)	(12,815)	-	(44,589)
Changes due to financial instruments recognized as of December 31, 2014:	(40,820)	(28,666)	24,186	(45,300)
New financial assets originated or purchased	62,565	-	-	62,565
Write-offs	-	-	(5,689)	(5,689)
Recoveries of amounts previously written off	-	711	-	711
Allowance for expected credit losses as of December 31, 2015	**59,214**	**9,609**	**21,151**	**89,974**

(1) 12-month expected credit losses.
(2) Lifetime expected credit losses.
(3) Credit-impaired financial assets (lifetime expected credit losses).

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes

Quantitative information on derivative financial instruments held for hedging purposes is as follows:

	December 31, 2016			
		Carrying amount of the hedging instrument		
	Nominal Amount	Asset	Liability	Changes in fair value used for calculating hedge ineffectiveness
Fair value hedges:				
Interest rate swaps	796,202	40	(2,005)	(2,199)
Cross-currency interest rate swaps	291,065	2,561	(44,944)	(19,316)
Cash flow hedges:				
Interest rate swaps	752,000	323	(1,699)	696
Cross-currency interest rate swaps	23,025	-	(1,254)	(1,313)
Foreign exchange forward	352,553	6,428	(9,653)	(5,093)
Net investment hedges:				
Foreign exchange forward	3,780	-	(131)	(415)
Total	**2,218,625**	**9,352**	**(59,686)**	**(27,640)**

	December 31, 2015			
		Carrying amount of the hedging instrument		
	Nominal Amount	Asset	Liability	Changes in fair value used for calculating hedge ineffectiveness
Fair value hedges:				
Interest rate swaps	886,631	2,549	(1,444)	647
Cross-currency interest rate swaps	214,067	322	(23,710)	14,731
Cash flow hedges:				
Interest rate swaps	870,000	230	(2,254)	(258)
Cross-currency interest rate swaps	75,889	374	(395)	215
Foreign exchange forward	247,869	3,925	(2,058)	1,867
Net investment hedges:				
Foreign exchange forward	3,818	-	(28)	28
Total	**2,298,274**	**7,400**	**(29,889)**	**17,230**

The hedging instruments presented in the tables above are located in the line item in the statement of financial position at fair value - Derivative financial instruments used for hedging – receivable or at fair value – Derivative financial instruments used for hedging – payable.

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

The gains and losses resulting from activities of derivative financial instruments and hedging recognized in the consolidated statements of profit or loss are presented below:

	December 31, 2016			
	Gain (loss) recognized in OCI (effective portion)	**Classification of gain (loss)**	**Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss**	**Gain (loss) recognized on derivatives (ineffective portion)**
Derivatives – cash flow hedge				
Interest rate swaps	627	Gain (loss) on interest rate swap	-	(1,258)
Cross-currency interest rate swaps	(1,299)	Gain (loss) on foreign exchange	-	16
		Interest income loans at amortized cost	-	(110)
Foreign exchange forward	233	Interest income – securities at FVOCI	-	-
		Interest income loans at amortized cost	(4,751)	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	1,672	-
		Gain (loss) on foreign currency exchange	9,097	-
Total	**(439)**		**6,018**	**(1,352)**

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

	December 31, 2015			
	Gain (loss) recognized in OCI (effective portion)	**Classification of gain (loss)**	**Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss**	**Gain (loss) recognized on derivatives (ineffective portion)**
Derivatives – cash flow hedge				
Interest rate swaps	35	Gain (loss) on interest rate swap	-	(229)
Cross-currency interest rate swaps	5,367	Gain (loss) on foreign exchange	-	84
Foreign exchange forward	3,511	Interest income – securities at FVOCI	(694)	-
		Interest income loans at amortized cost	(1,821)	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	166	-
		Gain (loss) on foreign currency exchange	12,539	-
Total	**8,913**		**10,190**	**(145)**
Derivatives – net investment hedge				
Foreign exchange forward	(901)		-	-
Total	**(901)**		-	-

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

	December 31, 2014			
	Gain (loss) recognized in OCI (effective portion)	**Classification of gain (loss)**	**Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss**	**Gain (loss) recognized on derivatives (ineffective portion)**
Derivatives – cash flow hedge				
Interest rate swaps	(1,947)	Gain (loss) on interest rate swap	-	(207)
Cross-currency interest rate swaps	(11,904)	Gain (loss) on foreign exchange	-	-
		Interest income loans at amortized cost	(4)	-
Foreign exchange forward	8,633	Interest income – securities at FVOCI	(238)	-
		Interest income loans at amortized cost	(2,011)	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	-	-
		Gain (loss) on foreign currency exchange	3,011	-
Total	**(5,218)**		**758**	**(207)**
Derivatives – net investment hedge				
Foreign exchange forward	38		**-**	**-**
Total	**38**		**-**	**-**

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

The Bank recognized in the consolidated statement of profit or loss the gain (loss) on derivative financial instruments and the gain (loss) of the hedged asset or liability related to qualifying fair value hedges, as follows:

	December 31, 2016			
	Classification in consolidated statement of profit or loss	**Gain (loss) on derivatives**	**Gain (loss) on hedge item**	**Net gain (loss)**
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities at FVOCI	(617)	1,593	976
	Interest income at amortized cost	(25)	2,023	1,998
	Interest expenses – borrowings and debt	4,558	(28,261)	(23,703)
	Derivative financial instruments and hedging	(2,077)	2,178	101
Cross-currency interest rate swaps	Interest income loans at amortized cost	(372)	928	556
	Interest expenses – borrowings and debt	195	(6,183)	(5,988)
	Derivative financial instruments and hedging	17,673	(16,752)	921
Total		**19,335**	**(44,474)**	**(25,139)**

	December 31, 2015			
	Classification in consolidated statement of profit or loss	**Gain (loss) on derivatives**	**Gain (loss) on hedge item**	**Net gain (loss)**
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities at FVOCI	(1,047)	1,514	467
	Interest income – loans at amortized cost	(376)	3,987	3,611
	Interest expenses – borrowings and debt	6,268	(24,026)	(17,758)
	Derivative financial instruments and hedging	(1,841)	1,688	(153)
Cross-currency interest rate swaps	Interest income – loans at amortized cost	(135)	348	213
	Interest expenses – borrowings and debt	744	(3,785)	(3,041)
	Derivative financial instruments and hedging	(19,522)	20,550	1,028
Total		**(15,909)**	**276**	**(15,633)**

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

	December 31, 2014			
	Classification in consolidated statement of profit or loss	**Gain (loss) on derivatives**	**Gain (loss) on hedge item**	**Net gain (loss)**
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities at FVOCI	(1,800)	2,345	545
	Interest income at amortized cost	(361)	3,112	2,751
	Interest expenses – borrowings and debt	3,737	(16,204)	(12,467)
	Derivative financial instruments and hedging	(994)	1,021	27
Cross-currency interest rate swaps	Interest income loans at amortized cost	(853)	1,695	842
	Interest expenses – borrowings and debt	4,538	(10,031)	(5,493)
	Derivative financial instruments and hedging	(24,335)	24,434	99
Total		**(20,068)**	**6,372**	**(13,696)**

<u>Derivatives financial position and performance</u>

The following tables details the changes of the market value of the underlying item in the statement of financial position related to fair value hedges:

	December 31, 2016		
Fair value hedges	**Carrying amount**	**Thereof accumulated fair value adjustments**	**Line item in the statement of financial position**
Interest rate risk			
Loans	18,514	12	Loans at amortized cost
Issuances	752,910	2,089	Short and long term borrowings and debt
Foreign exchange rate risk and FX			
Securities at FVOCI	22,468	(232)	Financial instruments at FVOCI
Loans	1,469	(618)	Loans at amortized cost
Issuances	45,647	1,189	Short and long term borrowings and debt

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

Derivatives financial position and performance (continued)

	December 31, 2015		
Fair value hedges	**Carrying amount**	**Thereof accumulated fair value adjustments**	**Line item in the statement of financial position**
Interest rate risk			
Loans	81,931	-	Loans at amortized cost
Issuances	750,000	-	Short and long term borrowings and debt

The following tables detail the profile of the timing of the nominal amount of the hedging instrument:

	December 31, 2016			
Risk type	**Foreign Exchange risk**	**Interest rate risk**	**Foreign exchange and Interest rate risk**	**Total**
Up to 1 month	66,149	-	-	66,149
31 to 60 days	33,393	85,000	-	118,393
61 to 90 days	24,093	60,000	-	84,093
91 to 180 days	71,533	745,080	-	816,613
181 to 365 days	109,228	160,422	189	269,839
1 to 2 years	92,115	50,000	24,948	167,063
2 to 5 years	73,311	434,500	96,218	604,029
More than 5 years	-	13,200	79,246	92,446
Total	**469,822**	**1,548,202**	**200,601**	**2,218,625**

	December 31, 2015			
Risk type	**Foreign Exchange risk**	**Interest rate risk**	**Foreign exchange and Interest rate risk**	**Total**
Up to 1 month	106,371	25,000	-	131,371
31 to 60 days	15,134	265,000	-	280,134
61 to 90 days	38,739	90,000	-	128,739
91 to 180 days	48,811	345,000	-	393,811
181 to 365 days	197,482	80,000	415	277,897
1 to 2 years	534	480,931	442	481,907
2 to 5 years	40,000	397,500	24,948	462,448
More than 5 years	-	73,200	68,767	141,967
Total	**447,071**	**1,756,631**	**94,572**	**2,298,274**

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

Derivatives financial position and performance (continued)

The following tables detail the sources of ineffectiveness for our cash flow hedge positions:

	December 31, 2016				
Type of risk hedge	**USD-OIS**	**Tenor**	**Xccy basis**	**Credit spread**	**Total Ineffectiveness**
Interest rate risk	19	-	-	604	623
Foreign exchange risk	25	-	(4)	(5)	16
Total	**44**	**-**	**(4)**	**599**	**639**

	December 31, 2015				
Type of risk hedge	**USD-OIS**	**Tenor**	**Xccy basis**	**Credit spread**	**Total Ineffectiveness**
Interest rate risk	25	(136)	-	341	230
Foreign exchange risk	(25)	-	(72)	14	(83)
Total	**-**	**(136)**	**(72)**	**355**	**147**

For control purposes, derivative instruments are recorded at their nominal amount ("notional amount") in memorandum accounts. Interest rate swaps are made either in a single currency or cross currency for a prescribed period to exchange a series of interest rate flows, which involve fixed for floating interest payments, and vice versa. The Bank also engages in certain foreign exchange trades to serve customers' transaction needs and to manage foreign currency risk. All such positions are hedged with an offsetting contract for the same currency.

The Bank manages and controls the risks on these foreign exchange trades by establishing counterparty credit limits by customer and by adopting policies that do not allow for open positions in the credit and investment portfolio. The Bank also uses foreign currency exchange contracts to hedge the foreign exchange risk associated with the Bank's equity investment in a non-U.S. dollar functional currency foreign subsidiary. Derivative and foreign exchange instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counterparties that negotiate specific agreement terms, including notional amount, exercise price and maturity.

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 7.19 years.

The Bank estimates that approximately $782 reported as losses in OCI as of December 31, 2016 related to foreign exchange forward contracts, are expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2017.

The Bank estimates that approximately $1,019 of losses reported in OCI as of December 31, 2016 related to forward foreign exchange contracts are expected to be reclassified into interest expense as an adjustment to yield of hedged available-for-sale securities during the twelve-month period ending December 31, 2017.

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

5. Financial instruments (continued)

5.7 Derivative financial instruments for hedging purposes (continued)

Types of Derivatives and Foreign Exchange Instruments

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. The Bank has designated a portion of these derivative instruments as fair value hedges and a portion as cash flow hedges. Cross currency swaps are contracts that generally involve the exchange of both interest and principal amounts in two different currencies. The Bank has designated a portion of these derivative instruments as fair value hedges and a portion as cash flow hedges. Foreign exchange forward contracts represent an agreement to purchase or sell foreign currency at a future date at agreed-upon terms. The Bank has designated these derivative instruments as cash flow hedges and net investment hedges.

In addition to hedging derivative financial instruments, the Bank has derivative financial instruments held for trading purposes as disclosed in Note 5.1.

5.8 Offsetting of financial assets and liabilities

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

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

The following tables summarize financial assets and liabilities that have been offset in the consolidated statement of financial position or are subject to master netting agreements:

a) Derivative financial instruments – assets

December 31, 2016

Description	Gross amounts assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net Amount
				Financial instruments	Cash collateral received	
Derivative financial instruments-hedging	9,352	-	9,352	-	-	9,352
Total	**9,352**	**-**	**9,352**	**-**	**-**	**9,352**

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

5. Financial Instruments (continued)

5.8 Offsetting of financial assets and liabilities (continued)

a) Derivative financial instruments – assets (continued)

			December 31, 2015			
				Gross amounts not offset in the consolidated statement of financial position		
Description	**Gross amounts assets**	**Gross amounts offset in the consolidated statement of financial position**	**Net amount of assets presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net Amount**
Derivative financial instruments	7,400	-	7,400	-	(690)	6,710
Total	**7,400**	**-**	**7,400**	**-**	**(690)**	**6,710**

The following table presents the reconciliation of assets that have been offset or are subject to master netting agreements to individual line items in the consolidated statement of financial position:

	December 31, 2016		
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**
Derivative financial instruments - hedging	9,352	-	9,352
Total	**9,352**	**-**	**9,352**

	December 31, 2015		
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**
Derivative financial instruments used for hedging	7,400	-	7,400
Total	**7,400**	**-**	**7,400**

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

5. Financial Instruments (continued)

5.8 Offsetting of financial assets and liabilities (continued)

b) Financial liabilities and derivative financial instruments – liabilities

December 31, 2016

Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position: Financial instruments	Gross amounts not offset in the consolidated statement of financial position: Cash collateral pledged	Net Amount
Financial liabilities at FVTPL	24	-	24	-	-	24
Derivative financial instruments - hedging	59,686	-	59,686	-	(59,012)	674
Total	**59,710**	**-**	**59,710**	**-**	**(59,012)**	**698**

December 31, 2015

Description	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position: Financial instruments	Gross amounts not offset in the consolidated statement of financial position: Cash collateral pledged	Net Amount
Securities sold under repurchase agreements	114,084	-	114,084	(111,620)	(2,463)	1
Financial liabilities at FVTPL	89	-	89	-	-	89
Derivative financial instruments - hedging	29,889	-	29,889	-	(26,901)	2,988
Total	**144,062**	**-**	**144,062**	**(111,620)**	**(29,364)**	**3,078**

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

5. Financial Instruments (continued)

5.8 Offsetting of financial assets and liabilities (continued)

b) Financial liabilities and derivative financial instruments – liabilities (continued)

The following table presents the reconciliation of liabilities that have been offset or are subject to master netting agreements to individual line items in the consolidated statement of financial position:

	December 31, 2016		
Description	**Gross amounts of liabilities**	**Gross amounts offset in the consolidated statement of financial position**	**Net amount of liabilities presented in the consolidated statement of financial position**
Derivative financial instruments:			
Financial liabilities at FVTPL	24	-	24
Derivative financial instruments used for hedging	59,686	-	59,686
Total derivative financial instruments	**59,710**	-	**59,710**

	December 31, 2015		
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**
Securities sold under repurchase agreements	**114,084**	**-**	**114,084**
Derivative financial instruments:			
Financial liabilities at FVTPL	89	-	89
Derivative financial instruments used for hedging	29,889	-	29,889
Total derivative financial instruments	**29,978**	**-**	**29,978**

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

6. Loans commitments and financial guarantees contracts

In the normal course of business, to meet the financing needs of its customers, the Bank is party to loans commitments and financial guarantees contracts. These instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated statement of financial position. Credit risk represents the possibility of loss resulting from the failure of a customer to perform in accordance with the terms of a contract.

The Bank's outstanding loans commitments and financial guarantees contracts are as follows:

	December 31, 2016	December 31, 2015
Confirmed letters of credit	216,608	99,031
Stand-by letters of credit and guaranteed –		
Commercial risk	176,177	158,599
Credit commitments	10,250	189,820
Total	**403,035**	**447,450**

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

Maturities	December 31, 2016	December 31, 2015
Up to 1 year	399,257	424,687
From 1 to 2 years	-	22,185
From 2 to 5 years	3,200	-
More than 5 years	578	578
	403,035	**447,450**

Loans commitments and financial guarantees contracts classified by issuer's credit quality indicators are as follows:

Rating[1]	December 31, 2016	December 31, 2015
1-4	145,255	276,860
5-6	193,368	170,590
7	64,412	-
8	-	-
9	-	-
10	-	-
Total	**403,035**	**447,450**

[1] Current ratings as of December 31, 2016 and 2015, respectively.

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

6. Loans commitments and financial guarantees contracts (continued)

The breakdown of the Bank's loans commitments and financial guarantees contracts exposure by country risk is as follows:

	December 31, 2016	December 31 2015
Country:		
Argentina	-	10,145
Bolivia	190	1,261
Brazil	-	17,291
Canada	160	
Colombia	78,815	96,085
Costa Rica	2,250	-
Dominican Republic	26,787	4,527
Ecuador	172,522	88,585
El Salvador	1,305	145
Guatemala	7,000	-
Honduras	1,170	876
Mexico	11,118	46,994
Panama	39,756	136,022
Paraguay	-	43
Peru	42,764	19,018
Singapore	-	25,000
Switzerland	1,000	1,000
United Kingdom	70	70
Uruguay	18,128	388
Total	**403,035**	**447,450**

Letters of credit and guarantees

The Bank, on behalf of its client's base, advises and confirms letters of credit to facilitate foreign trade transactions. When confirming letters of credit, the Bank adds its own unqualified assurance that the issuing bank will pay and that if the issuin g bank does not honor drafts drawn on the letter of credit, the Bank will. The Bank provides stand-by letters of credit and guarantees, which are issued on behalf of institutional clients in connection with financing between its clients and third parties. The Bank applies the same credit policies used in its lending process, and once issued the commitment is irrevocable and remains valid until its expiration. Credit risk arises from the Bank's obligation to make payment in the event of a client's contractual default to a third party. Risks associated with stand-by letters of credit and guarantees are included in the evaluation of the Bank's overall credit risk.

Credit commitments

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

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

6. Loans commitments and financial guarantees contracts (continued)

The allowances for credit losses related to loans commitments and financial guarantees contracts are as follows:

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2015	**2,914**	**2,510**	**-**	**5,424**
Transfer to lifetime expected credit losses	(646)	693	-	47
Transfer to credit-impaired instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit loss	(748)	1,756	-	1,008
Instruments that have been derecognized during the year	(2,631)	(326)	-	(2,957)
Changes due to instruments recognized as of December 31, 2015:	(4,025)	2,123	-	(1,902)
New instruments originated or purchased	2,254	-	-	2,254
Allowance for expected credit losses as of December 31, 2016	**1,143**	**4,633**	**-**	**5,776**

	Stage 1 [(1)]	Stage 2 [(2)]	Stage 3 [(3)]	Total
Allowance for expected credit losses as of December 31, 2014	**7,079**	**2,794**	**-**	**9,873**
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Instruments that have been derecognized during the year	(6,908)	(284)	-	(7,192)
Changes due to instruments recognized as of December 31, 2014:	(6,908)	(284)	-	(7,192)
New financial assets originated or purchased	2,743	-	-	2,743
Allowance for expected credit losses as of December 31, 2015	**2,914**	**2,510**	**-**	**5,424**

(1) 12-month expected credit losses.
(2) Lifetime expected credit losses.
(3) Credit-impaired financial assets (lifetime expected credit losses).

The reserve for expected credit losses on loans commitments and financial guarantees contracts reflects the Bank's Management estimate of expected credit losses items such as: confirmed letters of credit, stand-by letters of credit, guarantees and credit commitments.

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

7. Property and equipment

A breakdown of cost, accumulated depreciation, additions and disposals for property and equipment is as follows:

	IT equipment	Furniture and fixtures	Leasehold improvement	Other equipment	Total
Cost:					
Balance as of January 1, 2014	3,152	2,135	7,413	548	13,248
Additions	23	13	51	-	87
Disposals	(39)	(1)	(6)	(88)	(134)
Balance as of December 31, 2014	3,136	2,147	7,458	460	13,201
Additions	368	30	179	38	615
Disposals	(138)	(175)	(225)	(41)	(579)
Balance as of December 31, 2015	3,366	2,002	7,412	457	13,237
Additions	1,436	2,137	239	161	3,973
Disposals	(416)	(361)	(880)	-	(1,657)
Balance as of December 31, 2016	**4,386**	**3,778**	**6,771**	**618**	**15,553**
Accumulated depreciation:					
Balance as of January 1, 2014	1,906	1,005	1,637	268	4,816
Depreciation expense of the year	530	335	571	109	1,545
Disposals	(39)	(1)	(6)	(75)	(121)
Balance as of December 31, 2014	2,397	1,339	2,202	302	6,240
Depreciation expense of the year	388	322	556	105	1,371
Disposals	(114)	(170)	(222)	(41)	(547)
Balance as of December 31, 2015	2,671	1,491	2,536	366	7,064
Depreciation expense of the year	483	384	513	77	1,457
Disposals	(412)	(230)	(875)	-	(1,517)
Balance as of December 31, 2016	**2,742**	**1,645**	**2,174**	**443**	**7,004**
Carrying amounts as of:					
December 31, 2016	**1,644**	**2,133**	**4,597**	**175**	**8,549**
December 31, 2015	**695**	**511**	**4,876**	**91**	**6,173**
December 31, 2014	**739**	**808**	**5,256**	**158**	**6,961**

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

8. Intangible assets

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

Costs:	
Balance as of January 1, 2014	10,955
Additions	83
Disposals	(51)
Balance as of December 31, 2014	10,987
Additions	-
Disposals	(211)
Balance as of December 31, 2015	10,776
Additions	3,111
Disposals	(4)
Balance as of December 31, 2016	**13,883**
Accumulated amortization:	
Balance as of January 1, 2014	9,065
Disposals	(44)
Amortization expense of the year	942
Balance as of December 31, 2014	9,963
Disposals	(210)
Amortization expense of the year	596
Balance as of December 31, 2015	10,349
Disposals	(4)
Amortization expense of the year	629
Balance as of December 31, 2016	**10,974**
Carrying amounts as of:	
December 31, 2016	**2,909**
December 31, 2015	**427**
December 31, 2014	**1,024**

Expenses related to the amortization of intangible assets are presented as part of amortization expenses in the consolidated statement of profit or loss.

9. Other assets

Following is a summary of other assets as of December 31, 2016 and 2015:

	December 31, 2016	**December 31, 2015**
Accounts receivable	5,413	6,428
IT projects under development	4,199	4,952
Other	1,934	4,414
	11,546	**15,794**

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

10. Deposits

The maturity profile of the Bank's deposits is as follows:

	December 31, 2016	December 31, 2015
Demand	127,014	243,839
Up to 1 month	1,201,328	1,492,175
From 1 month to 3 months	463,479	475,611
From 3 month to 6 months	336,627	319,995
From 6 month to 1 year	436,884	263,849
From 1 year to 2 years	190,000	-
From 2 years to 5 years	47,520	-
	2,802,852	**2,795,469**

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

	December 31, 2016	December 31, 2015
Aggregate amounts of time deposits of $100,000 or more	2,802,474	2,794,912
Aggregate amounts of deposits in the New York Agency	250,639	235,203

	December 31, 2016	December 31, 2015	December 31, 2014
Interest expense paid to deposits in the New York Agency.	2,094	1,228	961

11. Securities sold under repurchase agreements

As of December 31, 2016, the Bank does not have financing transactions under repurchase agreements.

The Bank's financing transactions under repurchase agreements amounted to $114.1 million as of December 31, 2015.

During the years ended December 31, 2016, 2015 and 2014, interest expense related to financing transactions under repurchase agreements totaled $970, $1,800 and $2,100, respectively, corresponding to interest expense generated by the financing contracts under repurchase agreements. These expenses are included in the interest expense – short-term borrowings and debt line in the consolidated statements of profit or loss.

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

12. Borrowings and debt

12.1 Short-term borrowings and debt

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

	December 31, 2016	December 31, 2015
Short-term Borrowings:		
At fixed interest rates	788,075	983,245
At floating interest rates	657,000	871,522
Total borrowings	1,445,075	1,854,767
Short-term Debt:		
At fixed interest rates	25,000	525,590
At floating interest rates	-	50,000
Total debt	25,000	575,590
Total short-term borrowings and debt	**1,470,075**	**2,430,357**
Average outstanding balance during the period	1,348,230	2,266,864
Maximum balance at any month-end	1,876,322	2,856,507
Range of fixed interest rates on borrowing and debt in U.S. dollars	1.10% to 1.50%	0.53% to 1.21%
Range of floating interest rates on borrowing in U.S. dollars	1.14% to 1.48%	0.67% to 1.24%
Range of fixed interest rates on borrowing in Mexican pesos	6.16%	3.76% to 3.98%
Range of floating interest rate on borrowing in Mexican pesos	5.72%	3.90% to 4.17%
Range of fixed interest rate on debt in Japanese yens	-	0.31% to 0.33%
Weighted average interest rate at end of the period	1.30%	0.93%
Weighted average interest rate during the period	1.10%	0.85%

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

	December 31, 2016	December 31, 2015
Currency		
US dollar	1,470,000	2,402,701
Mexican peso	75	14,366
Japanese yen	-	13,290
Total	**1,470,075**	**2,430,357**

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

12. Borrowings and debt (continued)

12.2 Long-term borrowings and debt

Borrowings consist of long-term and syndicated loans obtained from international banks. Debt instruments consist of public and private issuances under the Bank's Euro Medium Term Notes Program ("EMTN") as well as public issuances in the Mexican market. The breakdown of borrowings and long-term debt (original maturity of more than one year), together with contractual interest rates gross of prepaid commission of $5,133 and $7,017 as of December 31, 2016 and 2015, respectively, is as follows:

	December 31, 2016	December 31, 2015
Long-term Borrowings:		
At fixed interest rates with due dates from September 2017 to December 2021.	61,148	113,039
At floating interest rates with due dates from April 2017 to August 2019.	631,326	695,837
Total borrowings	692,474	808,876
Long-term Debt:		
At fixed interest rates with due dates from March 2018 to March 2024.	921,479	929,998
At floating interest rates with due dates from January 2018 to April 2019.	167,918	149,956
Total long-term debt	1,089,397	1,079,954
Total long-term borrowings and debt outstanding	**1,781,871**	**1,888,830**
Average outstanding balance during the period	1,881,085	1,589,451
Maximum outstanding balance at any month – end	2,054,138	1,888,830
Range of fixed interest rates on borrowing and debt in U.S. dollars	2.85% to 3.75%	1.01% to 3.75%
Range of floating interest rates on borrowing in U.S. dollars	1.66% to 2.49%	0.84% to 1.95%
Range of fixed interest rates on borrowing in Mexican pesos	4.75% to 8.90%	4.30% to 5.95%
Range of floating interest rates on borrowing and debt in Mexican pesos	6.19% to 6.54%	3.93% to 5.45%
Range of fixed interest rate on debt in Japanese yens	0.46% to 0.81%	0.50% to 0.81%
Range of fixed interest rate on debt in Euros	3.75%	0.40% to 3.75%
Range of fixed interest rate on debt in Australian dollar	3.33%	-
Weighted average interest rate at the end of the period	2.98%	2.62%
Weighted average interest rate during the period	2.84%	2.65%

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

12. Borrowings and debt (continued)

12.2 Long-term borrowings and debt (continued)

The balances of long-term borrowings and debt by currency, is as follows:

	December 31, 2016	December 31, 2015
Currency		
US dollar	1,392,995	1,599,233
Mexican peso	219,347	153,332
Japanese yen	95,238	25,035
Euro	52,574	111,230
Australian dollar	21,717	-
Total	**1,781,871**	**1,888,830**

The Bank's funding activities include: (i) EMTN, which may be used to issue notes for up to $2.3 billion, with maturities from 7 days up to a maximum of 30 years, at fixed or floating interest rates, or at discount, and in various currencies. The notes are generally issued in bearer or registered form through one or more authorized financial institutions; (ii) Short-and Long-Term Notes "Certificados Bursatiles" Program (the "Mexico Program") in the Mexican local market, registered with the Mexican National Registry of Securities maintained by the National Banking and Securities Commission in Mexico ("CNBV", for its acronym in Spanish), for an authorized aggregate principal amount of 10 billion Mexican pesos with maturities from one day to 30 years.

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2016, the Bank was in compliance with all covenants.

The future remaining maturities of long-term borrowings and debt outstanding as of December 31, 2016, are as follows:

Due in	Outstanding
2017	460,228
2018	553,140
2019	333,593
2020	375,133
2021	7,203
2024	52,574
	1,781,871

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

13. Other liabilities

Following is a summary of other liabilities as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Accruals and other accumulated expenses	4,170	9,676
Accounts payable	11,179	11,096
Others	2,979	3,572
	18,328	**24,344**

14. Earnings per share

The following table presents a reconciliation of the income and share data used in the basic and diluted earnings per share ("EPS") computations for the dates indicated:

	December 31, 2016	December 31, 2015	December 31, 2014
Profit for the year	87,045	103,984	102,366
Basic earnings per share	2.23	2.67	2.65
Diluted earnings per share	2.22	2.66	2.63
Weighted average common shares outstanding - applicable to basic	39,085	38,925	38,693
Effect of diluted securities:			
Stock options and restricted stock units plans	125	188	189
Adjusted weighted average common shares outstanding applicable to diluted EPS	**39,210**	**39,113**	**38,882**

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

15. Capital and Reserves

Common stock

The Bank's common stock is divided into four categories:

1) "Class A"; shares may only be issued to Latin American Central Banks or banks in which the state or other government agency is the majority shareholder.
2) "Class B"; shares may only be issued to banks or financial institutions.
3) "Class E"; shares may be issued to any person whether a natural person or a legal entity.
4) "Class F"; may only be issued to state entities and agencies of non-Latin American countries, including, among others, central banks and majority state-owned banks in those countries, and multilateral financial institutions either international or regional institutions.

The holders of "Class B" shares have the right to convert or exchange their "Class B" shares, at any time, and without restriction, for "Class E" shares, at a rate of one-to-one.

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the three-year period ended December 31, 2016:

(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, 2014	6,342,189	2,520,422	29,710,556	-	38,573,167
Conversions	-	(20,208)	20,208	-	-
Repurchase common stock	-	(21,164)	(2,110)	-	(23,274)
Restricted stock issued – directors	-	-	28,500	-	28,500
Exercised stock options - compensation plans	-	-	111,427	-	111,427
Restricted stock units – vested	-	-	87,519	-	87,519
Outstanding at December 31, 2014	**6,342,189**	**2,479,050**	**29,956,100**	**-**	**38,777,339**
Conversions	-	(4,581)	4,581	-	-
Restricted stock issued – directors	-	-	57,000	-	57,000
Exercised stock options - compensation plans	-	-	70,358	-	70,358
Restricted stock units – vested	-	-	64,208	-	64,208
Outstanding at December 31, 2015	**6,342,189**	**2,474,469**	**30,152,247**	-	**38,968,905**
Restricted stock issued – directors	-	-	57,000	-	57,000
Exercised stock options - compensation plans	-	-	68,785	-	68,785
Restricted stock units – vested	-	-	65,358	-	65,358
Outstanding at December 31, 2016	**6,342,189**	**2,474,469**	**30,343,390**	**-**	**39,160,048**

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

15. Capital and Reserves (continued)

The following table presents information regarding shares repurchased but not retired by the Bank and accordingly classified as treasury stock:

	"Class A"		"Class B"		"Class E"		Total	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**
Outstanding at January 1, 2014	**318,140**	**10,708**	**568,010**	**15,655**	**2,520,522**	**55,645**	**3,406,672**	**82,008**
Repurchase of common stock	-	-	21,164	587	2,110	53	23,274	640
Restricted stock issued – directors	-	-	-	-	(28,500)	(629)	(28,500)	(629)
Exercised stock options - compensation plans	-	-	-	-	(111,427)	(2,460)	(111,427)	(2,460)
Restricted stock units – vested	-	-	-	-	(87,519)	(1,932)	(87,519)	(1,932)
Outstanding at December 31, 2014	**318,140**	**10,708**	**589,174**	**16,242**	**2,295,186**	**50,677**	**3,202,500**	**77,627**
Repurchase of common stock	-	-	-	-	-	-	-	-
Restricted stock issued – directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(70,358)	(1,553)	(70,358)	(1,553)
Restricted stock units – vested	-	-	-	-	(64,208)	(1,418)	(64,208)	(1,418)
Outstanding at December 31, 2015	**318,140**	**10,708**	**589,174**	**16,242**	**2,103,620**	**46,447**	**3,010,934**	**73,397**
Repurchase of common stock	-	-	-	-	-	-	-	-
Restricted stock issued - directors	-	-	-	-	(57,000)	(1,259)	(57,000)	(1,259)
Exercised stock options - compensation plans	-	-	-	-	(68,785)	(1,519)	(68,785)	(1,519)
Restricted stock units - vested	-	-	-	-	(65,358)	(1,443)	(65,358)	(1,443)
Outstanding at December 31, 2016	**318,140**	**10,708**	**589,174**	**16,242**	**1,912,477**	**42,226**	**2,819,791**	**69,176**

Reserves

The Banking Law in the Republic of Panama requires banks with general banking license to maintain a total capital adequacy index that shall not be lower than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk; and primary capital equivalent that shall not be less than 4.5% of its assets and loans commitments and financial guarantees contracts, weighted according to their risk. As of December 31, 2016, the Bank's total capital adequacy ratio is 16.79% which is in compliance with the minimum capital adequacy ratios required by the Banking Law in the Republic of Panama.

15. Capital and Reserves (continued)

Restriction on retained earnings

The Bank does not have restrictions on its ability to access its retained earnings other than those resulting from the supervisory framework within which the Bank operates. The supervisory framework requires banks to keep an additional reserve within equity for credit risk coverage of its credit facilities. As of December 31, 2016 and 2015, the amount stands at $62.5 and $38.7 million, respectively of retained earnings are restricted from dividend distribution for purposes of complying with local regulatory requirements.

Additional paid-in capital

As of December, 31 2016 and 2015, the additional paid-in capital consists of additional cash contributions to the common capital paid by shareholders.

16. Cash and stock-based compensation plans

The Bank has established equity compensation plans under which it manages restricted stock, restricted stock units and stock purchase option plans to attract, retain and motivate directors and top employees and compensate them for their contributions to the growth and profitability of the Bank. Vesting conditions for each of the Bank's plans are only comprised of specified requisite service periods.

A. <u>2008 Stock Incentive Plan – Directors and Executives</u>

In February 2008, the Board of Directors of the Bank approved an incentive plan for directors and executives allowing the Bank to grant restricted stock, restricted stock units, stock purchase options, and/or other similar compensation instruments. The maximum aggregate number of shares which may be granted under this plan is three million "Class E" common shares. The 2008 Stock Incentive Plan is administered by the Board of Directors which has the authority in its discretion to select the directors and executives to whom the awards may be granted; to determine whether and to what extent awards are granted, and to amend the terms of any outstanding award under this plan.

Restricted stocks are issued at the grant date, but are withheld by the Bank until the vesting date. Restricted stocks are entitled to receive dividends. A restricted stock unit is a grant valued in terms of the Bank's stock, but no stock is issued at the grant date. Restricted stock units are not entitled to dividends. The Bank issues and delivers common stock at the vesting date of the restricted stock units.

During 2016 and 2015, the Board of Directors approved the grant of restricted stock to directors and stock options and restricted stock units to certain executives of the Bank, as follows:

Restricted stock – Directors

During the years 2016 and 2015 the Board of Directors granted 57,000 of "Class E" common shares. The fair value of restricted stock granted was based on the stock closing price in the New York Stock Exchange of the "Class E" shares on April 13, 2016 and April 16, 2015. The fair value of restricted stock granted totaled $1,376 in 2016 and $1,925 in 2015, of which $617 and $8 52 were charged against income during 2016 and 2015, respectively.

The total expense recorded during 2016, 2015 and 2014 of restricted stock – directors $1,548, $1,553 and $809. The remaining cost pending amortization of $1,146 at December 31, 2016 will be amortized over 2.3 years.

The stocks lose their restriction from the year following the anniversary date, as follows: 35% in the first and second year, and 30% in the third year.

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

16. Cash and stock-based compensation plans (continued)

A summary of the restricted stock granted to Directors is presented below:

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2014	84,862	20.10
Granted	28,500	30.25
Vested	(35,026)	18.80
Outstanding at December 31, 2014	78,336	24.37
Granted	57,000	33.78
Vested	(39,015)	22.69
Outstanding at December 31, 2015	96,321	30.62
Granted	57,000	24.14
Vested	(56,421)	28.80
Outstanding at December 31, 2016	96,900	27.86
Expected to vest	96,900	

The fair value of vested stock during the years 2016 and 2015 was $1,625, and $885, 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 $1.7 million in 2015 and $1.8 million in 2014. In 2016, the distribution of the fair value in restricted stock units and stock purchase options was $1.7 million on restricted stock units and in 2015, $0.5 million in stock purchase options and $1.3 million in restricted stock units, respectively.

Restricted stock units

The fair value of the stock units was based on the “Class E” stock closing price in the New York Stock Exchange on the grants date. These stock units vest 25% each year on the grant date’s anniversary. The restricted stock units are exchanged at a ratio of 1: 1 for common shares "Class E".

Compensation costs of the restricted stock units are amortized during the period of restriction by accelerated method. Costs charged against income during 2016, 2015 and 2014 due to the amortization of these grants totaled $1,295, $1,282 and $1,188, respectively. The remaining compensation cost pending amortization of $1,096 in 2016 will be amortized over 3.1 years.

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

16. Cash and stock-based compensation plans (continued)

Restricted stock units *(continued)*

A summary of the status of the restricted stock units granted to certain executives is presented below:

	Shares	Weighted average grand date fair value	Weighted average remaining contractual term	Aggregate Intrinsic value
Outstanding at January 1, 2014	242,749	17.13		
Granted	47,737	19.24		
Forfeited	(39,255)	17.25		
Vested	(87,519)	16.27		
Outstanding at December 31, 2014	163,712	18.18		
Granted	63,244	21.67		
Forfeited	-			
Vested	(64,208)	17.67		
Outstanding at December 31, 2015	162,748	19.74		
Granted	91,454	18.26		
Forfeited	(21,408)	17.69		
Vested	(65,358)	18.83		
Outstanding at December 31, 2016	167,436	19.35	2.22 years	$141
Expected to vest	167,436	19.35		$1,689

The fair value of vested stock during the years 2016 and 2015 is $1,230, and $1,135, respectively.

Stock purchase options

The fair value of stock purchase options granted to certain Executives during 2015 was estimated using a binomial option-pricing model, based on the following factors:

	Measuring unit	2016	2015	2014
Weighted average fair value per option	$	-	1.95 - 2.06	2.11 - 2.33
Weighted average expected term, in years	Year	-	5.5	5.5
Expected volatility	%	-	22%	22% - 24%
Risk-free rate	%	-	0.02 – 1.52	0.05 - 1.54
Expected dividend	%	-	5.00%	5.00%

These options expire seven years after the grant date and are exercisable at a rate of 25% each year on the grant date's anniversary.

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

16. Cash and stock-based compensation plans (continued)

Stock purchase options *(continued)*

Related cost charged against income during 2016, 2015 and 2014 as a result of the amortization of these plans amounted to $251, $454 and $409, respectively. The remaining compensation cost pending amortization of $167 in 2016 will be amortized over a period of 2.11 years.

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, 2014	187,745	14.90		
Granted	315,971	25.15		
Forfeited	(671)	18.57		
Exercised	(111,349)	13.18		
Outstanding at December 31, 2014	391,696	23.65		
Granted	233,418	29.25		
Forfeited	-	-		
Exercised	(70,358)	20.86		
Outstanding at December 31, 2015	554,756	26.36		
Granted	-	-		
Forfeited	(126)	18.93		
Exercised	(68,785)	22.78		
Outstanding at December 31, 2016	485,845	26.87	4.51 years	$1,248
Exercisable	152,793	25.93	4.24 years	$537
Expected to vest	333,052	27.31	4.64 years	$711

The intrinsic value of exercised options during the years 2016 and 2015 was $412 and $811, respectively. During the years 2016 and 2015 the Bank received $1,565 and $1,467, respectively, from exercised options.

B. Other plans - Expatriate Top Executives Plan

The Bank sponsors a defined contribution plan for its expatriate top executives based in Panama, which are not eligible to participate in the Panamanian social security system. The Bank's contributions are determined as a percentage of the annual salaries of top executives eligible for the plan, each contributing an additional amount withheld from their salary. Contributions to this plan are managed by a fund manager through a trust. The executives are entitled to the Bank's contributions after completing at least three years of service in the Bank. During the years 2016, 2015 and 2014, the Bank charged to salaries expense $121, $171 and $133, respectively, that correspond to the Bank's contributions to this plan. As of December 31, 2016 and 2015 the accumulated liability payable amounted to $365 and $246, respectively.

17. Business segment information

The Bank's activities are managed and executed in two business segments: Commercial and Treasury. The business segment results are determined based on the Bank's managerial accounting process as defined by IFRS 8 – Operating Segments, which assigns consolidated statement of financial positions, revenue and expense items to each business segment on a systematic basis. The Chief Operating Decision Maker (CODM), represented by the Chief Executive Officer (CEO) and the Management Committee reviews internal management reports from each division at least quarterly. Segment profit, as included in the internal management reports is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industry.

The Bank's net interest income represents the main driver of profits; therefore, the Bank presents its interest-earning assets by business segment, to give an indication of the size of business generating net interest income. Interest-earning assets also generate gains and losses on sales, such as for financial instruments at fair value through OCI and financial instruments at fair value through profit or loss, which are included in net other income, in the Treasury Segment. The Bank also discloses its other assets and contingencies by business segment, to give an indication of the size of business that generates net fees and commissions, also included in net other income, in the Commercial Business Segment.

The Commercial Business Segment incorporates all of the Bank's financial intermediation and fees generated by the commercial portfolio. The commercial portfolio includes book value of loans at amortized cost, acceptances, loan commitments and financial guarantee contracts. Profits from the Commercial Business Segment include net interest income from loans at amortized cost, fee income, gain on sale of loans at amortized cost, impairment loss from expected credit losses on loans at amortized cost, impairment loss from expected credit losses on loan commitments and financial guarantee contracts, and allocated expenses.

The Treasury Business Segment incorporates deposits in banks and all of the Bank's financial instruments at fair value through profit or loss, financial instruments at fair value through OCI and securities at amortized cost. Profits from the Treasury Business Segment include net interest income from deposits with banks, financial instruments at fair value through OCI and securities at amortized cost, derivative financial instruments foreign currency exchange, gain (loss) for financial instrument at fair value through profit or loss, gain (loss) for financial instrument at fair value through OCI, impairment loss for expected credit losses on investment securities, other income and allocated expenses.

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

17. Business segment information (continued)

The following table provides certain information regarding the Bank's operations by segment:

	Year ended December 31,		
	2016	**2015**	**2014**
Commercial			
Interest income	236,392	209,858	202,096
Interest expense	(96,017)	(82,697)	(79,674)
Net interest income	140,375	127,161	122,422
Net other income (2)	16,333	21,492	21,068
Total income	**156,708**	**148,653**	**143,490**
Impairment loss from expected credit losses on loans at amortized cost and impairment loss from expected credit losses on loan commitments and financial guarantee contracts	(35,112)	(12,800)	(10,601)
Expenses, less impairment loss from expected credit losses	(34,599)	(40,429)	(42,752)
Profit for the year	**86,997**	**95,424**	**90,137**
Commercial assets and loan commitments and financial guarantee contracts (end of year balances):			
Interest-earning assets (3 and 5)	6,013,482	6,682,445	6,677,735
Other assets and loan commitments and financial guarantee contracts (4)	422,422	437,436	496,097
Total interest-earning assets, other assets and loan commitments and financial guarantee contracts	**6,435,904**	**7,119,881**	**7,173,832**
Treasury			
Interest income	9,506	10,454	10,802
Interest expense	5,328	7,864	8,112
Net interest income	14,834	18,318	18,914
Net other income (2)	(3,568)	6,887	5,206
Total income	**11,266**	**25,205**	**24,120**
Impairment loss for expected credit losses on investment securities	(3)	(5,290)	(1,030)
Expenses, less impairment loss for expected credit losses	(11,216)	(11,355)	(10,860)
Profit for the year	**47**	**8,560**	**12,230**
Treasury assets (end of year balances):			
Interest-earning assets (3 and 5)	1,177,961	1,603,921	1,231,800
Total interest-earning assets	**1,177,961**	**1,603,921**	**1,231,800**
Combined business segment total			
Interest income	245,898	220,312	212,898
Interest expense	(90,689)	(74,833)	(71,562)
Net interest income	155,209	145,479	141,336
Net other income (2)	12,765	28,379	26,274
Total income	**167,974**	**173,858**	**167,610**
Impairment loss from expected credit losses on loans at amortized cost and impairment loss from expected credit losses on loan commitments and financial guarantee contracts	(35,112)	(12,800)	(10,601)
Impairment loss from expected credit losses on investment securities	(3)	(5,290)	(1,030)
Expenses, less impairment loss from expected credit losses	(45,814)	(51,784)	(53,613)
Profit for the year	**87,045**	**103,984**	**102,366**

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

17. Business segment information (continued)

	December 31, 2016	December 31, 2015
Total assets and loan commitments and financial guarantee contracts (end of year balances):		
Interest-earning assets (2 and 4)	7,191,443	8,286,366
Other assets and loan commitments and financial guarantee contracts (3)	422,422	437,436
Total interest-earning assets, other assets and loan commitments and financial guarantee contracts	**7, 613,865**	**8,723,802**

(1) The numbers set out in these tables have been rounded and accordingly may not total exactly. The balances for 2016 correspond to December 31, 2016 figures.

(2) Net other income consists of other income including gains on sale of loans at amortized cost, gains (loss) per financial instrument at FVTPL and FVOCI, derivative instruments and foreign currency exchange.

(3) Includes deposits and loans at amortized cost, net of unearned interest and deferred fees.

(4) Includes customers' liabilities under acceptances, loans commitments and financial guarantees contracts.

(5) Includes cash and cash equivalents, interest-bearing deposits with banks, financial instruments at fair value through OCI, financial instruments at amortized cost and financial instruments at fair value through profit or loss.

	December 31, 2016	December 31, 2015
Reconciliation of total assets:		
Interest-earning assets – business segment	7,191,443	8,286,366
Allowance for expected credit losses on loans at amortized cost	(105,988)	(89,974)
Allowance for expected credit losses on securities at amortized cost	(602)	(526)
Customers' liabilities under acceptances	19,387	15,100
Intangibles, net	2,909	427
Accrued interest receivable	44,187	45,456
Property and equipment, net	8,549	6,173
Derivative financial instruments used for hedging - receivable	9,352	7,400
Other assets	11,546	15,794
Total assets – consolidated financial statements	**7,180,783**	**8,286,216**

18. Fair value of financial instruments

The Bank determines the fair value of its financial instruments using the fair value hierarchy established in IFRS 13 - Fair Value Measurements and Disclosure, which requires the Bank to maximize the use of observable inputs (those that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market information obtained from sources independent of the reporting entity) and to minimize the use of unobservable inputs (those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances) when measuring fair value. Fair value is used on a recurring basis to measure assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets and liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses some valuation techniques and assumptions when estimating fair value. The Bank applied the following fair value hierarchy:

Level 1 – Assets or liabilities for which an identical instrument is traded in an active market, such as publicly-traded instruments or futures contracts.

Level 2 – Assets or liabilities valued based on observable market data for similar instruments, quoted prices in markets that are not active; or other observable inputs that can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments measured based on the best available information, which might include some internally-developed data, and considers risk premiums that a market participant would require.

When determining the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers the assumptions that market participants would use when pricing the asset or liability. When possible, the Bank uses active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Bank uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the size of the bid-ask spread and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in those markets.

When there has been a significant decrease in the volume or level of activity for a financial asset or liability, the Bank uses the present value technique which considers market information to determine a representative fair value in usual market conditions.

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, including the general classification of such assets and liabilities under the fair value hierarchy is presented below:

Financial instruments at FVTPL and FVOCI

Financial instruments at FVTPL are carried at fair value, which is based upon quoted prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

Financial instruments at FVOCI are carried at fair value, based on quoted market prices when available, or if quoted market prices are not available, based on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

When quoted prices are available in an active market, financial instruments at FVOCI and financial instruments at FVTPL are classified in level 1 of the fair value hierarchy. If quoted market prices are not available or they are available in markets that are not active, then fair values are estimated based upon quoted prices of similar instruments, or where these are not available, by using internal valuation techniques, principally discounted cash flows models. Such securities are classified within level 2 of the fair value hierarchy.

18. Fair value of financial instruments (continued)

Derivative financial instruments

The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. Exchange-traded derivatives that are valued using quoted prices are classified within level 1 of the fair value hierarchy.

For those derivative contracts without quoted market prices, fair value is based on internal valuation techniques using inputs that are readily observable and that can be validated by information available in the market. The principal technique used to value these instruments is the discounted cash flows model and the key inputs considered in this technique include interest rate yield curves and foreign exchange rates. These derivatives are classified within level 2 of the fair value hierarchy.

The fair value adjustments applied by the Bank to its derivative carrying values include credit valuation adjustments ("CVA"), which are applied to OTC derivative instruments, in which the base valuation generally discounts expected cash flows using the Overnight Index Swap ("OIS") interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant OIS curve, a CVA is necessary to incorporate the market view of both, counterparty credit risk and the Bank's own credit risk, in the valuation.

Own-credit and counterparty CVA is determined using a fair value curve consistent with the Bank's or counterparty credit rating. The CVA is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most of the Bank's derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the CVA may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of the Bank or its counterparties or due to the anticipated termination of the transactions.

Transfer of financial assets

Gains or losses on sale of loans depend in part on the carrying amount of the financial assets involved in the transfer, and its fair value at the date of transfer. The fair value of instruments is determined based upon quoted market prices when available, or are based on the present value of future expected cash flows using information related to credit losses, prepayment speeds, forward yield curves, and discounted rates commensurate with the risk involved.

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

18. Fair value of financial instruments (continued)

Financial instruments measured at fair value on a recurring basis by caption on the consolidated statement of financial positions using the fair value hierarchy are described below:

	December 31, 2016			
	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total
Assets				
Securities at fair value through OCI:				
Corporate debt	13,909		-	13,909
Sovereign debt	13,912	2,786	-	16,698
Total securities at fair value through OCI	27,821	2,786	-	30,607
Derivative financial instruments used for hedging – receivable:				
Interest rate swaps	-	363	-	363
Cross-currency interest rate swaps	-	2,561	-	2,561
Foreign exchange forward	-	6,428	-	6,428
Total derivative financial instrument used for hedging – receivable	-	9,352	-	9,352
Total financial assets at fair value	**27,821**	**12,138**	**-**	**39,959**
Liabilities				
Financial instruments at FVTPL:				
Interest rate swaps	-	-	-	-
Cross-currency interest rate swaps	-	-	-	-
Foreign exchange forward	-	24	-	24
Total financial instruments at FVTPL	-	24	-	24
Derivative financial instruments used for hedging – payable:				
Interest rate swaps	-	3,704	-	3,704
Cross-currency interest rate swaps	-	46,198	-	46,198
Foreign exchange forward	-	9,784	-	9,784
Total derivative financial instruments used for hedging – payable	-	59,686	-	59,686
Total financial liabilities at fair value	**-**	**59,710**	**-**	**59,710**

(a) Level 1: Quoted market prices in an active market.
(b) Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.
(c) Level 3: Internally developed models with significant unobservable market information.

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

18. Fair value of financial instruments (continued)

	December 31, 2015			
	Level 1[(a)]	**Level 2[(b)]**	**Level 3[(c)]**	**Total**
Assets				
Securities at fair value through OCI				
Corporate debt	76,091	8,724	-	84,815
Sovereign debt	56,988	-	-	56,988
Total securities at fair value through OCI	133,079	8,724	-	141,803
Financial instruments at FVTPL				
Investment funds	-	53,411	-	53,411
Total financial instruments at FVTPL	-	53,411	-	53,411
Derivative financial instruments used for hedging – receivable				
Interest rate swaps	-	2,779	-	2,779
Cross-currency interest rate swaps	-	696	-	696
Foreign exchange forward	-	3,925	-	3,925
Total derivative financial instrument used for hedging – receivable	-	7,400	-	7,400
Total financial assets at fair value	**133,079**	**69,535**	**-**	**202,614**
Liabilities				
Financial instruments at FVTPL				
Interest rate swaps	-	15	-	15
Cross-currency interest rate swaps	-	-	-	-
Foreign exchange forward	-	74	-	74
Total financial instruments at FVTPL	-	89	-	89
Derivative financial instruments used for hedging – payable				
Interest rate swaps	-	3,698	-	3,698
Cross-currency interest rate swaps	-	24,105	-	24,105
Foreign exchange forward	-	2,086	-	2,086
Total derivative financial instruments used for hedging – payable	-	29,889	-	29,889
Total financial liabilities at fair value	**-**	**29,978**	**-**	**29,978**

(a) Level 1: Quoted market prices in an active market.
(b) Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.
(c) Level 3: Internally developed models with significant unobservable market information.

The following information should not be interpreted as an estimate of the fair value of the Bank. Fair value calculations are only provided for a limited portion of the Bank's financial assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparison of fair value information of the Bank and other companies may not be meaningful for comparative analysis.

18. Fair value of financial instruments (continued)

The following methods and assumptions were used by the Bank's management in estimating the fair values of financial instruments whose fair value is not measured on a recurring basis:

Financial instruments with carrying value that approximates fair value

The carrying value of certain financial assets, including cash and due from banks, interest-bearing deposits in banks, customers' liabilities under acceptances, accrued interest receivable and certain financial liabilities including customer's demand and time deposits, securities sold under repurchase agreements, accrued interest payable, and acceptances outstanding, as a result of their short-term nature, are considered to approximate fair value. These instruments are classified in Level 2.

Securities at amortized cost

The fair value has been based upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon quoted price of similar instruments, or where these are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security. These securities are classified in Levels 1 and 2.

Loans at amortized cost

The fair value of the loan portfolio, including impaired loans, is estimated by discounting future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31 of the relevant year. These assets are classified in Level 2.

Short and long-term borrowings and debt

The fair value of short and long-term borrowings and debt is estimated using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements, taking into account the changes in the Bank's credit margin. These liabilities are classified in Level 2.

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

18. Fair value of financial instruments (continued)

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

	December 31, 2016				
	Carrying value	Fair value	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
Financial assets					
Instruments with carrying value that approximates fair value					
Cash and deposits on banks	1,069,538	1,069,538	-	1,069,538	-
Acceptances	19,387	19,387	-	19,387	-
Interest receivable	44,187	44,187	-	44,187	-
Securities at amortized cost	77,214	76,406	73,406	3,000	-
Loans at amortized cost [(1)]	5,907,494	6,021,006	-	6,021,006	-
Financial liabilities					
Instruments with carrying value that approximates fair value					
Deposits	2,802,852	2,802,852	-	2,802,852	-
Acceptances	19,387	19,387	-	19,387	-
Interest payable	16,603	16,603	-	16,603	-
Short-term borrowings and debt	1,470,075	1,470,045	-	1,470,045	-
Long-term borrowings and debt	1,776,738	1,808,228	-	1,808,228	-

[(a)] Level 1: Quoted market prices in an active market.
[(b)] Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.
[(c)] Level 3: Internally developed models with significant unobservable market information.

[(1)] The carrying value of loans is net of the allowance for expected credit losses of $106.0 million and unearned interest and defe rred fees of $7.2 million for December 31, 2016.

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

18. Fair value of financial instruments (continued)

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

	December 31, 2015				
	Carrying Value	**Fair value**	**Level 1[(a)]**	**Level 2[(b)]**	**Level 3[(c)]**
Financial assets					
Instruments with carrying value that approximates fair value					
Cash and deposits on banks	1,299,966	1,299,966	-	1,299,966	-
Acceptances	15,100	15,100	-	15,100	-
Interest receivable	45,456	45,456	-	45,456	-
Securities at amortized cost	108,215	101,726	76,673	25,053	-
Loans at amortized cost [(1)]	6,592,471	6,727,045	-	6,727,045	-
Financial liabilities					
Instruments with carrying value that approximates fair value					
Deposits	2,795,469	2,795,469	-	2,795,469	-
Repurchase agreement	114,084	114,084	-	114,084	-
Acceptances	15,100	15,100	-	15,100	-
Interest payable	17,716	17,716	-	17,716	-
Short-term borrowings and debt	2,430,357	2,428,513	-	2,428,513	-
Long-term borrowings and debt	1,881,813	1,904,231	-	1,904,231	-

[(a)] Level 1: Quoted market prices in an active market.
[(b)] Level 2: Internally developed models with significant observable market or quoted market prices in an inactive market.
[(c)] Level 3: Internally developed models with significant unobservable market information.

[(2)] The carrying value of loans is net of the allowance for expected credit losses of $90.0 million and unearned interest and deferred fees of $9.3 million for December 31, 2015.

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

19. Accumulated other comprehensive income (loss)

The breakdown of accumulated other comprehensive income (loss) related to financial instruments at FVOCI, derivative financial instruments, and foreign currency translation is as follows:

	Financial instruments at FVOCI	Derivative financial instruments	Total
Balance as of January 1, 2014	**(9,029)**	**(671)**	**(9,700)**
Net unrealized gain (loss) arising from the year	3,174	(1,813)	1,361
Reclassification adjustment for (gains) loss included in the profit of the year [1]	(962)	1,464	502
Other comprehensive income (loss) from the year	2,212	(349)	1,863
Balance as of December 31, 2014	**(6,817)**	**(1,020)**	**(7,837)**
Net unrealized gain (loss) arising from the year	(6,267)	(4,942)	(11,209)
Reclassification adjustment for (gains) loss included in the profit of the year [1]	4,153	4,212	8,365
Other comprehensive income (loss) from the year	(2,114)	(730)	(2,844)
Balance as of December 31, 2015	**(8,931)**	**(1,750)**	**(10,681)**
Net unrealized gain (loss) arising from the year	7,048	4,383	11,431
Reclassification adjustment for (gains) loss included in the profit of the year [1]	1,030	(4,581)	(3,551)
Other comprehensive income (loss) from the year	8,078	(198)	7,880
Balance as of December 31, 2016	**(853)**	**(1,948)**	**(2,801)**

[1] Reclassification adjustments include amounts recognized in profit of the year that had been part of other comprehensive income (loss) in this and previous years.

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

19. Accumulated other comprehensive income (loss) (continued)

The following table presents amounts reclassified from other comprehensive income to the profit of the year:

December 31, 2016

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	-	Interest income – financial instruments at FVOCI
	(7,243)	Net gain on sale of financial instruments at FVOCI
	6,213	Derivative financial instruments and hedging
	(1,030)	
Gains (losses) on derivative financial instruments:		
Foreign exchange forward	(4,750)	Interest income – loans at amortized cost
	1,679	Interest expense - borrowings
	6,060	Net gain (loss) on foreign currency exchange
Interest rate swaps	1,104	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	488	Net gain (loss) on cross-currency swaps
	4,581	

December 31, 2015

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the consolidated statement of profit or loss where net income is presented
Realized gains (losses) on financial instruments at FVOCI:	240	Interest income – financial instruments at FVOCI
	393	Net gain on sale of financial instruments at FVOCI
	(4,786)	Derivative financial instruments and hedging
	(4,153)	
Gains (losses) on derivative financial instruments:		
Foreign exchange forward	(1,822)	Interest income – loans at amortized cost
	-	Interest expense - borrowings
	(2,390)	Net gain (loss) on foreign currency exchange
	(4,212)	
Interest rate swaps	(229)	Net gain (loss) on interest rate swaps
Cross-currency interest rate swap	84	Net gain (loss) on cross-currency swaps

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

19. Accumulated other comprehensive income (loss) (continued)

December 31, 2014		
Details about accumulated other comprehensive income components	**Amount reclassified from accumulated other comprehensive income**	**Affected line item in the consolidated statement of profit or loss where net income is presented**
Realized gains (losses) on financial instruments at FVOCI:	2	Interest income – financial instruments at FVOCI
	1,796	Net gain on sale of financial instruments at FVOCI
	(836)	Derivative financial instruments and hedging
	962	
Gains (losses) on derivative financial instruments:		
Foreign exchange forward	(2,245)	Interest income – loans at amortized cost
	-	Interest expense - borrowings
	781	Net gain (loss) on foreign currency exchange
	(1,464)	
Interest rate swaps	(201)	Net gain (loss) on interest rate swaps

20. Related party transactions

During the reporting year, total compensation paid to directors and the executives of Bladex as representatives of the Bank amounted to:

	December 31, 2016	December 31, 2015	December 31, 2014
Expenses:			
Compensation costs paid to directors	880	949	1,135
Compensation costs paid to executives	4,055	4,601	4,027

21. Fees and commissions, net

	December 31, 2016	December 31, 2015	December 31, 2014
Commission income - Loans & commitments, net	1,126	2,988	2,118
Commission income - Letters of credit	7,458	9,332	9,275
Commission income - Arrangements	5,722	6,880	6,109
Total	**14,306**	**19,200**	**17,502**

22. Net gain or (loss) on financial instruments at FVTPL

	December 31, 2016	December 31, 2015	December 31, 2014
Net gain (loss) on financial instruments at FVTPL	1,481	645	(393)
Net (loss) gain on investment funds	(4,364)	5,086	2,754
	(2,883)	**5,731**	**2,361**

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

23. Salaries and other employee expenses

	December 31, 2016	December 31, 2015	December 31, 2014
Wages and salaries	16,132	15,500	16,044
Payroll taxes	2,244	2,264	2,491
Personnel benefits	3,090	8,613	9,855
Share–based payments	3,730	4,058	3,176
Total	**25,196**	**30,435**	**31,566**

24. Other expenses

	December 31, 2016	December 31, 2015	December 31, 2014
Advertising and marketing	785	829	712
Regulatory fees	1,348	1,565	1,371
Rental - office and equipment	2,681	3,019	3,100
Administrative	7,468	7,469	6,912
Professional services	4,255	4,621	5,177
Maintenance and repairs	1,866	1,635	1,545
Other	129	244	743
Total	**18,532**	**19,382**	**19,560**

25. Commitments and contingencies

Leasing arrangements

Operating lease commitments – Bank as lessee

Future minimum lease payments under cancellable operating leases as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Within 1 year	1,984	2,055	2,305
After 1 year but not more than 5 years	7,362	6,731	6,589
More than 5 years	10,638	14,128	14,128
Total	**19,984**	**22,914**	**23,022**

The total amount of expenses recognized in connection with such leases in 2016, 2015 and 2014 are $2,605, $2,930 and $2,249, respectively.

Operating leases – Bank as sub-lessor

Future minimum lease payments under cancellable operating leases as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Within 1 year	289	455	662
After 1 year but not more than 5 years	646	822	1,277
Total	**935**	**1,277**	**1,939**

The total amount of income recognized in connection with such leases in 2016, 2015 and 2014 are $436, $661 and $661, respectively.

26. Litigation

Bladex is not engaged in any litigation that is material to the Bank's business or, to the best of the knowledge of the Bank's management that is likely to have an adverse effect on its business, financial condition or results of operations.

27. Risk management

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to market, credit, compliance and liquidity risk. It is also subject to country risk and various operating risks.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed an Administration Committee which has the responsibility to monitor the overall risk process within the Bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports on a weekly basis to the Supervisory Board.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework.

The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on a daily basis, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's Assets/Liabilities Committee (ALCO) is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, market risk sensitivities, stop losses, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Supervisory Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank. For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up–to–date information.

27. Risk management (continued)

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

In accordance with the Bank's policy, its risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Bank. The effectiveness of hedges is assessed by the Risk Controlling Unit (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by the Risk Controlling Unit quarterly. In situations of ineffectiveness, the Bank will enter into a new hedge relationship to mitigate risk on a continuous basis.

Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank to manage risk concentrations at both the relationship and industry levels.

The Bank has exposure to the following risk from financial instruments:

27.1 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

<u>Individually assessed allowances</u>

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Allowances for losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

27. Risk management (continued)

27.1 Credit risk (continued)

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances and for debt investments at amortized costs that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. The Bank generally bases its analyses on historical experience and prospective information. However, when there are significant market developments, regional and/or global, the Bank would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debt, changes in the law, changes in regulation, bankruptcy trends, and other consumer data. The Bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry–specific problems). The approximate time when a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed in a similar manner as for loans.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position at fair value.

With gross–settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honors its obligation, but the counterparty fails to deliver the counter value.

Credit–related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Collateral and other credit enhancements

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

The main types of collateral obtained are, as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables

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

27. Risk management (continued)

27.1 Credit risk (continued)

Collateral and other credit enhancements (continued)

The Bank also makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance–sheet assets and liabilities unless certain conditions for offsetting.

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

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

27.2 Liquidity risk

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

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

The Bank performs daily reviews, controls and periodic stress tests on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and to monitor the liquidity level according to the macroeconomic environment. The Bank determines the level of liquid assets to be held on a daily basis, adopting a Liquidity Coverage Ratio methodology referencing the Basel Committee guidelines. Additionally, the Liquidity Coverage Ratio is complemented with the use of the Net Stable Funding Ratio to maintain an adequate long-term funding structure. Specific limits have been established to control (1) cumulative maturity “gaps” between assets and liabilities, for each maturity classification presented in the Bank’s internal liquidity reports, and (2) concentrations of deposits taken from any client or economic group maturing in one day and total maximum deposits maturing in one day.

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

27. Risk management (continued)

27.2 Liquidity risk (continued)

The following table shows the Bank's liquid assets, by principal geographic area:

(in millions US$)	December 31,	
	2016	**2015**
United States of America	591	1,215
Other O.E.C.D.	409	11
Multilateral	-	40
Latin America	8	1
Total	**1,008**	**1,267**

As of December 31, 2016 and 2015, the Bank's 24-hour deposits from customers (demand deposit accounts and call deposits) amounted to $227 million and $244 million, respectively; representing 8% and 9% of the Bank's total deposits, for each year reported. The liquidity requirement resulting from these maturities is satisfied by the Bank's liquid assets, which as of December 31, 2016 and 2015 were $1,008 million and $1,267 million, respectively (representing 36% and 45% of total deposits, respectively) of which $591 million, or 59% and $1,213 million, or 96%, as of December 31, 2016 and 2015, of liquid assets were deposited at the Federal Reserve Bank of New York. The remaining liquid assets consisted of short-term funds deposited with other banks.

While the Bank's liabilities generally mature over somewhat shorter periods than its assets, the associated liquidity risk is diminished by the short-term nature of the loan portfolio, as the Bank is engaged primarily in the financing of foreign trade. As of December 31, 2016 and 2015, the Bank's short-term loan and investment securities portfolio (maturing within one year based on original contractual term) totaled $3,577 million and $3,189 million, respectively. As of December 31, 2016 and 2015, it had an average original term to maturity of 184 and 198 days, respectively and an average remaining term to maturity of 89 days and 90 days, respectively.

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled $2,552 million and $3,753 million as of December 31, 2016 and 2015, respectively. Of that amount, $105 million and $228 million corresponded to the Bank's investment securities as of December 31, 2016 and 2015. The remaining $2,447 million and $3,526 million in medium-term assets corresponded to the Bank's loan portfolio as of December 31, 2016 and 2015. As of December 31, 2016 and 2015, the medium-term assets had an average original term to maturity of three years and ten months, and three years and seven months, respectively; and an average remaining term to maturity of one year and seven months (588 days), and one year and eight months (618 days), respectively.

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

27. Risk management (continued)

27.2 Liquidity risk (continued)

The following table details the Banks's assets and liabilities grouped by its remaining maturity with respect to the contractual maturity:

	December 31, 2016						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Without maturity**	**Total**
Assets							
Cash and cash equivalent	1,069,538	-	-	-	-	-	1,069,538
Investment securities	1,024	3,000	-	83,643	20,756	(602)	107,821
Loans at amortized cost	2,262,349	1,267,194	551,794	1,843,476	95,918	-	6,020,731
Unearned interest and deferred fees	(663)	(906)	(258)	(4,762)	(660)	-	(7,249)
Allowance for expected credit losses	-	-	-	-	-	(105,988)	(105,988)
Other assets	55,445	6,587	3,721	6,399	642	23,136	95,930
Total	**3,387,693**	**1,275,875**	**555,257**	**1,928,756**	**116,656**	**(83,454)**	**7,180,783**
Liabilities							
Deposits in banks	2,306,413	173,288	275,631	47,520	-	-	2,802,852
Other liabilities	884,453	744,135	346,294	1,330,515	61,220	-	3,366,617
Total	**3,190,866**	**917,423**	**621,925**	**1,378,035**	**61,220**	**-**	**6,169,469**
Net position	**196,827**	**358,452**	**(66,668)**	**550,721**	**55,436**	**(83,454)**	**1,011,314**

	December 31, 2015						
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Without maturity**	**Total**
Assets							
Cash and cash equivalent	1,299,966	-	-	-	-	-	1,299,966
Investment securities	22,749	13,619	12,953	113,613	87,609	52,886	303,429
Loans at amortized cost	2,390,914	1,094,889	1,188,864	1,973,526	43,556	-	6,691,749
Unearned interest and deferred fees	(722)	(1,163)	(1,477)	(5,454)	(488)	-	(9,304)
Allowance for expected credit losses	-	-	-	-	-	(89,974)	(89,974)
Other assets	54,873	18,889	4,024	5,061	733	6,770	90,350
Total	**3,767,780**	**1,126,234**	**1,204,364**	**2,086,746**	**131,410**	**(30,318)**	**8,286,216**
Liabilities							
Deposits in banks	2,211,625	319,995	263,849	-	-	-	2,795,469
Other liabilities	1,487,458	862,141	471,232	1,622,937	74,475	573	4,518,816
Total	**3,699,083**	**1,182,136**	**735,081**	**1,622,937**	**74,475**	**573**	**7,314,285**
Net position	**68,697**	**(55,902)**	**469,283**	**463,809**	**56,935**	**(30,891)**	**971,931**

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

27. Risk management (continued)

27.3 Market risk

Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with many of the Bank's operations and activities, including loans, deposits, investment and financial instruments at FVTPL, short- and long-term borrowings and debt, derivatives and trading positions. This risk may result from fluctuations in different parameters: interest rates, currency exchange rates, inflation rates and changes in the implied volatility. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on the Bank's financial condition, results of operations, cash flows and business

Interest rate risk

The Bank endeavors to manage its assets and liabilities in order to reduce the potential adverse effects on the net interest income that could be produced by interest rate changes. The Bank's interest rate risk is the exposure of earnings (current and potential) and capital to adverse changes in interest rates and is managed by attempting to match the term and repricing characteristics of the Bank's interest rate sensitive assets and liabilities. The Bank's policy with respect to interest rate risk provides that the Bank establishes limits with regards to: (1) changes in net interest income due to a potential impact, given certain movements in interest rates and (2) changes in the amount of available equity funds of the Bank, given a one basis point movement in interest rates.

The following summary table presents a sensitivity analysis of the effect on the Bank's results of operations derived from a reasonable variation in interest rates which its financial obligations are subject to, based on change in points.

	Change in interest rate	Effect on income
December 31, 2016	+200 bps	24,603
	-200 bps	(11,382)
December 31, 2015	+200 bps	18,723
	-200 bps	(3,480)

This analysis is based on the prior year changes in interest rates and assesses the impact on income, with balances as of December 31, 2016 and 2015. This sensitivity provides an idea of the changes in interest rates, taking as example the volatility of the interest rate of the previous year.

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

27. Risk management (continued)

27.3 Market risk (continued)

Interest rate risk (continued)

The table below summarizes the Bank's exposure based on the terms of repricing of interest rates on financial assets and liabilities.

	December 31, 2016					
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Assets						
Time deposit	125,000	-	-		-	125,000
Securities and other financial assets	9,025	3,000	-	72,094	18,200	102,319
Loans at amortized cost	4,350,913	1,445,290	141,060	83,919		6,021,182
Total	4,484,938	1,448,290	141,060	156,013	18,200	6,248,501
Liabilities						
Deposits	2,179,399	173,288	275,631	47,520	-	2,675,838
Repurchase agreements	-	-	-	-	-	-
Borrowings, pledged deposits and debt	2,168,964	402,643	133,190	495,883	46,133	3,246,813
Total	4,348,363	575,931	408,821	543,403	46,133	5,922,651
Total interest rate sensibility	**136,575**	**872,359**	**267,761**	**387,390**	**27,933**	**325,850**

	December 31, 2015					
Description	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Assets						
Time deposit	50,000	-	-	-	-	50,000
Securities and other financial assets	34,100	10,000	13,345	105,394	86,848	249,687
Loans at amortized cost	4,532,150	1,760,730	288,031	111,049	-	6,691,960
Total	**4,616,250**	**1,770,730**	**301,376**	**216,443**	**86,848**	**6,991,647**
Liabilities						
Deposits	1,967,929	319,995	263,849	-	-	2,551,773
Repurchase agreements	102,775	11,308	-	-	-	114,083
Borrowings, pledged deposits and debt	2,430,951	718,258	271,811	842,901	54,410	4,318,331
Total	**4,501,655**	**1,049,561**	**535,660**	**842,901**	**54,410**	**6,984,187**
Total interest rate sensibility	**114,595**	**721,169**	**(234,284)**	**(626,458)**	**32,438**	**7,460**

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

27. Risk management (continued)

27.3 Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events. For purposes of accounting standards this risk does not come from financial instruments that are not monetary items, or for financial instruments denominated in the functional currency. Exposure to currency risk is low since the Bank's has maximum exposure limits established by the Board.

Most of the Bank's assets and most of its liabilities are denominated in US American Dollars and hence the Bank does not incur a significant currency exchange risk. The currency exchange rate risk is mitigated by the use of derivatives, which, although perfectly covered economically, may generate a certain accounting volatility

The following table details the maximum to foreign currency, where all assets and liabilities are presented based on their book value, except for derivatives, which are included within other assets and other liabilities based on its value nominal.

	December 31, 2016						
	Brazilian Real expressed in US$	**European Euro expressed in US$**	**Japanese Yen expressed in US$**	**Colombian Peso expressed in US$**	**Mexican Peso expressed in US$**	**Other currencies expressed in US$[1]**	**Total**
Exchange rate	3.25	1.06	116.68	3002.00	20.6139		
Assets							
Cash and cash equivalent	4,014	6	6	55	2,339	74	6,494
Investments and other financial assets	-	-	-	-	-	-	-
Loans at amortized cost	-	-	-	-	295,580	-	295,580
Other assets	-	52,800	94,279	-	79,104	-	226,183
Total	**4,014**	**52,806**	**94,285**	**55**	**377,023**	**74**	**528,257**
Liabilities							
Borrowings and deposit placements	-	-	94,279	-	280,557	-	374,836
Other liabilities	3,933	52,800	-	-	96,951	-	153,684
Total	**3,933**	**52,800**	**94,279**	**-**	**377,508**	**-**	**528,520**
Net currency position	**81**	**6**	**6**	**55**	**(485)**	**74**	**(263)**

[1] It includes other currencies such as: Argentine pesos, Australian- dollar, Canadian dollar, Swiss franc, Peruvian soles and Remimbis.

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

27. Risk management (continued)

27.3 Market risk (continued)

Currency risk (continued)

	December 31, 2015						
	Brazilian Real expressed in US$	**European Euro expressed in US$**	**Japanese Yen expressed in US$**	**Colombian Peso expressed in US$**	**Mexican Peso expressed in US$**	**Other currencies expressed in US$(1)**	**Total**
Exchange rate	3.96	1.09	120.40	3,175.18	17.34		
Assets							
Cash and cash equivalent	405	6	5	50	887	150	1,503
Investments and other financial assets	3,818	-	-	-	1,601	-	5,419
Loans at amortized cost	-	-	-	-	136,896	-	136,896
Other assets	-	271,005	38,208	-	28,831	-	338,044
Total	**4,223**	**271,011**	**38,213**	**50**	**168,215**	**150**	**481,862**
Liabilities							
Borrowings and deposit placements	-	270,913	38,208	-	168,103	-	477,224
Other liabilities	3,883	-	-	-	-	-	3,883
Total	**3,883**	**270,913**	**38,208**	**-**	**168,103**	**-**	**481,107**
Net currency position	**340**	**98**	**5**	**50**	**112**	**150**	**755**

(1) It includes other currencies such as: Argentine pesos, Australian- dollar, Canadian dollar, Swiss franc, Peruvian soles and Renmimbis.

27.4 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Bladex, like all financial institutions, is exposed to operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, and errors by employees, and any failure, interruption or breach in the security or operation of the Bank's information technology systems could result in interruptions in such activities. Operational problems or errors may occur, and their occurrence may have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

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

27. Risk management (continued)

27.4 Operational Risk (continued)

Capital management

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

	December 31, 2016	December 31, 2015
Tier 1 capital	1,066,126	1,050,778
Risk weighted assets	6,350,544	6,460,108
Tier 1 capital ratio	16.79%	16.27%

28. Subsequent Events

Bladex announced a quarterly cash dividend of 15,077 which represent $0.385 per share corresponding to the fourth quarter of 2016. The cash dividend was approved by the Board of Directors at its meeting held January 17, 2017 and is payable on February 16, 2017 to the Bank's stockholders as of the February 1, 2017 record date.