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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

THE SECURITIES EXCHANGE ACT OF 1934

OR

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

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

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

THE SECURITIES EXCHANGE ACT OF 1934

OR

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

THE SECURITIES EXCHANGE ACT OF 1934

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

For the transition period from ______ to _______

Commission File Number 1-11414

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

(Exact name of Registrant as specified in its charter)

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

Torre V, Business Park

Avenida La Rotonda, Urb. Costa del Este

P.O. Box 0819-08730

Panama City, Republic of Panama

(Address of principal executive offices)

Ana Graciela de Méndez

Chief Financial Officer

+507 210-8500

Email address: amendez@bladex.com

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

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

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

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

None

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

None

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

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

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

x Yes ¨ No

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

¨ Yes x No

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

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

x Yes ¨ No

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

x Yes ¨ No

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

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

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

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

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

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

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

¨ Item 17 ¨ Item 18

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

¨ Yes x No

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

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

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

Forward-Looking Statements

In addition to historical information, this Annual Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements may appear throughout this Annual Report. The Bank uses words such as "believe," "intend," "expect," "anticipate," "plan," "may," "will," "should," "estimate," "potential," "project" and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning the Bank's expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from these forward-looking statements include the risks described in the section titled "Risk Factors." Forward-looking statements include statements regarding:

- general economic, political and business conditions in North America, Central America, South America and the jurisdictions in which the Bank or its customers operate;
- the growth of the Bank's Credit Portfolio, including its trade finance portfolio;
- the Bank's ability to increase the number of its clients;

- the Bank's ability to maintain its investment-grade credit ratings and preferred creditor status;
- the effects of changing interest rates, inflation, exchange rates and the macroeconomic environment in the Region on the Bank's financial condition;
- the execution of the Bank's strategies and initiatives, including its revenue diversification strategy;
- anticipated profits and return on equity in future periods;
- the Bank's level of capitalization and debt;
- the implied volatility of the Bank's Treasury profits;
- levels of defaults by borrowers and the adequacy of the Bank's allowance for expected credit losses ("ECL");
- the availability and mix of future sources of funding for the Bank's lending operations;
- the adequacy of the Bank's sources of liquidity to cover large deposit withdrawals;

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- management’s expectations and estimates concerning the Bank’s future financial performance, financing, plans and programs, and the effects of competition;
- government regulations and tax laws and changes therein;
- increases in compulsory reserve and deposit requirements;
- effectiveness of the Bank’s risk management policies;
- failure in, or breach of, our operational or security systems or infrastructure;
- regulation of the Bank’s business and operations on a consolidated basis;
- the effects of possible changes in economic or financial sanctions, requirements, or trade embargoes, changes in international trade, tariffs, restrictions or policies, such as those imposed or implemented by the current administration in the United States of America (“United States” or “USA” or “U.S.”), or as a result of the United Kingdom’s (“U.K.”) exit from the European Union (“Brexit”);
- credit and other risks of lending and investment activities; and
- the Bank’s ability to sustain or improve its operating performance.

In addition, the statements included under the headings “Item 4.B. Business Overview—Strategies for 2018 and Subsequent Years” and “Item 5.D. Trend Information” are forward-looking statements. Given the risks and uncertainties surrounding forward-looking statements, undue reliance should not be placed on these statements. Many of these factors are beyond the Bank’s ability to control or predict. The Bank’s forward-looking statements speak only as of the date of this Annual Report. Other than as required by law, the Bank undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not required in this Annual Report.

Item 2. Offer Statistics and Expected Timetable

Not required in this Annual Report.

Item 3. Key Information

A. Selected Financial Data

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

Consolidated Selected Financial Information

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

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

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

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

(2) Average total assets and average total stockholders' equity are calculated on the basis of unaudited average balances.

(3) For information regarding calculation of the net interest margin and the net interest spread, see Item 5.A., "Operating and Financial Review and Prospects—Operating Results—Net Interest Income and Margins."

(4) Efficiency ratio refers to total operating expenses as a percentage of total income.

(5) Total operating expenses includes the following expense line items of the consolidated statements of profit or loss: salaries and other employee expenses, depreciation of equipment and leasehold improvements, amortization of intangible assets and other expenses. See Item 5.A. "Operating and Financial Review and Prospects—Operating Results—Operating Expenses."

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

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(7) Liquid assets refer to total cash and cash equivalents, consisting of cash and due from banks, and interest-bearing deposits in banks, excluding pledged deposits, as shown in the consolidated statements of cash flows and note 4 to the Audited Financial Statements. See Item 5.B. "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Liquidity" and Item 18, "Financial Statements," Notes 4 and 27.2.

(8) As of December 31, 2017, 2016, 2015 and 2014 the Bank had \$59 million, \$65 million, \$52 million and \$4 million in non-performing loans, respectively, all of which corresponded to impaired loans. Impairment factors considered by the Bank's management include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence.

(9) Leverage ratio is the ratio of total assets to total stockholders' equity.

(10) Tier 1 Capital is calculated according to Basel III capital adequacy guidelines, and is equivalent to total stockholders' equity excluding certain effects such as accumulated other comprehensive income (loss) ("OCI") of the financial instruments at fair value through OCI. Tier 1 Capital ratio is calculated as a percentage of risk-weighted assets. Risk-weighted assets are estimated based on Basel III capital adequacy guidelines.

B. Capitalization and Indebtedness

Not required in this Annual Report.

C. Reasons for the Offer and Use of Proceeds

Not required in this Annual Report.

D. Risk Factors

Risks Relating to the Bank's Business

Bladex faces liquidity risk, and its failure to adequately manage this risk could result in a liquidity shortage, which could adversely affect its financial condition, results of operations and cash flows.

Bladex, like all financial institutions, faces liquidity risk. Liquidity risk is the risk that the Bank will be unable to maintain adequate cash flow to repay its deposits and borrowings and fund its Credit Portfolio (as defined below) on a timely basis. Failure to adequately manage its liquidity risk could produce a shortage of available funds, which may cause the Bank to be unable to repay its obligations as they become due.

Short-term borrowings and debt from international private banks that compete with the Bank in its lending activity represent one of the main sources of funding at 17% of the Bank's total funding as of December 31, 2017. If these international banks cease to provide funding to the Bank, the Bank would have to seek funding from other sources, which may not be available, or if available, may be at a higher cost.

Turmoil in the international financial markets could negatively impact liquidity in such markets, reducing the Bank's access to credit or increasing its cost of funding, which could lead to tighter lending standards. The reoccurrence of such unfavorable market conditions could have a material adverse effect on the Bank's liquidity.

As of December 31, 2017, 67% of the Bank's total deposits represented deposits from central banks or their designees (i.e., the Bank's Class A shareholders), 14% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions, 13% of the Bank's deposits represented deposits from state-owned and private corporations, and 6% of the Bank's deposits represented deposits from state-owned banks.

As a U.S. dollar-based economy, Panama does not have a central bank, and there is no lender of last resort to the banking system in the country.

The credit ratings of Bladex are an important factor in maintaining the Bank's liquidity. A reduction in the Bank's credit rating could reduce the Bank's access to debt markets or materially increase the cost of issuing debt, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing or permitted, contractually or otherwise, to do business with or lend to the Bank. This in turn could reduce the Bank's liquidity and negatively impact its results of operations and financial position.

Any of the above factors, either individually or together as a group, could adversely impact the Bank's financial condition, results of operations and cash flows.

The Bank's allowance for ECL could be inadequate to cover credit losses mostly related to its loans, loan commitments and financial guarantee contracts.

The Bank determines the appropriate level of allowances for ECL based on a forward-looking process that estimates the probable loss inherent in its portfolio, which is the result of a statistical analysis supported by the Bank's historical portfolio performance, external sources and the judgment of the Bank's management. The latter reflects assumptions and estimates made in the context of changing political and economic conditions in the Region. The Bank's commercial portfolio (the "Commercial Portfolio") includes gross loans (the "Loan Portfolio"), customers' liabilities under acceptances, loan commitments and financial guarantee contracts, such as confirmed and stand-by letters of credit, and guarantees covering commercial risk. The Bank's allowances for ECL could be inadequate to cover losses in its Commercial Portfolio due to concentration of exposure or deterioration in certain sectors or countries, which in turn could have a material adverse effect on the Bank's financial condition, results of operations and cash flows.

The Bank's businesses are subject to market risk inherent in the Bank's financial instruments, as fluctuations in different metrics may have adverse effects on its financial position.

Market risk generally represents the risk that the values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with many of the Bank's operations and activities, including loans and securities at amortized cost, deposits, financial instruments at fair value through profit or loss ("FVTPL") and at fair value through OCI ("FVOCI"), short-term and long-term borrowings and debt, derivatives and trading positions. This risk may result from fluctuations in different metrics: interest rates, currency exchange rates, inflation rates and changes in the implied volatility of interest rates and changes in securities prices, due to changes in either market perception or actual credit quality of either the relevant issuer or its country of origin. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on the Bank's financial condition, results of operations, cash flows and business.

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

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

As a bank, Bladex faces interest rate risk because interest-bearing liabilities generally reprice at a different pace than interest-earning assets. Bladex's exposure to financial instruments whose values vary with the level or volatility of interest rates contributes to its interest rate risk. Failure to adequately manage eventual mismatches may reduce the Bank's net interest income during periods of fluctuating interest rates.

The Bank's Commercial Portfolio may decrease or may not continue to grow at historical rates. Additionally, growth in the Bank's Commercial Portfolio, as well as factors beyond the Bank's control, may require an increase in the Bank's allowance for ECL.

It is difficult to predict whether the Bank's Commercial Portfolio, including the Bank's foreign trade portfolio, will grow at historical rates. A reversal or slowdown in the growth rate of the Region's economy and trade volumes could adversely affect the Bank's Commercial Portfolio. On the other hand, the future expansion of Bladex's Commercial Portfolio may expose the Bank to higher levels of potential or actual losses and require an increase in the allowance for ECL, which could negatively impact the Bank's operating results and financial position. Non-performing or low credit quality loans can negatively impact the Bank's results of operations. The Bank may not be able to effectively control the level of the impaired loans in its total Loan Portfolio. In particular, the amount of its reported non-performing loans may increase in the future as a result of growth in its Loan Portfolio, including loans that the Bank may acquire in the future, or factors beyond the Bank's control, such as the impact of economic trends and political events affecting the Region, certain industries or financial markets and global economies, or particular clients' businesses which could have a material adverse effect on the Bank's financial condition, results of operations and cash flows.

Increased competition and banking industry consolidation could limit the Bank's ability to grow and may adversely affect results of operations.

Most of the competition the Bank faces in the trade finance business comes from domestic and international banks, and in particular European, North American and Asian institutions. Many of these banks have substantially greater resources than the Bank, may have better credit ratings, and may have access to less expensive funding than the Bank does. It is difficult to predict how increased competition will affect the Bank's growth prospects and results of operations.

Over time, there has been substantial consolidation among companies in the financial services industry, and this trend has accelerated in recent years as the credit crisis led to numerous mergers and acquisitions among industry participants and in certain cases reorganization, restructuring, or even bankruptcy. Merger activity in the financial services industry has produced companies that are capable of offering a wide array of financial products and services at competitive prices. In addition, whenever economic conditions and risk perception improve in the Region, competition from commercial banks, the securities markets and other new market entrants generally increases.

Globalization of the capital markets and financial services industries exposes the Bank to further competition. To the extent the Bank expands into new business areas and new markets, the Bank may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect the Bank's ability to compete. The Bank's ability to grow its business and therefore, its earnings, may be affected by these competitive pressures.

The Bank's businesses rely heavily on data collection, management and processing, and information systems, the failure of which could have a material adverse effect on the Bank, including the effectiveness of the Bank's risk management and internal control systems.

All of the Bank's principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information across numerous and diverse markets, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Bank's businesses and to its ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect the Bank's decision-making process, risk management and internal control systems, as well as the Bank's ability to respond on a timely basis to changing market conditions. If the Bank cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected.

The Bank is also dependent on information systems to operate its website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. The Bank may experience cyberattacks or operational problems with its information systems as a result of system defects and failures (including failure to update systems), viruses, worms, and other malicious software from computer “hackers” or other sources, which could unexpectedly interfere with the operation of the Bank’s systems. The Bank also relies in certain limited capacities on third-party data management providers. Any security problems and security vulnerabilities of such third-party data management providers may have and adverse effect on us. The Bank’s ability to remain competitive depends in part on its ability to upgrade its information technology on a timely and cost-effective basis. The Bank continually makes investments and improvements in its information technology infrastructure in order to remain competitive. The Bank may not be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of its information technology infrastructure. Any failure to effectively improve or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Bank. The Bank’s reputation could also suffer if the Bank is unable to protect its customers’ information from being used by third parties for illegal or improper purposes.

Operational problems or errors can have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows.

Bladex, like all financial institutions, is exposed to operational risks, including the risk of fraud by employees and third parties, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures and errors by employees. Any failure, interruption or breach in the security or operation of the Bank's information technology systems could result in interruptions in such activities. Operational problems or errors such as these may have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows.

Any delays or failure to implement business initiatives that the Bank may undertake could prevent the Bank from realizing the anticipated revenues and benefits of these initiatives.

Part of the Bank's strategy is to diversify income sources through certain business initiatives, including targeting new clients and developing new products and services. These initiatives may not be fully implemented within the time frame the Bank expects, or at all. In addition, even if such initiatives are fully implemented, they may not generate revenues as expected, which could adversely affect the Bank's business, results of operations and growth prospects. Any delays in implementing these business initiatives could prevent the Bank from realizing the anticipated benefits of the initiatives, which could adversely affect the Bank's business, results of operations and growth prospects.

Any failure to remain in compliance with applicable banking laws or other applicable regulations in the jurisdictions in which the Bank operates could harm its reputation and/or cause it to become subject to fines, sanctions or legal enforcement, which could have an adverse effect on the Bank's business, financial condition and results of operations.

Bladex has adopted various policies and procedures to ensure compliance with applicable laws, including internal controls and "know-your-customer" procedures aimed at preventing money laundering and terrorism financing; however, the participation of multiple parties in any given trade finance transaction can increase complexity and require additional time for due diligence. Also, because trade finance can be more reliant on document-based information than other banking activities, it is susceptible to documentary fraud, which can be linked to money laundering, terrorism financing, illicit activities and/or the circumvention of sanctions or other restrictions (such as export prohibitions, licensing requirements or other trade controls). While the Bank remains alert to potentially high-risk transactions, it is also aware that efforts such as forgery, double invoicing, partial shipments of goods and use of fictitious goods, may be used to evade applicable laws and regulations. If the Bank's policies and procedures are ineffective in preventing third parties from using it as a conduit for money laundering or terrorism financing without its knowledge, the Bank's reputation could suffer and/or it could become subject to fines, sanctions or legal action (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the

Bank), which could have an adverse effect on the Bank's business, financial condition and results of operations. In addition, amendments to applicable laws and regulations in Panama and other countries in which the Bank operates could impose additional compliance burdens on the Bank.

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

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

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

***Changes in applicable law and regulation may have a material adverse effect on the Bank*.**

The Bank is subject to extensive laws and regulations regarding the Bank's organization, operations, lending and funding activities, capitalization and other matters. The Bank has no control over applicable law and government regulations, which govern all aspects of its operations, including regulations that impose:

- Minimum capital requirements;
- Reserve and compulsory deposit requirements;
- Funding restrictions;
- Lending limits, earmarked lending and other credit restrictions;
- Limits on investments in fixed assets;
- Corporate governance requirements;
- Accounting and statistical requirements; and

- Other requirements or limitations.

The regulatory structure governing financial institutions, such as the Bank, is continuously evolving. Disruptions and volatility in the global financial markets resulting in liquidity problems at major international financial institutions could lead the governments in jurisdictions in which the Bank operates to change laws and regulations applicable to financial institutions based on such international developments.

In response to the global financial crisis, which began in late 2007, national and intergovernmental regulatory entities, such as the Basel Committee on Banking Regulations and Supervisory Practices (the "Basel Committee") proposed reforms to prevent the recurrence of a similar crisis, including the Basel III framework, which creates new higher minimum regulatory capital requirements. On December 16, 2010 and January 13, 2011, the Basel Committee issued its original guidance (which was updated in 2013) on a number of regulatory reforms to the regulatory capital framework in order to strengthen minimum capital requirements, including the phasing out of innovative Tier 1 and 2 Capital instruments with incentive-based redemption clauses and implementing a leverage ratio on institutions in addition to current risk-based regulatory requirements. The Superintendency of Banks of Panama ("Superintendencia de Bancos de Panamá" or the "Superintendency") is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards (the standards set by the Basel Committee on Banking Supervision) become more stringent. Non-compliance with this legal lending limit could result in the assessment of administrative sanctions by the Superintendency for such violations, taking into consideration the magnitude of the offense and any prior occurrences, and the magnitude of damages and prejudice caused to third parties. The Bank follows Basel III criteria to determine capitalization levels, and has determined the Bank's Tier 1 Basel III capital ratio to be 21.1% as of December 31, 2017.

Based on the Bank's current regulatory capital ratios, as well as conservative assumptions on expected returns and asset growth, the Bank does not anticipate that additional regulatory capital will be required to support its operations in the near future. However, depending on the effects of the rules that complete the implementation of the Basel III framework on Panamanian banks and particularly on other Bank operations, the Bank may need to reassess its ongoing funding strategy for regulatory capital.

The Bank also has operations in countries outside of Panama, including the United States. Changes in the laws or regulations applicable to the Bank business in the countries in which it operates or adoption of new laws, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") in the United States and the related rulemaking, may have a material adverse effect on the Bank's business, financial condition and results of operations. The Dodd-Frank Act was signed into law on July 21, 2010 and was intended to overhaul the financial regulatory framework in the United States following the global financial crisis and has substantially impacted all financial institutions that are subject to its requirements. The Dodd-Frank Act, among other things, imposes higher prudential standards, including more stringent risk-based capital, leverage, liquidity and risk-management requirements, established a Bureau of Consumer Financial Protection, established a systemic risk regulator, consolidated certain federal bank regulators, imposes additional requirements related to corporate governance and executive compensation and requires various U.S. federal agencies to adopt a broad range of new implementing rules and regulations, for which they are given broad discretion.

In 2014, the U.S. Federal Reserve Board issued a final rule strengthening supervision and regulation of large U.S. bank holding companies and foreign banking organizations, such as the Bank. The final rule establishes a number of enhanced prudential standards for large U.S. bank holding companies and foreign banking organizations to help increase the resiliency of their operations. These standards include liquidity, risk management, and capital. The final rule was required by section 165 of the Dodd-Frank Act. Under the final rule, foreign banking organizations with combined U.S. assets of $50 billion or more will be required to establish a U.S. risk committee and employ a U.S. chief risk officer to help ensure that the foreign bank understands and manages the risks of its combined U.S. operations. In addition, these foreign banking organizations will be required to meet enhanced liquidity risk-management standards, conduct liquidity stress tests, and hold a buffer of highly liquid assets based on projected funding needs during a 30-day stress test event. Foreign banking organizations with total consolidated assets of $50 billion or more, but combined U.S. assets of less than $50 billion, are subject to enhanced prudential standards. However, the capital, liquidity, risk-management and stress testing requirements applicable to these foreign banking organizations are substantially less than those applicable to foreign banking organizations with a larger U.S. presence. In addition, the final rule implements stress testing requirements for foreign banking organizations with total consolidated assets of more than $10 billion and risk committee requirements for foreign banking organizations that meet the asset threshold and are publicly traded. While the majority of these enhanced prudential standards are not currently applicable to the Bank, they could ultimately become applicable as the Bank grows, its U.S. presence or assets increase or if the Dodd-Frank Act is later amended, modified or supplemented with new legislation.

On December 10, 2013, pursuant to the Dodd-Frank Act, federal banking and securities regulators issued final rules to implement Section 619 of the Dodd-Frank Act (the "Volcker Rule"). Generally, subject to certain exceptions, the Volcker Rule restricts banks from: (i) short-term proprietary trading as principal in securities and other financial instruments, and (ii) sponsoring or acquiring or retaining an ownership interest in private equity and hedge funds. The Volcker Rule prohibitions and restrictions generally apply to banking entities, including the Bank, unless an exception applies. Based on analysis of applicable regulations and the Bank's investment activities, the Bank has determined that its current investment activities are not subject to the Volcker Rule restrictions.

The Dodd-Frank Act also will have an impact on the Bank's derivatives activities if it enters into swaps or security-based swaps with U.S. persons. In particular, Bladex may be subject to mandatory trade execution, mandatory clearing and mandatory posting of margin in connection with its swaps and security-based swaps with U.S. persons.

On March 18, 2010, the Hiring Incentives to Restore Employment Act of 2010, Pub. L. 111-147 (H.R. 2847), added sections 1471 through 1474 (collectively, "FATCA") to Subtitle A of the Internal Revenue Code of 1986, as amended (the "Code"). FATCA requires withholding agents, including foreign financial institutions ("FFIs"), to withhold thirty percent (30%) of certain payments to a FFI unless the FFI has entered into an agreement with the U.S. Internal Revenue Service ("IRS") to, among other things, report certain information with respect to U.S. accounts. FATCA also imposes on withholding agents certain withholding, documentation and reporting requirements with respect to certain payments made to certain non-financial foreign entities.

On June 30, 2014, Panama signed a Model 1 intergovernmental agreement ("Panama IGA") with the U.S. for purposes of FATCA. Under the Panama IGA, most Panamanian financial institutions are required to register with the IRS and comply with the requirements of the Panama IGA, including with respect to due diligence, reporting and withholding.

To this end, the Bank registered with the IRS on April 23, 2014 as a Registered Deemed-Compliant Financial Institution (including a Reporting Financial Institution under a Model 1 IGA) and is required under the Panama IGA to identify U.S. persons and report certain information required by the IRS, through the tax authorities in Panama.

Any changes in applicable laws and regulations, as well as the volume and complexity of the laws and regulations applicable to the Bank, may have a material adverse effect on the Bank.

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

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

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

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

The Bank makes estimates and assumptions in connection with the preparation of its consolidated financial statements, and any changes to those estimates and assumptions could have a material adverse effect on its operating results.

In connection with the preparation of its consolidated financial statements, the Bank uses certain estimates and assumptions based on historical experience and other factors. While the Bank's management believes that these estimates and assumptions are reasonable under the current circumstances, they are subject to significant uncertainties, some of which are beyond its control. Should any of these estimates and assumptions change or prove to have been incorrect, its reported operating results could be materially adversely affected.

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

The Bank has recently experienced turnover in its senior management team, including the replacement of its Chief Executive Officer and Chief Financial Officer. As previously announced, Rubens V. Amaral Jr. has decided to retire as Chief Executive Officer and will be succeeded by Gabriel Tolchinsky upon Mr. Amaral's departure from the Bank effective at close of business on April 30, 2018. While the Bank's new Chief Executive Officer has extensive management experience at financial institutions and funds focused on the Region, he has limited experience as a senior officer of the Bank, having served as Chief Operating Officer since May 2017. The Bank's new Chief Financial Officer, Ana Graciela de Méndez, has worked at the Bank in various capacities since 1990, and has held the role of alternate to the Chief Financial Officer since 2014, though she has limited experience serving as the Bank's Chief Financial Officer, having been appointed in December 2017. Any lack of experience in their roles as Chief Executive Officer and Chief Financial Officer of the Bank, respectively, or lack of experience working together as a group, could negatively impact the Bank's senior management team's ability to quickly and efficiently respond to problems and effectively manage the Bank's business. If the Bank's management team is not able to work effectively, either individually or as together as a group, the Bank's results of operations and market price of its shares may suffer, and its business may be harmed.

Risks Relating to the Region

The Bank's mission is focused on supporting trade and regional integration across the Region. As a result, any increases in tariffs or other restrictions on foreign trade, or resulting uncertainty that reduces international trade flows, either throughout the Region or globally, could adversely affect the Bank's business, results of operations or share price.

The Bank's mission is focused on supporting trade and regional integration across the Region, and a significant portion of the Bank's operations is derived from financing trade related transactions. As a result, increases in tariffs, changes in U.S. political, regulatory and economic conditions, or in U.S. policies governing infrastructure, trade and foreign investment in the U.S., or other restrictions on foreign trade throughout the Region or globally could adversely affect the Bank's business and results of operations. For example, the Trump administration in the U.S. has increasingly threatened to impose tariffs on a variety of imports from countries throughout the world, including the Region, and has recently imposed certain tariffs on steel and aluminum. China has recently announced retaliatory tariffs against certain American products. Furthermore, the Trump administration has expressed significant doubts regarding existing trade agreements, including the North American Free Trade Agreement ("NAFTA"), and issued an executive order announcing the United States' withdrawal from the Trans-Pacific Partnership ("TPP"). There can be no assurance that the U.S. or China, or other countries, including those in the Region, will not move to implement further tariffs or restrictions on trade, or what the scope and effects of any such restrictions might be. Any such tariffs or restrictions, or uncertainty surrounding any future restrictions, could materially adversely affect international trade flows, which is a core sector underlying the Bank's business model. The Bank's business, financial condition, results of operations and share price could therefore be materially adversely effected by any such developments.

Global markets and currencies were also adversely impacted after the U.K.'s referendum on the exit from the European Union (the "E.U."), commonly referred to as "Brexit", was passed into law, and on June 19, 2017 negotiations commenced to determine the future terms of the U.K.'s relationship with the E.U. After several months of negotiations, an initial settlement has been reached on some of the key issues that were blocking future negotiation, such as trade arrangements. There is still uncertainty regarding the possible results of the initial settlement, as well as the outcome of pending tariff, trade, regulatory and other negotiations. As a result of the Brexit referendum, the global markets and currencies have been adversely impacted, including sharp fluctuations in the value of the British pound as compared to the U.S. dollar. Such effects could have a material adverse effect on the Bank.

The Bank's credit activities are concentrated in the Region. The Bank also faces borrower concentration. Adverse economic changes in the Region or in the condition of the Bank's largest borrowers could adversely affect the Bank's growth, asset quality, prospects, profitability, financial condition and financial results.

As a reflection of the Bank's mission and strategy, the Bank's credit activities are concentrated in the Region. Economies in the Region have historically experienced significant volatility evidenced, in some cases, by political uncertainty, including with respect to upcoming elections, slow growth or recessions, declining investments, government and private sector debt defaults and restructurings, and significant inflation and/or currency devaluation. Global economic changes, including fluctuations in oil prices, commodity prices, U.S. dollar interest rates and U.S. dollar exchange rates, and slower economic growth in industrialized countries, could have adverse effects on the economic condition of countries in the Region, including Panama, and other countries in which the Bank operates. Adverse changes affecting the economies in the Region could have a significant adverse impact on the quality of the Bank's credit exposures, including increased allowance for ECL, debt restructurings and loan losses. In turn, these effects could also have an adverse impact on the Bank's asset growth, asset quality, prospects, profitability and financial condition.

The Bank's credit activities are concentrated in a number of countries. The Bank's credit portfolio (the "Credit Portfolio") consists of the Commercial Portfolio and the Investment Securities Portfolio. The "Investment Securities Portfolio" consists of securities at FVOCI and investment securities at amortized cost. Adverse changes affecting one or more of these economies could have an adverse impact on the Bank's Credit Portfolio and, as a result, its financial condition, growth, prospects, results of operations and financial condition. As of December 31, 2017, 63% of the Bank's Credit Portfolio was outstanding to borrowers in the following five countries: Brazil ($1,023 million, or 17%), Colombia ($949 million, or 16%), Mexico ($906 million, or 15%), Panama ($556 million, or 9%) and Costa Rica ($376 million, or 6%).

In addition, as of December 31, 2017, of the Bank's total Credit Portfolio balances, 8% were to five borrowers in Colombia, 7% were to five borrowers in each of Brazil and Mexico, and 5% were to five borrowers in each of Costa Rica and Panama. A significant deterioration of the financial or economic condition of any of these countries or borrowers could have an adverse impact on the Bank's Credit Portfolio, potentially requiring the Bank to create additional allowances for ECL, or suffer credit losses with the effect accentuated because of this concentration.

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

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

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

Increased risk perception in countries in the Region where the Bank has large credit exposures could have an adverse impact on the Bank's credit ratings, funding activities and funding costs.

Increased risk perception in any country where the Bank has large exposures could trigger downgrades to the Bank's credit ratings. A credit rating downgrade would likely increase the Bank's funding costs, and may reduce its deposit base and access to the debt capital markets. In that case, the Bank's ability to obtain the necessary funding to carry on its financing activities in the Region at meaningful levels could be affected adversely.

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

Item 4. Information on the Company

A. History and Development of the Company

The Bank, a corporation *(sociedad anónima)* organized under the laws of Panama and headquartered in Panama City, Panama, is a specialized multinational bank originally established by central banks of Latin American and Caribbean countries to promote foreign trade and economic integration in the Region. The legal name of the Bank is Banco Latinoamericano de Comercio Exterior, S.A. Translated into English, the Bank is also known as Foreign Trade Bank of Latin-America, Inc. The commercial name of the Bank is Bladex.

The Bank was established pursuant to a May 1975 proposal presented to the Assembly of Governors of Central Banks in the Region, which recommended the creation of a multinational organization to increase foreign trade financing capacity of the Region. The Bank was organized in 1977, incorporated in 1978 as a corporation pursuant to the laws of the Republic of Panama, and officially began operations on January 2, 1979. Panama was selected as the location of the Bank's headquarters because of the country's importance as a banking center in the Region, the benefits of a fully U.S. dollar-based economy, the absence of foreign exchange controls, its geographic location, and the quality of its communications facilities. Under a contract-law signed in 1978 between the Republic of Panama and Bladex, Bladex was granted certain privileges by the Republic of Panama, including an exemption from payment of income taxes in Panama.

The Bank offers its services through its head office in Panama City, its agency in New York (the "New York Agency"), its subsidiaries in Brazil and Mexico, and its representative offices in Buenos Aires, Argentina; Mexico City, Mexico; Sao Paulo, Brazil; Lima, Peru; and Bogotá, Colombia, as well as through a worldwide network of correspondent banks. On April 3, 2017, the Bank obtained approval from the National Banking and Securities Commission of Mexico to close its Representative Office in Monterrey, Mexico, and closed this office on April 7, 2017.

Bladex's head office is located at Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Republic of Panama, and its telephone number is +507 210-8500. The New York Agency is located at 10 Bank Street, Suite 1220, White Plains, NY 10606, and its telephone number is +1 (914) 328-6640.

Bladex's shares of Class E common stock are listed on the New York Stock Exchange ("NYSE") under the symbol "BLX."

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

- Bladex Holdings Inc. ("Bladex Holdings") is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, USA, on May 30, 2000. Bladex Holdings maintains ownership in Bladex Representação Ltda.

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

- Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owned 99% of Bladex Investimentos Ltda. and Bladex Holdings owned the remaining 1%. Bladex Investimentos Ltda. had invested substantially all of its assets in an investment fund, Alpha4X Latam Fundo de Investimento Multimercado, incorporated in Brazil (the "Brazilian Fund"), registered with the Securities and Exchange Commission of Brazil, (Comissão de Valores Mobiliários (the "CVM")). The objective of the Brazilian Fund was to achieve capital gains by dealing in the interest, currency, securities, commodities and debt markets, and by trading instruments available in the spot and derivative markets. Bladex Investimentos Ltda. merged with Bladex Representação Ltda. in April 2016, with Bladex Representação Ltda. as the surviving entity.

- Bladex Development Corp. ("Bladex Development") was incorporated under the laws of the Republic of Panama on June 5, 2014. Bladex Head Office owns 100% of Bladex Development.

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

On April 2, 2013, Bladex reached a definitive agreement to sell its Asset Management Unit. The Asset Management Unit was sold to Alpha4X Asset Management, LLC ("Alpha4X"), a company majority-owned by former executives of the Asset Management Unit. In connection with the sale: (i) Bladex Offshore Feeder Fund became Alpha4X Feeder Fund (the "Feeder"), (ii) Bladex Capital Growth Fund became Alpha4X Capital Growth Fund (the "Fund"), and (iii) Bladex Latam Fundo de Investimento Multimercado became Alpha4X Latam Fundo de Investimento Multimercado.

The changes of the Bank's investment in the Feeder were recorded in the consolidated statement of profit or loss of that fund in the "Gain (loss) per financial instruments at fair value through profit or loss" line item. The Feeder was not consolidated in the Bank's financial statements as a result of the evaluation of control as per IFRS 10 "Consolidated financial statements" according to which the existing rights in the fund did not give the Bank the ability to direct the relevant activities of the fund nor the ability to use its power over the investee to affect its return. At December 31, 2017 and 2016, the Bank did not have any participation in the Feeder, compared to participation in the Feeder of

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

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

The Bank remained an investor in these funds until March 31, 2016, redeeming its investments entirely on April 1, 2016.

See Item 18, "Financial Statements," note 1, and 2.1.

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B. Business Overview

Overview

The Bank’s mission is to provide financial solutions of excellence to financial institutions, companies and investors doing business in Latin America, supporting trade and regional integration across the Region.

As a multinational bank operating in 23 countries with a strong and historic commitment to Latin America, the Bank possesses extensive knowledge of business practices, risk and regulatory environments, accumulated over decades of doing business throughout the entire Region. Bladex provides foreign trade solutions to a select client base of premier Latin-American financial institutions and corporations, and has developed an extensive network of correspondent banking institutions with access to the international capital markets. Bladex enjoys a preferred creditor status in many jurisdictions, being recognized by its strong capitalization, prudent risk management and sound corporate governance standards. Bladex fosters long-term relationships with clients, and it has developed over the years a reputation for excellence when responding to its clients’ needs, in addition having a solid financial track record, which has reinforced its brand recognition and its franchise value in the Region, and contributes to the Bank achieving its vision of becoming the leading institution in Latin America supporting foreign trade and regional integration.

The Bank’s lending and investing activities are funded by interbank deposits, primarily from central banks and financial institutions in the Region, by borrowings from international commercial banks, and by sales of the Bank’s debt securities to financial institutions and investors in Asia, Europe, North America and the Region. The Bank does not provide retail banking services to the general public, such as retail savings accounts or checking accounts, and does not take retail deposits.

Bladex participates in the financial and capital markets throughout the Region, through two business segments.

The Commercial Business Segment encompasses the Bank’s core business of financial intermediation and fee generation activities developed to cater to corporations, financial institutions and investors in Latin America. The extensive array of products and services include the origination of bilateral, structured and syndicated credits, short- and medium-term loans, customers’ liabilities under acceptances, loan commitments and financial guarantee contracts, such as confirmed and stand-by letters of credit, and guarantees covering commercial risk. The majority of the Bank’s loans are extended in connection with specifically identified foreign trade transactions. Through its revenue diversification strategy, the Bank’s Commercial Business Segment has introduced a broader range of products, services and solutions associated with foreign trade, including co-financing arrangements, underwriting of syndicated credit facilities, structured trade financing (in the form of factoring and vendor financing) and financial leasing.

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

Historically, trade finance has been afforded favorable treatment during Latin American debt restructurings. This has been, in part, due to the perceived importance that governments and other borrowers in the Region have attributed to maintaining access to trade finance. The Bank believes that, in the past, the combination of its focus on trade finance and the composition of its Class A shareholders has been instrumental in obtaining certain exceptions regarding U.S. dollar convertibility and transfer limitations imposed on the servicing of external obligations, or preferred creditor status. Although the Bank maintains both its focus on trade finance and its Class A shareholders' participation, it cannot guarantee that such exceptions will be granted in all future debt restructurings.

As of December 31, 2017, the Bank had 59 employees, or 31% of its total employees, across its offices responsible for marketing the Bank's financial products and services to existing and potential customers.

Developments During 2017

The International Monetary Fund ("IMF") has estimated world GDP growth of 3.7% in 2017, driven primarily by the dynamics of U.S. growth, the improvements in the Euro zone, fiscal expansion in China and growing trade flows. Latin America posted 1.3% GDP growth in 2017, as the negative credit cycle and particularly the recession in Brazil came to an end, and due to growth in other countries in the Region, propelled by better internal demand dynamics. This GDP growth followed weak performance by the Region in the previous few years. On the political front, election results in Argentina and in Chile helped boost the confidence of international investors, generating a more favorable business environment.

Bladex's performance in 2017 demonstrated the sustaina