FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 6-K
October 31, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE

SECURITIES EXCHANGE ACT OF 1934

For the month of October, 2014

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

(Exact name of Registrant as specified in its Charter)

FOREIGN TRADE BANK OF LATIN AMERICA, INC.

(Translation of Registrant's name into English)

Business Park, Torre V, Ave. La Rotonda, Costa del Este

P.O. Box 0819-08730

Panama City, Republic of Panama

(Address of Registrant's Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x   Form 40-F ¨

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g-3-2(b) under the Securities Exchange Act of 1934.)

Yes ¨   No x

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82__.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

October 31, 2014.

FOREIGN TRADE BANK OF LATIN AMERICA, INC.

By: /s/ Pedro Toll

Name: Pedro Toll
Title: General Manager

Banco Latinoamericano

de Comercio Exterior, S. A.

and Subsidiaries

Consolidated Balance Sheets as of September 30, 2014 (Unaudited) and December 31, 2013, and Related Consolidated Statements of Income, Comprehensive Income, Stockholders' Equity and Cash Flows (Unaudited) for the Three and Nine Months Ended September 30, 2014 and 2013

Banco Latinoamericano de Comercio Exterior, S. A.

and Subsidiaries

Consolidated Financial Statements

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Banco Latinoamericano de Comercio Exterior, S. A.
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Consolidated balance sheets

September 30, 2014 and December 31, 2013

(in US$ thousand, except per share amounts)

	Notes	**September 30, 2014 (Unaudited)**	**December 31, 2013 (Audited)**
Assets			
Cash and due from banks	4,19	3,072	2,161
Interest-bearing deposits in banks (including pledged deposits of $13,905 in 2014 and $9,032 in 2013)	4,19	644,201	837,557
Trading assets	5,18,19	196	-
Securities available-for-sale (including pledged securities to creditors of $315,520 in 2014 and $296,811 in 2013)	6,19	357,792	334,368
Securities held-to-maturity (fair value of $43,720 in 2014 and $33,634 in 2013) (including pledged securities to creditors of $13,007 in 2014 and 2013)	6,19	43,663	33,759
Investment funds	7,19	52,443	118,661
Loans	8,19	6,706,071	6,148,298
Less:			
Allowance for loan losses	9,19	77,334	72,751
Unearned income and deferred fees		8,315	6,668
Loans, net		6,620,422	6,068,879
Customers' liabilities under acceptances	19	2,435	1,128
Accrued interest receivable	19	43,594	40,727
Equipment and leasehold improvements (net of accumulated depreciation and amortization of $15,721 in 2014 and $13,881 in 2013)		8,674	10,466
Derivative financial instruments used for hedging - receivable	16,18,19	7,001	15,217
Other assets		12,167	8,389
Total assets		7,795,660	7,471,312
Liabilities and stockholders' equity			
Deposits:	10,19		
Noninterest-bearing - Demand		401	663
Interest-bearing - Demand		72,845	62,384
Time		3,046,693	2,298,289

Total deposits		3,119,939	2,361,336
Trading liabilities	5,18,19	306	72
Securities sold under repurchase agreement	5,6,11,18,19	286,947	286,162
Short-term borrowings and debt	12,19	1,980,835	2,705,365
Acceptances outstanding	19	2,435	1,128
Accrued interest payable	19	19,743	13,786
Long-term borrowings and debt	13,19	1,427,050	1,153,871
Derivative financial instruments used for hedging - payable	16,18,19	18,187	8,572
Reserve for losses on off-balance sheet credit risk	9	8,108	5,222
Other liabilities		23,130	27,947
Total liabilities		6,886,680	6,563,461
Commitments and contingencies	15,19,20		
Redeemable noncontrolling interest		-	49,899
Stockholders' equity:	14,17,21		
Class A common stock, no par value, assigned value of $6.67 (Authorized 40,000,000; outstanding 6,342,189)		44,407	44,407
Class B common stock, no par value, assigned value of $6.67 (Authorized 40,000,000; outstanding 2,486,780 in 2014 and 2,520,422 in 2013)		20,683	20,683
Class E common stock, no par value, assigned value of $6.67 (Authorized 100,000,000; outstanding 29,953,644 in 2014 and 29,710,556 in 2013)		214,890	214,890
Additional paid-in capital in excess of assigned value of common stock		116,795	118,646
Capital reserves		95,210	95,210
Retained earnings		502,412	458,699
Accumulated other comprehensive loss	6,17	(7,985)	(12,575)
Treasury stock		(77,432)	(82,008)
Total stockholders' equity		908,980	857,952
Total liabilities and stockholders' equity		7,795,660	7,471,312

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

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

Consolidated statements of income (Unaudited)

(in US$ thousand, except per share amounts)

	Notes	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Interest income:	16				
Deposits		340	378	1,087	1,090
Investment securities:					
Available-for-sale		2,111	2,073	6,045	5,545
Held-to-maturity		307	198	788	643
Investment funds		-	1,719	20	2,266
Loans		52,027	51,635	148,533	145,827
Total interest income		54,785	56,003	156,473	155,371
Interest expense:	16				
Deposits		2,924	3,289	8,281	9,651
Investment funds		1	762	38	1,360
Short-term borrowings and debt		5,123	7,784	18,119	19,165
Long-term borrowings and debt		9,891	7,575	27,188	33,171
Total interest expense		17,939	19,410	53,626	63,347
Net interest income		36,846	36,593	102,847	92,024
(Provision) reversal of provision for loan losses	9	(1,140)	(3,901)	(4,554)	921
Net interest income, after (provision) reversal of provision for loan losses		35,706	32,692	98,293	92,945
Other income (expense):					
Provision for losses on off-balance sheet credit risk	9	(2,632)	5,136	(2,886)	(2,412)
Fees and commissions, net		4,116	3,754	12,594	8,988
Derivative financial instruments and hedging	16	(179)	(559)	(386)	299
Recoveries, net of impairment of assets		-	-	7	-
Net gain (loss) from investment funds		580	(8,075)	(2,215)	(1,728)
Net gain (loss) from trading securities	5	(245)	69	(492)	3,280
Net gain on sale of securities available-for-sale	6	593	-	1,805	961
Net gain (loss) on foreign currency exchange		469	(654)	586	(3,810)
Other income, net		998	407	2,181	1,497
Net other income		3,700	78	11,194	7,075
Operating expenses:					

Salaries and other employee expenses		7,610	8,109	23,192	24,306
Depreciation and amortization of equipment and leasehold improvements		607	687	1,906	2,077
Professional services		1,118	813	3,047	2,408
Maintenance and repairs		371	408	1,162	1,121
Expenses from investment funds		-	(114)	416	2,030
Other operating expenses		3,096	2,991	9,436	8,723
Total operating expenses		12,802	12,894	39,159	40,665
Net income from continuing operations		26,604	19,876	70,328	59,355
Net loss from discontinued operations	3	-	-	-	(4)
Net income		26,604	19,876	70,328	59,351
Net income (loss) attributable to the redeemable noncontrolling interest		-	(2,950)	(475)	(1,492)
Net income attributable to Bladex stockholders		26,604	22,826	70,803	60,843
Amounts attributable to Bladex stockholders:					
Net income from continuing operations		26,604	22,826	70,803	60,847
Net loss from discontinued operations		-	-	-	(4)
		26,604	22,826	70,803	60,843
Earning per share from continuing operations:					
Basic	14	0.69	0.59	1.83	1.59
Diluted	14	0.68	0.59	1.83	1.58
Gain (Loss) per share from discontinued operations:					
Basic	14	-	-	-	(0.00)
Diluted	14	-	-	-	(0.00)
Earning per share:					
Basic	14	0.69	0.59	1.83	1.59
Diluted	14	0.68	0.59	1.83	1.58
Weighted average basic shares	14	38,723	38,459	38,663	38,364
Weighted average diluted shares	14	38,869	38,672	38,748	38,460

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

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Banco Latinoamericano de Comercio Exterior, S. A.
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Consolidated statements of comprehensive income (Unaudited)

For the nine months ended September 30, 2014 and 2013

(in US$ thousand)

	Notes	2014	2013
Net income		70,328	59,351
Other comprehensive income (loss):			
Unrealized gains (losses) on securities available-for-sale:			
Unrealized gains (losses) arising from the period	17	6,521	(12,583)
Less: reclassification adjustments for net gains included in net income	17	(1,336)	(1,311)
Net change in unrealized gains (losses) on securities available for sale		5,185	(13,894)
Unrealized gains (losses) on derivative financial instruments:			
Unrealized gains (losses) arising from the period	17	(1,154)	(3,650)
Less: reclassification adjustments for net (gains) losses included in net income	17	1,053	1,409
Net change in unrealized gains (losses) on derivative financial instruments		(101)	(2,241)
Foreign currency translation adjustment, net of hedges:			
Current period change		(494)	(197)
Reclassification adjustments for net losses included in net income		-	24
Net change in foreign currency translation adjustment		(494)	(173)
Other comprehensive income (loss)		4,590	(16,308)
Comprehensive income		74,918	43,043
Comprehensive income (loss) attributable to the redeemable noncontrolling interest		475	(1,397)
Comprehensive income attributable to Bladex stockholders		74,443	44,440

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

Banco Latinoamericano de Comercio Exterior, S. A.
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Consolidated statements of changes in stockholders' equity and redeemable noncontrolling interest (Unaudited)

For the nine months ended September 30, 2014 and 2013

(in US$ thousand)

	Stockholders' equity					
	Common stock	Additional paid-in capital in excess of assigned value of common stock	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Tr sto
Balances at January 1, 2013	279,980	121,419	95,210	422,048	(730)	(9
Effect of deconsolidating a variable interest entity ("VIE") (Note 7)	-	-	-	-	-	-
Net income	-	-	-	60,843	-	-
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(16,403)	-
Compensation cost - stock options and stock units plans	-	2,359	-	-	-	-
Issuance of restricted shares	-	(629)	-	-	-	62
Exercised options and stock units vested	-	(3,807)	-	-	-	6,
Repurchase of "Class E" common stock	-	-	-	-	-	(2
Dividends declared	-	-	-	(23,050)	-	-
Balances at September 30, 2013	279,980	119,342	95,210	459,841	(17,133)	(8
Balances at January 1, 2014	279,980	118,646	95,210	458,699	(12,575)	(8
Effect of deconsolidating a variable interest entity ("VIE") (Note 7)	-	-	-	-	-	-
Net income (loss)	-	-	-	70,803	-	-
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	4,590	-
Compensation cost - stock options and stock units plans	-	1,690	-	-	-	-
Issuance of restricted shares	-	(629)	-	-	-	62
Exercised options and stock units vested	-	(2,912)	-	-	-	4,

Repurchase of "Class E" common stock	-	-	-	-	-	(3
Dividends declared	-	-	-	(27,090)	-	-
Balances at September 30, 2014	279,980	116,795	95,210	502,412	(7,985)	(7

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

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Banco Latinoamericano de Comercio Exterior, S. A.
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Consolidated statements of cash flows (Unaudited)

For the nine months ended September 30, 2014 and 2013

(in US$ thousand)

	2014	2013
Cash flows from operating activities:		
Net income	70,328	59,351
Adjustments to reconcile net income to net cash provided by operating activities:		
Activities of derivative financial instruments and hedging	22,702	5,401
Depreciation and amortization of equipment and leasehold improvements	1,906	2,077
Reversal of provision for loan losses	4,554	(921)
Provision for losses on off-balance sheet credit risk	2,886	2,412
Net gain on sale of securities available-for-sale	(1,805)	(961)
Compensation cost - compensation plans	1,690	2,359
Amortization of premium and discounts on investments	137	3,532
Net decrease (increase) in operating assets:		
Trading assets	(196)	281
Investment funds	16,502	(13,157)
Accrued interest receivable	(2,867)	(549)
Other assets	(5,091)	(44,628)
Net increase (decrease) in operating liabilities:		
Trading liabilities	234	(32,296)
Accrued interest payable	5,957	1,548
Other liabilities	10,084	45,794
Net change from discontinued operating activities	-	87
Net cash provided by operating activities	127,021	30,330
Cash flows from investing activities:		
Effect on cash of deconsolidating a VIE	-	(2,135)
Net decrease (increase) in pledged deposits	(4,873)	659
Net increase in loans	(856,379)	(535,203)
Proceeds from the sale of loans	300,281	59,157
Acquisition of equipment and leasehold improvements	(114)	(289)
Proceeds from the redemption of securities available-for-sale	5,022	34,277
Proceeds from the sale of securities available-for-sale	217,422	47,475
Proceeds from maturities of securities held-to-maturity	12,583	13,410
Purchases of investments available-for-sale	(244,065)	(247,985)
Purchases of investments held-to-maturity	(22,624)	(11,460)
Net change from discontinued investing activities	-	63

Net cash used in investing activities	(592,747)	(642,031)
Cash flows from financing activities:		
Net increase in due to depositors	758,603	497,223
Net increase (decrease) in short-term borrowings and debt and securities sold under repurchase agreements	(723,745)	1,046,235
Proceeds from long-term borrowings and debt	585,522	233,000
Repayments of long-term borrowings and debt	(312,343)	(1,000,375)
Dividends paid	(40,664)	(34,251)
Subscriptions of redeemable noncontrolling interest	-	53,000
Redemptions of redeemable noncontrolling interest	-	(1,831)
Exercised stock options	1,424	2,954
Repurchase of common stock	(391)	(27)
Net change from discontinued financing activities	-	27
Net cash provided by financing activities	268,406	795,955
Effect of exchange rate fluctuations on cash and cash equivalents	2	81
Net decrease in cash and cash equivalents	(197,318)	184,335
Cash and cash equivalents at beginning of the period	830,686	692,511
Cash and cash equivalents at end of the period	633,368	876,846
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	47,669	61,799
Noncash financing activities:		
Effect on redeemable noncontrolling interest due to deconsolidation of a VIE (Note 7)	(49,424)	(565)

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

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Notes to consolidated financial statements (Unaudited)

1. Organization

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 supranational 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 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. is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Bladex Holdings Inc. maintains ownership in two companies: Bladex Representacao Ltda. and Bladex Investimentos Ltda.

- Bladex Representacao 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 owns 99% of Bladex Investimentos Ltda. and Bladex Holdings Inc. owns the remaining 1%. This company has invested substantially all its assets in an investment fund incorporated in Brazil ("the Brazilian Fund"), registered with the Brazilian Securities Commission ("CVM", for its acronym in Portuguese). The Brazilian Fund is a non-consolidated variable interest entity.

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 of the Region. The New York Agency is also licensed by the State of New York Banking Department, USA, to operate an International Banking Facility ("IBF").

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Notes to consolidated financial statements (Unaudited)

The Bank has representative offices in Buenos Aires, Argentina; in Mexico City, D.F. and Monterrey, Mexico; in Lima, Peru; in Bogota, Colombia; and an international administrative office in Miami, Florida, USA.

2. Summary of significant accounting policies

a) Basis of presentation

These consolidated financial statements have been prepared under accounting principles generally accepted in the United States of America ("U.S. GAAP"). All amounts presented in the consolidated financial statements and notes are expressed in dollars of the United Stated of America ("US$"), which is the Bank's functional currency. The accompanying consolidated financial statements have been translated from Spanish to English for users outside of the Republic of Panama.

The Accounting Standards Codification (the "ASC") issued by the Financial Accounting Standards Board (the "FASB") constitute the single official source of authoritative, non-governmental GAAP, other than guidance issued by the Securities and Exchange Commission ("SEC"). All other literature is considered non-authoritative.

These unaudited consolidated financial statements should be read together with the consolidated financial statements and related notes for the fiscal year ended December 31, 2013. Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. GAAP, but not required for interim reporting purposes, has been condensed or omitted.

As noted above, the notes to the consolidated financial statements are unaudited.

b) Principles of consolidation

The consolidated financial statements include the accounts of Bladex Head Office and its subsidiaries. Bladex Head Office consolidates its subsidiaries in which it holds a controlling financial interest. The usual condition for a controlling financial interest is ownership of a majority voting interest. All intercompany balances and transactions have been eliminated for consolidation purposes.

c) Variable interest entities

Variable interest entities ("VIE") are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. Investors that finance the VIE through debt or equity interests or other counterparties that provide other forms of support, such as guarantees, or certain types of derivative contracts, are variable interest holders in the entity.

The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. The Bank would be deemed to have a controlling financial interest and be the primary beneficiary if it has both of the following characteristics:

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Notes to consolidated financial statements (Unaudited)

- power to direct the activities of a VIE that most significantly impact the entity's economic performance; and
- obligation to absorb losses of the entity that could potentially be significant to the VIE or right to receive benefits from the entity that could potentially be significant to the VIE.

d) Specialized accounting for investment companies

The Bank maintains an investment in an investment fund ("Feeder") which is organized under a "Feeder-Master" structure. Under this structure, the Feeder invests all its assets in the Master which in turn invests in various assets on behalf of its investor. Specialized accounting for investment companies requires the Feeder to reflect its investment in the Master in a single line item equal to its proportionate share of the net assets of the Master, regardless of the level of Feeder's interest in the Master. The Feeder records the Master's results by accounting for its participation in the net interest income and expenses of the Master, as well as its participation in the realized and unrealized gains or losses of the Master (see Note 6).

e) Use of estimates

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

f) 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.

g) Repurchase agreements

Repurchase agreements are generally treated as collateralized financing transactions. When the criteria set forth in the following paragraph are met to account for the transaction as secured financing, the transaction is recorded at the amounts at which the securities will be subsequently reacquired including interest paid, as specified in the respective agreements. Interest is recognized in the consolidated statement of income over the life of the transaction. The fair value of securities to be repurchased is continuously monitored, and additional collateral is obtained or provided where appropriate, to protect against credit exposure.

The Bank’s policy is to relinquish possession of the securities sold under agreements to repurchase. Despite such relinquishment of possession, repurchase agreements qualify as secured financings if and only if all of the following conditions are met: the repurchase agreement must grant the transferor the right and obligation to repurchase or redeem the transferred financial assets; the assets to be repurchased are the same or substantially the same as those transferred; the agreement is to repurchase or redeem them before maturity, at a fixed and determinable price; and the agreement is entered into concurrently at the transfer date.

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Notes to consolidated financial statements (Unaudited)

When repurchase agreements do not meet the above-noted conditions, they qualify as sales of securities, for which the related security is removed from the balance sheet and a forward purchase agreement is recognized for the obligation to repurchase the security. Changes in fair value of the forward purchase agreement as well as any gain or loss resulting from the sale of securities under repurchase agreements are reported in earnings of the period within net gain (loss) from trading securities.

h) Trading assets and liabilities

Trading assets and liabilities include bonds 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.

Trading assets and liabilities are carried at fair value. Unrealized and realized gains and losses on trading assets and liabilities are recorded in earnings as net gain (loss) from trading securities.

i) Investment securities

Securities are classified at the date of purchase based on the ability and intent to sell or hold them as investments. These securities consist of debt securities such as: negotiable commercial paper, bonds and floating rate notes.

Interest on securities is recognized based on the interest method. Amortization of premiums and discounts are included in interest income as an adjustment to the yield.

Securities available-for-sale

These securities consist of debt instruments not classified as either trading securities or as held-to-maturity securities, and are subject to the same approval criteria as the rest of the credit portfolio. These securities are carried at fair value. Unrealized gains and losses are reported as net increases or decreases to other comprehensive income (loss) ("OCI") in stockholders' 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.

Securities held-to-maturity

Securities classified as held-to-maturity represent securities that the Bank has the ability and the intent to hold until maturity. These securities are carried at amortized cost and are subject to the same approval criteria as the rest of the credit portfolio.

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Notes to consolidated financial statements (Unaudited)

Impairment of securities

The Bank conducts periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other-than-temporary. Impairment of securities is evaluated considering numerous factors, and their relative significance varies case by case. Factors considered in determining whether unrealized losses are temporary include: the length of time and extent to which the fair value has been less than cost, the severity of the impairment, the cause of the impairment and the financial condition of the issuer, activity in the market of the issuer which may indicate adverse credit conditions, the intent and ability of the Bank to retain the security for a sufficient period of time to allow of an anticipated recovery in the fair value (with respect to equity securities) and the intent and probability of the Bank to sell the security before the recovery of its amortized cost (with respect to debt securities). If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to its fair value, and a loss is recognized through earnings as impairment loss on assets.

In cases where the Bank does not intend to sell a debt security and estimates that it will not be required to sell the security before the recovery of its amortized cost basis, the Bank periodically estimates if it will recover the amortized cost of the security through the present value of expected cash flows. If the present value of expected cash flows is less than the amortized cost of the security, it is determined that an other-than-temporary impairment has occurred. The amount of this impairment representing credit loss is recognized through earnings and the residual of the other-than-temporary impairment related to non-credit factors is recognized in other comprehensive income (loss).

In periods subsequent to the recognition of the other-than-temporary impairment, the difference between the new amortized cost and the expected cash flows to be collected is accreted as interest income. The present value of the expected cash flows is estimated over the life of the debt security.

The other-than-temporary impairment of securities held-to-maturity that has been recognized in other comprehensive income (loss) is accreted to the amortized cost of the debt security prospectively over its remaining life.

Interest accrual is suspended on securities that are in default, or on which it is likely that future interest payments will not be received as scheduled.

j) Investment Funds

The investment funds line includes the net asset value of Bladex investment in the Feeder and in the Brazilian Fund.

k) Other investments

Other investments that mainly consist of unlisted stock are recorded at cost and are included in other assets. The Bank determined that it is not practicable to obtain the fair value of these investments, as these shares are not traded in a secondary market. Performance of these investments is evaluated periodically and any impairment that is determined to be other-than-temporary is charged to earnings as impairment on assets.

l) Loans

Loans are reported at their amortized cost considering the principal outstanding amounts net of unearned income, deferred fees and allowance for loan losses. Interest income is recognized using the interest method. The amortization of net unearned income and deferred fees are recognized as an adjustment to the related loan yield using the effective interest method.

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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 adjustment to the yield. All other costs related to acquisition of loans are expensed when incurred.

The Bank identifies loans as delinquent when no debt service and/or interest payment has been received for 30 days after such payments were due. The outstanding balance of a loan is considered past due when the total principal balance with one single balloon payment has not been received within 30 days after such payment was due, or when no agreed-upon periodical payment has been received for a period of 90 days after the agreed-upon date.

Loans are placed in a non-accrual status when interest or principal is overdue for 90 days or more, or before if the Bank’s Management believes there is an uncertainty with respect to the ultimate collection of principal or interest. Any interest receivable on non-accruing loans is reversed and charged-off against earnings. Interest on these loans is only recorded as earned when collected. Non-accruing loans are returned to an accrual status when (1) all contractual principal and interest amounts are current; (2) there is a sustained period of repayment performance in accordance with the contractual terms of at least six months; and (3) if in the Bank Management’s opinion the loan is fully collectible.

A modified loan is considered a troubled debt restructuring when the debtor is experiencing financial difficulties and if the restructuring constitutes a concession to the debtor. 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 debt or reduction of accrued interest, among others. Marketable securities received in exchange for loans under troubled debt restructurings are initially recorded at fair value, with any gain or loss recorded as a recovery or charge to the allowance, and are subsequently accounted for as securities available-for-sale.

A loan is considered impaired, and also placed on a non-accrual basis, when based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to original contractual terms of the loan agreement. Factors considered by the Bank’s Management in determining impairment include collection status, collateral value, and economic conditions in the borrower’s country of residence. Impaired loans also include those modified loans considered troubled debt restructurings. When current events or available information confirm that specific impaired loans or portions thereof are uncollectible, such impaired loans are charged-off against the allowance for loan losses.

The reserve for losses on impaired loans is determined considering all available evidence, including the present value of expected future cash flows discounted at the loan's original contractual interest rate and/or the fair value of the collateral, if applicable. If the loan’s repayment is dependent on the sale of the collateral, the fair value considers costs to sell.

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 debtor’s management and shareholders.

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A description of these indicators is as follows:

Rating	Classification	Description
1 to 6	Normal	Clients with payment ability to satisfy their financial commitments.
7	Special Mention	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	Substandard	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	Doubtful	Clients whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms. Due to the fact that the debtor presents an impaired financial and economic situation, the likelihood of recovery is low.
10	Unrecoverable	Clients with operating cash flow that does not cover their costs, are in suspension of payments, presumably they will also have difficulties to fulfill possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

In order to maintain a periodical monitoring of the quality of the portfolio, clients are reviewed within a frequency of time between 3 and 18 months, depending on the risk rating.

The Bank's lending portfolio is summarized in 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 classes of loans.

m) Transfer of financial assets

Transfers of financial assets, primarily loans, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank even in bankruptcy or other receivership; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or does not have the right to cause the assets to be returned. Upon completion of a transfer of assets that satisfies the conditions described above to be accounted for as a sale, the Bank recognizes the assets as sold and records in earnings any gain or loss on the sale. The Bank may retain interest in loans sold in the form of servicing rights. Gains or losses on sale of loans depend in part on the carrying amount of the financial instrument involved in the transfer, and its fair value at the date of transfer.

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n) Allowance for credit losses

The allowance for credit losses is provided for losses derived from the credit extension process, inherent in the loan portfolio and off-balance sheet financial instruments, using the reserve method of providing for credit losses. Additions to the allowance for 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 attributable to loans is reported as a deduction of loans and the allowance for off-balance sheet credit risk, such as, letters of credit and guarantees, is reported as a liability.

The allowance for possible 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, or generic allowance, covers the Bank's performing credit portfolio and is established based in a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative judgment. The statistical calculation is a product of internal risk classifications, probabilities of default and loss given default. The probability of default is supported by Bladex's historical portfolio performance, complemented by probabilities of default provided by external sources, in view of the greater robustness of this external data for some cases. The loss given default is based on Bladex's historical losses experience and best practices.

The reserve balances, for both on and off-balance sheet credit exposures, are calculated applying the following formula:

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

- Exposure (E) = the total accounting balance (on and off-balance sheet) at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio. 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. Management applies judgment and historical loss experience.

Management can also apply 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 off-balance sheet financial instruments of the Bank.

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o) Fees and commissions

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. These net fees are not recognized as revenue during periods in which interest income on loans is suspended because of concerns about the realization of loan principal or interest. Underwriting fees are recognized as revenue when the Bank has rendered all services to the issuer and is entitled to collect the 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 troubled debt restructuring are applied as a reduction of the recorded investment in the loan. Fees earned on letters of credit, guarantees and other commitments are amortized using the straight-line method over the life of such instruments.

p) Equipment and leasehold improvements

Equipment and leasehold improvements, including the electronic data processing equipment, are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to operations using the straight-line method, over the estimated useful life of the related asset. The estimated original useful life for furniture and equipment is 3 to 5 years and for improvements is 3 to 15 years.

The Bank defers the cost of internal-use software that has a useful life in excess of one year in accordance with ASC Topic 350-40 - Intangibles – Goodwill and Other – Internal-Use Software. These costs consist of payments made to third parties related to the use of licenses and installation of both, software and hardware. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized internal use software costs are amortized using the straight-line method over their estimated useful lives, generally consisting of 5 years.

q) Borrowings and debt

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

r) Capital reserves

Capital reserves are established as a segregation of retained earnings and are, as such, a form of retained earnings. Even though the constitution of capital reserves is not required by the SBP, their reductions require the approval of the Bank's Board of Directors and the SBP.

s) Stock-based compensation and stock options plans

The Bank applies ASC Topic 718 – Compensation - Stock Compensation 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 straight-line method. The fair value of each option is estimated at the grant date using a binomial option-pricing model.

When options and stock are exercised, the Bank's policy is to reissue shares from treasury stock.

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t) Derivative financial instruments and hedge accounting

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 forward foreign exchange contracts have been used to manage interest rate and foreign exchange risks associated with debt securities and borrowings with fixed and floating rates, and loans and borrowings in foreign currency. These contracts can be classified as fair value and cash flow hedges. In addition, forward foreign exchange contracts are used to hedge exposures to changes in foreign currency in subsidiary companies with functional currencies other than 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, forward foreign exchange and future contracts used for risk management purposes that do not qualify for hedge accounting. The fair value of trading derivatives is reported as trading assets or trading liabilities, as applicable. Changes in realized and unrealized gains and losses and interest from these trading instruments are included in net gain (loss) from trading securities.

Derivatives for hedging purposes primarily include forward foreign exchange contracts and interest rate swap contracts in US dollars and cross-currency swaps. Derivative contracts designated and qualifying for hedge accounting are reported in the consolidated balance sheet 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 and retrospectively. 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-period earnings.

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. The Bank otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

The Bank carries all derivative financial instruments in the consolidated balance sheet at fair value. For qualifying fair value hedges, all changes in the fair value of the derivative and the fair value of the item for the risk being hedged are recognized in earnings. If the hedge relationship is terminated, then 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. The Bank applies the shortcut method of hedge accounting that does not recognize ineffectiveness in hedges of interest rate swap that meet the requirements of ASC Topic 815-20-25-104. For qualifying cash flow hedges and net investment hedges, the effective portion of the change in the fair value of the derivative is recorded in OCI and recognized in the consolidated statement of income when the hedged cash flows affect earnings. The ineffective portion is recognized in the consolidated statement of income as activities of derivative financial instruments and hedging. If the cash flow hedge relationship is terminated, related amounts in OCI are reclassified into earnings when hedged cash flows occur.

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u) Foreign currency translation

Assets and liabilities of foreign subsidiaries whose local currency is considered their functional currency, are translated into the reporting currency, US dollars, using period-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 loss in the stockholders' 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 dollars using period-end spot foreign exchange rates. The effects of translation of monetary assets and liabilities into US dollars are included in current year's earnings in the Gain (loss) on foreign currency exchange line item.

v) Income taxes

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract signed between the Republic of Panama and Bladex.
- Bladex Representacao Ltda. and Bladex Investimentos Ltda., are subject to income taxes in Brazil.
- The New York Agency and Bladex's subsidiaries 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.

Such amounts of income taxes have been immaterial to date.

w) Redeemable noncontrolling interest

ASC Topic 810 - Consolidation requires that a noncontrolling interest, previously referred to as a minority interest, in a consolidated subsidiary be reported as a separate component of equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be presented separately, below net income in the consolidated statement of income.

Furthermore, in accordance with ASC 480-10-S99, equity securities that are redeemable at the option of the holder and not solely within the control of the issuer must be classified outside of equity. The terms of third party investments in the consolidated funds contain a redemption clause which allows the holders the option to redeem their investment at fair value. Accordingly, the Bank presents the noncontrolling interest between liabilities and stockholders' equity in the consolidated balance sheets.

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Net assets of the Feeder and the Brazilian Fund are measured and presented at fair value, given the nature of their net assets (i.e. represented mainly by cash and investments in securities). Therefore, when calculating the value of the redeemable noncontrolling interest of the Feeder under ASC Topic 810, such amount was already recorded at its fair value and no further adjustments under ASC 480-10-S99 were necessary.

x) Earnings per share

Basic earnings per share is computed by dividing the net income attributable to Bladex stockholders (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 other stock plans could exercise their options. The number of potential common shares that would be issued is determined using the treasury stock method.

y) Recently issued accounting standards

At the consolidated balance sheet date, new accounting standards, modifications, interpretations, and updates to standards ("ASU"), applicable to the Bank, have been issued and are not in effect. These standards establish the following:

ASU 2014-08 – Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)

The amendments in this update change the requirements for reporting discontinued operations in Sub-Topic 205-20. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results when any of the following occurs:

1. The component of the entity or group of components of the entity meets the criteria to be classified as held for sale.
2. The component of the entity or group of components of the entity is disposed of by sale.
3. The component of the entity or group of components of the entity is disposed of other than by sale (spin-off).

The amendments are effective for all disposals (or classifications as held for sale) of components of the entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 31, 2015. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The Bank does not anticipate any material impact in its consolidated financial statements upon adoption of this update.

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ASU 2014-11 – Transfers and Servicing (Topic 860)

The amendments in this update require two accounting changes. First, the change in the accounting for repurchase-to-maturity transactions to secured borrowings accounting. Second, for repurchase financing agreements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for as repurchase agreement.

The accounting changes in this update are effective for public business entities for the first interim or annual period beginning after December 15, 2014. Entities are required to present changes in accounting for transactions outstanding on the effective date of this update as a cumulative-effect adjustment to retained earnings at the beginning of the period of adoption. Early application for public business entities is prohibited. The Bank is currently evaluating the potential impact of this update in its consolidated financial statements.

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3. Sale of the asset management unit and discontinued operations

On April 2, 2013, the Bank reached a definitive agreement to sale its asset management unit (the "Management Unit") to Alpha4X Asset Management, LLC and related companies ("Alpha4X"). Alpha 4X Asset Management, LLC is a company majority-owned by former executives of the Management Unit. The sale closed in the second quarter of 2013.

The sale resulted in a gain of $455 thousand, which was reported in net loss from discontinued operations in the consolidated statements of income in the second quarter of 2013. The Bank applied discontinued operations accounting to the operations of the Management Unit in accordance with ASC Topic 205-20 – Presentation of Financial Statements – Discontinued Operations.

The following table summarizes the operating results of the discontinued operations:

	Three months ended September 30		Nine months ended September 30	
(In thousands of US$)	2014	2013	2014	2013
Other income:				
Fees and commissions [(1)]	-	-	-	610
Other income	-	-	-	468
	-	-	-	1,078
Operating expenses:				
Salaries and other employee expenses	-	-	-	373
Depreciation and amortization	-	-	-	8
Professional services	-	-	-	462
Maintenance and repairs	-	-	-	1
Other operating expenses	-	-	-	238
Total operating expenses	-	-	-	1,082
Net gain (loss) from discontinued operations	-	-	-	(4)

(1) Includes management fees from investment funds for $567 thousand in the nine months ended September 30, 2013.

4. Cash and cash equivalents

Cash and cash equivalents are as follows:

(In thousands of US$)	September 30, 2014	December 31, 2013
Cash and due from banks	3,072	2,161
Interest-bearing deposits in banks	644,201	837,557
Total	647,273	839,718
Less:		
Pledged deposits	13,905	9,032
	633,368	830,686

On September 30, 2014 and December 31, 2013 the New York Agency had a pledged deposit with a carrying value of $3.0 million with the New York State Banking Department, as required by law since March 1994. As of September 30, 2014 and December 31, 2013, the Bank had pledged deposits with a carrying value of $10.9 million and $6.0 million, respectively, to secure derivative financial instruments transactions and repurchase agreements.

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5. Trading assets and liabilities

The fair value of trading assets and liabilities is as follows:

(In thousands of US$)	**September 30, 2014**	**December 31, 2013**
Trading assets:		
Cross-currency interest rate swaps	3	-
Forward foreign exchange	193	-
Total	196	-
Trading liabilities:		
Interest rate swaps	36	65
Cross-currency interest rate swaps	-	7
Forward foreign exchange	270	-
Total	306	72

For the nine months ended as of September 30, 2014 and 2013, the Bank recognized the following gains and losses related to trading derivative financial instruments:

	Three months ended September 30		Nine months ended September 30	
(In thousands of US$)	2014	2013	2014	2013
Interest rate swaps	8	-	(44)	61
Cross-currency swaps	-	-	-	67
Cross-currency interest rate swaps	3	2	(6)	3,244
Forward foreign exchange	(256)	67	(442)	(25)
Future contracts	-	-	-	191
Total	(245)	69	(492)	3,538

These amounts are reported in the Net gain (loss) from trading securities and Net gain (loss) from investment funds lines in the consolidated statements of income. In addition to the trading derivative financial instruments, the Bank has hedging derivative financial instruments that are disclosed in Note 16.

As of September 30, 2014 and December 31, 2013, trading derivative liabilities include or have included interest rate swap and cross-currency interest rate swap contracts that were previously designated as fair value and cash flow hedges. Adjustments to the carrying value of the hedged underlying transactions are amortized in the interest income and expense lines over the remaining term of these transactions. Changes in the fair value of these derivative instruments after discontinuation of hedge accounting are recorded in Net gain (loss) from trading securities.

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As of September 30, 2014 and December 31, 2013, information on the nominal amounts of derivative financial instruments held for trading purposes is as follows:

	September 30, 2014			December 31, 2013		
(In thousands of US$)	Nominal	Fair Value		Nominal	Fair Value	
	Amount	Asset	Liability	Amount	Asset	Liability
Interest rate swaps	14,000	-	36	14,000	-	65
Cross-currency interest rate swaps	281	3	-	600	-	7
Forward foreign exchange	18,711	193	270	-	-	-
Total	32,992	196	306	14,600	-	72

6. Investment securities

<u>Securities available-for-sale</u>

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

	September 30, 2014			
(In thousands of US$)	**Amortized Cost**	**Unrealized Gross Gain**	**Unrealized Gross Loss**	Fair Value
Corporate debt:				
Brazil	32,043	74	434	31,683
Colombia	21,098	-	292	20,806
Chile	10,256	-	172	10,084
Honduras	7,356	-	12	7,344
Panama	3,679	-	21	3,658
Peru	11,819	-	124	11,695
Venezuela	20,355	2	137	20,220

	106,606	76	1,192	105,490
Sovereign debt:				
Brazil	32,071	236	380	31,927
Colombia	51,667	8	721	50,954
Chile	11,690	-	369	11,321
Mexico	117,045	23	1,531	115,537
Panama	17,798	27	389	17,436
Peru	15,051	-	130	14,921
Trinidad and Tobago	10,212	8	14	10,206
	255,534	302	3,534	252,302
Total	362,140	378	4,726	357,792

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(In thousands of US$)	December 31, 2013 **Amortized Cost**	**Unrealized Gross Gain**	**Unrealized Gross Loss**	**Fair Value**
Corporate debt:				
Brazil	41,439	11	778	40,672
Colombia	44,536	65	1,351	43,250
Chile	21,807	15	751	21,071
Honduras	9,400	-	136	9,264
Panama	7,159	-	78	7,081
Peru	29,439	42	674	28,807
Venezuela	29,871	-	1,848	28,023
	183,651	133	5,616	178,168
Sovereign debt:				
Brazil	32,751	936	645	33,042
Colombia	42,776	-	1,125	41,651
Chile	20,772	12	610	20,174
Mexico	35,730	-	2,445	33,285
Panama	12,485	71	553	12,003
Peru	11,589	-	65	11,524
Trinidad and Tobago	4,665	-	144	4,521
	160,768	1,019	5,587	156,200
Total	344,419	1,152	11,203	334,368

As of September 30, 2014 and December 31, 2013, securities available-for-sale with a carrying value of $315.5 million and $296.8 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

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

September 30, 2014

(In thousands of US$)	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	75,708	746	13,469	447	89,177	1,193
Sovereign debt	70,504	765	80,082	2,768	150,586	3,533
	146,212	1,511	93,551	3,215	239,763	4,726

	December 31, 2013					
(In thousands of US$)	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	136,895	5,113	6,866	503	143,761	5,616
Sovereign debt	107,239	5,210	18,557	377	125,796	5,587
	244,134	10,323	25,423	880	269,557	11,203

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Gross unrealized losses are related mainly to changes in market interest rates and other market factors, and not due to underlying credit concerns by the Bank about the issuers.

The following table presents the realized gains and losses on sale of securities available-for-sale:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands of US$)	2014	2013	2014	2013
Gains	599	-	1,825	962
Losses	(6)	-	(20)	(1)
Net	593	-	1,805	961

The amortized cost and fair value of securities available-for-sale by contractual maturity as of September 30, 2014, are shown in the following table:

(In thousands of US$)	**Amortized Cost**	**Fair Value**
Due within 1 year	94,469	94,745
After 1 year but within 5 years	147,927	146,899
After 5 years but within 10 years	119,744	116,148
	362,140	357,792

Securities held-to-maturity

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

	September 30, 2014			
(In thousands of US$)	**Amortized Cost**	**Unrealized Gross Gain**	**Unrealized Gross Loss**	**Fair Value**
Corporate debt:				
Costa Rica	2,301	1	40	2,262
Panama	28,358	26	-	28,384
	30,659	27	40	30,646
Sovereign debt:				
Colombia	13,004	70	-	13,074
Total	43,663	97	40	43,720

	December 31, 2013			
(In thousands of US$)	**Amortized Cost**	**Unrealized Gross Gain**	**Unrealized Gross Loss**	**Fair Value**
Corporate debt:				
Costa Rica	2,000	-	-	2,000
Honduras	4,118	-	-	4,118
Panama	14,634	8	18	14,624
	20,752	8	18	20,742
Sovereign debt:				
Colombia	13,007	-	115	12,892
Total	33,759	8	133	33,634

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Securities that show gross unrealized losses have had losses for less than 12 months. These losses are related mainly to changes in market interest rates and other market factors and not due to underlying credit concerns by the Bank about the issuers; therefore, such losses are considered temporary.

The amortized cost and fair value of securities held-to-maturity by contractual maturity as of September 30, 2014, are shown in the following table:

(In thousands of US$)	**Amortized Cost**	**Fair Value**
Due within 1 year	28,624	28,593
After 1 year but within 5 years	15,039	15,127
	43,663	43,720

As of September 30, 2014 and December 31, 2013, securities held-to-maturity with a carrying value of $13.0 million, for both periods, were pledged to secure repurchase transactions accounted for as secured financings.

7. Investment funds

Until March 31, 2014, the Bank applied ASC Topic 810-10-25-15 – Consolidation, to consolidate its investment in Alpha4X Feeder Fund (el “Feeder”), and retained the specialized accounting for investment companies described in Nota 2 (d). Until March 31, 2014, the Bank reported the net assets value of the Feeder within the “Investment funds” line item in the consolidated balance sheet, presenting the third party investments in the Feeder in the “Redeemable noncontrolling interest” line item between liabilities and stockholder’s equity. Up to the first quarter of 2014, the Bank reported the Feeder’s proportionate participation in the interest income and expense from the Master in the “Investment funds” line item within interest income and expense, realized and unrealized gains and losses in the “Net gain (loss) from investment funds” line item, and expenses from the Feeder and its proportionate share of expenses from the Master were reported in the “Expenses from investment funds” line item in the consolidated statement of income.

In April 2014, the Bank redeemed $13.9 million of its investment in the “Feeder”, VIE that was consolidated until March 31, 2014, following the requirements of ASC 810-10- Consolidation, prior to the implementation of FAS 167 (FIN 46 (R) (ASU 2009-17 – Consolidation of Variable Interest Entities). After this redemption, the Bank ceased to be the primary beneficiary of that VIE; and therefore deconsolidated its investment in Alpha4X Feeder Fund. The deconsolidation of this fund affected the balance of redeemable noncontrolling interest by $49.4 million.

Since April 2014, the Bank´s investment in Alpha4X Feeder Fund is adjusted to record the Bank’s participation in the profits and losses of that fund in the “Net gain (loss) from investment funds” line item. At September 30, 2014, the Bank has a participation of 49.61% in that fund (55.87% at December 31, 2013).

With the sale of the Management Unit described in Note 3, in 2013 the Bank deconsolidated its investment in Alpha4X Latam Fundo de Investimento Multimercado (previously Bladex Latam Fundo de Investimento Multimercado), because it ceased to be the primary beneficiary of that VIE. The deconsolidation of this fund affected the balance of the redeemable noncontrolling interest by $565 thousand. The Bank's investment in Alpha4X Latam Fundo de Investimento Multimercado is analyzed following the consolidation accounting policy of VIEs described in Note 2 (c). As of September 30, 2014 and December 31, 2013, the Bank is not the primary beneficiary of that VIE. This investment is adjusted to record the Bank's participation in the profits and losses of that fund in the “Net gain (loss) from investment funds” line item in the consolidated statement of income.

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

(In thousands of US$)	**September 30, 2014**	**December 31, 2013**
Alpha4X Feeder Fund	46,841	113,069
Alpha4X Latam Fundo de Investimento Multimercado	5,602	5,592
	52,443	118,661

The Bank has a commitment to remain an investor in these funds, net of annual contractual redemptions, up to March 31, 2016.

8. Loans

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

(In thousands of US$)	**September 30, 2014**	**December 31, 2013**
Corporations:		
Private	3,201,011	2,375,178
State-owned	826,699	938,878
Banking and financial institutions:		
Private	1,785,311	1,785,798
State-owned	342,136	474,193
Middle-market companies:		
Private	550,914	574,107
Sovereign	-	144
Total	6,706,071	6,148,298

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

(In thousands of US$)	**September 30, 2014**	**December 31, 2013**
Banking and financial institutions	2,127,447	2,259,991
Industrial	1,119,694	936,290
Oil and petroleum derived products	1,270,029	1,170,684
Agricultural	1,248,691	924,251
Services	366,650	398,736
Mining	-	10,000
Sovereign	-	144
Others	573,560	448,202
Total	6,706,071	6,148,298

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

(In thousands of US$)	September 30, 2014		
Rating [1]	Corporations	**Banking and financial institutions**	**Middle-market companies**