

FOREIGN TRADE BANK OF LATIN AMERICA, INC.  
Form 20-F  
April 23, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF  
THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

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)*

**Christopher Schech**

**Chief Financial Officer**

**+507 210-8500**

**Email address: cschech@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 |
| 2,479,050  | Shares of Class B Common Stock |
| 29,956,100 | Shares of Class E Common Stock |
| 0          | Shares of Class F Common Stock |
| 38,777,339 | Total Shares of Common Stock   |

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

Yes  No

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

Yes  No

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

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically 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).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer

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

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

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

Item 17

Item 18

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

Yes

No

**BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.**

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In this Annual Report on Form 20-F, or this Annual Report, references to the “Bank” or “Bladex” are to Banco Latinoamericano de Comercio Exterior, S.A., a specialized multinational bank incorporated under the laws of the Republic of Panama (“Panama”), and its consolidated subsidiaries. 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 Christopher Schech, 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 Mr. Schech at +507 210-8630. Written requests may also be sent via e-mail to cschech@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:

- 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 operating income and return on equity in future periods;
- the Bank’s level of capitalization and debt;
- the implied volatility of the Bank’s Treasury revenues;

- levels of defaults by borrowers and the adequacy of the Bank's allowance and provisions for credit losses;
- the availability and mix of future sources of funding for the Bank's lending operations;
- the adequacy of the Bank's sources of liquidity to cover large deposit withdrawals;
- management's expectations and estimates concerning the Bank's future financial performance, financing, plans and programs, and the effects of competition;
- existing and future governmental banking and tax regulations, including Basel II and Basel III capital and leverage requirements and Basel Committee on Banking Supervision liquidity requirements as adopted in the countries in which the Bank does business, and the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") on the Bank's business, business practices, and costs of operation as a foreign bank with offices in the United States of America ("United States" or "USA");
- 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 2015 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 financial data presented below are at and for the years ended December 31, 2014, 2013, 2012, 2011, and 2010, and are derived from the Bank's consolidated financial statements for the years indicated, which were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are stated in U.S. dollars. The consolidated financial statements for the years ended December 31, 2014, 2013, 2012, 2011, and 2010 were audited by the independent registered public accounting firm Deloitte, Inc. ("Deloitte"). The consolidated financial statements of the Bank for each of the three years in the period ended December 31, 2014 (the "Consolidated Financial Statements") are included in this Annual Report, together with the report of the independent registered public accounting firm Deloitte. 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 and for the Year Ended December 31,           |           |           |           |         |
|-------------------------------|---|-----------|-----------|-----------|---------|
|                               | 2014  | 2013      | 2012      | 2011      | 2010    |
|                               | (in \$ thousands, except per share data and ratios) |           |           |           |         |
| <b>Income Statement Data:</b> |   |           |           |           |         |
| Interest income               | \$212,730   | \$205,303 | \$192,437 | \$157,427 | 119,478 |
| Interest expense              | 71,599  | 82,211    | 87,460    | 54,717    | 44,975  |

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|  |           |          |           |          |          |
|--|-----------|----------|-----------|----------|----------|
| Net interest income  | 141,131   | 123,092  | 104,977   | 102,710  | 74,503   |
| Reversal of provision (provision) for loan losses <sup>(1)</sup>                             | (6,895 )  | 1,598    | 8,343     | (8,841 ) | (9,091 ) |
| Net interest income, after reversal of provision (provision) for loan losses                 | 134,236   | 124,690  | 113,320   | 93,869   | 65,412   |
| Reversal of provision (provision) for losses on off-balance sheet credit risk <sup>(1)</sup> | (1,627 )  | (381 )   | 4,046     | 4,448    | 13,926   |
| Fees and commissions, net  | 17,502    | 13,669   | 10,021    | 10,619   | 9,811    |
| Derivative financial instruments and hedging   | 106       | 353      | 71        | 2,923    | (1,446 ) |
| Recoveries, net of impairment of assets  | 7         | 108      | 0         | (57 )    | 233      |
| Net gain (loss) from investment fund trading   | 3,409     | (6,702 ) | 7,011     | 20,314   | (7,995 ) |
| Net gain (loss) from trading securities  | (393 )    | 3,221    | 11,234    | (6,494 ) | (3,603 ) |
| Net gain on sale of securities available-for-sale  | 1,871     | 1,522    | 6,030     | 3,413    | 2,346    |
| Net gain on sale of loans  | 2,546     | 588      | 1,147     | 64       | 201      |
| Net gain (loss) on foreign currency exchange   | 766       | (3,834 ) | (10,525 ) | 4,269    | 1,870    |
| Gain on sale of premises and equipment   | 0         | 0        | 5,626     | 0        | 0        |
| Other income, net  | 1,744     | 1,644    | 1,839     | 995      | 1,081    |
| Net other income   | 25,931    | 10,188   | 36,500    | 40,494   | 16,422   |
| Total operating expenses   | 53,702    | 54,306   | 55,814    | 50,087   | 42,218   |
| Net income from continuing operations  | 106,465   | 80,572   | 94,006    | 84,276   | 39,615   |
| Net income (loss) from discontinued operations <sup>(2)</sup>                                | 0         | (4 )     | (681 )    | (420 )   | 206      |
| Net income   | 106,465   | 80,568   | 93,325    | 83,856   | 39,821   |
| Net income (loss) attributable to the redeemable noncontrolling interest                     | (475 )    | (4,185 ) | 293       | 676      | (2,423 ) |
| Net income attributable to Bladex stockholders   | \$106,940 | \$84,753 | \$93,032  | \$83,180 | \$42,244 |
| Balance Sheet Data:  |           |          |           |          |          |
| Interest-bearing deposits in banks   | 775,530   | 837,557  | 700,312   | 830,670  | 431,144  |

**Consolidated Selected Financial Information**

|  | As of and for the Year Ended December 31,           |           |           |           |           |   |
|--|---|-----------|-----------|-----------|-----------|---|
|  | 2014  | 2013      | 2012      | 2011      | 2010      |   |
|  | (in \$ thousands, except per share data and ratios) |           |           |           |           |   |
| Trading assets   | 0   | 0         | 5,265     | 20,436    | 50,412    |   |
| Securities available-for-sale  | 338,973   | 334,368   | 183,017   | 416,300   | 353,250   |   |
| Securities held-to-maturity  | 54,180  | 33,759    | 34,113    | 26,536    | 33,181    |   |
| Investment funds   | 57,574  | 118,661   | 105,888   | 120,425   | 167,291   |   |
| Loans  | 6,686,244   | 6,148,298 | 5,715,556 | 4,959,573 | 4,064,332 |   |
| Allowance for loan losses  | 79,675  | 72,751    | 72,976    | 88,547    | 78,615    |   |
| Total assets   | 8,025,272   | 7,471,312 | 6,756,396 | 6,360,032 | 5,100,087 |   |
| Total deposits   | 2,506,694   | 2,361,336 | 2,317,260 | 2,303,506 | 1,820,925 |   |
| Trading liabilities  | 52  | 72        | 32,304    | 5,584     | 3,938     |   |
| Securities sold under repurchase agreements and short-term borrowings and debt | 2,993,056   | 2,991,527 | 1,607,397 | 1,700,468 | 1,360,327 |   |
| Long-term borrowings and debt  | 1,405,519   | 1,153,871 | 1,905,540 | 1,487,548 | 1,075,140 |   |
| Total liabilities  | 7,114,209   | 6,563,461 | 5,926,537 | 5,595,203 | 4,384,087 |   |
| Common stock   | 279,980   | 279,980   | 279,980   | 279,980   | 279,980   |   |
| Total stockholders' equity   | 911,063   | 857,952   | 826,475   | 759,282   | 697,050   |   |
| Weighted average basic shares  | 38,693  | 38,406    | 37,824    | 36,969    | 36,647    |   |
| Weighted average diluted shares  | 38,839  | 38,533    | 37,938    | 37,145    | 36,814    |   |
| Basic shares period end  | 38,777  | 38,573    | 38,145    | 37,132    | 36,711    |   |
| Per Common Share Data:   |   |           |           |           |           |   |
| Basic earnings per share from continuing operations                            | 2.76  | 2.21      | 2.48      | 2.26      | 1.15      |   |
| Basic earnings per share   | 2.76  | 2.21      | 2.46      | 2.25      | 1.15      |   |
| Diluted earnings per share   | 2.75  | 2.20      | 2.45      | 2.24      | 1.15      |   |
| Book value per share (period end)  | 23.49   | 22.24     | 21.67     | 20.45     | 18.99     |   |
| Regular cash dividends declared per share                                      | 1.435   | 1.25      | 1.10      | 0.85      | 0.67      |   |
| Special cash dividends declared per share                                      | 0.00  | 0.00      | 0.00      | 0.00      | 0.00      |   |
| Selected Financial Ratios:   |   |           |           |           |           |   |
| Performance Ratios:  |   |           |           |           |           |   |
| Return on average assets <sup>(3)</sup>  | 1.41  | % 1.20    | % 1.51    | % 1.46    | % 0.97    | % |
| Return on average stockholders' equity <sup>(3)</sup>                          | 11.95   | % 10.02   | % 11.57   | % 11.40   | % 6.21    | % |
| Net interest margin <sup>(4)</sup>   | 1.87  | % 1.75    | % 1.70    | % 1.81    | % 1.70    | % |
| Net interest spread <sup>(4)</sup>   | 1.71  | % 1.55    | % 1.44    | % 1.62    | % 1.43    | % |
| Total operating expenses to total average assets <sup>(3)</sup>                | 0.71  | % 0.77    | % 0.90    | % 0.88    | % 0.97    | % |
| Regular cash dividend payout ratio   | 51.92   | % 56.64   | % 44.72   | % 37.78   | % 58.12   | % |
| Special cash dividend payout ratio   | 0.00  | % 0.00    | % 0.00    | % 0.00    | % 0.00    | % |
| Liquidity Ratios:  |   |           |           |           |           |   |
| Liquid assets <sup>(5)</sup> / total assets                                    | 9.24  | % 11.12   | % 10.21   | % 12.36   | % 8.25    | % |
| Liquid assets <sup>(5)</sup> / total deposits                                  | 29.57   | % 35.18   | % 29.78   | % 34.11   | % 23.10   | % |
| Asset Quality Ratios:  |   |           |           |           |           |   |
| Non-accrual loans to total loans <sup>(6)</sup>                                | 0.06  | % 0.05    | % 0.00    | % 0.65    | % 0.71    | % |

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|  |             |   |             |   |             |   |             |   |             |   |
|--|-------------|---|-------------|---|-------------|---|-------------|---|-------------|---|
| Impaired loans to total loans <sup>(6)</sup>                                       | 0.06        | % | 0.05        | % | 0.00        | % | 0.65        | % | 0.71        | % |
| Charged-off loans to total loans, net of unearned income and deferred fees         | 0.00        | % | 0.00        | % | 0.13        | % | 0.02        | % | 0.13        | % |
| Allowance for loan losses to total loans, net of unearned income and deferred fees | 1.19        | % | 1.18        | % | 1.28        | % | 1.79        | % | 1.94        | % |
| Allowance for losses on off-balance sheet credit risk to total contingencies       | 1.37        | % | 1.08        | % | 2.05        | % | 2.45        | % | 3.50        | % |
| Capital Ratios:  |             |   |             |   |             |   |             |   |             |   |
| Stockholders' equity to total assets   | 11.35       | % | 11.48       | % | 12.23       | % | 11.94       | % | 13.67       | % |
| Average stockholders' equity to total average assets <sup>(3)</sup>                | 11.81       | % | 12.01       | % | 13.03       | % | 12.83       | % | 15.62       | % |
| Leverage ratio <sup>(7)</sup>  | 8.8         | x | 8.7         | x | 8.2         | x | 8.4         | x | 7.3         | x |
| Tier 1 capital to risk-weighted assets <sup>(8)</sup>                              | 15.3        | % | 15.9        | % | 17.9        | % | 18.6        | % | 20.5        | % |
| Total capital to risk-weighted assets <sup>(9)</sup>                               | 16.5        | % | 17.1        | % | 19.2        | % | 19.9        | % | 21.8        | % |
| Risk-weighted assets <sup>(8)</sup>  | \$6,027,352 |   | \$5,472,589 |   | \$4,609,221 |   | \$4,090,333 |   | \$3,416,782 |   |

<sup>(1)</sup> For information regarding reversal of provision (provision) for credit losses, see Item 5, “Operating and Financial Review and Prospects—Operating Results.”

On April 2, 2013 the Bank reached a final agreement to sell its Asset Management Unit to Alpha4X Asset Management, LLC and its related companies (“Alpha4X”). The Bank applied discontinued operations accounting to the operations of the Asset Management Unit in accordance with ASC Topic 205-20 – Presentation of Financial Statements – Discontinued Operations. On April 2014, the Bank redeemed \$13.9 million of its investment in the Feeder (defined below), a variable interest entity, that had been 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 variable interest entity; and therefore ceased to consolidate its investment in the Feeder. See Item 4.B, “Business Overview-Overview”, for a discussion of the Asset Management Unit, and Item 18, “Financial Statements” Notes 3 and 6 to the Audited Financial Statements.

<sup>(3)</sup> Average assets and average stockholders' equity are calculated on the basis of unaudited daily average balances.

<sup>(4)</sup> 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.”

Liquid assets consist of investment-grade “A” securities, cash and due from banks, and interest-bearing deposits in banks, excluding margin calls and pledged regulatory deposits. See Item 5.B. “Operating and Financial Review and Prospects—Liquidity and Capital Resources—Liquidity” and Item 18, “Financial Statements” Note 4 to the Audited Financial Statements.



As of December 31, 2014 and 2013 the Bank had \$4 million and \$3 million in non-accrual status, respectively, all of which corresponded to impaired loans. As of December 31, 2012, the Bank did not have any loans in non-accrual status. As of December 31, 2011 and 2010 non-accrual loans amounted \$32 million and \$29 million, respectively, (6)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. Total loans is presented net of unearned income and deferred loan fees.

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

Tier 1 capital is calculated according to Basel I capital adequacy guidelines, and is equivalent to stockholders' equity, excluding the Other Comprehensive Income account effect of the available-for-sale portfolio. The Tier 1 capital ratio is calculated as a percentage of risk-weighted assets. Risk-weighted assets are, in turn, also calculated (8) based on Basel I capital adequacy guidelines. The Bank's Tier 1 capital ratio according to Basel III, which updated in 2013 the original guidance on a number of regulatory reforms to the regulatory capital framework in order to strengthen minimum capital requirements, was 15.6% as of December 31, 2014.

(9) Total capital refers to Tier 1 capital plus Tier 2 capital, based on Basel I capital adequacy guidelines. Total capital refers to the total capital ratio as a percentage of risk-weighted assets.

#### 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, being the risk of not being able to maintain adequate cash flow to repay its deposits and borrowings and fund its credit portfolio on a timely basis. Failure to adequately manage its liquidity risk could produce an available funds shortage as a result of which the Bank would not be able to repay its obligations as they become due.

As of December 31, 2014, 36% of the Bank's funding represents short-term borrowings and debt from international private banks, which compete with the Bank in its credit extension activity. 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.

Financial turmoil in the international markets could negatively impact liquidity in the financial markets, reducing the Bank's access to credit or increasing its cost of funding, which could lead to tighter lending standards. An example of this situation is the liquidity constraint experienced in the second half of 2007 in the international financial markets, which intensified during the third quarter of 2008, driven first by the subprime mortgage crisis in the United States and then followed by the credit crisis, and in the ongoing European sovereign debt crisis. The reoccurrence of such unfavorable market conditions could have a material adverse effect on the Bank's liquidity.

As of December 31, 2014, approximately 75% of the Bank's total deposits represented deposits from central and state-owned banks, and 16% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions.

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 operating results and financial position.

***The Bank's allowances for credit losses could be inadequate to cover credit losses related to its loans and contingencies.***

The Bank determines the appropriate level of allowances for credit losses based on a 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 allowances could be inadequate to cover losses in its Commercial Portfolio due to exposure concentration 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. As stated above, the Bank's "Commercial Portfolio" includes the loan portfolio, selected deposits placed, customers' liabilities under acceptances, and contingencies (including confirmed and stand-by letters of credit, guarantees covering commercial risk, and credit commitments).

***The Bank's businesses are subject to market risk.***

Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with many of the Bank's operations and activities, including loans, deposits, investment and trading securities, short- and long-term borrowings and debt, derivatives and trading positions. Among many other market conditions that may shift from time to time are fluctuations in interest rates and currency exchange rates, 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 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 credit portfolio may decrease or may not continue to grow at the present rate or at a similar rate. Additionally, growth in the Bank's credit portfolio may expose the Bank to an increase in allowance for loan losses.***

It is difficult to predict whether the Bank's credit portfolio, including the Bank's foreign trade portfolio, will continue to grow in the future at historical rates. A reversal in the growth rate of the Region's economy and trade volumes could adversely affect the growth rate of the Bank's credit portfolio. Additionally, the future expansion of Bladex's credit portfolio may expose the Bank to higher levels of potential or actual losses and require an increase in credit risk reserves, 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 and/or non-accruing loans may increase in the future as a result of growth in its loan portfolio, including loan portfolios that the Bank may acquire in the future, or factors beyond the Bank's control, such as the impact of economies trends and political events affecting the Region, events affecting certain industries or events affecting financial markets and global economies.

***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, the majority of which are European and North American institutions. Many of these banks have substantially greater resources than the Bank and enjoy 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 continued accelerating in recent years as the credit crisis led to numerous mergers and asset 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 participants 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 geographic regions, 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, is 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, the Bank's 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 operational problems

with its information systems as a result of system failures (including failure to update systems), viruses, computer “hackers” or other causes. 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. In the future, 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.

***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 outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, and errors by employees, and any failure, interruption or breach in the security or operation of the Bank's information technology systems could result in interruptions in such activities. Operational problems or errors may occur, and their occurrence may have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows.

***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 the initiatives.***

Part of the Bank's strategy is to diversify income sources through 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. 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, participation of multiple parties in any given trade finance transaction can make the process of due diligence difficult. Further, because trade finance can be more document-based 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 is alert to 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.

***Panamanian laws and regulations, including future government restrictions on interest rates or changes in reserves and capitalization requirements, may have a material adverse effect on the Bank.***

The Bank is subject to extensive laws and regulations regarding the Bank organization, operations, lending and funding activities, capitalization and other matters. In 2010, the Basel Committee on Banking Regulations and Supervisory Practices (the “Basel Committee”) proposed comprehensive changes to the liquidity coverage ratio and liquidity risk monitoring tools, known as Basel III. 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 has adopted Basel III criteria to determine capitalization levels, and determined the Bank’s Tier 1 Basel III capital ratio to be 15.6% as of December 31, 2014.



***Legislation regarding the financial services industry may subject the Bank to significant and extensive regulation, which may have an impact on the Bank's operations.***

On July 21, 2010, the Dodd-Frank Act was signed into law in the United States. The Dodd-Frank Act is intended primarily to overhaul the financial regulatory framework in the United States following the global financial crisis and may impact substantially all financial institutions including the Bank. The Dodd-Frank Act, among other things, imposes higher prudential standards, including more stringent risk-based capital, leverage, liquidity and risk-management requirements, establishes a Bureau of Consumer Financial Protection, establishes a systemic risk regulator, consolidates 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. The Bank is closely monitoring this rulemaking process, and analyzing, the impact of new rules on the Bank's business.

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 a transition period and 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. After the transition period, the Volcker Rule prohibitions and restrictions will apply to banking entities, including the Bank, unless an exception applies. Based on analysis of applicable regulations, 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 Bladex'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 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.

As of May 1, 2014, Panama has been treated by the U.S. Department of the Treasury as having a Model 1 intergovernmental agreement ("Panama IGA") in effect 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.

## **Risks Relating to the Region**

*The Bank's credit portfolio is 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.*

The Bank's credit activities are concentrated in the Region, which is a reflection of the Bank's mission and strategy. Historically, economies of countries in the Region have occasionally experienced significant volatility characterized, in some cases, by political uncertainty, 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, commodities prices, U.S. dollar interest rates and the U.S. dollar exchange rate, and slower economic growth in industrialized countries, could have a significant adverse effect on the economic condition of countries in the Region, including Panama and the other countries where the Bank operates. In turn, adverse changes affecting the economies of countries in the Region could have a significant adverse impact on the quality of the Bank's credit portfolio, including increased loan loss provisions, debt restructuring, and loan losses. As a result, this 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. Adverse changes affecting the economies in one or more of those countries 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, 2014, 66% of the Bank's credit portfolio was outstanding to borrowers in the following five countries: Brazil (\$2,067 million, or 27%), Mexico (\$1,030 million, or 14%), Colombia (\$869 million, or 12%), Peru (\$632 million, or 8%), and Panama (\$387 million, or 5%).

In addition, as of December 31, 2014, of the Bank's total credit portfolio balances, 7% were to five borrowers in Brazil, 5% were to five borrowers in Colombia, 4% were to five borrowers in Mexico, 4% were to five borrowers in Peru, and 3% were to five borrowers in 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, requiring the Bank to create additional allowances for credit losses, or suffer credit losses with the effect being accentuated because of this concentration.

See Item 4.B. "Information on the Company—Business Overview—Developments During 2014".

*Local country foreign exchange controls or currency devaluation 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 country foreign exchange controls will restrict the ability of the Bank's borrowers, even if they are exporters, to acquire dollars to repay loans on a timely basis, 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.

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

Increased risk perception in any country in the Region 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 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 in an important way.

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

The Bank offers its services through its head office in Panama City, its agency in New York City ("the New York Agency"), its subsidiaries in Brazil and Mexico, and its representative offices in Buenos Aires, Argentina, Mexico City, D.F. and Monterrey, Mexico, Sao Paulo, Brazil, Lima, Peru and Bogotá, Colombia, as well as through a worldwide network of correspondent banks. The Bank's international administrative office located in Miami, Florida (the "Florida Administrative Office"), ceased operations during the first quarter of 2015.

Bladex's headquarters office is located at Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Panama, and its telephone number is +507 210-8500. Bladex's New York Agency is located at 370 Lexington Avenue, Suite 500, New York, NY 10017, and its telephone number is (212) 754-9191.

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

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

Bladex Holdings Inc. (“Bladex Holdings”) is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, USA, on May 30, 2000. Bladex Holdings maintains ownership in two subsidiaries: Bladex Representação Ltda. and Bladex Investimentos 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 owns 99% of Bladex Investimentos Ltda. and Bladex Holdings owns the remaining 1%. Bladex Investimentos Ltda. has invested substantially all of its assets in an investment fund incorporated in Brazil (“the Brazilian Fund”), which is registered with the Brazilian Securities Commission, (Comissão de Valores Mobiliários (the “CVM”). The Brazilian Fund is a non-consolidated variable interest entity (“VIE”). The objective of the Brazilian Fund is 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 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 products, such as loans and factoring.

Bladex Holdings had previously exercised control over Bladex Asset Management Inc. (“Bladex Asset Management”), incorporated on May 24, 2006 under the laws of the State of Delaware, USA, which, until its dissolution on September 18, 2013, provided investment management services to Bladex Offshore Feeder Fund and Bladex Capital Growth Fund, both incorporated under the laws of the Cayman Islands.

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. The Bank has a commitment to remain an investor in these funds, net of annual contractual redemptions, until March 31, 2016. As part of the agreement, a subsidiary of XL Group plc will also become an anchor investor in the Bladex Capital Growth Fund under Alpha4X’s management. 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 sale agreement included, among other terms:

- the transfer of the Bank's participation in BLX Brazil Ltd., incorporated under the laws of the Cayman Islands on October 5, 2010, and Bladex Asset Management Brazil – Gestora de Recursos Ltda. (“BAM Brazil”), incorporated under the laws of Brazil on January 6, 2011;
- the sale of “Class C” shares of the Fund owned by BCG PA LLC (“BCG”), a company incorporated under the laws of the State of Delaware, USA and dissolved on August 14, 2013; and
- the termination of the investment advisory contracts among Bladex Asset Management, the Feeder and the Fund.

Bladex Head Office has a remaining participation of 49.61% in the Feeder, that invests substantially all its assets in the Fund. The Feeder is a VIE that was included in the consolidated financial statements of the Bank until March 31, 2014. Due to its drop in participation to less than 50%, the Bank ceased to be the primary beneficiary of the Feeder, and therefore ceased to consolidate its investment in the Feeder in its consolidated financial statements. Both the Feeder and the Fund are registered with the Cayman Island Monetary Authority (“CIMA”), under the Mutual Funds Law of the Cayman Islands. The objective of these Funds is to achieve capital appreciation by investing in Latin American debt securities, stock indexes, currencies, and trading derivative instruments.

The Bank’s financial statements are prepared in accordance with U.S. GAAP.

See Item 18. "Financial Statements," notes 1, 2(a), 3 and 6.

## 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. 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.

First, the Commercial Division is responsible for the Bank's core business of financial intermediation and fee generation activities relating to the Commercial Portfolio. The Commercial Division's portfolio includes the loan portfolio (bilateral and syndicated trade and non-trade finance lending, short and medium term loans), selected deposits placed, customers' liabilities under acceptances ("acceptances"), and contingencies (including confirmed and stand-by letters of credit, guarantees covering commercial risk and credit commitments). 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 Division 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.

Second, the Treasury Division is responsible for the Bank's funding and liquidity management, along with the management of its activities in investment securities, which comprise trading assets, securities available-for-sale, and securities held-to-maturity, as well as the management of the Bank's interest rate, liquidity, price and currency risks. Following the sale of the Bladex Asset Management unit in April 2013, the Treasury Division also comprises the Bank's remaining participation in the investment funds.

Historically, trade finance has been afforded favorable treatment under 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 some exceptions on U.S. dollar convertibility and transfer limitations imposed on the servicing of external obligations, or preferred creditor status. Although the Bank maintains its focus both on trade finance and its Class A shareholders, it cannot guarantee that such exceptions will be granted in all future debt restructurings.

As of December 31, 2014, the Bank had 64 employees, or 33% of its total employees, across its offices responsible for marketing the Bank's financial products and services to existing and potential customers.

### ***Developments During 2014***

2014 was a challenging year for the global economy, which experienced overall heightened volatility resulting from a gradual decrease in the monetary stimulus of the U.S. Federal Reserve. World GDP growth in 2014 was similar to that of 2013, but growth performance differed among larger economies. The U.S. economy experienced an upturn, as did the eurozone. However, unlike the U.S. and parts of Europe, other larger global economies, such as Japan and China experienced a lower rate of growth in 2014.

The moderation of growth in the Chinese economy influenced other emerging economies, given the significance of Chinese demand in global commodity markets. The sustainability of growth in China continues to be of concern due to the negative impact lower growth rates could have on long-term trends in the raw materials markets and the negative impact that a general downturn in the Chinese economy could have on the global economy.

Similarly, the pace of growth of external aggregate demand for the principal products produced in Latin America and the Caribbean has decreased. The Region saw a significant slowdown in its 2014 average GDP growth rate, impacted by stagnating growth in its largest economy, Brazil, which had GDP growth in 2014 of 0.1%. Generally, the Region experienced a downward trend in prices for raw materials. In 2014, the Region's overall exports decreased year-on-year. However, the performance of countries in the Region was not uniform. Those economies more heavily engaged in trade with the U.S. benefitted more than those with a greater dependence on trade relations with other parts of the world.

Despite the challenging nature of the 2014 economic backdrop, the Bank's year-end 2014 financial results show improved earnings and operating performance. The Bank achieved a number of financial milestones in 2014, including: surpassing \$100 million in total net income; achieving deposits of over \$3 billion on several dates during the year, which increased average deposit levels by more than 8%; significantly improving core efficiency levels while maintaining cost discipline; more than doubling income derived from structuring and distribution activities; and achieving 12% return on average stockholders' equity, and 14% total shareholders return (dividends and annual stock price appreciation).

Net income attributable to Bladex amounted to \$106.9 million in 2014, an increase of \$22 million, or 26%, compared to \$84.8 million in 2013. This increase was driven by the positive performance of the Bank's core business activities, with growth in the Commercial Portfolio, net margins and revenue, and improved efficiency on lower expenses, while maintaining strong asset quality. These factors were complemented by a positive trend in non-core results from the Bank's participation in investment funds.

Net interest income rose by \$18.0 million, or 15%, to \$141.1 million in 2014 from \$123.1 million in 2013. This growth was driven by a \$12.2 million overall increase in net interest income due to the higher average balances of the Bank's interest-earning assets (+7%), which was partially offset by higher average balances on the Bank's interest-bearing liabilities (+8%), and a \$5.8 million overall increase in net interest income on lower average funding costs (-26 basis points) which more than offset the 10 basis point decrease in the average yield of interest-earning assets. Net interest margin stood at 1.87% for 2014, compared to 1.75% for 2013.

Fees and other income includes the fee income associated with letters of credit and other off-balance sheet assets, such as guarantees and credit commitments, as well as fee income derived from two business streams: loan structuring and syndication, and loan intermediation and distribution. Fees and other income amounted to \$21.8 million in 2014, compared to \$15.9 million in 2013. The \$5.9 million or 37% increase resulted from higher loan structuring and syndication fees, as well as fees and net gains associated with loan intermediation and distribution, along with higher fees and commissions from letters of credit and guarantees. The average balance of the Bank's off-balance sheet portfolio (acceptances and contingencies) amounted to \$0.5 billion in 2014, compared to \$0.4 billion in 2013, an increase of 25%.

See Item 5, “Operating and Financial Review and Prospects—Operating Results—Net Income Attributable to Bladex” and Item 18, “Financial Statements,” note 27.

***Strategies for 2015 and Subsequent Years***

*Further extend the Bank’s business in politically and economically stable, high-growth markets*

The Bank’s expertise in risk and capital management and extensive knowledge of the Region allows it to identify and strategically focus on stable and growth-oriented markets, including investment-grade countries in the Region. Bladex maintains strategically placed representative offices in order to provide focused products and services in markets that the Bank considers key to its continued growth.

*Targeted growth in expanding and diversifying the Bank’s client base*

The Bank’s strategy to participate in a broad range of activities and further diversify its client base includes targeting clients that offer the potential for longstanding relationships and a wider presence in the Region, such as financial institutions, corporations and middle-market companies. This may be achieved through the Bank’s participation in bilateral and co-financed transactions. The Bank intends to continue enhancing existing client relationships and establishing new ones through its Region-wide expertise, product knowledge, the quality of the Bank’s services and the Bank’s agile decision-making process.

*Enhance current products and services by providing relevant sector-specific solutions in the Region*

The Bank intends to continue its focus on the development of expertise in the sectors in which the Bank currently operates, while strategically targeting industries with significant growth potential by offering sector-specific products and solutions to clients in these industries. These sectors include some of the most profitable industries in the Region, such as oil & gas, food processing, manufacturing and agribusiness commodities, as well as growth commercial flows such as Latin American intra-regional trade. Bladex also intends to continue exploring key regional and local partnerships to bolster its range of services and increase its presence in key economic sectors throughout the Region.

*Increase the range of products and services that the Bank offers*

Due to the Bank's relationships throughout, and knowledge of, the Region, the Bank is strongly positioned to strategically identify key additional products and services to offer to clients. The Bank's Articles of Incorporation permit a broad scope of potential activities, encompassing all types of banking, investment, and financial and other businesses that support foreign trade flows and the development of trade and integration in the Region. This supports the Bank's ongoing strategy to develop and expand products and services, such as factoring and vendor finance, leasing, debt intermediation in primary and secondary markets, and structured financing, including export insurance programs, that complement the Bank's expertise in foreign trade finance and risk management.

***Lending Policies***

The Bank extends credit directly to financial institutions, corporations and middle-market companies within the Region. The distinction between corporations and middle-market companies is based on the particular client's volumes of annual sales, as well as country risk, and certain other criteria. The Bank finances import and export transactions for all types of goods and products, excepting restricted items such as weapons, ammunition, military equipment, and hallucinogenic drugs or narcotics not utilized for medical purposes. Imports and exports financed by the Bank are destined for buyers/sellers in countries both inside and outside the Region. The Bank analyzes credit requests from eligible borrowers applying its credit risk criteria, including economic and market conditions. The Bank maintains a consistent lending policy and applies the same credit criteria to all types of potential borrowers in evaluating creditworthiness.

Due to the nature of trade finance, the Bank's loans are generally unsecured. However, in certain instances, based upon the Bank's credit review of the borrower and the economic and political situation and trends in the borrower's home country, the Bank may determine that the level of risk involved requires that a loan be secured by collateral.

*Country Credit Limits*

The Bank maintains a continual review of each country's risk profile evolution, supporting its analysis with various factors, both quantitative and qualitative, the main driving factors of which include: the evolution of macroeconomic policies (fiscal, monetary, and exchange rate policy), fiscal and external performance, price stability, level of liquidity in foreign currency, changes of legal and institutional framework, as well as material social and political events, among others, including industry analysis relevant to Bladex business activities.

Bladex has a methodology for capital allocation by country and its risk weights for assets. The Risk Policy and Assessment Committee (the “CPER”) of the Bank’s Board of Directors (the “Board”) approves a level of “allocated capital” for each country, in addition to nominal exposure limits. These country capital limits are reviewed at least once a year by the CPER and more often if necessary. The methodology helps to establish the capital equivalent of each transaction, based on the internal numeric rating assigned to each country, which is approved by the CPER.

The amount of capital allocated to a transaction is based on customer type (sovereign, state-owned or private, middle-market companies, corporate or financial institution), the type of transaction (trade or non-trade), and the average remaining term of the transaction (from one to 180 days, 181 days to a year, between one and three years, or longer than three years). Capital utilizations by the business units cannot exceed the Bank’s reported stockholders’ equity.

### ***Borrower Lending Limits***

The Bank generally establishes lines of credit for each borrower according to the results of its risk analysis and potential business prospects; however, the Bank is not obligated to lend under these lines of credit. Once a line of credit has been established, credit generally is extended after receipt of a request from the borrower for financing, usually related to foreign trade, which accounted for 56% of such credit as of December 31, 2014. Loan pricing is determined in accordance with prevailing market conditions and the borrower’s creditworthiness.

For existing borrowers, the Bank’s management has authority to approve credit lines up to the legal lending limit prescribed by Panamanian law, provided that the credit lines comply fully with the country credit limits and conditions for the borrower’s country of domicile set by the Board. Approved borrower lending limits are reported to the CPER quarterly. Panamanian Law sets forth certain concentration limits, which are applicable and strictly adhered to by the Bank, including a 30% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of certain financial institutions, and a 25% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of corporate, sovereign and middle-market companies. As of December 31, 2014, the legal lending limit prescribed by Panamanian law for corporations, sovereign borrowers and middle-market companies amounted to \$225.8 million, and for financial institutions and financial groups amounted to \$270.9 million. 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. On a quarterly basis, the CPER reviews the impaired portfolio, if any, along with certain non-impaired credits. As of December 31, 2014, the Bank was in compliance with regulatory legal lending limits.

See Item 4.B, “Information on the Company—Business Overview—Regulations—Panamanian Law.”

*Credit Portfolio*

The Bank's credit portfolio, which consists of the Commercial Portfolio and investment securities portfolio, increased to \$7,580 million as of December 31, 2014, from \$6,998 million as of December 31, 2013, and from \$6,170 million as of December 31, 2012. The \$582 million, or 8%, credit portfolio increase during 2014 was largely attributable to increased business activity from the Bank's established client base of corporations (\$692 million, or 19%), along with stable credit balances from financial institutions, partially offset by decreased exposures to middle-market companies (\$125 million, or 20%).



**Commercial Portfolio**

The Commercial Portfolio includes the loan portfolio, selected deposits placed, customers' liabilities under acceptances, and contingencies (including confirmed and stand-by letters of credit, guarantees covering commercial risk, and credit commitments).

The Bank's Commercial Portfolio increased to \$7,187 million as of December 31, 2014, an 8% increase from \$6,630 million as of December 31, 2013, and a 21% increase from \$5,953 million as of December 31, 2012. The increase in 2014 was largely attributable to growing demand from the Bank's established client base of corporations (which grew by \$607 million, or 17%) and financial institutions (by \$74 million, or 3%), which was partially offset by decreased activity in middle-market companies (\$125 million, or 20%).

As of December 31, 2014, 56% of the Bank's Commercial Portfolio consisted of trade-related credits, and the remaining balance consisted primarily of lending to financial institutions and corporations involved in foreign trade. 57% of the Bank's Commercial Portfolio is represented by corporations, of which 60% is trade financing.

The following table sets forth the distribution of the Bank's Commercial Portfolio, by product category, as of December 31 of each year:

|                                | As of December 31,                  |       |                     |       |                     |       |                     |       |                     |       |
|--------------------------------|-------------------------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|
|                                | 2014 <sup>(1)</sup>                 | %     | 2013 <sup>(2)</sup> | %     | 2012 <sup>(3)</sup> | %     | 2011 <sup>(4)</sup> | %     | 2010 <sup>(5)</sup> | %     |
|                                | (in \$ million, except percentages) |       |                     |       |                     |       |                     |       |                     |       |
| Loans                          | \$6,686                             | 93.0  | \$6,148             | 92.7  | \$5,716             | 96.0  | \$4,960             | 92.6  | \$4,064             | 91.4  |
| Selected deposits placed       | 0                                   | 0.0   | 0                   | 0.0   | 0                   | 0.0   | 30                  | 0.6   | 0                   | 0.0   |
| Contingencies and other assets | 501                                 | 7.0   | 482                 | 7.3   | 237                 | 4.0   | 364                 | 6.8   | 382                 | 8.6   |
| Total                          | \$7,187                             | 100.0 | \$6,630             | 100.0 | \$5,953             | 100.0 | \$5,354             | 100.0 | \$4,446             | 100.0 |

(1) Includes non-accrual loans for \$4 million as of December 31, 2014.

(2) Includes non-accrual loans for \$3 million as of December 31, 2013.

(3) There were zero non-accrual loans as of December 31, 2012.

(4) Includes non-accrual loans for \$32 million as of December 31, 2011.

(5) Includes non-accrual loans for \$29 million as of December 31, 2010.

**Loan Portfolio**

As of December 31, 2014, the Bank's total loans amounted to \$6,686 million, compared to \$6,148 million as of December 31, 2013 and compared to \$5,716 million as of December 31, 2012. As of December 31, 2014, 72% of the Bank's loans were scheduled to mature within one year.

As of December 31, 2014, the Bank had non-accrual loans of \$4 million (or 0.06% of the loan portfolio), compared to \$3 million (or 0.05% of the loan portfolio) as of December 31, 2013, and compared to zero non-accrual loans as of December 31, 2012.

For more detailed information, see Item 5, "Operating and Financial Review and Prospects—Operating Results—Changes in Financial Condition" and "Operating and Financial Review and Prospects—Operating Results—Asset Quality and Allowance for Credit Losses," and Item 18, "Financial Statements," notes 2(n), 7 and 8.

For more information about non-accrual loans, see Item 18 "Financial Statements," notes 2(l) and 7.

## Loans by Country Risk

The following table sets forth the distribution of the Bank's loans by country risk at the dates indicated:

|                          | As of December 31,                  |                        |         |                        |         |                        |         |                        |         |                        |
|--------------------------|-------------------------------------|------------------------|---------|------------------------|---------|------------------------|---------|------------------------|---------|------------------------|
|                          | 2014                                | % of<br>Total<br>Loans | 2013    | % of<br>Total<br>Loans | 2012    | % of<br>Total<br>Loans | 2011    | % of<br>Total<br>Loans | 2010    | % of<br>Total<br>Loans |
|                          | (in \$ million, except percentages) |                        |         |                        |         |                        |         |                        |         |                        |
| Argentina                | \$185                               | 2.8                    | \$190   | 3.1                    | \$222   | 3.9                    | \$390   | 7.9                    | \$237   | 5.8                    |
| Belgium                  | 0                                   | 0.0                    | 0       | 0.0                    | 31      | 0.5                    | 0       | 0.0                    | 0       | 0.0                    |
| Bolivia                  | 10                                  | 0.1                    | 0       | 0.0                    | 0       | 0.0                    | 0       | 0.0                    | 0       | 0.0                    |
| Brazil <sup>(1)</sup>    | 1,972                               | 29.5                   | 1,709   | 27.8                   | 1,773   | 31.0                   | 1,852   | 37.3                   | 1,583   | 38.9                   |
| Chile                    | 157                                 | 2.4                    | 491     | 8.0                    | 310     | 5.4                    | 376     | 7.6                    | 328     | 8.1                    |
| Colombia                 | 726                                 | 10.9                   | 702     | 11.4                   | 450     | 7.9                    | 734     | 14.8                   | 585     | 14.4                   |
| Costa Rica               | 321                                 | 4.8                    | 410     | 6.7                    | 197     | 3.4                    | 109     | 2.2                    | 88      | 2.2                    |
| Dominican Republic       | 243                                 | 3.6                    | 191     | 3.1                    | 111     | 1.9                    | 118     | 2.4                    | 135     | 3.3                    |
| Ecuador                  | 120                                 | 1.8                    | 126     | 2.0                    | 174     | 3.0                    | 22      | 0.4                    | 18      | 0.4                    |
| El Salvador              | 116                                 | 1.7                    | 123     | 2.0                    | 66      | 1.2                    | 21      | 0.4                    | 39      | 1.0                    |
| France                   | 6                                   | 0.1                    | 101     | 1.6                    | 60      | 1.0                    | 0       | 0.0                    | 0       | 0.0                    |
| Germany                  | 100                                 | 1.5                    | 0       | 0.0                    | 0       | 0.0                    | 5       | 0.1                    | 0       | 0.0                    |
| Guatemala                | 263                                 | 3.9                    | 200     | 3.3                    | 273     | 4.8                    | 161     | 3.2                    | 92      | 2.3                    |
| Honduras                 | 93                                  | 1.4                    | 74      | 1.2                    | 71      | 1.2                    | 46      | 0.9                    | 38      | 0.9                    |
| Jamaica                  | 16                                  | 0.2                    | 61      | 1.0                    | 10      | 0.2                    | 2       | 0.0                    | 64      | 1.6                    |
| Mexico <sup>(2)</sup>    | 868                                 | 13.0                   | 517     | 8.4                    | 496     | 8.7                    | 416     | 8.4                    | 404     | 9.9                    |
| Netherlands              | 10                                  | 0.2                    | 15      | 0.2                    | 77      | 1.4                    | 20      | 0.4                    | 0       | 0.0                    |
| Nicaragua                | 8                                   | 0.1                    | 8       | 0.1                    | 10      | 0.2                    | 10      | 0.2                    | 0       | 0.0                    |
| Panama                   | 321                                 | 4.8                    | 224     | 3.6                    | 277     | 4.8                    | 119     | 2.4                    | 47      | 1.2                    |
| Paraguay                 | 132                                 | 2.0                    | 102     | 1.7                    | 27      | 0.5                    | 30      | 0.6                    | 0       | 0.0                    |
| Peru                     | 590                                 | 8.8                    | 581     | 9.4                    | 841     | 14.7                   | 342     | 6.9                    | 343     | 8.4                    |
| Spain                    | 0                                   | 0.0                    | 0       | 0.0                    | 10      | 0.2                    | 0       | 0.0                    | 0       | 0.0                    |
| Switzerland              | 50                                  | 0.7                    | 0       | 0.0                    | 0       | 0.0                    | 0       | 0.0                    | 0       | 0.0                    |
| Trinidad & Tobago        | 165                                 | 2.5                    | 143     | 2.3                    | 119     | 2.1                    | 76      | 1.5                    | 63      | 1.6                    |
| United States of America | 55                                  | 0.8                    | 28      | 0.5                    | 3       | 0.1                    | 0       | 0.0                    | 0       | 0.0                    |
| Uruguay                  | 160                                 | 2.4                    | 155     | 2.5                    | 109     | 1.9                    | 110     | 2.2                    | 0       | 0.0                    |
| Total                    | \$6,686                             | 100.0                  | \$6,148 | 100.0                  | \$5,716 | 100.0                  | \$4,960 | 100.0                  | \$4,064 | 100.0                  |

(1) Includes non-accrual loans in Brazil of \$3 million in 2014 and 2013, respectively, and \$1 million in 2010.

(2) Includes non-accrual loans in Mexico of \$1 million in 2014, \$32 million in 2011, and \$28 million in 2010.

As of December 31, 2014, the Bank's loans extended in European countries represented \$166 million or 2.49% of the total loan portfolio, compared to \$116 million or 1.88% as of December 31, 2013. These loans consisted primarily of

loans extended to subsidiaries of multinational corporations established in Latin America, and typically include head-office loan guarantees.

Loans by Type of Borrower

The following table sets forth the amounts of the Bank's loans by type of borrower at the dates indicated:

|  | As of December 31,                  |                        |         |                        |         |                        |         |                        |         |                        |
|--|-------------------------------------|------------------------|---------|------------------------|---------|------------------------|---------|------------------------|---------|------------------------|
|  | 2014                                | % of<br>Total<br>Loans | 2013    | % of<br>Total<br>Loans | 2012    | % of<br>Total<br>Loans | 2011    | % of<br>Total<br>Loans | 2010    | % of<br>Total<br>Loans |
|  | (in \$ million, except percentages) |                        |         |                        |         |                        |         |                        |         |                        |
| Private sector commercial banks and financial institutions | \$1,891                             | 28.3                   | \$1,786 | 29.0                   | \$1,776 | 31.1                   | \$1,716 | 34.6                   | \$1,381 | 34.0                   |
| State-owned commercial banks                               | 445                                 | 6.7                    | 449     | 7.3                    | 416     | 7.3                    | 448     | 9.0                    | 320     | 7.9                    |
| Central banks  | 35                                  | 0.5                    | 25      | 0.4                    | 0       | 0.0                    | 0       | 0.0                    | 0       | 0.0                    |
| Sovereign debt   | 0                                   | 0.0                    | 0       | 0.0                    | 100     | 1.8                    | 27      | 0.5                    | 54      | 1.3                    |
| State-owned organizations                                  | 712                                 | 10.6                   | 939     | 15.3                   | 539     | 9.4                    | 233     | 4.7                    | 312     | 7.7                    |
| Private middle-market companies                            | 483                                 | 7.2                    | 574     | 9.3                    | 682     | 11.9                   | 446     | 9.0                    | 225     | 5.5                    |
| Private corporations                                       | 3,120                               | 46.7                   | 2,375   | 38.6                   | 2,203   | 38.5                   | 2,090   | 42.1                   | 1,772   | 43.6                   |
| <b>Total</b> <sup>(1)</sup>                                | \$6,686                             | 100.0                  | \$6,148 | 100.0                  | \$5,716 | 100.0                  | \$4,960 | 100.0                  | \$4,064 | 100.0                  |

<sup>(1)</sup> Includes \$4 million, \$3 million, \$32 million, and \$29 million in non-accrual loans in 2014, 2013, 2011 and 2010, respectively.

The Bank did not have any exposure to European sovereign debt as of December 31, 2014, 2013 and 2012.

As of December 31, 2014, the Bank's loan portfolio amounted to \$6,686 million, an increase of \$538 million, or 9%, from \$6,148 million, as of December 31, 2013. The increase resulted from a higher demand for the Bank's lending products, as the Bank's core competencies allowed it to compete effectively, despite less significant growth seen in the Region's markets compared to previous years.

As of December 31, 2014, the Bank's loan portfolio industry exposure mainly included: (i) 35% in the financial institutions sector; (ii) 20% in the industrial sector, comprised mainly of metal manufacturing, food and beverage, and other manufacturing industries; (iii) 17% in the agricultural sector, comprising grains and oilseeds, coffee and sugar, among others; and (iv) 15% in the oil and gas sector, which in turn was divided into downstream (7%), integrated (6%), and upstream (2%). No other industry sector exceeded 10% exposure of the loan portfolio.

#### Maturities and Sensitivities of the Loan Portfolio to Changes in Interest Rates

The following table sets forth the remaining term of the maturity profile of the Bank's loan portfolio as of December 31, 2014, by type of rate and type of borrower:

|  | As of December 31, 2014<br>(in \$ million) |  |  | Total    |
|--|--|--|--|----------|
|  | Due in one year<br>or less                 | Due after one year<br>through five years | Due after five<br>years through<br>ten years |          |
| <b>FIXED RATE</b>  |  |  |  |          |
| Private sector commercial banks and financial institutions | \$ 723                                     | \$ 11                                    | \$ 0   | \$ 734   |
| State-owned commercial banks                               | 301  | 30                                       | 0  | 331      |
| State-owned organizations                                  | 461  | 0  | 0  | 461      |
| Private middle-market companies                            | 255  | 19                                       | 0  | 274      |
| Private corporations                                       | 1,455                                      | 67                                       | 0  | 1,522    |
| Sub-total  | \$ 3,195                                   | \$ 127                                   | \$ 0   | \$ 3,323 |
| <b>FLOATING RATE</b>                                       |  |  |  |          |
| Private sector commercial banks and financial institutions | \$ 617                                     | \$ 538                                   | \$ 2   | \$ 1,157 |
| State-owned commercial banks                               | 32   | 82                                       | 0  | 114      |
| Central banks  | 35   | 0  | 0  | 35       |
| State-owned organizations                                  | 220  | 31                                       | 0  | 251      |
| Private middle-market companies                            | 100  | 109                                      | 0  | 209      |
| Private corporations                                       | 596  | 973                                      | 29   | 1,598    |
| Sub-total  | \$ 1,599                                   | \$ 1,733                                 | \$ 31  | \$ 3,363 |
| Total  | \$ 4,795                                   | \$ 1,860                                 | \$ 31  | \$ 6,686 |

#### Contingencies and Other Assets

The Bank's contingencies and other assets included in the Commercial Portfolio consist of selected financial instruments with off-balance sheet credit risk, such as letters of credit, credit commitments and guarantees covering commercial risk, customers' liabilities under acceptances, and an equity investment.

The Bank, on behalf of its client base, advises and confirms letters of credit to facilitate foreign trade transactions. The Bank also provides stand-by letters of credit, guarantees, and commitments to extend credit, which are binding legal agreements to lend to a customer, subject to the customers compliance with customary conditions precedent.

The Bank applies the same credit policies used in its lending process to its evaluation of these instruments, and, once issued, the commitment is irrevocable and remains valid until its expiration.

As of December 31, 2014, total contingencies and other assets in the Commercial Portfolio amounted to \$501 million (7% of the total Commercial Portfolio), of which 61% corresponded to letters of credit.

As of December 31, 2013 and 2012, total contingencies and other assets in the Commercial Portfolio amounted to \$482 million and \$237 million, respectively (7% and 4%, respectively, of the total Commercial Portfolio), of which 64% and 56%, respectively, corresponded to letters of credit.

The following table presents the amount of contingencies and other assets, as of December 31 of each year:

|  | As of December 31,<br>2014          |   | 2013   |   | 2012   |   |
|--|-------------------------------------|---|--------|---|--------|---|
|  | Amount                              | % of Total<br>Contingencies<br>and other assets | Amount | % of Total<br>Contingencies<br>and other assets | Amount | % of Total<br>Contingencies<br>and other assets |
|  | (in \$ million, except percentages) |   |        |   |        |   |
| Customers' liabilities under acceptances | \$ 114                              | 22.8  | \$ 1   | 0.2   | \$ 1   | 0.5   |
| Contingencies                            |                                     |   |        |   |        |   |
| Argentina                                | 0                                   | 0.0   | 0      | 0.1   | 0      | 0.0   |
| Bolivia                                  | 0                                   | 0.0   | 0      | 0.0   | 1      | 0.3   |
| Brazil                                   | 20                                  | 3.9   | 23     | 4.7   | 24     | 10.0  |
| Chile                                    | 28                                  | 5.6   | 0      | 0.0   | 6      | 2.6   |
| Colombia                                 | 54                                  | 10.8  | 39     | 8.0   | 9      | 3.8   |
| Costa Rica                               | 0                                   | 0.0   | 1      | 0.2   | 1      | 0.4   |
| Dominican Republic                       | 15                                  | 3.0   | 0      | 0.0   | 2      | 0.6   |
| Ecuador                                  | 87                                  | 17.3  | 153    | 31.8  | 80     | 33.6  |
| El Salvador                              | 0                                   | 0.0   | 0      | 0.0   | 1      | 0.3   |
| Guatemala                                | 38                                  | 7.6   | 44     | 9.0   | 0      | 0.1   |
| Honduras                                 | 0                                   | 0.1   | 0      | 0.1   | 1      | 0.2   |
| Jamaica                                  | 0                                   | 0.1   | 0      | 0.1   | 0      | 0.0   |
| Mexico                                   | 65                                  | 13.0  | 21     | 4.5   | 28     | 11.9  |
| Netherlands                              | 0                                   | 0.0   | 18     | 3.7   | 0      | 0.0   |
| Panama                                   | 21                                  | 4.1   | 97     | 20.1  | 58     | 24.6  |
| Paraguay                                 | 0                                   | 0.1   | 0      | 0.0   | 0      | 0.0   |
| Peru                                     | 16                                  | 3.2   | 41     | 8.5   | 3      | 1.2   |
| Switzerland                              | 1                                   | 0.2   | 1      | 0.2   | 0      | 0.0   |
| Uruguay                                  | 41                                  | 8.2   | 41     | 8.5   | 0      | 0.0   |
| Venezuela                                | 1                                   | 0.2   | 2      | 0.4   | 23     | 9.8   |
| Total Contingencies                      | \$387                               | 77.2  | \$481  | 99.8  | \$236  | 99.5  |
| Total Contingencies and Other Assets     | \$501                               | 100.0   | \$482  | 100.0   | \$237  | 100.0   |

See Item 18, "Financial Statements," note 19.

*Investment Securities Portfolio*

The Bank's investment securities portfolio consists of debt securities available-for-sale, securities held-to-maturity, and excludes the Bank's investments in the investment funds.

In the normal course of business, the Bank utilizes interest rate swaps for hedging purposes with respect to its asset (mainly its investment securities) and liability management activities.

The following table sets forth information regarding the carrying value of the Bank's investment securities portfolio at the dates indicated.



|                               | As of December 31, |        |        |
|-------------------------------|--------------------|--------|--------|
|                               | 2014               | 2013   | 2012   |
|                               | (in \$ millions)   |        |        |
| Securities available-for-sale | \$ 339             | \$ 334 | \$ 183 |
| Securities held-to-maturity   | 54                 | 34     | 34     |
| Total investment securities   | \$ 393             | \$ 368 | \$ 217 |

The following tables set forth the distribution of the Bank's investment securities portfolio (securities available-for-sale and securities held-to-maturity) by country risk, type of borrower and contractual maturity at the dates indicated:

|                            | As of December 31,                   |       |        |       |        |       |
|----------------------------|--------------------------------------|-------|--------|-------|--------|-------|
|                            | 2014                                 |       | 2013   |       | 2012   |       |
|                            | Amount                               | %     | Amount | %     | Amount | %     |
|                            | (in \$ millions, except percentages) |       |        |       |        |       |
| Brazil                     | \$75                                 | 19.1  | \$74   | 20.0  | \$44   | 20.5  |
| Chile                      | 23                                   | 5.9   | 41     | 11.2  | 3      | 1.4   |
| Colombia                   | 89                                   | 22.8  | 98     | 26.6  | 29     | 13.5  |
| Costa Rica                 | 0                                    | 0.0   | 2      | 0.5   | 0      | 0.0   |
| Mexico                     | 97                                   | 24.6  | 33     | 9.0   | 22     | 10.3  |
| Panama                     | 45                                   | 11.5  | 34     | 9.2   | 54     | 25.0  |
| Peru                       | 26                                   | 6.6   | 40     | 11.0  | 1      | 0.3   |
| Trinidad and Tobago        | 10                                   | 2.4   | 5      | 1.2   | 0      | 0.0   |
| Multilateral Organizations | 28                                   | 7.0   | 41     | 11.2  | 63     | 29.0  |
| Total                      | \$393                                | 100.0 | \$368  | 100.0 | \$217  | 100.0 |

|  | As of December 31,                   |       |        |       |        |       |
|--|--------------------------------------|-------|--------|-------|--------|-------|
|  | 2014                                 |       | 2013   |       | 2012   |       |
|  | Amount                               | %     | Amount | %     | Amount | %     |
|  | (in \$ millions, except percentages) |       |        |       |        |       |
| Private sector commercial banks and financial institutions | \$93                                 | 23.7  | \$139  | 37.7  | \$26   | 12.2  |
| State-owned commercial banks                               | 18                                   | 4.6   | 18     | 4.9   | 4      | 1.9   |
| Sovereign debt   | 157                                  | 40.0  | 105    | 28.4  | 102    | 46.9  |
| State-owned organizations                                  | 105                                  | 26.6  | 99     | 27.0  | 81     | 37.4  |
| Private corporations                                       | 20                                   | 5.0   | 7      | 1.9   | 4      | 1.7   |
| Total  | \$393                                | 100.0 | \$368  | 100.0 | \$217  | 100.0 |

|                                    | As of December 31,                   |      |        |      |        |      |
|------------------------------------|--------------------------------------|------|--------|------|--------|------|
|                                    | 2014                                 |      | 2013   |      | 2012   |      |
|                                    | Amount                               | %    | Amount | %    | Amount | %    |
|                                    | (in \$ millions, except percentages) |      |        |      |        |      |
| In one year                        | \$120                                | 30.5 | \$45   | 12.2 | \$54   | 24.8 |
| After one year through five years  | 156                                  | 39.6 | 192    | 52.1 | 155    | 71.3 |
| After five years through ten years | 118                                  | 29.9 | 131    | 35.7 | 9      | 3.9  |

|       |       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|-------|
| Total | \$393 | 100.0 | \$368 | 100.0 | \$217 | 100.0 |
|-------|-------|-------|-------|-------|-------|-------|

As of December 31, 2014, 2013, and 2012, securities held by the Bank of no single issuer exceeded 10% of the Bank's stockholders equity.

### Securities available-for-sale

As of December 31, 2014, the Bank's securities available-for-sale amounted to \$339 million and consisted of investments in securities of issuers in the Region, of which 74% corresponded to multilateral, sovereign and state-owned issuers, and 26% corresponded to private corporations and banks. During the year ended December 31, 2014, the Bank purchased \$322 million of investments and sold \$223 million (generating gains of \$1.9 million), and redeemed \$63 million of investment securities available-for-sale. As of December 31, 2014, securities available-for-sale with a carrying value of \$308 million were pledged to secure repurchase transactions accounted for as secured financings.

As of December 31, 2013, the Bank's securities available-for-sale amounted to \$334 million and consisted of investments with issuers in the Region, of which 61% corresponded to sovereign and state owned borrowers, and 39% corresponded to private corporations and banks. The \$151 million increase in the securities available-for-sale portfolio as of December 31, 2013, compared to December 31, 2012, reflects the net effect of: (i) \$313.0 million in investment securities acquired during 2013, (ii) the sale of securities with \$105.9 million in book value (\$102.5 million in nominal value) which generated gains of \$1.5 million during 2013, (iii) the redemption of \$34.3 million of investment securities, (iv) a negative \$16.7 million variance of the fair market value of the available-for-sale securities portfolio, and (v) a \$5.3 million decrease in amortization of premiums and discounts.

As of December 31, 2012, the Bank's securities available-for-sale amounted to \$183 million and consisted of investments with issuers in the Region, of which 47% corresponded to sovereign borrowers, and 14% corresponded to private corporations and banks. The \$233 million decrease in the securities available-for-sale portfolio during 2012 compared to 2011 reflects the net effect of: (i) \$40.0 million in investment securities acquired during 2012, (ii) the sale of securities with \$254.8 million in book value (\$239.6 million in nominal value) which generated gains of \$6.0 million during 2012, (iii) redemption of \$15.3 million of investment securities, (iv) a \$0.3 million variance of fair value of the available for sale securities portfolio, and (v) a \$3.0 million decrease in amortization of premiums and discounts.

See Item 18, "Financial Statements," notes 2(i) and 5.

### Securities held-to-maturity

The held-to-maturity portfolio amounted to \$54 million as of December 31, 2014, compared to \$34 million as of December 31, 2013, and compared to \$34 million as of December 31, 2012. The \$20 million increase in the securities held-to-maturity portfolio reflects the net effect of: (i) \$22 million in investment securities acquired during 2014, (ii) the redemption of \$20 million of matured investment securities, and (iii) the \$18 million bond reclassification as

held-to-maturity formerly held in the available-for-sale portfolio.

See Item 18, "Financial Statements," notes 2(i) and 5.

### ***Investment Funds***

The Bank's investment funds consist of its investment in the Feeder and the Brazilian Funds, which are managed by a third party, Alpha4x Asset Management LLC, following the sale of the Bladex Asset Management Unit which concluded in the second quarter of 2013.

The funds' net assets are composed of cash, investments in equity, debt instruments, and derivative financial instruments, all of which are quoted and traded in active markets. The funds report trading gains and losses from negotiation of these instruments as realized and unrealized gains and losses on investments.

As of December 31, 2014, the investment funds' net asset value totaled \$58 million, compared to \$119 million as of December 31, 2013, and compared to \$106 million as of December 31, 2012, of which the redeemable noncontrolling interest in the investment funds amounted to zero, \$50 million, and \$3 million, respectively. The Bank's participation in the "Feeder" was 49.61% as of December 31, 2014, compared to 55.87% as of December 31, 2013, and 98.06% as of December 31, 2012, with the remaining balances owned by third party investors. The redemptions from the investment in the funds amounted to \$14 million in 2014, \$36 million in 2013, and \$15 million in 2012.

See Item 4.A. – “Information on the Company – History and Development of the Company”, and Item 18, “Financial Statements,” notes 2(c), 2(d), 2(j), 3, 6, and 24.

### *Total Outstandings by Country*

The following table sets forth the aggregate amount of the Bank’s cross-border outstandings, consisting of cash and due from banks, interest-bearing deposits in banks, investment securities, loans, and investment funds outstanding balances and accrued interest receivable, but not including contingencies as of December 31 of each year:

|                                | As of December 31,<br>2014          |                            | 2013           |                            | 2012           |                            |
|--------------------------------|-------------------------------------|----------------------------|----------------|----------------------------|----------------|----------------------------|
|                                | Amount                              | % of Total<br>Outstandings | Amount         | % of Total<br>Outstandings | Amount         | % of Total<br>Outstandings |
|                                | (in \$ million, except percentages) |                            |                |                            |                |                            |
| Argentina                      | \$189                               | 2.4                        | \$192          | 2.6                        | \$225          | 3.3                        |
| Brazil                         | 2,066                               | 25.9                       | 1,798          | 23.9                       | 1,837          | 27.1                       |
| Chile                          | 181                                 | 2.3                        | 534            | 7.1                        | 313            | 4.6                        |
| Colombia                       | 820                                 | 10.3                       | 804            | 10.7                       | 482            | 7.1                        |
| Costa Rica                     | 323                                 | 4.1                        | 414            | 5.5                        | 199            | 2.9                        |
| Dominican Republic             | 244                                 | 3.1                        | 191            | 2.5                        | 112            | 1.6                        |
| Ecuador                        | 120                                 | 1.5                        | 126            | 1.7                        | 174            | 2.6                        |
| El Salvador                    | 117                                 | 1.5                        | 124            | 1.7                        | 66             | 1.0                        |
| France                         | 10                                  | 0.1                        | 102            | 1.4                        | 60             | 0.9                        |
| Germany                        | 100                                 | 1.3                        | 0              | 0.0                        | 0              | 0.0                        |
| Guatemala                      | 264                                 | 3.3                        | 201            | 2.7                        | 274            | 4.0                        |
| Honduras                       | 94                                  | 1.2                        | 74             | 1.0                        | 71             | 1.0                        |
| Mexico                         | 980                                 | 12.3                       | 557            | 7.4                        | 523            | 7.7                        |
| Netherlands                    | 10                                  | 0.1                        | 15             | 0.2                        | 77             | 1.1                        |
| Panama                         | 368                                 | 4.6                        | 259            | 3.4                        | 333            | 4.9                        |
| Paraguay                       | 134                                 | 1.7                        | 104            | 1.4                        | 27             | 0.4                        |
| Peru                           | 620                                 | 7.8                        | 626            | 8.3                        | 846            | 12.5                       |
| Trinidad & Tobago              | 176                                 | 2.2                        | 148            | 2.0                        | 120            | 1.8                        |
| United States of America       | 779                                 | 9.8                        | 801            | 10.7                       | 681            | 10.0                       |
| Uruguay                        | 160                                 | 2.0                        | 155            | 2.1                        | 109            | 1.6                        |
| Other countries <sup>(1)</sup> | 152                                 | 1.9                        | 172            | 2.3                        | 146            | 2.1                        |
| Sub-Total                      | \$7,908                             | 99.3                       | \$7,397        | 98.4                       | \$6,678        | 98.4                       |
| Investment funds               | 58                                  | 0.7                        | 119            | 1.6                        | 111            | 1.6                        |
| <b>Total <sup>(2)</sup></b>    | <b>\$7,965</b>                      | <b>100.0</b>               | <b>\$7,516</b> | <b>100.0</b>               | <b>\$6,789</b> | <b>100.0</b>               |

<sup>(1)</sup>“Other countries” consists of cross-border outstandings to countries in which cross-border outstandings did not exceed 1% for any of the periods indicated. “Other countries” in 2014 was comprised of \$54 million in Switzerland, \$48

million in Multilateral Organizations, \$16 million in Jamaica, \$12 million in the United Kingdom, \$10 million in Bolivia, \$8 million in Nicaragua and \$5 million in Spain. Other countries in 2013 was comprised of \$61 million in Jamaica, \$60 million in Japan, \$42 million in Multilateral Organizations, \$8 million in Nicaragua and \$2 million in United Kingdom. Other countries in 2012 was comprised of \$64 million in Multilateral Organizations, \$31 million in Belgium, \$20 million in Japan, \$10 million in Jamaica, \$10 million in Nicaragua, \$10 million in Spain and \$2 million in United Kingdom.

<sup>(2)</sup> The outstandings by country does not include contingencies. See Item 4.B, “Business Overview—Contingencies and Other Assets.”

In allocating country risk limits, the Bank applies a portfolio management approach that takes into consideration several factors, including the Bank’s perception of country risk levels, business opportunities, and economic and political analysis.

The composition of the outstandings per country portfolio has increased over the last three years. Some exposures in certain countries have been adjusted in accordance with the Bank's risk perception.

Cross-border outstandings in countries outside the Region correspond principally to the Bank's liquidity placements, and credits extended to subsidiaries of multinational corporations established in the Region, with the respective head office guarantee. See Item 5, "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Liquidity."

The following table sets forth the amount of the Bank's cross-border outstandings by type of institution as of December 31 of each year:

|  | As of December 31, |          |         |
|--|--------------------|----------|---------|
|  | 2014               | 2013     | 2012    |
|  | (in \$ million)    |          |         |
| Private sector commercial banks and financial institutions | \$2,141            | \$ 2,042 | \$1,828 |
| State-owned commercial banks and financial institutions    | 466                | 469      | 424     |
| Central banks  | 651                | 761      | 653     |
| Sovereign debt   | 159                | 106      | 203     |
| State-owned organizations                                  | 845                | 1,043    | 623     |
| Private middle-market companies                            | 487                | 579      | 727     |
| Private corporations                                       | 3,159              | 2,397    | 2,218   |
| Sub-Total  | \$7,908            | \$ 7,397 | \$6,678 |
| Investment funds   | 58                 | 119      | 111     |
| Total  | \$7,965            | \$ 7,516 | \$6,789 |

#### Net Revenues Per Country

The following table sets forth information regarding the Bank's net revenues by country at the dates indicated, with net revenues calculated as the sum of net interest income, net fees and commissions, derivative financial instruments and hedging, net gain (loss) from investment funds trading, net gain (loss) from trading securities, net gain (loss) on sale of securities available-for-sale, net gain on sale of loans, net gain (loss) on foreign currency exchange, and other income (expense):

|           | For the year ended December 31, |         |         |
|-----------|---------------------------------|---------|---------|
|           | 2014                            | 2013    | 2012    |
|           | (in \$ million)                 |         |         |
| Argentina | \$ 10.7                         | \$ 11.4 | \$ 10.3 |
| Brazil    | 47.5                            | 40.3    | 40.5    |

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|                     |      |      |      |
|---------------------|------|------|------|
| Chile               | 7.3  | 6.6  | 3.8  |
| Colombia            | 15.9 | 9.4  | 9.3  |
| Costa Rica          | 7.1  | 8.3  | 3.9  |
| Dominican Republic  | 1.9  | 2.9  | 2.5  |
| Ecuador             | 7.6  | 6.8  | 5.9  |
| El Salvador         | 2.6  | 1.6  | 0.6  |
| Guatemala           | 5.3  | 6.8  | 3.4  |
| Honduras            | 2.5  | 2.2  | 1.7  |
| Jamaica             | 1.6  | 1.1  | 1.3  |
| Mexico              | 20.0 | 15.1 | 16.6 |
| Panama              | 9.2  | 4.9  | 2.2  |
| Paraguay            | 3.2  | 1.8  | 0.8  |
| Peru                | 16.4 | 16.2 | 12.2 |
| Trinidad and Tobago | 1.0  | 0.8  | 1.6  |



|   | For the year ended December 31, |          |          |
|---|---------------------------------|----------|----------|
|   | 2014                            | 2013     | 2012     |
|   | (in \$ million)                 |          |          |
| Uruguay   | 3.8                             | 2.5      | 1.7      |
| Venezuela   | 0.6                             | 0.4      | 1.5      |
| Other countries <sup>(1)</sup>  | 1.1                             | 1.0      | 3.8      |
| Investment funds  | 3.4                             | (6.6 )   | 8.3      |
| Total net revenues  | \$ 168.7                        | \$ 133.6 | \$ 131.8 |
| Reversal of provision (provision) for credit losses                       | (8.5 )                          | 1.2      | 12.4     |
| Recoveries, net of impairment of assets                                   | 0.0                             | 0.1      | 0.0      |
| Operating expenses  | (53.7 )                         | (54.3 )  | (55.8 )  |
| Net income – business segment   | \$ 106.5                        | \$ 80.6  | \$ 88.4  |
| Net income (loss) attributable to the redeemable non-controlling interest | (0.5 )                          | (4.2 )   | 0.3      |
| Net income attributable to Bladex stockholders – business segment         | \$ 106.9                        | \$ 84.8  | \$ 88.1  |
| Other income unallocated — Gain on sale of premises and equipment         | 0.0                             | 0.0      | 5.6      |
| Net loss from discontinued operations                                     | 0.0                             | 0.0      | (0.7 )   |
| Net income attributable to Bladex stockholders                            | \$ 106.9                        | \$ 84.8  | \$ 93.0  |

<sup>(1)</sup> Other countries consists of net revenues per country in which net revenues did not exceed \$1 million for any of the periods indicated above.

The above table provides a reconciliation of net revenues (as previously defined) to the Bank's net income. Net revenues do not include the effects of reversal of provision (provision) for credit losses, recoveries on assets, net of impairments, operating expenses, the income (loss) attributable to the redeemable non-controlling interest, other income not allocated to any business segment, a gain on sale of premises and equipment realized in 2012, and net income (loss) from discontinued operations. The purpose of the aforementioned table is to show net revenues before operating expenses generated from the Bank's Commercial and Treasury Division, on a by-country basis. Given that the Bank's business segments generate revenues not only from net interest income, but from other sources including fees and commissions, gains and losses on investments, gains on sale of loans and derivative financial instruments, which form part of other income rather than net interest income, the Bank adds those corresponding items to net interest income to show net revenues earned before operating expenses. Reversal of provision (provision) for credit losses, and recoveries, net of impairment of assets, are not included as part of net revenues, as the Bank believes such items, which are based on management estimates, may distort trend analysis. Thus, the Bank believes excluding such items from net revenues provides a more accurate indicator of the Bank's performance within its two business segments for each country, and thus provides a better basis for analysis of the efficiency of the Bank. The Bank also believes the presentation of net revenues helps facilitate comparisons of performance between periods. However, net revenues should not be considered a substitute for, or superior to, financial measures calculated differently on a U.S. GAAP basis. Furthermore, net revenues may be calculated differently by other companies in the financial industry.

## Competition

The Bank operates in a highly competitive environment in most of its markets, and faces competition principally from international banks, the majority of which are European or North American, as well as Latin American regional banks, in making loans and providing fee-generating services. The Bank competes in its lending and deposit-taking activities with other banks and international financial institutions, many of which have greater financial resources, enjoy access to less expensive funding and offer sophisticated banking services. Whenever economic conditions and risk perception improve in the Region, competition from commercial banks, the securities markets and other new participants generally increases. Competition may have the effect of reducing the spreads of the Bank's lending rates over its funding costs and constraining the Bank's profitability.

Increased open account exports and new financing requirements from multinational corporations are changing the way banks intermediate foreign trade financing. Trade finance volumes are also dependent on global economic conditions.

The Bank also faces competition from investment banks and the local and international securities markets, which provide liquidity to the financial systems in certain countries in the Region, as well as non-bank specialized financial institutions. The Bank competes primarily on the basis of agility, pricing, and quality of service. See Item 3.D., “Key Information—Risk Factors.”

## Regulations

### General

The Superintendency regulates, supervises and examines the Bank on a consolidated basis. The New York Agency is regulated, supervised and examined by the New York State Department of Financial Services and the Board of Governors of the Federal Reserve System (the “U.S. Federal Reserve Board”). The Florida International Administrative Office was regulated, supervised and examined by the Florida Office of Financial Regulation and the U.S. Federal Reserve Board until the Bank’s decision to close that office in early 2015. The Bank’s direct and indirect nonbanking subsidiaries doing business in the United States are subject to regulation by the U.S. Federal Reserve Board. The Bank is subject to regulations in each jurisdiction in which the Bank has a physical presence. The regulation of the Bank by relevant Panamanian authorities differs from the regulation generally imposed on banks, including foreign banks, in the United States by U.S. federal and state regulatory authorities.

The Superintendency of Banks has signed and executed agreements or letters of understanding with 25 foreign supervisory authorities for the sharing of supervisory information under the principles of reciprocity, appropriateness, national agreement, and confidentiality. These 25 entities include the U.S. Federal Reserve Board, the Office of the Comptroller of Currency of the Treasury Department or the OCC, the Federal Deposit Insurance Corporation and the Office of the Thrift Supervision. In addition, the Statement of Cooperation between the United States and Panama promotes cooperation between U.S. and Panamanian banking regulators and demonstrates the commitment of the U.S. regulators and the Superintendency to the principles of comprehensive and consolidated supervision.

### **Panamanian Law**

The Bank operates in Panama under a General Banking License issued by the National Banking Commission, predecessor of the Superintendency of Banks. Banks operating under a General Banking License (“General License

Banks”), may engage in all aspects of the banking business in Panama, including taking local and foreign deposits, as well as making local and international loans.

All banking institutions in Panama are governed by Decree-Law 9 of February 26, 1998, as amended, and banking regulations issued by the Superintendency pursuant thereto (the “Banking Law”).

Under the Banking Law, a bank’s capital composition includes primary, secondary and tertiary capital. Primary capital is made up of ordinary capital and additional capital. Primary ordinary capital includes paid-in capital, paid-in capital surplus, declared reserves, retained earnings, accumulated other comprehensive income, minority interests in consolidating subsidiaries, and certain reserves and adjustments authorized by the Superintendency. Primary additional capital includes certain perpetual, subordinated instruments of debt and equity, paid-in surpluses on these instruments, certain instrument issued by consolidated subsidiaries, and certain adjustments authorized by the Superintendency. Secondary capital is made up of reserves to absorb future unforeseen losses, certain subordinated debt instruments, paid-in surpluses on these instruments, certain instruments issued by subsidiaries, and certain adjustments authorized by the Superintendency. Tertiary capital is made up of short-term subordinated debt incurred for the management of market risk. Under the Banking Law, the sum of secondary and tertiary capital cannot exceed primary capital.

General License Banks must have paid-in capital of not less than \$10 million. Additionally, they must maintain a minimum total capital of 8% of their total risk-weighted assets, and a primary ordinary capital equal to or greater than 4.5% of their risk-weighted assets. In addition, total primary capital may not be less than 6% of the bank's risk-weighted assets. Some of these capital requirements will enter into effect on January 1, 2016 and minimum requirements set forth before will be fully in place by 2019. The Superintendency is authorized to take into account market risks, operational risks and country risks, among others, to evaluate capital adequacy. In addition, the Superintendency is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards (such as the standards set by the Basel Committee on Banking Supervision) become more stringent.

General License Banks are required to maintain 30% of their global deposits in liquid assets (which include short-term loans to other banks and other liquid assets) of the type prescribed by the Superintendency. Under the Banking Law, deposits from central banks and other similar depositories of the international reserves of sovereign states are immune from attachment or seizure proceedings.

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

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

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

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

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

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

#### ***Panamanian Anti-Money Laundering laws and regulations***

In Panama, all banks and trust corporations must take necessary measures to prevent their operations and/or transactions from being used to commit the felony of money laundering, terrorism financing or any other illicit

activity contemplated in the laws and regulations addressing this matter.



## **United States Law**

The Bank operates a New York state-licensed agency in New York, New York and maintains a direct wholly-owned non-banking subsidiary in Delaware, Bladex Holdings, which is not engaged in banking activities. On October 30, 2006, the Bank established the Florida International Administrative Office in Miami, Florida, which ceased operations during the first quarter of 2015. See Item 4.A “Information on the Company—History and Development of the Company.”

The U.S. banking industry is highly regulated under federal and state law. These regulations affect the operations of the Bank in the United States. Set forth below is a brief description of the bank regulatory framework that is or will be applicable to the New York Agency and was applicable to the Florida International Administrative Office prior to its closure in early 2015. This description is not intended to describe all laws and regulations applicable to the New York Agency and the Florida International Administrative Office. Banking statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies, including changes in how they are interpreted or implemented, could have a material adverse impact on the New York Agency and its operations. In addition to laws and regulations, state and federal bank regulatory agencies (including the Federal Reserve Board, the FDIC and the OCC) may issue policy statements, interpretive letters and similar written guidance applicable to the New York Agency (including the Bank). These issuances also may affect the conduct of the New York Agency’s business or impose additional regulatory obligations. The brief description below is qualified in its entirety by reference to the full text of the statutes, regulations, policies, interpretive letters and other written guidance that are described.

## ***Federal Law***

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

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

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

The IBA also restricts the ability of a foreign bank with a branch or agency in the United States to engage in non-banking activities in the United States, to the same extent as a U.S. bank holding company. Bladex is subject to the provisions of the Federal Bank Holding Company Act of 1956 (the “BHCA”), because it maintains an agency in the United States. Generally, any nonbanking activity engaged in by Bladex directly or through a subsidiary in the United States is subject to certain limitations under the BHCA. Among other limitations, the provisions of the BHCA include the so-called “Volcker Rule,” which may restrict proprietary trading activities conducted by Bladex and its affiliates with U.S. clients or counterparties, as well as certain private funds-related activities with US nexus. Under the Gramm-Leach-Bliley Financial Modernization Act of 1999 (the “GLB Act”), a foreign bank with a branch or agency in the United States may engage in a broader range of non-banking financial activities, provided it is qualified and has filed a declaration with the U.S. Federal Reserve Board to be a “financial holding company.” The application with the U.S. Federal Reserve Board to obtain financial holding company status, filed by the Bank on January 29, 2008, was withdrawn, effective March 2, 2012, as the Bank no longer considered the financial holding company status to be a necessary requirement in order to achieve its long-term strategic goals and objectives. At present, the Bank has subsidiaries in the United States, Bladex Holdings, a wholly-owned corporation incorporated under Delaware law that is not presently engaged in any activity, and which formerly owned Bladex Asset Management, a Delaware corporation and BCG, a fifty percent (50%) owned subsidiary incorporated under the laws of Delaware. Bladex Asset Management and BCG were dissolved on September 18, 2013, and August 14, 2013, respectively.

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

Finally, under the regulations of the Office of Foreign Asset Control (“OFAC”), the Bank is generally required to monitor and block or reject transactions with certain targeted foreign countries and “specially designated nationals” which OFAC has determined pose a risk to U.S. national security.

### **New York State Law**

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

The Superintendent is empowered by law to require any branch or agency of a foreign bank to maintain in New York specified assets equal to a percentage of the branch's or agency's liabilities, as the Superintendent may designate. Under the current requirement, the New York Agency is required to maintain a pledge of a minimum of \$2 million with respect to its total third-party liabilities and such pledge may be up to 1% of the agency's third party liabilities, or upon meeting eligibility criteria, up to a maximum amount of \$100 million. As of December 31, 2014, the New York Agency maintained a pledge deposit with a carrying value of \$3.0 million with the New York State Department of Financial Services, complying with the minimum required amount.

In addition, the Superintendent retains the authority to impose specific asset maintenance requirements upon individual agencies of foreign banks on a case-by-case basis. No special requirement has been prescribed for the New York Agency.

The New York Banking Law generally limits the amount of loans to any one person to 15 percent of the capital, surplus fund and undivided profits of a bank. For foreign bank agencies, the lending limits are based on the capital of the foreign bank and not that of the agency.

The Superintendent is authorized to take possession of the business and property of a New York agency of a foreign bank whenever an event occurs that would permit the Superintendent to take possession of the business and property of a state-chartered bank. These events include the violation of any law, unsafe business practices, an impairment of capital, and the suspension of payments of obligations. In liquidating or dealing with an agency's business after taking possession of the agency, the New York Banking Law provides that the claims of creditors which arose out of transactions with the agency may be granted a priority with respect to the agency's assets over other creditors of the foreign bank.

### **Florida Law**

The Florida International Administrative Office, established in October 2006, ceased operations during the first quarter of 2015. Prior to that, the Florida Administrative Office was licensed and supervised by the Florida Office of Financial Regulation under the Florida Financial Institutions Codes. The activities of the Florida International Administrative Office were subject to the restrictions described below as well as to Florida banking laws and regulations that were applicable generally to foreign banks that operate offices in Florida. The Florida International Administrative Office was also subject to regulation by the U.S. Federal Reserve Board under the IBA.

Pursuant to Florida law, the Florida International Administrative Office was authorized to conduct certain "back office" functions on behalf of the Bank, including administration of the Bank's personnel and operations, data processing and record keeping activities, and negotiating and servicing loans or extensions of credit and investments. Under the provisions of the Florida Financial Institutions Codes, as well as the IBA and the regulations of the U.S. Federal Reserve Board, the Florida International Administrative Office was also permitted to function as a representative office of the Bank.

### ***Anti-Money Laundering Laws***

U.S. anti-money laundering laws, as amended by the USA PATRIOT Act of 2001, impose significant compliance and due diligence obligations, on financial institutions doing business in the United States. Both the New York Agency is, and the Florida International Administrative Office were, “financial institutions” for these purposes. Failure of a financial institution to comply with the requirements of these laws and regulations could have serious legal and reputational consequences for an institution. The New York Agency and the Florida International Administrative Office have adopted comprehensive policies and procedures to address and comply with these requirements.

### C. Organizational Structure

For information regarding the Bank’s organizational structure, see Item 18, “Financial Statements,” note 1.

#### D. Property, Plant and Equipment

The Bank leases its headquarters, with 4,990 square meters of office space located at Business Park - Tower V, Costa del Este, Panama City, Panama. The Bank leases 11 square meters of computer equipment hosting, located at Gavilan Street Balboa, Panama City, Panama and 21 square meters of office space and internet access, as a contingency, located at 75E Street San Francisco, in Panama City, Panama. The Bank also leases, as contingency, 10 square meters of computer equipment hosting, located at Cable & Wireless Howard IDC, Brujas Street (Perimetral Oeste), behind the International Business Park, Arraijan, Panama.

In addition, the Bank leases office space for its representative offices in Mexico City and Monterrey, Mexico, Buenos Aires, Argentina, Lima, Peru, Bogotá, Colombia, São Paulo, Brazil, its New York Agency in New York City, New York, and in Miami, Florida in connection with the former Florida International Administrative Office.

See Item 18, "Financial Statements," notes 2(p), 9 and 20.

#### Item 4A. Unresolved Staff Comments

None.

#### Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with the Bank's Consolidated Financial Statements and the notes thereto included elsewhere in this Annual Report. See Item 18, "Financial Statements."

#### **Nature of Earnings**

The Bank derives income from net interest income, fees and commissions, derivative financial instruments and hedging, recoveries, net of impairment of assets, net gain (loss) from investment funds trading, net gain (loss) from trading securities, net gain on sale of securities available-for-sale, net gain on sale of loans, net gain (loss) on foreign currency exchange, and other income (net). Net interest income, or the difference between the interest income the Bank receives on its interest-earning assets and the interest it pays on interest-bearing liabilities, is generated principally by the Bank's lending activities. The Bank generates fees and commissions mainly through the issuance,

confirmation and negotiation of letters of credit and guarantees, and through loan intermediation, structuring and syndication activities, while other loan intermediation activities, such as sales in the secondary market and distribution in the primary market are registered as net gains on the sale of loans.

A. Operating Results

The following table summarizes changes in components of the Bank's net income and performance for the periods indicated:

|   | For the Year Ended December 31,                             |            |            |
|---|---|------------|------------|
|   | 2014  | 2013       | 2012       |
|   | (in \$ thousands, except per share amounts and percentages) |            |            |
| Total interest income   | \$ 212,730  | \$ 205,303 | \$ 192,437 |
| Total interest expense  | 71,599  | 82,211     | 87,460     |
| Net interest income   | 141,131   | 123,092    | 104,977    |
| Reversal of provision (provision) for loan losses                             | (6,895 )  | 1,598      | 8,343      |
| Net interest income, after reversal of provision (provision) for loan losses  | 134,236   | 124,690    | 113,320    |
| Other income (expense):   |   |            |            |
| Reversal of provision (provision) for losses on off-balance sheet credit risk | (1,627 )  | (381 )     | 4,046      |



For the Year Ended December 31,  
2014                      2013                      2012  
(in \$ thousands, except per share amounts and  
percentages)

|  |            |           |           |
|--|------------|-----------|-----------|
| Fees and commissions, net  | 17,502     | 13,669    | 10,021    |
| Derivative financial instruments and hedging                             | 106        | 353       | 71        |
| Recoveries, net of impairment of assets                                  | 7          | 108       | 0         |
| Net gain (loss) from investment funds trading                            | 3,409      | (6,702 )  | 7,011     |
| Net gain (loss) from trading securities                                  | (393 )     | 3,221     | 11,234    |
| Net gain on sale of securities available-for-sale                        | 1,871      | 1,522     | 6,030     |
| Net gain on sale of loans  | 2,546      | 588       | 1,147     |
| Net gain (loss) on foreign currency exchange                             | 766        | (3,834 )  | (10,525 ) |
| Gain on sale of premises and equipment                                   | 0          | 0         | 5,626     |
| Other income, net  | 1,744      | 1,644     | 1,839     |
| Net other income   | 25,931     | 10,188    | 36,500    |
| Total operating expenses   | (53,702 )  | (54,306 ) | (55,814 ) |
| Net income from continuing operations                                    | 106,465    | 80,572    | 94,006    |
| Net loss from discontinued operations <sup>(1)</sup>                     | 0          | (4 )      | (681 )    |
| Net income   | 106,465    | 80,568    | 93,325    |
| Net income (loss) attributable to the redeemable noncontrolling interest | (475 )     | (4,185 )  | 293       |
| Net income attributable to Bladex stockholders                           | \$ 106,940 | \$ 84,753 | \$ 93,032 |
| Net income from continuing operations                                    | 106,940    | 84,757    | 93,713    |
| Net loss from discontinued operations <sup>(1)</sup>                     | 0          | (4 )      | (681 )    |
| Basic earnings per share   | \$ 2.76    | \$ 2.21   | \$ 2.46   |
| Diluted earnings per share   | \$ 2.75    | \$ 2.20   | \$ 2.45   |
| Return on average assets <sup>(2)</sup>                                  | 1.41       | % 1.20    | % 1.51    |
| Return on average stockholders' equity <sup>(3)</sup>                    | 11.95      | % 10.02   | % 11.57   |

<sup>(1)</sup> See Item 4 – “Information on the Company – History and Development of the Company”, and Item 18, “Financial Statements,” notes 2(c), 2(d), 2(j), 3, 6, and 24.

<sup>(2)</sup> Average assets calculated on the basis of unaudited daily average balances.

<sup>(3)</sup> Average stockholders' equity calculated on the basis of unaudited daily average balances.

### *Business Segment Analysis*

The Bank's activities are operated and managed in two business segments: the Commercial Division and the Treasury Division.

The business segment results are determined based on the Bank's managerial accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable segment on a systemic basis.

The Bank incorporates net operating income by business segment in order to disclose the revenue and expense items related to its normal course of business, segregating from net income the impact of provisions or reversals of provisions for loan losses and off-balance sheet credit risk, and recoveries, net of impairment of assets. In addition, the Bank's net interest income represents the main driver of net operating income. The current interest expense allocation methodology reflects allocated funding on a matched-funded basis, net of risk adjusted capital allocated by business segment. The current operating expense allocation methodology assigns overhead expenses based on resource consumption by business segment. The following table summarizes net operating income of the Bank, both by business segment and on a consolidated basis for the periods indicated:

|   | For the Year Ended December 31,       |                    |                    |
|---|---------------------------------------|--------------------|--------------------|
|   | 2014                                  | 2013               | 2012               |
|   | (in \$ thousands, except percentages) |                    |                    |
| <b>COMMERCIAL DIVISION:</b>   |                                       |                    |                    |
| Net interest income   | \$ 122,234                            | \$ 115,048         | \$ 109,967         |
| Non-interest operating income   | 21,068                                | 15,338             | 12,216             |
| Operating expenses  | (42,508 )                             | (40,945 )          | (38,322 )          |
| Net operating income  | 100,794                               | 89,441             | 83,861             |
| Reversal of provision (provision) for loan and off-balance sheet credit losses, net | (8,522 )                              | 1,217              | 12,389             |
| Recoveries, net of impairment of assets   | 7                                     | 108                | 0                  |
| <b>NET INCOME ATTRIBUTABLE TO BLADEx STOCKHOLDERS</b>                               | <b>\$ 92,279</b>                      | <b>\$ 90,766</b>   | <b>\$ 96,250</b>   |
| <b>TREASURY DIVISION:</b>   |                                       |                    |                    |
| Net interest income   | \$ 18,897                             | \$ 8,044           | \$ (4,990 )        |
| Non-interest operating income (loss)  | 6,483                                 | (4,877 )           | 14,612             |
| Operating expenses  | (11,194 )                             | (13,361 )          | (17,492 )          |
| Net operating income (loss)   | 14,186                                | (10,194 )          | (7,870 )           |
| Net income (loss)   | 14,186                                | (10,194 )          | (7,870 )           |
| Net income (loss) attributable to the redeemable noncontrolling interest            | (475 )                                | (4,185 )           | 293                |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO BLADEx STOCKHOLDERS</b>                        | <b>\$ 14,661</b>                      | <b>\$ (6,009 )</b> | <b>\$ (8,163 )</b> |
| <b>CONSOLIDATED:</b>  |                                       |                    |                    |
| Net interest income   | \$ 141,131                            | \$ 123,092         | \$ 104,977         |
| Non-interest operating income   | 27,551                                | 10,461             | 26,828             |
| Operating expenses  | (53,702 )                             | (54,306 )          | (55,814 )          |
| Net operating income  | 114,980                               | 79,247             | 75,991             |
| Reversal of provision (provision) for loan and off-balance sheet credit losses, net | (8,522 )                              | 1,217              | 12,389             |
| Recoveries, net of impairment of assets   | 7                                     | 108                | 0                  |
| Net income – business segment   | 106,465                               | 80,572             | 88,380             |
| Net income (loss) attributable to the redeemable non-controlling interest           | (475 )                                | (4,185 )           | 293                |
| <b>NET INCOME ATTRIBUTABLE TO BLADEx STOCKHOLDERS – BUSINESS SEGMENT</b>            | <b>106,940</b>                        | <b>84,757</b>      | <b>88,087</b>      |
| Other income unallocated – Gain on sale of premises and equipment                   | 0                                     | 0                  | 5,626              |
| Net loss from discontinued operations.  | 0                                     | (4 )               | (681 )             |
| <b>NET INCOME ATTRIBUTABLE TO BLADEx STOCKHOLDERS</b>                               | <b>\$ 106,940</b>                     | <b>\$ 84,753</b>   | <b>\$ 93,032</b>   |

For further information on net income by business segment, see Item 18, “Financial Statements,” notes 3 and 27.

**The Commercial Division**

The Commercial Division is responsible for the Bank's core business of financial intermediation and fee generation activities relating to the Bank's Commercial Portfolio activities. These activities include the origination of bilateral and syndicated credits, short- and medium-term loans, acceptances and contingent credits. *See Item 4. "Information on the Company – Business Overview – Commercial Portfolio"*. The Commercial Division's net income includes net interest income from loans, fees and other income, allocated operating expenses, the provisions or the reversal of provisions for credit losses, and any recoveries, net of impairment of assets.

Year 2014 vs. Year 2013

In 2014, the Commercial Division achieved a 13% increase in net operating income, driven primarily by (i) a \$7.1 million, or 6% increase in net interest income primarily due to increased average loan portfolio balances of 9%, and (ii) a \$5.8 million, or 38% increase in non-interest operating income primarily from higher fees from loan structuring and syndication activity (the Bank acted as mandated lead arranger and book-runner in 10 transactions out of a total of 14 structured transactions), along with an increase of \$2.0 million in loan intermediation and distribution income, and higher commissions from letters of credit and guarantees. After credit provision charges of \$8.5 million, mainly associated with an 8% end-of period Commercial Portfolio growth, while reaching a total portfolio credit provision coverage ratio of 1.20%, the Commercial Division's net income reached \$92.3 million in the year ended December 31, 2014, compared to \$90.8 million in 2013, a \$1.5 million or 2% year-on-year increase. The Commercial Division's asset quality and portfolio risk profile remained solid, as evidenced by a 0.06% ratio of non-performing loans to total Commercial Portfolio as of December 31, 2014, compared to 0.05% as of December 31, 2013.

As of December 31, 2014, the Commercial Portfolio amounted to \$7.2 billion, an increase of \$0.6 billion, or 8% year-on-year compared to \$6.6 billion as of December 31, 2013. Average Commercial Portfolio balances for 2014 and 2013 were \$6.9 billion and \$6.3 billion, respectively, resulting in a \$0.6 billion, or 10% year-on-year increase.

As of December 31, 2014, the Commercial Portfolio continued to be short-term and trade-related in nature, with \$5.2 billion, or 72% of the Commercial Portfolio scheduled to mature within one year. Trade financing operations represented 56% of the Commercial Portfolio, while the remaining balance consisted primarily of lending to financial institutions and corporations involved in foreign trade.

The loan portfolio represented 93% of the Commercial Portfolio as of December 31, 2014, totaling \$6.7 billion, compared to \$6.1 billion as of December 31, 2013, an increase of 9% year-on-year, or \$0.5 billion. As of December 31, 2014, 72% of the total loan portfolio had a remaining term of one year or less.

Year 2013 vs. Year 2012

The Commercial Division's net income amounted to \$90.8 million for the year ended December 31, 2013, compared to \$96.3 million for the year ended December 31, 2012. The decrease for the year was mainly the result of reversals of provisions for credit losses during 2012, mostly related to the resolution of a non-accruing loan exposure. Excluding the effect of reversals (provisions) for credit losses, the Commercial Division's net operating income improved by 7% during 2013 to \$89.5 million, compared to \$83.9 million in 2012, reflecting increased core revenues from higher average portfolio balances and fee generating activities. Higher average loan balances (+17%) resulted in a \$5.1 million, or 5%, increase in the Commercial Division's net interest income, while increased letters of credit activity

along with the growth of the Bank's structuring and syndication platform resulted in a \$3.6 million, or 36% increase in fee income, partially offset by a \$2.6 million, or 7% increase in allocated operating expenses.

The Commercial Division's portfolio balances totaled \$6,630 million as of December 31, 2013, an 11% increase from \$5,953 million as of December 31, 2012. The year-on-year increase was mainly attributable to growing demand in the Bank's client base of corporations (+20%), and financial institutions (+9%). On an average annual basis, in 2013 the Commercial Portfolio reached \$6,337 million, an increase of \$926 million, or 17% compared to average balances of \$5,411 million during 2012.

As of December 31, 2013, the Commercial Portfolio continued to be short-term and trade-related in nature, with \$4,846 million, or 73%, of the Commercial Portfolio maturing within one year. Trade financing operations represented 58% of the portfolio, while the remaining balance consisted primarily of lending to banks and corporations involved in foreign trade.

Credit disbursements in 2013 increased by 26% to \$14,276 million, a record level for the Bank, compared to \$11,338 million disbursed in 2012, as overall demand for credit strengthened. The non-accrual portfolio amounted to \$3.1 million representing 0.05% of the loan portfolio as of December 31, 2013, compared to a balance of zero as of December 31, 2012.

### **The Treasury Division**

The Treasury Division is responsible for the Bank's funding and liquidity management, along with the management of its activities in investment securities, which comprise trading assets, securities available-for-sale and securities held-to-maturity, as well as the management of the Bank's interest rate, liquidity, price and currency risks. Following the 2013 sale of the former Bladex Asset Management unit, the Treasury Division also continues to incorporate the Bank's remaining participation in investment funds, which ceased to be consolidated in the Bank's financial statements as of April 2014, as the Bank exercised its right to redeem, bringing its participation in the Feeder to below 50%.

The Treasury Division's net income is presented net of allocated operating expenses, and includes net interest income from treasury activities, net of allocated cost of funds, as well as related net other income (expense), including net results from derivative financial instruments and hedging, net gain (loss) from investment funds, net gain (loss) from trading securities, net gain (loss) on sale of securities available-for-sale, and net gain (loss) on foreign currency exchange.

### **Year 2014 vs. Year 2013**

Treasury Division reported net income of \$14.6 million in 2014, compared to a net loss of \$6.0 million in 2013, due to the combined effects of: (i) an \$11.2 million increase in non-interest operating income, mainly driven by improved performance from its participation in investment funds, (ii) a \$10.9 million increase in net interest income primarily attributable to the decrease in average funding costs to 1.07% from 1.33% , and (iii) a \$2.2 million decrease in allocated operating expenses, mainly associated with expenses from the investment funds that ceased to be consolidated in the Bank's financial statements as of April 2014.

Liquid assets stood at \$0.7 billion as of December 31, 2014, compared to \$0.8 billion as of December 31, 2013, as the Bank maintained its proactive liquidity management as a preventive measure in the face of heightened market volatility. The liquidity ratio (liquid assets to total assets) was 9.2% as of December 31, 2014, compared to 11.1% as of December 31, 2013.

The securities available-for-sale portfolio totaled \$0.3 billion as of December 31, 2014. This was broadly unchanged from the same level as of December 31, 2013. The securities available-for-sale portfolio consisted of readily-quoted Latin American securities, 74% of which represented multilateral, sovereign or state-owned risk.

The Bank surpassed the \$3 billion mark in deposits several times during 2014, before ending the year at \$2,507 million in deposit balances as of December 31, 2014, an increase of 6% compared to \$2,361 million as of December 31, 2013. Total deposits represented 35% of total financial liabilities as of December 31, 2014, compared to 36% as of December 31, 2013. Short-term borrowings and debt, including securities sold under repurchase agreements, (“repos”), totaled \$3.0 billion as of December 31, 2014, nearly unchanged compared to \$3.0 billion as of December 31, 2013, while long-term borrowings and debt totaled \$1.4 billion as of December 31, 2014, an increase of 22% compared to \$1.2 billion as of December 31, 2013.



Year 2013 vs. Year 2012

For the year 2013 the Treasury Division reported a net loss of \$6.0 million compared to a net loss of \$8.2 million during 2012. The Treasury Division's net loss during 2013 was attributable to a decrease of \$19.4 million in non-interest operating income, mainly related to net losses from the remaining participation in investment funds and lower gains on the sale of securities available-for-sale, which was partially offset by the combined effects of: (i) a \$13.0 million increase in net interest income, which resulted from an effective interest rate gap management, higher net interest income from increased average investment securities balances, and lower average cost of funds; (ii) a \$4.1 million decrease in allocated operating expenses; and (iii) a \$4.5 million positive variation in net income attributable to the redeemable non-controlling interest in the funds.

Liquid assets amounted to \$831 million as of December 31, 2013, compared to \$690 million as of December 31, 2012, as the Bank maintained its proactive approach to liquidity management, increasing its liquidity position as a response to heightened market volatility. Liquid assets as of December 31, 2013 represented 11.1% of total assets and 12.7% of total liabilities, compared to 10.2% and 11.6%, respectively, as of December 31, 2012.

Deposit balances increased \$44 million, or 2%, to \$2,361 million as of December 31, 2013, compared to \$2,317 million as of December 31, 2012. Deposits represented 36% of total liabilities as of December 31, 2013, compared to 39% as of December 31, 2012. Short-term borrowings and debt, including repos, totaled \$2,991 million as of December 31, 2013, an 86% year-on-year increase, while long-term borrowings and debt totaled \$1,154 million, a 39% year-on-year decrease, as the Bank opted to pre-pay certain medium-term obligations with remaining tenors of less than a year, as part of its proactive funding and interest rate position management. Consequently, weighted average funding costs for the year ended December 31, 2013 reached 1.33%, a decrease of 30 basis points, or 18%, compared to 1.63% for the year ended December 31, 2012.

**Net Income Attributable to Bladex**

During 2014, the Bank experienced increased demand for its lending products, as the Bank's core competencies allowed it to compete effectively within challenging market conditions, in which the prices of many commodities continued to decline, the growth rates of the Region's domestic markets was lower than in previous years, and the significant reduction in oil prices added to global market volatility.

The Bank's net income totaled \$106.9 million in 2014, an increase of \$22 million or 26% compared to \$84.8 million in 2013. This increase was driven by the positive performance of the Bank's core business activities, with growth in its Commercial Portfolio, net margins and revenue, and improved efficiency on lower expenses, all while maintaining strong asset quality. These factors were complemented by a positive trend in non-core results from its participation in

investment funds.

The Bank's net income reached \$84.8 million in 2013, compared to \$93.0 million in 2012. The 2013 results were negatively impacted by the remaining participation in investment funds pertaining to the Asset Management unit sold in 2013, offsetting improved performance from business activities: higher net interest income from robust average portfolio growth, improving net interest margin and fee income, strong portfolio quality and lower operating expenses.

#### Net Interest Income and Margins

The following table sets forth information regarding the Bank's net interest income, net interest margin (net interest income divided by the average balance of interest-earning assets), and net interest spread (the average yield earned on interest-earning assets, less the average yield paid on interest-bearing liabilities) for the periods indicated:

|                            | For the Year Ended December 31,     |   |          |   |          |   |
|----------------------------|-------------------------------------|---|----------|---|----------|---|
|                            | 2014                                |   | 2013     |   | 2012     |   |
|                            | (in \$ million, except percentages) |   |          |   |          |   |
| Net interest income (loss) |                                     |   |          |   |          |   |
| Commercial Division        | \$ 122.2                            |   | \$ 115.1 |   | \$ 110.0 |   |
| Treasury Division          | 18.9                                |   | 8.0      |   | (5.0 )   |   |
| Total Net Interest Income  | \$ 141.1                            |   | \$ 123.1 |   | \$ 105.0 |   |
| Net interest margin        | 1.87                                | % | 1.75     | % | 1.70     | % |
| Net interest spread        | 1.71                                | % | 1.55     | % | 1.44     | % |

### Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Differentials

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

| Description  | For the Year ended December 31,     |          |                    |                 |          |                    |                 |          |                    |  |  |  |
|--|-------------------------------------|----------|--------------------|-----------------|----------|--------------------|-----------------|----------|--------------------|--|--|--|
|  | 2014                                |          |                    | 2013            |          |                    | 2012            |          |                    |  |  |  |
|  | Average balance                     | Interest | Average yield/rate | Average balance | Interest | Average yield/rate | Average balance | Interest | Average yield/rate |  |  |  |
|  | (in \$ million, except percentages) |          |                    |                 |          |                    |                 |          |                    |  |  |  |
| <b>Interest-Earning Assets</b>                     |                                     |          |                    |                 |          |                    |                 |          |                    |  |  |  |
| Interest bearing deposits with banks               | \$639                               | \$1.5    | 0.24 %             | \$635           | \$1.5    | 0.24 %             | \$711           | \$1.9    | 0.26 %             |  |  |  |
| Loans, net of unearned income & deferred loan fees | 6,437                               | 201.9    | 3.09 %             | 5,934           | 193.0    | 3.21 %             | 5,064           | 181.1    | 3.52 %             |  |  |  |
| Non-accrual loans <sup>(1)</sup>                   | 4                                   | 0.0      | 0.16 %             | 0               | 0.0      | n.m. (*)           | 23              | 2.1      | 9.17 %             |  |  |  |
| Trading assets                                     | 0                                   | 0.0      | 0.00 %             | 2               | 0.0      | 0.00 %             | 7               | 0.1      | 0.94 %             |  |  |  |
| Investment securities <sup>(2)</sup>               | 389                                 | 9.3      | 2.34 %             | 346             | 8.5      | 2.43 %             | 254             | 6.4      | 2.48 %             |  |  |  |
| Investment funds                                   | 75                                  | 0.0      | 0.03 %             | 113             | 2.3      | 2.01 %             | 117             | 0.9      | 0.74 %             |  |  |  |
| Total interest-earning assets                      | \$7,544                             | \$212.7  | 2.78 %             | \$7,028         | \$205.3  | 2.88 %             | \$6,177         | \$192.4  | 3.06 %             |  |  |  |
| Non-interest-earning assets                        | 88                                  |          |                    | 77              |          |                    | 55              |          |                    |  |  |  |
| Allowance for loan losses                          | (75 )                               |          |                    | (71 )           |          |                    | (82 )           |          |                    |  |  |  |
| Other assets                                       | 16                                  |          |                    | 13              |          |                    | 20              |          |                    |  |  |  |
| Total Assets                                       | \$7,573                             |          |                    | \$7,048         |          |                    | \$6,169         |          |                    |  |  |  |
| <b>Interest-Bearing Liabilities</b>                |                                     |          |                    |                 |          |                    |                 |          |                    |  |  |  |
| Demand Deposits <sup>(3)</sup>                     | \$89                                | \$0.1    | 0.07 %             | \$95            | \$0.2    | 0.19 %             | \$137           | \$0.4    | 0.29 %             |  |  |  |
| Time Deposits <sup>(3)</sup>                       | 2,634                               | 11.1     | 0.42 %             | 2,418           | 12.2     | 0.50 %             | 2,121           | 12.5     | 0.58 %             |  |  |  |
| Deposits <sup>(3)</sup>                            | 2,723                               | 11.2     | 0.41 %             | 2,513           | 12.4     | 0.49 %             | 2,258           | 12.9     | 0.56 %             |  |  |  |
| Trading liabilities                                | 0                                   | 0.0      | 0.00 %             | 7               | 0.0      | 0.00 %             | 10              | 0.0      | 0.00 %             |  |  |  |
| Investment funds                                   | 0                                   | 0.0      | n.m. (*)           | 0               | 1.8      | n.m. (*)           | 0               | 0.1      | n.m. (*)           |  |  |  |

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|  |         |         |        |         |         |        |         |         |        |
|--|---------|---------|--------|---------|---------|--------|---------|---------|--------|
| Securities sold under repurchase agreements            | 280     | 2.1     | 0.75 % | 227     | 1.3     | 0.56 % | 153     | 1.6     | 1.05 % |
| Short-term borrowings and debt                         | 2,191   | 21.8    | 0.98 % | 2,048   | 25.7    | 1.24 % | 973     | 19.0    | 1.92 % |
| Long-term borrowings and debt                          | 1,389   | 36.4    | 2.59 % | 1,318   | 41.0    | 3.07 % | 1,892   | 53.7    | 2.79 % |
| Total interest-bearing liabilities                     | \$6,583 | \$71.6  | 1.07 % | \$6,112 | \$82.2  | 1.33 % | \$5,285 | \$87.5  | 1.63 % |
| Non-interest bearing liabilities and other liabilities | \$79    |         |        | \$61    |         |        | \$76    |         |        |
| Total Liabilities                                      | \$6,663 |         |        | \$6,173 |         |        | \$5,361 |         |        |
| Redeemable noncontrolling interest                     | 16      |         |        | 29      |         |        | 4       |         |        |
| Stockholders' equity                                   | 895     |         |        | 846     |         |        | 804     |         |        |
| Total Liabilities and Stockholders' Equity             | \$7,573 |         |        | \$7,048 |         |        | \$6,169 |         |        |
| Net interest spread                                    |         |         | 1.71 % |         |         | 1.55 % |         |         | 1.44 % |
| Net interest income and net interest margin            |         | \$141.1 | 1.87 % |         | \$123.1 | 1.75 % |         | \$105.0 | 1.70 % |

(1) Interest received on non-accrual loans is only recorded as earned when collected.

(2) The average yield of the investment securities portfolio (including securities available-for-sale and securities held to maturity) using cost-based average balances, would have been 2.46%, 2.55%, and 2.64%, for 2014, 2013 and 2012, respectively.

(3) The Bank obtains deposits in the form of demand deposits and time deposits from its central bank shareholders, commercial banks and corporations.

Note: Interest income and/or expense includes the effect of derivative financial instruments used for hedging.

(\*) "n.m." means not meaningful.

## Changes in Net Interest Income — Volume and Rate Analysis

Net interest income is affected by changes in volume and changes in interest rates. Volume changes are caused by differences in the level of interest-earning assets and interest-bearing liabilities. Rate changes result from differences in yields earned on interest-earning assets and rates accrued on interest-bearing liabilities. The following table sets forth a summary of the changes in net interest income of the Bank resulting from changes in average interest-earning asset and interest-bearing liability volume and changes in average interest rates for 2014 compared to 2013 and for 2013 compared to 2012. Volume and rate variances have been calculated based on daily movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

|   | 2014 vs. 2013         |                     |            | 2013 vs. 2012         |                     |            |
|---|-----------------------|---------------------|------------|-----------------------|---------------------|------------|
|   | Volume <sup>(*)</sup> | Rate <sup>(*)</sup> | Net Change | Volume <sup>(*)</sup> | Rate <sup>(*)</sup> | Net Change |
|   | (in \$ thousand)      |                     |            |                       |                     |            |
| Increase (decrease) in interest income  |                       |                     |            |                       |                     |            |
| Interest bearing deposits with banks  | \$10                  | \$10                | \$ 20      | \$(186 )              | \$(164 )            | \$( 350 )  |
| Accruing loans, net   | 15,802                | (6,879 )            | 8,923      | 28,021                | (16,109)            | 11,912     |
| Non-accrual loans   | 6                     | 0                   | 6          | (3 )                  | (2,146 )            | (2,149 )   |
| Trading assets  | 0                     | 0                   | 0          | (0 )                  | (69 )               | (69 )      |
| Investment securities   | 1,044                 | (284 )              | 760        | 2,247                 | (146 )              | 2,101      |
| Investment funds  | (10 )                 | (2,271 )            | (2,281 )   | (86 )                 | 1,507               | 1,421      |
| Total increase (decrease)   | \$16,852              | \$(9,424 )          | \$ 7,428   | \$29,993              | \$(17,127)          | \$ 12,866  |
| Increase (decrease) in interest expense                                       |                       |                     |            |                       |                     |            |
| Deposits  | (869 )                | 2,004               | 1,135      | (1,240 )              | 1,803               | 563        |
| Investment funds  | 16                    | 1,791               | 1,807      | 630                   | (2,365 )            | (1,735 )   |
| Securities sold under repurchase agreement and Short-term borrowings and debt | (1,902 )              | 4,953               | 3,051      | (13,577)              | 7,306               | (6,271 )   |
| Long-term borrowings and debt   | (1,850 )              | 6,468               | 4,618      | 17,943                | (5,251 )            | 12,692     |
| Total increase (decrease)   | \$(4,605 )            | \$15,216            | \$ 10,611  | \$3,756               | \$1,493             | \$ 5,249   |
| Increase (decrease) in net interest income                                    | \$12,247              | \$5,792             | \$ 18,039  | \$33,749              | \$(15,634)          | \$ 18,115  |

(\*) Volume variation effect in net interest income is calculated by multiplying the difference in average volumes by the current year's average yield. Rate variation effect in net interest income is calculated by multiplying the difference in average yield by the prior year's average volume.

*Net Interest Income and Net Interest Margin Variation*2014 vs. 2013

For the year ended December 31, 2014, the Bank's net interest income reached \$141.1 million, compared to \$123.1 million during the year ended December 31, 2013. The \$18.0 million, or 15%, increase in net interest income was mainly driven by:

- i. A \$12.2 million overall increase in net interest income due to higher average balances of the Bank's interest-earning assets, mainly from higher average loan portfolio balances (+9%) and investment securities balances (+12%), partially offset by higher average balances of the Bank's interest-bearing liabilities (+8%).
- ii. A \$5.8 million overall increase in net interest income on lower average funding costs (-26 basis points), which more than offset the 10 basis point decrease in average interest-earning rates.

Net interest margin increased 12 basis points to 1.87% in the year ended December 31, 2014, compared to 1.75% in the year ended December 31, 2013, mainly attributable to lower funding costs (-26 basis points) and higher average loan portfolio balances (+9%).

2013 vs. 2012

The Bank's net interest income for the year ended December 31, 2013 totaled \$123.1 million, compared to \$105.0 million for the year ended December 31, 2012. The \$18.1 million, or 17% increase in net interest income for the year ended December 31, 2013 was primarily driven by:

- i. A \$33.7 million overall increase in net interest income, mainly driven by higher average interest-earning assets, mostly from higher average balances in the loan portfolio (+17%) and in investment securities (+33%), along with lower average long-term debt and borrowings (-30%), partially offset by higher short-term interest-bearing liabilities (deposits +11%, borrowings and repo's +102%), as the Bank shifted its funding composition to shorter tenors.
- ii. A \$15.6 million overall decrease in net interest income as a result of lower average interest rates on the Bank's assets (-18 basis points), partly offset by lower rates paid on the Bank's liabilities (-30 basis points).

Net interest margin increased 5 basis points to 1.75% in 2013 compared to 1.70% in 2012, mainly as a result of lower cost of funds.

## Reversal (Provision) for Loan Losses

|   | For the year ended December 31, |        |        |
|---|---------------------------------|--------|--------|
|   | 2014                            | 2013   | 2012   |
|   | (in \$ million)                 |        |        |
| Net Brazil specific reserve reversals (provisions)  | (1.2 )                          | (1.0 ) | 0.0    |
| Net Mexico specific reserve reversals (provisions)  | (0.2 )                          | 0.0    | 7.3    |
| Total specific reserve reversals (provisions)   | (1.4 )                          | (1.0 ) | 7.3    |
| Generic reserve reversals (provisions) — due to changes in credit portfolio composition and risk levels and loan recoveries | (5.5 )                          | 2.6    | 1.0    |
| Total generic reserve reversals (provisions)  | (5.5 )                          | 2.6    | 1.0    |
| Total reversals (provisions) of allowance for loan losses   | \$ (6.9 )                       | \$ 1.6 | \$ 8.3 |

As of December 31, 2014, the Bank had \$4.0 million in non-accrual loans, compared to \$3.1 million in non-accrual loans as of December 31, 2013, and compared to zero loans in non-accrual status as of December 31, 2012, all of which corresponded to impaired loans for which specific reserves of \$2.4 million and \$1.0 million were allocated in 2014 and 2013, respectively.

The \$6.9 million provision for loan losses during the year ended December 31, 2014 was the result of a \$5.5 million provision of generic reserves mainly attributable to the Bank's loan portfolio growth during the year (+\$538 million, or +9%), and an increase of \$1.4 million related to the specific loan loss reserve, totaling \$2.4 million at December 31,

2014, which was assigned to non-accruing loans for \$4.0 million at the same date.

The \$1.6 million reversal of provision for loan losses during the year ended December 31, 2013 was the result of a \$2.6 million reversal of generic reserves mainly associated with the improved risk profile of the Bank's loan portfolio (+\$1.2 million), and recoveries from previous years charge-off loans (+\$1.4 million), which was partially offset by a \$1.0 million specific loan loss reserve assigned to a \$3.1 million loan as of December 31, 2013.

During the year ended December 31, 2012, the Bank reversed \$8.3 million in provisions for loan losses, as a result of the release of specific reserves associated with the exit of a non-accruing loan exposure, along with a reversal of generic reserves associated with the improved risk profile of the Bank's loan portfolio.

The Bank's loan loss reserve coverage was 1.19% as of December 31, 2014, an increase from 1.18% as of December 31, 2013, and a decrease from 1.28% as of December 31, 2012. The annual increase in the loan loss reserve coverage compared to 2013 reflects the impact of changes in the composition of the Bank's loan portfolio as measured in the Bank's reserve model.



For more detailed information, see Item 5, “Operating and Financial Review and Prospects/Operating Results/Asset Quality and Allowance for Credit Losses,” and Item 18, “Financial Statements,” notes 2(n) and 8.

For more detailed information about Non-Accrual Loans, see Item 18 “Financial Statements,” notes 2(1) and 7.

#### Reversals (Provisions) for Losses on Off-Balance Sheet Credit Risk

The \$1.6 million of provisions for losses on off-balance sheet credit risk in 2014 was the result of portfolio growth in the off-balance sheet exposures and higher risk coverage associated with the Bank’s portfolio composition.

During the year ended December 31, 2013, the Bank accrued \$0.4 million on provision for losses on off-balance sheet credit risk mainly due to higher balances in the off-balance sheet exposures in the Commercial Portfolio, partially mitigated by an improvement of the risk profile of the Region.

The \$4.0 million reversal of provision for losses on off-balance sheet credit risk in the year ended December 31, 2012 was primarily the result of lower balances in the off-balance sheet exposures in the Commercial Portfolio and improved risk profile of the Bank’s portfolio composition.

The off-balance sheet reserve coverage was 1.37% as of December 31, 2014, compared to 1.08% as of December 31, 2013, and compared to 2.05% as of December 31, 2012.

For more detailed information, see Item 5, “Operating and Financial Review and Prospects/Operating Results/Asset Quality and Allowance for Credit Losses,” and Item 18, “Financial Statements,” notes 2(n) and 8.

#### Fees and Commissions, net

The Bank generates fee and commission income primarily from letters of credit confirmations, the issuance of guarantees (including commercial risk coverage), and credit commitments, and loan origination, structuring and syndication activities. The following table shows the components of the Bank’s fees and commissions, net, for the periods indicated:

|                           | For the Year Ended December 31, |           |           |
|---------------------------|---------------------------------|-----------|-----------|
|                           | 2014                            | 2013      | 2012      |
|                           | (in \$ thousand)                |           |           |
| Letters of credit         | \$ 9,372                        | \$ 9,244  | \$ 7,617  |
| Guarantees                | 1,065                           | 142       | 184       |
| Loan Fees                 | 7,209                           | 4,220     | 2,153     |
| Other <sup>(1)</sup>      | (144 )                          | 63        | 67        |
| Fees and commissions, net | \$ 17,502                       | \$ 13,669 | \$ 10,021 |

<sup>(1)</sup> Net of commission expense.

During the year ended December 31, 2014, fees and commissions amounted to \$17.5 million, compared to \$13.7 million in the year ended December 31, 2013. The \$3.8 million, or 28% increase was mostly driven by increased loan structuring and syndication activities, where the Bank acted as mandated lead arranger and book-runner in 10 transactions out of a total of 14 structured transactions, along with increased commissions from higher average letters of credit portfolio balances and guarantee issuances.

Fees and commissions totaled \$13.7 million for the year ended December 31, 2013, compared to \$10.0 million for the year ended December 31, 2012. The \$3.6 million, or 36% growth resulted from higher loan intermediation fees mainly from mandated transactions, reflecting the Bank's progress in establishing a track record as lead arranger of syndications, and an increase in the activity of the letter of credit business.

For more information, see Item 18, "Financial Statements," note 2(o).

#### Derivative Financial Instruments and Hedging

The Bank recorded net gains of \$0.1 million, \$0.4 million, and \$0.1 million in 2014, 2013, and 2012, respectively, in derivative financial instruments and hedging.

For additional information, see Item 11, "Quantitative and Qualitative Disclosure about Market Risk," and Item 18, "Financial Statements," notes 2(t) and 21.

#### *Net Gain (Loss) from Investment Funds Trading*

Net gain from investment funds trading totaled \$3.4 million in the year ended December 31, 2014, compared to a net loss of \$6.7 million in the year ended December 31, 2013, and a net income of \$7.0 million in the year ended December 31, 2012, related to the performance of trading activities from the Bank's remaining participation in the investment funds.

For additional information, see Item 18, "Financial Statements," notes 6 and 24.

#### *Net Gain (Loss) from Trading Securities*

During the year ended December 31, 2014, the Bank recorded a net loss from trading securities of \$0.4 million, compared to net gains of \$3.2 million, and \$11.2 million, for the years ended December 31, 2013 and 2012, respectively.

The \$0.4 million loss for the year ended December 31, 2014 and the \$3.2 million gain for the year ended December 31, 2013 were mainly attributable to changes in valuations of derivative instruments used for risk management purposes that did not qualify for hedge accounting and/or in respect of which hedge accounting was discontinued.

The \$11.2 million gain in the year ended December 31, 2012 was mainly due to valuations of financial derivative instruments for which hedge accounting was discontinued during the year ended December 31, 2012.

#### Net Gain on Sale of Securities Available-for-Sale

The Bank purchases debt instruments with the intention of selling them prior to maturity. These debt instruments are classified as securities available-for-sale and are included as part of the Bank's credit portfolio.

The Bank's net gain on sale of securities available-for-sale for the year ended December 31, 2014 was \$1.9 million, compared to \$1.5 million for the year ended December 31, 2013, and compared to \$6.0 million for the year ended December 31, 2012. Detail of the net gains is as follows:

|  | For the year ended December 31, |            |            |
|--|---------------------------------|------------|------------|
|  | 2014                            | 2013       | 2012       |
|  | (in \$ millions)                |            |            |
| Nominal amount   | \$ 218.1                        | \$ 102.5   | \$ 239.6   |
| Amortized cost   | \$(228.2 )                      | \$(105.9 ) | \$(254.8 ) |
| Proceeds   | 230.1                           | 109.8      | 262.2      |
| Net effect of unwinding hedging derivatives of the available for-sale securities portfolio | 0.0                             | (2.4 )     | (1.4 )     |
| Total net gain on sale of securities available-for-sale                                    | \$ 1.9                          | \$ 1.5     | \$ 6.0     |

For additional information, see Item 18, “Financial Statements,” note 5.

#### Net Gain on Sale of Loans

The net gain on sale of loans corresponds to income derived from the Bank’s business stream of loan intermediation and distribution activities in the primary and secondary markets.

During the years ended December 31, 2014, 2013 and 2012, the Bank sold loans on the secondary market with a book value of \$515.6 million, \$89.5 million and \$146.2 million, respectively, generating net gains on sale of loans of \$2.2 million, \$0.4 million and \$1.1 million, respectively.

During the year ended December 31, 2014, the Bank assigned \$246 million of originated loans to the International Finance Corporation (“IFC”), which generated a net gain of \$0.4 million, as part of a risk-sharing facility agreement with the IFC of up to \$350 million, established to expand access to trade finance for agribusiness in Latin America and to contribute to regional food security.

#### Gain (Loss) on Foreign Currency Exchange

The Bank recorded a net gain of \$0.8 million on foreign currency exchange during the year ended December 31, 2014, compared to net losses of \$3.8 million and \$10.5 million, in 2013 and 2012, respectively. The results reflect the effects of currency exchanges in assets and liabilities economically hedged with derivatives that do not qualify for hedge accounting, the impact of which is shown under Net Gain (Loss) from Trading Securities.

## Operating Expenses

The following table shows a breakdown of the components of the Bank's total operating expenses for the periods indicated:

|   | For the Year Ended December 31, |           |           |
|---|---------------------------------|-----------|-----------|
|   | 2014                            | 2013      | 2012      |
|   | (in \$ thousand)                |           |           |
| Salaries and other employee expenses                                  | \$ 31,339                       | \$ 31,702 | \$ 33,171 |
| Depreciation and amortization of equipment and leasehold improvements | 2,487                           | 2,747     | 2,269     |
| Professional services   | 5,177                           | 4,010     | 4,053     |
| Maintenance and repairs   | 1,544                           | 1,529     | 1,936     |
| Expenses from investment funds  | 416                             | 2,589     | 2,953     |
| Other operating expenses  | 12,739                          | 11,729    | 11,432    |
| Total operating expenses  | \$ 53,702                       | \$ 54,306 | \$ 55,814 |

During the year ended December 31, 2014, the Bank's operating expenses totaled \$53.7 million, compared to \$54.3 million in 2013. The \$0.6 million, or 1% decrease in operating expenses over the year was primarily attributable to the deconsolidation of fund-related expenses, along with a reduction in salaries and other employee expenses related primarily to a decrease in the average number of full-time employees, which was partially offset by higher professional fees and other expenses mainly related to business projects.

During the year ended December 31, 2013, the Bank's operating expenses totaled \$54.3 million, compared to \$55.8 million in 2012. The \$1.5 million, or 3% year-on-year decrease in operating expenses was mainly attributable to lower salary and other employee expenses.

### Changes in Financial Condition

The following table presents components of the Bank's balance sheet at the dates indicated:

|  | As of December 31, |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | 2014               | 2013               | 2012               |
|  | (in \$ thousand)   |                    |                    |
| <b>Assets</b>  |                    |                    |                    |
| Cash and due from banks  | \$4,985            | \$2,161            | \$6,718            |
| Interest-bearing deposits in banks                             | 775,530            | 837,557            | 700,312            |
| Trading assets   | 0                  | 0                  | 5,265              |
| Securities available-for-sale                                  | 338,973            | 334,368            | 183,017            |
| Securities held-to-maturity                                    | 54,180             | 33,759             | 34,113             |
| Investment funds   | 57,574             | 118,661            | 105,888            |
| Loans  | 6,686,244          | 6,148,298          | 5,715,556          |
| Less:  |                    |                    |                    |
| Allowance for loan losses                                      | 79,675             | 72,751             | 72,976             |
| Unearned income and deferred fees                              | 8,509              | 6,668              | 7,100              |
| Loans, net   | 6,598,060          | 6,068,879          | 5,635,480          |
| Customers' liabilities under acceptances                       | 114,018            | 1,128              | 1,157              |
| Accrued interest receivable                                    | 47,938             | 40,727             | 37,819             |
| Equipment and leasehold improvements, net                      | 8,129              | 10,466             | 12,808             |
| Derivative financial instruments used for hedging — receivable | 12,324             | 15,217             | 19,239             |
| Other assets   | 13,561             | 8,389              | 14,580             |
| <b>Total Assets</b>  | <b>\$8,025,272</b> | <b>\$7,471,312</b> | <b>\$6,756,396</b> |
| <b>Liabilities and Stockholders' Equity</b>                    |                    |                    |                    |
| Deposits   | \$2,506,694        | \$2,361,336        | \$2,317,260        |
| Trading liabilities  | 52                 | 72                 | 32,304             |
| Securities sold under repurchase agreement                     | 300,519            | 286,162            | 158,374            |
| Short-term borrowings and debt                                 | 2,692,537          | 2,705,365          | 1,449,023          |

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|  |             |             |             |
|--|-------------|-------------|-------------|
| Acceptances outstanding  | 114,018     | 1,128       | 1,157       |
| Accrued interest payable   | 14,855      | 13,786      | 17,943      |
| Long-term borrowings and debt  | 1,405,519   | 1,153,871   | 1,905,540   |
| Derivative financial instruments used for hedging - payable            | 40,287      | 8,572       | 11,747      |
| Reserve for losses on off-balance sheet credit risk                    | 6,849       | 5,222       | 4,841       |
| Other liabilities  | 32,879      | 27,947      | 28,348      |
| Total Liabilities  | \$7,114,209 | \$6,563,461 | \$5,926,537 |
| Redeemable noncontrolling interest                                     | 0           | 49,899      | 3,384       |
| Stockholders' Equity   |             |             |             |
| Common stock, no par value   | 279,980     | 279,980     | 279,980     |
| Additional paid-in capital in excess of assigned value of common stock | 117,339     | 118,646     | 121,419     |
| Capital reserves   | 95,210      | 95,210      | 95,210      |
| Retained earnings  | 510,046     | 458,699     | 422,048     |
| Accumulated other comprehensive loss                                   | (13,885 )   | (12,575 )   | (730 )      |
| Treasury stock   | (77,627 )   | (82,008 )   | (91,452 )   |
| Total Stockholders' Equity   | \$911,063   | \$857,952   | \$826,475   |
| Total Liabilities and Stockholders' Equity                             | \$8,025,272 | \$7,471,312 | \$6,756,396 |



2014 vs. 2013

The Bank's total assets amounted to \$8,025 million as of December 31, 2014, a \$554 million, or 7% increase from \$7,471 million as of December 31, 2013. This increase was primarily the result of a \$538 million, or 9% increase in the Bank's loan portfolio, and a \$113 million increase in customers' liabilities under acceptances, partially offset by lower interest-bearing deposits in banks (which decreased by \$62 million) and the deconsolidation of the investment funds (which decreased by \$61 million).

As of December 31, 2014, the Bank's loan portfolio amounted to \$6,686 million, with an average remaining maturity term of 317 days, as 72% of the loan portfolio was scheduled to mature within one year. Trade financing operations represented 56% of the loan portfolio, while the remaining balance consisted primarily of lending to financial institutions and corporations engaged in foreign trade.

As of December 31, 2014, the Bank's liquidity amounted to \$741 million, compared to \$831 million as of December 31, 2013, in line with the Bank's long-standing approach to prudent and proactive liquidity management, with requirements determined according to the Basel III Liquidity Coverage Ratio ("LCR") methodology. As of December 31, 2014, \$616 million, or 83%, of liquid assets were deposited at the Federal Reserve Bank of New York, while the remaining liquid assets consisted of short-term funds deposited with other banks.

The increase in assets during 2014 was accompanied by a \$551 million increase in liabilities, mainly as a result of a \$251 million, or 22%, increase in long-term borrowings and debt, a \$146 million, or 6%, increase in total deposits, and a \$113 million increase in acceptances outstanding.

2013 vs. 2012

The Bank's total assets amounted to \$7,471 million as of December 31, 2013, a \$715 million, or 11% increase from \$6,756 million as of December 31, 2012, mainly as a result of increased balances related to the loan portfolio (an increase of \$432 million), securities available-for-sale (an increase of \$151 million) and cash and due from banks (an increase of \$133 million). As of December 31, 2013, the Bank's loan portfolio amounted to \$6,148 million, with an average remaining maturity term of 289 days, as 73% of the portfolio was scheduled to mature within one year. Trade financing operations represented 58% of the loan portfolio, while the remaining balance consisted primarily of lending to banks and corporations involved in foreign trade.

The Bank's liquidity amounted to \$831 million as of December 31, 2013, compared to \$690 million as of December 31, 2012, as the Bank maintained its proactive approach to liquidity management.

The 2013 increase in assets resulted in a \$637 million increase in liabilities, mainly in short-term borrowings and debt (which increased by \$1,256 million, or 87%), and repos (which increased by \$128 million, or 81%), partially offset by the decrease in long-term borrowings and debt (which decreased by \$752 million, or 39%), as the Bank opted to pre-pay certain medium-term obligations with remaining tenors of less than a year, as part of its proactive funding and interest rate position management.

## Asset Quality

The Bank believes that its asset quality is a function of its strong client base, the importance that governments and borrowers alike attribute to maintaining continued access to trade financing, its preferred creditor status, and its strict adherence to commercial criteria in its credit activities. The Bank's management and the CPER periodically review a report of all loan delinquencies. The Bank's collection policies include rapid internal notification of any delinquency and prompt initiation of collection efforts, usually involving senior management.

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

## Impaired Assets and Contingencies

The Bank's assets that are subject to impairment consist mainly of loans and securities. For more information on impaired loans, see Item 18, "Financial Statements", Notes 2(l) and 7. For information on impaired securities, see Item 18, "Financial Statements," notes 2(i) and 5. For more information on contingencies, see Item 18, "Financial Statements", note 19, and see Item 5, "Operating and Financial Review and Prospects—Operating Results—Reversal (Provision) for

Loan Losses.”

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 periodic 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 borrower is experiencing financial difficulties and if the restructuring constitutes a concession to the borrower. A concession may include modification of terms such as an extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, and reduction in the face amount of the 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 following table sets forth information regarding the Bank's impaired assets and contingencies at the dates indicated:

|   | As of December 31,                  |      |      |      |      |
|---|-------------------------------------|------|------|------|------|
|   | 2014                                | 2013 | 2012 | 2011 | 2010 |
|   | (in \$ million, except percentages) |      |      |      |      |
| Impaired loans  | \$4                                 | \$3  | \$0  | \$32 | \$29 |
| Allocation from the allowance for loan losses   | 2                                   | 1    | 0    | 15   | 12   |
| Impaired loans as a percentage of total loans, net of unearned income and deferred commission | 0.1%                                | 0.1% | 0.0% | 0.6% | 0.7% |
| Impaired contingencies  | \$0                                 | \$0  | \$0  | \$0  | \$0  |
| Allocation from the reserve for losses on off balance-sheet credit risks                      | 0                                   | 0    | 0    | 0    | 0    |
| Impaired contingencies as a percentage of total contingencies                                 | 0.0%                                | 0.0% | 0.0% | 0.0% | 0.0% |
| Impaired securities (par value)   | \$0                                 | \$0  | \$0  | \$0  | \$0  |
| Estimated fair value adjustments on options and impaired securities <sup>(1)</sup>            | 0                                   | 0    | 0    | 0    | 0    |
| Estimated fair value of impaired securities   | \$0                                 | \$0  | \$0  | \$0  | \$0  |

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Impaired securities as a percentage of total securities <sup>(2)</sup>                     | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Impaired assets and contingencies as a percentage of total credit portfolio <sup>(3)</sup> | 0.1% | 0.0% | 0.0% | 0.6% | 0.6% |

<sup>(1)</sup> Includes impairment losses on securities, estimated unrealized gain (loss) on impaired securities, premiums and discounts.

<sup>(2)</sup> Total securities consist of investment securities considered part of the Bank's credit portfolio.

<sup>(3)</sup> The total credit portfolio includes loans net of unearned income and deferred loan fees, selected commercial deposits placed, fair value of investment securities (including securities available-for-sale and securities held-to-maturity), customers' liabilities under acceptances, and contingencies (including confirmed and stand-by letters of credit, guarantees covering commercial risk and credit commitments).

The Bank did not have impaired loans in its loan portfolio without related allowances as of December 31, 2014, 2013 or 2012.

As of December 31, 2014, the Bank had troubled debt restructuring loans of \$1 million reported as impaired loans in non-accrual status. The Bank had no troubled debt restructurings for the years ended December 31, 2013 and 2012.

The following table sets forth the distribution of the Bank's loans charged-off against the allowance for loan losses by country as of December 31 of each year:

| As of December 31,                  |       |      |      |      |      |       |      |       |      |       |
|-------------------------------------|-------|------|------|------|------|-------|------|-------|------|-------|
|                                     | 2014% | 2013 | %    | 2012 | %    | 2011  | %    | 2010  | %    |       |
| (in \$ million, except percentages) |       |      |      |      |      |       |      |       |      |       |
| Brazil                              | \$0   | 0.0  | \$ 0 | 0.0  | \$ 0 | 0.0   | \$ 1 | 100.0 | \$ 2 | 40.5  |
| Mexico                              | 0     | 0.0  | 0    | 0.0  | 7    | 100.0 | 0    | 0.0   | 3    | 59.5  |
| Total                               | \$0   | 0.0  | \$ 0 | 0.0  | \$ 7 | 100.0 | \$ 1 | 100.0 | \$ 5 | 100.0 |

During the year ended December 31, 2014 and 2013, the Bank had no loans charged-off against the allowance for loan losses, compared to charge-offs totaling \$7 million in 2012, representing 0.13% of total loan portfolio as of December 31, 2012.

In the five-year period ended December 31, 2014, the Bank had disbursed \$57 billion in credits and had charged-off credits for \$13 million, which represents 0.02% of total credits disbursed.

The following table summarizes information regarding loans in non-accrual status, and interest amounts on non-accrual loans:

|   | For the year ended December 31, |          |       |
|---|---------------------------------|----------|-------|
|   | 2014                            | 2013     | 2012  |
| (in \$ thousands)   |                                 |          |       |
| Loans in non-accrual status:  |                                 |          |       |
| Private corporations  | \$ 3,125                        | \$ 3,125 | \$ 0  |
| Private middle-market companies   | 909                             | 0        | 0     |
| Total loans in non-accrual status   | \$ 4,034                        | \$ 3,125 | \$ 0  |
| Interest which would have been recorded if the loans had not been in a non-accrual status | 191                             | 67       | 0     |
| Interest income collected on non-accruing loans   | 6                               | 0        | 2,288 |

### Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for loan losses and the reserve for losses on off-balance sheet credit risk, covers the credit risk on loans and contingencies. 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 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 by applying the following formula:

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

- a) 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 b) the Bank's historical portfolio performance per rating category, complemented by an international rating agency's probabilities of default for categories 6, 7 and 8, in view of the greater robustness of data for such cases.
- c) Loss Given Default (LGD) = a factor 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.

For additional information regarding allowance for credit losses, see Item 18, "Financial Statements," notes 2(n) and 8.

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

|  | As of December 31,                  |        |        |        |        |
|--|-------------------------------------|--------|--------|--------|--------|
|  | 2014                                | 2013   | 2012   | 2011   | 2010   |
|  | (in \$ million, except percentages) |        |        |        |        |
| Components of the allowance for credit losses        |                                     |        |        |        |        |
| Allowance for loan losses:                           |                                     |        |        |        |        |
| Balance at beginning of the year                     | \$72.8                              | \$73.0 | \$88.5 | \$78.6 | \$73.8 |
| Provision (reversal)                                 | 6.9                                 | (1.6)  | (8.3)  | 8.8    | 9.1    |
| Recoveries   | 0.0                                 | 1.4    | 0.3    | 2.2    | 1.0    |
| Loans charged-off                                    | 0.0                                 | 0.0    | (7.5)  | (1.1)  | (5.3)  |
| Balance at the end of the year                       | \$79.7                              | \$72.8 | \$73.0 | 88.5   | 78.6   |
| Reserve for losses on off-balance sheet credit risk: |                                     |        |        |        |        |
| Balance at beginning of the year                     | \$5.2                               | \$4.8  | \$8.9  | \$13.3 | \$27.3 |
| Provision (reversal)                                 | 1.6                                 | 0.4    | (4.0)  | (4.4)  | (13.9) |
| Balance at end of the year                           | \$6.8                               | \$5.2  | \$4.8  | \$8.9  | \$13.3 |
| Total allowance for credit losses                    | \$86.5                              | \$78.0 | \$77.8 | \$97.4 | \$92.0 |

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|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Allowance for credit losses to total Commercial Portfolio | 1.20% | 1.18% | 1.31% | 1.83% | 2.07% |
| Net charge offs to average loans outstanding.             | 0.00% | 0.00% | 0.15% | 0.02% | 0.16% |

The allowance for credit losses to total Commercial Portfolio amounted to 1.20% as of December 31, 2014, compared to 1.18% as of December 31, 2013, and 1.31% as of December 31, 2012. The year-on-year increase of 2 basis points in 2014 was mainly associated with the risk profile of the Bank's portfolio composition.

The decrease of 13 basis points in 2013 compared to 2012 is mainly associated with an improved risk profile of the Bank's portfolio composition in terms of client and country exposures.

The annual variation in 2012 compared to 2011 in the allowance for credit losses to total Commercial Portfolio was primarily due to the release of specific reserves associated with the reduction in exposure from non-accruing loans, the reversal of provisions for losses on off-balance sheet credit risk as total contingencies declined during the year, and an improved risk profile in the composition of the Bank's portfolio.

The following table sets forth information regarding the Bank's allowance for credit losses allocated by country of exposure as of December 31 of each year:

|   | As of December 31,                  |       |        |       |        |       |
|---|-------------------------------------|-------|--------|-------|--------|-------|
|   | 2014                                |       | 2013   |       | 2012   |       |
|   | Total                               | %     | Total  | %     | Total  | %     |
|   | (in \$ million, except percentages) |       |        |       |        |       |
| Allowance for loan losses                                 |                                     |       |        |       |        |       |
| Argentina   | \$14.7                              | 18.4  | \$5.8  | 8.0   | \$9.2  | 12.7  |
| Brazil  | 9.0                                 | 11.3  | 17.5   | 24.0  | 12.0   | 16.4  |
| Chile   | 0.6                                 | 0.8   | 7.6    | 10.4  | 1.2    | 1.6   |
| Colombia  | 6.4                                 | 8.0   | 4.7    | 6.5   | 5.2    | 7.2   |
| Costa Rica  | 11.5                                | 14.5  | 8.5    | 11.7  | 5.3    | 7.2   |
| Dominican Republic  | 5.2                                 | 6.5   | 3.1    | 4.2   | 4.6    | 6.3   |
| Ecuador   | 3.7                                 | 4.6   | 2.4    | 3.3   | 8.3    | 11.4  |
| El Salvador   | 4.0                                 | 5.0   | 2.9    | 3.9   | 1.8    | 2.4   |
| Germany   | 3.1                                 | 3.9   | 0.0    | 0.0   | 0.0    | 0.0   |
| Guatemala   | 1.5                                 | 1.9   | 4.6    | 6.3   | 7.3    | 10.0  |
| Honduras  | 3.2                                 | 4.0   | 2.5    | 3.5   | 2.9    | 4.0   |
| Jamaica   | 0.2                                 | 0.3   | 1.0    | 1.3   | 0.3    | 0.5   |
| Mexico  | 7.9                                 | 9.9   | 4.5    | 6.2   | 3.9    | 5.3   |
| Nicaragua   | 0.3                                 | 0.3   | 0.3    | 0.4   | 1.3    | 1.7   |
| Panama  | 2.7                                 | 3.4   | 0.7    | 1.0   | 1.4    | 1.9   |
| Paraguay  | 2.3                                 | 2.9   | 2.4    | 3.3   | 0.7    | 1.0   |
| Peru  | 2.4                                 | 3.0   | 3.4    | 4.6   | 4.3    | 5.9   |
| Uruguay   | 0.5                                 | 0.6   | 0.6    | 0.8   | 2.9    | 4.0   |
| Other <sup>(1)</sup>                                      | 0.5                                 | 0.7   | 0.3    | 0.5   | 0.4    | 0.5   |
| Total Allowance for loan losses                           | \$79.7                              | 100.0 | \$72.8 | 100.0 | \$73.0 | 100.0 |
| Reserve for losses on off-balance sheet credit risk       |                                     |       |        |       |        |       |
| Colombia  | \$1.0                               | 14.0  | \$0.3  | 6.2   | \$0.0  | 1.0   |
| Dominican Republic  | 1.7                                 | 25.0  | 0.0    | 0.1   | 0.1    | 1.3   |
| Ecuador   | 2.6                                 | 38.3  | 2.1    | 39.7  | 2.8    | 57.2  |
| Guatemala   | 0.1                                 | 1.9   | 1.0    | 19.1  | 0.0    | 0.2   |
| Mexico  | 0.8                                 | 11.7  | 0.3    | 5.2   | 0.2    | 3.4   |
| Panama  | 0.1                                 | 1.0   | 0.5    | 9.8   | 0.4    | 8.6   |
| Venezuela   | 0.1                                 | 1.7   | 0.2    | 4.0   | 0.8    | 16.5  |
| Other <sup>(1)</sup>                                      | 0.4                                 | 6.4   | 0.8    | 15.9  | 0.5    | 11.8  |
| Total Reserve for losses on off-balance sheet credit risk | \$6.8                               | 100.0 | \$5.2  | 100.0 | \$4.8  | 100.0 |

Allowance for credit losses

|                    |        |      |       |      |       |      |
|--------------------|--------|------|-------|------|-------|------|
| Argentina          | \$14.7 | 17.0 | \$5.8 | 7.5  | \$9.2 | 11.9 |
| Brazil             | 9.1    | 10.6 | 17.9  | 22.9 | 12.3  | 15.9 |
| Chile              | 0.7    | 0.8  | 7.6   | 9.7  | 1.2   | 1.6  |
| Colombia           | 7.4    | 8.5  | 5.1   | 6.5  | 5.3   | 6.8  |
| Costa Rica         | 11.5   | 13.4 | 8.6   | 11.0 | 5.3   | 6.8  |
| Dominican Republic | 6.9    | 8.0  | 3.1   | 3.9  | 4.6   | 6.0  |
| Ecuador            | 6.3    | 7.3  | 4.5   | 5.7  | 11.1  | 14.3 |
| El Salvador        | 4.0    | 4.6  | 2.9   | 3.7  | 1.8   | 2.3  |

|                                   | As of December 31,                  |       |        |       |        |       |
|-----------------------------------|-------------------------------------|-------|--------|-------|--------|-------|
|                                   | 2014                                |       | 2013   |       | 2012   |       |
|                                   | Total                               | %     | Total  | %     | Total  | %     |
|                                   | (in \$ million, except percentages) |       |        |       |        |       |
| Germany                           | 3.1                                 | 3.6   | 0.0    | 0.0   | 0.0    | 0.0   |
| Guatemala                         | 1.6                                 | 1.9   | 5.6    | 7.2   | 7.3    | 9.4   |
| Honduras                          | 3.2                                 | 3.7   | 2.6    | 3.3   | 2.9    | 3.8   |
| Jamaica                           | 0.2                                 | 0.2   | 1.0    | 1.2   | 0.3    | 0.4   |
| Mexico                            | 8.7                                 | 10.0  | 4.8    | 6.2   | 4.1    | 5.2   |
| Nicaragua                         | 0.3                                 | 0.3   | 0.3    | 0.4   | 1.3    | 1.6   |
| Panama                            | 2.8                                 | 3.2   | 1.2    | 1.6   | 1.8    | 2.3   |
| Paraguay                          | 2.3                                 | 2.6   | 2.4    | 3.1   | 0.7    | 0.9   |
| Peru                              | 2.4                                 | 2.8   | 3.6    | 4.6   | 4.4    | 5.6   |
| Uruguay                           | 0.6                                 | 0.7   | 0.8    | 1.0   | 2.9    | 3.7   |
| Venezuela                         | 0.1                                 | 0.1   | 0.2    | 0.3   | 0.8    | 1.0   |
| Other <sup>(1)</sup>              | 0.6                                 | 0.7   | 0.3    | 0.4   | 0.4    | 0.5   |
| Total Allowance for credit losses | \$86.5                              | 100.0 | \$78.0 | 100.0 | \$77.8 | 100.0 |

<sup>(1)</sup> Other consists of allowances for credit losses allocated to countries in which allowances for credit losses outstanding did not exceed \$1 million for any of the periods.

The following table sets forth information regarding the Bank's allowance for loan losses by type of borrower as of December 31 of each year:

|  | As of December 31,                  |       |       |       |       |       |
|--|-------------------------------------|-------|-------|-------|-------|-------|
|  | 2014                                |       | 2013  |       | 2012  |       |
|  | Total                               | %     | Total | %     | Total | %     |
|  | (in \$ million, except percentages) |       |       |       |       |       |
| Private sector commercial banks and Financial Institutions | \$24                                | 29.8  | \$25  | 34.4  | \$20  | 26.9  |
| State-owned commercial banks                               | 7                                   | 8.2   | 5     | 7.2   | 9     | 12.6  |
| Central banks  | 1                                   | 1.5   | 1     | 0.8   | 0     | 0.0   |
| Sovereign debt   | 0                                   | 0.0   | 0     | 0.0   | 1     | 1.0   |
| State-owned organization                                   | 10                                  | 12.9  | 5     | 6.2   | 2     | 3.3   |
| Private middle - market companies                          | 5                                   | 6.8   | 10    | 14.3  | 11    | 14.9  |
| Private corporations                                       | 33                                  | 40.8  | 27    | 37.2  | 30    | 41.2  |
| Total  | \$80                                | 100.0 | \$73  | 100.0 | \$73  | 100.0 |

## Critical Accounting Policies

### General

The Bank prepares its consolidated financial statements in conformity with U.S. GAAP. As a result, the Bank is required to make estimates, judgments and assumptions in applying its accounting policies that have a significant impact on the results it reports in its consolidated financial statements. Some of the Bank's accounting policies require management to use subjective judgment, often as a result of the need to make estimates of matters that are inherently uncertain. The Bank's Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from the estimates.

The Bank's critical accounting estimates include assessments of allowances for fair value of certain financial instruments, credit losses, and impairment of securities available-for-sale and held-to-maturity. For information regarding the Bank's significant accounting policies, see Item 18, "Financial Statements," note 2.

#### *Variable interest entities*

VIEs 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:

- 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.

See Item 18, "Financial Statements," note 2(c).

#### *Fair Value of Financial Instruments*

The Bank determines the fair value of its financial instruments using the fair value hierarchy established in ASC Topic 820 – Fair Value Measurements and Disclosure, which requires the Bank to maximize the use of observable inputs (those that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market information obtained from sources independent of the reporting entity) and to minimize the use of

unobservable inputs (those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances) when measuring fair value. Fair value is used on a recurring basis to measure assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets and liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses various valuation techniques and assumptions when estimating fair value.

The Bank applied the following fair value hierarchy:

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

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



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

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

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

Additionally, as of December 31, 2014, 4.22% of the Bank's assets were accounted for at fair value using quoted market prices in an active market, and 0.87% of total assets were accounted for at fair value using internally developed models with significant observable market information.

The Bank's management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are limitations in any estimation technique. The estimated fair value amounts have been measured as of their respective year-ends, and have not been re-expressed or updated subsequent to the dates of these consolidated financial statements. As a result, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

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

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

Trading assets and liabilities and securities available-for-sale

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

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

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

### Investment Funds

The investment funds invest in trading assets and liabilities that are carried at fair value, which are based upon quoted market prices when available. For financial instruments for which quoted prices are not available, the investment funds use independent valuations from pricing providers that use their own proprietary valuation models that take into consideration discounted expected cash flows, using market rates commensurate with the credit quality and maturity of the security. These prices are compared to independent valuations from counterparties.

The investment funds are not traded in an active market and, therefore, representative market quotes are not readily available. Their fair value is adjusted on a monthly basis based on its financial results, its operating performance, its liquidity and the fair value of its long and short investment portfolio that are quoted and traded in active markets. Such investment is classified within level 2 of the fair value hierarchy.

### Derivative financial instruments

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

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

The fair value adjustments applied by the Bank to its derivative carrying values include credit valuation adjustments (“CVA”) which are applied to over-the-counter derivative instruments, in which the base valuation generally discounts expected cash flows using the London Interbank Offered Rate (“LIBOR”), interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant LIBOR curve, a CVA is necessary to incorporate the market view of both, counterparty credit risk and the Bank’s own credit risk, in the valuation.

Own-credit and counterparty CVA is determined using a fair value curve consistent with the Bank’s or counterparty credit rating. The CVA is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most of the Bank’s derivative instruments are negotiated bilateral contracts and are not commonly

transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the CVA may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of the Bank or its counterparties or due to the anticipated termination of the transactions.

Notwithstanding the level of subjectivity inherent in determining fair value, the Bank's management believes that its estimates of fair value are adequate. The use of different models or assumptions could lead to changes in the Bank's reported results. See Item 18, "Financial Statements," notes 21 and 24.

### *Allowance for Credit Losses*

The classification of the Bank's credit portfolio for allowances for credit losses under U.S. GAAP is determined by risk management and approved by the CPER of the Bank's Board through statistical modeling, internal risk ratings and estimates. Informed judgments must be made when identifying impaired loans, the probability of default, the expected loss, the value of collateral and current economic conditions. Even though the Bank's management considers its allowances for credit losses to be adequate, the use of different estimates and assumptions could produce different allowances for credit losses, and amendments to the allowances may be required in the future due to changes in the value of collateral, the amount of cash expected to be received or other economic events. In addition, risk management has established and maintains reserves for the probable credit losses related to the Bank's off-balance sheet exposures. See Item 18, "Financial Statements," note 2(n).

The estimates of the inherent risks of the Bank's portfolio and overall recovery vary with changes in the economy, individual industries or sectors, and countries and individual borrowers' or counterparties' concentrations, ability, capacity and willingness to repay their obligations. The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions. See Item 5, "Operating and Financial Review and Prospects/Operating Results/Allowance for Credit Losses."

### *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: (1) the length of time and extent to which the fair value has been less than cost, (2) the severity of the impairment, (3) the cause of the impairment and the financial condition of the issuer, (4) activity in the market of the issuer which may indicate adverse credit conditions, (5) the intent and ability of the Bank to retain the security for a sufficient period of time to allow for an anticipated recovery in the fair value (with respect to equity securities) and (6) 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 investment 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.

See Item 18, "Financial Statements," note 2(i).

## Recently Issued Accounting Standards

As of December 31, 2014, new accounting standards, modifications, interpretations, and updates to standards, (“ASU”), applicable to the Bank, have been issued but 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 its consolidated financial statements previously issued. The Bank does not anticipate any material impact on its consolidated financial statements upon adoption of this update.

### 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 a 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.

## B. Liquidity and Capital Resources

### Liquidity

Liquidity refers to the Bank's ability to maintain adequate cash flows to fund operations and meet obligations and other commitments on a timely basis. The Bank maintains its liquid assets mainly in demand deposits, overnight funds and time deposits with well-known international banks. These liquid assets are adequate to cover 24-hour deposits from customers, which theoretically could be withdrawn on the same day. As of December 31, 2014, the Bank's 24-hour deposits from customers (demand deposit accounts and call deposits) amounted to \$84 million, representing 3% of the Bank's total deposits. The liquidity requirement resulting from these maturities is satisfied by the Bank's liquid assets, which as of December 31, 2014 were \$741 million (representing 30% of total deposits) of which \$20 million corresponds to time deposits.



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

The Bank performs daily reviews, controls and periodic stress tests on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and to monitor the liquidity level according to the macroeconomic environment. The Bank determines the level of liquid assets to be held on a daily basis, adopting a Liquidity Coverage Ratio methodology referencing the Basel Committee guidelines. Additionally, specific limits have been established to control (1) cumulative maturity "gaps" between assets and liabilities, for each maturity classification presented in the Bank's internal liquidity reports, and (2) concentrations of deposits taken from any client or economic group maturing in one day and total maximum deposits maturing in one day.

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

The following table shows the Bank's liquid assets, by principal geographic area as of December 31 of each year:

|                          | As of December 31, |       |       |
|--------------------------|--------------------|-------|-------|
|                          | 2014               | 2013  | 2012  |
|                          | (in \$ million)    |       |       |
| Europe                   | \$0                | \$0   | \$0   |
| United States of America | 719                | 769   | 668   |
| Other O.E.C.D.           | 1                  | 62    | 21    |
| Multilateral             | 20                 | 0     | 0     |
| Other                    | 1                  | 0     | 1     |
| Total                    | \$741              | \$831 | \$690 |

As of December 31, 2014, liquidity amounted to \$741 million. \$616 million, or 83%, of liquid assets were deposited at the Federal Reserve Bank of New York. The remaining liquid assets consisted of short-term funds deposited with other banks.

While the Bank's liabilities generally mature over somewhat shorter periods than its assets, the associated liquidity risk is diminished by the short-term nature of the loan portfolio, as the Bank is engaged primarily in the financing of foreign trade. As of December 31, 2014, the Bank's short-term loan and investment securities portfolio (maturing within one year based on original contractual term) totaled \$3,638 million, (which comprised \$79 million of investment securities and the remaining \$3,559 million of loans) and had an average original term to maturity of 208 days and an average remaining term to maturity of 94 days.

Medium-term assets (loans and investment securities maturing beyond one year based on original contractual term) totaled \$3,442 million as of December 31, 2014. Of that amount, \$282 million corresponded to the Bank's securities available-for-sale portfolio and \$33 million corresponded to securities held to maturity. The remaining \$3,127 million in medium-term assets corresponded to the Bank's loan portfolio. As of December 31, 2014, the medium-term assets had an average original term to maturity of three years and ten months, and an average remaining term to maturity of one year and ten months (660 days).

### Credit Ratings

The cost and availability of financing for the Bank are influenced by its credit ratings, among other factors. The credit ratings of the Bank as of December 31, 2014, were as follows:

|                | As of December 31, 2014 |         |                   |
|----------------|-------------------------|---------|-------------------|
|                | Fitch                   | Moody's | Standard & Poor's |
| Short-Term     | F2                      | P-2     | A-2               |
| Long-Term      | BBB+                    | Baa2    | BBB               |
| Rating Outlook | Stable                  | Stable  | Stable            |

#### *Credit Rating from Fitch Ratings Ltd.*

On July 29, 2014, Fitch Ratings Ltd. ("Fitch"), confirmed the Bank's Issuer Default Rating ("IDR"), at "BBB+", which had been upgraded on July 31, 2012, with a stable outlook.

#### *Credit Rating from Moody's Investor Service, Inc.*

The credit ratings from Moody's Investor Service, Inc. ("Moody's"), have been unchanged since December 19, 2007, and on November 12, 2014, Moody's confirmed the Bank's credit ratings with a stable outlook.

#### *Credit Rating from Standard & Poor's*

The credit ratings from Standard & Poor's ("S&P"), have been unchanged since May 13, 2008, and on July 2, 2014, S&P confirmed the Bank's credit ratings with a stable outlook.

Critical factors supporting the Bank's investment-grade credit ratings include a substantial and continuous expansion in its core earnings, its historically solid asset quality, and strong tier one capitalization. Although the Bank closely monitors and manages factors influencing its credit ratings, there is no assurance that such ratings will not be lowered in the future.

#### Funding Sources

The Bank's principal sources of funds are deposits, borrowed funds and floating and fixed rate placements of securities. While these sources are expected to continue providing the majority of the funds required by the Bank in the future, the exact composition of the Bank's funding sources, as well as the possible use of other sources of funds, will depend upon future economic and market conditions. The following table shows the Bank's funding distribution as of December 31 of each year:

|   | As of December 31, |        |        |
|---|--------------------|--------|--------|
|   | 2014               | 2013   | 2012   |
|   | (in percentages)   |        |        |
| Interbank deposits                          | 35.2 %             | 36.0 % | 39.1 % |
| Securities sold under repurchase agreements | 4.2                | 4.4    | 2.7    |
| Borrowings and debts                        | 57.6               | 58.8   | 56.6   |
| Other liabilities                           | 2.9                | 0.9    | 1.6    |
| Total liabilities                           | 100.0%             | 100.0% | 100.0% |

Short- and long-term borrowings and debt are important funding sources for the Bank's loan portfolio because they allow the Bank to diversify its funding sources outside the Region, and because the Bank uses these borrowings and placements, which generally have longer maturities than deposits, to manage its asset and liability positions. See "Cash—Asset—Liability Management."

The Bank's short- and medium-term borrowings mainly come from international correspondent banks from the United States, Europe and Asia. Among those European banks with credit lines in favor of Bladex, the largest country concentrations are from banks located in the United Kingdom and Germany.

### *Deposits*

The Bank obtains deposits principally from central and commercial banks primarily located in the Region. As of December 31, 2014, 75% of the deposits held by the Bank were deposits made by central and state owned banks, and 16% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions. Many of these banks deposit a portion of their dollar reserves with the Bank. The average term remaining to maturity of deposits from central and state owned banks as of December 31, 2014, 2013, and 2012, was 54 days, 45 days, and 58 days, respectively. As of December 31, 2014, deposits from the Bank's five largest depositors, all of which were central banks in the Region, represented 51% of the Bank's total deposits. See Item 18, "Financial Statements," note 11.

The following table analyzes the Bank's deposits by country as of December 31 of each year:

|                    | As of December 31, |       |      |
|--------------------|--------------------|-------|------|
|                    | 2014               | 2013  | 2012 |
|                    | (in \$ million)    |       |      |
| Argentina          | \$68               | \$ 60 | \$68 |
| Bahamas            | 2                  | 2     | 2    |
| Barbados           | 15                 | 30    | 33   |
| Bolivia            | 1                  | 1     | 2    |
| Brazil             | 254                | 371   | 386  |
| Cayman Island      | 20                 | 19    | 21   |
| Colombia           | 19                 | 23    | 49   |
| Costa Rica         | 20                 | 18    | 0    |
| Dominican Republic | 6                  | 0     | 0    |
| Ecuador            | 567                | 598   | 471  |
| El Salvador        | 30                 | 25    | 25   |
| France             | 0                  | 1     | 2    |
| Germany            | 53                 | 50    | 0    |

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|                          |         |          |         |
|--------------------------|---------|----------|---------|
| Guatemala                | 70      | 70       | 20      |
| Haiti                    | 44      | 44       | 181     |
| Honduras                 | 161     | 138      | 86      |
| Jamaica                  | 1       | 1        | 1       |
| Mexico                   | 100     | 50       | 50      |
| Multilateral             | 57      | 32       | 0       |
| Nicaragua                | 76      | 72       | 59      |
| Panama                   | 406     | 372      | 235     |
| Paraguay                 | 269     | 274      | 275     |
| Peru                     | 17      | 0        | 30      |
| Trinidad and Tobago      | 19      | 19       | 29      |
| United Kingdom           | 0       | 0        | 74      |
| United States of America | 38      | 1        | 28      |
| Venezuela                | 193     | 91       | 191     |
| Total                    | \$2,507 | \$ 2,361 | \$2,317 |

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*Securities Sold Under Repurchase Agreements and Short-Term Borrowings and Debt*

The Bank enters into repos with international banks, utilizing its investment securities portfolio as collateral to secure cost-effective funding. Repos are accounted as secured financings in the financial statements. As of December 31, 2014, repos amounted to \$300 million, an increase of \$14 million from \$286 million as of December 31, 2013, and an increase of \$142 million from \$158 million as of December 31, 2012. See Item 18, "Financial Statements," note 13.

The Bank's short-term borrowings and debt consist of borrowings from banks that have maturities of up to 365 days, and debt instruments from notes issued under the Bank's Euro Medium-Term Note Program. Short-term borrowings are made available to the Bank on an uncommitted basis for the financing of trade-related loans. Approximately twelve European banks, seven North American banks, four Latin American banks, three Asian banks, and one multilateral bank provide these short-term borrowings to the Bank.

During 2014, the Bank issued short-term private placements through its Euro Medium-Term Note Program. As of December 31 2014, short-term issuances under the program amounted to \$88 million, placed primarily in Asia, Europe, Japan, Middle East and Latin America.

As of December 31, 2014, short-term borrowings and debt amounted to \$2,693 million, a decrease of \$12 million compared to \$2,705 million as of December 31, 2013. The average term remaining to maturity of short-term borrowings and debt as of December 31, 2014 was 130 days. See Item 18, "Financial Statements," notes 13 and 14.

The following table presents information regarding the amounts outstanding under, and interest rates on, the Bank's short-term borrowings and repos at the dates and during the periods indicated.

|   | As of and for the Year Ended December 31, |          |          |
|---|---|----------|----------|
|   | 2014                                      | 2013     | 2012     |
|   | (in \$ million, except percentages)       |          |          |
| Short-term borrowings, debt and securities sold under repurchase agreements       |   |          |          |
| Advances from banks and financial institutions                                    | \$ 2,693                                  | \$ 2,705 | \$ 1,449 |
| Securities sold under repurchase agreements                                       | 300                                       | 286      | 158      |
| Total short-term borrowings, debt and securities sold under repurchase agreements | \$ 2,993                                  | \$ 2,991 | \$ 1,607 |
| Maximum amount outstanding at any month-end                                       | \$ 2,993                                  | \$ 2,991 | \$ 1,607 |

|  |          |   |          |   |          |   |
|--|----------|---|----------|---|----------|---|
| Amount outstanding at year-end                                   | \$ 2,993 |   | \$ 2,991 |   | \$ 1,607 |   |
| Average amount outstanding                                       | \$ 2,471 |   | \$ 2,275 |   | \$ 1,126 |   |
| Weighted average interest rate on average amount outstanding     | 0.95     | % | 1.17     | % | 1.81     | % |
| Weighted average interest rate on amount outstanding at year end | 0.79     | % | 0.89     | % | 1.27     | % |

#### Long-term borrowings and debt

Borrowings consist of long-term and syndicated loans obtained from international banks. Debt instruments consist of notes issued under the Bank's Euro Medium-Term Note Program, and local currency bond issuances in Latin America.

Interest rates on most long-term borrowings are adjusted quarterly or semi-annually based on short-term LIBOR rates plus a credit spread. The credit spread is defined according to several factors, including credit ratings, risk perception, and the original contractual term to maturity. The Bank uses these funds primarily to finance its medium-term and long-term loan portfolio. As of December 31, 2014, the average term remaining to maturity of the Bank's medium and long-term borrowing and debt was two years and four months (862 days).



The following table presents information regarding the amounts outstanding under, and interest rates on, the Bank's long-term borrowings and debt at the dates and during the periods indicated. See Item 18, "Financial Statements," Consolidated Balance Sheets as of December 31, 2014 and 2013, and notes 15 and 21, and Item 11, "Quantitative and Qualitative Disclosure About Market Risk."

|  | As of and for the Year Ended December 31, |   |          |   |          |   |
|--|---|---|----------|---|----------|---|
|  | 2014                                      |   | 2013     |   | 2012     |   |
|  | (in \$ million, except percentages)       |   |          |   |          |   |
| Borrowings and long-term debt                                    |   |   |          |   |          |   |
| Amount outstanding at year-end                                   | \$ 1,405                                  |   | \$ 1,154 |   | \$ 1,906 |   |
| Maximum amount outstanding at any month-end                      | \$ 1,587                                  |   | \$ 1,893 |   | \$ 2,153 |   |
| Average amount outstanding                                       | \$ 1,389                                  |   | \$ 1,318 |   | \$ 1,894 |   |
| Weighted average interest rate on average amount outstanding     | 2.86                                      | % | 3.08     | % | 2.79     | % |
| Weighted average interest rate on amount outstanding at year end | 2.71                                      | % | 3.06     | % | 2.92     | % |

As part of its interest rate and currency risk management, the Bank may from time to time enter into foreign exchange forwards, cross-currency contracts and interest rate swaps to hedge the risk associated with a portion of the notes issued under its various programs.

On May 7, 2014, the Bank successfully closed a \$250 million three-and-a-half year global syndicated loan. This transaction further enhanced the Bank's successful track record of global syndications in support of the Bank's medium-term lending activities.

On October 1, 2013, the Bank successfully closed a \$103 million three-year syndicated loan structured placed in the Asian financial markets. The transaction further enhanced the Bank's presence in Asian markets.

The Bank is a party to certain financing agreements which contain financial covenants and minimum required ratios related to capital adequacy, loan loss reserves to non-performing loans, non-performing loans to total loans, allowance for credit losses to Commercial Portfolio, and short-term assets to short-term liabilities, with which the Bank must comply. The Bank is, and has remained, in compliance with such financial covenants.

### ***Debt Capital Markets***

#### *Program in Mexico*

In 2012, the Bank established a short- and long-term notes program, (“Mexico Program”), in the Mexican local market, registered with “Mexican National Registry of Securities” (*Registro Nacional de Valores*) maintained by the “National Banking and Securities Commission” (*Comisión Nacional Bancaria y de Valores*), for an authorized aggregate principal amount of 10 billion Mexican Pesos or its equivalent in “Investment Unit” (*Unidades de Inversión*), U.S. dollars or Euros, and with maturities from one day to 30 years. As of December 31, 2014, the total amount outstanding under this program was Pesos 4.0 billion (four billion Mexican Pesos) or approximately \$272 million U.S. dollar equivalent, consisting of two issuances of “certificados bursátiles” in the Mexican capital markets as follows: (i) Bladex12 in the principal amount of Pesos 2.0 billion (two billion Mexican pesos) or approximately \$136 million U.S. dollar equivalent, issued in March 2012 and due in March 2015, and (ii) Bladex14 in the principal amount of Pesos 2.0 billion (two billion Mexican pesos) or approximately \$136 million U.S. dollar equivalent, issued in July 2014, and due in January 2018.

#### *Euro Medium Term Note Program*

The Bank has established a Euro Medium-Term Note Program, which is primarily targeted at non-bank institutional investors and includes multiple placements with short-, medium-, and long-term tenors. As of December 31, 2014, total outstanding amount under this program was \$577 million, which included a Rule 144A/Regulation S offering with an aggregate principal amount of \$400 million due in 2017. During 2014, the Bank issued short-term private placements through its Euro Medium-Term Note Program. As of December 31 2014, short-term issuances under the program amounted to \$88 million, placed primarily in Asia, Europe, Japan, Middle East and Latin America.

## Cost and Maturity Profile of Borrowed Funds and Floating-Rate and Fixed-Rate Placements

The following table sets forth certain information regarding the weighted average cost and the remaining maturities of the Bank's borrowed funds and floating and fixed-rate placements (including repos) as of December 31, 2014:

|  | Amount<br>(in \$ million, except percentage) | Weighted Average Cost |   |
|--|--|-----------------------|---|
| Short-term borrowings and Securities sold under repurchase agreements at fixed interest rate |  |                       |   |
| Due in 0 to 30 days  | \$ 255                                       | 0.82                  | % |
| Due in 31 to 90 days   | 858  | 0.77                  | % |
| Due in 91 to 180 days  | 212  | 0.82                  | % |
| Due in 181 to 365 days   | 232  | 1.07                  | % |
| Total  | \$ 1,557                                     | 0.83                  | % |
| Short-term borrowings at floating interest rate  |  |                       |   |
| Due in 0 to 30 days  | \$ 95  | 0.71                  | % |
| Due in 31 to 90 days   | 363  | 0.73                  | % |
| Due in 91 to 180 days  | 431  | 0.80                  | % |
| Due in 181 to 365 days   | 459  | 0.83                  | % |
| Total  | \$ 1,348                                     | 0.78                  | % |
| Short-term fixed-rate placements   |  |                       |   |
| Due in 0 to 30 days  | \$ 8   | 1.04                  | % |
| Due in 31 to 90 days   | 9  | 0.90                  | % |
| Due in 181 to 365 days   | 61   | 0.62                  | % |
| Total  | \$ 78  | 0.70                  | % |
| Short-term floating-rate placements  |  |                       |   |
| Due in 181 to 365 days   | \$ 10  | 0.99                  | % |
| Total  | \$ 10  | 0.99                  | % |
| Medium and long-term borrowings at fixed interest rate                                       |  |                       |   |
| Due in 91 to 180 days  | \$ 25  | 1.50                  | % |
| Due in 1 through 6 years   | 40   | 1.52                  | % |
| Total  | \$ 65  | 1.51                  | % |
| Medium and long-term borrowings at floating interest rate                                    |  |                       |   |
| Due in 91 to 180 days  | \$ 15  | 0.93                  | % |
| Due in 181 to 365 days   | 60   | 1.18                  | % |
| Due in 1 through 6 years   | 504  | 1.58                  | % |
| Total  | \$ 579                                       | 1.52                  | % |

|   |          |      |   |
|---|----------|------|---|
| Medium and long-term fixed-rate placements    |          |      |   |
| Due in 181 to 365 days                        | \$ 401   | 3.75 | % |
| Due in 1 through 6 years                      | 64       | 3.75 | % |
| Total   | \$ 465   | 3.75 | % |
| Medium and long-term floating-rate placements |          |      |   |
| Due in 31 to 90 days                          | \$ 136   | 3.96 | % |
| Due in 1 through 6 years                      | 161      | 3.37 | % |
| Total   | \$ 297   | 3.64 | % |
| Grand Total                                   | \$ 4,399 | 1.41 | % |

### Cash flows

Management believes that cash flows from operations, the Bank's adequate reserve coverage levels, and its ability to generate cash through its financing activities (such as deposits and short and long-term borrowings and debt) are sufficient to fund its investing activities (which are mainly comprised of the Bank's core lending activities), as well as the Bank's operating liquidity needs.

The following discussion highlights the major activities and transactions that affected the Bank's cash flows during 2014, 2013, and 2012.

*Cash flows from operating activities*

The Bank's operating activities mainly include cash generated by net income, adjustments converting the items reported on the income statement from the accrual basis of accounting to cash, net changes in non-interest-earning assets or operating assets, and net changes in non-interest-bearing liabilities or operating liabilities.

For the year ended December 31, 2014, net cash provided by operating activities was \$170.5 million. Net cash was mainly provided by net income of \$106.5 million during the year 2014, along with the net increase of \$116.5 million in other liabilities, mainly in acceptances outstanding, and the net variance of \$33.3 million in derivatives financial instruments, partially offset by the net increase of \$118.1 million in other assets, mainly in customers' liabilities under acceptances.

For the year ended December 31, 2013, net cash provided by operating activities was \$54.6 million. Net cash was mainly provided by net income of \$80.6 million during the period, partially offset by a net decrease of \$32.2 million in trading liabilities.

For the year ended December 31, 2012, net cash provided by operating activities was \$97.1 million, resulting primarily from net income of \$93.3 million, a net decrease in the portfolio of the Fund by \$14.5 million (mainly due to redemptions of a portion of the Bank's interest therein), and the net variance in derivatives financial instruments of \$47.7 million. This was partially offset by a net increase of \$26.7 million in trading liabilities, which were mainly composed of freestanding derivative financial instruments and a net decrease of \$14.3 million in trading assets.

*Cash flows from investing activities*

The Bank's investing activities predominantly include loans originated by the Bank, as well as the portfolio of securities available-for-sale and securities held-to-maturity. Investing activities can vary significantly in the normal course of business due to the amount and timing of cash flows, which are affected by client-driven activities and demand, market conditions, and business strategies.

For the year ended December 31, 2014, net cash of \$605 million was used in investing activities, mainly from a net increase in loans of \$1,052 million, and the purchase of \$344 million of investment securities, partially offset by inflows from the sale of loans and securities available-for-sale of \$516 million and \$223 million, respectively.

For the year ended December 31, 2013, net cash of \$602 million was used in investing activities, primarily as a result of a net increase in loans of \$521 million from increased commercial activity, and an increase of \$333 million in available-for-sale and held-to-maturity investment securities, which were partially offset by inflows from the net sale of loans and investment securities of \$89 million and \$106 million, respectively, and proceeds of \$20 million from securities held-to-maturity which matured during the year.

For the year ended December 31, 2012, net cash of \$504 million was used in investing activities, mostly in the form of a net increase in loans of \$909 million as a result of increased commercial activity, which was partially offset by inflows from the net sale of \$146 million of loans and the sale of investment securities of \$255 million.

*Cash flows from financing activities*

The Bank's financing activities primarily reflect cash flows related to raising deposits from central banks as well as state-owned and private banks and corporations in the Region, short-term borrowings and debt from international correspondent banks, secured financing from repos, and proceeds from, and repayments of, long-term borrowings and debt through bilateral or syndicated borrowing facilities, as well as issuances in the capital markets.

For the year ended December 31, 2014, net cash provided by financing activities was \$345 million, which was primarily the result of a net cash increase of \$641 million on proceeds from long-term borrowings and debt, and a net increase of \$145 million from depositors, which was partially offset by net repayments of \$389 million in long-term borrowings and debt and \$54 million paid as cash dividends.

For the year ended December 31, 2013, net cash provided by financing activities was \$685 million, as the net cash increase of \$1,384 million provided by short-term borrowings and debt and repos more than offset the net repayments of \$752 million in long-term borrowings and debt.

In 2012, net cash provided by financing activities was \$310 million. This was mainly due to a net increase in borrowings and long-term debt of \$418 million, offset by a decrease in short-term borrowings and repos of \$93 million.

#### *Asset/Liability Management*

The Bank seeks to manage its assets and liabilities to reduce the potential adverse impact on net interest income that could result from interest rate changes. The Bank controls interest rate risk through systematic monitoring of maturity and repricing mismatches. The Bank's investment decision-making takes into account not only the rates of return and the respective underlying degrees of risk, but also liquidity requirements, including minimum cash reserves, withdrawal and maturity of deposits and additional demand for funds. For any given period, a matched pricing structure exists when an equal amount of assets and liabilities are repriced. An excess of assets or liabilities over these matched items results in a "gap" or "mismatch," as shown in the table under "Interest Rate Sensitivity" below. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on net interest income. Most of the Bank's assets and most of its liabilities are denominated in U.S. dollars and, therefore, the Bank has no material foreign exchange risk. The foreign exchange risk is mitigated by the use of derivatives, which, though economically perfectly hedged, might give rise to some accounting volatility.

#### Interest Rate Sensitivity

The Bank actively uses interest rate swaps as part of its interest rate risk management. Interest rate swaps are contracted either in a single currency or cross-currency for a prescribed period in order to exchange a series of interest payment flows, which generally involve swapping fixed for floating-rate.

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The following table presents the projected maturities and interest rate adjustment periods of the Bank's assets, liabilities and stockholders' equity based upon the contractual maturities and rate-adjustment (repricing) dates as of December 31, 2014. The Bank's interest-earning assets and interest-bearing liabilities and the related interest rate sensitivity gap shown in the following table may not reflect positions in subsequent periods.

|  | Total | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | More than 365 Days | Non-Interest Sensitive / without maturity |
|--|-------|-----------|------------|-------------|--------------|--------------------|---|
| (in \$ million, except percentages)                                    |       |           |            |             |              |                    |   |
| Interest-earning assets  |       |           |            |             |              |                    |   |
| Cash, due from banks & interest-bearing deposits with banks            | 780   | 780       | 0          | 0           | 0            | 0                  | 0   |
| Securities available-for-sale  | 339   | 46        | 37         | 68          | 3            | 185                | 0   |
| Securities held to maturity  | 54    | 22        | 3          | 9           | 8            | 12                 | 0   |
| Investment funds   | 58    | 0         | 0          | 0           | 0            | 0                  | 58  |
| Loans, net   | 6,686 | 1,860     | 2,608      | 1,834       | 315          | 69                 | 0   |
| Total interest-earning assets  | 7,917 | 2,708     | 2,648      | 1,912       | 325          | 266                | 58  |
| Non-interest earning assets, allowance for loan losses and other asset | 108   | 0         | 0          | 0           | 0            | 0                  | 108                                       |
| Total assets   | 8,025 | 2,708     | 2,648      | 1,912       | 325          | 266                | 166                                       |



|  | Total | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | More than<br>365 Days | Non-Interest<br>Sensitive /<br>without<br>maturity |
|--|-------|-----------|------------|-------------|--------------|-----------------------|--|
| (in \$ million, except percentages)                    |       |           |            |             |              |                       |  |
| Interest-bearing liabilities                           |       |           |            |             |              |                       |  |
| Deposits   | 2,507 | 1,603     | 455        | 277         | 147          | 25                    | 0  |
| Securities sold under repurchase agreements            | 300   | 46        | 249        | 5           | 0            | 0                     | 0  |
| Borrowings and debt                                    | 4,098 | 1,288     | 1,242      | 938         | 516          | 114                   | 0  |
| Total interest-bearing liabilities                     | 6,905 | 2,937     | 1,946      | 1,220       | 663          | 139                   | 0  |
| Non-interest-bearing liabilities                       | 209   | 0         | 0          | 0           | 0            | 0                     | 209  |
| Total liabilities                                      | 7,114 | 2,937     | 1,946      | 1,220       | 663          | 139                   | 209  |
| Stockholders' equity                                   | 911   | 0         | 0          | 0           | 0            | 0                     | 911  |
| Total liabilities and stockholders' equity             | 8,025 | 2,937     | 1,946      | 1,220       | 663          | 139                   | 1,120  |
| Interest rate sensitivity gap                          | 0     | (228 )    | 702        | 692         | (338 )       | 127                   | (955 )   |
| Cumulative interest rate sensitivity gap               |       | (228 )    | 474        | 1,166       | 827          | 955                   | 0  |
| Cumulative gap as a % of total interest-earning assets |       | -3 %      | 6 %        | 15 %        | 10 %         | 12 %                  | 0 %  |

The Bank's interest rate risk is the exposure of earnings (current and potential) and capital to adverse changes in interest rates and is managed by attempting to match the term and repricing characteristics of the Bank's interest rate sensitive assets and liabilities. The Bank's interest rate risk typically arises from the Bank's liability sensitive short-term position, which means that the Bank's interest-bearing liabilities tend to reprice more quickly than the Bank's interest-earning assets. This is offset by the short-term nature of the Bank's interest-earning assets, namely liquid assets and loan portfolio, and the fact that most of the assets and liabilities pricing is based on short-term market rates (LIBOR-based) with contractual re-pricing schedules for longer term transactions. As a result, there is a potential adverse impact on the Bank's net interest income from interest rate increases in the very short term (up to 30 days as of December 31, 2014), which reverts in the following 31-to-90-days period, when the cumulative interest rate gap becomes asset-sensitive, with a potential positive impact on net interest income from that period on. The Bank's policy with respect to interest rate risk provides that the Bank establishes limits with regards to: (1) changes in net interest income due to a potential impact, given certain movements in interest rates and (2) changes in the amount of available equity funds of the Bank, given a one basis point movement in interest rates.

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

#### Stockholders' Equity

The following table presents information concerning the Bank's capital position at the dates indicated:

|  | As of December 31, |           |           |
|--|--------------------|-----------|-----------|
|  | 2014               | 2013      | 2012      |
|  | (in \$ thousand)   |           |           |
| Common stock   | \$279,980          | \$279,980 | \$279,980 |
| Additional paid-in capital in excess of assigned value of common stock | 117,339            | 118,646   | 121,419   |
| Capital reserves   | 95,210             | 95,210    | 95,210    |
| Retained earnings  | 510,046            | 458,699   | 422,048   |
| Accumulated other comprehensive loss                                   | (13,885 )          | (12,575 ) | (730 )    |
| Treasury stock   | (77,627 )          | (82,008 ) | (91,452 ) |
| Total stockholders' equity   | \$911,063          | \$857,952 | \$826,475 |

As of December 31, 2014, stockholders' equity amounted to \$911 million, compared to \$858 million as of December 31, 2013 and compared to \$826 million as of December 31, 2012.

During 2014, stockholders' equity increased \$53 million compared to 2013. This increase was primarily due to a \$51 million increase in retained earnings as a result of net income attributable to the Bank's stockholders of \$107 million for the year ended December 31, 2014, which was partially offset by \$56 million declared as cash dividends.

During 2013, stockholders' equity increased \$32 million compared to 2012, mainly as a result of: (i) a \$37 million increase in retained earnings due to the \$85 million net income attributable to the Bank's stockholders, which was partially offset by \$48 million declared as cash dividends and (ii) a \$9 million decrease in treasury stock. These increases were partially offset by a \$12 million decrease in accumulated other comprehensive losses from a decrease in the fair market value of securities and/or hedging instruments associated with such securities.

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

As of December 31, 2014, the capital ratio of total stockholders' equity to total assets was 11.4%, and the Bank's Tier 1 and total capital ratios calculated according to Basel I capital adequacy guidelines were 15.3% and 16.5%, respectively. As of December 31, 2014, the Bank's total capital to risk-weighted asset ratio, calculated according to the guidelines of the Banking Law, was 15.14%.

The Bank has adopted Basel III capital adequacy guidelines and determined the Bank's Tier 1 Basel III capital ratio to be 15.6% as of December 31, 2014.

See Item 4, "Information on the Company—Business Overview—Regulations," and Item 18, "Financial Statements," notes 26 and 28.

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

Not applicable.

D. Trend Information

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

Changes in global economic conditions, including the prices of oil and other commodities, the U.S. dollar exchange rate, interest rates, slower economic growth in developed countries and trading partners, and the effect that these changes may have on the economic condition of countries in the Region, including the Region's foreign trade growth, and, therefore, the growth of the Bank's trade financing business;

The Region may be impacted by growth in high-income economies that is lower than anticipated, which could affect the Region's growth prospects in export industries;

The outlook assumes a decline in the prices of raw materials. The moderation of growth in the Chinese economy continues to impact other emerging economies, in particular given the significance of Chinese demand in global commodities markets. The sustainability of elevated growth in China continues to be of a concern because of the negative impact decreased levels of growth could have on long-term trends in the markets for commodities and raw materials, as well as the negative impact that a general slowdown in the Chinese economy could have on the global economy.

A continued gradual decrease in monetary stimuli could result in an increase in global interest rates. As a result, capital flows to the Region could be significantly curtailed. A slowdown in capital flows could potentially destabilize exchange rates and the financing of current account balances, which may cause inflationary pressures and tighter monetary policies. A resulting economic slowdown or related political events in the Region could have an adverse effect on the growth prospects in the Region, and the Bank's asset quality and operations.

Risk perception in the markets in which the Bank operates, increased competition, and U.S. dollar liquidity, which could affect spreads over the cost of funds on the Bank's loan portfolio and, in turn, impact the Bank's net interest spreads.

A continued downturn in global capital markets, or a continued downturn in investor confidence, which could affect the Bank's access to funding or increase its cost of funding.

#### *Year 2014*

Global economic growth was relatively unstable in 2014, given the disparate level of growth between the different economies throughout the world and the shifting of capital flows from emerging markets to more mature markets. Oil prices began to fall sharply in July 2014, accelerating downward toward the end of the year, which added further volatility to the global economy, and the economies of the Region in particular. This also resulted in decreased prices and demand for other significant export commodities from the Region. Together with greater exchange rate volatility, this adversely impacted Latin American foreign trade flows, which exhibited only minor growth in 2014.

In 2014, the Bank's net income amounted to \$106.9 million, an increase of \$22 million, or 26% compared to \$84.8 million in 2013. This increase was driven by the positive performance of the Bank's core business activities, with growth in the Commercial Portfolio, net margins and revenue, and improved efficiency on lower expenses, while maintaining strong asset quality. These factors were complemented by a positive trend in non-core results from the Bank's participation in investment funds.

The Bank's Commercial Portfolio increased to \$7.2 billion as of December 31, 2014, an 8% increase from \$6.6 billion as of December 31, 2013, which reflected increased demand for the Bank's lending products. As of December 31, 2014, the Bank's non-accrual portfolio amounted to \$4.0 million or 0.06% of total loan portfolio balances, compared to \$3.1 million or 0.05% of total loan portfolio balances as of December 31, 2013. The allowance for credit losses to Commercial Portfolio coverage ratio was 1.20% as of December 31, 2014, compared to 1.18% as of December 31, 2013.

Deposit balances stood at \$2.5 billion as of December 31, 2014, representing 35% of total liabilities, compared to \$2.4 billion, or 36% of total liabilities as of December 31, 2013. Short-term borrowings and debt, including repos, totaled \$3.0 billion as of December 31, 2014, nearly unchanged compared to December 31, 2013, while long-term borrowings and debt totaled \$1.4 billion as of December 31, 2014, up 22% year-on-year. Weighted average funding costs for the year ended December 31, 2014 was 1.07%, a decrease of 26 basis points, compared to 1.33% for the year ended December 31, 2013.

*Year 2013*

The Bank's net income totaled \$84.8 million in 2013, compared to \$93.0 million in 2012.

As of December 31, 2013, the Bank's Commercial Portfolio amounted to \$6,630 million, an increase of \$677 million, or 11% compared to \$5,953 million as of December 31, 2012. This reflected an increased demand for the Bank's lending products, as the Bank's core competencies allowed it to compete effectively within a challenging financial sector and debt capital markets conditions, along with moderate economic growth in the Region. The non-accrual portfolio amounted to \$3.1 million as of December 31, 2013, compared to zero as of December 31, 2012. The reserve to Commercial Portfolio coverage ratio was 1.18% as of December 31, 2013 compared to 1.31% as of December 31, 2012, a reflection of the improved risk profile of the Bank's portfolio composition. The deposits balance amounted to \$2,361 million, an annual increase of 2%, and represented 36% of total financial liabilities as of December 31, 2013. Short-term borrowings and debt, including repos, totaled \$2,991 million as of December 31, 2013, while long-term borrowings and debt totaled \$1,154 million as of December 31, 2013, a 39% decrease over the year, as the Bank opted to pre-pay certain medium-term obligations with remaining tenors of less than a year, as part of its proactive funding and interest rate position management. Consequently, weighted average funding costs for the year ended December 31, 2013 were 1.33%, a decrease of 30 basis points compared to 1.63% for the year ended December 31, 2012.

In addition, see Item 3.D. “Key Information—Risk Factors,” for a discussion of the risks the Bank faces, which could affect the Bank’s business, results of operations and/or financial condition.

#### E. Off-Balance Sheet Arrangements

In the normal course of business, in order to meet the financing needs of its customers, the Bank is party to financial instruments with off-balance sheet credit risk. As of December 31, 2014, the Bank’s off-balance sheet arrangements included confirmed letters of credit, stand-by letters of credit, guarantees (covering commercial risk), and credit commitments (including unused commitments and other commitments). These arrangements are kept off-balance sheet as long as the Bank does not incur an obligation relating to them or itself become entitled to an asset. Such off-balance sheet arrangements are exposed to credit and market risk. Therefore, a reserve for losses on off-balance sheet credit risk is recognized on the balance sheet, with the resulting provision recorded in the income statement. As of December 31, 2014, total reserves for losses on off-balance sheet arrangements amounted to \$7 million, compared to \$5 million as of December 31, 2013 and 2012. See Item 18, “Financial Statements,” notes 8 and 19.

As of December 31, 2014, the total off-balance sheet portfolio amounted \$386 million, compared to \$480 million as of December 31, 2013, and \$235 million as of December 31, 2012.

Fees and commission income from off-balance sheet arrangements amounted to \$10 million for the years ended December 31, 2014, and 2013, respectively, compared to \$8 million for the year ended December 31, 2012.

For additional information, see Item 5 “Operating and Financial Review and Prospects—Operating Results—Fees and Commissions, net.”

No obligations have arisen from variable interest entities as defined in U.S. GAAP, including indemnification agreements with the Bank’s executive officers and directors. The Bank provides indemnity insurance pursuant to which directors and officers are indemnified or insured against liability or loss under certain circumstances, including liabilities or related losses arising under the Securities Act and the Exchange Act.

#### F. Tabular Disclosure of Contractual Obligations

The following tables set forth information regarding the Bank’s contractual obligations and commercial commitments as of December 31, 2014.

| Contractual Obligations   | Payments Due by Period |                     |             |             |                      |
|---|------------------------|---------------------|-------------|-------------|----------------------|
|   | Total                  | Less than 1<br>year | 1 – 3 years | 3 – 5 years | More than<br>5 years |
|   | (in \$ million)        |                     |             |             |                      |
| Deposits  | \$2,507                | \$ 2,482            | \$ 25       | \$ 0        | \$ 0                 |
| Securities sold under repurchase agreement                          | 300                    | 300                 | 0           | 0           | 0                    |
| Short-term borrowings and debt                                      | 2,693                  | 2,693               | 0           | 0           | 0                    |
| Long-term borrowings and debt <sup>(1)</sup>                        | 1,405                  | 236                 | 1,075       | 30          | 64                   |
| Accrued interest payable  | 15                     | 15                  | 0           | 0           | 0                    |
| Future contractual interest payable, not yet accrued <sup>(2)</sup> | 108                    | 13                  | 64          | 6           | 26                   |
| Leasehold obligations <sup>(3)</sup>                                | 23                     | 2                   | 5           | 3           | 12                   |
| Total contractual obligations                                       | \$7,051                | \$ 5,741            | \$ 1,169    | \$ 39       | \$ 102               |



(1) Certain debt obligations are subject to covenants that could accelerate the payment of these obligations.

Consists of future interest payable on interest-bearing liabilities and their hedges, calculated on the basis of their respective interest rates as of December 31, 2014 for the days remaining to maturity. Some of these obligations (2) have floating interest rates which could fluctuate in the future and hence change the value of interest payable accordingly.

Obligations under the agreement for the leasing of the Bank's new offices commenced in June of 2012. Minimum (3) payments have not been reduced by minimum sublease rentals of \$2.1 million due in the future under non-cancelable subleases.

| Other Commercial Commitments | Amount of Commitment Expiration by Period |                     |             |             |                      |
|------------------------------|---|---------------------|-------------|-------------|----------------------|
|                              | Total                                     | Less than 1<br>year | 1 – 3 years | 3 – 5 years | More than<br>5 years |
|                              | (in \$ million)                           |                     |             |             |                      |
| Letters of credit (4)        | \$ 252                                    | \$ 252              | \$ 0        | \$ 0        | \$ 0                 |
| Stand-by letters of credit   | 53  | 31                  | 21          | 0           | 0                    |
| Guarantees                   | 37  | 31                  | 6           | 0           | 0                    |
| Other commercial commitments | 159                                       | 93                  | 53          | 12          | 1                    |
| Total Commercial Commitments | \$ 501                                    | \$ 407              | \$ 81       | \$ 12       | \$ 1                 |

(4) Includes customers' liabilities under acceptances outstanding (on-balance sheet assets) for a total amount of \$114 million as of December 31, 2014.

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

See Item 18, "Financial Statements," notes 19 and 20.

## Item 6. Directors, Executive Officers and Employees

### A. Directors and Executive Officers

#### **Directors**

The following table sets forth certain information concerning the Directors of the Bank as of the date of this Annual Report.

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| Name   | Country of<br>Citizenship | Position Held with<br>The Bank | Year Term<br>Expires | Director<br>Since | Age |
|--|---------------------------|--------------------------------|----------------------|-------------------|-----|
| <b>CLASS A</b>   |                           |                                |                      |                   |     |
| Esteban Alejandro Acerbo<br>Second Vice President        |                           |                                |                      |                   |     |
| Banco de la Nación Argentina, Argentina                  | Argentina                 | Director                       | 2017                 | 2010              | 53  |
| Roland Holst<br>Director                                 |                           |                                |                      |                   |     |
| Banco Central de Paraguay, Paraguay                      | Paraguay                  | Director                       | 2017                 | 2014              | 45  |
| João Carlos de Nóbrega Pecego<br>Chief Executive Officer |                           |                                |                      |                   |     |
| Banco Patagonia, Argentina                               | Brazil                    | Director                       | 2016                 | 2010              | 51  |
| <b>CLASS E</b>   |                           |                                |                      |                   |     |
| Mario Covo<br>Managing Partner                           |                           |                                |                      |                   |     |
| DanaMar LLC, U.S.A.                                      | U.S.A.                    | Director                       | 2017                 | 1999              | 57  |
| Herminio A. Blanco<br>Chief Executive Officer            |                           |                                |                      |                   |     |
| Soluciones Estratégicas Consultoría, Mexico              | Mexico                    | Director                       | 2016                 | 2004              | 64  |
| Maria da Graça França<br>Brazil                          |                           |                                |                      |                   |     |
|  | Brazil                    | Director                       | 2016                 | 2004              | 66  |
| William D. Hayes<br>President                            |                           |                                |                      |                   |     |
| Whaleco, Inc., U.S.A.                                    | U.S.A.                    | Director                       | 2016                 | 2004              | 71  |

| Name   | Country of<br>Citizenship | Position Held with<br>The Bank | Year Term<br>Expires | Director<br>Since | Age |
|--|---------------------------|--------------------------------|----------------------|-------------------|-----|
| Miguel Heras<br>Executive Director<br>Inversiones Bahia Ltd., Panama | Panama                    | Director                       | 2018                 | 2015              | 46  |
| <b>ALL CLASSES OF COMMON STOCK <sup>(1)</sup></b>                    |                           |                                |                      |                   |     |
| Gonzalo Menéndez Duque<br>Director<br>Banco de Chile, Chile          | Chile                     | Chairman of the<br>Board       | 2018                 | 1990              | 66  |
| Rubens V. Amaral Jr.<br>Chief Executive Officer<br>Bladex, Panama    | Brazil                    | Director                       | 2018                 | 2012              | 55  |

<sup>(1)</sup> Denotes class(es) of common stock of the Bank that elect the directors listed.

**Esteban Alejandro Acerbo** has served as a Director of the Board since 2010. Mr. Acerbo has served as Second Vice President of Banco de la Nación Argentina since 2012, President of Nación Factoring S.A. and Vice President of the General Auditing, Legal and Operations Committee of Banco de la Nación Argentina since 2014, Director of Banco de la Nación Argentina from 2006 to 2012 and President of Nación Leasing from 2006 to 2014. Mr. Acerbo has also served as main advisor of the Administrative Council on behalf of the partners and members of Garantizar – Sociedad de Garantías Recíprocas, President of Nación Reaseguros S.A., Compañía de Reaseguros from 2011 to 2012. Mr. Acerbo is President of the following Commissions of Banco de la Nación Argentina: Commercial and Individual Banking since 2010 and from 2006 until 2008, Risk and Collection from 2008 to 2010 and Planning and Control from 2009 until 2010. He also has served as Vice President of the International Relations and Foreign Trade Commission of Banco de la Nación Argentina from 2008 to 2014 and was Vice President of the Finance and Credit Policy Commission from 2006 to 2008. Mr. Acerbo was an Associate of the Treasury Division of the Ministry of Economy of Argentina in 2005, Advisor and associate in accounting, taxes and finance to the Chamber of Commerce, Industry and Production, Daireaux, Argentina from 1991 to 2001. Prior to that, Mr. Acerbo was Principal of Estudio Acerbo y Asociados from 1989 to 2005, member of the Development Commission of the Production Office of the Daireaux Municipality, Argentina from 2001 to 2004 and associate in tax policy for the creation of industrial parks in different districts of the Buenos Aires Province in Argentina from 1991 to 2001. Mr. Acerbo holds a degree of Public Accountant from Universidad Nacional del Sur, Argentina, and a degree of Chartered Accountant with honors from Colegio Nacional y Sección Comercial Anexa de Daireaux, Argentina. Mr. Acerbo's professional experience in the fields of tax, accounting and finance qualifies him to serve on the Board.

**Roland Holst** has served as Director of the Board since 2014. Dr. Holst has served as Director of the Board of Banco Central del Paraguay since 2012. He was Head of Fixed Income Research at State Street Global Markets in Boston, MA from 2007 to 2011 and Quantitative Analyst at Starmine Corp. in San Francisco, CA from 2006 to 2007. He was Teaching Assistant of Econometrics, Public Finance, Finance, Program Evaluation, Macroeconomics and Labor Economics at the University of Chicago from 2003 to 2006. Dr. Holst worked at Garantia PFP, a pension fund, as Investment Manager from 1997 to 2001 and General Manager of Bolsa de Valores de Asunción, Paraguay from 1995 to 1997. He is the author of Social Security and Policy Risk: *Evidence of its effects on welfare costs and savings*

published in 2007. Dr. Holst holds a Ph.D. in Public Policy and a Master in Economics from the University of Chicago. He also holds a Master in Economics from Universidad Católica de Asunción, Paraguay, degrees in Economics and Agronomy from Universidad Nacional de Asunción, Paraguay and a Financial Risk Manager (FRM) certification. Mr. Holst's professional experience in the fields of finance and economics and his academic skills qualify him to serve on the Board.

**João Carlos de Nóbrega Pecego** has served as Director of the Board since 2010. Mr. Pecego has served as Chief Executive Officer of Banco Patagonia, Argentina since 2014, Director of Visa Argentina since 2012, Vice President of Banco Patagonia, Argentina from 2011 to 2014, President of GPAT Compañía Financiera from 2012 to 2014 and Regional General Manager – Head of Latin America of Banco do Brasil based in Argentina since 2009. He has been employed by Banco do Brasil in various capacities since 1978, holding the positions of Executive Regional Manager of the South Region of Brazil (Rio Grande do Sul, Santa Catarina and Parana) from 2006 to 2009, Executive Manager responsible for Corporate and Project Finance from 2003 to 2006, Executive Manager of the Corporate Area of Banco do Brasil in Sao Paulo from 2000 to 2003, Regional Superintendent of the Sao Paulo Unit from 1995 to 2000, General Manager of the main agencies of Banco do Brasil in Sao Paulo from 1990 to 1995, and in various other capacities from 1978 to 1990. Mr. Pecego holds a degree in Business Administration from Universidad Costa Braga, Sao Paulo, a postgraduate degree in Business Management from Instituto San Luiz, Sao Paulo and an MBA in International Business from Fundación Don Cabral, Minas Gerais and in Marketing from Pontificia Universidade Católica do Rio de Janeiro –PUC-, Rio de Janeiro. Mr. Pecego’s professional experience related to the banking industry qualifies him to serve on the Board.

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

**Herminio A. Blanco** has served as a Director of the Board since 2004. Dr. Blanco is the founder and CEO of Soluciones Estratégicas Consultoría, in Mexico City. Since October 2014, he has been the Chairman of the Board of IBERDROLA Mexico. Dr. Blanco is a founder of IQOM, a consulting corporation and a daily analytical electronic newspaper specializing in international trade in Latin America. Dr. Blanco has served on the boards of Banorte and CYDSA since 2006 and Arcelor Mittal Steel U.S. since 2004. He has been a member of the International Advisory Committee of Mitsubishi Corporation and the Trilateral Commission since 2000. He was the Secretary of Trade and Industry of Mexico from 1994 to 2000, the Undersecretary for International Negotiations from 1993 to 1994 and Mexico’s Chief Negotiator of the North American Free Trade Agreement (NAFTA) from 1990 to 1993. Dr. Blanco was a member of the Council of Economic Advisors to the President of Mexico from 1985 to 1988. He was also responsible for the negotiation of a free trade agreement with the European Union and the European Free Trade Area and various other free trade agreements with Latin American countries and with Israel. Dr. Blanco also contributed to the launching of negotiations for the free trade agreement with Japan. He was Assistant Professor of Economics at Rice University, in Houston, Texas from 1980 to 1985. Dr. Blanco served as senior advisor to the Finance Minister of Mexico from 1978 to 1980. Dr. Blanco holds a B.A. in Economics from Instituto Tecnológico de Estudios Superiores de Monterrey, a M.A. and a Ph.D. in Economics from University of Chicago. Dr. Blanco’s extensive experience and background in foreign trade along with his academic and consulting skills qualify him to serve on the Board.

**Maria da Graça França** has served as a Director of the Board since 2004. Ms. França served as Director of Internal Control of Banco do Brasil from 2006 to 2007. She also served in various other capacities during her tenure with Banco do Brasil, since 1971, as Head of North America and General Manager of Banco do Brasil, New York Branch from 2004 to 2005, Executive General Manager of the International Division in Brasilia, Brazil from 2002 to 2003, Regional Manager for the operations of the Bank in South America based in Argentina in 2002, General Manager of Banco do Brasil, Paris Branch from 1999 to 2002, Deputy General Manager of Banco do Brasil, Miami Branch from 1993 to 1999, General Manager of the department responsible for Banco do Brasil's foreign network from 1992 to 1993, Deputy General Manager for foreign exchange from 1989 to 1992, Assistant Manager within the Risk Management Area from 1988 to 1989, Assistant Manager for foreign exchange internal controls from 1984 to 1987 and employee in the Foreign Exchange Department from 1971 to 1984. Ms. França holds a degree in Economics and Accounting from Universidad Federal de Uberlandia-Minaias Gerais, Brazil. Ms. França's experience managing operations and internal controls in international banking as well as her extensive tenure with Banco do Brasil, provide her unique insight, and qualify her to serve on the Board.

**William Dick Hayes** has served as a Director of the Board since 2004 and as a Director of Bladex Asset Management from 2008 to 2013. Mr. Hayes has served as President of Whaleco, Inc., New York since 1994, as Managing Director of MacGregor Design Development, LLC, Connecticut since 2006 and as Chairman and charter member of the Board of Directors and the Investment Committee of Tricon Forfeiting Fund Limited, Bermuda since 2000. He served as Managing Director-Emerging Markets and Global Head of Emerging Market Fixed Income Sales and in other Latin American regional capacities, based in London and New York, for West Merchant Bank, Chartered WestLB and Standard Chartered Merchant Bank from 1987 to 2000. Mr. Hayes served as Senior Vice President - Trading for Libra Bank Limited, New York Agency from 1986 to 1987, Principal of W.D. Hayes and Associates, California from 1984 to 1986, and in numerous administrative, lending and Latin American investment banking functions for Wells Fargo Bank, N.A., San Francisco, California from 1969 to 1984. Mr. Hayes holds a B.A. and MBA from Stanford University and he pursued additional graduate studies at Instituto Tecnológico y de Estudios Superiores de Monterrey. Mr. Hayes' diversified financial services industry experience, including his experience in emerging markets and exposure to international capital markets qualify him to serve on the Board.

**Miguel Heras** has served as a Director of the Board since April 16, 2015. Since 1999, Mr. Heras has served as Executive Director and a member board of Inversiones Bahia, Ltd. in Panama, the largest investment group in Central America, focusing on the financial, infrastructure, real estate, and communications areas. He leads the private equity and venture capital efforts of the group. He also serves on various other boards throughout Latin America, including Cable Onda since 2009, Sistemas de Generación S.A. (SIGSA) and the Biodiversity Museum since 2008, Televisora Nacional and Bahia Motors since 2007, and Industrias Panama Boston since 1999. Mr. Heras has served as Director of Banco Continental de Panama from 2002 to 2007 and was also a member of its ALCO Committee. In addition, Mr. Heras was the negotiator for the acquisition of several banking institutions and in 2007 he led the negotiation for the merger of Banco Continental with Banco General to create one of the largest banks in Central America. He was also a member of the board of directors of Amnet Telecommunications Holdings, the leading provider of pay TV and triple play services in Central America from 2005 to 2008, Tricom from 2009 to 2014, Vice Chairman of the board of Cable and Wireless (Panama) Inc. from 1997 to 1999 and a member of the board of the Panamanian Stock Exchange from 1999 to 2005. Mr. Heras was Minister of the Treasury of the Republic of Panama from 1996 to 1998 and President of the Council on Foreign Trade. He also served as Vice Minister of the Treasury from 1994 to 1996. Mr. Heras holds a Bachelor Degree in Economics from the Wharton School of Commerce and Finance at the University of Pennsylvania. Mr. Heras' professional expertise in economics, finance and private equity and his experience as a board member in different companies, qualify him to serve on the Board.

**Gonzalo Menéndez Duque** has served as a Director of the Board since 1990 and Chairman of the Board since 2002. Mr. Menéndez Duque is a senior director of the Luksic companies in Chile and serves as Director of the following Luksic group holding companies: Banco de Chile since 2001, Aguas de Antofagasta S.A. since 2004, Andsberg Investment Ltd. since 2007, Andsberg Ltd. since 2007, Antofagasta Group since 1997, Antofagasta PLC since 1985, Holdings Quiñenco since 1996, Socofin S.A. since 2010, Compañía Sudamericana de Vapores S.A. and SAAM since 2011, Sociedad Matriz SAAM S.A., since 2012 and Empresa Nacional de Energía Enx S.A. since 2013. In addition, he has served as President of Inversiones Vita S.A. and Director of Inversiones Vita Bis since 2000, all Luksic group companies. He also serves as Vice Chairman of Fundación Andrónico Luksic A. and Fundación Educacional Luksic since 2005, and Director of Inmobiliaria e Inversiones Rio Claro S.A. since 2013. Previously, Mr. Menéndez Duque served as Director and President of several companies related to Grupo Luksic since 1985, including the following: Banco de A. Edwards and related companies, Banco Santiago, Empresas Lucchetti, S.A., Banco O'Higgins, Banchile Corredores de Bolsa S.A. and Banchile Administradora General de Fondos. Mr. Menéndez Duque was previously the

Chairman of the Board of Bladex from 1995 to 1997. Mr. Menéndez holds a degree in Business Administration and Accounting with honors from Universidad de Chile. Mr. Menéndez Duque's skills, leadership and managerial experience in large complex organizations in various extensively regulated industries, and his experience as a board member in different companies, qualify him to serve on the Board.



**Rubens V. Amaral Jr.** has served as a Director of the Board and Chief Executive Officer of the Bank since August 2012. Prior to his appointment as the Chief Executive Officer, Mr. Amaral was Executive Vice President, Chief Commercial Officer of the Bank, and the alternate to the Chief Executive Officer since April 2004. He previously served as General Manager and Managing Director for North America at Banco do Brasil, New York Branch, and a Director of the Board of Bladex from 2000 to 2004. Mr. Amaral served in various capacities with Banco do Brasil since 1975, holding the positions of Managing Director of the International Division and alternate member of the board of directors in 1998, among others. Mr. Amaral also served as a representative in banking supervision for the Central Bank of Brazil from 1982 to 1988, and in various roles at institutions in the banking industry, including Honorary President of the Global Network of Exim Banks and Development Finance Institutions (G-Nexid) since 2013, Trustee of the Board of Trustees of the Institute of International Bankers - IIB, a member of the Advisory Board of the Center for Latin America Studies at the George Washington University, a member of the International Advisory Council at the Bankers Association for Finance and Trade - BAFT, and a Director of the Brazilian American Chamber of Commerce, in New York. He is a graduate in Economics, and he holds a special certification from the Association of Alumni of the Brazilian Superior School of War in Political and Economic Affairs. Mr. Amaral's extensive knowledge of Bladex in different capacities, his expertise in the financial services industry, as well as his managerial experience and strong leadership skills qualify him to serve on the Board.

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

### *Executive Officers*

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

| Name                 | Position Held with The Bank                          | Country of Citizenship | Age |
|----------------------|--|------------------------|-----|
| Rubens V. Amaral Jr. | Chief Executive Officer                              | Brazil                 | 55  |
| Ulysses Marciano     | Executive Vice President<br>Chief Commercial Officer | Brazil                 | 47  |
| Daniel Otero         | Executive Vice President<br>Chief Risk Officer       | Argentina              | 45  |
| Miguel Moreno        | Executive Vice President<br>Chief Operating Officer  | Colombia               | 61  |
| Christopher Schech   | Executive Vice President<br>Chief Financial Officer  | Germany                | 50  |
| Gustavo Díaz         | Executive Vice President<br>Chief Audit Officer      | Colombia               | 52  |

Presented below is a brief biographical description of each executive officer that is not a member of the Bank's Board:

**Rubens V. Amaral Jr.** Please see the information provided under “Directors” discussed above.

**Ulysses Marciano Jr.** has served as Executive Vice President, Chief Commercial Officer of the Bank since May 2012. Mr. Marciano previously served as Director of Corporate Banking & Governments of the Bank from 2008 to 2011. Prior to his reincorporation to Bladex, he was Executive Director of Corporate Banking of BBVA Representative Office, São Paulo, Brazil. He has served in various capacities with Banco Santander Brasil S/A since 2003, holding the positions of Senior Banker – Corporate & Investment Banking from 2006 to 2008, Senior Relationship Manager – Corporate & Investment Banking Group from 2004 to 2006. Mr. Marciano has an MBA degree from Instituto Brasileiro de Mercado de Capitais - IBMEC, a Post Graduate in Business Administration from Escola de Administração de Empresas da Fundação Getulio Vargas - FGV, and a B.S. degree in Economics from Oswaldo Cruz – São Paulo.

**Daniel Otero** has served as Executive Vice President, Chief Risk Officer of the Bank since August 2012. Mr. Otero has over 23 years of international financial experience. Prior to joining the Bank, he was Chief Risk Officer of Centro Financiero BHD, Santo Domingo, Dominican Republic from 2006 to 2012. Prior to that, he has served in various capacities with PricewaterhouseCoopers Buenos Aires, PricewaterhouseCoopers Santiago de Chile, and PricewaterhouseCoopers London since 1990. Mr. Otero is founder director of the Global Association of Risk Professionals and the Professional Risk Managers International Association, both in Argentina. He is a Certified Public Accountant from Universidad de Buenos Aires, Argentina.

**Miguel Moreno** has served as Executive Vice President, Chief Operating Officer of the Bank since July 2007. He previously served as Senior Vice President and Controller of the Bank since September 2001. He was a Management Consulting Partner for PricewaterhouseCoopers LLP, Bogotá, Colombia, from 1988 to 2001, and served as Vice President of Information Technology and Operations for Banco de Crédito, Bogotá, Colombia, from 1987 to 1988. Mr. Moreno served as Chief Executive Officer of TM Ingeniería, Bogotá, Colombia, from 1983 to 1987, and as Head of Industrial Engineering Department, Universidad de Los Andes, Colombia, from 1982 to 1984. Mr. Moreno was employed by SENA, Colombia, as Chief of the Organization and Systems Office, from 1977 to 1981, and served as Advisor to the Minister for the Finance and Public Credit Ministry of Colombia, from 1976 to 1977. Mr. Moreno holds a B.S. degree and a M.S. degree in Industrial Engineering, both from Universidad de Los Andes, in Colombia.

**Christopher Schech** has served as Executive Vice President, Chief Financial Officer of the Bank since 2012, and as Senior Vice President and Chief Financial Officer of the Bank since September 2009. Previously, Mr. Schech served as Chief Financial Officer in the Region International division at Volvo Financial Services, part of AB Volvo Group based in Gothenburg, Sweden, covering operations in Latin America, Eastern Europe, Asia and Australia. Prior to that, Mr. Schech served in various capacities in Audit, Finance, and Business Development at General Electric Company (GE), from 1996 to 2008. Mr. Schech's background also includes serving in various positions in the Financial Services Audit Division at Coopers & Lybrand Deutsche Revision in Frankfurt, Germany, from 1990 to 1996. Mr. Schech is a certified Public Tax Advisor, and holds a M.S. degree in Economic Studies from the University of Konstanz, Germany.

**Gustavo Díaz** has served as Executive Vice President, Chief Audit Officer of the Bank since February 2014. He previously served as Senior Vice President and Controller of the Bank since September 2009. Prior to joining the Bank, he served as Chief Audit Executive for Central American Bank for Economic Integration (CABEI) in Honduras covering operations in Central America, from 2000 to 2009. Prior to that, he served as Director of Internal Audit and Chief Compliance Officer for Corporación Financiera del Valle (Corfivalle) in Colombia, from 1994 to 2000. Mr. Díaz served in various capacities with KPMG Colombia and KPMG Chile, from 1985 to 1994 specializing in the financial industry. Mr. Díaz has an MBA and a M.S. degree in Professional Management, both from the University of Miami, a Postgraduate in Finance with a specialization in International Business from Universidad ICESI, Colombia, and B.S. degree in Accounting from Universidad Jorge Tadeo Lozano, Colombia. Mr. Díaz has CIA, CFSa, and CCSA certifications, granted by The Institute of Internal Auditors (IIA), and AML/CA certification granted by Florida International Bankers Association (FIBA) and Florida International University (FIU).

**B. Compensation**

Compensation Consultant

The Nomination and Compensation Committee has authority to retain compensation consulting firms to assist it in the evaluation of executive officer and employee compensation and benefit programs. During 2014, the Nomination and Compensation Committee did not retain or obtain the advice of any compensation consultant.

## *Cash and Stock-Based Compensation*

### **Executive Officers Compensation**

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

The aggregate amount of cash compensation paid by the Bank during the year ended December 31, 2014, to the executive officers employed in the Bank's Head Office as a group for services in all capacities was \$2,541,734. During the fiscal year ended December 31, 2014, the Bank accrued, and paid on February 19, 2015, performance-based bonuses to the Bank's executive officers in the aggregate amount of \$1,364,931.

In February 2008, the Board approved the 2008 Stock Incentive Plan (the "2008 Plan"), which allows the Bank, from time to time, to grant restricted shares, restricted stock units, stock options and/or other stock-based awards to the directors, executive officers and non-executive employees of the Bank.

On February 11, 2014, the Bank granted to current executive officers 47,737 restricted stock units and 315,971 stock options. These stock options have an exercise price of \$25.15 and an expiration date of February 11, 2021. The restricted stock units vest 25% per year, measured from the award date, on each anniversary of the award date. The options vest 25% per year, measured from the award date, on each anniversary of the award date. As of December 31, 2014, the compensation cost charged against the Bank's 2014 income in connection with these restricted stock units and stock options was \$354,184. The total remaining compensation cost of \$1,246,773 will be charged over a period of 3.12 years.

The Bank sponsors a defined contribution plan for its expatriate officers. The Bank's contributions are determined as a percentage of the eligible officer's annual salary, with each officer contributing an additional amount withheld from his salary. All contributions are administered by a trust through an independent third party. During 2014, the Bank charged to salaries expense \$133,493 with respect to the contribution plan. As of December 31, 2014, the total amount set aside or accrued by the Bank under this plan amounted to \$222,102.

### **2014 Chief Executive Officer Compensation**

The 2014 compensation of the Bank's Chief Executive Officer included an annual base salary of \$350,000, a performance-based cash bonus of \$350,000, a performance-based restricted stock units grant with a value of \$630,000, an aggregate of \$14,000 from the Bank to the Chief Executive Officer's contribution plan, and limited perquisites and other benefits amounting to \$14,105. In addition, the Chief Executive Officer has a contractual severance payment of \$350,000 in the event of his termination without cause.

***Results of the 2014 Advisory Vote on Compensation of Executive Officers***

At the Company's annual meeting of shareholders held on April 16, 2014, our shareholders were asked to approve, on an advisory basis, the Bank's fiscal 2013 executive officers' compensation programs (commonly referred to as "say on pay" proposal). A substantial majority (81.09%) of the votes cast on the say on pay proposal at that meeting were voted in favor of the proposal. The Nomination and Compensation Committee believes that these results affirm our shareholders' support for the Bank's approach to executive compensation, and therefore did not change its approach in 2014. The Nomination and Compensation Committee will continue working to ensure that the design of the Bank's executive officers' compensation program is focused on long-term shareholder value creation and emphasizes pay for performance.

### ***Compensation and Risk***

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

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

### **Board of Directors Compensation**

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

The Chairman of the Audit and Compliance Committee receives an additional annual retainer of \$8,500 and the Chairmen of the Nomination and Compensation Committee, Risk Policy and Assessment Committee, and Finance and Business Committee (formerly the Assets and Liabilities Committee), each receives an additional annual retainer of \$5,000. The non-Chairman members of the Audit and Compliance Committee receive an additional annual retainer of \$3,000.

The aggregate amount of cash compensation paid by the Bank during the year ended December 31, 2014 to the directors of the Bank as a group for their services as directors was \$1,134,875.

As approved by the Board of Directors on December 9, 2014, each non-employee director of the Bank receives an annual equity compensation of 6,000 restricted shares and the Chairman of the Board receives an annual equity compensation of 9,000 restricted shares, granted once a year under the 2008 Plan.

The aggregate number of restricted shares awarded during the year ended December 31, 2014, to non-employee directors of the Bank as a group under the 2008 Plan was 28,500 class E shares. As of December 31, 2014, the total cost for these restricted shares amounted to \$862,125 of which \$139,711 was registered during 2014, and the

remaining compensation cost of \$722,414 for these restricted shares will be charged against income over a period of 2.54 years.

### **Beneficial Ownership**

As of December 31, 2014, the Bank's executive officers and directors as a group, beneficially owned an aggregate of 358,987 class E shares, representing approximately 1.2% (based on 29,956,100 class E shares outstanding as of December 31, 2014) of all issued and outstanding class E shares as of such date. "Beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is deemed to be the beneficial owner of securities that can be acquired within 60 days from December 31, 2014 through the exercise of any option or through the vesting of any restricted stock or restricted stock units. Ordinary shares subject to options that are currently exercisable or exercisable within 60 days, or that constitute restricted stock or restricted stock units that will vest within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such options, restricted stock or restricted stock units, but are not deemed outstanding for computing the ownership percentage of any other person.



The following table sets forth information regarding beneficial ownership of the Bank's class E shares, including stock options, deferred equity units, and restricted stock units and holdings of unvested stock options, unvested deferred equity units, and unvested restricted stock units by the Bank's executive officers as of December 31, 2014. Except where noted, all holders listed below have sole voting power and investment power over the shares beneficially owned by them. Unless otherwise noted, the address of each person listed below is c/o Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama, Republic of Panama.

| Name and Position of Executive Officer                                       | Number of Shares Owned as of Dec. 31, 2014 <sup>(1)</sup> | Number of Shares that may be acquired within 60 days of Dec. 31, 2014 <sup>(2)</sup> | Total Number of Shares Beneficially Owned | Percent of Class Beneficially Owned | Stock Options <sup>(3)</sup> | Unvested Restricted Stock Units (2008 Stock Incentive Plan) <sup>(4)</sup> |
|--|---|--|---|-------------------------------------|------------------------------|--|
| Rubens V. Amaral Jr.<br>Chief Executive Officer                              | 94,525  | 91,687   | 186,212                                   | *                                   | 218,750                      | 23,523   |
| Ulysses Marciano Jr.<br>Executive Vice President<br>Chief Commercial Officer | 0   | 9,809  | 9,809                                     | *                                   | 0                            | 24,233   |
| Miguel Moreno<br>Executive Vice President<br>Chief Operating Officer         | 0   | 13,975   | 13,975                                    | *                                   | 6,396                        | 14,210   |
| Daniel Otero<br>Executive Vice President<br>Chief Risk Officer               | 0   | 3,026  | 3,026                                     | *                                   | 0                            | 7,549  |
| Christopher Schech<br>Executive Vice President<br>Chief Financial Officer    | 265   | 14,192   | 14,457                                    | *                                   | 18,229                       | 13,221   |
| Gustavo Díaz<br>Executive Vice President<br>Chief Audit Officer              | 2,300   | 4,181  | 6,481                                     | *                                   | 0                            | 6,556  |
| <b>Total</b>   | <b>97,090</b>   | <b>136,870</b>   | <b>233,960</b>                            |                                     | <b>243,375</b>               | <b>89,292</b>  |

\*Less than one percent of the outstanding class E shares.

<sup>(1)</sup> Includes shares purchased by the executive and restricted stock units or Deferred Equity Units vested and transferred to the executive as of such date.

<sup>(2)</sup> Includes vested traditional stock options, as well as options, restricted stock units that will vest within 60 days of December 31, 2014.

<sup>(3)</sup> Includes 236,979 and 6,396 stock options granted to executives officers on February 11, 2014 and February 14, 2012, respectively, under the 2008 Plan. Also, an aggregate amount of 27,808 and 3,319 stock options were granted

to other non-executive employees under the 2008 Plan on February 14, 2012 and February 15, 2011, respectively. The exercise price and expiration date of these stock options are as follows: Grant of February 11, 2014, exercise price of \$25.15 and expiration date of February 11, 2021, Grant of February 14, 2012, exercise price of \$18.93 and expiration date of February 14, 2019; Grant of February 15, 2011, exercise price of \$17.81 and expiration date of February 15, 2018. Any unvested portion of the grants referenced above that will not vest within 60 days of December 31, 2014, is not deemed to be beneficially owned by the individuals listed in the table.

Includes 35,805, 45,377 and 8,110 unvested restricted stock units granted to executive officers on February 11, 2014, February 5, 2013, and February 14, 2012, respectively, under the 2008 Plan; these restricted stock units vest 25% each year on the relevant grant date's anniversary. Also, an aggregate amount of 20,195, and 2,742 restricted stock units were granted to other non-executive officers under the 2008 Plan on February 14, 2012, and February 15, 2011, respectively. Any unvested portion of the grants referenced above that will not vest within 60 days of December 31, 2014, is not deemed to be beneficially owned by the individuals listed in the table.

The following table sets forth information regarding beneficial ownership of the Bank's class E shares, including restricted shares, indexed stock options, and stock options and holdings of unvested restricted shares, unvested indexed stock options, and unvested stock options by members of the Bank's Board, as of December 31, 2014:

| Name of Director                             | Number of Shares Owned as of Dec. 31, 2014 <sup>(1)</sup> | Number of Shares that may be acquired within 60 days of Dec. 31, 2014 <sup>(2)</sup> | Total Number of Shares Beneficially Owned | Percent of Class Beneficially Owned | Restricted Shares <sup>(3)</sup> |
|--|---|--|---|-------------------------------------|----------------------------------|
| Esteban Alejandro Acerbo <sup>(4)</sup>      | 0   | 0  | 0   | *                                   | 0                                |
| João Carlos de Nóbrega Pecego <sup>(5)</sup> | 0   | 0  | 0   | *                                   | 0                                |
| Roland Holst                                 | 0   | 0  | 0   | *                                   | 3,000                            |
| Mario Covo                                   | 21,765  | 0  | 21,765                                    | *                                   | 8,362                            |
| Herminio Blanco                              | 47,494  | 0  | 47,494                                    | *                                   | 8,362                            |
| Maria da Graça França                        | 14,040  | 0  | 14,040                                    | *                                   | 8,362                            |
| William D. Hayes                             | 8,127   | 0  | 8,127                                     | *                                   | 8,362                            |
| Guillermo Güémez García <sup>(6)</sup>       | 3,762   | 0  | 3,762                                     | *                                   | 7,260                            |
| Gonzalo Menéndez Duque                       | 29,839  | 0  | 29,839                                    | *                                   | 12,542                           |
| Total  | 125,027   | 0  | 125,027                                   | *                                   | 56,250                           |

\* Less than one percent of the outstanding class E shares.

<sup>(1)</sup> Includes class E shares purchased by the director or restricted shares vested and transferred to the director pursuant to the 2003 Restricted Stock Plan and the 2008 Plan as of such date.

<sup>(2)</sup> Includes vested / unexercised traditional stock options.

<sup>(3)</sup> Includes unvested restricted class E shares granted under the Bank's 2008 Plan. An aggregate amount of 28,500 restricted shares were granted to directors on July 15, 2014; these restricted shares vest 35% in the first and second year and 30% in the third year on the relevant grant date's anniversary.

<sup>(4)</sup> 15,779 class E shares corresponding to Mr. Acerbo's entitlement under the 2008 Plan have been issued to his employer, Banco de la Nación Argentina.

<sup>(5)</sup> 15,779 class E shares corresponding to Mr. Pecego's entitlement under the 2008 Plan have been issued to his employer, Banco do Brasil.

<sup>(6)</sup> Mr. García ceased serving as a director on April 16, 2015.

### ***Stock Ownership Policy for Directors and Executive Officers***

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

Under these guidelines each director, within three years of joining the Board, is required to accumulate 4,500 shares (6,750 for the Chairman of the Board), and to maintain at least this ownership level while serving as a member of the Board. Presently, all Board members are in compliance with the guidelines as they apply to them.

The Chief Executive Officer is required to own shares of the Bank's common stock worth at least two and a half times his annual base salary. Other executive officers are required to own stock equal to one time their annual base salary. These executive officers have up to seven years to comply with this share ownership requirement, measured from the later of the date of adoption of these guidelines or the date that they became subject to the guidelines. All executive officers named in the Beneficial Ownership table in this Annual Report on Form 20-F are in compliance with the guidelines as they apply to them.

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

For additional information regarding stock options granted to executive officers and directors, see Item 18, "Financial Statements," note 17.

**C. Board Practices*****Non-Executive Officers of the Board, (“Dignatarios”)***

The following table sets forth the names, countries of citizenship and ages of the Board’s non-executive officers (“*dignatarios*”) and their current office or position with other institutions. *Dignatarios* are elected annually by the members of the Board. *Dignatarios* attend meetings of the Board, participate in discussions and offer advice and counsel to the Board, but do not have the power to vote (unless they also are directors of the Bank).

| Name   | Country of Citizenship | Position held by Dignatario with the Bank | Age |
|--|------------------------|---|-----|
| Gonzalo Menéndez Duque<br>Director<br>Banco de Chile, Chile  | Chile                  | Chairman of the Board                     | 66  |
| Maria da Graça França  | Brazil                 | Treasurer                                 | 66  |
| Ricardo Manuel Arango<br>Partner<br>Arias, Fábrega & Fábrega | Panama                 | Secretary                                 | 54  |

For information regarding the date of expiration of the current term of office of the members of the Board and the period during which the directors have served in that office, see Item 6 “Directors and Executive Officers.”

**Committees of the Board**

During the fiscal year ended December 31, 2014, the Board held seven meetings. Directors attended an average of 99% of the total number of Board meetings held during the fiscal year ended December 31, 2014.

The committees of the Board are composed of directors and executive officers of the Bank. The following table sets forth the five committees, of which four committees are currently outstanding, established by the Board, the number of director members of each committee, the total number of participants of each committee and the total number of meetings held by each committee during the fiscal year ended December 31, 2014:

Committee

|                                       | Number of director members | <b>Total number of participants</b> (*) | Total number of meetings held |
|---------------------------------------|----------------------------|---|-------------------------------|
| Audit and Compliance Committee        | 5                          | 7                                       | 6                             |
| Risk Policy and Assessment Committee  | 5                          | 9                                       | 5                             |
| Assets and Liabilities Committee (**) | 5                          | 6                                       | 3                             |
| Finance and Business Committee (**)   | 4                          | 6                                       | 2                             |
| Nomination and Compensation Committee | 4                          | 5                                       | 6                             |

(\*) In addition to director members, each committee is comprised of certain non-member participants, as described with respect to each committee below.

(\*\*) On July 14, 2014 the Assets and Liabilities Committee was replaced by the Finance and Business Committee.

#### Audit and Compliance Committee

The Audit and Compliance Committee is a standing committee of the Board. According to its Charter, the Audit and Compliance Committee must be comprised of at least three directors. The current members of the Audit and Compliance Committee are Esteban Alejandro Acerbo (Chairman), Gonzalo Menéndez Duque, Herminio Blanco and Maria da Graça França. The current non-member participants of the Audit and Compliance Committee are Gustavo Díaz, Executive Vice President, Chief Audit Officer and Julio Javier Antelo, Vice President of Compliance.

The Board has determined that all members of the Audit and Compliance Committee are independent directors under the terms defined by applicable laws and regulations, including rules promulgated by the SEC under the Sarbanes-Oxley Act, Section 303A of the Manual for Companies listed on the NYSE-Euronext, and Rules No. 05-2011 and 05-2014 of the Superintendency of Banks of Panama. In addition, at least one of the members of the Audit and Compliance Committee is an “audit committee financial expert,” as defined by the SEC in Item 407 of Regulation S-K. The Audit and Compliance Committee’s financial expert is Gonzalo Menéndez Duque.

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

The Audit and Compliance Committee meets at least six times per year, as required by the Superintendency, or more often if the circumstances so require. During the fiscal year ended December 31, 2014, the committee met six times.

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

The Charter of the Audit and Compliance Committee requires an annual self-evaluation of the committee’s performance.

The Audit and Compliance Committee pre-approved all audit and non-audit services of the Bank’s independent auditors in 2014.

The Audit and Compliance Committee’s Charter may be found on the Bank’s website at <http://www.bladex.com/investors/Committees-bod-charters>.

*Risk Policy and Assessment Committee*

The Risk Policy and Assessment Committee is a standing committee of the Board. The current members of the Risk Policy and Assessment Committee are Herminio Blanco (Chairman), Gonzalo Menéndez Duque, Mario Covo, William D. Hayes and Miguel Heras. The current non-member participants of the Risk Policy and Assessment Committee are Rubens V. Amaral Jr., Chief Executive Officer, Ulysses Marciano Jr., Executive Vice President, Chief Commercial Officer, Daniel Otero, Executive Vice President, Chief Risk Officer, and Christopher Schech, Executive Vice President, Chief Financial Officer.

The Risk Policy and Assessment Committee is responsible for reviewing and recommending to the Board, for their approval, all policies related to the prudent enterprise risk management of the Bank (credit, operational and market risk). The committee also reviews and evaluates the exposures, within the risk levels the Bank is willing to take, depending on the Bank's business management, including the quality and profile of the Bank's Credit Facilities, the exposure and analysis to market risks and operational risks, which take into account the legal risks associated with the Bank's products and services.



The Risk Policy and Assessment Committee performs its duties through the review of periodic reports from Risk Management, and by way of its interaction with the Chief Risk Officer and other members of the Bank's management. The Risk Policy and Assessment Committee meets at least four times per year. During the fiscal period ended December 31, 2014, the Risk Policy and Assessment Committee held five meetings.

The Risk Policy and Assessment Committee Charter may be found on the Bank's website at <http://www.bladex.com/investors/Committees-bod-charters>.

#### *Assets and Liabilities Committee*

The Assets and Liabilities Committee was a standing committee of the Board until its dissolution on July 14, 2014, by decision of the Board of Directors. The Assets and Liabilities Committee was replaced by the Finance and Business Committee.

The members of the Assets and Liabilities Committee were Guillermo Güémez García (Chairman), Mario Covo, William Dick Hayes, João Carlos de Nóbrega Pecego and Roland Holst.

The Assets and Liabilities Committee was responsible for reviewing and recommending to the Board all policies related to the Bank's management of assets and liabilities to meet profitability, liquidity, and market risk control objectives. As part of its responsibilities, the committee reviewed and recommended to the Board, among other things, policies related to the Bank's funding, interest rate and liquidity gaps, liquidity investments, securities investments, derivative positions, funding strategies, and market risk.

The Assets and Liabilities Committee carried out its duties by reviewing periodic reports received from the Bank's management, and by way of its interaction with the Executive Vice President-Chief Financial Officer and other members of the Bank's management. During the fiscal year ended December 31, 2014, the Assets and Liabilities Committee held three meetings.

#### *Finance and Business Committee*

The Finance and Business Committee is a standing committee of the Board. The Finance and Business Committee was created on July 14, 2014. The Finance and Business Committee replaced the Assets and Liabilities Committee of

the Board.

The current members of the Finance and Business Committee are Mario Covo (Chairman), William D. Hayes, Roland Holst, João Carlos de Nóbrega Pecego and Miguel Heras. The current non-member participants of the Finance and Business Committee are Ulysses Marciano Jr., Executive Vice President, Chief Commercial Officer and Christopher Schech, Executive Vice President, Chief Financial Officer.

The Finance and Business Committee meets at least five times per year. During the fiscal year ended December 31, 2014, the committee held two meetings, since its creation on July 14, 2014.

The fundamental role of the Finance and Business Committee is to review and analyze all issues related to the development and execution of the Bank's business and its financial management, including, among others, capital management, portfolio management (assets and liabilities), liquidity management, gap and funding management, tax related matters and, the financial performance of the Bank in general.

The Finance and Business Committee Charter may be found on the Bank's website at <http://www.bladex.com/investors/Committees-bod-charters>.

*Nomination and Compensation Committee*

The Nomination and Compensation Committee is a standing committee of the Board. No member of the Nomination and Compensation Committee can be an employee of the Bank. The Board has determined that all members of the Nomination and Compensation Committee are independent under the terms defined by applicable laws and regulations, including rules promulgated by the SEC under the Sarbanes-Oxley Act, Section 303A of the Manual for Companies listed on the NYSE-Euronext, and Rules No. 05-2011 and 05-2014 of the Superintendency of Banks of Panama. The current members of the Nomination and Compensation Committee are João Carlos de Nóbrega Pecego (Chairman), Esteban Alejandro Acerbo, Maria da Graça França and Roland Holst. The current non-member participant of the Nomination and Compensation Committee is Miguel Moreno, Executive Vice President, Chief Operating Officer.

The Nomination and Compensation Committee meets at least five times per year. During the fiscal year ended December 31, 2014, the Nomination and Compensation Committee held six meetings.

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

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

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

the Board. The current composition of the Bank's Board of Directors, where out of a total of ten members, six different nationalities are represented, reflects the importance given to diversity by the Nomination and Compensation Committee.

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

The Nomination and Compensation Committee Charter may be found on the Bank's website at <http://www.bladex.com/investors/Committees-bod-charters>.

Mr. Rubens V. Amaral Jr. is the only executive officer who serves as a member of the Board. None of the Bank's executive officers serve as a director or a member of the Nomination and Compensation Committee, or any other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of the Board or the Nomination and Compensation Committee. None of the members of the Nomination and Compensation Committee has ever been an employee of the Bank.

### *Corporate Governance Practices*

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

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

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

Board of Directors of Banco Latinoamericano de Comercio Exterior, S.A.  
c/o Mr. Gonzalo Menéndez Duque

Director and Chairman of the Board of Directors  
Torre V, Business Park

Avenida La Rotonda, Urb. Costa del Este

P.O. Box 0819-08730

Panama City, Republic of Panama

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

## Advisory Council

The Advisory Council was created by the Board in April 2000 pursuant to the powers granted to the Board under the Bank's Articles of Incorporation. On December 9, 2014 the Board of Directors decided to dismiss the Advisory Council, until such time as the Board has evaluated its role. The duties of Advisory Council members consisted primarily of providing advice to the Board with respect to the business of the Bank in their areas of expertise. Each member of the Advisory Council received \$5,000 for each Advisory Council meeting attended. The aggregate amount of fees for services rendered by the Advisory Council during the fiscal year ended December 31, 2014 amounted to \$30,000 corresponding to the participation of six members. During the fiscal year ended December 31, 2014, the Advisory Council met once. The following table sets forth the names, positions, countries of citizenship and ages of the members of the Advisory Council of the Bank during 2014 until its dissolution December 9, 2014:

| Name                      | Position  | Country of Citizenship | Age |
|---------------------------|---|------------------------|-----|
| Roberto Feletti           | Member of the National Chamber of Deputies, President of the Congressional Budgetary and Treasury Commission of Argentina | Argentina              | 56  |
| Roberto Teixeira da Costa | Board Member<br>Sul America, S.A.   | Brazil                 | 80  |
| Carlos Martabit           | General Manager, Finance Division<br>BancoEstado  | Chile                  | 61  |
| Santiago Perdomo          | President<br>Banco Colpatría, Multibanca Colpatría  | Colombia               | 57  |
| Alberto Motta, Jr.        | President<br>Inversiones Bahía Ltd.   | Panama                 | 68  |
| Enrique Cornejo           | Director<br>Soluciones Consultores Internacionales SAC  | Peru                   | 58  |
| Jaime Rivera              | Former Chief Executive Officer of Bladex Panama   | Guatemala              | 61  |

#### D. Employees

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

|   | As of December 31, |      |      |
|---|--------------------|------|------|
|   | 2014               | 2013 | 2012 |
| Bladex Head Office in Panama                    | 140                | 136  | 137  |
| New York Agency                                 | 4                  | 4    | 4    |
| Bladex Asset Management                         | 0                  | 0    | 7    |
| Representative Office in Argentina              | 6                  | 6    | 4    |
| Representative Office in Brazil                 | 14                 | 15   | 17   |
| Representative Office in Mexico                 | 14                 | 13   | 14   |
| Florida International Administrative Office (*) | 6                  | 7    | 9    |
| Representative Office in Colombia               | 4                  | 4    | 3    |
| Representative Office in Peru                   | 7                  | 6    | 6    |
| Total Number of Permanent Employees             | 195                | 191  | 201  |

(\*) The Bank's international administrative office located in Miami ceased operations during the first quarter of 2015.

#### E. Share Ownership

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

Item 7. Major Stockholders and Related Party Transactions

**A. Major Stockholders**

As of December 31, 2014, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no person was the registered owner of more than 6.7% of the total outstanding shares of voting capital stock of the Bank.



The following table sets forth information regarding the Bank's shareholders that are the beneficial owners of 5% or more of any one class of the Bank's voting stock, on December 31, 2014:

|   | As of December 31, 2014 |            |                         |
|---|-------------------------|------------|-------------------------|
|   | Number of Shares        | % of Class | % of Total Common Stock |
| <b>Class A Common Stock</b>                 |                         |            |                         |
| Banco de la Nación Argentina <sup>(1)</sup> |                         |            |                         |
| Bartolomé Mitre 326                         | 1,045,348               | 16.5       | 2.7                     |
| 1036 Buenos Aires, Argentina                |                         |            |                         |
| Banco do Brasil <sup>(2)</sup>              |                         |            |                         |
| SBS ED. Sede 111-24° Andar                  | 974,551                 | 15.4       | 2.5                     |
| CEP 70.073—901                              |                         |            |                         |
| Brasilia, Brazil                            |                         |            |                         |
| Banco de Comercio Exterior de Colombia      |                         |            |                         |
| Edif. Centro de Comercio Internacional      | 488,547                 | 7.7        | 1.3                     |
| Calle 28 No. 13A-15                         |                         |            |                         |
| Bogotá, Colombia                            |                         |            |                         |
| Banco de la Nación (Perú)                   |                         |            |                         |
| Ave. Republica de Panamá 3664               | 446,556                 | 7.0        | 1.2                     |
| San Isidro, Lima, Perú                      |                         |            |                         |
| Banco Central del Paraguay                  |                         |            |                         |
| Federación Rusa y Augusto Roa Bastos        | 434,658                 | 6.9        | 1.1                     |
| Asunción, Paraguay                          |                         |            |                         |
| Banco Central del Ecuador                   |                         |            |                         |
| Ave. 10 de Agosto N11- 409 y Briceño        | 431,217                 | 6.8        | 1.1                     |
| Quito, Ecuador                              |                         |            |                         |
| Banco del Estado de Chile                   |                         |            |                         |
| Ave. Libertador Bernardo O'Higgins 1111     | 323,413                 | 5.1        | 0.8                     |
| Santiago, Chile                             |                         |            |                         |
| Sub-total shares of Class A Common Stock    | 4,144,290               | 65.4       | 10.7                    |
| Total Shares of Class A Common Stock        | 6,342,189               | 100.0      | 16.4                    |
| <b>Class B Common Stock</b>                 |                         |            |                         |
| Banco de la Provincia de Buenos Aires.      |                         |            |                         |
| San Martin 137                              | 884,461                 | 35.7       | 2.3                     |
| C1004AAC Buenos Aires, Argentina            |                         |            |                         |
| Banco de la Nación Argentina                | 295,945                 | 11.9       | 0.8                     |
| Bartolomé Mitre 326                         |                         |            |                         |

1036 Buenos Aires, Argentina

The Korea Exchange Bank

181, Euljiro 2GA 147,173 5.9 0.4

Jungu, Seoul, Korea

Sub-total shares of Class B Common Stock 1,327,579 53.6 3.4

Total Shares of Class B Common Stock 2,479,050 100.0 6.4

| Class E Common Stock | Number of Shares | % of Class | % of Total Common Stock |
|----------------------|------------------|------------|-------------------------|
|----------------------|------------------|------------|-------------------------|

First Trust Portfolios LP <sup>(3)</sup>

|                                   |           |     |     |
|-----------------------------------|-----------|-----|-----|
| 120 East Liberty Drive, Suite 400 | 2,586,468 | 8.7 | 6.7 |
|-----------------------------------|-----------|-----|-----|

Wheaton, Illinois 60187

LSV Asset Management <sup>(4)</sup>

|                                 |           |     |     |
|---------------------------------|-----------|-----|-----|
| 155 N. Wacker Drive, Suite 4600 | 1,596,638 | 5.3 | 4.1 |
|---------------------------------|-----------|-----|-----|

Chicago, Illinois 60606

|  |           |      |      |
|--|-----------|------|------|
| Sub-total shares of Class E Common Stock | 4,183,106 | 14.0 | 10.8 |
|--|-----------|------|------|

|                                      |            |       |      |
|--------------------------------------|------------|-------|------|
| Total Shares of Class E Common Stock | 29,956,100 | 100.0 | 77.2 |
|--------------------------------------|------------|-------|------|

| Class F Common Stock | Number of Shares | % of Class | % of Total Common Stock |
|----------------------|------------------|------------|-------------------------|
|----------------------|------------------|------------|-------------------------|

|                                      |   |     |     |
|--------------------------------------|---|-----|-----|
| Total Shares of Class F Common Stock | 0 | 0.0 | 0.0 |
|--------------------------------------|---|-----|-----|

|                              |            |  |       |
|------------------------------|------------|--|-------|
| Total Shares of Common Stock | 38,777,339 |  | 100.0 |
|------------------------------|------------|--|-------|

<sup>(1)</sup> Does not include an aggregate of 23,061 Class E shares corresponding to former Directors' entitlements under the 2008 Stock Incentive Plan, that were issued to their employer, Banco de la Nación Argentina.

<sup>(2)</sup> Does not include an aggregate of 24,259 Class E shares corresponding to former Directors' entitlements under the 2003 Restricted Stock Plan and the 2008 Stock Incentive Plan that were issued to their employer, Banco do Brasil.

<sup>(3)</sup> Source: Schedule 13G/A (Amendment No. 1) filing with the U.S. Securities and Exchange Commission dated January 27, 2015.

<sup>(4)</sup> Source: Schedule 13F – HR filing with the U.S. Securities and Exchange Commission dated February 4, 2015.

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

The affirmative vote of three-quarters (3/4) of the issued and outstanding Class A shares is required (1) to dissolve and liquidate the Bank, (2) to amend certain material provisions of the Articles of Incorporation, (3) to merge or consolidate the Bank with another entity and (4) to authorize the Bank to engage in activities other than those described in its Articles of Incorporation;

The Class E shares are freely transferable without restriction to any person, while the Class A shares, Class B shares and Class F shares can only be transferred to qualified holders of each class;

The Class B shares and Class F shares may be converted into Class E shares;

The holders of Class A shares, Class B shares and Class F shares benefit from pre-emptive rights in respect of shares of the same class of shares owned by them that may be issued by virtue of a capital increase, in proportion to the shares of the class owned by them, but the holders of Class E shares do not; and

All classes vote separately for their respective directors. The holders of the Class A common shares have the right to elect three (3) Directors; the holders of the Class E common shares can elect five (5) Directors; and the holders of the Class F common shares have the right to elect one (1) Director, so long as the number of issued and outstanding Class F common shares is equal to or greater than fifteen per cent (15%) of the total number of issued and outstanding common shares of the corporation.

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

| Class of Shares       | Number of Shares Outstanding as of<br>December 31, 2014 | Number of Shares Outstanding as of<br>December 31, 2013 |
|-----------------------|---|---|
| Class A Common Shares | 6,342,189   | 6,342,189   |
| Class B Common Shares | 2,479,050   | 2,520,422   |
| Class E Common Shares | 29,956,100  | 29,710,556  |
| Class F Common Shares | 0   | 0   |
| Total Common Shares   | 38,777,339  | 38,573,167  |

As of December 31, 2014, the Bank's Class A common shares outstanding stood at the same level as of December 31, 2013. Class B common shares were nearly unchanged from 2013 except for minor conversions to Class E common shares in 2014. Class E common shares outstanding increased by 0.2 million shares during the same period mostly as a result of exercised of stock options of Bank's executive officers and directors.

As of December 31, 2014, there were a total of 61 holders of record of our Class E shares, of which 17 were registered with addresses in the United States. Such United States record holders were, as of such date, the holders of record of approximately 99.3% of our outstanding Class E shares. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held of record by brokers or other nominees. None of our Class A shares or Class B shares are held in the United States.

The Bank had no preferred stock issued and outstanding as of December 31, 2014.

**B. Related Party Transactions**

Certain directors of the Bank are also directors and executive officers of banks and/or other companies located in Latin America, the Caribbean and elsewhere. Certain banks and/or other companies own shares of the Bank's common stock.

As of December 31, 2014, the Bank had extended loans, in the ordinary course of business, to two entities whose directors and/or executive officers are also directors of the Bank. These entities were:

i) Ingenio Presidente Benito Juarez, in which the Bank's former director Guillermo Güémez García is also a director of one of such borrower's parent companies. Two loans were made to Ingenio Presidente Benito Juarez on August 20, 2014 and November 26, 2014, respectively, in the total principal amount of \$40 million, with a weighted average interest rate of 4.08%.

ii) Valores Quimicos, S.A., in which the Bank's director Herminio Blanco is also a director of one of such borrower's parent companies. Two loans were made to Valores Quimicos, S.A. on December 9, 2014, in the total principal amount of \$19 million, with a weighted average interest rate of 2.61%.

All of the abovementioned loans were granted for commercial business purposes. The terms and conditions of the loan transactions, including interest rates and collateral requirements, are the same as the terms and conditions of comparable loan transactions entered into with other persons under similar market conditions. As a matter of policy, directors of the Bank do not participate in the approval process for Credit Facilities extended to institutions in which they are executive officers or directors, nor do they participate with respect to decisions regarding country exposure limits in countries in which the institutions are domiciled.

As of December 31, 2014 and 2013, the Bank had credit transactions in the normal course of business with 15% and 20%, respectively, of its Class "A" and "B" stockholders. All transactions are made based on arm's-length terms and subject to prevailing commercial criteria and market rates and are subject to all of the Bank's Corporate Governance and control procedures. As of December 31, 2014 and 2013, approximately 8% and 12%, respectively, of the outstanding loan portfolio is placed with the Bank's Class "A" and "B" stockholders and their related parties. As of December 31, 2014, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no Class "A" or "B" shareholder was the registered owner of more than 3.5% of the total outstanding shares of the voting capital stock of the Bank.

#### C. Interests of Experts and Counsel

Not required in this Annual Report.

### Item 8. Financial Information

#### A. Consolidated Statements and Other Financial Information

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

There have been no legal or arbitration proceedings, which may have, or have had in the recent past, significant effects on the Bank's financial position or profitability, including proceedings pending or known to be contemplated.

***Dividends***

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

On December 8, 2014, the Bank's Board, approved an increase in quarterly dividends distributed to holders of common shares from \$0.35 to \$0.385 per share pertaining to the fourth quarter of 2014. This \$0.035 or 10%, increase in quarterly dividends underlined the Board's commitment to continue its established dividend approach that reflects the development and growth of the Bank's core business.

On December 10, 2013, the Bank's Board, approved an increase in quarterly dividends distributed to holders of common shares from \$0.30 to \$0.35 per share pertaining to the fourth quarter of 2013. This 17% increase in quarterly dividends reaffirmed the Bank's commitment to continuing its established dividend approach that reflects the development and growth of the Bank's core business.

On January 17, 2012 the Bank increased quarterly dividends from \$0.20 to \$0.25 per share of common stock, corresponding to the fourth quarter of 2011, and from \$0.25 to \$0.30 per share of common stock in the third quarter of 2012.

During 2014, Bladex declared \$55.6 million in quarterly dividends, compared to \$48.1 million in 2013, and \$43.6 million in 2012.

No special dividends were declared during 2014, 2013 and 2012.

The following table presents information about common dividends paid on the dates indicated:

| Payment date      | Record date      | Dividend per share |
|-------------------|------------------|--------------------|
| January 13, 2015  | January 5, 2015  | \$ 0.385           |
| November 7, 2014  | October 27, 2014 | \$ 0.35            |
| August 5, 2014    | July 28, 2014    | \$ 0.35            |
| May 6, 2014       | April 28, 2014   | \$ 0.35            |
| January 14, 2014  | January 6, 2014  | \$ 0.35            |
| November 6, 2013  | October 28, 2013 | \$ 0.30            |
| August 6, 2013    | July 29, 2013    | \$ 0.30            |
| May 7, 2013       | April 29, 2013   | \$ 0.30            |
| February 8, 2013  | February 1, 2013 | \$ 0.30            |
| November 1, 2012  | October 26, 2012 | \$ 0.30            |
| August 7, 2012    | July 30, 2012    | \$ 0.25            |
| May 10, 2012      | April 30, 2012   | \$ 0.25            |
| February 9, 2012  | January 31, 2012 | \$ 0.25            |
| November 8, 2011  | October 31, 2011 | \$ 0.20            |
| August 9, 2011    | August 1, 2011   | \$ 0.20            |
| May 9, 2011       | May 2, 2011      | \$ 0.20            |
| February 11, 2011 | February 3, 2011 | \$ 0.20            |

The following table presents information about preferred dividends paid on the dates indicated:

| Payment date      | Record date      | Dividend per share |
|-------------------|------------------|--------------------|
| May 15, 2006      | April 28, 2006   | \$ 2.22            |
| November 15, 2005 | October 31, 2005 | \$ 2.18            |
| May 16, 2005      | April 29, 2005   | \$ 2.15            |
| November 15, 2004 | November 8, 2004 | \$ 1.90            |
| May 17, 2004      | April 30, 2004   | \$ 0.40            |

The Bank has no preferred shares issued and outstanding as of December 31, 2014.

#### B. Significant Changes

The Bank's international administrative office located in Miami, or the Florida Administrative Office, ceased operations during the first quarter of 2015. No other significant change has occurred since the date of the annual financial statements (December 31, 2014).



## Item 9. The Offer and Listing

**A. Offer and Listing Details**

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

|                | <b>Price per Class E Share (in \$) <sup>(1)</sup></b> |       |
|----------------|---|-------|
|                | High  | Low   |
| 2014           | 34.90   | 24.29 |
| 2013           | 28.82   | 21.70 |
| 2012           | 23.15   | 16.00 |
| 2011           | 19.03   | 14.84 |
| 2010           | 18.99   | 11.87 |
| 2015:          |   |       |
| March          | 33.34   | 30.82 |
| February       | 32.37   | 27.81 |
| January        | 30.46   | 26.66 |
| 2014:          |   |       |
| December       | 33.27   | 30.01 |
| November       | 34.53   | 31.40 |
| October        | 33.80   | 29.38 |
| 2015:          |   |       |
| First Quarter  | 33.34   | 26.66 |
| 2014:          |   |       |
| First Quarter  | 27.74   | 24.29 |
| Second Quarter | 29.81   | 24.90 |
| Third Quarter  | 34.90   | 29.25 |
| Fourth Quarter | 34.53   | 29.38 |
| 2013:          |   |       |
| First Quarter  | 25.39   | 21.79 |
| Second Quarter | 25.29   | 21.70 |
| Third Quarter  | 26.37   | 22.37 |
| Fourth Quarter | 28.82   | 24.30 |

<sup>(1)</sup> Corresponds to the highest and lowest sales price of the stock at any time during any given trading day. Source from NYSE Euronext.

**B. Plan of Distribution**

Not required in this Annual Report.

### **C. Markets**

The Bank's Class A shares and Class B shares were sold in private placements or sold in connection with the Bank's 2003 rights offering, are not listed on any exchange and are not publicly traded. The Bank's Class E shares, which constitute the only class of shares publicly traded (listed on the NYSE), represent 77.2% of the total shares of the Bank's common stock issued and outstanding as of December 31, 2014. The Bank's Class B shares are convertible into Class E shares on a one-to-one basis. There are no issued or outstanding shares regarding the Class F shares.

### **D. Selling Shareholders**

Not required in this Annual Report.

### **E. Dilution**

Not required in this Annual Report.

### **F. Expenses of the Issue**

Not required in this Annual Report.

Item 10. Additional Information

A. Share Capital

Not required in this Annual Report.

**B. Memorandum and Articles of Association**

*Articles of Incorporation*

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

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

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

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

The Board consists of ten members: three Directors elected by the holders of the Class A common shares; five Directors elected by the holders of the Class E common shares; and two Directors elected by the holders of all common shares. For so long as the number of Class F common shares issued and outstanding is equal to or greater than fifteen percent (15%) of the total number of common shares issued and outstanding, the holders of the Class F common shares will have the right to elect one director and the Board will consist of eleven members. As of December 31, 2014, no Class F shares or preferred shares were issued and outstanding.

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

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

the affirmative vote of three-quarters (3/4) of the issued and outstanding Class A shares is required (A) to dissolve and liquidate the Bank, (B) to amend certain material provisions of the Articles of Incorporation, (C) to merge or consolidate the Bank with another entity and (D) to authorize the Bank to engage in activities other than those described as the purposes of the Bank in its Articles of Incorporation;

the Class E shares are freely transferable, but the Class A shares, Class B shares and Class F shares may only be transferred to qualified holders;

the Class B shares and Class F shares may be converted into Class E shares;

the holders of Class A shares, Class B shares and Class F shares benefit from pre-emptive rights, but the holders of Class E shares do not;

the classes vote separately for their representative directors; and

the rights, preferences, privileges and obligations of the preferred shares are determined by the Board at the time of their issuance in a certificate of designation.

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

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

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

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

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

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

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

The Amended and Restated Articles of Incorporation were filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2008 filed with the SEC on June 26, 2009 and the By-Laws were filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2009 filed with the SEC on June 11, 2010.

C. Material Contracts

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

D. Exchange Controls

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

E. Taxation

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

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

#### United States Taxes

This summary describes the material U.S. federal income tax consequences of the ownership and disposition of the Class E shares, but does not purport to be a comprehensive description of all of the tax considerations that may be relevant to holders of Class E shares. This summary applies only to current holders that hold Class E shares as capital assets for U.S. federal income tax purposes and does not address classes of holders that are subject to special treatment under the United States Internal Revenue Code of 1986, as amended (the "Code") such as dealers in securities or currencies, financial institutions, tax-exempt entities, regulated investment companies, insurance companies, securities traders that elect mark-to-market tax accounting, persons subject to the alternative minimum tax, certain U.S. expatriates, persons holding Class E shares as part of a hedging, constructive ownership or conversion transaction or a straddle, holders whose functional currency is not the U.S. dollar, or a holder that owns 10% or more (directly, indirectly or constructively) of the voting shares of the Bank.



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

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

#### Taxation of Distributions

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

Distributions made with respect to Class E shares out of earnings and profits generally will be treated as dividend income from sources outside the United States. U.S. Holders that are corporations will not be entitled to the “dividends received deduction” under Section 243 of the Code with respect to such dividends. Dividends may be eligible for special rates applicable to “qualified dividend income” received by an individual, provided, that (1) the Bank is not a

“passive foreign investment company” in the year in which the dividend is paid nor in the immediately preceding year, (2) the class of stock with respect to which the dividend is paid is readily tradable on an established securities market in the United States, and (3) the U.S. Holder held his shares for more than 60 days during the 121-day period beginning 60 days prior to the ex-dividend date and meets other holding period requirements. Subject to certain conditions and limitations, Panamanian tax withheld from dividends will be treated as a foreign income tax eligible for deduction from taxable income or as a credit against a U.S. Holder’s U.S. federal income tax liability. Distributions of dividend income made with respect to Class E shares generally will be treated as “passive” income or, in the case of certain U.S. Holders, “general category income,” for purposes of computing a U.S. Holder’s U.S. foreign tax credit.

Less than 25% of the Bank's gross income is effectively connected with the conduct of a trade or business in the United States, and the Bank expects this to remain true. If this remains the case, a holder of Class E shares that is not a U.S. Holder ("non-U.S. Holder") generally will not be subject to U.S. federal income tax or withholding tax on distributions received on Class E shares that are treated as dividend income for U.S. federal income tax purposes. Special rules may apply in the case of non-U.S. Holders (1) that are engaged in a U.S. trade or business, (2) that are former citizens or long-term residents of the United States, "controlled foreign corporations," corporations that accumulate earnings to avoid U.S. federal income tax, and certain foreign charitable organizations, each within the meaning of the Code, or (3) certain non-resident alien individuals who are present in the United States for 183 days or more during a taxable year. Such persons should consult their own tax advisors as to the U.S. federal income or other tax consequences of the ownership and disposition of Class E shares.

### Taxation of Capital Gains

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

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

### Passive Foreign Investment Company Status

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

While the Bank conducts, and intends to continue to conduct, a significant banking business, there can be no assurance that the Bank will satisfy the specific requirements for the active bank exception under either the Notice or the Proposed Regulations. However, based on certain estimates of the Bank’s gross income and gross assets and the nature of its business, the Bank does not qualify as a PFIC for the taxable year ending December 31, 2014.

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

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

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

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

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

### Information Reporting and Backup Withholding

Each U.S. payor making payments in respect of Class E shares will generally be required to provide the IRS with certain information, including the name, address and taxpayer identification number of the beneficial owner of Class E shares, and the aggregate amount of dividends paid to such beneficial owner during the calendar year. Under the backup withholding rules, a holder may be subject to backup withholding at a current rate of 28% with respect to proceeds received on the sale or exchange of Class E shares within the United States by non-corporate U.S. Holders and to dividends paid, unless such holder (1) is a corporation or comes within certain other exempt categories (including securities broker-dealers, other financial institutions, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts), and, when required, demonstrates this fact or (2) provides a taxpayer identification number, certifies as to no loss of exemption and otherwise complies with the applicable requirements of the backup withholding rules. Non-U.S. Holders generally are exempt from information reporting and backup withholding, but may be required to provide a properly completed IRS Form W-8BEN or W-8BEN-E (or other similar form) or otherwise comply with applicable certification and identification procedures in order to prove their exemption. Backup withholding is not an additional tax and any amounts withheld from a payment to a holder of Class E shares will be refunded (or credited against such holder's U.S. federal income tax liability, if any) provided that the required information is timely furnished to the IRS.

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

### *3.8% Medicare Tax On "Net Investment Income"*

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

### *Foreign Asset Reporting*

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

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

#### Panamanian Taxes

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

### General Principle

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

### Taxation of Distributions

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

### Taxation of Capital Gains

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

### F. Dividends and Paying Agents

Not required in this Annual Report.

### G. Statement by Experts

Not required in this Annual Report.



H.

Documents on Display

Upon written or oral request, the Bank will provide without charge to each person to whom this Annual Report is delivered, a copy of any or all of the documents listed as exhibits to this Annual Report (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference in the documents). Written requests for copies should be directed to the attention of Mr. Christopher Schech, 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 Mr. Schech at +507 210-8630. Written requests may also be sent via e-mail to [cschech@bladex.com](mailto:cschech@bladex.com). Information is also available on the Bank's website at: <http://www.bladex.com>.

I.

Subsidiary Information

Not applicable.

#### Item 11. Quantitative and Qualitative Disclosure About Market Risk

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

The Bank's businesses are subject to market risk. The components of this market risk are interest rate risk inherent in the Bank's balance sheet, foreign exchange risk, and the price risk in the Bank's investment portfolio and in the Bank's trading portfolios.

For quantitative information relating to the Bank's interest rate risk and information relating to the Bank's management of interest rate risk, see Item 5, "Operating and Financial Review and Prospects/Liquidity and Capital Resources."

For information regarding derivative financial instruments, see Item 18, "Financial Statements," notes 2(t) and 21.

For information regarding investment securities, see Item 4, "Information on the Company/Business Overview/Investment Securities," and Item 18, "Financial Statements," note 5.

#### Interest Rate Risk Management and Sensitivity

The table below lists for each of the years from 2015 to 2019 the notional amounts and weighted interest rates, as of December 31, 2014, for derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including the Bank's investment securities, loans, borrowings and placements, interest rate swaps, cross currency swaps, forward currency exchange agreements, and trading assets and liabilities. Amounts presented below exclude the Bank's remaining participation in the funds. With a remaining participation of less than 50%, the Bank ceased to be the primary beneficiary of that VIE; and therefore ceased to consolidate its investment in Alpha4X Feeder Fund from the "Investment funds" line in the consolidated balance sheet; see Item 18, "Financial Statements", notes 2(d), 3 and 6.

As of December 31, 2014

**Expected maturity date**

|                                    | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>There-<br/>after</b> | <b>With-<br/>in</b> | <b>Total<br/>2014</b> | <b>Fair<br/>value<br/>2014</b> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------------------|---------------------|-----------------------|--------------------------------|
| <b>(\$ Equivalent in thousand)</b> |             |             |             |             |             |                         |                     |                       |                                |
| <b>ASSETS:</b>                     |             |             |             |             |             |                         |                     |                       |                                |
| <b>Investment Securities</b>       |             |             |             |             |             |                         |                     |                       |                                |
| Fixed rate                         |             |             |             |             |             |                         |                     |                       |                                |
| U.S. Dollars                       | 34,373      | 22,945      | 22,350      | 26,500      | 67,460      | 112,248                 | -                   | 285,876               | 299,798                        |
| Average fixed rate                 | 5.01        | % 5.30      | % 4.19      | % 4.38      | % 7.74      | % 4.98                  | % -                 | 5.54                  | %                              |
| Mexican Peso                       |             |             |             |             |             |                         |                     |                       |                                |
|                                    | 57,664      | -           | -           | -           | -           | -                       | -                   | 57,664                | 57,317                         |
| Average fixed rate                 | 2.91        | % -         | -           | -           | -           | -                       | -                   | 2.91                  | %                              |
| Floating rate                      |             |             |             |             |             |                         |                     |                       |                                |
| U.S. Dollars                       | 28,000      | -           | -           | -           | 8,000       | -                       | -                   | 36,000                | 35,153                         |
| Average floating rate              | 2.04        | % -         | -           | -           | 2.27        | % -                     | -                   | 2.09                  | %                              |
| <b>Loans</b>                       |             |             |             |             |             |                         |                     |                       |                                |
| Fixed rate                         |             |             |             |             |             |                         |                     |                       |                                |
| U.S. Dollars                       | 3,079,811   | 87,805      | 31,359      | 2,281       | 1,084       | -                       | -                   | 3,202,339             | 3,217,110                      |

**Expected maturity date**

|                                    | 2015      | 2016    | 2017    | 2018    | 2019   | There-<br>after | With-<br>maturity | Total<br>2014 | Fair<br>value<br>2014 |
|------------------------------------|-----------|---------|---------|---------|--------|-----------------|-------------------|---------------|-----------------------|
| <b>(\$ Equivalent in thousand)</b> |           |         |         |         |        |                 |                   |               |                       |
| Average fixed rate                 | 2.59      | % 4.16  | % 4.06  | % 4.61  | % 5.19 | % -             | -                 | 2.65          | %                     |
| Mexican Peso                       | 115,521   | 3,037   | 1,902   | 17      | -      | -               | -                 | 120,478       | 121,510               |
| Average fixed rate                 | 4.77      | % 7.44  | % 7.75  | % 7.43  | % -    | -               | -                 | 4.89          | %                     |
| Floating rate                      |           |         |         |         |        |                 |                   |               |                       |
| U.S. Dollars                       | 1,570,116 | 877,947 | 501,953 | 208,604 | 96,520 | 23,108          | -                 | 3,278,248     | 3,393,378             |
| Average floating rate              | 2.98      | % 3.50  | % 3.55  | % 3.73  | % 4.02 | % 4.79          | % -               | 3.30          | %                     |
| Mexican Peso                       | 28,722    | 24,468  | 11,662  | 9,108   | 2,971  | 8,248           | -                 | 85,179        | 88,733                |
| Average floating rate              | 5.98      | % 5.99  | % 6.47  | % 6.42  | % 6.29 | % 6.30          | % -               | 6.14          | %                     |

**LIABILITIES:****Borrowings****and****Placements <sup>(1)</sup>**

|                       |           |         |         |         |        |        |     |           |           |
|-----------------------|-----------|---------|---------|---------|--------|--------|-----|-----------|-----------|
| Fixed rate            |           |         |         |         |        |        |     |           |           |
| U.S. Dollars          | 1,570,448 | 40,000  | 400,465 | -       | -      | -      | -   | 2,010,913 | 2,027,834 |
| Average fixed rate    | 0.79      | % 1.52  | % 3.75  | % -     | -      | -      | -   | 1.39      | %         |
| Mexican Peso          | 34,483    | -       | -       | -       | -      | -      | -   | 34,483    | 34,497    |
| Average fixed rate    | 3.37      | % -     | -       | -       | -      | -      | -   | 3.37      | %         |
| Swiss franc           | 50,510    | -       | -       | -       | -      | -      | -   | 50,510    | 50,407    |
| Average fixed rate    | 0.55      | % -     | -       | -       | -      | -      | -   | 0.55      | %         |
| Euro Dollar           | -         | -       | -       | -       | -      | 64,265 | -   | 64,265    | 63,113    |
| Average fixed rate    | -         | -       | -       | -       | -      | 3.75   | % - | 3.75      | %         |
| Japanese Yen          | 4,185     | -       | -       | -       | -      | -      | -   | 4,185     | 4,184     |
| Average fixed rate    | 0.75      | % -     | -       | -       | -      | -      | -   | 0.75      | %         |
| Floating rate         |           |         |         |         |        |        |     |           |           |
| U.S. Dollars          | 1,431,955 | 248,455 | 250,045 | -       | 30,000 | -      | -   | 1,960,456 | 1,965,781 |
| Average floating rate | 0.80      | % 1.49  | % 1.67  | % -     | 1.78   | % -    | -   | 1.01      | %         |
| Mexican Peso          | 137,847   | -       | -       | 135,917 | -      | -      | -   | 273,764   | 271,627   |
| Average floating rate | 3.96      | % -     | -       | 3.67    | % -    | -      | -   | 3.81      | %         |

**INTEREST****SWAPS:**

**Interest Rate  
Swaps –  
Investment  
Securities**

|                                   |        |   |       |       |       |        |   |        |        |      |   |   |      |   |
|-----------------------------------|--------|---|-------|-------|-------|--------|---|--------|--------|------|---|---|------|---|
| U.S. Dollars<br>fixed to floating | 13,050 | - | 4,000 | 5,000 | 8,500 | 37,200 | - | 67,750 | (1,172 | )    |   |   |      |   |
| Average pay<br>rate               | 7.73   | % | -     | 3.88  | %     | 6.37   | % | 8.75   | %      | 4.48 | % | - | 5.74 | % |
| Average receive<br>rate           | 3.47   | % | -     | 3.12  | %     | 5.16   | % | 6.92   | %      | 2.41 | % | - | 3.43 | % |

**Interest Rate  
Swaps – Loans**

|                                   |        |        |        |   |      |   |   |         |     |      |   |
|-----------------------------------|--------|--------|--------|---|------|---|---|---------|-----|------|---|
| U.S. Dollars<br>fixed to floating | 14,327 | 65,843 | 19,944 | - | -    | - | - | 100,115 | (96 | )    |   |
| Average pay<br>rate               | 3.76   | %      | 4.09   | % | 3.77 | % | - | -       | -   | 3.98 | % |
| Average receive<br>rate           | 3.30   | %      | 3.62   | % | 3.33 | % | - | -       | -   | 3.52 | % |

**Interest Rate  
Swaps –  
Borrowings**

|                                   |         |   |   |   |        |        |      |         |        |      |   |
|-----------------------------------|---------|---|---|---|--------|--------|------|---------|--------|------|---|
| U.S. Dollars<br>fixed to floating | 421,500 | - | - | - | 17,000 | 53,000 | -    | 491,500 | (1,769 | )    |   |
| Average pay<br>rate               | 0.91    | % | - | - | 1.87   | %      | 2.26 | %       | -      | 1.09 | % |
| Average receive<br>rate           | 0.84    | % | - | - | 0.17   | %      | 0.17 | %       | -      | 0.74 | % |

**Interest Rate  
Swaps –  
Issuances**

|                                   |   |   |         |   |   |   |   |         |       |
|-----------------------------------|---|---|---------|---|---|---|---|---------|-------|
| U.S. Dollars<br>fixed to floating | - | - | 400,000 | - | - | - | - | 400,000 | 2,655 |
| Average pay<br>rate               | - | - | 2.76    | % | - | - | - | 2.76    | %     |
| Average receive<br>rate           | - | - | 3.75    | % | - | - | - | 3.75    | %     |

**CROSS  
CURRENCY  
SWAPS:**
**Cross  
Currency  
Swaps**

|                               |         |     |       |        |      |        |   |         |         |   |
|-------------------------------|---------|-----|-------|--------|------|--------|---|---------|---------|---|
| Receive U.S.<br>Dollars       | 9,056   | 831 | 1,585 | -      | -    | -      | - | 11,471  | 1,062   |   |
| U.S. Dollars<br>fixed rate    | -       | -   | -     | -      | -    | -      | - | -       | -       |   |
| U.S. Dollars<br>floating rate | 2.79    | %   | 3.30  | %      | 4.29 | %      | - | -       | 3.03    | % |
| Pay US Dollars                | 218,251 | -   | -     | 40,000 | -    | 68,768 | - | 327,019 | (37,102 | ) |
|                               | 1.08    | %   | -     | -      | -    | -      | - | 1.08    | %       |   |

|                               |         |   |   |   |        |   |   |      |   |   |         |   |
|-------------------------------|---------|---|---|---|--------|---|---|------|---|---|---------|---|
| U.S. Dollars<br>fixed rate    |         |   |   |   |        |   |   |      |   |   |         |   |
| U.S. Dollars<br>floating rate | 1.95    | % | - | - | 1.43   | % | - | 2.83 | % | - | 2.09    | % |
| Receive<br>Mexican Peso       | 157,356 |   | - | - | 40,000 |   | - | -    |   | - | 197,356 |   |
| Mexican Peso<br>floating rate | 3.96    | % | - | - | 3.67   | % | - | -    |   | - | 3.90    | % |

**Expected maturity date**

|                                    | 2015   | 2016   | 2017   | 2018 | 2019 | There-<br>after | Without<br>maturity | Total<br>2014 | Fair<br>value<br>2014 |
|------------------------------------|--------|--------|--------|------|------|-----------------|---------------------|---------------|-----------------------|
| <b>(\$ Equivalent in thousand)</b> |        |        |        |      |      |                 |                     |               |                       |
| Pay Mexican Peso                   | 9,056  | 831    | 1,585  | -    | -    | -               | -                   | 11,471        |                       |
| Mexican Peso fixed rate            | 6.01   | % 6.50 | % 6.37 | % -  | -    | -               | -                   | 6.10          | %                     |
| Receive Euro Dollar                | -      | -      | -      | -    | -    | 68,768          | -                   | 68,768        |                       |
| Euro Dollar fixed rate             | -      | -      | -      | -    | -    | 3.75            | % -                 | 3.75          | %                     |
| Receive Swiss franc                | 56,000 | -      | -      | -    | -    | -               | -                   | 56,000        |                       |
| Swiss franc fixed rate             | 0.55   | % -    | -      | -    | -    | -               | -                   | 0.55          | %                     |
| Receive Japanese Yen               | 4,895  | -      | -      | -    | -    | -               | -                   | 4,895         |                       |
| Japanese Yen fixed rate            | 0.75   | % -    | -      | -    | -    | -               | -                   | 0.75          | %                     |

**FORWARD CURRENCY EXCHANGE AGREEMENTS:**

|  |         |   |   |   |   |   |   |         |       |
|--|---------|---|---|---|---|---|---|---------|-------|
| Receive U.S. Dollars/ Pay Mexican Pesos    | 126,058 | - | - | - | - | - | - | 126,058 | 8,555 |
| Average exchange rate                      | 13.78   |   |   |   |   |   |   | 13.78   |       |
| Receive U.S. Dollars/ Pay Brazilian Reales | 5,146   | - | - | - | - | - | - | 5,146   | (94 ) |
| Average exchange rate                      | 2.72    | - | - | - | - | - | - | 2.72    |       |

**TRADING:**

**Trading Liabilities**

**Interest rate swaps:**

|                                |   |        |     |   |   |   |   |        |       |
|--------------------------------|---|--------|-----|---|---|---|---|--------|-------|
| U.S. Dollars fixed to floating | - | 14,000 | -   | - | - | - | - | 14,000 | (52 ) |
| Average pay rate               | - | 5.54   | % - | - | - | - | - | 5.54   | %     |
| Average receive rate           | - | 5.02   | % - | - | - | - | - | 5.02   | %     |

(1) Borrowings and placements include repos and short and long-term borrowings and debt.

As of December 31, 2013

**Expected maturity date**

|                                    | 2014   | 2015   | 2016   | 2017   | 2018   | There-<br>after | Without<br>maturity | Total<br>2013 | Fair value<br>2013 |
|------------------------------------|--------|--------|--------|--------|--------|-----------------|---------------------|---------------|--------------------|
| <b>(\$ Equivalent in thousand)</b> |        |        |        |        |        |                 |                     |               |                    |
| <b>ASSETS:</b>                     |        |        |        |        |        |                 |                     |               |                    |
| <b>Investment Securities</b>       |        |        |        |        |        |                 |                     |               |                    |
| Fixed rate                         |        |        |        |        |        |                 |                     |               |                    |
| U.S. Dollars                       | 43,583 | 17,050 | 61,500 | 47,000 | 32,500 | 124,544         | -                   | 326,177       | 340,235            |

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|   |           |   |         |   |         |   |         |   |        |   |      |   |   |           |           |
|---|-----------|---|---------|---|---------|---|---------|---|--------|---|------|---|---|-----------|-----------|
| Average fixed rate                              | 6.10      | % | 7.63    | % | 5.47    | % | 4.16    | % | 3.85   | % | 5.84 | % | - | 5.46      | %         |
| Floating rate                                   |           |   |         |   |         |   |         |   |        |   |      |   |   |           |           |
| U.S. Dollars                                    | -         |   | 28,000  |   | -       |   | -       |   | -      |   | -    |   | - | 28,000    | 27,768    |
| Average floating rate                           | -         |   | 2.03    | % | -       |   | -       |   | -      |   | -    |   | - | 2.03      | %         |
| <b>Loans</b>                                    |           |   |         |   |         |   |         |   |        |   |      |   |   |           |           |
| Fixed rate                                      |           |   |         |   |         |   |         |   |        |   |      |   |   |           |           |
| U.S. Dollars                                    | 3,096,904 |   | 8,479   |   | 12,491  |   | 4,072   |   | 6,856  |   | -    |   | - | 3,128,802 | 3,140,065 |
| Average fixed rate                              | 2.60      | % | 4.38    | % | 3.83    | % | 4.16    | % | 4.02   | % | -    |   | - | 2.61      | %         |
| Mexican Peso                                    | 113,503   |   | 7,789   |   | 2,187   |   | 31      |   | 19     |   | -    |   | - | 123,529   | 125,520   |
| Average fixed rate                              | 5.63      | % | 6.01    | % | 6.78    | % | 7.43    | % | 7.43   | % | -    |   | - | 5.67      | %         |
| Floating rate                                   |           |   |         |   |         |   |         |   |        |   |      |   |   |           |           |
| U.S. Dollars                                    | 1,249,002 |   | 906,445 |   | 420,998 |   | 146,189 |   | 75,981 |   | -    |   | - | 2,798,616 | 2,899,300 |
| Average floating rate                           | 3.17      | % | 3.30    | % | 3.70    | % | 3.62    | % | 3.36   | % | -    |   | - | 3.32      | %         |
| Mexican Peso                                    | 31,900    |   | 22,739  |   | 20,676  |   | 15,136  |   | 6,899  |   | -    |   | - | 97,351    | 99,739    |
| Average floating rate                           | 5.93      | % | 6.32    | % | 6.46    | % | 6.58    | % | 7.17   | % | -    |   | - | 6.32      | %         |
| <b>LIABILITIES:</b>                             |           |   |         |   |         |   |         |   |        |   |      |   |   |           |           |
| <b>Borrowings and Placements <sup>(1)</sup></b> |           |   |         |   |         |   |         |   |        |   |      |   |   |           |           |
| Fixed rate                                      |           |   |         |   |         |   |         |   |        |   |      |   |   |           |           |
| U.S. Dollars                                    | 1,737,507 |   | 25,000  |   | -       |   | 400,739 |   | -      |   | -    |   | - | 2,163,246 | 2,187,252 |
| Average fixed rate                              | 0.91      | % | 1.50    | % | -       |   | 3.75    | % | -      |   | -    |   | - | 1.44      | %         |



**Expected maturity date**

|                                    | 2014      | 2015    | 2016    | 2017 | 2018 | There-<br>after | With-<br>matu-<br>rity | Total<br>2013 | Fair value<br>2013 |
|------------------------------------|-----------|---------|---------|------|------|-----------------|------------------------|---------------|--------------------|
| <b>(\$ Equivalent in thousand)</b> |           |         |         |      |      |                 |                        |               |                    |
| Mexican Peso                       | 31,906    | -       | -       | -    | -    | -               | -                      | 31,906        | 32,013             |
| Average fixed rate                 | 4.30      | %       | -       | -    | -    | -               | -                      | 4.30          | %                  |
| Peruvian Soles                     | 43,980    | -       | -       | -    | -    | -               | -                      | 43,980        | 46,241             |
| Average fixed rate                 | 6.50      | %       | -       | -    | -    | -               | -                      | 6.50          | %                  |
| Swiss franc                        | 89,837    | -       | -       | -    | -    | -               | -                      | 89,837        | 90,017             |
| Average fixed rate                 | 0.80      | %       | -       | -    | -    | -               | -                      | 0.80          | %                  |
| Japanese Yen                       | 4,749     | -       | -       | -    | -    | -               | -                      | 4,749         | 4,758              |
| Average fixed rate                 | 0.75      | %       | -       | -    | -    | -               | -                      | 0.75          | %                  |
| Floating rate                      |           |         |         |      |      |                 |                        |               |                    |
| U.S. Dollars                       | 1,323,590 | 58      | 203,058 | -    | -    | -               | -                      | 1,526,706     | 1,532,709          |
| Average floating rate              | 1.05      | %       | 0.75    | %    | 1.50 | %               | -                      | 1.11          | %                  |
| Mexican Peso                       | 112,042   | 172,930 | -       | -    | -    | -               | -                      | 284,973       | 285,986            |
| Average floating rate              | 4.83      | %       | 4.47    | %    | -    | -               | -                      | 4.61          | %                  |

**INTEREST****SWAPS:****Interest Rate****Swaps –****Investment****Securities**

## U.S. Dollars

|          |        |        |   |       |       |        |   |        |        |
|----------|--------|--------|---|-------|-------|--------|---|--------|--------|
| fixed to | 10,000 | 13,050 | - | 9,500 | 5,000 | 43,000 | - | 80,550 | (298 ) |
|----------|--------|--------|---|-------|-------|--------|---|--------|--------|

|                  |      |   |      |   |   |      |   |      |   |      |   |   |      |   |
|------------------|------|---|------|---|---|------|---|------|---|------|---|---|------|---|
| floating         |      |   |      |   |   |      |   |      |   |      |   |   |      |   |
| Average pay rate | 7.75 | % | 7.73 | % | - | 4.31 | % | 6.37 | % | 5.04 | % | - | 5.81 | % |

|                      |      |   |      |   |   |      |   |      |   |      |   |   |      |   |
|----------------------|------|---|------|---|---|------|---|------|---|------|---|---|------|---|
| Average receive rate | 2.74 | % | 3.53 | % | - | 3.61 | % | 5.16 | % | 3.12 | % | - | 3.32 | % |
|----------------------|------|---|------|---|---|------|---|------|---|------|---|---|------|---|

**Interest Rate****Swaps – Loans**

## U.S. Dollars

|          |   |   |   |        |   |   |   |        |       |
|----------|---|---|---|--------|---|---|---|--------|-------|
| fixed to | - | - | - | 14,008 | - | - | - | 14,008 | (13 ) |
|----------|---|---|---|--------|---|---|---|--------|-------|

|                  |   |   |   |      |   |   |   |   |      |   |
|------------------|---|---|---|------|---|---|---|---|------|---|
| floating         |   |   |   |      |   |   |   |   |      |   |
| Average pay rate | - | - | - | 3.73 | % | - | - | - | 3.73 | % |

|                      |   |   |   |      |   |   |   |   |      |   |
|----------------------|---|---|---|------|---|---|---|---|------|---|
| Average receive rate | - | - | - | 3.26 | % | - | - | - | 3.26 | % |
|----------------------|---|---|---|------|---|---|---|---|------|---|

**Interest Rate****Swaps –**

**Borrowings**

|                                      |         |   |   |   |   |   |   |        |   |         |      |   |
|--------------------------------------|---------|---|---|---|---|---|---|--------|---|---------|------|---|
| U.S. Dollars<br>fixed to<br>floating | 383,000 | - | - | - | - | - | - | 79,000 | - | 453,000 | 151  |   |
| Average pay<br>rate                  | 1.26    | % | - | - | - | - | - | 2.16   | % | -       | 1.32 | % |
| Average<br>receive rate              | 1.16    | % | - | - | - | - | - | 0.16   | % | -       | 1.04 | % |

**Interest Rate****Swaps –****Issuances**

|                                      |   |   |   |   |         |   |   |   |   |         |       |
|--------------------------------------|---|---|---|---|---------|---|---|---|---|---------|-------|
| U.S. Dollars<br>fixed to<br>floating | - | - | - | - | 400,000 | - | - | - | - | 400,000 | 3,533 |
| Average pay<br>rate                  | - | - | - | - | 2.81    | % | - | - | - | 2.81    | %     |
| Average<br>receive rate              | - | - | - | - | 3.75    | % | - | - | - | 3.75    | %     |

**CROSS  
CURRENCY  
SWAPS:****Cross  
Currency  
Swaps**

|                               |         |   |         |   |       |   |      |   |   |   |   |         |       |   |
|-------------------------------|---------|---|---------|---|-------|---|------|---|---|---|---|---------|-------|---|
| Receive U.S.<br>Dollars       | 19,208  |   | 19,108  |   | 1,024 |   | 367  |   | - | - | - | 39,707  | (495  | ) |
| U.S. Dollars<br>fixed rate    | -       |   | -       |   | -     |   | -    |   | - | - | - | -       | -     |   |
| U.S. Dollars<br>floating rate | 3.33    | % | 3.01    | % | 3.90  | % | 4.28 | % | - | - | - | 3.20    | %     |   |
| Pay US<br>Dollars             | 198,733 |   | 157,356 |   | -     |   | -    |   | - | - | - | 356,090 | 2,835 |   |
| U.S. Dollars<br>fixed rate    | 2.66    | % | -       |   | -     |   | -    |   | - | - | - | 2.66    | %     |   |
| U.S. Dollars<br>floating rate | 2.59    | % | 2.02    | % | -     |   | -    |   | - | - | - | 2.20    | %     |   |
| Receive<br>Mexican Peso       | 67,384  |   | 157,356 |   | -     |   | -    |   | - | - | - | 224,740 |       |   |
| Mexican Peso<br>fixed rate    | -       |   | -       |   | -     |   | -    |   | - | - | - | -       |       |   |
| Mexican Peso<br>floating rate | 5.29    | % | 4.44    | % | -     |   | -    |   | - | - | - | 4.70    | %     |   |
| Pay Mexican<br>Peso           | 19,208  |   | 19,108  |   | 1,024 |   | 367  |   | - | - | - | 39,707  |       |   |
| Mexican Peso<br>fixed rate    | 6.67    | % | 5.93    | % | 6.50  | % | -    |   | - | - | - | 6.35    | %     |   |
| Mexican Peso<br>floating rate | 6.34    | % | 6.23    | % | 6.86  | % | 6.84 | % | - | - | - | 6.30    | %     |   |
| Receive<br>Peruvian Soles     | 41,021  |   | -       |   | -     |   | -    |   | - | - | - | 41,021  |       |   |

|                              |      |   |   |   |   |   |   |   |      |   |
|------------------------------|------|---|---|---|---|---|---|---|------|---|
| Peruvian Soles<br>fixed rate | 6.50 | % | - | - | - | - | - | - | 6.50 | % |
|------------------------------|------|---|---|---|---|---|---|---|------|---|

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**Expected maturity date**

|                                    | 2014   | 2015 | 2016 | 2017 | 2018 | There-<br>after | Without<br>maturity | Total<br>2013 | Fair<br>value<br>2013 |
|------------------------------------|--------|------|------|------|------|-----------------|---------------------|---------------|-----------------------|
| <b>(\$ Equivalent in thousand)</b> |        |      |      |      |      |                 |                     |               |                       |
| Receive Swiss franc                | 85,288 | -    | -    | -    | -    | -               | -                   | 85,288        |                       |
| Swiss franc fixed rate             | 0.80 % | -    | -    | -    | -    | -               | -                   | 0.80          | %                     |
| Receive Japanese Yen               | 5,041  | -    | -    | -    | -    | -               | -                   | 5,041         |                       |
| Japanese Yen fixed rate            | 0.75 % | -    | -    | -    | -    | -               | -                   | 0.75          | %                     |

**FORWARD CURRENCY EXCHANGE AGREEMENTS**

|  |        |   |   |   |   |   |   |        |     |
|--|--------|---|---|---|---|---|---|--------|-----|
| Receive U.S. Dollars/ Pay Mexican Pesos    | 88,130 | - | - | - | - | - | - | 88,130 | 592 |
| Average exchange rate                      | 13.04  |   |   |   |   |   |   | 13.04  |     |
| Receive U.S. Dollars/ Pay Brazilian Reales | 5,810  | - | - | - | - | - | - | 5,810  | 340 |
| Average exchange rate                      | 2.24   | - | - | - | - | - | - | 2.24   |     |

**TRADING****Trading Liabilities****Interest rate swaps:**

|                                |   |   |        |   |   |   |   |        |       |
|--------------------------------|---|---|--------|---|---|---|---|--------|-------|
| U.S. Dollars fixed to floating | - | - | 14,000 | - | - | - | - | 14,000 | (65 ) |
| Average pay rate               | - | - | 5.54 % | - | - | - | - | 5.54   | %     |
| Average receive rate           | - | - | 5.08 % | - | - | - | - | 5.08   | %     |

**Cross currency swaps:**

|                         |         |   |   |   |   |   |   |       |      |
|-------------------------|---------|---|---|---|---|---|---|-------|------|
| Receive US Dollars      | 600     | - | - | - | - | - | - | 600   | (7 ) |
| U.S. Dollars fixed rate | 7.04 %  |   |   |   |   |   |   | 7.04  | %    |
| Pay Mexican Peso        | 600     | - | - | - | - | - | - | 600   |      |
| Mexican Peso fixed rate | 12.50 % | - | - | - | - | - | - | 12.50 | %    |

(1) Borrowings and placements include repos and short and long-term borrowings and debt.

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

For information regarding the fair value disclosure of financial instruments, see Item 18, "Financial Statements," note 21.

Foreign Exchange Risk Management and Sensitivity

The Bank accepts deposits and raises funds principally in U.S. dollars, and makes loans mostly in U.S. dollars. Currency exchange risk arises when the Bank accepts deposits or raises funds in one currency and lends or invests the proceeds in another. In general, foreign currency-denominated assets are funded with liability instruments denominated in the same currency. In those cases where assets are funded in different currencies, forward foreign exchange or cross-currency swap contracts are used to fully hedge the risk resulting from this cross currency funding. During 2014, the Bank did not hold significant open foreign exchange positions. As of December 31, 2014, the Bank had an equivalent of \$266 million in non-U.S. dollar financial assets and \$430 million of non-U.S. dollar financial liabilities which are fully hedged.

## Price Risk Management and Sensitivity

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

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

|                                    | As of December 31,<br>2014 |            | As of December 31, 2013 |            |
|------------------------------------|----------------------------|------------|-------------------------|------------|
|                                    | Carrying<br>Amount         | Fair Value | Carrying<br>Amount      | Fair Value |
| (in \$ thousand)                   |                            |            |                         |            |
| <b>INVESTMENT SECURITIES</b>       |                            |            |                         |            |
| Investment available for sale      | 338,973                    | 338,973    | 334,368                 | 334,368    |
| Investment held-to-maturity        | 54,180                     | 53,295     | 33,759                  | 33,634     |
| Interest rate swaps <sup>(1)</sup> | (1,224 )                   | (1,224 )   | (363 )                  | (363 )     |

<sup>(1)</sup>As of December 31, 2014 includes interest rate swaps that applies for hedge accounting.

For additional information regarding derivative financial instruments, see Item 18, "Financial Statements," notes 2(t) and 21, and for information regarding investment securities, see Item 18, "Financial Statements," note 5.

## Item 12. Description of Securities Other than Equity Securities

Not applicable.

## PART II

## Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

**a) Disclosure Controls and Procedures**

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

The Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO"), evaluated the effectiveness of the Bank's disclosure controls and procedures as of December 31, 2014, and concluded that they were effective as of December 31, 2014.

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Management, with the participation and supervision of the Bank's CEO and CFO, has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2014. Such evaluation included (i) the documentation and understanding of the Bank's internal control over financial reporting and (ii) a test of the design and the operating effectiveness of internal controls over financial reporting. This evaluation was the basis of management's conclusions.

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

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

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Bank's transactions and dispositions of its assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that the Bank's receipts and expenditures are being made only in accordance with authorizations of the Bank's management and the Board; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on its financial statements.

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



Based on the assessment and criteria described above, the Bank's management concluded that, as of December 31, 2014, the Bank's internal control over financial reporting was effective.

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

**c) Attestation Report of the Registered Public Accounting Firm**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

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

Panama, Republic of Panama

We have audited the internal control over financial reporting of *Banco Latinoamericano de Comercio Exterior, S.A.* and Subsidiaries (the "Bank") as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Bank and our report dated April 22, 2015, expressed an unqualified opinion on those financial statements.

*/s/ Deloitte, Inc.*

April 22, 2015

Panama, Republic of Panama

**d) Changes in Internal Control over Financial Reporting**

There has been no change in the Bank's internal control over financial reporting during the fiscal year ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Item 16. [Reserved]

**Item 16A. Audit and Compliance Committee Financial Expert**

The Board has determined that at least one member of the Audit and Compliance Committee is an "audit committee financial expert," as defined in the rules enacted by the SEC under the Sarbanes-Oxley Act. The Audit and Compliance Committee's financial expert is Gonzalo Menéndez Duque. Mr. Menéndez Duque is independent as defined by the NYSE Listed Company Manual.

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

**Item 16B. Code of Ethics**

The Bank has adopted a Code of Ethics that applies to the Bank's principal executive officer, principal financial and principal accounting officers. The Bank's Code of Ethics includes the information regarding its corporate governance practices necessary to comply with Section 303A of the NYSE Rules.

A copy of the Bank's Code of Ethics was filed with the SEC as an Exhibit to the Form 20-F for the fiscal year ended December 31, 2013, on April 25, 2014, and may also be found on the Bank's website (<http://www.bladex.com>) at Investors / Corporate Overview / Corporate Governance / Code of Ethics (For purposes of Section 406 of the Sarbanes-Oxley Act of 2002). Written requests for copies should be directed to the attention of Christopher Schech, Chief Financial Officer, via e-mail to [cschech@bladex.com](mailto:cschech@bladex.com).

**Item 16C. Principal Accountant Fees and Services**

The following table summarizes the fees paid or accrued by the Bank for audit and other services provided by Deloitte, the Bank's independent accounting firm, for each of the years ended December 31, 2014 and 2013:

|                    | As of December 31, |           |
|--------------------|--------------------|-----------|
|                    | 2014               | 2013      |
| Audit fees         | \$525,611          | \$658,161 |
| Audit-related fees | 311,335            | 148,195   |
| Tax fees           | 0                  | 0         |
| All other fees     | 0                  | 0         |
| Total              | \$836,946          | \$806,356 |

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

Audit fees include aggregate fees billed for professional services rendered by Deloitte for the audit of the Bank's annual financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-related fees include aggregate fees billed for assurance and related services by Deloitte that are reasonably related to the performance of the audit or review of the Bank's financial statements and are not reported under the "Audit fees". These services are associated with funding programs, as part of the normal course of business of the Bank.

***Audit and Compliance Committee Pre-Approval Policies and Procedures***

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

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

Not applicable.

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

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

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

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

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

Item 16H. Mine Safety Disclosure

Not applicable.

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PART III

Item 17. Financial Statements

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

Item 18. Financial Statements

List of Consolidated Financial Statements

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| <u>Report of Independent Registered Public Accounting Firm – Consolidated Financial Statements</u>   | F-1      |
| <u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>  | F-2      |
| <u>Consolidated Statements of Income for the Years Ended December 31, 2014, 2013, and 2012</u>   | F-3      |
| <u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2014, 2013, and 2012</u>   | F-4      |
| <u>Consolidated Statements of Changes in Stockholders' Equity and Redeemable Noncontrolling Interest for the Years Ended December 31, 2014, 2013, and 2012</u> | F-5      |
| <u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013, and 2012</u>   | F-6      |
| <u>Notes to Consolidated Financial Statements</u>  | F-7-F-72 |



Item 19. Exhibits

List of Exhibits

Exhibit 1.1. Amended and Restated Articles of Incorporation\*

Exhibit 1.2. By-Laws\*\*

Exhibit 8.1. List of Subsidiaries\*\*\*

Exhibit 11.1. Code of Ethics \*\*\*\*

Exhibit 12.1. Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a – 14(a) and 15d – 14(a) \*\*\*

Exhibit 12.2. Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a – 14(a) and 15d – 14(a) \*\*\*

Exhibit 13.1. Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 \*\*\*\*

Exhibit 13.2. Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002\*\*\*\*

101.INS XBRL Instance Document\*\*\*\*

101.SCH XBRL Taxonomy Extension Schema Document\*\*\*\*

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*\*\*\*

101.DEF XBRL Taxonomy Definition Linkbase Document\*\*\*\*

101.LAB XBRL Taxonomy Extension Label Linkbase Document\*\*\*\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*\*\*\*

\* Filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2008 filed with the SEC on June 26, 2009.

\*\* Filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2009 filed with the SEC on June 11, 2010.

\*\*\* Filed herewith.

\*\*\*\* Filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2013 filed with the SEC on April 25, 2014.

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**SIGNATURES**

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

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

/s/ Rubens V. Amaral Jr.  
*Chief Executive Officer*

April 22, 2015

EXHIBIT INDEX

**Exhibit**

Exhibit 8.1. List of Subsidiaries

Exhibit 12.1. Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a – 14(a) and 15d – 14(a)

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

Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013, and Related Consolidated Statements of Income, Comprehensive Income, Stockholders' Equity and redeemable noncontrolling interest and Cash Flows for the Three Years in the Period Ended December 31, 2014

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

**Consolidated Financial Statements 2014, 2013 and 2012**

| <b>Contents</b>  | <b>Pages</b> |
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| <u>Consolidated balance sheets</u>   | F-4          |
| <u>Consolidated statements of income</u>   | F-5          |
| <u>Consolidated statements of comprehensive income</u>   | F-6          |
| <u>Consolidated statements of changes in stockholders' equity and redeemable noncontrolling interest</u> | F-7          |
| <u>Consolidated statements of cash flow</u>  | F-8          |
| <u>Notes to consolidated financial statements</u>  | F-9- F-74    |

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INDEPENDENT AUDITOR'S REPORT

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

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

Panama, Republic of Panama

We have audited the accompanying consolidated balance sheets of *Banco Latinoamericano de Comercio Exterior, S.A.* and subsidiaries (the "Bank") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and redeemable noncontrolling interest, and cash flows for each of the three years in the period ended December 31, 2014. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of *Banco Latinoamericano de Comercio Exterior, S.A.* and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 22, 2015 expressed an unqualified opinion on the Bank's internal control over financial reporting.

*/S/ Deloitte, Inc.*

April 22, 2015

Panama, Republic of Panama

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Consolidated balance sheets****December 31, 2014 and 2013**

(in US\$ thousand, except share amounts)

|  | Notes        | 2014      | 2013      |
|--|--------------|-----------|-----------|
| <b>Assets</b>  |              |           |           |
| Cash and due from banks  | 4,24         | 4,985     | 2,161     |
| Interest-bearing deposits in banks (including pledged deposits of \$39,210 in 2014 and \$9,032 in 2013)  | 4,24         | 775,530   | 837,557   |
| Securities available-for-sale (including pledged securities to creditors of \$307,530 in 2014 and \$296,811 in 2013)   | 5,24         | 338,973   | 334,368   |
| Securities held-to-maturity (fair value of \$53,295 in 2014 and \$33,634 in 2013) (including pledged securities to creditors of \$13,004 in 2014 and \$13,007 in 2013) | 5,24         | 54,180    | 33,759    |
| Investment funds   | 6,24         | 57,574    | 118,661   |
| Loans  | 7            | 6,686,244 | 6,148,298 |
| Less:  |              |           |           |
| Allowance for loan losses  | 8            | 79,675    | 72,751    |
| Unearned income and deferred fees  |              | 8,509     | 6,668     |
| Loans, net   | 24           | 6,598,060 | 6,068,879 |
| Customers' liabilities under acceptances   | 24           | 114,018   | 1,128     |
| Accrued interest receivable  | 24           | 47,938    | 40,727    |
| Equipment and leasehold improvements (net of accumulated depreciation and amortization of \$16,203 in 2014 and \$13,881 in 2013)                                       | 9            | 8,129     | 10,466    |
| Derivative financial instruments used for hedging - receivable   | 21,23,24     | 12,324    | 15,217    |
| Other assets   | 10           | 13,561    | 8,389     |
| Total assets   |              | 8,025,272 | 7,471,312 |
| <b>Liabilities and stockholders' equity</b>  |              |           |           |
| Deposits:  | 11,24        |           |           |
| Noninterest-bearing - Demand   |              | 394       | 663       |
| Interest-bearing - Demand  |              | 83,781    | 62,384    |
| Time   |              | 2,422,519 | 2,298,289 |
| Total deposits   |              | 2,506,694 | 2,361,336 |
| Trading liabilities  | 12,23,24     | 52        | 72        |
| Securities sold under repurchase agreement   | 4,6,13,23,24 | 300,519   | 286,162   |
| Short-term borrowings and debt   | 14,24        | 2,692,537 | 2,705,365 |
| Acceptances outstanding  | 24           | 114,018   | 1,128     |
| Accrued interest payable   | 24           | 14,855    | 13,786    |
| Long-term borrowings and debt  | 15,24        | 1,405,519 | 1,153,871 |
| Derivative financial instruments used for hedging - payable  | 12,21,23,24  | 40,287    | 8,572     |
| Reserve for losses on off-balance sheet credit risk  | 8            | 6,849     | 5,222     |

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|  |                |           |           |
|--|----------------|-----------|-----------|
| Other liabilities  | 10             | 32,879    | 27,947    |
| Total liabilities  |                | 7,114,209 | 6,563,461 |
| Commitments and contingencies  | 19,20,21,24,25 |           |           |
| Redeemable noncontrolling interest   |                | -         | 49,899    |
| Stockholders' equity:  | 16,17,18,22,26 |           |           |
| 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 2,479,050 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 29,956,100 in 2014 and 29,710,556 in 2013) |                | 214,890   | 214,890   |
| Additional paid-in capital in excess of assigned value of common stock   |                | 117,339   | 118,646   |
| Capital reserves   |                | 95,210    | 95,210    |
| Retained earnings  |                | 510,046   | 458,699   |
| Accumulated other comprehensive loss   | 5,21,22        | (13,885 ) | (12,575 ) |
| Treasury stock   | 16             | (77,627 ) | (82,008 ) |
| Total stockholders' equity   |                | 911,063   | 857,952   |
| Total liabilities and stockholders' equity   |                | 8,025,272 | 7,471,312 |

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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Consolidated statements of income****Years ended December 31, 2014, 2013 and 2012**

(in US\$ thousand, except per share amounts)

|   | Notes | 2014     | 2013     | 2012      |
|---|-------|----------|----------|-----------|
| Interest income:  | 21    |          |          |           |
| Deposits  |       | 1,545    | 1,526    | 1,876     |
| Trading assets  |       | -        | -        | 69        |
| Investment securities:  |       |          |          |           |
| Available-for-sale  |       | 8,115    | 7,655    | 5,675     |
| Held-to-maturity  |       | 1,142    | 842      | 721       |
| Investment funds  |       | 20       | 2,301    | 880       |
| Loans   |       | 201,908  | 192,979  | 183,216   |
| Total interest income   |       | 212,730  | 205,303  | 192,437   |
| Interest expense:   | 21    |          |          |           |
| Deposits  |       | 11,245   | 12,381   | 12,944    |
| Investment funds  |       | 37       | 1,844    | 109       |
| Short-term borrowings and debt  |       | 23,893   | 26,944   | 20,673    |
| Long-term borrowings and debt   |       | 36,424   | 41,042   | 53,734    |
| Total interest expense  |       | 71,599   | 82,211   | 87,460    |
| Net interest income   |       | 141,131  | 123,092  | 104,977   |
| Reversal of provision (provision) for loan losses                             | 8     | (6,895 ) | 1,598    | 8,343     |
| Net interest income, after reversal of provision (provision) for loan losses  |       | 134,236  | 124,690  | 113,320   |
| Other income (expense):   |       |          |          |           |
| Reversal of provision (provision) for losses on off-balance sheet credit risk | 8     | (1,627 ) | (381 )   | 4,046     |
| Fees and commissions, net   |       | 17,502   | 13,669   | 10,021    |
| Derivative financial instruments and hedging                                  | 21    | 106      | 353      | 71        |
| Recoveries, net of impairment of assets                                       |       | 7        | 108      | -         |
| Net gain (loss) from investment funds trading                                 |       | 3,409    | (6,702 ) | 7,011     |
| Net gain (loss) from trading securities                                       |       | (393 )   | 3,221    | 11,234    |
| Net gain on sale of securities available-for-sale                             | 5     | 1,871    | 1,522    | 6,030     |
| Net gain on sale of loans   |       | 2,546    | 588      | 1,147     |
| Net gain (loss) on foreign currency exchange                                  |       | 766      | (3,834 ) | (10,525 ) |
| Gain on sale of premises and equipment  | 9     | -        | -        | 5,626     |
| Other income, net   |       | 1,744    | 1,644    | 1,839     |
| Net other income  |       | 25,931   | 10,188   | 36,500    |
| Operating expenses:   |       |          |          |           |
| Salaries and other employee expenses  |       | 31,339   | 31,702   | 33,171    |
| Depreciation and amortization of equipment and leasehold improvements         |       | 2,487    | 2,747    | 2,269     |
| Professional services   |       | 5,177    | 4,010    | 4,053     |
| Maintenance and repairs   |       | 1,544    | 1,529    | 1,936     |

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|  |    |         |          |         |
|--|----|---------|----------|---------|
| Expenses from investment funds   |    | 416     | 2,589    | 2,953   |
| Other operating expenses   |    | 12,739  | 11,729   | 11,432  |
| Total operating expenses   |    | 53,702  | 54,306   | 55,814  |
| Net income from continuing operations                                    |    | 106,465 | 80,572   | 94,006  |
| Net loss from discontinued operations                                    | 3  | -       | (4 )     | (681 )  |
| Net income   |    | 106,465 | 80,568   | 93,325  |
| Net income (loss) attributable to the redeemable noncontrolling interest |    | (475 )  | (4,185 ) | 293     |
| Net income attributable to Bladex stockholders                           |    | 106,940 | 84,753   | 93,032  |
| Amounts attributable to Bladex stockholders:                             |    |         |          |         |
| Net income from continuing operations                                    |    | 106,940 | 84,757   | 93,713  |
| Net loss from discontinued operations                                    |    | -       | (4 )     | (681 )  |
|  |    | 106,940 | 84,753   | 93,032  |
| Earning per share from continuing operations:                            |    |         |          |         |
| Basic  | 18 | 2.76    | 2.21     | 2.48    |
| Diluted  | 18 | 2.75    | 2.20     | 2.47    |
| Loss per share from discontinued operations:                             |    |         |          |         |
| Basic  | 18 | -       | (0.00 )  | (0.02 ) |
| Diluted  | 18 | -       | (0.00 )  | (0.02 ) |
| Earning per share:   |    |         |          |         |
| Basic  | 18 | 2.76    | 2.21     | 2.46    |
| Diluted  | 18 | 2.75    | 2.20     | 2.45    |
| Weighted average basic shares  | 18 | 38,693  | 38,406   | 37,824  |
| Weighted average diluted shares  | 18 | 38,839  | 38,533   | 37,938  |

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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Consolidated statements of comprehensive income****Years ended December 31, 2014, 2013 and 2012**

(in US\$ thousand)

|  | Notes | 2014     | 2013      | 2012     |
|--|-------|----------|-----------|----------|
| Net income   |       | 106,465  | 80,568    | 93,325   |
| Other comprehensive income (loss):   |       |          |           |          |
| Unrealized gains (losses) on securities available-for-sale:                        |       |          |           |          |
| Unrealized gains (losses) arising from the year                                    | 22    | 2,224    | (9,640 )  | 8,436    |
| Less: reclassification adjustments for net gains included in net income            | 22    | (2,330 ) | (1,487 )  | (5,775 ) |
| Net change in unrealized gains (losses) on securities available for sale           |       | (106 )   | (11,127 ) | 2,661    |
| Unrealized gains (losses) on derivative financial instruments:                     |       |          |           |          |
| Unrealized gains (losses) arising from the year                                    | 22    | (1,813 ) | (2,302 )  | 5,699    |
| Less: reclassification adjustments for net (gains) losses included in net income   | 22    | 1,264    | 1,985     | (5,427 ) |
| Net change in unrealized gains (losses) on derivative financial instruments        |       | (549 )   | (317 )    | 272      |
| Foreign currency translation adjustment, net of hedges:                            |       |          |           |          |
| Current year change  |       | (655 )   | (330 )    | (735 )   |
| Reclassification adjustments for net losses included in net income                 |       | -        | 24        | -        |
| Net change in foreign currency translation adjustment                              |       | (655 )   | (306 )    | (735 )   |
| Other comprehensive income (loss)  |       | (1,310 ) | (11,750)  | 2,198    |
| Comprehensive income   |       | 105,155  | 68,818    | 95,523   |
| Comprehensive income (loss) attributable to the redeemable noncontrolling interest |       | (475 )   | (4,090 )  | 109      |
| Comprehensive income attributable to Bladex stockholders                           |       | 105,630  | 72,908    | 95,414   |

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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Consolidated statements of changes in stockholders' equity and redeemable noncontrolling interest****Years ended December 31, 2014, 2013 and 2012**

(in US\$ thousand)

|   | Stockholders' equity |  |                  | Retained earnings | Accumulated                       |                | Total stockholders' equity | Redeemable noncontrolling interest |
|---|----------------------|--|------------------|-------------------|-----------------------------------|----------------|----------------------------|------------------------------------|
|   | Common stock         | Additional paid-in capital in excess of assigned value of common stock | Capital reserves |                   | other comprehensive income (loss) | Treasury stock |                            |                                    |
| Balances at January 1, 2012                             | 279,980              | 130,177  | 95,210           | 372,644           | (3,112 )                          | (115,617)      | 759,282                    | 5,547                              |
| Net income  | -                    | -  | -                | 93,032            | -                                 | -              | 93,032                     | 293                                |
| Redeemable noncontrolling interest - subscriptions      | -                    | -  | -                | -                 | -                                 | -              | -                          | 1,773                              |
| Redeemable noncontrolling interest - redemptions        | -                    | -  | -                | -                 | -                                 | -              | -                          | (4,045 )                           |
| Other comprehensive income                              | -                    | -  | -                | -                 | 2,382                             | -              | 2,382                      | (184 )                             |
| Compensation cost - stock options and stock units plans | -                    | 2,271  | -                | -                 | -                                 | -              | 2,271                      | -                                  |
| Issuance of restricted shares                           | -                    | (771 )   | -                | -                 | -                                 | 771            | -                          | -                                  |
| Exercised options and stock units vested                | -                    | (10,258 )  | -                | -                 | -                                 | 23,394         | 13,136                     | -                                  |
| Dividends declared (1)                                  | -                    | -  | -                | (43,628 )         | -                                 | -              | (43,628 )                  | -                                  |

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|   |         |          |        |           |           |           |           |           |
|---|---------|----------|--------|-----------|-----------|-----------|-----------|-----------|
| Balances at December 31, 2012   | 279,980 | 121,419  | 95,210 | 422,048   | (730 )    | (91,452 ) | 826,475   | 3,384     |
| Effect of deconsolidating a variable interest entity ("VIE")          | -       | -        | -      | -         | -         | -         | -         | (565 )    |
| Net income  | -       | -        | -      | 84,753    | -         | -         | 84,753    | (4,185 )  |
| Redeemable noncontrolling interest - subscriptions                    | -       | -        | -      | -         | -         | -         | -         | 53,000    |
| Redeemable noncontrolling interest - redemptions                      | -       | -        | -      | -         | -         | -         | -         | (1,830 )  |
| Other comprehensive income (loss)                                     | -       | -        | -      | -         | (11,845 ) | -         | (11,845 ) | 95        |
| Compensation cost - stock options and stock units plans               | -       | 2,996    | -      | -         | -         | -         | 2,996     | -         |
| Issuance of restricted shares   | -       | (629 )   | -      | -         | -         | 629       | -         | -         |
| Exercised options and stock units vested                              | -       | (5,140 ) | -      | -         | -         | 8,842     | 3,702     | -         |
| Repurchase of "Class E" common stock                                  | -       | -        | -      | -         | -         | (27 )     | (27 )     | -         |
| Dividends declared (1)  | -       | -        | -      | (48,102 ) | -         | -         | (48,102 ) | -         |
| Balances at December 31, 2013   | 279,980 | 118,646  | 95,210 | 458,699   | (12,575 ) | (82,008 ) | 857,952   | 49,899    |
| Effect of deconsolidating a variable interest entity ("VIE") (Note 6) | -       | -        | -      | -         | -         | -         | -         | (49,424 ) |
| Net income (loss)   | -       | -        | -      | 106,940   | -         | -         | 106,940   | (475 )    |
| Other comprehensive income (loss)                                     | -       | -        | -      | -         | (1,310 )  | -         | (1,310 )  | -         |

|   |         |         |        |         |         |   |         |           |
|---|---------|---------|--------|---------|---------|---|---------|-----------|
| Compensation cost -<br>stock options and<br>stock units plans | -       | 2,246   | -      | -       | -       | - | 2,246   | -         |
| Issuance of restricted<br>shares                              | -       | (629    | )      | -       | -       | - | 629     | -         |
| Exercised options and<br>stock units vested                   | -       | (2,924  | )      | -       | -       | - | 4,392   | 1,468     |
| Repurchase of "Class<br>B" and "Class E"<br>common stock      | -       | -       | -      | -       | -       | - | (640    | ) (640    |
| Dividends declared<br>(1)                                     | -       | -       | -      | (55,593 | )       | - | -       | (55,593   |
| Balances at December<br>31, 2014                              | 279,980 | 117,339 | 95,210 | 510,046 | (13,885 | ) | (77,627 | ) 911,063 |

(1) Dividends declared were \$0.35 per share in the first, second and third quarter of 2014. In the fourth quarter of 2014, dividends declared were \$0.39 per share.

In 2013, dividends declared were \$0.30 per share in the first, second and third quarter of 2013. In the fourth quarter of 2013, dividends declared were \$0.35 per share.

In 2012, dividends declared were \$0.25 per share in the first and second quarter. In the third and fourth quarter of 2012, dividends declared were \$0.30 per share.

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



**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Consolidated statements of cash flows**  
**Years ended December 31, 2014, 2013 and 2012**

(in US\$ thousand)

|   | 2014        | 2013       | 2012      |
|---|-------------|------------|-----------|
| Cash flows from operating activities:   |             |            |           |
| Net income  | 106,465     | 80,568     | 93,325    |
| Adjustments to reconcile net income to net cash provided by operating activities: |             |            |           |
| Activities of derivative financial instruments and hedging                        | 33,338      | 8,126      | (47,678 ) |
| Depreciation and amortization of equipment and leasehold improvements             | 2,487       | 2,747      | 2,269     |
| Provision (reversal of provision) for loan losses                                 | 6,895       | (1,598 )   | (8,343 )  |
| Provision (reversal of provision) for losses on off-balance sheet credit risk     | 1,627       | 381        | (4,046 )  |
| Net gain on sale of securities available-for-sale                                 | (1,871 )    | (1,522 )   | (6,030 )  |
| Gain on sale of premises and equipment  | -           | -          | (5,626 )  |
| Compensation cost - compensation plans  | 2,246       | 2,996      | 2,271     |
| Amortization of premium and discounts on investments                              | 16,094      | 5,015      | 3,075     |
| Net decrease (increase) in operating assets:                                      |             |            |           |
| Trading assets  | -           | 281        | 14,338    |
| Investment funds  | 10,877      | (7,174 )   | 14,537    |
| Accrued interest receivable   | (7,211 )    | (2,908 )   | 349       |
| Other assets  | (118,081 )  | 6,169      | 3,786     |
| Net increase (decrease) in operating liabilities:                                 |             |            |           |
| Trading liabilities   | (20 )       | (32,232 )  | 26,720    |
| Accrued interest payable  | 1,069       | (4,157 )   | 6,153     |
| Other liabilities   | 116,536     | (2,230 )   | 2,250     |
| Net change from discontinued operating activities                                 | -           | 92         | (256 )    |
| Net cash provided by operating activities   | 170,451     | 54,554     | 97,094    |
| Cash flows from investing activities:   |             |            |           |
| Effect on cash of desconsolidating a VIE  | -           | (2,135 )   | -         |
| Net decrease (increase) in pledged deposits                                       | (30,178 )   | 5,487      | 9,475     |
| Net decrease in deposits with original maturities greater than three months       | -           | -          | 30,000    |
| Net increase in loans   | (1,051,627) | (521,333 ) | (909,019) |
| Proceeds from the sale of loans   | 515,552     | 89,532     | 146,211   |
| Acquisition of equipment and leasehold improvements                               | (150 )      | (476 )     | (10,823 ) |
| Proceeds from the sale of premises and equipment                                  | -           | -          | 8,023     |
| Proceeds from the redemption of securities available-for-sale                     | 62,535      | 34,277     | 15,277    |
| Proceeds from the sale of securities available-for-sale                           | 223,219     | 105,942    | 254,772   |
| Proceeds from maturities of securities held-to-maturity                           | 19,883      | 19,910     | 7,050     |
| Purchases of investments available-for-sale                                       | (321,545 )  | (313,036 ) | (39,982 ) |
| Purchases of investments held-to-maturity   | (22,624 )   | (19,843 )  | (14,811 ) |
| Net change from discontinued investing activities                                 | -           | 63         | (3 )      |
| Net cash used in investing activities   | (604,935 )  | (601,612 ) | (503,830) |
| Cash flows from financing activities:   |             |            |           |

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|   |            |             |           |
|---|------------|-------------|-----------|
| Net increase in due to depositors   | 145,358    | 43,845      | 13,754    |
| Net increase (decrease) in short-term borrowings and debt and securities sold under repurchase agreements | 1,529      | 1,384,130   | (93,071 ) |
| Proceeds from long-term borrowings and debt   | 641,138    | 273,270     | 817,827   |
| Repayments of long-term borrowings and debt   | (389,490 ) | (1,024,939) | (399,835) |
| Dividends paid  | (54,262 )  | (46,025 )   | (39,714 ) |
| Subscriptions of redeemable noncontrolling interest   | -          | 53,000      | 1,773     |
| Redemptions of redeemable noncontrolling interest   | -          | (1,830 )    | (4,045 )  |
| Exercised stock options   | 1,469      | 3,702       | 13,136    |
| Repurchase of common stock  | (640 )     | (27 )       | -         |
| Net change from discontinued financing activities   | -          | 27          | -         |
| Net cash provided by financing activities   | 345,102    | 685,153     | 309,825   |
| Effect of exchange rate fluctuations on cash and cash equivalents   | 1          | 80          | (68 )     |
| Net Increase (decrease) in cash and cash equivalents  | (89,381 )  | 138,175     | (96,979 ) |
| Cash and cash equivalents at beginning of the year  | 830,686    | 692,511     | 789,490   |
| Cash and cash equivalents at end of the year  | 741,305    | 830,686     | 692,511   |
| Supplemental disclosures of cash flow information:  |            |             |           |
| Cash paid during the year for interest  | 70,530     | 86,368      | 81,307    |

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

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

### **Notes to consolidated financial statements (In thousands of US dollars)**

#### **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 multinational bank established to support the financing of trade and economic integration in Latin America and the Caribbean (the “Region”). The Bank was established pursuant to a May 1975 proposal presented to the Assembly of Governors of Central Banks in the Region, which recommended the creation of a multinational organization to increase the foreign trade financing capacity of the Region. The Bank was organized in 1977, incorporated in 1978 as a corporation pursuant to the laws of the Republic of Panama, and officially initiated operations on January 2, 1979. Under a contract 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. has ownership in two subsidiaries: 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 Development Corp. was incorporated under the laws of Panama on June 5, 2014. Bladex Development Corp. is 100% owned by Bladex Head Office.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**1. Organization (continued)**

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

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

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 States 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.

***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.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*c) Variable interest entities (continued)*

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:

- 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.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

***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.

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 effective interest method. Amortization of premiums and discounts are included in interest income as an adjustment to the yield.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*i) Investment securities (continued)*

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.

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 investment security.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*i) Investment securities (continued)*

Impairment of securities (continued)

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. (see Note 6)

*k) Other investments*

Other investments that 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. (see Note 10)

*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.

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 prior to such date, 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.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*l) Loans (continued)*

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 borrower is experiencing financial difficulties and if the restructuring constitutes a concession to the borrower. A concession may include modification of terms such as an extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, and reduction in the face amount of the 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 borrower's management and shareholders.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*l) Loans (continued)*

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*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:

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

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*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 an appropriation 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.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*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.

*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\$. 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.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

**t) *Derivative financial instruments and hedge accounting (continued)***

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.

**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\$ 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\$. 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\$ 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\$ using period-end spot foreign exchange rates. The effects of translation of monetary assets and liabilities into US\$ 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.

The Feeder and the Master are not subject to income taxes in accordance with the laws of the Cayman Islands. These companies received an undertaking exempting them from taxation of all future profits until March 7, 2026.

Bladex Representacao Ltda. and Bladex Investimentos Ltda., are subject to income taxes in Brazil.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

*v) Income taxes (continued)*

Bladex Development Corp., is subject to income taxes in Panama.  
BLX Soluciones, S.A. de C.V., SOFOM, is subject to income taxes in Mexico.  
The New York Agency and Bladex'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.

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.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**2. Summary of significant accounting policies (continued)**

**y) *Applicable accounting standards recently issued***

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 its consolidated financial statements previously issued. The Bank does not anticipate any material impact in its consolidated financial statements upon adoption of this update.

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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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****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:

|  | Year ended December 31 |        |
|--|------------------------|--------|
|  | 2014                   | 2013   |
| Other income:                                |                        |        |
| Fees and commissions <sup>(1)</sup>          | - 610                  | 2,683  |
| Other income                                 | - 468                  | 20     |
|  | - 1,078                | 2,703  |
| Operating expenses:                          |                        |        |
| Salaries and other employee expenses         | - 373                  | 1,535  |
| Depreciation and amortization                | - 8                    | 21     |
| Professional services                        | - 462                  | 699    |
| Maintenance and repairs                      | - 1                    | 7      |
| Other operating expenses                     | - 238                  | 1,122  |
| Total operating expenses                     | - 1,082                | 3,384  |
| Net gain (loss) from discontinued operations | - (4 )                 | (681 ) |

<sup>(1)</sup> Includes management fees from investment funds for \$567 thousand and \$2,588 thousand in 2013 and 2012, respectively

**4. Cash and cash equivalents**

Cash and cash equivalents are as follows:

|                                    | December 31, 2014 |         |
|------------------------------------|-------------------|---------|
|                                    | 2014              | 2013    |
| Cash and due from banks            | 4,985             | 2,161   |
| Interest-bearing deposits in banks | 775,530           | 837,557 |
| Total                              | 780,515           | 839,718 |
| Less:                              |                   |         |
| Pledged deposits                   | 39,210            | 9,032   |
|                                    | 741,305           | 830,686 |

On December 31, 2014 and 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 December 31, 2014 and 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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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****5. Investment securities**Securities available-for-sale

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:

|                     | December 31, 2014 |                          |                          |               |
|---------------------|-------------------|--------------------------|--------------------------|---------------|
|                     | Amortized<br>Cost | Unrealized<br>Gross Gain | Unrealized<br>Gross Loss | Fair<br>Value |
| Corporate debt:     |                   |                          |                          |               |
| Brazil              | 36,575            | -                        | 848                      | 35,727        |
| Colombia            | 24,139            | -                        | 1,828                    | 22,311        |
| Chile               | 12,215            | -                        | 201                      | 12,014        |
| Honduras            | 7,325             | -                        | 33                       | 7,292         |
| Panama              | 4,701             | -                        | 56                       | 4,645         |
| Peru                | 16,911            | -                        | 129                      | 16,782        |
| Venezuela           | 20,299            | 34                       | 9                        | 20,324        |
|                     | 122,165           | 34                       | 3,104                    | 119,095       |
| Sovereign debt:     |                   |                          |                          |               |
| Brazil              | 21,899            | 94                       | 444                      | 21,549        |
| Colombia            | 55,415            | 1                        | 1,239                    | 54,177        |
| Chile               | 11,669            | -                        | 398                      | 11,271        |
| Mexico              | 98,430            | 4                        | 1,587                    | 96,847        |
| Panama              | 17,692            | 10                       | 306                      | 17,396        |
| Peru                | 9,052             | 2                        | 14                       | 9,040         |
| Trinidad and Tobago | 10,113            | -                        | 515                      | 9,598         |
|                     | 224,270           | 111                      | 4,503                    | 219,878       |
| Total               | 346,435           | 145                      | 7,607                    | 338,973       |

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****5. Investment securities (continued)**Securities available-for-sale (continued)

|                     | December 31, 2013 |                          |                          |               |
|---------------------|-------------------|--------------------------|--------------------------|---------------|
|                     | Amortized<br>Cost | Unrealized<br>Gross Gain | Unrealized<br>Gross Loss | Fair<br>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 December 31, 2014 and 2013, securities available-for-sale with a carrying value of \$307.5 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:

December 31, 2014

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|                | 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 | 87,077              | 2,513                   | 13,334              | 561                     | 100,411    | 3,074                   |
| Sovereign debt | 101,789             | 1,601                   | 77,199              | 2,932                   | 178,988    | 4,533                   |
|                | 188,866             | 4,114                   | 90,533              | 3,493                   | 279,399    | 7,607                   |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****5. Investment securities (continued)**Securities available-for-sale (continued)

|                | December 31, 2013   |                         |                     |                         |            |                         |
|----------------|---------------------|-------------------------|---------------------|-------------------------|------------|-------------------------|
|                | 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                  |

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:

|        | Year ended December 31 |       |        |
|--------|------------------------|-------|--------|
|        | 2014                   | 2013  | 2012   |
| Gains  | 1,891                  | 1,523 | 6,141  |
| Losses | (20 )                  | (1 )  | (111 ) |
| Net    | 1,871                  | 1,522 | 6,030  |

The amortized cost and fair value of securities available-for-sale by contractual maturity as of December 31, 2014, are shown in the following table:

|                                 | Amortized Cost | Fair Value |
|---------------------------------|----------------|------------|
| Due within 1 year               | 85,496         | 85,579     |
| After 1 year but within 5 years | 139,547        | 135,662    |

|                                   |         |         |
|-----------------------------------|---------|---------|
| After 5 years but within 10 years | 121,392 | 117,732 |
|                                   | 346,435 | 338,973 |

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:

|                 | December 31, 2014 |                          |                          |               |
|-----------------|-------------------|--------------------------|--------------------------|---------------|
|                 | Amortized<br>Cost | Unrealized<br>Gross Gain | Unrealized<br>Gross Loss | Fair<br>Value |
| Corporate debt: |                   |                          |                          |               |
| Brazil          | 17,824            | -                        | 958                      | 16,866        |
| Panama          | 23,353            | 33                       | -                        | 23,386        |
|                 | 41,177            | 33                       | 958                      | 40,252        |
| Sovereign debt: |                   |                          |                          |               |
| Colombia        | 13,003            | 40                       | -                        | 13,043        |
| Total           | 54,180            | 73                       | 958                      | 53,295        |

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****5. Investment securities (continued)**Securities held-to-maturity (continued)

|                 | December 31, 2013 |                          |                          |               |
|-----------------|-------------------|--------------------------|--------------------------|---------------|
|                 | Amortized<br>Cost | Unrealized<br>Gross Gain | Unrealized<br>Gross Loss | Fair<br>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        |

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 December 31, 2014, are shown in the following table:

|                                 | Amortized<br>Cost | Fair<br>Value |
|---------------------------------|-------------------|---------------|
| Due within 1 year               | 34,326            | 34,376        |
| After 1 year but within 5 years | 19,854            | 18,919        |
|                                 | 54,180            | 53,295        |

As of December 31, 2014 and, 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.

**6.**

**Investment funds**

Until March 31, 2014, the Bank applied ASC Topic 810-10-25-15 – Consolidation, to consolidate its investment in Alpha4X Feeder Fund (the “Feeder”), and retained the specialized accounting for investment companies described in Note 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.

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****6. Investment funds (continued)**

On 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 December 31, 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 December 31, 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.

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

|  | December 31, |         |
|--|--------------|---------|
|  | 2014         | 2013    |
| Alpha4X Feeder Fund                              | 52,472       | 113,069 |
| Alpha4X Latam Fundo de Investimento Multimercado | 5,102        | 5,592   |
|  | 57,574       | 118,661 |

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



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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****7.****Loans**

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

|                                     | December 31, |           |
|-------------------------------------|--------------|-----------|
|                                     | 2014         | 2013      |
| Corporations:                       |              |           |
| Private                             | 3,120,005    | 2,375,178 |
| State-owned                         | 711,955      | 938,878   |
| Banking and financial institutions: |              |           |
| Private                             | 1,890,605    | 1,785,798 |
| State-owned                         | 480,331      | 474,193   |
| Middle-market companies:            |              |           |
| Private                             | 483,348      | 574,107   |
| Sovereign                           | -            | 144       |
| Total                               | 6,686,244    | 6,148,298 |

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

|                                    | December 31, |           |
|------------------------------------|--------------|-----------|
|                                    | 2014         | 2013      |
| Banking and financial institutions | 2,370,936    | 2,259,991 |
| Industrial                         | 1,325,091    | 936,290   |
| Oil and petroleum derived products | 1,013,324    | 1,170,684 |
| Agricultural                       | 1,132,330    | 924,251   |
| Services                           | 617,366      | 398,736   |
| Mining                             | 38,572       | 10,000    |
| Sovereign                          | -            | 144       |
| Others                             | 188,625      | 448,202   |
| Total                              | 6,686,244    | 6,148,298 |

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

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December 31, 2014

| Rating <sup>(1)</sup> | Corporations |             | Banking and financial institutions |             | Middle-market companies | Sovereign | Total     |
|-----------------------|--------------|-------------|------------------------------------|-------------|-------------------------|-----------|-----------|
|                       | Private      | State-owned | Private                            | State-owned | Private                 |           |           |
| 1-6                   | 3,112,079    | 711,955     | 1,890,605                          | 480,331     | 482,439                 | -         | 6,677,409 |
| 7                     | 4,801        | -           | -                                  | -           | -                       | -         | 4,801     |
| 8                     | -            | -           | -                                  | -           | 909                     | -         | 909       |
| 9                     | -            | -           | -                                  | -           | -                       | -         | -         |
| 10                    | 3,125        | -           | -                                  | -           | -                       | -         | 3,125     |
| Total                 | 3,120,005    | 711,955     | 1,890,605                          | 480,331     | 483,348                 | -         | 6,686,244 |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements****(In thousands of US dollars)****7. Loans (continued)**

|                              | December 31, 2013 |             | Banking and financial institutions |             | Middle-market companies |           |           |
|------------------------------|-------------------|-------------|------------------------------------|-------------|-------------------------|-----------|-----------|
| <b>Rating</b> <sup>(1)</sup> | Private           | State-owned | Private                            | State-owned | Private                 | Sovereign | Total     |
| 1-6                          | 2,372,053         | 938,878     | 1,785,798                          | 474,193     | 574,107                 | 144       | 6,145,173 |
| 7                            | -                 | -           | -                                  | -           | -                       | -         | -         |
| 8                            | 3,125             | -           | -                                  | -           | -                       | -         | 3,125     |
| 9                            | -                 | -           | -                                  | -           | -                       | -         | -         |
| 10                           | -                 | -           | -                                  | -           | -                       | -         | -         |
| Total                        | 2,375,178         | 938,878     | 1,785,798                          | 474,193     | 574,107                 | 144       | 6,148,298 |

(1) Current ratings as of December 31, 2014 and 2013, respectively.

The remaining loan maturities are summarized as follows:

|                            | December 31, |           |
|----------------------------|--------------|-----------|
|                            | 2014         | 2013      |
| Current                    |              |           |
| Up to 1 month              | 947,624      | 1,017,794 |
| From 1 month to 3 months   | 1,502,905    | 1,749,348 |
| From 3 months to 6 months  | 1,268,478    | 949,364   |
| From 6 months to 1 year    | 1,067,073    | 774,803   |
| From 1 year to 2 years     | 989,805      | 942,327   |
| From 2 years to 5 years    | 870,163      | 711,537   |
| From 5 years to 7 years    | 31,361       | -         |
|                            | 6,677,409    | 6,145,173 |
| Delinquent                 | 4,801        | -         |
| Impaired:                  |              |           |
| Delinquent with impairment | -            | 3,125     |
| Past due with impairment   | 4,034        | -         |
|                            | 8,835        | 3,125     |
| Total                      | 6,686,244    | 6,148,298 |



**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements****(In thousands of US dollars)****7.****Loans (continued)**

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

|                          | December 31, |           |
|--------------------------|--------------|-----------|
|                          | 2014         | 2013      |
| Country:                 |              |           |
| Argentina                | 184,882      | 189,828   |
| Bolivia                  | 10,000       | -         |
| Brazil                   | 1,971,776    | 1,708,592 |
| Chile                    | 157,309      | 490,869   |
| Colombia                 | 726,085      | 701,577   |
| Costa Rica               | 320,832      | 410,295   |
| Dominican Republic       | 243,038      | 190,589   |
| Ecuador                  | 120,010      | 126,001   |
| El Salvador              | 115,830      | 123,076   |
| France                   | 6,000        | 101,006   |
| Germany                  | 100,000      | -         |
| Guatemala                | 262,733      | 199,873   |
| Honduras                 | 93,008       | 73,524    |
| Jamaica                  | 15,512       | 60,784    |
| Mexico                   | 868,045      | 517,278   |
| Netherlands              | 10,455       | 14,867    |
| Nicaragua                | 7,856        | 7,823     |
| Panama                   | 320,758      | 223,505   |
| Paraguay                 | 132,479      | 102,244   |
| Peru                     | 589,724      | 580,881   |
| Switzerland              | 50,000       | -         |
| Trinidad and Tobago      | 165,042      | 142,642   |
| United States of America | 55,370       | 28,283    |
| Uruguay                  | 159,500      | 154,761   |
|                          | 6,686,244    | 6,148,298 |

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

December 31,

|                         | 2014      | 2013      |
|-------------------------|-----------|-----------|
| Fixed interest rates    | 3,322,817 | 3,252,331 |
| Floating interest rates | 3,363,427 | 2,895,967 |
|                         | 6,686,244 | 6,148,298 |

As of December 31, 2014 and 2013, 89% and 92%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**7. Loans (continued)**

The following is a summary of information of non-accruing loan balances, and interest amounts on non-accruing loans:

|   | December 31, |       |       |
|---|--------------|-------|-------|
|   | 2014         | 2013  | 2012  |
| Loans in non-accrual status   |              |       |       |
| Private corporations  | 3,125        | 3,125 | -     |
| Middle-market companies   | 909          | -     | -     |
| Total loans in non-accrual status   | 4,034        | 3,125 | -     |
| Interest which would have been recorded if the loans had not been in a non-accrual status | 191          | 67    | -     |
| Interest income collected on non-accruing loans   | 6            | -     | 2,288 |

An analysis of non-accruing loans with impaired balances as of December 31, 2014 and, 2013 is detailed as follows:

|                            | December 31, 2014   |                          |                   | 2014                           |                            |
|----------------------------|---------------------|--------------------------|-------------------|--------------------------------|----------------------------|
|                            | Recorded investment | Unpaid principal balance | Related allowance | Average principal loan balance | Interest income recognized |
| With an allowance recorded |                     |                          |                   |                                |                            |
| Private corporations       | 3,125               | 2,813                    | 2,284             | 3,125                          | -                          |
| Middle-market companies    | 909                 | 40                       | 131               | 339                            | 6                          |
| Total                      | 4,034               | 2,853                    | 2,415             | 3,464                          | 6                          |

|                            | December 31, 2013   |                          |                   | 2013                           |                            |
|----------------------------|---------------------|--------------------------|-------------------|--------------------------------|----------------------------|
|                            | Recorded investment | Unpaid principal balance | Related allowance | Average principal loan balance | Interest income recognized |
| With an allowance recorded |                     |                          |                   |                                |                            |
| Private corporations       | 3,125               | 3,125                    | 954               | 9                              | -                          |
| Total                      | 3,125               | 3,125                    | 954               | 9                              | -                          |



As of December 31, 2014 and, 2013, there were no impaired loans without related allowance.

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****7. Loans (continued)**

As of December 31, 2014, the Bank have troubled debt restructuring loans. An analysis of the trouble debt restructuring loans is as follows:

|                                     | Number of<br>contracts | Balance recorded<br>before<br>restructuring | Balance recorded<br>after<br>restructuring |
|-------------------------------------|------------------------|---|--|
| Corporations:                       |                        |   |  |
| Private                             | -                      | -   | -  |
| State-owned                         | -                      | -   | -  |
| Banking and financial institutions: |                        |   |  |
| Private                             | -                      | -   | -  |
| State-owned                         | -                      | -   | -  |
| Middle-market companies:            |                        |   |  |
| Privates                            | 2                      | 890   | 919  |
| Sovereign                           | -                      | -   | -  |
| Total                               | 2                      | 890   | 919  |

As of December 31, 2014, the quantitative information regarding past-due trouble debt restructuring loans is the following:

|                                     | Number<br>of<br>contracts | Balance<br>recorded |
|-------------------------------------|---------------------------|---------------------|
| Corporations:                       |                           |                     |
| Privates                            | -                         | -                   |
| State-owned                         | -                         | -                   |
| Banking and financial institutions: |                           |                     |
| Privates                            | -                         | -                   |
| State-owned                         | -                         | -                   |
| Middle-market companies:            |                           |                     |
| Privates                            | 2                         | 909                 |
| Sovereign                           | -                         | -                   |
| Total                               | 2                         | 909                 |

As of December 31, 2013, the Bank did not have any troubled debt restructurings.

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements****(In thousands of US dollars)****7. Loans (continued)**

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

|                                    | December 31, 2014 |              |              |                       | Total | Past due | Delinquent | Current   | Total loans |
|------------------------------------|-------------------|--------------|--------------|-----------------------|-------|----------|------------|-----------|-------------|
|                                    | 91-120 days       | 121-150 days | 151-180 days | Greater than 180 days |       |          |            |           |             |
| Corporations                       | -                 | -            | -            | 3,125                 | 3,125 | 4,801    | 3,824,034  | 3,831,960 |             |
| Banking and financial institutions | -                 | -            | -            | -                     | -     | -        | 2,370,936  | 2,370,936 |             |
| Middle-market companies            | 909               | -            | -            | -                     | 909   | -        | 482,439    | 483,348   |             |
| Sovereign                          | -                 | -            | -            | -                     | -     | -        | -          | -         |             |
| Total                              | 909               | -            | -            | 3,125                 | 4,034 | 4,801    | 6,677,409  | 6,686,244 |             |

  

|                                    | December 31, 2013 |              |              |                       | Total | Past due | Delinquent | Current   | Total loans |
|------------------------------------|-------------------|--------------|--------------|-----------------------|-------|----------|------------|-----------|-------------|
|                                    | 91-120 days       | 121-150 days | 151-180 days | Greater than 180 days |       |          |            |           |             |
| Corporations                       | -                 | -            | -            | -                     | -     | 3,125    | 3,310,931  | 3,314,056 |             |
| Banking and financial institutions | -                 | -            | -            | -                     | -     | -        | 2,259,991  | 2,259,991 |             |
| Middle-market companies            | -                 | -            | -            | -                     | -     | -        | 574,107    | 574,107   |             |
| Sovereign                          | -                 | -            | -            | -                     | -     | -        | 144        | 144       |             |
| Total                              | -                 | -            | -            | -                     | -     | 3,125    | 6,145,173  | 6,148,298 |             |

As of December 31, 2014 and 2013, the Bank has credit transactions in the normal course of business with 15% and 20%, respectively, of its Class "A" and "B" stockholders. All transactions are made based on arm's-length terms and subject to prevailing commercial criteria and market rates and are subject to all of the Bank's Corporate Governance and control procedures. As of December 31, 2014 and 2013, approximately 8% and 12%, respectively, of the outstanding loan portfolio is placed with the Bank's Class "A" and "B" stockholders and their related parties. As of December 31, 2014, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no Class "A" or "B" shareholder was the registered owner of more than 3.5% of the total outstanding shares of the voting capital stock of the Bank.

During 2014, 2013 and 2012, the Bank sold loans on the secondary market with a book value of \$515.6 million and \$89.5 million and \$146.2 million, respectively, with a net gain of \$2.2 million and \$0.4 million and \$1.1 million, in 2014, 2013 and 2012, respectively.

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****8. Allowance for credit losses**

The Bank classifies the allowance for credit losses into two components as follows:

## a) Allowance for loan losses:

|   | December 31, 2014                  |              |                         |           | Total    |
|---|------------------------------------|--------------|-------------------------|-----------|----------|
|   | Banking and financial institutions |              | Middle market companies | Sovereign |          |
|   | Corporations                       | Institutions |                         |           |          |
| Balance at beginning of the period                | 31,516                             | 30,865       | 10,369                  | 1         | 72,751   |
| Provision (reversal of provision) for loan losses | 11,250                             | 647          | (5,001 )                | (1 )      | 6,895    |
| Loan recoveries and other                         | -                                  | -            | 29                      | -         | 29       |
| Loans written-off                                 | -                                  | -            | -                       | -         | -        |
| Balance at end of the period                      | 42,766                             | 31,512       | 5,397                   | -         | 79,675   |
| Components:                                       |                                    |              |                         |           |          |
| Generic allowance                                 | 40,482                             | 31,512       | 5,266                   | -         | 77,260   |
| Specific allowance                                | 2,284                              | -            | 131                     | -         | 2,415    |
| Total allowance for loan losses                   | 42,766                             | 31,512       | 5,397                   | -         | 79,675   |
|   |                                    |              |                         |           |          |
|   | December 31, 2013                  |              |                         |           | Total    |
|   | Banking and financial institutions |              | Middle market companies | Sovereign |          |
|   | Corporations                       | Institutions |                         |           |          |
| Balance at beginning of the period                | 32,488                             | 28,836       | 10,887                  | 765       | 72,976   |
| Provision (reversal of provision) for loan losses | (972 )                             | 656          | (518 )                  | (764 )    | (1,598 ) |
| Loan recoveries and other                         | -                                  | 1,373        | -                       | -         | 1,373    |
| Loans written-off                                 | -                                  | -            | -                       | -         | -        |
| Balance at end of the period                      | 31,516                             | 30,865       | 10,369                  | 1         | 72,751   |
| Components:                                       |                                    |              |                         |           |          |
| Generic allowance                                 | 30,562                             | 30,865       | 10,369                  | 1         | 71,797   |
| Specific allowance                                | 954                                | -            | -                       | -         | 954      |
| Total allowance for loan losses                   | 31,516                             | 30,865       | 10,369                  | 1         | 72,751   |

|   | December 31, 2012 |  |                               |           |          |
|---|-------------------|--|-------------------------------|-----------|----------|
|   |                   | Banking and<br>financial<br>institutions | Middle<br>market<br>companies | Sovereign | Total    |
| Balance at beginning of the period                | 48,865            | 30,523                                   | 8,952                         | 207       | 88,547   |
| Provision (reversal of provision) for loan losses | (8,887 )          | (1,704 )                                 | 1,690                         | 558       | (8,343 ) |
| Loan recoveries and other                         | -                 | 17                                       | 245                           | -         | 262      |
| Loans written-off                                 | (7,490 )          | -  | -                             | -         | (7,490 ) |
| Balance at end of the period                      | 32,488            | 28,836                                   | 10,887                        | 765       | 72,976   |
| Components:                                       |                   |  |                               |           |          |
| Generic allowance                                 | 32,488            | 28,836                                   | 10,887                        | 765       | 72,976   |
| Specific allowance                                | -                 | -  | -                             | -         | -        |
| Total allowance for loan losses                   | 32,488            | 28,836                                   | 10,887                        | 765       | 72,976   |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****8. Allowance for credit losses (continued)**

## a) Allowance for loan losses (continued):

Provision of generic allowance for credit losses are mostly related to changes in volume and composition of the credit portfolio. The net increase in the generic allowance for loan losses is primarily due to changes in volume, composition and risk profiles of the portfolio.

Following is a summary of loan balances and reserves for loan losses:

|                                    | December 31, 2014 |                                    |                         |           | Total     |
|------------------------------------|-------------------|------------------------------------|-------------------------|-----------|-----------|
|                                    | Corporations      | Banking and financial institutions | Middle market companies | Sovereign |           |
| <u>Allowance for loan losses</u>   |                   |                                    |                         |           |           |
| Generic allowance                  | 40,482            | 31,512                             | 5,266                   | -         | 77,260    |
| Specific allowance                 | 2,284             | -                                  | 131                     | -         | 2,415     |
| Total of allowance for loan losses | 42,766            | 31,512                             | 5,397                   | -         | 79,675    |
| <u>Loans</u>                       |                   |                                    |                         |           |           |
| Loans with generic allowance       | 3,828,835         | 2,370,936                          | 482,439                 | -         | 6,682,210 |
| Loans with specific allowance      | 3,125             | -                                  | 909                     | -         | 4,034     |
| Total loans                        | 3,831,960         | 2,370,936                          | 483,348                 | -         | 6,686,244 |
|                                    |                   |                                    |                         |           |           |
|                                    | December 31, 2013 |                                    |                         |           | Total     |
|                                    | Corporations      | Banking and financial institutions | Middle market companies | Sovereign |           |
| <u>Allowance for loan losses</u>   |                   |                                    |                         |           |           |
| Generic allowance                  | 30,562            | 30,865                             | 10,369                  | 1         | 71,797    |
| Specific allowance                 | 954               | -                                  | -                       | -         | 954       |
| Total of allowance for loan losses | 31,516            | 30,865                             | 10,369                  | 1         | 72,751    |
| <u>Loans</u>                       |                   |                                    |                         |           |           |
| Loans with generic allowance       | 3,310,931         | 2,259,991                          | 574,107                 | 144       | 6,145,173 |
| Loans with specific allowance      | 3,125             | -                                  | -                       | -         | 3,125     |
| Total loans                        | 3,314,056         | 2,259,991                          | 574,107                 | 144       | 6,148,298 |



## b) Reserve for losses on off-balance sheet credit risk:

|   | December 31, |       |         |
|---|--------------|-------|---------|
|   | 2014         | 2013  | 2012    |
| Balance at beginning of the period                    | 5,222        | 4,841 | 8,887   |
| Provision for losses on off-balance sheet credit risk | 1,627        | 381   | (4,046) |
| Balance at end of the period                          | 6,849        | 5,222 | 4,841   |

The reserve for losses on off-balance sheet credit risk reflects the Bank's Management estimate of probable losses on off-balance sheet credit risk items such as: confirmed letters of credit, stand-by letters of credit, guarantees and credit commitments (see Note 19). The net increase in the reserve for losses on off-balance sheet credit risk was primarily due to changes in volume, composition, and risk profile of the portfolio.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**9. Equipment and leasehold improvements**

A breakdown of cost and accumulated depreciation and amortization for equipment and leasehold improvements as of December 31, 2014 and 2013 is as follows:

|   | December 31, |        |
|---|--------------|--------|
|   | 2014         | 2013   |
| Leasehold improvements                          | 7,462        | 7,414  |
| Furniture and equipment                         | 16,870       | 16,933 |
|   | 24,332       | 24,347 |
| Less: accumulated depreciation and amortization | 16,203       | 13,881 |
|   | 8,129        | 10,466 |

On June 2012, the Bank recorded a gain on sale of premises and equipment of \$5.6 million from the sale of its former head office's premises.

**10. Other assets and other liabilities**

Followings is a summary of other assets and other liabilities as of December 31, 2014 and 2013:

|   | December 31, |       |
|---|--------------|-------|
|   | 2014         | 2013  |
| Other assets                                  |              |       |
| Prepaid commissions                           | 5,649        | 5,042 |
| Accounts receivable                           | 4,281        | 1,514 |
| Equity investment in a private fund (at cost) | 530          | 530   |
| Other   | 3,101        | 1,303 |
|   | 13,561       | 8,389 |

December 31,  
2014 2013

Other liabilities

|                         |        |        |
|-------------------------|--------|--------|
| Accruals and provisions | 25,572 | 22,516 |
| Accounts payable        | 4,260  | 2,471  |
| Others                  | 3,047  | 2,960  |
|                         | 32,879 | 27,947 |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****11.****Deposits**

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

|                           | December 31, |           |
|---------------------------|--------------|-----------|
|                           | 2014         | 2013      |
| Demand                    | 84,175       | 63,047    |
| Up to 1 month             | 1,512,868    | 1,617,059 |
| From 1 month to 3 months  | 460,681      | 311,048   |
| From 3 months to 6 months | 276,970      | 207,182   |
| From 6 months to 1 year   | 147,000      | 157,000   |
| From 1 year to 2 years    | 25,000       | 6,000     |
|                           | 2,506,694    | 2,361,336 |

The following table presents additional information about deposits:

|   | December 31, |           |
|---|--------------|-----------|
|   | 2014         | 2013      |
| Aggregate amounts of time deposits of \$100,000 or more     | 2,506,244    | 2,298,289 |
| Aggregate amounts of deposits in offices outside Panama     | 230,305      | 227,559   |
| Interest expense paid to deposits in offices outside Panama | 961          | 1,235     |

**12.****Trading liabilities**

The fair value of trading liabilities is as follows:

|                                    | December<br>31, |      |
|------------------------------------|-----------------|------|
|                                    | 2014            | 2013 |
| Trading liabilities:               |                 |      |
| Interest rate swaps                | 52              | 65   |
| Cross-currency interest rate swaps | -               | 7    |

|                          |    |    |
|--------------------------|----|----|
| Forward foreign exchange | -  | -  |
| Total                    | 52 | 72 |

During 2014, 2013 and 2012, the Bank recognized the following gains and losses related to trading derivative financial instruments:

|                                    | Year ended December |       |        |
|------------------------------------|---------------------|-------|--------|
|                                    | 31,                 |       |        |
|                                    | 2014                | 2013  | 2012   |
| Interest rate swaps                | (60 )               | (9 )  | (310 ) |
| Cross-currency swaps               | -                   | 67    | -      |
| Cross-currency interest rate swaps | -                   | 3,236 | 11,537 |
| Forward foreign exchange           | (333)               | (6 )  | 27     |
| Future contracts                   | -                   | 191   | 207    |
| Total                              | (393)               | 3,479 | 11,461 |

These amounts are reported in the Net gain (loss) from trading securities and Net gain (loss) from investment funds trading 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 21.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****12. Trading liabilities (continued)**

As of December 31, 2014 and 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.

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

|                                    | 2014              |                     |                         | 2013              |                     |                         |
|------------------------------------|-------------------|---------------------|-------------------------|-------------------|---------------------|-------------------------|
|                                    | Nominal<br>Amount | Fair Value<br>Asset | Fair Value<br>Liability | Nominal<br>Amount | Fair Value<br>Asset | Fair Value<br>Liability |
| Interest rate swaps                | 14,000            | -                   | 52                      | 14,000            | -                   | 65                      |
| Cross-currency interest rate swaps | -                 | -                   | -                       | 600               | -                   | 7                       |
| Total                              | 14,000            | -                   | 52                      | 14,600            | -                   | 72                      |

**13. Securities sold under repurchase agreements**

The Bank's financing transactions under repurchase agreements amounted to \$300.5 million and \$286.2 million as of December 31, 2014 and, 2013, respectively.

During 2014, 2103, 2012, interest expense related to financing transactions under repurchase agreements totaled \$2.1 million and \$1.3 and 1.7 million, respectively, corresponding to interest expense generated by the financing contracts under repurchase agreements. These expenses are included in the interest expense – short-term borrowings and debt line in the consolidated statements of income.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****14. Short-term borrowings and debt**

The breakdown of short-term borrowings and debt, together with contractual interest rates, is as follows:

|  | December 31,<br>2014 | 2013           |        |
|--|----------------------|----------------|--------|
| Borrowings:  |                      |                |        |
| At fixed interest rates  | 1,256,411            | 1,289,851      |        |
| At floating interest rates   | 1,348,431            | 1,017,527      |        |
| Total borrowings   | 2,604,842            | 2,307,378      |        |
| Debt:  |                      |                |        |
| At fixed interest rates  | 77,695               | 287,987        |        |
| At floating interest rates   | 10,000               | 110,000        |        |
| Total debt   | 87,695               | 397,987        |        |
| Total short-term borrowings and debt                                   | 2,692,537            | 2,705,365      |        |
| Average outstanding balance during the year                            | 2,191,253            | 2,048,110      |        |
| Maximum balance at any month-end                                       | 2,692,537            | 2,705,365      |        |
| Range of fixed interest rates on borrowing and debt in U.S. dollars    | 0.64% to 1.20%       | 0.67% to 1.43% |        |
| Range of floating interest rates on borrowing and debt in U.S. dollars | 0.46% to 1.16%       | 0.79% to 1.47% |        |
| Range of fixed interest rates on borrowing and debt in Mexican peso    | 3.58% to 3.60%       | 4.13% to 4.58% |        |
| Floating interest rate on borrowing in Mexican pesos                   | 0% to 3.69%          | 4.03% to 4.24% |        |
| Fixed interest rate on debt in Japanese yens                           | 0.75                 | %              | 0.75 % |
| Fixed interest rate on debt in Swiss francs                            | 0.55                 | %              | 0.80 % |
| Weighted average interest rate at end of the period                    | 0.81                 | %              | 1.09 % |
| Weighted average interest rate during the period                       | 0.93                 | %              | 1.21 % |

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

|              | December 31, |           |
|--------------|--------------|-----------|
|              | 2014         | 2013      |
| Currency     |              |           |
| US dollar    | 2,626,800    | 2,536,815 |
| Mexican peso | 11,042       | 73,964    |
| Japanese yen | 4,185        | 4,749     |
| Swiss franc  | 50,510       | 89,837    |

Total 2,692,537 2,705,365

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****15. Long-term borrowings and debt**

Borrowings consist of long-term and syndicated loans obtained from international banks. Debt instruments consist of Euro-Notes and issuances in Latin America. The breakdown of borrowings and long-term debt (original maturity of more than one year), together with contractual interest rates, is as follows:

|   | December 31,<br>2014 | 2013           |        |
|---|----------------------|----------------|--------|
| Borrowings:   |                      |                |        |
| At fixed interest rates with due dates from june 2015 to november 2016    | 65,000               | 25,000         |        |
| At floating interest rates with due dates from may 2015 to november 2019  | 578,956              | 506,346        |        |
| Total borrowings  | 643,956              | 531,346        |        |
| Debt:   |                      |                |        |
| At fixed interest rates with due dates from april 2017 to march 2024      | 464,729              | 444,719        |        |
| At floating interest rates with due dates from march 2015 to january 2018 | 296,834              | 177,806        |        |
| Total debt  | 761,563              | 622,525        |        |
| Total long-term borrowings and debt                                       | 1,405,519            | 1,153,871      |        |
| Total long-term borrowings and debt outstanding                           | 1,388,708            | 1,317,983      |        |
| Maximum outstanding balance at any month - end                            | 1,587,009            | 1,893,149      |        |
| Range of fixed interest rates on borrowing and debt in U.S. dollars       | 1.50% to 3.75%       | 1.50% to 3.75% |        |
| Range of floating interest rates on borrowing and debt in U.S. dollars    | 0.72% to 1.76%       | 0.52% to 1.77% |        |
| Range of floating interest rates on borrowing and debt in Mexican peso    | 3.67% to 3.96%       | 4.44% to 5.29% |        |
| Fixed interest rate on debt in Peruvian nuevos soles                      | -                    | 6.50           | %      |
| Weighted average interest rate at the end of the period                   | 2.71                 | %              | 3.06 % |
| Weighted average interest rate during the period                          | 2.86                 | %              | 3.08 % |

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

|                    | December 31, |         |
|--------------------|--------------|---------|
|                    | 2014         | 2013    |
| Currency           |              |         |
| U.S. dollar        | 1,069,421    | 866,975 |
| Mexican peso       | 271,833      | 242,916 |
| Peruvian nuevo sol | -            | 43,980  |

|       |           |           |
|-------|-----------|-----------|
| Euro  | 64,265    | -         |
| Total | 1,405,519 | 1,153,871 |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****15. Long-term borrowings and debt (continued)**

The Bank's funding activities include: (i) Euro Medium Term Note Program (“EMTN”), which may be used to issue notes for up to \$2.3 billion, with maturities from 7 days up to a maximum of 30 years, at fixed or floating interest rates, or at discount, and in various currencies. The notes are generally issued in bearer or registered form through one or more authorized financial institutions; (ii) Short-and Long-Term Notes “Certificados Bursatiles” Program (the “Mexico Program”) in the Mexican local market, registered with the Mexican National Registry of Securities maintained by the National Banking and Securities Commission in Mexico (“CNBV”, for its acronym in Spanish), for an authorized aggregate principal amount of 10 billion Mexican pesos with maturities from one day to 30 years; (iii) a Program in Peru to issue corporate bonds under a private offer in Peruvian nuevos soles (“PEN”), offered exclusively to institutional investors domiciled in the Republic of Peru, for an maximum aggregate limit of the equivalent of \$300 million, with different maturities and interest rate structures.

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2014, the Bank was in compliance with all covenants.

The future remaining maturities of long-term borrowings and debt outstanding as of December 31, 2014, are as follows:

| Due in | Oustanding |
|--------|------------|
| 2015   | 236,372    |
| 2016   | 288,455    |
| 2017   | 650,510    |
| 2018   | 135,917    |
| 2019   | 30,000     |
| 2024   | 64,265     |
|        | 1,405,519  |

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****16.****Common stock**

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

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

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

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the three-year period ended December 31, 2014:

| (Share units)                                | "Class A"  | "Class B"  | "Class E"   | "Class F"   | Total       |
|--|------------|------------|-------------|-------------|-------------|
| Authorized                                   | 40,000,000 | 40,000,000 | 100,000,000 | 100,000,000 | 280,000,000 |
| Outstanding at January 1, 2012               | 6,342,189  | 2,531,926  | 28,257,827  | -           | 37,131,942  |
| Conversions                                  | -          | -          | -           | -           | -           |
| Restricted stock issued - directors          | -          | -          | 32,317      | -           | 32,317      |
| Exercised stock options - compensation plans | -          | -          | 895,674     | -           | 895,674     |
| Restricted stock units - vested              | -          | -          | 85,249      | -           | 85,249      |
| Outstanding at December 31, 2012             | 6,342,189  | 2,531,926  | 29,271,067  | -           | 38,145,182  |
| Conversions                                  | -          | (11,504 )  | 11,503      | -           | (1 )        |
| Repurchase of common stock                   | -          | -          | (1,083 )    | -           | (1,083 )    |
| Restricted stock issued - directors          | -          | -          | 28,500      | -           | 28,500      |
| Exercised stock options - compensation plans | -          | -          | 276,079     | -           | 276,079     |
| Restricted stock units - vested              | -          | -          | 124,490     | -           | 124,490     |

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|  |           |           |            |   |            |
|--|-----------|-----------|------------|---|------------|
| Outstanding at December 31, 2013             | 6,342,189 | 2,520,422 | 29,710,556 | - | 38,573,167 |
| Conversions                                  | -         | (20,208 ) | 20,208     | - | -          |
| Repurchase of common stock                   | -         | (21,164 ) | (2,110 )   | - | (23,274 )  |
| Restricted stock issued - directors          | -         | -         | 28,500     | - | 28,500     |
| Exercised stock options - compensation plans | -         | -         | 111,427    | - | 111,427    |
| Restricted stock units - vested              | -         | -         | 87,519     | - | 87,519     |
| Outstanding at December 31, 2014             | 6,342,189 | 2,479,050 | 29,956,100 | - | 38,777,339 |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****16. Common stock (continued)**

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

|  | "Class A" |        | "Class B" |        | "Class E"  |           | Total      |           |
|--|-----------|--------|-----------|--------|------------|-----------|------------|-----------|
|  | Shares    | Amount | Shares    | Amount | Shares     | Amount    | Shares     | Amount    |
| Outstanding at January 1, 2012               | 318,140   | 10,708 | 568,010   | 15,655 | 3,961,748  | 89,254    | 4,847,898  | 115,617   |
| Restricted stock issued - directors          | -         | -      | -         | -      | (32,317 )  | (771 )    | (32,317 )  | (771 )    |
| Exercised stock options - compensation plans | -         | -      | -         | -      | (895,674 ) | (21,361 ) | (895,674 ) | (21,361 ) |
| Restricted stock units - vested              | -         | -      | -         | -      | (85,249 )  | (2,033 )  | (85,249 )  | (2,033 )  |
| Outstanding at December 31, 2012             | 318,140   | 10,708 | 568,010   | 15,655 | 2,948,508  | 65,089    | 3,834,658  | 91,452    |
| Repurchase of common stock                   | -         | -      | -         | -      | 1,083      | 27        | 1,083      | 27        |
| Restricted stock issued - directors          | -         | -      | -         | -      | (28,500 )  | (629 )    | (28,500 )  | (629 )    |
| Exercised stock options - compensation plans | -         | -      | -         | -      | (276,079 ) | (6,094 )  | (276,079 ) | (6,094 )  |
| Restricted stock units - vested              | -         | -      | -         | -      | (124,490 ) | (2,748 )  | (124,490 ) | (2,748 )  |
| Outstanding at December 31, 2013             | 318,140   | 10,708 | 568,010   | 15,655 | 2,520,522  | 55,645    | 3,406,672  | 82,008    |
| Repurchase of common stock                   | -         | -      | 21,164    | 587    | 2,110      | 53        | 23,274     | 640       |
| Restricted stock issued - directors          | -         | -      | -         | -      | (28,500 )  | (629 )    | (28,500 )  | (629 )    |
| Exercised stock options - compensation plans | -         | -      | -         | -      | (111,427 ) | (2,460 )  | (111,427 ) | (2,460 )  |
| Restricted stock units - vested              | -         | -      | -         | -      | (87,519 )  | (1,932 )  | (87,519 )  | (1,932 )  |
| Outstanding at December 31, 2014             | 318,140   | 10,708 | 589,174   | 16,242 | 2,295,186  | 50,677    | 3,202,500  | 77,627    |

**17. Cash and stock-based compensation plans**

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

**A. 2008 Stock Incentive Plan – Directors and Executives**

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

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

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**17. Cash and stock-based compensation plans (continued)**

**A. 2008 Stock Incentive Plan – Directors and Executives (continued)**

During 2014, 2013 and 2012, the Board of Directors approved the grant of restricted stock to Directors and stock options and restricted stock units to certain Executives of the Bank, as follows:

**Restricted stock – Directors**

In the years 2014, 2013 and 2012, the Board of Directors granted 28,500, 28,500 and 32,317 “Class E” common shares. The fair value of restricted stock granted was based on the stock closing price in the New York Stock Exchange of the “Class E” shares on July 15, 2014, July 16, 2013, October 16, 2012, and July 17, 2012. The fair value of restricted stock granted totalled \$862 thousand in 2014, \$713 thousand in 2013 and \$714 thousand in 2012, of which \$846 thousand, \$637 thousand and \$428 thousand were charged against income during 2014, 2013 and 2012, respectively. The remaining cost pending amortization of \$1,417 thousand at December 31, 2014 will be amortized over 2.02 years.

Restricted stock vest on the grant’s date anniversary, as follows:

**Year of Grant**

|      |   |
|------|---|
| 2014 | 35% in the first and second year, and 30% in the third year |
| 2013 | 35% in the first and second year, and 30% in the third year |
| 2012 | 25% each year   |

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

|        |  |
|--------|--|
|        | Weighted average<br>grant date fair<br>value |
| Shares |  |



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|                                  |          |    |       |
|----------------------------------|----------|----|-------|
| Outstanding at January 1, 2012   | 82,005   | \$ | 14.59 |
| Granted                          | 32,317   |    | 22.09 |
| Vested                           | (23,493) |    | 14.35 |
| Outstanding at December 31, 2012 | 90,829   |    | 17.32 |
| Granted                          | 28,500   |    | 25.00 |
| Vested                           | (34,467) |    | 16.84 |
| Outstanding at December 31, 2013 | 84,862   |    | 20.10 |
| Granted                          | 28,500   |    | 30.25 |
| Vested                           | (35,026) |    | 18.80 |
| Outstanding at December 31, 2014 | 78,336   | \$ | 24.37 |
| Expected to vest                 | 78,336   | \$ | 24.37 |

The fair value of vested stock during the years 2014, 2013 and 2012 was \$659 thousand, \$581 thousand and \$337 thousand, respectively.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**17. Cash and stock-based compensation plans (continued)**

Restricted Stock Units and Stock Purchase Options granted to certain Executives

The Board of Directors approved the grant of stock purchase options and restricted stock units to certain Executives of the Bank with a grant date fair value of \$1.6 million in 2014, \$2.1 million in 2013 and \$3.7 million in 2012. In 2014, the distribution of the fair value in restricted stock units and stock purchase options was \$0.9 million and \$0.7 million, respectively. The 2013 grant was in restricted stock units only.

In 2012, the distribution of the fair value in restricted stock units and stock purchase options was \$3.2 million and \$0.5 million, respectively. The Bank grants one “Class E” share per each exercised option or vested restricted stock unit.

Restricted stock units:

The fair value of the stock units was based on the “Class E” stock closing price in the New York Stock Exchange on the grants date. These stock units vest 25% each year on the grant date’s anniversary.

Compensation costs of the restricted stock units are amortized during the period of restriction. Costs charged against income during 2014, 2013 and 2012 due to the amortization of these grants totaled \$1,158 thousand, \$2,077 thousand and \$1,317 thousand, respectively. The remaining compensation cost pending amortization of \$1,966 thousand in 2014 will be amortized over 2.16 years.

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

|          |          |           |           |
|----------|----------|-----------|-----------|
|          | Weighted | Weighted  |           |
|          | average  | average   |           |
| Weighted | grant    | remaining | Aggregate |
| average  |          |           |           |

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|                                  | Stock units | date fair<br>value | contractual<br>term | intrinsic value<br>(thousands) |
|----------------------------------|-------------|--------------------|---------------------|--------------------------------|
| Outstanding at January 1, 2012   | 226,410     | \$ 12.80           |                     |                                |
| Granted                          | 181,598     | 17.52              |                     |                                |
| Forfeited                        | (54,367 )   | 13.88              |                     |                                |
| Vested                           | (85,249 )   | 12.31              |                     |                                |
| Outstanding at December 31, 2012 | 268,392     | 15.93              |                     |                                |
| Granted                          | 114,070     | 18.76              |                     |                                |
| Forfeited                        | (15,223 )   | 16.81              |                     |                                |
| Vested                           | (124,490 )  | 16.08              |                     |                                |
| Outstanding at December 31, 2013 | 242,749     | 17.13              |                     |                                |
| Granted                          | 47,737      | 19.24              |                     |                                |
| Forfeited                        | (39,255 )   | 17.25              |                     |                                |
| Vested                           | (87,519 )   | 16.27              |                     | \$ 813                         |
| Outstanding at December 31, 2014 | 163,712     | \$ 18.18           | 2.04 years          | \$ 1,952                       |
| Expected to vest                 | 163,712     | \$ 18.18           |                     | \$ 1,952                       |

The fair value of vested stock during the years 2014, 2013 and 2012 was \$1,424 thousand, \$2,002 thousand and \$1,050 thousand, respectively.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****17. Cash and stock-based compensation plans (continued)**Stock purchase options:

The fair value of stock purchase options granted to certain Executives during 2014 and 2012 was estimated using a binomial option-pricing model, based on the following factors:

|  | Measuring<br>unit | 2014         | 2013 | 2012         |
|--|-------------------|--------------|------|--------------|
| Weighted average fair value per option   | \$                | 2.16         | -    | 3.01         |
| Weighted average expected term, in years | years             | 5.50         | -    | 5.50         |
| Expected volatility                      | %                 | 22.74        | -    | 33.35        |
| Risk-free rate                           | %                 | 0.12 to 2.19 | -    | 0.18 to 1.34 |
| Expected dividend                        | %                 | 5.00         | -    | 5.30         |

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

Related cost charged against income during 2014, 2013 and 2012 as a result of the amortization of these plans amounted to \$242 thousand, \$282 thousand and \$485 thousand, respectively. The remaining compensation cost pending amortization of \$601 thousand in 2014 will be amortized over a period of 3.12 years.

A summary of stock options granted is presented below:

|                                | Options | Weighted<br>average<br>exercise price | Weighted<br>average<br>remaining<br>contractual<br>term | Aggregate<br>intrinsic<br>value<br>(thousands) |
|--------------------------------|---------|---------------------------------------|---|--|
| Outstanding at January 1, 2012 | 915,566 | \$ 12.87                              |   |  |

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|                                  |           |          |            |          |
|----------------------------------|-----------|----------|------------|----------|
| Granted                          | 182,420   | 18.93    |            |          |
| Forfeited                        | (231,639) | 15.82    |            |          |
| Exercised                        | (442,675) | 12.90    |            |          |
| Outstanding at December 31, 2012 | 423,672   | 13.83    |            |          |
| Granted                          | -         | -        |            |          |
| Forfeited                        | (9,780 )  | 18.18    |            |          |
| Exercised                        | (226,147) | 12.76    |            |          |
| Outstanding at December 31, 2013 | 187,745   | 14.90    |            |          |
| Granted                          | 315,971   | 25.15    |            |          |
| Forfeited                        | (671 )    | 18.57    |            |          |
| Exercised                        | (111,349) | 13.18    |            |          |
| Outstanding at December 31, 2014 | 391,696   | \$ 23.65 | 5.62 years | \$ 2,526 |
| Exercisable                      | 33,803    | \$ 15.53 | 2.11 years | \$ 493   |
| Expected to vest                 | 357,893   | \$ 24.42 | 5.88 years | \$ 2,033 |

The intrinsic value of exercised options during the years 2014, 2013 and 2012 was \$1,911 thousand, \$2,673 thousand and \$3,375 thousand, respectively. During the years 2014, 2013 and 2012 the Bank received \$1,470 thousand, \$2,886 thousand and \$5,709 thousand, respectively, from exercised options.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**17. Cash and stock-based compensation plans (continued)**

**B. Restricted Stock – Directors (Discontinued)**

During 2003, the Board of Directors approved a restricted stock award plan for Directors of the Bank that was amended in 2007 and subsequently terminated in 2008. No grants were made after the 2007's grant. The restricted stock vested at a rate of 20% each year on the grant date's anniversary.

Related costs charged against income related to these grants amounted to \$41 thousand in 2012. Since December 31, 2012, the Bank has neither unrecognized compensation costs nor restricted stock related to this plan.

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

|                                 | Shares  | Weighted average<br>grant date fair<br>value |
|---------------------------------|---------|--|
| Non vested at January 1, 2012   | 3,518   | \$ 21.35                                     |
| Granted                         | -       | -  |
| Vested                          | (3,518) | 21.35  |
| Non vested at December 31, 2012 | -       |  |

The total fair value of vested stock during the year ended December 31, 2012 was \$75 thousand.

**C. Stock Option Plan 2006 – Directors and Executives (Discontinued)**

The 2006 Stock Option Plan was terminated in 2008. The options granted under this plan had an expiration term of seven years after the grant date. No grants were made after the 2007's grant. There were no compensation costs pending amortization or outstanding options related to this plan.

Since December 31, 2011, there are neither compensation costs pending to be amortized, nor outstanding options related to this plan.

A summary of the share options granted to Directors and certain Executives is presented below:

|                                  | Options  | Weighted<br>average<br>exercise<br>price | Weighted<br>average<br>remaining<br>contractual<br>term | Aggregate<br>intrinsic<br>value<br>(thousands) |
|----------------------------------|----------|--|---|--|
| Outstanding at January 1, 2013   | 49,804   | \$ 16.34                                 |   |  |
| Forfeited                        | -        | -  |   |  |
| Exercised                        | (49,804) | 16.34                                    |   |  |
| Outstanding at December 31, 2013 | -        |  |   |  |

The intrinsic value of exercised options during the year ended December 31, 2013 and 2012 was \$442 thousand and \$570 thousand, respectively. During the year ended December 31, 2013 and 2012, the Bank received \$814 thousand and \$2,130 thousand from exercised options, respectively.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****17. Cash and stock-based compensation plans (continued)****D. Indexed Stock Option Plan (Discontinued)**

During 2004, the Board of Directors approved an indexed stock purchase option plan for Directors and certain executives of the Bank, which was subsequently terminated in 2006. The indexed stock options had an expiration term of ten years after the grant date. The exercise price is adjusted based on the change in a customized Latin American general market index. There is no compensation cost pending amortization, or outstanding options related to this plan.

A summary of the indexed stock purchase options is presented below:

|                                  | Options   | Weighted<br>average<br>exercise<br>price | Average<br>remaining<br>contractual<br>term | Weighted<br>Aggregate<br>intrinsic<br>value<br>(thousands) |
|----------------------------------|-----------|--|---|--|
| Outstanding at January 1, 2012   | 325,936   | \$ 12.86                                 |   |  |
| Forfeited                        | -         | -  |   |  |
| Expired                          | (3,542 )  | 14.48                                    |   |  |
| Exercised                        | (322,394) | 16.41                                    |   |  |
| Outstanding at December 31, 2012 | -         |  |   |  |

The intrinsic value of options exercised during the year ended December 31, 2012 was \$1,213 thousand. During the year ended December 31, 2012, the Bank received \$5,292 thousand, from exercised options.

**E. Deferred Compensation Plan (the "DC Plan")**

In 1999, the Board of Directors approved the DC Plan, which was subsequently terminated in 2003. The Bank could grant a number of deferred equity units ("DEU"). Eligible employees would vest the DEU after three years of service, and distributions were made on the later of (i) the date the vested DEU were credited to the employee's account, and



(ii) ten years the employee was first credited with DEU. Participating employees received dividends with respect to their unvested deferred equity units. A summary on changes is presented below:

|                                  | 2013  | 2012    |
|----------------------------------|-------|---------|
| Outstanding at beginning of year | 534   | 1,812   |
| Exercised                        | (534) | (1,278) |
| Outstanding at end of year       | -     | 534     |

Related cost charged against income related to this plan amounted to \$1 thousand in 2012. There is no compensation cost related to this plan in 2013.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****17. Cash and stock-based compensation plans (continued)****F. Other plans - Expatriate Top Executives Plan**

The Bank sponsors a defined contribution plan for its expatriate top executives based in Panama, which are not eligible to participate in the Panamanian social security system. The Bank's contributions are determined as a percentage of the annual salaries of top executives eligible for the plan, each contributing an additional amount withheld from their salary. Contributions to this plan are managed by a fund manager through a trust. The executives are entitled to the Bank's contributions after completing at least three years of service in the Bank. During the years 2014, 2013 and 2012, the Bank charged to salaries expense \$133 thousand, \$120 thousand and \$131 thousand, respectively, that correspond to the Bank's contributions to this plan. As of December 31, 2014 and 2013, the accumulated liability payable amounted to \$222 thousand and \$176 thousand, respectively.

**18. Earnings per share**

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

|  | Years ended December 31, |         |         |
|--|--------------------------|---------|---------|
|  | 2014                     | 2013    | 2012    |
| Net income from continuing operations attributable to Bladex stockholders for both basic and diluted EPS | 106,940                  | 84,757  | 93,713  |
| Net loss from discontinued operations  | -                        | (4 )    | (681 )  |
| Net income attributable to Bladex stockholders for both basic and diluted EPS                            | 106,940                  | 84,753  | 93,032  |
| Basic earnings per share from continuing operations  | 2.76                     | 2.21    | 2.48    |
| Diluted earnings per share from continuing operations  | 2.75                     | 2.20    | 2.47    |
| Basic loss per share from discontinued operations  | -                        | (0.00 ) | (0.02 ) |
| Diluted loss per share from discontinued operations  | -                        | (0.00 ) | (0.02 ) |
| Basic earnings per share   | 2.76                     | 2.21    | 2.46    |
| Diluted earnings per share   | 2.75                     | 2.20    | 2.45    |

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|   |        |        |        |
|---|--------|--------|--------|
| Weighted average common shares outstanding - applicable to basic              | 38,693 | 38,406 | 37,824 |
| Weighted average common shares outstanding - applicable to basic              | 38,693 | 38,406 | 37,824 |
| Effect of dilutive securities:  |        |        |        |
| Stock options and restricted stock units plans                                | 146    | 127    | 114    |
| Adjusted weighted average common shares outstanding applicable to diluted EPS | 38,839 | 38,533 | 37,938 |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****19. Financial instruments with off-balance sheet credit risk**

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

The Bank's outstanding financial instruments with off-balance sheet credit risk were as follows:

|   | December 31, |         |
|---|--------------|---------|
|   | 2014         | 2013    |
| Confirmed letters of credit                                 | 89,752       | 221,963 |
| Stand-by letters of credit and guaranteed – Commercial risk | 137,817      | 137,285 |
| Credit commitments  | 158,549      | 121,175 |
|   | 386,118      | 480,423 |

As of Decembet 31, 2014, the remaining maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

| Maturities        | Amount  |
|-------------------|---------|
| Within 1 year     | 292,720 |
| From 1 to 2 years | 41,269  |
| From 2 to 5 years | 51,551  |
| More than 5 years | 578     |
|                   | 386,118 |

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****19. Financial instruments with off-balance sheet credit risk (continued)**

As of December 31, 2014 and 2013 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

|                    | December 31, |         |
|--------------------|--------------|---------|
|                    | 2014         | 2013    |
| Country:           |              |         |
| Argentina          | -            | 295     |
| Bolivia            | -            | 80      |
| Brazil             | 19,698       | 22,567  |
| Chile              | 27,802       | -       |
| Colombia           | 53,874       | 38,545  |
| Costa Rica         | -            | 897     |
| Dominican Republic | 14,806       | 108     |
| Ecuador            | 86,436       | 153,072 |
| El Salvador        | 25           | 25      |
| Guatemala          | 37,988       | 43,548  |
| Honduras           | 412          | 412     |
| Jamaica            | 415          | 338     |
| Mexico             | 64,324       | 20,969  |
| Netherlands        | -            | 17,833  |
| Panama             | 20,675       | 96,943  |
| Paraguay           | 418          | 2       |
| Peru               | 16,225       | 41,063  |
| Switzerland        | 1,000        | 1,000   |
| United Kingdom     | -            | 70      |
| Uruguay            | 40,946       | 40,946  |
| Venezuela          | 1,074        | 1,710   |
|                    | 386,118      | 480,423 |

**Letters of credit and guarantees**

The Bank, on behalf of its client base, advises and confirms letters of credit to facilitate foreign trade transactions. When confirming letters of credit, the Bank adds its own unqualified assurance that the issuing bank will pay and that if the issuing bank does not honor drafts drawn on the credit, the Bank will. The Bank provides stand-by letters of

credit and guarantees, which are issued on behalf of institutional customers in connection with financing between its customers and third parties. The Bank applies the same credit policies used in its lending process, and once issued the commitment is irrevocable and remains valid until its expiration. Credit risk arises from the Bank's obligation to make payment in the event of a customer's contractual default to a third party. Risks associated with stand-by letters of credit and guarantees are included in the evaluation of the Bank's overall credit risk.

#### Credit commitments

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

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**20. Leasehold commitments**

As of December 31, 2014, the future minimum leasehold commitments payments are as follows:

| Expiration year                       | Amount |
|---------------------------------------|--------|
| 2015                                  | 2,305  |
| 2016                                  | 1,714  |
| 2017                                  | 1,585  |
| 2018                                  | 1,621  |
| 2019                                  | 1,669  |
| Thereafter                            | 14,128 |
| Total minimum payments <sup>(1)</sup> | 23,022 |

<sup>(1)</sup> Minimum payments have not been reduced by minimum sublease rentals of \$2,063 thousand due in the future under non-cancelable subleases.

The following table presents an analysis of all operating leases:

|                        | 2014   | 2013   | 2012   |
|------------------------|--------|--------|--------|
| Rent expense           | 3,019  | 2,925  | 2,468  |
| Less: Sublease rentals | (661 ) | (559 ) | (386 ) |
|                        | 2,358  | 2,366  | 2,082  |

**21. Derivative financial instruments for hedging purposes**

As of December 31, 2014 and 2013, quantitative information on derivative financial instruments held for hedging purposes is as follows:

| 2014<br>Nominal<br>Amount | Fair value <sup>(1)</sup> |           | 2013<br>Nominal<br>Amount | Fair value <sup>(1)</sup> |           |
|---------------------------|---------------------------|-----------|---------------------------|---------------------------|-----------|
|                           | Asset                     | Liability |                           | Asset                     | Liability |

|  |           |        |        |           |        |       |
|--|-----------|--------|--------|-----------|--------|-------|
| Fair value hedges:   |           |        |        |           |        |       |
| Interest rate swaps  | 167,865   | 17     | 1,285  | 494,558   | 4,625  | 1,403 |
| Cross-currency interest rate swaps                                       | 282,490   | 1,062  | 31,556 | 269,488   | 2,783  | 6,834 |
| Cash flow hedges:  |           |        |        |           |        |       |
| Interest rate swaps  | 891,500   | 2,691  | 1,805  | 453,000   | 393    | 243   |
| Cross-currency interest rate swaps                                       | 56,000    | -      | 5,547  | 126,308   | 6,392  | -     |
| Forward foreign exchange   | 126,058   | 8,554  | -      | 88,130    | 684    | 92    |
| Net investment hedges:   |           |        |        |           |        |       |
| Forward foreign exchange   | 5,146     | -      | 94     | 5,810     | 340    | -     |
| Total  | 1,529,059 | 12,324 | 40,287 | 1,437,294 | 15,217 | 8,572 |
| Net gain on the ineffective portion of hedging activities <sup>(2)</sup> |           |        |        |           |        |       |
|  |           | 106    |        |           | 353    |       |

<sup>(1)</sup> The fair value of assets and liabilities is reported within the derivative financial instruments used for hedging - receivable and payable lines in the consolidated balance sheets, respectively.

Gains and losses resulting from ineffectiveness and credit risk in hedging activities are reported within the <sup>(2)</sup>derivative financial instruments and hedging line in the consolidated statements of income as derivatives financial instruments and hedging.



**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements****(In thousands of US dollars)****21. Derivative financial instruments for hedging purposes (continued)**

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

|                                       | Gain (loss)<br>recognized in<br>OCI<br>(effective<br>portion) | Classification of gain (loss)                      | Gain (loss)<br>reclassified from<br>accumulated<br>OCI to the<br>consolidated<br>statements of<br>income<br>(effective<br>portion) | Gain (loss)<br>recognized<br>on<br>derivatives<br>(ineffective<br>portion) |
|---------------------------------------|---|--|--|--|
| 2014                                  |   |  |  |  |
| Derivatives – cash flow<br>hedge      |   |  |  |  |
| Interest rate swaps                   | (1,947  | )  |  |  |
| Cross-currency interest<br>rate swaps | (11,904   | )  |  |  |
|                                       |   | Gain (loss) on foreign currency<br>exchange        | -  | -  |
|                                       |   | Interest income – loans                            | (4   | ) -  |
| Forward foreign exchange              | 8,633   | Interest income – securities<br>available-for-sale | (238   | ) -  |
|                                       |   | Interest income – loans                            | (2,011   | ) -  |
|                                       |   | Interest expense – borrowings and debt             | -  | -  |
|                                       |   | Gain (loss) on foreign currency<br>exchange        | 3,011  | -  |
| Total                                 | (5,218  | )  | 768  | -  |
| Derivatives – net<br>investment hedge |   |  |  |  |
| Forward foreign exchange              | 38  | Gain (loss) on foreign currency<br>exchange        | -  | -  |
| Total                                 | 38  |  | -  | -  |

2013

Gain (loss)

|                                       | Gain (loss)<br>recognized in<br>OCI<br>(effective<br>portion) | Classification of gain (loss)                      | reclassified from<br>accumulated<br>OCI to the<br>consolidated<br>statements of<br>income<br>(effective<br>portion) | Gain (loss)<br>recognized<br>on<br>derivatives<br>(ineffective<br>portion) |
|---------------------------------------|---|--|---|--|
| Derivatives – cash flow<br>hedge      |   |  |   |  |
| Interest rate swaps                   | 226   |  |   |  |
| Cross-currency interest<br>rate swaps | (734)   | ) Gain (loss) on foreign currency<br>exchange      | -   | -  |
|                                       |   | Interest income – loans                            | (11   | ) -  |
| Forward foreign exchange              | 1,544   | Interest income – securities<br>available-for-sale | (1,461  | ) -  |
|                                       |   | Interest expense – borrowings and debt             | 31  | -  |
|                                       |   | Gain (loss) on foreign currency<br>exchange        | 1,562   | -  |
| Total                                 | 1,036   |  | 121   | -  |
| Derivatives – net investment<br>hedge |   |  |   |  |
| Forward foreign exchange              | 464   | Gain (loss) on foreign currency<br>exchange        | -   | -  |
| Total                                 | 464   |  | -   | -  |

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****21. Derivative financial instruments for hedging purposes (continued)**

| 2012                                  | Gain (loss)<br>recognized in<br>OCI<br>(effective<br>portion) | Classification of gain (loss)               | Gain (loss)<br>reclassified from<br>accumulated<br>OCI to<br>the consolidated<br>statements of<br>income<br>(effective<br>portion) | Gain (loss)<br>recognized<br>on<br>derivatives<br>(ineffective<br>portion) |
|---------------------------------------|---|---|--|--|
| Derivatives – cash flow<br>hedge      |   |   |  |  |
| Interest rate swaps                   | 217   |   |  |  |
| Cross-currency interest rate<br>swaps | 3,740   | Gain (loss) on foreign currency<br>exchange | 2,481  | -  |
|                                       |   | Interest income – loans                     | (564 )   | -  |
| Forward foreign exchange              | 1,742   | Interest expense – borrowings and<br>debt   | (169 )   | -  |
|                                       |   | Gain (loss) on foreign currency<br>exchange | 3,679  | -  |
| Total                                 | 5,699   |   | 5,427  | -  |
| Derivatives – net investment<br>hedge |   |   |  |  |
| Forward foreign exchange              | 109   | Gain (loss) on foreign currency<br>exchange | -  | -  |
| Total                                 | 109   |   | -  | -  |

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

| 2014 | Classification in consolidated | Gain<br>(loss) on | Gain<br>(loss) on | Net gain |
|------|--------------------------------|-------------------|-------------------|----------|
|------|--------------------------------|-------------------|-------------------|----------|

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|                                    | statement of income                             | derivatives | hedge item | (loss)    |
|------------------------------------|---|-------------|------------|-----------|
| Derivatives - fair value hedge     |   |             |            |           |
| Interest rate swaps                | Interest income – securities available-for-sale | (1,800 )    | 2,345      | 545       |
|                                    | Interest income – loans                         | (361 )      | 3,112      | 2,751     |
|                                    | Interest expense – borrowings and debt          | 3,737       | (16,204 )  | (12,467 ) |
|                                    | Derivative financial instruments and hedging    | (994 )      | 1,021      | 27        |
| Cross-currency interest rate swaps | Interest income – loans                         | (853 )      | 1,695      | 842       |
|                                    | Interest expense – borrowings and debt          | 4,538       | (10,031 )  | (5,493 )  |
|                                    | Derivative financial instruments and hedging    | (24,335 )   | 24,434     | 99        |
|                                    | Gain (loss) on foreign currency exchange        | -           | -          | -         |
|                                    |   | (20,068 )   | 6,372      | (13,696)  |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****21. Derivative financial instruments for hedging purposes (continued)**

|  |   | Gain        | Gain       | Net gain  |
|--|---|-------------|------------|-----------|
|  |   | (loss) on   | (loss) on  | (loss)    |
|  |   | derivatives | hedge item |           |
| Classification in consolidated statement of income |   |             |            |           |
| 2013   |   |             |            |           |
| Derivatives - fair value hedge                     |   |             |            |           |
| Interest rate swaps                                | Interest income – securities available-for-sale | (3,088 )    | 4,649      | 1,561     |
|  | Interest income – loans                         | (39 )       | 350        | 311       |
|  | Interest expense – borrowings and debt          | 3,192       | (16,204 )  | (13,012 ) |
|  | Derivative financial instruments and hedging    | (3,622 )    | 3,942      | 320       |
| Cross-currency interest rate swaps                 | Interest income – loans                         | (795 )      | 1,548      | 753       |
|  | Interest expense – borrowings and debt          | 6,905       | (12,452 )  | (5,547 )  |
|  | Derivative financial instruments and hedging    | (6,117 )    | 6,150      | 33        |
|  | Gain (loss) on foreign currency exchange        | (430 )      | 458        | 28        |
|  |   | (3,994 )    | (11,559 )  | (15,553 ) |
| 2012   |   |             |            |           |
| Derivatives - fair value hedge                     |   |             |            |           |
| Interest rate swaps                                | Interest income – securities available-for-sale | (2,982 )    | 4,776      | 1,794     |
|  | Interest expense – borrowings and debt          | 1,564       | (12,022 )  | (10,458 ) |
|  | Derivative financial instruments and hedging    | 59          | -          | 59        |
| Cross-currency interest rate swaps                 | Interest income – loans                         | (239 )      | 522        | 283       |
|  | Interest expense – borrowings and debt          | 8,024       | (11,187 )  | (3,163 )  |
|  | Derivative financial instruments and hedging    | 12          | -          | 12        |
|  | Gain (loss) on foreign currency exchange        | 5,873       | (6,469 )   | (596 )    |
|  |   | 12,311      | (24,380 )  | (12,069 ) |

For control purposes, derivative instruments are recorded at their nominal amount (“notional amount”) in memorandum accounts. Interest rate swaps are made either in a single currency or cross currency for a prescribed period to exchange a series of interest rate flows, which involve fixed for floating interest payments, and viceversa. The Bank also engages in certain foreign exchange trades to serve customers’ transaction needs and to manage the foreign currency risk. All such positions are hedged with an offsetting contract for the same currency. The Bank manages and controls the risks on these foreign exchange trades by establishing counterparty credit limits by customer and by adopting policies that do not allow for open positions in the credit and investment portfolio. The Bank also uses foreign currency exchange contracts to hedge the foreign exchange risk associated with the Bank’s equity investment in a

non-U.S. dollar functional currency foreign subsidiary. Derivative and foreign exchange instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counterparties that negotiate specific agreement terms, including notional amount, exercise price and maturity.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**21. Derivative financial instruments for hedging purposes (continued)**

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 6.48 years.

The Bank estimates that approximately \$222 thousand of losses reported in OCI as of December 31, 2014 related to forward foreign exchange contracts are expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2015.

The Bank estimates that approximately \$220 thousand of losses reported in OCI as of December 31, 2014 related to forward foreign exchange contracts are expected to be reclassified into interest income as an adjustment to yield of hedged available-for-sale securities during the twelve-month period ending December 31, 2015.

Types of Derivatives and Foreign Exchange Instruments

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

In addition to hedging derivative financial instruments, the Bank has derivative financial instruments held for trading purposes that have been disclosed in Note 12.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****22. Accumulated other comprehensive income (loss)**

As of December 31, 2014, 2013 and 2012 the breakdown of accumulated other comprehensive income (loss) related to investment securities available-for-sale and derivative financial instruments, and foreign currency translation is as follows:

|  | Securities<br>available<br>for sale | Derivative<br>financial<br>instruments | Foreign<br>currency<br>translation<br>adjustment,<br>net of hedges | Total    |
|--|-------------------------------------|--|--|----------|
| Balance as of January 1, 2012  | (1,728 )                            | (640 )                                 | (744 )   | (3,112 ) |
| Net unrealized gains arising from the year   | 8,436                               | 5,699                                  | -  | 14,135   |
| Reclassification adjustment for gains included in net income <sup>(1)</sup>        | (5,775 )                            | (5,427 )                               | -  | (11,202) |
| Foreign currency translation adjustment, net                                       | -                                   | -                                      | (551 )   | (551 )   |
| Other comprehensive income (loss) from the year                                    | 2,661                               | 272                                    | (551 )   | 2,382    |
| Balance as of December 31, 2012  | 933                                 | (368 )                                 | (1,295 )   | (730 )   |
| Net unrealized loss arising from the year  | (9,640 )                            | (2,302 )                               | -  | (11,942) |
| Reclassification adjustment for (gains) loss included in net income <sup>(1)</sup> | (1,487 )                            | 1,985                                  | 24   | 522      |
| Foreign currency translation adjustment, net                                       | -                                   | -                                      | (425 )   | (425 )   |
| Other comprehensive income (loss) from the year                                    | (11,127 )                           | (317 )                                 | (401 )   | (11,845) |
| Balance as of December 31, 2013  | (10,194 )                           | (685 )                                 | (1,696 )   | (12,575) |
| Net unrealized gain (loss) arising from the year                                   | 2,224                               | (1,813 )                               | -  | 411      |
| Reclassification adjustment for (gains) loss included in net income <sup>(1)</sup> | (2,330 )                            | 1,264                                  | -  | (1,066 ) |
| Foreign currency translation adjustment, net                                       | -                                   | -                                      | (655 )   | (655 )   |
| Other comprehensive income (loss) from the year                                    | (106 )                              | (549 )                                 | (655 )   | (1,310 ) |
| Balance as of December 31, 2014  | (10,300 )                           | (1,234 )                               | (2,351 )   | (13,885) |

<sup>(1)</sup> Reclassification adjustments include amounts recognized in net income during the current period that had been part of other comprehensive income (loss) in this and previous periods.

The following table presents amounts reclassified from other comprehensive income to the net income of the period:



2014

|  | Amount<br>reclassified from<br>accumulated<br>other<br>comprehensive<br>income | Affected line item in the consolidated<br>statement of income where net income is presented |
|--|--|---|
| Details about accumulated other<br>comprehensive income components |  |   |
| Realized gains (losses) on securities<br>available-for-sale:       | 2  | Interest income – securities available-for-sale   |
|  | 1,796  | Net gain on sale of securities available-for-sale   |
|  | 532  | Derivative financial instruments and hedging  |
|  | 2,330  |   |
| Gains (losses) on derivative financial<br>instruments:             |  |   |
| Forward foreign exchange   | (2,245   | ) Interest income - loans   |
|  | -  | Interest expense - borrowings   |
|  | 981  | Net gain (loss) on foreign currency exchange  |
|  | (1,264   | )   |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****22. Accumulated other comprehensive income (loss) (continued)**

|   |   |  |
|---|---|--|
| 2013  |   |  |
| Details about accumulated other comprehensive income components | Amount reclassified from accumulated other comprehensive income | Affected line item in the consolidated statement of income where net income is presented |
| Realized gains (losses) on securities available-for-sale:       | 2   | Interest income – securities available-for-sale  |
|   | 1,152   | Net gain on sale of securities available-for-sale  |
|   | 333   | Derivative financial instruments and hedging   |
|   | 1,487   |  |
| Gains (losses) on derivative financial instruments:             |   |  |
| Forward foreign exchange  | (1,472)   | ) Interest income - loans  |
|   | 31  | ) Interest expense - borrowings  |
|   | (544)   | ) Net gain (loss) on foreign currency exchange   |
|   | (1,985)   | )  |
| Loss in foreign currency translation adjustment:                | (24)  | ) Net gain (loss) from discontinued operations   |
| 2012  |   |  |
| Details about accumulated other comprehensive income components | Amount reclassified from accumulated other comprehensive income | Affected line item in the consolidated statement of income where net income is presented |
| Realized gains (losses) on securities available-for-sale:       | -   | Interest income – securities available-for-sale  |
|   | 5,775   | Net gain on sale of securities available-for-sale  |
|   | -   | Derivative financial instruments and hedging   |
|   | 5,775   |  |
| Gains (losses) on derivative financial instruments:             |   |  |
| Forward foreign exchange  | (564)   | ) Interest income - loans  |
|   | (169)   | ) Interest expense - borrowings  |
|   | 6,160   | ) Net gain (loss) on foreign currency exchange   |

|  |        |   |  |
|--|--------|---|--|
|  | (5,427 | ) |  |
| Loss in foreign currency translation adjustment: | -      |   | Net gain (loss) from discontinued operations |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****23. Offsetting of financial assets and liabilities**

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

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

a) Derivative financial instruments - assets

December 31, 2014

| Description                       | Gross amounts of assets | Gross amounts offset in the consolidated balance sheet | Net amount of assets presented in the consolidated balance sheet | Gross amounts not offset in the consolidated balance sheet |                          |            |
|-----------------------------------|-------------------------|--|--|--|--------------------------|------------|
|                                   |                         |  |  | Financial instruments                                      | Cash collateral received | Net amount |
| Derivatives financial instruments | 12,324                  | -  | 12,324   | -  | -                        | 12,324     |

December 31, 2013

| Gross amounts offset in the | Net amount of assets presented in the | Gross amounts not offset in the consolidated balance sheet |  |
|-----------------------------|---------------------------------------|--|--|
|                             |                                       | Cash   |  |

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| Description                       | Gross amounts of assets | consolidated balance sheet | consolidated balance sheet | Financial collateral instruments received | Net amount |
|-----------------------------------|-------------------------|----------------------------|----------------------------|---|------------|
| Derivatives financial instruments | 15,217                  | -                          | 15,217                     | - (1,050)                                 | ) 14,167   |

The following table presents the reconciliation of assets that have been offset or are subject to master netting agreements to individual line items in the consolidated balance sheet as of December 31, 2014 and 2013:

| Description  | 2014                    |  |  | 2013                    |  |  |
|--|-------------------------|--|--|-------------------------|--|--|
|  | Gross amounts of assets | Gross amounts offset in the consolidated balance sheet | Net amount of assets presented in the consolidated balance sheet | Gross amounts of assets | Gross amounts offset in the consolidated balance sheet | Net amount of assets presented in the consolidated balance sheet |
| Derivatives financial instruments:                             |                         |  |  |                         |  |  |
| Derivative financial instruments used for hedging – receivable | 12,324                  | -  | 12,324   | 15,217                  | -  | 15,217   |
| Total derivative financial instruments                         | 12,324                  | -  | 12,324   | 15,217                  | -  | 15,217   |

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****23. Offsetting of financial assets and liabilities (continued)**b) Financial liabilities and derivative financial instruments - liabilities

December 31, 2014

| Description                                 | Gross amounts of liabilities | Gross amounts offset in the consolidated balance sheet | Net amount of liabilities presented in the consolidated balance sheet | Gross amounts not offset in the consolidated balance sheet |                          |            |
|---|------------------------------|--|---|--|--------------------------|------------|
|   |                              |  |   | Financial instruments                                      | Cash collateral received | Net amount |
| Securities sold under repurchase agreements | 300,519                      | -  | 300,519   | (294,054 )   | (6,465 )                 | -          |
| Derivatives financial instruments           | 40,339                       | -  | 40,339  | -  | (29,183 )                | 11,156     |
| Total                                       | 340,858                      | -  | 340,858   | (294,054 )   | (35,648 )                | 11,156     |

December 31, 2013

| Description                                 | Gross amounts of liabilities | Gross amounts offset in the consolidated balance sheet | Net amount of liabilities presented in the consolidated balance sheet | Gross amounts not offset in the consolidated balance sheet |                          |            |
|---|------------------------------|--|---|--|--------------------------|------------|
|   |                              |  |   | Financial instruments                                      | Cash collateral received | Net amount |
| Securities sold under repurchase agreements | 286,162                      | -  | 286,162   | (285,471 )   | (691 )                   | -          |
| Derivatives financial instruments           | 8,644                        | -  | 8,644   | -  | (5,340 )                 | 3,304      |
| Total                                       | 294,806                      | -  | 294,806   | (285,471 )   | (6,031 )                 | 3,304      |

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The following table presents the reconciliation of liabilities that have been offset or are subject to master netting agreements to individual line items in the consolidated balance sheet as of December 31, 2014 and 2013:

| Description   | 2014                         |  |   | 2013                    |  |   |
|---|------------------------------|--|---|-------------------------|--|---|
|   | Gross amounts of liabilities | Gross amounts offset in the consolidated balance sheet | Net amount of liabilities presented in the consolidated balance sheet | Gross amounts of assets | Gross amounts offset in the consolidated balance sheet | Net amount of liabilities presented in the consolidated balance sheet |
| Securities sold under repurchase agreements                 | 300,519                      | -  | 300,519   | 286,162                 | -  | 286,162   |
| Derivatives financial instruments:                          |                              |  |   |                         |  |   |
| Trading liabilities   | 52                           | -  | 52  | 72                      | -  | 72  |
| Derivative financial instruments used for hedging – payable | 40,287                       | -  | 40,287  | 8,572                   | -  | 8,572   |
| Total derivative financial instruments                      | 40,339                       | -  | 40,339  | 8,644                   | -  | 8,644   |

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**24. Fair value of financial instruments**

The Bank determines the fair value of its financial instruments using the fair value hierarchy established in ASC Topic 820 - Fair Value Measurements and Disclosure, which requires the Bank to maximize the use of observable inputs (those that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market information obtained from sources independent of the reporting entity) and to minimize the use of unobservable inputs (those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances) when measuring fair value. Fair value is used on a recurring basis to measure assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets and liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses some valuation techniques and assumptions when estimating fair value. The Bank applied the following fair value hierarchy:

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

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

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

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



the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in those markets.

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

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**24. Fair value of financial instruments  
(continued)**

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

Trading assets and liabilities and securities available-for-sale

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

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

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

Investment funds

The investment funds invest in trading assets and liabilities that are carried at fair value, which is based upon quoted market prices when available. For financial instruments for which quoted prices are not available, the investment funds use independent valuations from pricing providers that use their own proprietary valuation models that take into consideration discounted expected cash flows, using market rates commensurate with the credit quality and maturity of the security. These prices are compared to independent valuations from counterparties.

The investment funds are not traded in an active market and, therefore, representative market quotes are not readily available. Their fair value is adjusted on a monthly basis based on its financial results, its operating performance, its liquidity and the fair value of its long and short investment portfolio that are quoted and traded in active markets. Such investments are classified within level 2 of the fair value hierarchy.

#### Derivative financial instruments

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

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

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**24. Fair value of financial instruments  
(continued)**

Derivative financial instruments (continued)

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

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

Transfer of financial assets

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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****24. Fair value of financial instruments  
(continued)**

Financial instruments measured at fair value on a recurring basis by caption on the consolidated balance sheets using the fair value hierarchy are described below:

|  | December 31, 2014                                  |  |  |   |
|--|--|--|--|---|
|  | Quoted market prices in an active market (Level 1) | Internally developed models with significant observable market information (Level 2) | Internally developed models with significant unobservable market information (Level 3) | Total carrying value in the consolidated balance sheets |
| <b>Assets</b>  |  |  |  |   |
| Securities available-for-sale  |  |  |  |   |
| Corporate debt   | 119,095  | -  | -  | 119,095   |
| Sovereign debt   | 219,878  | -  | -  | 219,878   |
| Total securities available-for-sale                                  | 338,973  | -  | -  | 338,973   |
| Investment funds   | -  | 57,574   | -  | 57,574  |
| Derivative financial instruments used for hedging - receivable       |  |  |  |   |
| Interest rate swaps  | -  | 2,708  | -  | 2,708   |
| Cross-currency interest rate swaps                                   | -  | 1,062  | -  | 1,062   |
| Forward foreign exchange   | -  | 8,554  | -  | 8,554   |
| Total derivative financial instruments used for hedging - receivable | -  | 12,324   | -  | 12,324  |
| Total assets at fair value   | 338,973  | 69,898   | -  | 408,871   |
| <b>Liabilities</b>   |  |  |  |   |
| Trading liabilities  |  |  |  |   |
| Cross-currency interest rate swaps                                   | -  | 52   | -  | 52  |
| Forward foreign exchange   | -  | -  | -  | -   |

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|   |   |        |   |        |
|---|---|--------|---|--------|
| Total trading liabilities   | - | 52     | - | 52     |
| Derivative financial instruments used for hedging – payable       |   |        |   |        |
| Interest rate swaps   | - | 3,090  | - | 3,090  |
| Cross-currency interest rate swaps                                | - | 37,107 | - | 37,107 |
| Forward foreign exchange  | - | 90     | - | 90     |
| Total derivative financial instruments used for hedging - payable | - | 40,287 | - | 40,287 |
| Total liabilities at fair value                                   | - | 40,339 | - | 40,339 |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****24. Fair value of financial instruments (continued)**

|  | December 31, 2013                                  |  |  | Total carrying value in the consolidated balance sheets |
|--|--|--|--|---|
|  | Quoted market prices in an active market (Level 1) | Internally developed models with significant observable market information (Level 2) | Internally developed models with significant unobservable market information (Level 3) |   |
| <b>Assets</b>  |  |  |  |   |
| Securities available-for-sale  |  |  |  |   |
| Corporate debt   | 178,168  | -  | -  | 178,168   |
| Sovereign debt   | 156,200  | -  | -  | 156,200   |
| Total securities available-for-sale                                  | 334,368  | -  | -  | 334,368   |
| Investment funds   | -  | 118,661  | -  | 118,661   |
| Derivative financial instruments used for hedging - receivable       |  |  |  |   |
| Interest rate swaps  | -  | 5,018  | -  | 5,018   |
| Cross-currency interest rate swaps                                   | -  | 9,175  | -  | 9,175   |
| Forward foreign exchange   | -  | 1,024  | -  | 1,024   |
| Total derivative financial instruments used for hedging - receivable | -  | 15,217   | -  | 15,217  |
| Total assets at fair value   | 334,368  | 133,878  | -  | 468,246   |
| <b>Liabilities</b>   |  |  |  |   |
| Trading liabilities  |  |  |  |   |
| Interest rate swaps  | -  | 65   | -  | 65  |
| Cross-currency interest rate swaps                                   | -  | 7  | -  | 7   |
| Total trading liabilities  | -  | 72   | -  | 72  |
| Derivative financial instruments used for hedging – payable          |  |  |  |   |
| Interest rate swaps  | -  | 1,646  | -  | 1,646   |
| Cross-currency interest rate swaps                                   | -  | 6,834  | -  | 6,834   |
| Forward foreign exchange   | -  | 92   | -  | 92  |

|   |   |       |   |       |
|---|---|-------|---|-------|
| Total derivative financial instruments used for hedging | - | 8,572 | - | 8,572 |
| - payable   |   |       |   |       |
| Total liabilities at fair value                         | - | 8,644 | - | 8,644 |

Securities available-for-sale with fair value of \$4,116 thousand as of December 31, 2013 were transferred during 2013 from level 2 to level 1 of the fair value hierarchy, because quoted prices of those securities are now available in an active market.

ASC Topic 825 - Financial Instruments requires disclosure of fair value of financial instruments including those assets and liabilities for which the Bank did not elect the fair value option. Bank's management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are limitations in any estimation technique. The estimated fair value amounts have been measured as of their respective period-end. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.



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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**24. Fair value of financial instruments (continued)**

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

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

Financial instruments with carrying value that approximates fair value

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

Securities held-to-maturity

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

Loans

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

Short and long-term borrowings and debt

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

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****24. Fair value of financial instruments (continued)**Commitments to extend credit, stand-by letters of credit, and financial guarantees written

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements which consider the counterparty risks; which fair value is calculated based on the present value of the premium to be received or a specific allowance for off-balance sheet credit contingencies, whichever is greater. These commitments are classified in Level 3. Fair value of these instruments is provided for disclosure purposes only.

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

|  | December 31, 2014 |            |  | Internally developed models                                     | Internally developed models                                |
|--|-------------------|------------|--|---|--|
|  | Carrying Value    | Fair Value | Quoted market prices in an active market (Level 1) | models with significant observable market information (Level 2) | with significant unobservable market information (Level 3) |
| <b>Financial assets</b>                                      |                   |            |  |   |  |
| Instruments with carrying value that approximates fair value | 942,471           | 942,471    | -  | 942,471   | -  |
| Securities held-to-maturity                                  | 54,180            | 53,295     | 29,909   | 23,386  | -  |
| Loans, net <sup>(1)</sup>                                    | 6,598,060         | 6,820,731  | -  | 6,820,731   | -  |
| <b>Financial liabilities</b>                                 |                   |            |  |   |  |
| Instruments with carrying value that approximates fair value | 2,936,086         | 2,936,166  | -  | 2,936,166   | -  |

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|   |           |           |   |           |       |
|---|-----------|-----------|---|-----------|-------|
| Short-term borrowings and debt  | 2,692,537 | 2,692,344 | - | 2,692,344 | -     |
| Long-term borrowings and debt   | 1,405,519 | 1,424,579 | - | 1,424,579 | -     |
| Commitments to extend credit, standby letters of credit, and financial guarantees written | 7,637     | 7,337     | - | -         | 7,337 |

(1) The carrying value of loans is net of the Allowance for loan losses of \$79.7 million and unearned income and deferred fees of \$8.5 million for December 31, 2014.

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****24. Fair value of financial instruments (continued)**

|   | December 31, 2013 |            |  |  |  |
|---|-------------------|------------|--|--|--|
|   | Carrying Value    | Fair Value | Quoted market prices in an active market (Level 1) | Internally developed models with significant observable market information (Level 2) | Internally developed models with significant unobservable market information (Level 3) |
| <b><u>Financial assets</u></b>  |                   |            |  |  |  |
| Instruments with carrying value that approximates fair value                              | 881,573           | 881,573    | -  | 881,573  | -  |
| Securities held-to-maturity   | 33,759            | 33,634     | 17,010   | 16,624   | -  |
| Loans, net <sup>(1)</sup>   | 6,068,879         | 6,264,624  | -  | 6,264,624  | -  |
| <b><u>Financial liabilities</u></b>   |                   |            |  |  |  |
| Instruments with carrying value that approximates fair value                              | 2,662,412         | 2,662,609  | -  | 2,662,609  | -  |
| Short-term borrowings and debt  | 2,705,365         | 2,711,936  | -  | 2,711,936  | -  |
| Long-term borrowings and debt   | 1,153,871         | 1,180,877  | -  | 1,180,877  | -  |
| Commitments to extend credit, standby letters of credit, and financial guarantees written | 6,827             | 5,365      | -  | -  | 5,365  |

<sup>(1)</sup> The carrying value of loans is net of the Allowance for loan losses of \$72.7 million and unearned income and deferred fees of \$6.7 million for December 31, 2013.

**25. Litigation**

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

**26. Capital adequacy**

The Banking Law in the Republic of Panama requires banks with general banking license to maintain a total capital adequacy index that shall not be lower than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk; and primary capital equivalent that shall not be less than 4% of its assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk. As of December 31, 2014, the Bank's capital adequacy ratio is 15.14% which is in compliance with the capital adequacy ratios required by the Banking Law in the Republic of Panama.

**27. Business segment information**

The Bank's activities are operated and managed in two segments, Commercial and Treasury. The segment information reflects this operational and management structure, in a manner consistent with the requirements outlined in ASC Topic 280 - Segment Reporting. The segment results are determined based on the Bank's managerial accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable division on a systematic basis.

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

**Notes to consolidated financial statements  
(In thousands of US dollars)**

**27. Business segment information (continued)**

The Bank incorporates net operating income<sup>(3)</sup> by business segment in order to disclose the revenue and expense items related to its normal course of business, segregating from the net income, the impact of reversals of reserves for loan losses and off-balance sheet credit risk, and recoveries on assets. In addition, the Bank's net interest income represents the main driver of net operating income; therefore, the Bank presents its interest-earning assets by business segment, to give an indication of the size of business generating net interest income. Interest-earning assets also generate gains and losses on sales, such as for securities available-for-sale and trading assets and liabilities, which are included in net other income, in the Treasury Segment. The Bank also discloses its other assets and contingencies by business segment, to give an indication of the size of business that generates net fees and commissions, also included in net other income, in the Commercial Segment.

The Bank believes that the presentation of net operating income provides important supplementary information to investors regarding financial and business trends relating to the Bank's financial condition and results of operations. These measures exclude the impact of reversals (provisions) for loan losses and reversals (provisions) for losses on off-balance sheet credit risk (together referred to as "Reversal of provision (provision) for credit losses") which Bank's management considers distort trend analysis.

Net operating income disclosed by the Bank should not be considered a substitute for, or superior to, financial measures calculated differently from similar measures used by other companies. These measures, therefore, may not be comparable to similar measurements used by other companies.

The Commercial Segment incorporates all of the Bank's financial intermediation and fees generated by the commercial portfolio. The commercial portfolio includes book value of loans, selected deposits placed, acceptances and contingencies. Operating income from the Commercial Segment includes net interest income from loans, fee income and allocated operating expenses.

The Treasury Segment incorporates deposits in banks and all of the Bank's trading assets, securities available-for-sale and held-to-maturity, and the balance of the investment funds. Operating income from the Treasury Segment includes net interest income from deposits with banks, securities available-for-sale and held-to-maturity, net interest margin related to investment funds, derivative and hedging activities, net gain (loss) from investment funds trading, net gain (loss) from trading securities, net gain on sale of securities available-for-sale, net gain (loss) on foreign currency exchange, and allocated income and operating expenses.

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****27. Business segment information (continued)**

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

**Business Segment Analysis <sup>(1)</sup>**

|  | Year ended December 31 |           |           |
|--|------------------------|-----------|-----------|
|  | 2014                   | 2013      | 2012      |
| <b>COMMERCIAL</b>  |                        |           |           |
| Interest income  | 201,908                | 192,979   | 183,365   |
| Interest expense   | (79,674 )              | (77,931 ) | (73,398 ) |
| Net interest income  | 122,234                | 115,048   | 109,967   |
| Net other income <sup>(2)</sup>  | 21,068                 | 15,338    | 12,216    |
| Operating expenses   | (42,508 )              | (40,945 ) | (38,322 ) |
| Net operating income <sup>(3)</sup>  | 100,794                | 89,441    | 83,861    |
| Reversal of provision (provision) for loan and off-balance sheet credit losses | (8,522 )               | 1,217     | 12,389    |
| Recoveries, net of impairment of assets  | 7                      | 108       | -         |
| Net income attributable to Bladex stockholders                                 | 92,279                 | 90,766    | 96,250    |
| Commercial assets and contingencies (end of period balances):                  |                        |           |           |
| Interest-earning assets <sup>(4 and 6)</sup>                                   | 6,677,734              | 6,141,630 | 5,708,456 |
| Other assets and contingencies <sup>(5)</sup>                                  | 500,665                | 482,117   | 237,077   |
| Total interest-earning assets, other assets and contingencies                  | 7,178,399              | 6,623,747 | 5,945,533 |
| <b>TREASURY</b>  |                        |           |           |
| Interest income  | 10,822                 | 12,324    | 9,072     |
| Interest expense   | 8,075                  | (4,280 )  | (14,062 ) |
| Net interest income  | 18,897                 | 8,044     | (4,990 )  |
| Net other income (expense) <sup>(2)</sup>                                      | 6,483                  | (4,877 )  | 14,612    |
| Operating expenses   | (11,194 )              | (13,361 ) | (17,492 ) |
| Net operating income <sup>(3)</sup>  | 14,186                 | (10,194 ) | (7,870 )  |
| Net income (loss)  | 14,186                 | (10,194 ) | (7,870 )  |
| Net income attributable to the redeemable noncontrolling interest              | (475 )                 | (4,185 )  | 293       |
| Net income (loss) attributable to Bladex stockholders                          | 14,661                 | (6,009 )  | (8,163 )  |
| Treasury assets and contingencies (end of period balances):                    |                        |           |           |
| Interest-earning assets <sup>(6)</sup>   | 1,231,243              | 1,326,506 | 1,035,313 |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Redeemable noncontrolling interest                            | -         | (49,898 ) | (3,384 )  |
| Total interest-earning assets, other assets and contingencies | 1,231,243 | 1,276,608 | 1,031,929 |
| TOTAL   |           |           |           |
| Interest income   | 212,730   | 205,303   | 192,437   |
| Interest expense  | (71,599 ) | (82,211 ) | (87,460 ) |
| Net interest income   | 141,131   | 123,092   | 104,977   |
| Net other income <sup>(2)</sup>                               | 27,551    | 10,461    | 26,828    |
| Operating expenses  | (53,702 ) | (54,306 ) | (55,814 ) |
| Net operating income <sup>(3)</sup>                           | 114,980   | 79,247    | 75,991    |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****27. Business segment information (continued)**

|   | Year ended December 31 |           |           |
|---|------------------------|-----------|-----------|
|   | 2014                   | 2013      | 2012      |
| Net operating income <sup>(3)</sup>   | 114,980                | 79,247    | 75,991    |
| Reversal of provision (provision) for loans and off-balance sheet credit losses | (8,522 )               | 1,217     | 12,389    |
| Recoveries, net of impairment of assets   | 7                      | 108       | -         |
| Net income – business segment   | 106,465                | 80,572    | 88,380    |
| Net income (loss) attributable to the redeemable noncontrolling interest        | (475 )                 | (4,185 )  | 293       |
| Net income attributable to Bladex stockholders – business segment               | 106,940                | 84,757    | 88,087    |
| Other income unallocated - gain on sale of premises and equipment               | -                      | -         | 5,626     |
| Discontinued operations (Note 3)  | -                      | (4 )      | (681 )    |
| Net income attributable to Bladex stockholders                                  | 106,940                | 84,753    | 93,032    |
| Total assets and contingencies (end of period balances):                        |                        |           |           |
| Interest-earning assets <sup>(4 y 6)</sup>                                      | 7,908,977              | 7,468,136 | 6,743,769 |
| Other assets and contingencies <sup>(5)</sup>                                   | 500,665                | 482,117   | 237,077   |
| Redeemable noncontrolling interest  | -                      | (49,898 ) | (3,384 )  |
| Total interest-earning assets, other assets and contingencies                   | 8,409,642              | 7,900,355 | 6,977,462 |

(1) The numbers set out in these tables have been rounded and accordingly may not total exactly.

(2) Net other income excludes reversals (provisions) for loans and off-balance sheet credit losses, recoveries on assets, and gain on sale of premises and equipment.

(3) Net operating income refers to net income excluding reversals (provisions) for loans and off-balance sheet credit losses and recoveries on assets.

(4) Includes selected deposits placed, and loans, net of unearned income and deferred loan fees.

(5) Includes customers' liabilities under acceptances, letters of credit and guarantees covering commercial and country risk, and credit commitments.

(6) Includes cash and due from banks, interest-bearing deposits with banks, securities available-for-sale and held-to-maturity, trading securities and the balance of investment funds.

|   | Year ended December 31 |        |        |
|---|------------------------|--------|--------|
|   | 2014                   | 2013   | 2012   |
| Reconciliation of Net other income:   |                        |        |        |
| Net other income – business segment   | 27,551                 | 10,461 | 26,828 |
| Reversal of provision (provision) for losses on off-balance sheet credit risk | (1,627 )               | (381 ) | 4,046  |
| Recoveries, net of impairment of assets                                       | 7                      | 108    | -      |
| Gain on sale of premises and equipment  | -                      | -      | 5,626  |

|  |        |        |        |
|--|--------|--------|--------|
| Net other income – consolidated financial statements | 25,931 | 10,188 | 36,500 |
|--|--------|--------|--------|

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****27. Business segment information (continued)**

|  | Year ended December 31 |           |           |
|--|------------------------|-----------|-----------|
|  | 2014                   | 2013      | 2012      |
| Reconciliation of total assets:                                |                        |           |           |
| Interest-earning assets – business segment                     | 7,908,977              | 7,468,136 | 6,743,769 |
| Allowance for loan losses                                      | (79,675 )              | (72,751 ) | (72,976 ) |
| Customers' liabilities under acceptances                       | 114,018                | 1,128     | 1,157     |
| Accrued interest receivable                                    | 47,938                 | 40,727    | 37,819    |
| Equipment and leasehold improvements, net                      | 8,129                  | 10,466    | 12,808    |
| Derivative financial instruments used for hedging - receivable | 12,324                 | 15,217    | 19,239    |
| Other assets   | 13,561                 | 8,389     | 14,580    |
| Total assets – consolidated financial statements               | 8,025,272              | 7,471,312 | 6,756,396 |

Geographic information is as follows:

|                     | 2014      |        |                          |                | Total     |
|---------------------|-----------|--------|--------------------------|----------------|-----------|
|                     | Panama    | Brazil | United States of America | Cayman Islands |           |
| Interest income     | 195,575   | -      | 17,135                   | 20             | 212,730   |
| Interest expense    | (70,539 ) | -      | (1,023 )                 | (37 )          | (71,599 ) |
| Net interest income | 125,036   | -      | 16,112                   | (17 )          | 141,131   |

|   |       |   |     |   |       |
|---|-------|---|-----|---|-------|
| Long-lived assets:                        |       |   |     |   |       |
| Equipment and leasehold improvements, net | 7,994 | - | 135 | - | 8,129 |

|                     | 2013      |        |                          |                | Total     |
|---------------------|-----------|--------|--------------------------|----------------|-----------|
|                     | Panama    | Brazil | United States of America | Cayman Islands |           |
| Interest income     | 184,501   | 33     | 18,501                   | 2,268          | 205,303   |
| Interest expense    | (79,132 ) | -      | (1,235 )                 | (1,844 )       | (82,211 ) |
| Net interest income | 105,369   | 33     | 17,266                   | 424            | 123,092   |

|   |        |   |     |   |        |
|---|--------|---|-----|---|--------|
| Long-lived assets:                        |        |   |     |   |        |
| Equipment and leasehold improvements, net | 10,237 | - | 229 | - | 10,466 |

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**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements  
(In thousands of US dollars)****27. Business segment information (continued)**

|   | 2012      |        |                          |                | Total     |
|---|-----------|--------|--------------------------|----------------|-----------|
|   | Panama    | Brazil | United States of America | Cayman Islands |           |
| Interest income                           | 173,663   | 155    | 17,894                   | 725            | 192,437   |
| Interest expense                          | (86,019 ) | -      | (1,332 )                 | (109 )         | (87,460 ) |
| Net interest income                       | 87,644    | 155    | 16,562                   | 616            | 104,977   |
| Long-lived assets:                        |           |        |                          |                |           |
| Equipment and leasehold improvements, net | 12,397    | 8      | 403                      | -              | 12,808    |

**28. Restriction on retained earnings**

As of December 31, 2014, \$7.9 million of retained earnings are restricted from dividend distribution for purposes of complying with local regulatory requirements.

**29. Subsequent event**

The international administrative office in Miami, Florida, USA ceased operations during the first quarter of 2015.