

FOREIGN TRADE BANK OF LATIN AMERICA, INC.

Form 6-K

November 13, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

REPORT OF FOREIGN PRIVATE ISSUER

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

SECURITIES EXCHANGE ACT OF 1934

For the month of November, 2015

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

(Exact name of Registrant as specified in its Charter)

**FOREIGN TRADE BANK OF LATIN AMERICA, INC.**

(Translation of Registrant's name into English)

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

P.O. Box 0819-08730

Panama City, Republic of Panama

(Address of Registrant's Principal Executive Offices)

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

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

Form 20-F ☒ Form 40-F ☐

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

Yes ☐ No ☒

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

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

Consolidated Balance Sheets as of September 30, 2015 (Unaudited) and December 31, 2014, and Related Consolidated Statements of Income, Comprehensive Income, Stockholders' Equity and Redeemable Non Controlling Interest and Cash Flows (Unaudited) for the Three and Nine Months Ended September 30, 2015 and 2014.

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

**Consolidated Financial Statements**

<b>Contents</b>	<b>Pages</b>
<u>Consolidated balance sheets – September 30, 2015 (Unaudited) and December 31, 2014 (Audited)</u>	1
<u>Consolidated statements of income (Unaudited) - For the three and nine months ended September 30, 2015 and 2014</u>	2
<u>Consolidated statements of comprehensive income (Unaudited) - For the nine months ended September 30, 2015 and 2014</u>	3
<u>Consolidated statements of changes in stockholders' equity and redeemable noncontrolling interest (Unaudited) - For the nine months ended September 30, 2015 and 2014</u>	4
<u>Consolidated statements of cash flows (Unaudited) - For the nine months ended September 30, 2015 and 2014</u>	5
<u>Notes to consolidated financial statements (Unaudited)</u>	6–62

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Consolidated balance sheets****September 30, 2015 and December 31, 2014**

(In US\$ thousand, except per share amounts)

	Notes	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>Assets</b>			
Cash and due from banks	3,18	2,931	4,985
Interest-bearing deposits in banks (including pledged deposits of \$33,855 in 2015 and \$39,210 in 2014)	3,18	901,632	775,530
Securities available-for-sale (including pledged securities to creditors of \$118,203 in 2015 and \$307,530 in 2014)	4,18	170,787	338,973
Securities held-to-maturity (fair value of \$114,691 in 2015 and \$53,295 in 2014) (including pledged securities to creditors of \$58,854 in 2015 and \$13,004 in 2014)	4,18	119,356	54,180
Investment funds	5,18	59,424	57,574
Loans	6,18	6,758,988	6,686,244
Less:			
Allowance for loan losses	7,18	91,490	79,675
Unearned income and deferred fees		9,588	8,509
Loans, net		6,657,910	6,598,060
Customers' liabilities under acceptances	18	788	114,018
Accrued interest receivable	18	38,279	47,938
Equipment and leasehold improvements (net of accumulated depreciation and amortization of \$17,013 in 2015 and \$16,203 in 2014)		7,083	8,129
Derivative financial instruments used for hedging - receivable	15,17,18	18,527	12,324
Other assets		16,647	13,561
Total assets		7,993,364	8,025,272
<b>Liabilities and stockholders' equity</b>			
Deposits:	8,18		
Noninterest-bearing - Demand		1,584	394
Interest-bearing - Demand		234,656	83,781
Time		2,879,268	2,422,519
Total deposits		3,115,508	2,506,694
Trading liabilities	9,17,18	17	52
Securities sold under repurchase agreement	3,4,10,17,18	176,030	300,519
Short-term borrowings and debt	11,18	1,883,242	2,692,537
Acceptances outstanding	18	788	114,018
Accrued interest payable	18	22,528	14,855
Long-term borrowings and debt	12,18	1,790,110	1,405,519

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Derivative financial instruments used for hedging - payable	15,17,18	24,245	40,287
Reserve for losses on off-balance sheet credit risk	7	2,395	6,849
Other liabilities		16,718	32,879
Total liabilities		7,031,581	7,114,209
Stockholders' equity:	13,16,20		
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 2,474,469 in 2015 and 2,479,050 in 2014)		20,593	20,683
Class E common stock, no par value, assigned value of \$6.67 (Authorized 100,000,000; outstanding 30,152,247 in 2015 and 29,956,100 in 2014)		214,980	214,890
Additional paid-in capital in excess of assigned value of common stock		116,751	117,339
Capital reserves		95,210	95,210
Retained earnings		562,721	510,046
Accumulated other comprehensive loss	16	(19,482 )	(13,885 )
Treasury stock		(73,397 )	(77,627 )
Total stockholders' equity		961,783	911,063
Total liabilities and stockholders' equity		7,993,364	8,025,272

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

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

(In US\$ thousand, except per share amounts)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2015	2014	2015	2014
Interest income:	15				
Deposits		564	340	1,484	1,087
Investment securities:					
Available-for-sale		1,354	2,111	4,943	6,045
Held-to-maturity		822	307	1,693	788
Investment funds		-	-	-	20
Loans		52,892	52,027	153,850	148,533
Total interest income		55,632	54,785	161,970	156,473
Interest expense:	15				
Deposits		3,287	2,924	8,478	8,281
Investment funds		-	1	-	38
Short-term borrowings and debt		4,864	5,123	17,344	18,119
Long-term borrowings and debt		10,487	9,891	28,662	27,188
Total interest expense		18,638	17,939	54,484	53,626
Net interest income		36,994	36,846	107,486	102,847
Provision for loan losses	7	(8,137 )	(1,140 )	(11,103 )	(4,554 )
Net interest income, after reversal of provision for loan losses		28,857	35,706	96,383	98,293
Other income (expense):					
Reversal of (provision for) losses on off-balance sheet credit risk	7	5,260	(2,632 )	4,454	(2,886 )
Fees and commissions, net		7,461	4,116	12,870	12,594
Derivative financial instruments and hedging	15	(402 )	(179 )	1,394	(386 )
Recoveries, net of impairment of assets		-	-	-	7
Net gain (loss) from investment funds		4,433	580	4,766	(2,215 )
Net gain (loss) from trading securities	9	606	(245 )	893	(492 )
Net gain (loss) on sale of securities available-for-sale	4	(66 )	593	363	1,805
Net gain on sale of loans		208	557	720	1,170
Net gain (loss) on foreign currency exchange		(500 )	469	(1,791 )	586
Other income, net		499	441	1,031	1,011
Net other income		17,499	3,700	24,700	11,194
Operating expenses:					
Salaries and other employee expenses		7,434	7,610	23,076	23,192
Depreciation and amortization of equipment and leasehold improvements		463	607	1,510	1,906
Professional services		1,206	1,118	3,182	3,047

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Maintenance and repairs		376	371	1,211	1,162
Expenses from investment funds		-	-	-	416
Other operating expenses		3,279	3,096	9,424	9,436
Total operating expenses		12,758	12,802	38,403	39,159
Net income		33,598	26,604	82,680	70,328
Net income (loss) attributable to the redeemable noncontrolling interest		-	-	-	(475 )
Net income attributable to Bladex stockholders		33,598	26,604	82,680	70,803
Earning per share:					
Basic	13	0.86	0.69	2.12	1.83
Diluted	13	0.86	0.68	2.12	1.83
Weighted average basic shares	13	38,969	38,723	38,910	38,663
Weighted average diluted shares	13	39,051	38,869	39,037	38,748

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



**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**
**Consolidated statements of comprehensive income (Unaudited)**
**For the nine months ended September 30, 2015 and 2014**

(In US\$ thousand)

	Notes	2015	2014
		82,680	70,328
Other comprehensive income (loss):			
Unrealized gains (losses) on securities available-for-sale:			
Unrealized gains (losses) arising from the period	16	(3,726 )	6,522
Less: reclassification adjustments for net gains included in net income	16	(2,538 )	(1,336 )
Net change in unrealized gains (losses) on securities available for sale		(6,264 )	5,186
Unrealized gains (losses) on derivative financial instruments:			
Unrealized gains (losses) arising from the period	16	(3,975 )	(1,154 )
Less: reclassification adjustments for net (gains) losses included in net income	16	2,291	1,052
Net change in unrealized gains (losses) on derivative financial instruments		(1,684 )	(102 )
Foreign currency translation adjustment, net of hedges:			
Current period change		(429 )	(494 )
Reclassification adjustments for net losses included in net income		2,780	-
Net change in foreign currency translation adjustment		2,351	(494 )
Other comprehensive income (loss)		(5,597 )	4,590
Comprehensive income		77,083	74,918
Comprehensive income (loss) attributable to the redeemable noncontrolling interest		-	475
Comprehensive income attributable to Bladex stockholders		77,083	74,443

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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Consolidated statements of changes in stockholder's equity and redeemable noncontrolling interest (Unaudited)  
For the nine months ended September 30, 2015 and 2014**

(In US\$ thousand)

	Common stock	Stockholder's equity Additional paid-in capital in excess of assigned value of common stock	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity	Redeemable noncontrolling interest
Balances at January 1, 2014	279,980	118,646	95,210	458,699	(12,575 )	(82,008 )	857,952	49,899
Effect of desconsolidating a variable interest entity ("VIE")	-	-	-	-	-	-	-	(49,424 )
Net income (loss)	-	-	-	70,803	-	-	70,803	(475 )
Other comprehensive income (loss)	-	-	-	-	4,590	-	4,590	-
Compensation cost - stock options and stock units plans	-	1,690	-	-	-	-	1,690	-
Issuance of restricted shares	-	(629 )	-	-	-	629	-	-
Exercised options and stock units vested	-	(2,912 )	-	-	-	4,338	1,426	-
Repurchase of "Class E" common stock	-	-	-	-	-	(391 )	(391 )	-
Dividends declared	-	-	-	(27,090 )	-	-	(27,090 )	-
Balances at September 30, 2014	279,980	116,795	95,210	502,412	(7,985 )	(77,432 )	908,980	-
Balances at January 1, 2015	279,980	117,339	95,210	510,046	(13,885 )	(77,627 )	911,063	-
Net income (loss)	-	-	-	82,680	-	-	82,680	-
Other comprehensive income (loss)	-	-	-	-	(5,597 )	-	(5,597 )	-
	-	2,175	-	-	-	-	2,175	-

Compensation cost -  
stock options and stock  
units plans

Issuance of restricted shares	-	(1,259 )	-	-	-	1,259	-	
Exercised options and stock units vested	-	(1,504 )	-	-	-	2,971	1,467	-
Repurchase of "Class E" common stock	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	(30,005 )	-	-	(30,005 )	-
Balances at September 30, 2015	279,980	116,751	95,210	562,721	(19,482 )	(73,397)	961,783	-

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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Consolidated statements of cash flows (Unaudited)****For the nine months ended September 30, 2015 and 2014**

(In US\$ thousand)

	2015	2014
Cash flows from operating activities:		
Net income	82,680	70,328
Adjustments to reconcile net income to net cash provided by operating activities:		
Activities of derivative financial instruments and hedging	(22,245 )	22,702
Depreciation and amortization of equipment and leasehold improvements	1,510	1,906
Provision for (reversal of) loan losses	(11,815 )	4,554
Provision for (reversal of) losses on off-balance sheet credit risk	(4,454 )	2,886
Net gain on sale of securities available-for-sale	(363 )	(1,805 )
Compensation cost - compensation plans	2,175	1,690
Amortization of premium and discounts on investments	2,065	137
Net decrease (increase) in operating assets:		
Trading assets	-	(196 )
Investment funds	931	16,502
Accrued interest receivable	9,659	(2,867 )
Other assets	110,182	(5,091 )
Net increase (decrease) in operating liabilities:		
Trading liabilities	(35 )	234
Accrued interest payable	7,673	5,957
Other liabilities	(129,391)	10,084
Net cash provided by operating activities	48,572	127,021
Cash flows from investing activities:		
Net decrease (increase) in pledged deposits	5,355	(4,873 )
Net increase in loans	(58,914 )	(856,379)
Proceeds from the sale of loans	64	300,281
Acquisition of equipment and leasehold improvements	(463 )	(114 )
Proceeds from the redemption of securities available-for-sale	126,090	5,022
Proceeds from the sale of securities available-for-sale	68,099	217,422
Proceeds from maturities of securities held-to-maturity	29,923	12,583
Purchases of investments available-for-sale	(87,692 )	(244,065)
Purchases of investments held-to-maturity	(32,714 )	(22,624 )
Net cash provided by investing activities	49,748	(592,747)
Cash flows from financing activities:		
Net increase in due to depositors	608,814	758,603
Net decrease in short-term borrowings and debt and securities sold under repurchase agreements	(933,784)	(723,745)
Proceeds from long-term borrowings and debt	811,276	585,522

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Repayments of long-term borrowings and debt	(426,685)	(312,343)
Dividends paid	(30,005 )	(40,664 )
Exercised stock options	1,467	1,424
Repurchase of common stock	-	(391 )
Net cash provided by (used in) financing activities	31,083	268,406
Effect of exchange rate fluctuations on cash and cash equivalents	-	2
Net increase (decrease) in cash and cash equivalents	129,403	(197,318)
Cash and cash equivalents at beginning of the period	741,305	830,686
Cash and cash equivalents at end of the period	870,708	633,368
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	62,157	47,669

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

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

### **Notes to consolidated financial statements (Unaudited) (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 law signed in 1978 between the Republic of Panama and Bladex, the Bank was granted certain privileges by the Republic of Panama, including an exemption from payment of income taxes in Panama.

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

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

Bladex Head Office’s subsidiaries are the following:

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

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

**Notes to consolidated financial statements (Unaudited)**  
**(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 financial products such as loans and factoring.

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

**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.



These unaudited consolidated financial statements should be read together with the consolidated financial statements and related notes for the fiscal year ended December 31, 2014. Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. GAAP, but not required for interim reporting purposes, has been condensed or omitted.

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

***b) Principles of consolidation***

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

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

**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**

**2.Summary of significant accounting policies (continued)**

*c)*

***Variable interest entities***

Variable interest entities (“VIE”) are entities that have either a total equity investment at risk that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors at risk 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.

***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 5).

***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.

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

**Notes to consolidated financial statements (Unaudited)**  
**(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 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 rate method. Amortization of premiums and discounts are included in interest income as an adjustment to the yield.

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

**Notes to consolidated financial statements (Unaudited)**  
**(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.

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

**Notes to consolidated financial statements (Unaudited)**  
**(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 5)

*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.

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

Purchased loans are recorded at acquisition cost. The difference between the principal and the acquisition cost of loans, the premiums and discounts, is amortized over the life of the loan as an 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 (Unaudited)**  
**(In thousands of US dollars)**

**2.Summary of significant accounting policies (continued)**

*1)*

*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 loan 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.

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

**Notes to consolidated financial statements (Unaudited)**  
**(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 12 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 financial assets has been surrendered. Control over transferred financial assets is deemed to be surrendered when: (1) the financial 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 financial assets; and (3) the Bank does not maintain effective control over the transferred financial assets through an agreement to repurchase them or does not have the right to cause the financial assets to be returned. Upon completion of a transfer of financial assets that satisfies the conditions described above to be accounted for as a sale, the Bank recognizes the financial assets as sold and records in earnings any gain or loss on the sale. The Bank may retain interest in financial assets in the form of servicing rights. Gains or losses on sale of financial assets depend in part on the carrying amount of the financial instrument involved in the transfer, and its fair value at the date of transfer.

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

**Notes to consolidated financial statements (Unaudited)**  
**(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:

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

- Exposure (E) = the total accounting balance (on and off-balance sheet) at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio. Default rates are based on -Bladex's historical portfolio performance per rating category, complemented by International Rating Agency's probabilities of default for categories 6, 7 and 8, in view of the greater robustness of data for such cases.
- Loss Given Default (LGD) = a factor is utilized, based on historical information, same as based on best practices in the banking industry. Management applies judgment and historical loss experience.

Management can also apply complementary judgment to capture elements of prospective nature or loss expectations based on risks identified in the environment that are not necessarily reflected in the historical data. The allowance policy is applicable to all classes of loans and off-balance sheet financial instruments of the Bank.

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

**Notes to consolidated financial statements (Unaudited)**  
**(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. Reductions of capital reserves require the approval of the Bank's Board of Directors and the SBP.

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

**Notes to consolidated financial statements (Unaudited)**  
**(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, time deposits taken and borrowings in foreign currency. These contracts can be classified as fair value and cash flow hedges. In addition, forward foreign exchange contracts are used to hedge exposures to changes in foreign currency in subsidiary companies with functional currencies other than US\$ dollar. These contracts are classified as net investment hedges.

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

Derivatives held for trading purposes include interest rate swap, cross-currency swap, forward foreign exchange and future contracts used for risk management purposes that do not qualify for hedge accounting. The fair value of trading derivatives is reported as trading assets or trading liabilities, as applicable.

Changes in realized and unrealized gains and losses and interest from these trading instruments are included in net gain (loss) from trading securities.

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

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

**Notes to consolidated financial statements (Unaudited)**  
**(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\$ dollar 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\$ dollar. The effects of those translations adjustments are reported as a component of the accumulated other comprehensive loss in the stockholders' equity.

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

v)

***Income taxes***

Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract law signed between the Republic of Panama and Bladex.

The Feeder and the Master are not subject to income taxes in accordance with the laws of the Cayman Islands. These companies received an undertaking exempting them from taxation of all future profits until March 7, 2026.

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

**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**

**2.Summary of significant accounting policies (continued)**

v)

***Income taxes (continued)***

- Bladex Representacao Ltda. and Bladex Investimentos Ltda., are subject to income taxes in Brazil.
- Bladex Development Corp., is subject to income taxes in Panama.
- BLX Soluciones, S.A. de C.V., SOFOM, is subject to income taxes in Mexico.
- The New York Agency and Bladex'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 period. 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.

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

**Notes to consolidated financial statements (Unaudited)**  
**(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 2015-01 - Statements of Income - Extraordinary and Unusual Items (Subtopic 225-20)

This update eliminates the concept of extraordinary items in the Income Statement according to Subtopic 225-20. Eliminating the concept of extraordinary items will save time and reduce costs because they will not have to assess whether a particular event or transaction is an extraordinary, unusual and/or infrequent item.

For an entity that prospectively applies the guidance, the only required transition disclosure will be to disclose, if applicable, both the nature and the amount of an item included in income from continuing operations after adoption that adjusts an extraordinary item previously classified and presented before the date of adoption. An entity retrospectively applying the guidance should provide the disclosures as set out in Subtopic 250-10-50-1 through 50-2 (Accounting Changes and Errors - Disclosure).

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

ASU 2015-03 - Interest - Imputation of Interest (Subtopic 835-30)



This update simplifies the presentation of the debt issuance costs. These issuance costs are recorded as part of interest expense. The amendment will require debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The guidelines for recognition and measurement of debt issuance costs are not affected by changes in this update.

This update is effective for annual and interim periods beginning after December 15, 2015. Earlier application is permitted provided that each period presented in the balance sheet reflects the adjusted figures. The Bank does not anticipate any material impact on its financial statements as a result of this update.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****3. Cash and cash equivalents**

Cash and cash equivalents are as follows:

	September 30, 2015	December 31, 2014
Cash and due from banks	2,931	4,985
Interest-bearing deposits in banks	901,632	775,530
Total	904,563	780,515
Less:		
Pledged deposits	33,855	39,210
Total cash and cash equivalents	870,708	741,305

On September 30, 2015 and December 31, 2014 the New York Agency had a pledged deposit with a carrying value of \$3.3 million and \$3.0 million, respectively, with the New York State Banking Department, as required by law since March 1994. As of September 30, 2015 and December 31, 2014, the Bank had pledged deposits with a carrying value of \$30.6 million and \$36.2 million, respectively, to secure derivative financial instruments transactions and repurchase agreements.

**4. 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:

September 30, 2015			
Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value

Corporate debt:

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Brazil	31,992	-	1,964	30,028
Colombia	17,851	-	5,564	12,287
Chile	8,214	-	162	8,052
Honduras	7,228	-	2	7,226
Panama	4,661	-	55	4,606
Peru	7,358	-	43	7,315
Venezuela	18,432	180	-	18,612
	95,736	180	7,790	88,126

Sovereign debt:

Brazil	11,685	-	1,401	10,284
Colombia	27,121	-	658	26,463
Chile	10,557	-	322	10,235
Mexico	27,476	-	569	26,907
Trinidad y Tobago	9,808	-	1,036	8,772
	86,647	-	3,986	82,661
Total	182,383	180	11,776	170,787

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****4. Investment securities (continued)**Securities available-for-sale (continued)

	December 31, 2014			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair 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

As of September 30, 2015 and December 31, 2014, securities available-for-sale with a carrying value of \$118.2 million and \$307.5 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:

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

September 30, 2015

	Less than 12 months		12 months or longer		Total	
	Unrealized		Unrealized		Unrealized	
	Fair	Gross	Fair	Gross	Fair	Gross
	Value	Losses	Value	Losses	Value	Losses
Corporate debt	43,369	841	18,921	6,949	62,290	7,790
Sovereign debt	37,030	978	41,739	3,008	78,769	3,986
	80,399	1,819	60,660	9,957	141,059	11,776

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****4. Investment securities (continued)**Securities available-for-sale (continued)

	December 31, 2014					
	Less than 12 months		12 months or longer		Total	
	Unrealized		Unrealized		Unrealized	
	Fair	Gross	Fair	Gross	Fair	Gross
	Value	Losses	Value	Losses	Value	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

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Gains	30	599	465	1,825
Losses	(95 )	(6 )	(102 )	(20 )
Net	(65 )	593	363	1,805

The amortized cost and fair value of securities available-for-sale by contractual maturity as of September 30, 2015, are shown in the following table:

Amortized	Fair
Cost	Value

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Due within 1 year	46,248	45,806
After 1 year but within 5 years	75,868	67,537
After 5 years but within 10 years	60,267	57,444
	182,383	170,787

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****4. Investment securities (continued)**Securities held-to-maturity

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

	September 30, 2015			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	22,587	-	3,921	18,666
Panama	25,014	39	-	25,053
Mexico	15,003	-	382	14,621
	62,604	39	4,303	58,340

Sovereign debt:				
Colombia	42,895	-	452	42,443
Panama	8,781	99	-	8,880
Mexico	5,076	-	49	5,027
	56,752	99	501	56,350
Total	119,356	138	4,804	114,690

	December 31, 2014			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair 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



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

The amortized cost and fair value of securities held-to-maturity by contractual maturity as of September 30, 2015, are shown in the following table:

	Amortized Cost	Fair Value
Due within 1 year	47,640	46,823
After 1 year but within 2 years	5,035	4,320
After 2 years but within 5 years	36,417	33,711
More than 5 years	30,264	29,836
	119,356	114,690

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

**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**

**4. Investment securities (continued)**

Securities held-to-maturity (continued)

As of September 30, 2015 and December 31, 2014, securities held-to-maturity with a carrying value of \$58.9 million and \$13.0 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

**5. 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.

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 September 30, 2015, the Bank has a participation of 48.12% in that fund (49.61% at December 31, 2014).

Bladex also reports its participation in the Fund Latam Alpha4X Fundo de Investimento Multimarket in the "investment funds" line item, which the Bank does not consolidate, because it is not the primary beneficiary of the VIE. This investment is adjusted to recognize the Bank's participation in the profits and losses of the fund in the line "Net gain (loss) of investment funds" of the consolidated income statement.

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

	September 30, 2015	December 31, 2014
Alpha4X Feeder Fund	55,675	52,472
Alpha4X Latam Fundo de Investimento Multimercado	3,749	5,102
	59,424	57,574

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****5. Investment funds (continued)**

On February and May 2015, the Bank redeemed \$4.0 million of his investment in the Fund. The Bank has a commitment to remain an investor in these funds, with possibility of contractual redemptions, up to March 31, 2016.

**6. Loans**

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

	September 30, 2015	December 31, 2014
Corporations:		
Private	3,369,987	3,120,005
State-owned	402,821	711,955
Banking and financial institutions:		
Private	1,807,631	1,890,605
State-owned	757,659	480,331
Middle-market companies:		
Private	420,890	483,348
Total	6,758,988	6,686,244

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

	September 30, 2015	December 31, 2014
Banking and financial institutions	2,565,290	2,370,936
Industrial	1,252,463	1,325,091
Oil and petroleum derived products	867,356	1,013,324
Agricultural	1,090,258	1,132,330
Services	671,982	617,366
Mining	105,218	38,572
Others	206,421	188,625

Total	6,758,988	6,686,244
-------	-----------	-----------

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

September 30, 2015							
Rating <sup>(1)</sup>	Corporations		Banking and financial institutions		Middle-market companies		Total
	Private	State-owned	Private	State-owned	Private	Sovereign	
1-6	3,362,156	402,821	1,807,631	757,659	407,986	-	6,738,253
7	-	-	-	-	-	-	-
8	-	-	-	-	11,997	-	11,997
9	4,706	-	-	-	-	-	4,706
10	3,125	-	-	-	907	-	4,032
Total	3,369,987	402,821	1,807,631	757,659	420,890	-	6,758,988

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

## Notes to consolidated financial statements (Unaudited)

(In thousands of US dollars)

### 6.Loans (continued)

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

(1) Current ratings as of September 30, 2015 and December 31, 2014, respectively.

The remaining loan maturities are summarized as follows:

	September 30, 2015	December 31, 2014
Current		
Up to 1 month	714,826	947,624
From 1 month to 3 months	1,353,582	1,502,905
From 3 months to 6 months	1,496,156	1,268,478
From 6 months to 1 year	1,149,666	1,067,073
From 1 year to 2 years	1,041,465	989,805
From 2 years to 5 years	955,619	870,163
From 5 years to 7 years	26,939	31,361
	6,738,253	6,677,409
Delinquent	-	4,801
Impaired:		
Delinquent with impairment	-	-
Past due with impairment	20,735	4,034
Total	6,758,988	6,686,244



**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****6.Loans (continued)**

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

	September 30, 2015	December 31, 2014
Country:		
Argentina	187,496	184,882
Bolivia	15,336	10,000
Brazil	1,795,521	1,971,776
Chile	129,581	157,309
Colombia	643,721	726,085
Costa Rica	321,786	320,832
Dominican Republic	227,214	243,038
Ecuador	260,907	120,010
El Salvador	70,190	115,830
France	6,000	6,000
Germany	97,000	100,000
Guatemala	411,167	262,733
Honduras	104,641	93,008
Jamaica	15,075	15,512
Mexico	789,600	868,045
Netherlands	1,212	10,455
Nicaragua	-	7,856
Panama	437,315	320,758
Paraguay	137,692	132,479
Peru	589,115	589,724
Singapore	12,500	-
Switzerland	48,050	50,000
Trinidad and Tobago	190,219	165,042
United States of America	59,150	55,370
Uruguay	208,500	159,500
	6,758,988	6,686,244

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



Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

	September 30, 2015	December 31, 2014
Fixed interest rates	3,364,669	3,322,817
Floating interest rates	3,394,319	3,363,427
	6,758,988	6,686,244

As of September 30, 2015 and December 31, 2014, 87% and 89%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****6.Loans (continued)**

The following is a summary of information of non-accruing loan balances, and interest amounts on non-accruing loans:

	September 30, 2015	December 31, 2014
Loans in non-accrual status		
Corporation - Private	7,831	3,125
Middle-market companies - Private	12,904	909
Total loans in non-accrual status	20,735	4,034
Interest which would have been recorded if the loans had not been in a non-accrual status	1,180	191
Interest income collected on non-accruing loans	7	6

An analysis of non-accruing loans with impaired balances as of September 30, 2015 and December 31, 2014 is detailed as follows:

	September 30, 2015			Average principal loan balance	Three months ended Sep. 30, 2015 Interest principal recognized	Nine months ended Sep 30, 2015 Interest principal recognized
	Recorded investment	Unpaid principal balance	Related allowance			
With an allowance recorded						
Corporation - Private	7,831	6,342	4,468	7,362	-	-
Middle-market companies - Private	12,904	2,273	3,624	9,037	-	7
Total	20,735	8,615	8,092	16,399	-	7
					Three months ended	Nine months ended

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

	December 31, 2014				Sep. 30, 2014	Sep. 30, 2014
	Recorded investment	Unpaid principal balance	Related allowance	Average principal loan balance	Interest principal recognized	Interest principal recognized
With an allowance recorded						
Corporation - Private	3,125	2,813	2,284	3,125	-	-
Middle-market companies						
- Private	909	40	131	339	4	-
Total	4,034	2,853	2,415	3,464	4	-

As of September 30, 2015 and December 31, 2014, there were no impaired loans without related allowance.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****6.Loans (continued)**

As of September 30, 2015 and December 31, 2014, the Bank have troubled debt restructuring loans. An analysis of the trouble debt restructuring loans is as follows:

	Number of contracts	Balance recorded before restructuring	Balance recorded after 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 September 30, 2015, the quantitative information regarding past-due trouble debt restructuring loans is the following:

	Number of contracts	Balance recorded
Corporations:		
Privates	-	-
State-owned	-	-
Banking and financial institutions:		
Privates	-	-
State-owned	-	-
Middle-market companies:		
Privates	2	907
Sovereign	-	-
Total	2	907



**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****6.Loans (continued)**

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

	September 30, 2015				Total	Past due	Delinquent	Current	Total loans
	91-120 days	121-150 days	151-180 days	Greater than 180 days					
Corporations	-	-	-	7,831	7,831	-	-	3,764,977	3,772,808
Banking and financial institutions	-	-	-	-	-	-	-	2,565,290	2,565,290
Middle-market companies	-	-	11,997	907	12,904	-	-	407,986	420,890
Sovereign	-	-	-	-	-	-	-	-	-
Total	-	-	11,997	8,738	20,735	-	-	6,738,253	6,758,988

  

	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

As of September 30, 2015 and December 31, 2014, the Bank has credit transactions in the normal course of business with 14% and 15%, 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 September 30, 2015 and December 31, 2014, approximately 11% and 8%, respectively, of the outstanding loan portfolio is placed with the Bank’s Class “A” and “B” stockholders and their related parties. As of September 30, 2015, 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 the nine months ended September 30, 2015 and 2014, the Bank sold loans on the secondary market with a book value of \$63.9 million and \$300.3 million, respectively, with a net gain of \$336.4 thousand and \$991.9 thousand, respectively.

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

## Notes to consolidated financial statements (Unaudited)

(In thousands of US dollars)

### 7.Allowance for credit losses

The Bank classifies the allowance for credit losses into two components as follows:

a) Allowance for loan losses:

	Three months ended September 30, 2015				
		Banking and financial institutions	Middle market companies	Sovereign	Total
Balance at beginning of the period	42,411	36,380	4,562	-	83,353
Provision (reversal of provision) for loan losses	6,774	(2,435)	3,798	-	8,137
Loan recoveries and other	-	-	-	-	-
Loans written-off	-	-	-	-	-
Balance at end of the period	49,185	33,945	8,360	-	91,490

Components:

Generic allowance	44,717	33,945	4,736	-	82,398
Specific allowance	4,468	-	3,624	-	8,092
Total allowance for loan losses	49,185	33,945	8,360	-	91,490

	Three months ended September 30, 2014				
		Banking and financial institutions	Middle market companies	Sovereign	Total
Balance at beginning of the period	45,322	26,567	4,276	-	76,165
Provision (reversal of provision) for loan losses	928	(1,491)	1,732	-	1,169
Loan recoveries and other	-	-	-	-	-
Loans written-off	-	-	-	-	-
Balance at end of the period	46,250	25,076	6,008	-	77,334

Components:

Generic allowance	44,687	24,847	6,008	-	75,542
Specific allowance	1,563	229	-	-	1,792
Total allowance for loan losses	46,250	25,076	6,008	-	77,334

Nine months ended September 30, 2015



Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

	Corporations	Banking and financial institutions	Middle market companies	Sovereign	Total
Balance at beginning of the period	42,767	31,512	5,396	-	79,675
Provision (reversal of provision) for loan losses	6,418	1,721	2,964	-	11,103
Loan recoveries and other	-	712	-	-	712
Loans written-off	-	-	-	-	-
Balance at end of the period	49,185	33,945	8,360	-	91,490
Components:					
Generic allowance	44,717	33,945	4,736	-	83,398
Specific allowance	4,468	-	3,624	-	8,092
Total allowance for loan losses	49,185	33,945	8,360	-	91,490

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****7.Allowance for credit losses (continued)**

## a) Allowance for loan losses (continued):

	Nine months ended September 30, 2014				Total
	Corporations	Banking and financial institutions	Middle market companies	Sovereign	
Balance at beginning of the period	31,516	30,865	10,369	1	72,751
Provision (reversal of provision) for loan losses	14,734	(5,789)	(4,361)	(1)	4,583
Loan recoveries and other	-	-	-	-	-
Loans written-off	-	-	-	-	-
Balance at end of the period	46,250	25,076	6,008	-	77,334
Components:					
Generic allowance	44,687	24,847	6,008	-	75,542
Specific allowance	1,563	229	-	-	1,792
Total allowance for loan losses	46,250	25,076	6,008	-	77,334

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 in the third quarter 2015 is primarily due to changes in volume, composition, and risk profile of the portfolio.

Following is a summary of loan balances and reserves for loan losses:

	September 30, 2015				Total
	Corporations	Banking and financial institutions	Middle market companies	Sovereign	
Allowance for loan losses					
Generic allowance	44,717	33,945	4,736	-	83,398
Specific allowance	4,468	-	3,624	-	8,092
Total of allowance for loan losses	49,185	33,945	8,360	-	91,490
Loans					

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Loans with generic allowance	3,764,977	2,565,290	407,986	-	6,738,253
Loans with specific allowance	7,831	-	12,904	-	20,735
Total loans	3,772,808	2,565,290	420,890	-	6,758,988

December 31, 2014

	Corporations	Banking and financial institutions	Middle market companies	Sovereign	Total
Allowance for loan losses					
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
Loans					
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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****7.Allowance for credit losses (continued)**

b) Reserve for losses on off-balance sheet credit risk:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Balance at beginning of the period	7,654	5,476	6,849	5,222
Provision for losses on off-balance sheet credit risk	(5,259 )	2,632	(4,454 )	2,886
Balance at end of the period	2,395	8,108	2,395	8,108

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 14). The net decrease in the reserve for losses on off-balance sheet credit risk in the third quarter 2015 is primarily due to increased exposure in countries, customers and type of transactions with the best calification and a decrease in those with lower calification.

**8.Deposits**

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

	September 30, 2015	December 31, 2014
Demand	236,239	84,175
Up to 1 month	1,695,893	1,512,868
From 1 month to 3 months	539,100	460,681
From 3 months to 6 months	279,858	276,970
From 6 months to 1 year	364,418	147,000
From 1 year to 2 years	-	25,000
	3,115,508	2,506,694

The following table presents additional information about deposits:

	September 30, 2015	December 31, 2014		
Aggregate amounts of time deposits of \$100,000 or more	3,114,970	2,506,244		
Aggregate amounts of deposits in offices outside Panama	235,074	230,305		
	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest expense paid to deposits in offices outside Panama	317	161	919	725

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****9. Trading liabilities**

The fair value of trading liabilities is as follows:

	September 30, 2015	December 31, 2014
Trading liabilities:		
Interest rate swaps	17	52
Total	17	52

For the three and nine months ended as of September 30, 2015 and 2014, the Bank recognized the following gains and losses related to trading derivative financial instruments:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest rate swaps	(3 )	8	(24 )	(44 )
Cross-currency interest rate swaps	-	3	-	(6 )
Forward foreign exchange	609	(256 )	917	(442 )
Total	606	(245 )	893	(492 )

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 15.

As of September 30, 2015 and December 31, 2014, 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.

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

As of September 30, 2015 and December 31, 2014, information on the nominal amounts of derivative financial instruments held for trading purposes is as follows:

	September 30, 2015			December 31, 2014		
	Nominal Amount	Fair Value Assets	Liability	Nominal Amount	Fair Value Assets	Liability
Interest rate swaps	14,000	-	17	14,000	-	52
Total	14,000	-	17	14,000	-	52

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****10. Securities sold under repurchase agreements**

The Bank's financing transactions under repurchase agreements amounted to \$176.0 million and \$300.5 million as of September 30, 2015 and December 31, 2014, respectively.

During the nine months ended September 30, 2015 and 2014, interest expense related to financing transactions under repurchase agreements totaled \$1.5 million, in both periods, 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.

**11. Short-term borrowings and debt**

The breakdown of short-term borrowings and debt, together with contractual interest rates, is as follows:

	September 30, 2015	December 31, 2014
<b>Borrowings:</b>		
At fixed interest rates	688,602	1,256,411
At floating interest rates	699,001	1,348,431
Total borrowings	1,387,603	2,604,842
<b>Debt:</b>		
At fixed interest rates	425,639	77,695
At floating interest rates	70,000	10,000
Total debt	495,639	87,695
Total short-term borrowings and debt	1,883,242	2,692,537
Average outstanding balance during the period	2,297,229	2,191,253
Maximum balance at any month-end	2,856,507	2,692,537
Range of fixed interest rates on borrowing and debt in U.S. dollars	0.58% to 1.20%	0.64% to 1.20%
Range of floating interest rates on borrowing and debt in U.S. dollars	0.65% to 1.14%	0.46% to 1.16%
Range of fixed interest rates on borrowing in Mexican peso	3.72% to 3.78%	3.58% to 3.60%
Range of floating interest rate on borrowing in Mexican pesos	-	3.69%
Range of fixed rates on debt in Japanese yens	0.31% to 0.33%	0.75%



Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Fixed interest rate on debt in Swiss francs	-	0.55%
Weighted average interest rate at end of the period	0.91%	0.81%
Weighted average interest rate during the period	0.84%	0.93%

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****11. Short-term borrowings and debt (continued)**

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

	September 30, 2015	December 31, 2014
Currency		
US dollar	1,832,101	2,626,800
Mexican peso	37,801	11,042
Japanese yen	13,339	4,185
Swiss franc	-	50,510
Others	1	-
Total	1,883,242	2,692,537

**12. 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:

	September 30, 2015	December 31, 2014
Borrowings:		
At fixed interest rates with due dates from september 2016 to august 2018	69,223	65,000
At floating interest rates with due dates from september 2015 to november 2019	664,312	578,956
Total borrowings	733,535	643,956
Debt:		
At fixed interest rates with due dates from march 2016 to march 2024	903,446	464,729
At floating interest rates with due dates from july 2016 to january 2018	153,129	296,834
Total debt	1,056,575	761,563
Total long-term borrowings and debt	1,790,110	1,405,519
Total long-term borrowings and debt outstanding	1,513,748	1,388,708
Maximum outstanding balance at any month - end	1,790,110	1,587,009

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Range of fixed interest rates on borrowing and debt in U.S. dollars	1.16% to 3.75%	1.50% to 3.75%
Range of floating interest rates on borrowing and debt in U.S. dollars	0.81% to 1.88%	0.72% to 1.76%
Range of fixed interest rates on borrowing in Mexican peso	4.30% to 5.22%	-
Range of floating interest rates on debt in Mexican peso	3.72% to 5.45%	3.67% to 3.96%

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****12. Long-term borrowings and debt (continued)**

	September 30, 2015	December 31, 2014
Range of fixed interest rate on debt in Japanese yens	0.50% to 0.81%	-
Range of fixed interest rate on debt in Euros	0.40% to 3.75%	-
Weighted average interest rate at the end of the period	2.58%	2.71%
Weighted average interest rate during the period	2.67%	2.86%

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

	September 30, 2015	December 31, 2014
Currency		
U.S. dollar	1,525,562	1,069,421
Mexican peso	125,936	271,833
Japanese yen	25,011	-
Euro	113,601	64,265
Total	1,790,110	1,405,519

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 September 30, 2015, the Bank was in compliance with all covenants.

The future remaining maturities of long-term borrowings and debt outstanding as of September 30, 2015, are as follows:

Due in	Oustanding
2015	30,703
2016	168,851
2017	679,462
2018	469,999
2019	30,735
2020	352,608
2024	57,752
	1,790,110

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****13. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income from continuing operations attributable to Bladex stockholders for both basic and diluted EPS	33,598	20,604	82,680	70,803
Net loss from discontinued operations	-	-	-	-
Net income attributable to Bladex stockholders for both basic and diluted EPS	33,598	20,604	82,680	70,803
Basic earnings per share from continuing operations	0.86	0.69	2.12	1.83
Diluted earnings per share from continuing operations	0.86	0.68	2.12	1.83
Basic earnings per share	0.86	0.69	2.12	1.83
Diluted earnings per share	0.86	0.68	2.12	1.83
Weighted average common shares outstanding - applicable to basic	38,969	38,723	38,910	38,663
Weighted average common shares outstanding - applicable to basic	38,969	38,723	38,910	38,663
Effect of dilutive securities:				
Stock options and restricted stock units plans	82	146	128	85
Adjusted weighted average common shares outstanding applicable to diluted EPS	39,051	38,869	39,037	38,748

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

**Notes to consolidated financial statements (Unaudited)**

**(In thousands of US dollars)**

**14. 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:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Confirmed letters of credit	88,732	89,752
Stand-by letters of credit and guaranteed – Commercial risk	126,286	137,817
Credit commitments	148,705	158,549
	<b>363,723</b>	<b>386,118</b>

As of September 30, 2015, the remaining maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

<b>Maturities</b>	<b>Amount</b>
Up to 1 year	327,103
From 1 to 2 years	33,642
From 2 to 5 years	2,400
More than 5 years	578
	<b>363,723</b>

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****14. Financial instruments with off-balance sheet credit risk (continued)**

As of September 30, 2015 and December 31, 2014, the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

<b>Country:</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Argentina	14,100	-
Brazil	10,119	19,698
Chile	1,354	27,802
Colombia	36,001	53,874
Dominican Republic	12,183	14,806
Ecuador	86,231	86,436
El Salvador	317	25
Guatemala	-	37,988
Honduras	876	412
Jamaica	-	415
Mexico	14,155	64,324
Panama	139,874	20,675
Paraguay	8	418
Peru	17,435	16,225
Singapore	30,000	-
Switzerland	1,000	1,000
United Kingdom	70	-
Uruguay	-	40,946
Venezuela	-	1,074
	363,723	386,118

**Letters of credit and guarantees**

The Bank, on behalf of its clients 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 letter of credit, the Bank will. The Bank provides stand-by letters of credit and guarantees, which are issued on behalf of institutional clients in connection with financing



between its clients and third parties. The Bank applies the same credit policies used in its lending process, and once issued the commitment is irrevocable and remains valid until its expiration. Credit risk arises from the Bank's obligation to make payment in the event of a client's contractual default to a third party. Risks associated with stand-by letters of credit and guarantees are included in the evaluation of the Bank's overall credit risk.

#### Credit commitments

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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****15. Derivative financial instruments for hedging purposes**

As of September 30, 2015 and December 31, 2014, quantitative information on derivative financial instruments held for hedging purposes is as follows:

	<b>September 30, 2015</b>			<b>December 31, 2014</b>		
	<b>Nominal Amount</b>	<b>Fair value<sup>(1)</sup></b>		<b>Nominal Amount</b>	<b>Fair value<sup>(1)</sup></b>	
		<b>Asset</b>	<b>Liability</b>		<b>Asset</b>	<b>Liability</b>
<b>Fair value hedges:</b>						
Interest rate swaps	894,144	11,961	2,237	167,865	17	1,285
Cross-currency interest rate swaps	214,950	462	18,199	282,490	1,062	31,556
<b>Cash flow hedges:</b>						
Interest rate swaps	724,000	9	3,405	891,500	2,691	1,805
Cross-currency interest rate swaps	75,889	1,479	-	56,000	-	5,547
Forward foreign exchange	168,722	4,164	404	126,058	8,554	-
<b>Net investment hedges:</b>						
Forward foreign exchange	4,054	452	-	5,146	-	94
<b>Total</b>	<b>2,081,759</b>	<b>18,527</b>	<b>24,245</b>	<b>1,529,059</b>	<b>12,324</b>	<b>40,287</b>
Net gain on the ineffective portion of hedging activities <sup>(2)</sup>		1,394			106	

<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.

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

**Three months ended September 30, 2015**

Gain (loss)  
reclassified from

	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	accumulated OCI to the consolidated statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
<b>Derivatives – cash flow hedge</b>				
Interest rate swaps	(1,328 )			
Cross-currency interest rate swaps	3,741	Gain (loss) on foreign currency exchange	-	-
		Interest income – loans	-	-
Forward foreign exchange	1,965	Interest income – securities available-for-sale	(159 )	-
		Interest income – loans	(498 )	-
		Interest expense – borrowings and debt	-	-
		Interest expense – deposits	(18 )	-
		Gain (loss) on foreign currency exchange	4,359	-
<b>Total</b>	<b>4,378</b>		<b>3,684</b>	<b>-</b>
<b>Derivatives – net investment hedge</b>				
Forward foreign exchange	533	Gain (loss) on foreign currency exchange	-	-
<b>Total</b>	<b>4,911</b>		<b>-</b>	<b>-</b>

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****15. Derivative financial instruments for hedging purposes (continued)****Three months ended September 30, 2014**

	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the consolidated statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
<b>Derivatives – cash flow hedge</b>				
Interest rate swaps	428			
Cross-currency interest rate swaps	(9,590)	) Gain (loss) on foreign currency exchange	-	-
		Interest income – loans	(2	) -
Forward foreign exchange	2,432	Interest income – securities available-for-sale	(260	) -
		Interest income – loans	(440	) -
		Interest expense – borrowings and debt	-	-
		Gain (loss) on foreign currency exchange	(541	) -
<b>Total</b>	<b>(6,730)</b>	<b>)</b>	<b>(1,243)</b>	<b>) -</b>
<b>Derivatives – net investment hedge</b>				
Forward foreign exchange	370	Gain (loss) on foreign currency exchange	-	-
<b>Total</b>	<b>(6,360)</b>	<b>)</b>	<b>-</b>	<b>-</b>

**Nine months ended September 30, 2015**

Gain (loss)	Gain (loss) reclassified from accumulated OCI to the consolidated	Gain (loss) recognized on
-------------	---	---------------------------------

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

	recognized in OCI (effective portion)	Classification of gain (loss)	statements of income (effective portion)	derivatives (ineffective portion)
<b>Derivatives – cash flow hedge</b>				
Interest rate swaps	(1,593	)		
Cross-currency interest rate swaps	6,787	Gain (loss) on foreign currency exchange	-	-
		Interest income – loans	-	-
Forward foreign exchange	3,571	Interest income – securities available-for-sale	(694	) -
		Interest income – loans	(1,161	) -
		Interest expense – borrowings and debt	-	-
		Interest expense – deposits	77	-
		Gain (loss) on foreign currency exchange	10,193	-
<b>Total</b>	<b>8,765</b>		<b>8,415</b>	<b>-</b>
<b><u>Derivatives – net investment hedge</u></b>				
Forward foreign exchange	957	Gain (loss) on foreign currency exchange	-	-
<b>Total</b>	<b>9,722</b>		<b>-</b>	<b>-</b>

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****15. Derivative financial instruments for hedging purposes (continued)****Nine months ended September 30, 2014**

	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the consolidated statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
<b><u>Derivatives – cash flow hedge</u></b>				
Interest rate swaps	(687)	)		
Cross-currency interest rate swaps	721	Gain (loss) on foreign currency exchange	-	-
		Interest income – loans	(2)	-
Forward foreign exchange	(1,059)	)		
		Interest income – securities available-for-sale	-	-
		Interest income – loans	(489)	-
		Interest expense – borrowings and debt	-	-
		Gain (loss) on foreign currency exchange	1,417	-
<b>Total</b>	<b>(1,059)</b>	<b>)</b>	<b>926</b>	<b>-</b>
<b><u>Derivatives – net investment hedge</u></b>				
Forward foreign exchange	(330)	)		
		Gain (loss) on foreign currency exchange	-	-
<b>Total</b>	<b>(1,355)</b>	<b>)</b>	<b>-</b>	<b>-</b>

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:

**Three months ended September 30, 2015**

Gain                      Gain

	Classification in consolidated statement of income	(loss) on derivatives	(loss) on hedge item	Net gain (loss)
<b><u>Derivatives - fair value hedge</u></b>				
Interest rate swaps	Interest income – securities available-for-sale	(229	) 380	151
	Interest income – loans	(92	) 997	905
	Interest expense – borrowings and debt	1,941	(8,862	) (6,921 )
	Derivative financial instruments and hedging	6,670	(7,217	) (547 )
Cross-currency interest rate swaps	Interest income – loans	(9	) 36	27
	Interest expense – borrowings and debt	27	(731	) (704 )
	Derivative financial instruments and hedging	(1,358	) 1,678	320
		6,950	(13,719	) (6,769 )

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****15. Derivative financial instruments for hedging purposes (continued)****Three months ended September 30, 2014**

	Classification in consolidated statement of income	Gain (loss) on derivatives	Gain (loss) on hedge item	Net gain (loss)
Derivatives - fair value hedge				
Interest rate swaps	Interest income – securities available-for-sale	(444 )	(9 )	(453 )
	Interest income – loans	(121 )	321	200
	Interest expense – borrowings and debt	920	(4,054 )	(3,134 )
	Derivative financial instruments and hedging	(1,820 )	1,832	12
Cross-currency interest rate swaps	Interest income – loans	(173)	310	137
	Interest expense – borrowings and debt	866	(2,302 )	(1,436 )
	Derivative financial instruments and hedging	(10,339 )	10,169	(170 )
		(11,111 )	6,267	(4,844 )

**Nine months ended September 30, 2015**

	Classification in consolidated statement of income	Gain (loss) on derivatives	Gain (loss) on hedge item	Net gain (loss)
Derivatives - fair value hedge				
Interest rate swaps	Interest income – securities available-for-sale	(828 )	1,133	305
	Interest income – loans	(307 )	3,077	2,770
	Interest expense – borrowings and debt	4,481	(16,959)	(12,478)
	Derivative financial instruments and hedging	4,504	(4,926 )	(422 )
Cross-currency interest rate swaps	Interest income – loans	(131 )	324	193
	Interest expense – borrowings and debt	840	(3,090 )	(2,250 )
	Derivative financial instruments and hedging	(14,711 )	16,701	1,990
		(6,152 )	(3,740 )	(9,892 )



**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****15. Derivative financial instruments for hedging purposes (continued)**

Nine months ended September 30, 2014

	Classification in consolidated statement of income	Gain (loss) on derivatives	Gain (loss) on hedge item	Net gain (loss)
Derivatives - fair value hedge				
Interest rate swaps	Interest income – securities available-for-sale	(1,419 )	1,607	188
	Interest income – loans	(241 )	1,258	1,017
	Interest expense – borrowings and debt	2,813	(12,151 )	(9,338 )
	Derivative financial instruments and hedging	(1,760 )	1,632	(128 )
Cross-currency interest rate swaps	Interest income – loans	(742 )	1,438	696
	Interest expense – borrowings and debt	3,404	(7,854 )	(4,450 )
	Derivative financial instruments and hedging	(7,857 )	7,620	(237 )
		(5,802 )	(6,450 )	(12,252)

For control purposes, derivative instruments are recorded at their nominal amount (“notional amount”) in memorandum accounts. Interest rate swaps are made either in a single currency or cross currency for a prescribed period to exchange a series of interest rate flows, which involve fixed for floating interest payments, and vice versa. The Bank also engages in certain foreign exchange trades to serve customers’ transaction needs and to manage 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.

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 7.03 years.

The Bank estimates that approximately \$386 thousand of losses reported in OCI as of September 30, 2015 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 September 30, 2016.

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

**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**

**15. Derivative financial instruments for hedging purposes (continued)**

The Bank estimates that approximately \$85 thousand of losses reported in OCI as of September 30, 2015 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 September 30, 2016.

Types of Derivatives and Foreign Exchange Instruments

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

In addition to hedging derivative financial instruments, the Bank has derivative financial instruments held for trading purposes that have been disclosed in Note 9.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****16. Accumulated other comprehensive income (loss)**

As of September 30, 2015 and 2014, 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 available for sale	Derivative financial instruments	Foreign currency translation adjustment, net of hedges	Total
Balance as of January 1, 2015	(10,300 )	(1,234 )	(2,351 )	(13,885 )
Net unrealized gains arising from the period	990	(2,736 )	-	(1,746 )
Reclassification adjustment for gains included in net income <sup>(1)</sup>	(24 )	1,462	-	1,438
Foreign currency translation adjustment, net	-	-	(42 )	(42 )
Other comprehensive income (loss) from the period	966	(1,274 )	(42 )	(350 )
Balance as of March 31, 2015	(9,334 )	(2,508 )	(2,393 )	(14,235 )
Net unrealized gains arising from the period	1,889	729	-	2,618
Reclassification adjustment for gains included in net income <sup>(1)</sup>	(232 )	728	-	496
Foreign currency translation adjustment, net	-	-	(277 )	(277 )
Other comprehensive income (loss) from the period	1,657	1,457	(277 )	2,837
Balance as of June 30, 2015	(7,677 )	(1,051 )	(2,670 )	(11,398 )
Net unrealized gains arising from the period	(6,605 )	(1,968 )	-	(8,573 )
Reclassification adjustment for gains included in net income <sup>(1)</sup>	(2,282 )	101	2,780	599
Foreign currency translation adjustment, net	-	-	(110 )	(110 )
Other comprehensive income (loss) from the period	(8,887 )	(1,867 )	2,670	(8,084 )
Balance as of September 30, 2015	(16,564 )	(2,918 )	-	(19,482 )
Balance as of January 1, 2014	(10,194 )	(685 )	(1,696 )	(12,575 )
Net unrealized gain (loss) arising from the period	4,593	(680 )	-	3,913
Reclassification adjustment for (gains) loss included in net income <sup>(1)</sup>	(252 )	121	-	(131 )
Foreign currency translation adjustment, net	-	-	(244 )	(244 )
Other comprehensive income (loss) from the period	4,341	(559 )	(244 )	(3,538 )
Balance as of March 31, 2014	(5,853 )	(1,244 )	(1,940 )	(9,037 )
Net unrealized gains arising from the period	4,401	(1,204 )	-	3,197

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Reclassification adjustment for gains included in net income <sup>(1)</sup>	(757	)	562	-	(195	)
Foreign currency translation adjustment, net	-	-	-	45	45	
Other comprehensive income (loss) from the period	3,644	(642	)	45	3,047	
Balance as of June 30, 2014	(2,209	)	(1,886	)	(1,895	) (5,990 )
Net unrealized gains arising from the period	(2,472	)	730	-	(1,742	)
Reclassification adjustment for gains included in net income <sup>(1)</sup>	(327	)	369	-	42	
Foreign currency translation adjustment, net	-	-	-	(295	) (295	)
Other comprehensive income (loss) from the period	(2,799	)	1,099	(295	) (1,995	)
Balance as of September 30, 2014	(5,008	)	(787	)	(2,190	) (7,985 )

<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.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**
**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**
**16. Accumulated other comprehensive income (loss) (continued)**

The following table presents amounts reclassified from other comprehensive income to the net income of the period:

Three months ended September 30, 2015

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:	(235)	) Interest income – securities available-for-sale
	(42)	) Net gain on sale of securities available-for-sale
	(260)	) Derivative financial instruments and hedging
	(537)	)
Gains (losses) on derivative financial instruments:		
Forward foreign exchange	(498)	) Interest income - loans
	-	Interest expense - borrowings
	2,296	Net gain (loss) on foreign currency exchange
	1,798	

Three months ended September 30, 2014

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
	-	Net gain on sale of securities available-for-sale

	327	Derivative financial instruments and hedging
	327	
Gains (losses) on derivative financial instruments:		
Forward foreign exchange	(408	) Interest income - loans
	-	Interest expense - borrowings
	39	Net gain (loss) on foreign currency exchange
	(369	)

**Nine months ended September 30, 2015**

	Amount	
	reclassified from	
Details about accumulated other	accumulated other	Affected line item in the consolidated
comprehensive income components	comprehensive income	statement of income where net income is presented
Realized gains (losses) on securities available-for-sale:	(546	) Interest income – securities available-for-sale
	(802	) Net gain on sale of securities available-for-sale
	(401	) Derivative financial instruments and hedging
	(1,749	)
Gains (losses) on derivative financial instruments:		
Forward foreign exchange	(1,161	) Interest income - loans
	-	Interest expense - borrowings
	7,677	Net gain (loss) on foreign currency exchange
	6,516	

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

## Notes to consolidated financial statements (Unaudited) (In thousands of US dollars)

### 16. Accumulated other comprehensive income (loss) (continued)

#### Nine months ended September 30, 2014

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:	(390)	) Interest income – securities available-for-sale
	1,821	) Net gain on sale of securities available-for-sale
	(95)	) Derivative financial instruments and hedging
	1,336	
Gains (losses) on derivative financial instruments:		
Forward foreign exchange	(1,557)	) Interest income - loans
	-	) Interest expense - borrowings
	505	) Net gain (loss) on foreign currency exchange
	(1,052)	)

### 17. 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
**September 30, 2015**

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	18,527	-	18,527	-	-	18,527

**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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****17. Offsetting of financial assets and liabilities (continued)****a) Derivative financial instruments – assets (continued)**

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 September 30, 2015 and December 31, 2014:

Description	September 30, 2015			December 31, 2014		
	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:						
Trading assets	-	-	-	-	-	-
Derivative financial instruments used for hedging – receivable	18,527	-	18,527	12,324	-	12,324
Total derivative financial instruments	18,527	-	18,527	12,324	-	12,324

**b) Financial liabilities and derivative financial instruments - liabilities****September 30, 2015**

Gross amounts	Net amount of liabilities	Gross amounts not offset in the consolidated balance sheet
		Cash

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Description	Gross amounts of liabilities	offset in the consolidated balance sheet	presented in the consolidated balance sheet	Financial instruments	collateral received	Net amount
Securities sold under repurchase agreements	176,030	-	176,030	(170,258 )	(5,772 )	-
Derivatives financial instruments	24,262	-	24,262	-	(24,781 )	(519 )
Total	200,292	-	200,292	(170,258 )	(30,553 )	(519 )

**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	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

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****17. Offsetting of financial assets and liabilities (continued)****b) Financial liabilities and derivative financial instruments – liabilities (continued)**

The following table presents the reconciliation of liabilities that have been offset or are subject to master netting agreements to individual line items in the consolidated balance sheet as of September 30, 2015 and December 31, 2014:

Description	September 30, 2015			December 31, 2014		
	Gross amounts of liabilities	consolidated balance sheet	Net amount	Gross amounts of assets	consolidated balance sheet	Net amount
			of liabilities presented in the consolidated balance sheet			of liabilities presented in the consolidated balance sheet
Securities sold under repurchase agreements	176,030	-	176,030	300,519	-	300,519
Derivatives financial instruments:						
Trading liabilities	17	-	17	52	-	52
Derivative financial instruments used for hedging – payable	24,245	-	24,245	40,287	-	40,287
Total derivative financial instruments	24,262	-	24,262	40,339	-	40,339

**18. 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.

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

**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**

**18. Fair value of financial instruments (continued)**

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

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

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

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

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.

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

**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**

**18. Fair value of financial instruments (continued)**

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.

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 (Unaudited)****(In thousands of US dollars)****18. 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:

	September 30, 2015			
	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
Assets				
Securities available-for-sale				
Corporate debt	88,126	-	-	88,126
Sovereign debt	82,661	-	-	82,661
Total securities available-for-sale	170,787	-	-	170,787
Investment funds	-	59,424	-	59,424
Trading liabilities				
Cross-currency interest rate swaps	-	-	-	-
Forward foreign exchange	-	-	-	-
Total trading liabilities	-	-	-	-
Derivative financial instruments used for hedging - receivable				
Interest rate swaps	-	11,970	-	11,970
Cross-currency interest rate swaps	-	1,941	-	1,941
Forward foreign exchange	-	4,616	-	4,616
Total derivative financial instruments used for hedging - receivable	-	18,527	-	18,527
Total assets at fair value	170,787	77,951	-	248,738

Liabilities

Trading liabilities

Interest rate swaps	-	17	-	17
Cross-currency interest rate swaps	-	-	-	-
Forward foreign exchange	-	-	-	-
Total trading liabilities	-	17	-	17
Derivative financial instruments used for hedging – payable				
Interest rate swaps	-	5,642	-	5,642
Cross-currency interest rate swaps	-	18,199	-	18,199
Forward foreign exchange	-	404	-	404
Total derivative financial instruments used for hedging – payable	-	24,245	-	24,245
Total liabilities at fair value	-	24,262	-	24,262

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****18. Fair value of financial instruments  
(continued)**

	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	-	-	-	-
Total trading liabilities	-	52	-	52
Derivative financial instruments used for hedging – payable				
Interest rate swaps	-	3,090	-	3,090

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Cross-currency interest rate swaps	-	37,107	-	37,107
Forward foreign exchange	-	90	-	90
Total derivative financial instruments used for hedging	-	40,287	-	40,287
- payable				
Total liabilities at fair value	-	40,339	-	40,339

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.

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.

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

**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**

**18. Fair value of financial instruments**  
**(continued)**

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

Financial instruments with carrying value that approximates fair value

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

Securities 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.

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.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****18. Fair value of financial instruments  
(continued)**

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

	September 30, 2015				
	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>Financial assets</b>					
Instruments with carrying value that approximates fair value	943,630	943,630	-	943,630	-
Securities held-to-maturity	119,356	114,691	89,638	25,053	-
Loans, net <sup>(1)</sup>	6,657,910	6,783,443	-	6,783,443	-
<b>Financial liabilities</b>					
Instruments with carrying value that approximates fair value	3,314,854	3,314,854	-	3,314,854	-
Short-term borrowings and debt	1,883,242	1,881,584	-	1,881,584	-
Long-term borrowings and debt	1,790,110	1,797,386	-	1,797,386	-
Commitments to extend credit, standby letters of credit, and financial guarantees written	4,416	3,860	-	-	3,860

<sup>(1)</sup> The carrying value of loans is net of the Allowance for loan losses of \$91.5 million and unearned income and deferred fees of \$9.6 million for September 30, 2015.

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)
	Carrying Value	Fair Value			
Financial assets					
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	-
Financial liabilities					
Instruments with carrying value that approximates fair value	2,936,086	2,936,166	-	2,936,166	-
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

<sup>(1)</sup> 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.

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

**Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)**

**19. 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.

**20. 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 September 30, 2015, the Bank's capital adequacy ratio is 16.32% which is in compliance with the capital adequacy ratios required by the Banking Law in the Republic of Panama.

**21. Business segment information**

The Bank's activities are operated and managed in two business segments, Commercial and Treasury. The business segment information reflects this operational and management structure, in a manner consistent with the requirements outlined in ASC Topic 280 - Segment Reporting. 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 business segment on a systematic basis.

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 Business Segment incorporates all of the Bank's financial intermediation and fees generated by the commercial portfolio. The commercial portfolio includes book value of loans, selected deposits placed, acceptances and contingencies. Operating income from the Commercial Business Segment includes net interest income from loans, fee income and allocated operating expenses.

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)**  
**(In thousands of US dollars)****21. Business segment information**  
**(continued)**

The Treasury Business 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 Business 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.

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

**Business Segment Analysis <sup>(1)</sup>**

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Commercial				
Interest income	52,892	52,027	153,850	148,533
Interest expense	(20,740 )	(20,208 )	(60,597 )	(59,210 )
Net interest income	32,152	31,819	93,253	89,323
Net other income <sup>(2)</sup>	7,812	4,972	14,080	14,556
Operating expenses	(9,982 )	(10,120 )	(30,154 )	(30,688 )
Net operating income <sup>(3)</sup>	29,982	26,671	77,179	73,191
Reversal of provision (provision) for loan and off-balance sheet credit losses	(2,878 )	(3,772 )	(6,649 )	(7,440 )
Recoveries, net of impairment of assets	-	-	-	7
Net income attributable to Bladex stockholders	27,104	22,899	70,530	65,758
Commercial assets and contingencies (end of period balances):				
Interest-earning assets <sup>(4 and 6)</sup>			6,749,400	6,697,757
Other assets and contingencies <sup>(5)</sup>			452,018	490,300
Total interest-earning assets, other assets and contingencies			7,201,418	7,188,057

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Treasury				
Interest income	2,740	2,758	8,120	7,940
Interest expense	2,102	2,269	6,113	5,584
Net interest income	4,842	5,027	14,233	13,524
Net other income (expense) <sup>(2)</sup>	4,428	1,360	6,166	(483 )
Operating expenses	(2,776 )	(2,682 )	(8,249 )	(8,471 )
Net operating income <sup>(3)</sup>	6,494	3,705	12,150	4,570
Net income (loss)	6,494	3,705	12,150	4,570
Net income attributable to the redeemable noncontrolling interest	-	-	-	(475 )
Net income (loss) attributable to Bladex stockholders	6,494	3,705	12,150	5,045
Treasury assets and contingencies (end of period balances):				
Interest-earning assets <sup>(6)</sup>			1,254,130	1,101,366
Redeemable noncontrolling interest			-	-
Total interest-earning assets, other assets and contingencies			1,254,130	1,101,366

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****21. Business segment information  
(continued)**

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Total				
Interest income	55,632	54,785	161,970	156,473
Interest expense	(18,638 )	(17,939 )	(54,484 )	(53,626 )
Net interest income	36,994	36,846	107,486	102,847
Net other income <sup>(2)</sup>	12,240	6,332	20,246	14,073
Operating expenses	(12,758 )	(12,802 )	(38,403 )	(39,159 )
Net operating income <sup>(3)</sup>	36,476	30,376	89,329	77,761
Reversal of provision (provision) for loans and off-balance sheet credit losses	(2,878 )	(3,772 )	(6,649 )	(7,440 )
Recoveries, net of impairment of assets	-	-	-	7
Net income – business segment	33,598	26,604	82,680	70,328
Net income (loss) attributable to the redeemable noncontrolling interest	-	-	-	(475 )
Net income attributable to Bladex stockholders – business segment	33,598	26,604	82,680	70,803
Other income unallocated - gain on sale of premises and equipment	-	-	-	-
Discontinued operations (Note 3)	-	-	-	-
Net income attributable to Bladex stockholders	33,598	26,604	82,680	70,803
Total assets and contingencies (end of period balances):				
Interest-earning assets <sup>(4 y 6)</sup>			8,003,530	7,799,123
Other assets and contingencies <sup>(5)</sup>			452,018	490,300
Redeemable noncontrolling interest			-	-
Total interest-earning assets, other assets and contingencies			8,455,548	8,289,423

(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)

Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

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.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Reconciliation of net other income:				
Net other income – business segment	15,021	6,332	23,027	14,073
Reversal of provision (provision) for losses on off-balance sheet credit risk	(1,878 )	(2,632 )	(5,649 )	(2,886 )
Recoveries, net of impairment of assets	-	-	-	7
Gain on sale of premises and equipment	-	-	-	-
Net other income – consolidated financial statements	13,143	3,700	17,378	11,194

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****21. Business segment information  
(continued)**

	September 30,	
	2015	2014
Reconciliation of total assets:		
Interest-earning assets – business segment	8,003,530	7,799,123
Allowance for loan losses	(91,490 )	(77,334 )
Customers' liabilities under acceptances	788	2,435
Accrued interest receivable	38,279	43,594
Equipment and leasehold improvements, net	7,083	8,674
Derivative financial instruments used for hedging - receivable	18,527	7,001
Other assets	16,647	12,167
Total assets – consolidated financial statements	7,993,364	7,795,660

Geographic information is as follows:

Three months ended September 30, 2015					
	Panama	Brazil	United States of America	Cayman Islands	Total
Interest income	51,851	-	3,781	-	55,632
Interest expense	(18,660 )	-	22	-	(18,638 )
Net interest income	33,191	-	3,803	-	36,994

  

Nine months ended September 30, 2015					
	Panama	Brazil	United States of America	Cayman Islands	Total
Interest income	150,289	-	11,681	-	161,970
Interest expense	(52,256 )	-	(2,228 )	-	(54,484 )
Net interest income	98,033	-	9,453	-	107,486

  

Long-lived assets:					
Equipment and leasehold improvements, net	6,927	79	77	-	7,083



Edgar Filing: FOREIGN TRADE BANK OF LATIN AMERICA, INC. - Form 6-K

Three months ended September 30, 2014

			United States of America	Cayman Islands	Total
Interest income	Panama	Brazil	4,242	-	54,785
Interest expense	50,543	-	(172 )	-	(17,939 )
Net interest income	(17,767 )	-	4,070	-	36,846

**Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries****Notes to consolidated financial statements (Unaudited)****(In thousands of US dollars)****21. Business segment information  
(continued)**

Nine months ended September 30, 2014					
			United States of America	Cayman Islands	Total
Interest income	Panama	Brazil	12,273	20	156,473
Interest expense	144,180	-	(736 )	(37 )	(53,626 )
Net interest income	(52,853 )	-	11,537	(17 )	102,847

## Long-lived assets:

Equipment and leasehold improvements, net	8,517	-	157	-	8,674
---	-------	---	-----	---	-------

## December 31, 2014

			United States of America	Cayman Islands	Total
Long-lived assets:	Panama	Brazil			
Equipment and leasehold improvements, net	7,994	-	135	-	8,129

**22. 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. As of September 30, 2015, the amount stands at \$19.7 million.

## **SIGNATURES**

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

November 13, 2015

FOREIGN TRADE BANK OF LATIN AMERICA, INC.

By: /s/ Pierre Dulin

Name: Pierre Dulin

Title: General Manager