

FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 6-K
August 10, 2018

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 August, 2018

Commission File Number 1-11414

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

(Exact name of Registrant as specified in its Charter)

FOREIGN TRADE BANK OF LATIN AMERICA, INC.

(Translation of Registrant's name into English)

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

P.O. Box 0819-08730

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Panama City, Republic of Panama

(Address of Registrant's Principal Executive Offices)

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

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

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, thereunto duly authorized.

Date: August 10, 2018

FOREIGN TRADE BANK OF
LATIN AMERICA, INC.
(Registrant)

By: /s/ Ana Graciela de Méndez

Name: Ana Graciela de Méndez

Title: CFO

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

Unaudited condensed consolidated interim statement of financial position as of June 30, 2018 and December 31, 2017, and related unaudited condensed consolidated interim statements of profit or loss, unaudited condensed consolidated interim statements of profit or loss and other comprehensive income, unaudited condensed consolidated interim statements of changes in equity and unaudited condensed consolidated interim statements of cash flows for the six months ended June 30, 2018, 2017 and 2016.

Banco Latinoamericano de Comercio Exterior, S.A.

and Subsidiaries

Unaudited condensed consolidated interim financial statements

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Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Unaudited condensed consolidated interim statement of financial position****June 30, 2018 and December 31, 2017**

(In US\$ thousand)

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Cash and cash equivalents	4,18	683,523	672,048
Financial Instruments:			
Securities at fair value through OCI	5,18	21,076	25,135
Securities at amortized cost, net	5,18	78,129	68,934
Loans	5,18	5,555,254	5,505,658
Less:			
Allowance for expected credit losses	5	85,711	81,294
Unearned interest and deferred fees	5	6,660	4,985
Loans, net		5,462,883	5,419,379
Derivative financial instruments used for hedging – receivable	5,16,18	6,379	13,338
Investment properties, net		3,971	5,119
Property and equipment, net		6,958	7,420
Intangibles, net		4,790	5,425
Other assets:			
Customers' liabilities under acceptances	18	13,656	6,369
Accrued interest receivable	18	38,379	30,872
Other assets	8	11,330	13,708
Total of other assets		63,365	50,949
Total assets		6,331,074	6,267,747
Liabilities and stockholders' equity			
Deposits:			
Noninterest-bearing - Demand	9,18	1,635	420
Interest-bearing - Demand		18,366	81,644
Time		2,969,001	2,846,780
Total deposits		2,989,002	2,928,844
Derivative financial instruments used for hedging – payable	5,16,18	30,064	34,943
Short-term borrowings and debt	11,18	1,048,470	1,072,723
Long-term borrowings and debt, net	11,18	1,169,672	1,138,844

Other liabilities:			
Acceptances outstanding	18	13,656	6,369
Accrued interest payable	18	15,953	15,816
Allowance for expected credit losses on loan commitments and financial guarantees contracts	6	1,652	6,845
Other liabilities	12	15,226	20,551
Total other liabilities		46,487	49,581
Total liabilities		5,283,695	5,224,935
Stockholders' equity:			
Common stock	14	279,980	279,980
Treasury stock	15	(58,635)	(63,248)
Additional paid-in capital in excess of assigned value of common stock	14	119,059	119,941
Capital reserves		95,210	95,210
Dymanic provision	22	108,756	108,756
Regulatory credit reserve	22	15,201	20,498
Retained earnings	22	485,724	479,712
Accumulated other comprehensive income (loss)	5,16	2,084	1,963
Total stockholders' equity		1,047,379	1,042,812
Total liabilities and stockholders' equity		6,331,074	6,267,747

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

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Unaudited condensed consolidated interim statements of profit or loss****For the three and six months ended June 30, 2018, 2017 and 2016**

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

	For the three months ended June 30,			For the six months ended June 30,			
	Notes	2018	2017	2016	2018	2017	2016
Interest income:							
Deposits		3,225	2,822	894	6,164	4,823	2,064
At fair value through profit or loss		-	-	-	-	-	-
At fair value through OCI		143	126	548	266	296	1,499
Securities at amortized cost		521	441	788	1,006	974	1,572
Loans		58,030	52,710	58,244	111,920	109,137	116,496
Total interest income		61,919	56,099	60,474	119,356	115,230	121,631
Interest expense:							
Deposits		16,388	11,593	5,089	30,392	17,800	9,641
Short and long-term borrowings and debt		17,641	15,161	17,198	34,484	33,653	34,286
Total interest expense		34,030	26,754	22,287	64,877	51,453	43,927
Net interest income		27,889	29,345	38,187	54,479	63,777	77,704
Other income:(expense), net							
Fees and commissions, net		5,032	5,013	4,434	8,091	8,282	6,807
Loss on derivative financial instruments and foreign currency exchange, net		(516)	473	500	1,150	604	(339)
(Loss) gain per financial instrument at fair value through profit or loss		(280)	(649)	416	(342)	(709)	(3,767)
Gain (loss) on sale of securities at fair value through OCI		-	(35)	(30)	-	79	(315)
Gain on sale of loans	5	-	12	303	(625)	98	403
Loss on investment properties at fair value through profit or loss	7	(1,148)	-	-	(1,148)	-	-
Other income, net		530	255	556	645	609	907
Other income:(expense), net		3,618	5,069	6,179	7,771	8,963	3,696
Total income		31,507	34,414	44,366	62,250	72,740	81,400
Expenses:							
Impairment loss from expected credit losses on loans at amortized cost	5	7,564	5,666	9,966	8,941	9,619	12,109
(Recovery) impairment loss from expected credit losses on investment securities	5	(22)	(11)	479	(47)	(465)	486
	5	(5,771)	(1,324)	1,579	(5,192)	(1,161)	666

Impairment loss (recovery) from expected credit losses on loan commitments and financial guarantee contracts							
Impairment loss in other assets	8	1,740	-	-	1,740	-	-
Salaries and other employee expenses		6,083	7,768	4,898	16,177	14,464	12,778
Depreciation of equipment and leasehold improvements		319	356	334	642	787	663
Amortization of intangible assets		337	178	91	675	379	203
Other expenses		4,631	4,300	4,746	8,190	8,178	8,785
Total expenses		14,881	16,933	22,093	31,126	31,801	35,690
Profit for the period		16,626	17,481	22,273	31,124	40,939	45,710
Earnings per share:							
Basic	13	0.42	0.44	0.57	0.79	1.04	1.17
Diluted	13	0.42	0.44	0.57	0.79	1.04	1.17
Weighted average basic shares	13	39,626	39,317	39,078	39,547	39,252	39,037
Weighted average diluted shares	13	39,651	39,347	39,198	39,572	39,280	39,120

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

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Unaudited condensed consolidated interim statements of profit or loss and other comprehensive income
For the six months ended June 30, 2018, 2017 and 2016**

(In US\$ thousand)

	Notes	2018	2017	2016
Profit for the period		31,124	40,939	45,710
Other comprehensive income (loss):				
Items that will not reclassified subsequently to profit and loss:				
Change in fair value for revaluation by equity instrument to FVOCI, net of hedging	16	(2,519)	-	-
Items that are or may be reclassified subsequently to profit and loss:				
Change in fair value for debt instrument revaluation, net of hedging	16	83	882	3,053
Reclassification adjustment for gains (losses) included in the profit	16	2,694	(1,514)	(151)
Exchange difference in conversion of foreign operating currency		(137)	-	-
Other comprehensive income (loss)	16	121	(632)	2,902
Total comprehensive income for the period		31,245	40,307	48,612

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

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Unaudited condensed consolidated interim statements of changes in stockholders's equity****For the six months ended June 30, 2018, 2017 and 2016**

(In US\$ thousand)

	Common stock	Treasury stock	Additional paid- in capital in excess of assigned value of common stock	Capital reserves	Dynamic provision	Regulatory reserve	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balances at January 1, 2016	279,980	(73,397)	120,177	95,210	30,788	7,920	521,934	(10,681)	971,931
Profit for the period	-	-	-	-	-	-	45,710	-	45,710
Other comprehensive income	-	-	-	-	-	-	-	2,902	2,902
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	1,689	-	-	-	-	-	1,689
Exercised options and stock units vested	-	1,538	(1,449)	-	-	-	-	-	89
Repurchase of "Class B" and "Class E" common stock	-	-	-	-	-	-	-	-	-
Regulatory reserve	-	-	-	-	-	(2,832)	2,832	-	-
Dymanic provision	-	-	-	-	7,694	-	(7,694)	-	-
Dividends declared	-	-	-	-	-	-	(30,052)	-	(30,052)
Balances at June 30, 2016	279,980	(70,600)	119,158	95,210	38,482	5,088	532,730	(7,779)	992,269

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Balances at January 1, 2017	279,980	(69,176)	120,594	95,210	43,826	18,633	525,048	(2,801)	1,011,314
Profit for the period	-	-	-	-	-	-	40,939	-	40,939
Other comprehensive income	-	-	-	-	-	-	-	(632)	(632)
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	644	-	-	-	-	-	644
Exercised options and stock units vested	-	3,213	(1,081)	-	-	-	-	-	2,132
Repurchase of "Class B" and "Class E" common stock	-	(28)	-	-	-	-	-	-	(28)
Regulatory reserve	-	-	-	-	-	(11,510)	11,510	-	-
Dymanic provision	-	-	-	-	63,566	-	(63,566)	-	-
Dividends declared	-	-	-	-	-	-	(30,229)	-	(30,229)
Balances at June 30, 2017	279,980	(64,732)	118,898	95,210	107,392	7,123	483,702	(3,433)	1,024,140
Balances at January 1, 2018	279,980	(63,248)	119,941	95,210	108,756	20,498	479,712	1,963	1,042,812
Profit for the period	-	-	-	-	-	-	31,124	-	31,124
Other comprehensive income	-	-	-	-	-	-	-	121	121
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	123	-	-	-	-	-	123
Exercised options and stock units vested	-	3,355	254	-	-	-	-	-	3,609
	-	(1)	-	-	-	-	-	-	(1)

Repurchase of "Class B" and "Class E" common stock									
Regulatory reserve	-	-	-	-	-	(5,297)	5,297	-	-
Dymanic provision	-	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	(30,409)	-	(30,409)
Balances at June 30, 2018	279,980	(58,635)	119,059	95,210	108,756	15,201	485,724	2,084	1,047,379

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

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Unaudited condensed consolidated interim statements of cash flows****For the six months ended June 30, 2018, 2017 and 2016**

(In US\$ thousand)

	2018	2017	2016
Cash flows from operating activities			
Profit for the period	31,124	40,939	45,710
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Activities of derivative financial instruments used for hedging	2,576	(23,616)	(5,790)
Depreciation of equipment and leasehold improvements	642	787	663
Amortization of intangible assets	675	379	203
Loss for disposal of equipment and leasehold improvements	291	64	-
Loss for disposal of intangible assets	6,686	-	-
Loss on investment properties at fair value through profit or loss	1,148	-	-
Impairment loss from expected credit losses	3,662	7,993	13,261
Net loss (gain) on sale of financial assets at fair value through OCI	342	(79)	(30)
Gain on sale of property and equipment	(18)	-	-
Impairment loss on other assets	1,740	-	-
Compensation cost - share-based payment	123	644	1,007
Interest income	(119,356)	(115,230)	(121,631)
Interest expense	64,877	51,453	43,927
Net decrease (increase) in operating assets:			
Net decrease (increase) in pledged deposits	18,922	13,615	(4,850)
Financial instruments at fair value through profit or loss	-	(13)	53,167
Net decrease (increase) in loans	(52,405)	449,890	170,666
Other assets	(6,649)	5,925	5,013
Net increase (decrease) in operating liabilities:			
Net increase due to depositors	60,158	550,703	410,831
Financial liabilities at fair value through profit or loss	-	3	(89)
Other liabilities	1,936	(17,486)	(18,809)
Cash provided by operating activities	16,474	965,971	593,249
Interest received	111,849	125,951	120,777
Interest paid	(64,740)	(55,103)	(46,217)
Net cash provided by operating activities	63,583	1,036,819	667,809
Cash flows from investing activities:			
Acquisition of equipment and leasehold improvements	(492)	(346)	(89)
Acquisition of intangible assets	(6,725)	(4)	(7)
Proceeds from the redemption of securities at fair value through OCI	3,684	-	70,341
Proceeds from the sale of securities at fair value through OCI	-	14,488	78,450
Proceeds from maturities of securities at amortized cost	1,334	14,879	29,075
Purchases of securities at fair value through OCI	-	-	(83,627)

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Purchases of securities at amortized cost	(10,529)	-	(24,071)
Net cash provided by investing activities	(12,728)	29,017	70,072
Cash flows from financing activities:			
Net decrease in short-term borrowings and debt and securities sold under repurchase agreements	(24,253)	(983,019)	(1,234,527)
Proceeds from long-term borrowings and debt	160,174	219,587	464,969
Repayments of long-term borrowings and debt	(129,346)	(510,618)	(299,607)
Dividends paid	(30,641)	(30,294)	(29,722)
Exercised stock options	3,609	2,003	-
Repurchase of common stock	(1)	(28)	-
Net cash used in financing activities	(20,458)	(1,302,369)	(1,098,887)
Net (decrease) increase in cash and cash equivalents	30,397	(236,533)	(361,006)
Cash and cash equivalents at beginning of the period	618,807	1,007,726	1,267,302
Cash and cash equivalents at end of the period	649,204	771,193	906,296

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

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

1. Corporate information

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

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

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

Bladex Head Office’s subsidiaries are the following:

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

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

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

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

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

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

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

1. Corporate information (continued)

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

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 17, 2018.

2. Basis of preparation of the consolidated financial statements

2.1 Statement of compliance

These unaudited consolidated interim financial statements of Banco Latinoamericano de Comercio Exterior, S. A. and its subsidiaries have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) issued by the International Accounting Standards Board ("IASB"). As all the disclosures required by IFRS for annual period consolidated financial statements are not included herein, these unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto as of and for the year ended December 31, 2017, contained in the Bank's annual audited consolidated financial statements. The unaudited condensed consolidated interim statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the periods presented are not necessarily indicative of results expected for any future period.

2.2 Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets or equity.

3. Summary of new significant accounting policies

3.1 Investment properties

Property and Land that is held for long-term rental yields, operating leases and/or for capital appreciation, and that is not occupied by the Bank, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed.

Where the Bank disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within from fair value adjustment on investment property.

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

3. Summary of new significant accounting policies (continued)**3.1 Investment properties (continued)**

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

4. Cash and cash equivalents

	June 30,	December 31,
	2018	2017
Cash and due from banks	7,046	11,032
Interest-bearing deposits in banks	676,477	661,016
Total	683,523	672,048
Less:		
Pledged deposits	34,319	53,241
Total cash and cash equivalents	649,204	618,807

The following table presents the details on interest-bearing deposits in banks and pledged deposits:

	June 30, 2018		December 31, 2017	
	Amount	Range	Amount	Range
		Interest rate		Interest rate
Interest-bearing deposits in banks:				
Demand deposits ⁽¹⁾	676,477	0.25% a 2.07%	661,016	0.25% a 1.55%
Time deposits ⁽²⁾	-	-	-	-
Total	676,477		661,016	

Pledged deposits:

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New York ⁽³⁾	3,500	-	3,000	-	
Panama ⁽⁴⁾	30,819	1.91	% 50,241	1.42	%
Total	34,319		53,241		

(1) Demand deposits with bearing interest based on the daily rates determined by banks.

(2) Time deposits "overnight" calculated on an average interest rate.

(3) The New York Agency had a pledged deposit with the New York State Banking Department, as required by law since March 1994.

(4) The Bank had pledged deposits to secure derivative financial instruments transactions.

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments

Financial instruments at fair value through other comprehensive income “FVOCI”

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

Equity Investment at FVOCI

	June 30, 2018			Fair value
	Amortized cost	Unrealized Gain	Loss	
Equity investments (1)				
Brazil	8,402	4,997	8,435	4,964
	8,402	4,997	8,435	4,964

Securities at FVOCI

	June 30, 2018			Fair value
	Amortized cost	Unrealized Gain	Loss	
Sovereign debt:				
Brazil	2,943	-	133	2,810
Chile	5,159	-	160	4,999
Trinidad and Tobago	8,615	-	312	8,303
	16,717	-	605	16,112
	25,119	4,997	9,040	21,076

Equity Investment at FVOCI

	December 31, 2017			
	Unrealized			
	Amortized	Gain	Loss	Fair value
	cost			
Equity investments ⁽¹⁾				
Brazil	8,630	-	228	8,402
	8,630	-	228	8,402

Securities at FVOCI

	December 31, 2017			
	Unrealized			
	Amortized	Gain	Loss	Fair value
	cost			
Sovereign debt:				
Brazil	2,937	29	12	2,954
Chile	5,182	-	35	5,147
Trinidad and Tobago	8,843	-	211	8,632
	16,962	29	258	16,733
	25,592	29	486	25,135

⁽¹⁾ Equity instruments were initially recognized at fair value. These equity instruments correspond to equity securities classified with the irrevocable option of changes in OCI.

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

Notes to the unaudited condensed consolidated interim financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial instruments (continued)****Financial instruments at fair value through other comprehensive income (continued)**Securities at FVOCI (continued)

As of June 30, 2018 and as of December 31, 2017, there were no securities at fair value through other comprehensive income accounted for as secured financings.

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

	June 30, 2018					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized gross losses	Fair value	Unrealized gross losses	Fair value	Unrealized gross losses
Sovereign debt	6,872	233	9,240	372	16,112	605
Total	6,872	233	9,240	372	16,112	605

	December 31, 2017					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized gross losses	Fair value	Unrealized gross losses	Fair value	Unrealized gross losses
Sovereign debt	5,147	35	9,616	223	14,763	258
Total	5,147	35	9,616	223	14,763	258

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

	Three months ended June 30th		
	2018	2017	2016
Realized gain on sale of securities	-	130	7,432
Realized loss on sale of securities	-	(165)	(7,462)
Net gain (loss) on sale of securities at fair value through other comprehensive income	-	(35)	(30)

	Six months ended June 30th		
	2018	2017	2016
Realized gain on sale of securities	-	667	7,471
Realized loss on sale of securities	-	(588)	(7,786)
Net gain (loss) on sale of securities at fair value through other comprehensive income	-	79	(315)

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)

Financial instruments at fair value through other comprehensive income (continued)

Securities at FVOCI (continued)

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

Rating⁽¹⁾	June 30, 2018	December 31, 2017
1-4	16,112	16,733
5-6	-	-
7	-	-
8	-	-
9	-	-
10	-	-
Total	16,112	16,733

(1) Current ratings as of June 30, 2018 and December 31, 2017, respectively.

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

June 30, 2018		December 31, 2017	
Amortized		Amortized	
cost	Fair value	cost	Fair value

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Due within 1 year	-	-	-	-
After 1 year but within 5 years	16,717	16,112	16,962	16,733
After 5 years but within 10 years	-	-	-	-
	16,717	16,112	16,962	16,733

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)**Financial instruments at fair value through other comprehensive income (continued)**Securities at FVOCI (continued)

The significant changes in the gross carrying amount of securities at fair value through other comprehensive income during the period that contributed to changes in the allowance for expected credit loss, is provided at the table below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2017	13,779	2,954	-	16,733
Transfer in book value to stage 2	-	-	-	-
Transfer in financial instruments with credit-impaired	-	-	-	-
Transfer in book value to stage 1	-	-	-	-
Financial instruments that have been derecognized during the period	(477)	(144)	-	(621)
Changes due to financial instruments recognized as of December 31, 2017	(477)	(144)	-	(621)
New financial assets originated or purchased	-	-	-	-
Write-offs	-	-	-	-
Gross carrying amount as of June 30, 2018	13,302	2,810	-	16,112

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2016	27,821	2,786	-	30,607
Transfer in book value to stage 2	-	-	-	-
Transfer in financial instruments with credit-impaired	-	-	-	-
Transfer in book value to stage 1	-	-	-	-
Financial instruments that have been derecognized during the year	(14,042)	168	-	(13,874)
Changes due to financial instruments recognized as of December 31, 2016	(14,042)	168	-	(13,874)
New financial assets originated or purchased	-	-	-	-
Write-offs	-	-	-	-
Gross carrying amount as of December 31, 2017	13,779	2,954	-	16,733

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

Notes to the unaudited condensed consolidated interim financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial instruments (continued)**Securities at FVOCI (continued)

The allowance for expected credit losses relating to securities at fair value through other comprehensive income, which is recorded in equity under accumulated other comprehensive income (loss), is as follow:

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2017	24	198	-	222
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(1)	2	-	1
Financial instruments that have been derecognized during the period	-	-	-	-
	(1)	2	-	1
New financial assets originated or purchased	-	-	-	-
Write-offs	-	-	-	-
Allowance for expected credit losses as of	23	200	-	223

June 30, 2018

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2016	42	263	-	305
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial instruments	-	-	-	-
Transfer to 12-month	-	-	-	-

expected credit losses				
Net effect of changes in reserve for expected credit losses	(6)	(65)	-	(71)
Financial instruments that have been derecognized during the year	(12)	-	-	(12)
Changes due to financial instruments recognized as of December 31, 2016:				
New financial assets originated or purchased	-	-	-	-
Write-offs	-	-	-	-
Allowance for expected credit losses as of December 31, 2017	24	198	-	222

(1) 12-month expected credit losses.

(2) Lifetime expected credit losses.

(3) Credit-impaired financial assets (lifetime expected credit losses).

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

Notes to the unaudited condensed consolidated interim financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial instruments (continued)****Securities at amortized cost**

The amortized cost, related unrealized gross gain (loss) and fair value of these securities by country risk and type of debt, excluding the amounts of allowance for expected credit losses are as follows:

	June 30, 2018			
	Unrealized			
	Amortized cost ⁽¹⁾	GainLoss		Fair value
Corporate debt:				
Brazil	1,487	-	24	1,463
Mexico	21,661	-	542	21,119
Panama	12,978	15	-	12,993
	36,126	15	566	35,575
Sovereign debt:				
Colombia	28,594	-	359	28,235
Mexico	5,208	-	220	4,988
Panama	8,349	-	78	8,271
	42,151	-	657	41,494
	78,277	15	1,223	77,069

	December 31, 2017			
	Unrealized			
	Amortized cost ⁽²⁾	Gain Loss		Fair value
Corporate debt:				
Brazil	1,485	3	-	1,488
Panama	9,978	-	-	9,978
	11,463	3	-	11,466
Sovereign debt:				
Brazil	29,006	67	16	29,057

Mexico	20,203	-	167	20,036
Panama	8,458	-	11	8,447
	57,667	67	194	57,540
	69,130	70	194	69,006

(1) Amounts do not include allowance for expected credit losses of \$148.

(2) Amounts do not include allowance for expected credit losses of \$196.

As of June 30, 2018, and December 31, 2017, there were no securities at amortized cost accounted for as secured financial liabilities.

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)

Securities at amortized cost (continued)

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

	June 30, 2018		December 31, 2017	
	Amortized cost ⁽¹⁾	Fair value	Amortized cost ⁽²⁾	Fair value
Due within 1 year	23,417	23,378	7,978	7,978
After 1 year but within 5 years	54,860	53,691	61,152	61,028
After 5 years but within 10 years	-	-	-	-
	78,277	77,069	69,130	69,006

(1) Amounts do not include allowance for expected credit losses of \$148.

(2) Amounts do not include allowance for expected credit losses of \$196.

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

Rating ⁽³⁾	June 30, 2018	December 31, 2017
1-4	76,790	57,667
5-6	1,487	11,463
7	-	-
8	-	-
9	-	-
10	-	-
Total	78,277	69,130

(3)Current ratings as of June 30, 2018 and December 31, 2017, respectively.

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)**Securities at amortized cost (continued)**

The significant changes in the gross carrying amount of securities at amortized cost during the period that contributed to changes in the allowance for expected credit loss, is provided at the table below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2017	67,645	1,485	-	69,130
Transfer in book value to stage 2	-	-	-	-
Transfer in financial instruments with credit impaired	-	-	-	-
Transfer in book value to stage 1	-	-	-	-
Financial instruments that have been derecognized during the period	(1,674)	2	-	(1,672)
Changes due to financial instruments recognized as of December 31, 2017	(1,674)	2	-	(1,672)
New financial assets originated or purchased	10,819	-	-	10,819
Write-offs	-	-	-	-
Gross carrying amount as of June 30, 2018	76,790	1,487	-	78,277
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2016	65,154	12,687	-	77,841
Transfer in book value to stage 2	-	-	-	-
Transfer in financial instruments with credit impaired	-	-	-	-
Transfer in book value to stage 1	-	-	-	-
Financial instruments that have been derecognized during the year	(7,487)	(11,202)	-	(18,689)
Changes due to financial instruments recognized as of December 31, 2016	(7,487)	(11,202)	-	(18,689)
New financial assets originated or purchased	9,978	-	-	9,978
Write-offs	-	-	-	-
Gross carrying amount as of December 31, 2017	67,645	1,485	-	69,130

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)**Securities at amortized cost (continued)**

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

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2017	144	52	-	196
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(48)	(22)	-	(70)
Financial instruments that have been derecognized during the period	(8)	-	-	(8)
Changes due to financial instruments recognized as of December 31,	(56)	(22)	-	(78)

2017:

New financial assets originated or purchased	30	-	-	30
Allowance for expected credit losses as of June 30, 2018	118	30	-	148

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2016	99	503	-	602
Transfer to lifetime expected credit losses	-	-	-	-
Transfer to credit-impaired financial instruments	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-
Net effect of changes in reserve for expected credit losses	(16)	(29)	-	(45)
Financial instruments that have been derecognized during the year	(18)	(422)	-	(440)
Changes due to financial instruments recognized as of December 31, 2016:	(34)	(451)	-	(485)
New financial assets originated or purchased	79	-	-	79
Allowance for expected credit losses as of December 31, 2016	144	52	-	196

(1)12-month expected credit losses.

(2)Lifetime expected credit losses.

(3)Credit-impaired financial assets (lifetime expected credit losses).

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)**Recognition and derecognition of financial assets**

During the periods ended June 30, 2018, 2017 and 2016, the Bank sold loans measured at amortized cost. These sales were made based on compliance with the Bank's strategy to optimize the loan portfolio.

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

	Assignments and participations	Gains (losses)
For the year ended June 30, 2018	71,667	(625)
For the year ended June 30, 2017	70,400	98
For the year ended June 30, 2016	53,900	326

Loans – at amortized cost

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

	June 30, 2018	December 31, 2017
Corporations:		
Private	1,856,611	1,882,846
State-owned	726,845	723,267
Banking and financial institutions:		
Private	2,350,310	2,083,795

State-owned	494,042	573,649
Middle-market companies:		
Private	127,446	242,101
Total	5,555,254	5,505,658

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

	June 30,	December 31,
	2018	2017
Banking and financial institutions	2,844,352	2,657,444
Industrial	807,788	772,238
Oil and petroleum derived products	859,209	735,413
Agricultural	535,751	501,241
Services	223,861	430,717
Mining	90,600	231,687
Others	193,693	176,918
Total	5,555,254	5,505,658

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

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

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)**Loans – at amortized cost (continued)**

As of June 30, 2018, and December 31, 2017, the unearned discount interest and deferred fees amounted to \$6,660 and \$4,985, respectively.

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

June 30, 2018

Rating ⁽¹⁾	Corporations		Banking and financial institutions		Middle-market companies	Total
	Private	State-owned	Private	State-owned	Private	
1-4	1,389,558	461,012	2,021,533	219,362	56,398	4,147,863
5-6	385,933	265,833	328,777	274,680	36,048	1,291,271
7	61,845	-	-	-	-	61,845
8	19,275	-	-	-	-	19,275
9	-	-	-	-	-	-
10	-	-	-	-	35,000	35,000
Total	1,856,611	726,845	2,350,310	494,042	127,446	5,555,254

December 31, 2017

Rating ⁽¹⁾	Corporations		Banking and financial institutions		Middle-market companies	Total
	Private	State-owned	Private	State-owned	Private	
1-4	1,336,032	563,877	1,729,592	361,236	147,212	4,137,949
5-6	523,055	159,390	354,203	212,413	59,889	1,308,950
7	-	-	-	-	-	-
8	23,759	-	-	-	-	23,759
9	-	-	-	-	-	-
10	-	-	-	-	35,000	35,000
Total	1,882,846	723,267	2,083,795	573,649	242,101	5,505,658

⁽¹⁾ Current ratings as of June 30, 2018 and December 31, 2017, respectively.

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Notes to the unaudited condensed consolidated interim financial statements
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5. Financial instruments (continued)**Loans – at amortized cost (continued)**

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

	June 30,	December 31,
	2018	2017
Country:		
Argentina	547,142	294,613
Belgium	12,941	11,368
Bolivia	10,000	15,000
Brazil	995,411	1,019,466
Chile	187,548	170,827
Colombia	677,327	829,136
Costa Rica	359,748	356,459
Dominican Republic	253,228	249,926
Ecuador	215,111	94,315
El Salvador	30,140	55,110
Germany	27,500	37,500
Guatemala	287,881	309,024
Honduras	77,932	74,476
Jamaica	57,482	24,435
Luxembourg	16,829	19,924
Mexico	794,585	850,463
Nicaragua	24,953	29,804
Panama	443,593	500,134
Paraguay	69,347	59,536
Peru	232,756	211,846
Singapore	43,200	54,500
Switzerland	600	3,687
Trinidad and Tobago	175,000	175,000
United States of America	-	44,109
Uruguay	15,000	15,000
Total	5,555,254	5,505,658

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Notes to the unaudited condensed consolidated interim financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial instruments (continued)****Loans – at amortized cost (continued)**

The remaining loan maturities are summarized as follows:

	June 30,	December 31,
	2018	2017
Current:		
Up to 1 month	867,925	846,993
From 1 month to 3 months	1,131,910	1,079,793
From 3 months to 6 months	949,205	1,175,801
From 6 months to 1 year	1,032,099	922,711
From 1 year to 2 years	389,620	392,456
From 2 years to 5 years	1,045,462	989,222
More than 5 years	84,758	39,923
	5,500,979	5,446,899
Impaired	54,275	58,759
Total	5,555,254	5,505,658

As of June 30, 2018, and December 31, 2017, the range of interest rates on loans fluctuates from 1.20% and 11.77% (2017: 1.35% y 11.52%).

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

	June 30,	December 31,
	2018	2017
Fixed interest rates	2,596,773	2,378,509

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Floating interest rates	2,958,481	3,127,149
Total	5,555,254	5,505,658

As of June 30, 2018, and December 31, 2017, 79% and 85%, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

	June 30, 2018		Related allowance	2018	
	Recorded investment	Past due principal balance		Average principal loan balance	Balance interest recognized
With an allowance recorded:			Stage 3		
Private corporations	19,275	-	3,400	23,562	647
Middle-market companies	35,000	35,000	22,824	35,000	3,574
Total	54,275	35,000	26,224	58,562	4,221

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Notes to the unaudited condensed consolidated interim financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial instruments (continued)****Loans – at amortized cost (continued)**

	December 31, 2017		2017		
	Recorded investment	Past due principal balance	Related allowance Stage 3	Average principal loan balance	Balance interest recognized
With an allowance recorded:					
Private corporations	23,759	-	7,468	5,988	229
Middle-market companies	35,000	35,000	20,527	35,000	3,028
Total	58,759	35,000	27,995	40,988	3,257

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

	Three months ended June 30,		2016
	2018	2017	
Interest revenue calculated on the net carrying amount (net of credit allowance)	469	359	585

	Six months ended June 30,		2016
	2018	2017	
Interest revenue calculated on the net carrying amount (net of credit allowance)	964	853	662

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

June 30, 2018

	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total
Corporations	-	-	-	-	-	-	2,583,456	2,583,456
Banking and financial institutions	-	-	-	-	-	-	2,844,352	2,844,352
Middle-market companies	-	-	-	35,000	35,000	-	92,446	127,446
Total	-	-	-	35,000	35,000	-	5,520,254	5,555,254

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

5. Financial instruments (continued)**Loans – at amortized cost (continued)**

December 31, 2017

	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total
Corporations	-	-	-	-	-	-	2,606,113	2,606,113
Banking and financial institutions	-	-	-	-	-	-	2,657,444	2,657,444
Middle-market companies	-	-	-	35,000	35,000	-	207,101	242,101
Total	-	-	-	35,000	35,000	-	5,470,658	5,505,658

As of June 30, 2018, and December 31, 2017, the Bank had credit transactions in the normal course of business with 15% and 21%, respectively, of its Class “A” and “B” stockholders. All transactions were made based on arm’s-length terms and subject to prevailing commercial criteria and market rates and were subject to all the Bank’s Corporate Governance and control procedures. As of June 30, 2018, and December 31, 2017, approximately 11% and 14%, respectively, of the outstanding loan portfolio was placed with the Bank’s Class “A” and “B” stockholders and their related parties. As of June 30, 2018, 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.

Modified financial assets

The following table refer to modified financial assets, where modification does not result in de-recognition:

Modified financial assets (with loss allowance based on lifetime ECL) modified during the period	June 30, 2018	December 31, 2017
Gross carrying amount before modification	-	8,855
Loss allowance before modification	-	(3,344)

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Net amortized cost before modification	-	5,511	
Gross carrying amount after modification	-	4,484	
Loss allowance after modification	-	(4,484)
Net amortized cost after modification	-	-	

For the modified financial assets during the year 2017, were received other real estate owned for \$ 5,119.

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5. Financial instruments (continued)**Loans – at amortized cost (continued)**

The significant changes in the gross carrying amount of loans during the period that contributed to changes in the allowance for expected credit loss, is provided at the table below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2017	4,839,227	607,672	58,759	5,505,658
Transfer in book value to stage 2	(25,641)	25,641	-	-
Transfer in Financial Instruments with credit-impaired	-	-	-	-
Transfer in book value to stage 1	35,222	(35,222)	-	-
Financial instruments that have been derecognized during the period	(3,145,011)	(287,537)	-	(3,432,548)
Changes due to financial instruments recognized as of December 31, 2017	(3,135,430)	(297,118)	-	(3,432,548)
New financial assets originated or purchased	3,486,667	-	-	3,486,667
Write-offs	(39)	-	(4,484)	(4,523)
Gross carrying amount as of June 30, 2018	5,190,425	310,554	54,275	5,555,254
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2016	5,019,368	935,999	65,364	6,020,731
Transfer in book value to stage 2	(41,167)	41,167	-	-
Transfer in Financial Instruments with credit -impaired	-	(46,673)	46,673	-
Transfer in book value to stage 1	8,000	(8,000)	-	-
Financial instruments that have been derecognized during the year	(4,214,697)	(313,394)	(21,667)	(4,549,758)
Changes due to financial instruments recognized as of December 31, 2016	(4,247,864)	(326,900)	25,006	(4,549,758)
New financial assets originated or purchased	4,067,723	-	-	4,067,723
Write-offs	-	(1,427)	(31,611)	(33,038)
Gross carrying amount as of December 31, 2017	4,839,227	607,672	58,759	5,505,658

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

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

5. Financial instruments (continued)**Loans – at amortized cost (continued)**

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

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2017	19,821	33,477	27,996	81,294
Transfer to lifetime expected credit losses	(194)	194	-	-
Transfer to credit impaired financial instruments	-	-	-	-
Transfer to 12-month expected credit losses	4,125	(4,125)	-	-
Net effect of changes in reserve for expected credit losses	(3,747)	2,563	2,714	1,530
Financial instruments that have been derecognized during the period	(10,666)	(7,948)	-	(18,614)
Changes due to financial instruments recognized as of December 31, 2017	(10,482)	(9,316)	2,714	(17,084)
New financial assets originated or purchased	26,024	-	-	26,024
Write-offs	(39)	-	(4,484)	(4,523)
Recoveries of amounts previously written off	-	-	-	-
Allowance for expected credit losses as of June 30, 2018	35,324	24,161	26,226	85,711

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾	Total
Allowance for expected credit losses as of December 31, 2016	29,036	41,599	35,353	105,988
Transfer to lifetime expected credit losses	(672)	672	-	-
Transfer to credit-impaired financial instruments	-	(12,845)	12,845	-
Transfer to 12-month expected credit losses	1,428	(1,428)	-	-
Net effect of changes in reserve for expected credit losses	(2,900)	18,227	20,257	35,584
Financial instruments that have been derecognized during the year	(24,434)	(11,321)	(8,333)	(44,088)
Changes due to financial instruments recognized as of December 31, 2016	(26,578)	(6,695)	24,769	(8,504)
New financial assets originated or purchased	17,363	-	-	17,363
Write-offs	-	(1,427)	(32,126)	(33,553)
Recoveries of amounts previously written off	-	-	-	-
Allowance for expected credit losses as of December 31, 2017	19,821	33,477	27,996	81,294

(1)

12-month expected credit losses.

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

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

Notes to the unaudited condensed consolidated interim financial statements
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5. Financial instruments (continued)**Derivative financial instruments for hedging purposes**

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

	June 30, 2018			Changes in fair value used for calculating hedge ineffectiveness
Nominal	Carrying amount of the hedging instrument			
Amount	Asset	Liability		
Fair value hedges:				
Interest rate swaps	433,500	216	(8,262)	(3,687)
Cross-currency swaps	236,077	2,179	(16,967)	9,493
Cash flow hedges:				
Interest rate swaps	632,500	1,343	(2,077)	(432,678)
Cross-currency swaps	23,025	-	(173)	(1,051)
Foreign exchange forward	266,621	2,521	(2,586)	(8,674)
Net investment hedges:				
Foreign exchange forward	4,402	120	-	70
Total	1,596,125	6,379	(30,064)	(436,527)
	December 31, 2017			
Nominal	Carrying amount of the hedging instrument		Changes in fair value used for calculating hedge ineffectiveness	
Amount	Asset	Liability		
Fair value hedges:				
Interest rate swaps	367,500	-	(4,361)	(2,394)
Cross-currency swaps	306,961	3,672	(30,154)	15,900
Cash flow hedges:				
Interest rate swaps	595,000	127	(428)	995
Cross-currency swaps	23,025	879	-	2,132
Foreign exchange forward	225,388	8,610	-	11,835

Net investment hedges:

Foreign exchange forward	9,243	50	-	181
Total	1,527,117	13,338	(34,943)	28,649

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

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

Notes to the unaudited condensed consolidated interim financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial instruments (continued)****Derivative financial instruments for hedging purposes (continued)**

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

	Three months ended June 30, 2018		Gain (loss) reclassified from	Gain (loss) recognized on
	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	accumulated OCI to the consolidated statement of profit or loss	derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	(468)	Gain (loss) on interest rate swap	-	-
Cross-currency swaps	856	Gain (loss) on foreign currency exchange	-	-
		Interest income – loans	746	-
Foreign exchange forward	9,923	Interest income – securities at FVOCI	-	-
		Interest expense – borrowings and debt	1,117	-
		Interest expenses – deposits	-	-
		Gain (loss) on foreign currency exchange	642	-
Total	10,311		2,505	-
Derivatives – net investment hedge				
Foreign exchange forward	(928)			
Total	(928)			

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)**Derivative financial instruments for hedging purposes (continued)**

	Six months ended June 30, 2018			
	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	(2,011)	Gain (loss) on interest rate swap	-	-
Cross-currency swaps	1,040	Gain (loss) on foreign currency exchange	-	4
Foreign exchange forward	7,298	Interest income – loans	1,164	-
		Interest income – securities at FVOCI	-	-
		Interest expense – borrowings and debt	2,227	-
		Interest expenses – deposits	-	-
		Gain (loss) on foreign currency exchange	(2,732) -
Total	6,327		659	4
Derivatives – net investment hedge				
Foreign exchange forward	(919)			
Total	(919)			

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

Notes to the unaudited condensed consolidated interim financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial instruments (continued)****Derivative financial instruments for hedging purposes (continued)**

	Three months ended June 30, 2017			
	Gain (loss) recognized in	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss	Gain (loss) recognized on derivatives (ineffective portion)
	OCI (effective portion)			
Derivatives – cash flow hedge				
Interest rate swaps	(431)	Gain (loss) on interest rate swap	-	51
Cross-currency swaps	86	Gain (loss) on foreign currency exchange	-	18
		Interest income – loans	(2,158)	-
Foreign exchange forward	8,708	Interest income – securities at FVOCI	-	-
		Interest expense – borrowings and debt	(2,032)	-
		Interest expenses – deposits	-	-
		Gain (loss) on foreign currency exchange	8,594	-
Total	8,363		4,404	69

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

Notes to the unaudited condensed consolidated interim financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial instruments (continued)****Derivative financial instruments for hedging purposes (continued)**

	Six months ended June 30, 2017			
	Gain (loss)	Gain (loss) reclassified from accumulated OCI to the consolidated statement of profit or loss		Gain (loss) recognized on derivatives (ineffective portion)
	recognized in OCI (effective portion)	classification of gain (loss)		
Derivatives – cash flow hedge				
Interest rate swaps	(815)	Gain (loss) on interest rate swap	-	284
Cross-currency swaps	(1,333)	Gain (loss) on foreign exchange	-	43
		Interest income – loans	(287)	-
Forward foreign exchange	(1,130)	Interest income – securities at FVOCI	-	-
		Interest income – loans	(2,832)	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	(18,575)	-
		Gain (loss) on foreign currency exchange	-	284
Total	(3,278)		(21,694)	327

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

Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)

Derivative financial instruments for hedging purposes (continued)

	Three months ended June 30, 2016		Gain (loss)	
	Gain (loss)	Classification of	reclassified from accumulated OCI to the	Gain (loss) recognized on derivatives
	OCI	gain (loss)	consolidated statement of profit or loss	(ineffective portion)
	(effective portion)			
Derivatives – cash flow hedge				
Interest rate swaps	(840)	Gain (loss) on interest rate swap	-	(383)
Cross-currency swaps	(1,025)	Gain (loss) on foreign exchange	-	89
		Interest income – loans	(1,003)	-
Forward foreign exchange	(661)	Interest income – securities at FVOCI	220	-
		Interest income – loans	173	-
		Interest expense – borrowings and debt	-	-
		Interest expenses – deposits	694	-
		Gain (loss) on foreign currency exchange	-	(383)
Total	(2,526)		84	(294)

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Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)**Derivative financial instruments for hedging purposes (continued)**

	Six months ended June 30, 2016		Gain (loss)	Gain (loss)
	Gain (loss)	Classification of	reclassified from accumulated OCI to the consolidated statement of profit or loss	recognized on derivatives (ineffective portion)
	OCI	gain (loss)		
	(effective portion)			
Derivatives – cash flow hedge				
Interest rate swaps	(2,458)	Gain (loss) on interest rate swap	-	(961)
Cross-currency swaps	1,762	Gain (loss) on foreign exchange	-	26
		Interest income – loans	-	-
Forward foreign exchange	(1,876)	Interest income – securities at FVOCI	-	-
		Interest income – loans	(1,755)	-
		Interest expense – borrowings and debt	350	-
		Interest expenses – deposits	-	-
		Gain (loss) on foreign currency exchange	4,634	-
Total	(2,572)		3,229	(935)

For the agreements qualified as fair value hedge, the Bank recognized in the consolidated statement of profit or loss the gain (loss) on the derivative financial instruments and the gain (loss) of the hedged asset or liability related. The details as follows:

	June 30, 2018		Gain (loss)	Gain (loss)	Net gain
	Classification in consolidated statement of profit or loss		on derivatives	on hedge item	(loss)
Derivatives – fair value hedge					
Interest rate swaps	Interest income – securities at FVOCI	(21)	194		173
	Interest income – loans	(14)	160		146
	Interest expenses – borrowings and debt	(555)	(6,099)		(6,654)

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	Derivative financial instruments and hedging	(3,425)	3,262	(163)
Cross-currency swaps	Interest income – loans	(488)	936	448	
	Interest expenses – borrowings and debt	98		(4,535	)	(4,437
	Derivative financial instruments and hedging	(1,172)	2,312	1,140	
Total		(5,577)	(3,770)	(9,347

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Notes to the unaudited condensed consolidated interim financial statements
(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial instruments (continued)**Derivative financial instruments for hedging purposes (continued)**

	June 30, 2017 Classification in consolidated statement of profit or loss	Gain (loss) on derivatives	Gain (loss) on hedge item	Net gain (loss)
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities at FVOCI	(79	) 277	198
	Interest income loans	(12	) 158	146
	Interest expenses – borrowings and debt	976	(10,206	) (9,230
	Derivative financial instruments and hedging	593	(379	) 214
Cross-currency swaps	Interest income loans	(394	) 716	322
	Interest expenses – borrowings and debt	743	(4,772	) (4,029
	Derivative financial instruments and hedging	19,217	(20,685) (1,468
Total		21,044	(34,891) (13,847

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Notes to the unaudited condensed consolidated interim financial statements
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5. Financial instruments (continued)**Derivative financial instruments for hedging purposes (continued)**

	June 30, 2016			
	Classification in consolidated statement of profit or loss	Gain (loss) on derivatives	Gain (loss) on hedge item	Net gain (loss)
Derivatives – fair value hedge				
Interest rate swaps	Interest income – securities at FVOCI	(362)	836	474
	Interest income loans	(137)	1,508	1,371
	Interest expenses – borrowings and debt	2,889	(14,126)	(11,237)
	Derivative financial instruments and hedging	(1,404)	1,798	394
Cross-currency swaps	Interest income loans	(137)	354	217
	Interest expenses – borrowings and debt	(36)	(2,472)	(2,508)
	Derivative financial instruments and hedging	(3,713)	3,213	(500)
Total		(2,900)	(8,889)	(11,789)

Derivatives financial position and performance

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

	June 30, 2018		
Fair value hedges	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position
Interest rate risk			
Loans	15,983	(15 )	) Loans
Issuances	(347,174)	7,520	Short and long-term borrowings and debt

Foreign exchange rate risk and interest rate risk:

Securities at FVOCI	12,425	(468	) Securities at FVOCI
Loans	11,661	(1,282) Loans
Issuances	(206,603)	19,043	Short and long-term borrowings and debt

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5. Financial instruments (continued)

Derivative financial instruments for hedging purposes (continued)

Derivatives financial position and performance (continued)

	December 31, 2017	
Fair value hedges	Carrying amount	Line item in the statement of financial position
	Accumulated fair value adjustments	
Interest rate risk		
Loans		