

FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 6-K
November 02, 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 November, 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: November 2, 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 September 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 stockholder's equity and unaudited condensed consolidated interim statements of cash flows for the nine months ended September 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****September 30, 2018 and December 31, 2017**

(In US\$ thousand)

	Notes	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Cash and cash equivalents	4,5,18	792,952	672,048
Financial Instruments:			
Securities at fair value through OCI	5,18	20,971	25,135
Securities at amortized cost, net	5,18	77,562	68,934
Loans	5,18	5,724,518	5,505,658
Less:			
Allowance for expected credit losses	5	139,318	81,294
Unearned interest and deferred fees	5	7,357	4,985
Loans, net		5,577,843	5,419,379
Derivative financial instruments used for hedging – receivable	5,16,18	3,391	13,338
Investment properties, net	7	2,289	5,119
Property and equipment, net		6,692	7,420
Intangibles, net		1,798	5,425
Other assets:			
Customers' liabilities under acceptances	18	24,232	6,369
Accrued interest receivable	18	45,367	30,872
Other assets	8	7,661	13,708
Total of other assets		77,260	50,949
Total assets		6,560,758	6,267,747
Liabilities and stockholders' equity			
Deposits:			
Noninterest-bearing - Demand	9,18	203	420
Interest-bearing - Demand		77,928	81,644
Time		2,699,404	2,846,780
Total deposits		2,777,535	2,928,844
Derivative financial instruments used for hedging – payable	5,16,18	26,394	34,943
Securities sold under repurchase agreement	5,10,18	39,767	-
Short-term borrowings and debt	11,18	1,237,603	1,072,723
Long-term borrowings and debt, net	11,18	1,423,952	1,138,844

Other liabilities:			
Acceptances outstanding	18	24,232	6,369
Accrued interest payable	18	23,427	15,816
Allowance for expected credit losses on loan commitments and financial guarantees contracts	6	3,219	6,845
Other liabilities	12	15,678	20,551
Total other liabilities		66,556	49,581
Total liabilities		5,571,807	5,224,935
Stockholders' equity:			
Common stock	14	279,980	279,980
Treasury stock	15	(61,076)	(63,248)
Additional paid-in capital in excess of assigned value of common stock	14	119,523	119,941
Capital reserves		95,210	95,210
Dymanic provision	22	108,756	108,756
Regulatory credit reserve	22	25	20,498
Retained earnings	22	444,959	479,712
Accumulated other comprehensive income (loss)	5,16	1,574	1,963
Total stockholders' equity		988,951	1,042,812
Total liabilities and stockholders' equity		6,560,758	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 nine months ended September 30, 2018, 2017 and 2016**

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

	Notes	For the three months ended September 30,			For the nine months ended September 30,		
		2018	2017	2016	2018	2017	2016
Interest income:							
Deposits		3,129	2,995	1,142	9,293	7,818	3,206
Securities at fair value through OCI		150	124	457	416	420	1,956
Securities at amortized cost		599	474	688	1,605	1,448	2,261
Loans		61,142	51,457	60,530	173,062	160,594	177,025
Total interest income		65,020	55,050	62,817	184,376	170,280	184,448
Interest expense:							
Deposits		16,767	12,510	5,329	47,160	30,310	14,970
Short and long-term borrowings and debt		20,957	14,643	17,668	55,441	48,296	51,954
Total interest expense		37,724	27,153	22,997	102,601	78,606	66,924
Net interest income		27,296	27,897	39,820	81,775	91,674	117,524
Other income (expense):							
Fees and commissions, net		3,692	3,566	3,371	11,783	11,848	10,178
(Loss) gain on derivative financial instruments and foreign currency exchange		(1,554)	(616)	204	(404)	(12)	(135)
Gain (loss) per financial instrument at fair value through profit or loss		109	3	(324)	(233)	(706)	(4,091)
Gain (loss) on sale of securities at fair value through OCI	5	-	-	69	-	79	(246)
Gain (loss) on sale of loans	5	-	15	87	(625)	113	490
Loss on investment properties at fair value through profit or loss	7	(412)	-	-	(1,560)	-	-
Other income, net		564	201	150	1,209	810	1,057
Total other income, net		2,399	3,169	3,557	10,170	12,132	7,253
Total income		29,695	31,066	43,377	91,945	103,806	124,777
Expenses:							
Impairment loss from expected credit losses on loans	5	53,568	362	5,077	62,509	9,981	17,186
Impairment loss (recovery) from expected credit losses on investment securities	5	-	75	(210)	(47)	(390)	276
Impairment loss (recovery) from expected credit losses on loan commitments and	5	1,566	215	(725)	(3,626)	(946)	(59)

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financial guarantee contracts							
Impairment loss in other assets	8	1,724	-	-	3,464	-	-
Loss on derecognition of intangible assets		2,705	-	-	2,705	-	-
Salaries and other employee expenses		5,213	5,842	6,230	21,390	20,306	19,008
Depreciation of equipment and leasehold improvements		315	384	376	957	1,171	1,039
Amortization of intangible assets		336	174	222	1,011	553	425
Other expenses		4,987	3,553	4,416	13,177	11,731	13,201
Total expenses		70,414	10,605	15,386	101,540	42,406	51,076
(Loss) profit for the period		(40,719)	20,461	27,991	(9,595)	61,400	73,701
 (Loss) earnings per share:							
Basic	13	(1.03)	0.52	0.72	(0.24)	1.56	1.89
Diluted	13	(1.03)	0.52	0.71	(0.24)	1.56	1.88
Weighted average basic shares	13	39,540	39,362	39,102	39,544	39,289	39,059
Weighted average diluted shares	13	39,540	39,413	39,225	39,544	39,319	39,178

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 three and nine months ended September 30, 2018, 2017 and 2016**

(In US\$ thousand)

		For the three months ended September 30,			For the nine months ended September 30,		
	Notes	2018	2017	2016	2018	2017	2016
(Loss) profit for the period		(40,719)	20,461	27,991	(9,595)	61,400	73,701
Other comprehensive income (loss):							
Items that will not be reclassified subsequently to profit and loss:							
Change in fair value for revaluation by equity instrument to FVOCI, net of hedging	16	866	-	-	(1,653)	-	-
Items that are or may be reclassified subsequently to profit and loss:							
Change in fair value for debt instrument revaluation, net of hedging	16	(2,304)	(759)	6,017	(2,221)	123	9,070
Reclassification adjustment for gains (losses) included in the loss or profit	16	1,998	2,449	(2,622)	4,693	935	(2,773)
Exchange difference in conversion of foreign operating currency		(1,071)	-	-	(1,208)	-	-
Other comprehensive income (loss)	16	(511)	1,690	3,395	(389)	1,058	6,297
Other comprehensive income (loss) for the period		(41,230)	22,151	31,386	(9,984)	62,458	79,998

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 nine months ended September 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	-	-	-	-	-	-	73,701	-	73,701
Other comprehensive income	-	-	-	-	-	-	-	6,297	6,297
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	2,480	-	-	-	-	-	2,480
Exercised options and stock units vested	-	-	-	-	-	-	-	-	-
Repurchase of "Class B" and "Class E" common stock	-	-	-	-	-	-	-	-	-
Regulatory reserve	-	2,953	(1,387)	-	-	-	2,203	-	3,769
Dymanic provision	-	-	-	-	-	-	(10,244)	-	(10,244)
Dividends declared	-	-	-	-	-	-	(45,104)	-	(45,104)
Balances at September 30, 2016	279,980	(69,185)	120,011	95,210	30,788	7,920	542,490	(4,384)	1,002,829

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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
(Loss) profit for the period	-	-	-	-	-	-	61,400	-	61,400
Other comprehensive income (loss)	-	-	-	-	-	-	-	1,058	1,058
Issuance of restricted stock	-	1,259	(1,229)	-	-	-	-	-	30
Compensation cost - stock options and stock units plans	-	-	(38)	-	-	-	-	-	(38)
Exercised options and stock units vested	-	3,278	109	-	-	-	-	-	3,387
Repurchase of "Class B" and "Class E" common stock	-	(28)	-	-	-	-	-	-	(28)
Regulatory reserve	-	-	-	-	-	-	10,637	-	10,637
Dymanic provision	-	-	-	-	-	-	(63,566)	-	(63,566)
Dividends declared	-	-	-	-	-	-	(45,384)	-	(45,384)
Balances at September 30, 2017	279,980	(64,667)	119,436	95,210	43,826	18,633	488,135	(1,743)	978,810
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	-	-	-	-	-	-	(9,595)	-	(9,595)
Other comprehensive income	-	-	-	-	-	-	-	(389)	(389)
Issuance of restricted stock	-	1,259	(1,259)	-	-	-	-	-	-
Compensation cost - stock options and stock units plans	-	-	587	-	-	-	-	-	587
Exercised options and stock units vested	-	3,355	254	-	-	-	-	-	3,609
Repurchase of "Class B" and "Class E" common stock	-	(2,442)	-	-	-	-	-	-	(2,442)
Regulatory reserve	-	-	-	-	-	(20,473)	20,473	-	-
Dymanic provision	-	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	(45,631)	-	(45,631)
Balances at September 30, 2018	279,980	(61,076)	119,523	95,210	108,756	25	444,959	1,574	988,951

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

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

(In US\$ thousand)

	2018	2017	2016
Cash flows from operating activities			
(Loss) profit for the period	(9,595)	61,400	73,701
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Activities of derivative financial instruments used for hedging	1,929	(35,559)	(18,947)
Depreciation of equipment and leasehold improvements	957	1,171	1,039
Amortization of intangible assets	1,011	553	425
Loss for disposal of equipment and leasehold improvements	840	150	-
Loss for disposal of intangible assets	2,705	14	-
Loss on investment properties at fair value through profit or loss	1,560	-	-
Impairment loss from expected credit losses	58,836	8,645	17,408
(Loss) gain on sale of financial assets at fair value through OCI	-	(79)	246
Amortization of premium and discount related to securities at amortized cost	798	601	863
Gain on sale of property and equipment	18	-	-
Impairment loss on other assets	3,464	-	-
Compensation cost - share-based payment	587	(38)	2,480
Interest income	(184,376)	(170,280)	(184,453)
Interest expense	102,601	78,606	66,924
Net decrease (increase) in operating assets:			
Net decrease (increase) in pledged deposits	25,320	18,720	(3,385)
Financial instruments at fair value through profit or loss	-	-	53,383
Net decrease (increase) in loans	(216,489)	676,129	297,758
Other assets	(15,281)	(2,514)	4,044
Net increase (decrease) in operating liabilities:			
Net increase due to depositors	(151,309)	200,157	330,536
Financial liabilities at fair value through profit or loss	-	(24)	(89)
Other liabilities	13,218	(15,842)	(16,850)
Cash provided by operating activities	(363,206)	821,810	625,083
Interest received	169,881	181,598	184,608
Interest paid	(94,990)	(77,018)	(62,640)
Net cash provided by operating activities	(288,315)	926,390	747,051
Cash flows from investing activities:			
Acquisition of equipment and leasehold improvements	(1,131)	(622)	(1,520)
Acquisition of intangible assets	(45)	(26)	(3,084)
Proceeds from the sale of investment property	1,270	-	-
Proceeds from the redemption of securities at fair value through OCI	3,244	-	77,286

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Proceeds from the sale of securities at fair value through OCI	-	15,177	107,888
Proceeds from maturities of securities at amortized cost	6,324	14,240	43,212
Purchases of securities at fair value through OCI	-	-	(91,972)
Purchases of securities at amortized cost	(15,701)	(8,324)	(23,713)
Net cash provided by investing activities	(6,039)	20,445	108,097
Cash flows from financing activities:			
Increase (decrease) net in short-term borrowings and debt and securities sold under repurchase agreements	204,647	(732,946)	(1,310,550)
Proceeds from long-term borrowings and debt	532,206	220,172	374,859
Repayments of long-term borrowings and debt	(247,098)	(639,114)	(425,301)
Dividends paid	(45,860)	(45,449)	(45,104)
Exercised stock options	3,609	3,387	1,566
Repurchase of common stock	(2,442)	(28)	-
Net cash used in financing activities	445,062	(1,193,978)	(1,404,530)
Increase (decrease) net in cash and cash equivalents	146,224	(251,383)	(548,475)
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	765,031	756,343	718,827

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 October 23, 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

	September 30,	December 31,
	2018	2017
Cash and due from banks	14,214	11,032
Interest-bearing deposits in banks	778,738	661,016
Total	792,952	672,048
Less:		
Pledged deposits	27,921	53,241
Total cash and cash equivalents	765,031	618,807

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

	September 30, 2018		December 31, 2017	
	Amount	Range Interest rate	Amount	Range Interest rate
Interest-bearing deposits in banks:				
Demand deposits ⁽¹⁾	778,738	0.41% a 5.61 %	661,016	0.25% a 1.55 %
Time deposits ⁽²⁾	-	-	-	-
Total	778,738		661,016	

Pledged deposits:

New York ⁽³⁾	3,500	-		3,000	-	
Panama ⁽⁴⁾	24,421	2.18	%	50,241	1.42	%
Total	27,921			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

	September 30, 2018			Fair value
	Amortized cost	Unrealized Gain	Loss	
Equity investments (1)				
Brazil	8,402	7,405	10,280	5,527
	8,402	7,405	10,280	5,527

Securities at FVOCI

	September 30, 2018			Fair value
	Amortized cost	Unrealized Gain	Loss	
Sovereign debt:				
Brazil	2,946	-	135	2,811
Chile	5,147	-	136	5,011
Trinidad and Tobago	8,501	-	879	7,622
	16,594	-	1,150	15,444
	24,996	7,405	11,430	20,971

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 September 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:

	September 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	6,885	210	8,559	940	15,444	1,150
Total	6,885	210	8,559	940	15,444	1,150
	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 September 30th		
	2018	2017	2016
Realized gain on sale of securities	-	-	72
Realized loss on sale of securities	-	-	(3)
Net gain (loss) on sale of securities at fair value through other comprehensive income	-	-	69

	Nine months ended September 30th		
	2018	2017	2016
Realized gain on sale of securities	-	667	7,544
Realized loss on sale of securities	-	(588)	(7,790)
Net gain (loss) on sale of securities at fair value through other comprehensive income	-	79	(246)

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⁾	September 30,	December 31,
	2018	2017
1-4	15,444	16,733
5-6	-	-
7	-	-
8	-	-
9	-	-
10	-	-
Total	15,444	16,733

(1) Current ratings as of September 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:

	September 30, 2018		December 31, 2017	
	Amortized cost	Fair value	Amortized cost	Fair value
Due within 1 year	-	-	-	-

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After 1 year but within 5 years	16,594	15,444	16,962	16,733
After 5 years but within 10 years	-	-	-	-
	16,594	15,444	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 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽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	(1,146)	(143)	-	(1,289)
Changes due to financial instruments recognized as of December 31, 2017	(1,146)	(143)	-	(1,289)
New financial assets originated or purchased	-	-	-	-
Write-offs	-	-	-	-
Gross carrying amount as of September 30, 2018	12,633	2,811	-	15,444
	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽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

- (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 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	(2)	4	-	2
Financial instruments that have been derecognized during the period	-	-	-	-
Changes due to financial instruments recognized as of December 31, 2017:	(2)	4	-	2
New financial assets originated or purchased	-	-	-	-
Write-offs	-	-	-	-
Allowance for expected credit losses as of September 30, 2018	22	202	-	224

	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

(4) 12-month expected credit losses.

(5) Lifetime expected credit losses.

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

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 \$147.

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

As of September 30, 2018, securities at amortized cost with a carrying value of \$37 million, were pledged to secure repurchase transactions accounted for as secured financings. As of 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:

	September 30, 2018		December 31, 2017	
	Amortized cost ⁽¹⁾	Fair value	Amortized cost ⁽²⁾	Fair value
Due within 1 year	25,092	25,223	7,978	7,978
After 1 year but within 5 years	52,617	51,636	61,152	61,028
After 5 years but within 10 years	-	-	-	-
	77,709	76,859	69,130	69,006

(1) Amounts do not include allowance for expected credit losses of \$147.

(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⁾	September 30,	December 31,
	2018	2017
1-4	76,220	57,667
5-6	1,489	11,463
7	-	-
8	-	-
9	-	-
10	-	-
Total	77,709	69,130

(3) Current ratings as of September 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 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽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	(7,363)	4	-	(7,359)
Changes due to financial instruments recognized as of December 31, 2017	(7,363)	4	-	(7,359)
New financial assets originated or purchased	15,938	-	-	15,938
Write-offs	-	-	-	-
Gross carrying amount as of September 30, 2018	76,220	1,489	-	77,709

	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽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

(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 (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	(21)	(22)	-	(43)
Financial instruments that have been derecognized during the period	(50)	-	-	(50)
Changes due to financial instruments recognized as of December 31,	(71)	(22)	-	(93)

2017:

New financial assets originated or purchased	44	-	-	44
Allowance for expected credit losses as of September 30, 2018	117	30	-	147

	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, 2017	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 September 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 (loss) on sale of loans" in the consolidated statement of profit or loss.

	Assignments and	Gains
	participations	(losses)
For the year ended September 30, 2018	71,667	(625)
For the year ended September 30, 2017	72,400	113
For the year ended September 30, 2016	146,975	490

Loans – at amortized cost

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

	September 30,	December 31,
	2018	2017
Corporations:		
Private	1,769,868	1,882,846
State-owned	840,632	723,267
Banking and financial institutions:		

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Private	2,452,756	2,083,795
State-owned	537,270	573,649
Middle-market companies:		
Private	123,992	242,101
Total	5,724,518	5,505,658

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

	September 30,	December 31,
	2018	2017
Banking and financial institutions	2,990,026	2,657,444
Industrial	838,352	772,238
Oil and petroleum derived products	749,270	735,413
Agricultural	512,735	501,241
Services	323,375	430,717
Mining	90,600	231,687
Others	220,160	176,918
Total	5,724,518	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 September 30, 2018, and December 31, 2017, the unearned discount interest and deferred fees amounted to \$7,357 and \$4,985, respectively.

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

September 30, 2018

Rating ⁽¹⁾	Corporations		Banking and financial institutions		Middle-market companies	Total
	Private	State-owned	Private	State-owned	Private	
	1-4	1,321,449	613,743	2,122,932	332,395	
5-6	364,443	226,889	329,824	204,875	32,641	1,158,672
7	-	-	-	-	-	-
8	-	-	-	-	-	-
9	83,976	-	-	-	-	83,976
10	-	-	-	-	35,000	35,000
Total	1,769,868	840,632	2,452,756	537,270	123,992	5,724,518

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 September 30, 2018 and December 31, 2017, respectively.

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

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

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

	September 30,	December 31,
	2018	2017
Country:		
Argentina	541,010	294,613
Belgium	15,000	11,368
Bolivia	20,087	15,000
Brazil	1,175,590	1,019,466
Chile	158,991	170,827
Colombia	702,067	829,136
Costa Rica	312,215	356,459
Dominican Republic	273,560	249,926
Ecuador	175,845	94,315
El Salvador	54,895	55,110
Germany	22,500	37,500
Guatemala	253,345	309,024
Honduras	87,318	74,476
Jamaica	55,860	24,435
Luxembourg	19,985	19,924
Mexico	868,554	850,463
Nicaragua	24,953	29,804
Panama	540,394	500,134
Paraguay	124,917	59,536
Peru	135,932	211,846
Singapore	49,700	54,500
Switzerland	600	3,687
Trinidad and Tobago	111,200	175,000
United States of America	-	44,109
Uruguay	-	15,000
Total	5,724,518	5,505,658

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)**

The remaining loan maturities are summarized as follows:

	September 30,	December 31,
	2018	2017
Current:		
Up to 1 month	818,382	846,993
From 1 month to 3 months	1,024,512	1,079,793
From 3 months to 6 months	918,042	1,175,801
From 6 months to 1 year	1,076,886	922,711
From 1 year to 2 years	534,189	392,456
From 2 years to 5 years	1,190,185	989,222
More than 5 years	43,346	39,923
	5,605,542	5,446,899
Delinquent	2,857	-
Impaired	116,119	58,759
Total	5,724,518	5,505,658

As of September 30, 2018, and December 31, 2017, the range of interest rates on loans fluctuates from 0.85% and 11.62% (2017: 1.35% y 11.52%).

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

	September 30,	December 31,
	2018	2017

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Fixed interest rates	2,682,659	2,378,509
Floating interest rates	3,041,859	3,127,149
Total	5,724,518	5,505,658

As of September 30, 2018, and December 31, 2017, 80% 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:

	September 30, 2018			2018 Average	
	Recorded	Past due	Related	principal	Balance
	investment	principal	allowance	loan	interest
	balance	balance	Stage 3	balance	recognized
With an allowance recorded:					
Private corporations	83,976	6,248	62,620	40,480	745
Middle-market companies	35,000	35,000	26,588	35,000	3,838
Total	118,976	41,248	89,208	75,480	4,583

amount (net of
credit
allowance)

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

September 30, 2018

	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past due	Delinquent	Current	Total
Corporations	61,844	-	-	-	61,844	2,857	2,545,799	2,610,500
Banking and financial institutions	-	-	-	-	-	-	2,990,026	2,990,026
Middle-market companies	-	-	-	35,000	35,000	-	88,992	123,992
Total	61,844	-	-	35,000	96,844	2,857	5,624,817	5,724,518

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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 September 30, 2018, and December 31, 2017, the Bank had credit transactions in the normal course of business with 16% 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 September 30, 2018, and December 31, 2017, approximately 9% 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 September 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**

Gross carrying amount before modification

September 30, 2018 December 31, 2017

- 8,855

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Loss allowance before modification	-	(3,344)
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 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽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	(38,654)	38,654	-	-
Transfer in Financial Instruments with credit-impaired	(5,714)	(61,845)	67,559	-
Transfer in book value to stage 1	39,560	(39,560)	-	-
Financial instruments that have been derecognized during the period	(3,746,902)	(325,637)	(2,858)	(4,075,397)
Changes due to financial instruments recognized as of December 31, 2017	(3,751,710)	(388,388)	64,701	(4,075,397)
New financial assets originated or purchased	4,298,741	-	-	4,298,741
Write-offs	-	-	(4,484)	(4,484)
Gross carrying amount as of September 30, 2018	5,386,258	219,284	118,976	5,724,518
	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽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

(1) 12-month expected credit losses.

(2) Lifetime expected credit losses.

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

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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	(109)	109	-	-
Transfer to credit impaired financial instruments	(111)	(7,864)	7,975	-
Transfer to 12-month expected credit losses	4,172	(4,172)	-	-
Net effect of changes in reserve for expected credit losses	(4,249)	(179)	57,721	53,293
Financial instruments that have been derecognized during the period	(13,889)	(8,042)	-	(21,931)
Changes due to financial instruments recognized as of December 31, 2017	(14,186)	(20,148)	65,696	31,362
New financial assets originated or purchased	31,146	-	-	31,146
Write-offs	-	-	(4,484)	(4,484)
Recoveries of amounts previously written off	-	-	-	-
Allowance for expected credit losses as of September 30, 2018	36,781	13,329	89,208	139,318

	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).

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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:

	September 30, 2018				
	Nominal	Carrying amount of the		Changes in fair	
		hedging instrument		value used for	
	Amount	Asset	Liability	calculating hedge	
				ineffectiveness	
Fair value hedges:					
Interest rate swaps	433,500	414	(5,264)	) (490)
Cross-currency swaps	227,353	518	(13,670)	) 11,080	
Cash flow hedges:					
Interest rate swaps	457,500	1,516	(2,785)	) (968)
Cross-currency swaps	23,025	-	(663)	) (1,542)
Foreign exchange forward	169,988	943	(3,974)	) (11,640)
Net investment hedges:					
Foreign exchange forward	5,012	-	(38)	) (88)
Total	1,316,378	3,391	(26,394)	) (3,648)

	December 31, 2017				
	Nominal	Carrying amount of the		Changes in fair	
		hedging instrument		value used for	
	Amount	Asset	Liability	calculating	
				hedge	
				ineffectiveness	
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.

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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)**

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 September 30, 2018	
		Gain (loss)	
		reclassified from	Gain (loss)
		accumulated OCI	recognized on
		to the	derivatives
		consolidated	(ineffective
		statement of	portion)
		profit or loss	
Derivatives – cash flow hedge			
Interest rate swaps	42	Gain (loss) on interest rate swap	(3)
Cross-currency swaps	521	Gain (loss) on foreign currency exchange	(11)
		Interest income – loans	786
Foreign exchange forward	1,913	Interest income – securities at FVOCI	-
		Interest expenses – deposits	1,135
		Interest expense – borrowings and debt	-
		Gain (loss) on foreign currency exchange	(3,948)