FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 6-K
March 05, 2019

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

Long Form of Press Release

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

Panama City, Republic of Panama

(Address of Registrant's Principal Executive Offices)

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

Form 20-F x Form 40-F ¨

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

Yes ¨ No x

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 x

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: March 5, 2019

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

By: /s/ Ana Graciela de Méndez

Name: Ana Graciela de Méndez
Title: CFO

BLADEX ANNOUNCES PROFIT FOR THE FOURTH QUARTER 2018 OF $20.7 MILLION, OR $0.52 PER SHARE;

FULL-YEAR 2018 PROFIT OF $11.1 MILLION, OR $0.28 PER SHARE

PANAMA CITY, REPUBLIC OF PANAMA, February 28, 2019

Banco Latinoamericano de Comercio Exterior, S.A. (NYSE: BLX, "Bladex", or "the Bank"), a Panama-based multinational bank originally established by the central banks of 23 Latin-American and Caribbean countries to promote foreign trade and economic integration in the region, today announced its results for the fourth quarter ("4Q18") and Full-Year ("FY18") ended December 31, 2018.

The consolidated financial information in this document has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

FINANCIAL SNAPSHOT

(US$ million, except percentages and per share amounts)	**2018**	**2017**	**4Q18**	**3Q18**	**4Q17**
Key Income Statement Highlights					
Net Interest Income ("NII")	$109.7	$119.8	$28.0	$27.3	$28.1
Fees and commissions, net	$17.2	$17.5	$5.4	$3.7	$5.7
Total revenues	$127.6	$138.3	$34.1	$30.1	$34.5
(Impairment loss) recovery on financial instruments	$(57.5)	$(9.4)	$1.3	$(55.1)	$(0.8)
Impairment loss on non-financial assets	$(10.0)	$0.0	$(2.3)	$(4.8)	$0.0
Operating expenses	$(48.9)	$(46.9)	$(12.4)	$(10.9)	$(13.1)
Profit (Loss) for the period	$11.1	$82.0	$20.7	$(40.7)	$20.6
Profitability Ratios					
Earnings per Share ("EPS") (1)	$0.28	$2.09	$0.52	$(1.03)	$0.52
Return on Average Equity ("ROAE") (2)	1.1 %	8.0 %	8.3 %	-15.5 %	7.9 %
Return on Average Assets ("ROAA")	0.17 %	1.27 %	1.20 %	-2.58 %	1.31 %
Net Interest Margin ("NIM") (3)	1.71 %	1.85 %	1.61 %	1.74 %	1.78 %
Net Interest Spread ("NIS") (4)	1.21 %	1.48 %	1.08 %	1.20 %	1.38 %

Efficiency Ratio (5)	38.3 %	33.9 %	36.3 %	36.0 %	38.0 %
Assets, Capital, Liquidity & Credit Quality					
Commercial Portfolio (6)	$6,290	$5,999	$6,290	$6,305	$5,999
Treasury Portfolio	$107	$86	$107	$93	$86
Total assets	$7,609	$6,268	$7,609	$6,561	$6,268
Total stockholders' equity	$994	$1,043	$994	$989	$1,043
Market capitalization (7)	$684	$1,061	$684	$975	$1,061
Tier 1 Basel III Capital Ratio (8)	18.1 %	21.1 %	18.1 %	17.8 %	21.1 %
Total assets / Total stockholders' equity (times)	7.7	6.0	7.7	6.6	6.0
Liquid Assets / Total Assets (9)	22.4 %	9.9 %	22.4 %	11.7 %	9.9 %
NPL to Loan Portfolio (10)	1.12 %	1.07 %	1.12 %	2.08 %	1.07 %
Total allowance for losses (11) to Commercial Portfolio	1.65 %	1.47 %	1.65 %	2.26 %	1.47 %
Total allowance for losses (11) to NPL (times)	1.6	1.5	1.6	1.2	1.5

4Q18 & FY18 Highlights

- Bladex reported a profit of $20.7 million in 4Q18, compared to a loss of $40.7 million in 3Q18, on quarterly improvement of top line revenues (+13% QoQ), and lower impairment losses. 4Q18 Profit increased 1% YoY, reflecting stable total revenues (-1% YoY) and improved efficiency.

- For the year, the Bank’s $11.1 million profit was primarily impacted by impairment loss on financial instruments for $57.5 million, from credit provisions associated to credit impaired loans (Non-Performing Loans or “NPLs”), mainly in Brazil’s sugar sector. The Bank also incurred a $10.0 million impairment loss on non-financial assets, related to credit restructurings and to the disposal of obsolete technology, in line with the Bank’s objective to optimize its operating platform.

- Net Interest Income ("NII") for the 4Q18 increased 2% QoQ to $28.0 million (-1% YoY). Net Interest Margin ("NIM") decreased by 13bps to 1.61% QoQ due to higher than anticipated increases in central bank deposits at year end, resulting in significant liquidity positions of low yielding assets.

- NII for FY18 totaled $109.7 million, 8% lower YoY, mostly impacted by a 14bps decrease in NIM to 1.71%, on narrower net lending spreads from a portfolio with exposure to high quality borrowers such as systemic financial institutions, sovereign and quasi-sovereign entities, and USD generating top-tier corporate clients.

- Fees and Commissions income totaled $5.4 million in 4Q18 (+46% QoQ; -5% YoY), and $17.2 million for all of 2018 (-2% YoY). The upward trend in commissions from letters of credit was offset by lower loan structuring fees. Bladex closed seven syndicated transactions in 2018.

- Operating expenses were $12.4 million in 4Q18 (+14% QoQ; -6% YoY), and $48.9 million in FY18 (+4% YoY). The annual increase in expenses was primarily attributable to non-recurring charges from personnel restructuring and the streamlining of processes and of technological infrastructure. Efficiency Ratio stood at 36% for 4Q18 and 38% for FY18.

- NPL balances decreased to $64.7 million, or 1.12% of total Loan Portfolio balances at the end of 4Q18. This compares to $119.0 million, or 2.08%, at the end of 3Q18, and to $58.8 million, or 1.07%, at the end of 4Q17. The decrease was primarily associated with loan restructurings, collections through sales and partial write-offs against individually allocated allowances for expected credit losses.

- Allowance for credit losses on the Commercial Portfolio totaled $104.1 million at year-end 2018, or 1.65% of the portfolio from 1.47% YoY, representing a reserve coverage of 1.6 times NPL balances.

- End-of-period Commercial Portfolio balances increased by 5% YoY and remained stable QoQ at $6.3 billion. Average balances were up to $6.2 billion in 4Q18 (+3% QoQ; +6% YoY) and to $6.0 billion in FY18 (+3% YoY).

- The Bank's Tier 1 Basel III Capital Ratio remained solid at 18.1%, with increased level of risk-weighted assets reflecting annual Commercial Portfolio growth.

CEO's Comments

Mr. N. Gabriel Tolchinsky, Bladex's Chief Executive Officer, said, "*In our third quarter 2018 conference call we mentioned that the credit quality of our portfolio, cost structure and allowances for expected credit losses, set the base to improve our earnings generation capacity. Our fourth quarter 2018 earnings are the first step in that direction.*

Although still sub-par, growth rates of 2% – or slightly higher – are now possible for Latin America in 2019, we saw some recent positive news. Jair Bolsonaro's election hit the ground running with several market friendly announcements regarding opening the Brazilian economy and introducing fiscal adjustments reforms. The USMCA was a bright spot in an otherwise grim picture from Mexico. Argentina completed its IMF agreement, without the social unrest feared by some. Even Costa Rica, which stretched the patience of the rating agencies, managed to approve in their famous Sala IV a fiscal reform package.

That said, problem spots such as Mexico, which seems to be deviating from the macroeconomic policies established over the last 20 years, and Argentina, which is in the midst of a recession generated by restrictive IMF policies, will continue to increase volatility and dampen growth expectations.

At the same time, macroeconomic global risks are intensifying. Now we need to add the prospects of slowing economies in Europe and China (and possibly the U.S.) to a tense protectionist trade environment.

What does this all mean for Bladex? A macroeconomic context that offers no room for complacency as risks of major economies slowing and trade tensions continuing are partially counterbalanced by a somewhat better macroeconomic picture in a few key countries in Latin America.

Although our headline margins were impacted by low yielding liquidity due to higher than expected central bank deposits, Bladex continues to improve its origination. We have a better mix of medium-term to short-term loans, thereby lengthening the average life of our portfolio and increasing our origination margins.

Our NPLs declined due to asset sales, restructurings and partial write-offs. Our Tier 1 capital ratio remains strong. Our book value remains solid over $25 a share. On this basis, Bladex's Board of Directors approved to maintain our quarterly dividend.

Against this backdrop, both the management of Bladex, and its Board of Directors are cautiously optimistic for 2019 and look for an improvement in profitability throughout the year."

RESULTS BY BUSINESS SEGMENT

The Bank's activities are managed and executed in two business segments, Commercial and Treasury. The business segment results are determined based on the Bank's managerial accounting process as defined by IFRS 8 – Operating Segments, which assigns consolidated statement of financial positions, revenue and expense items to each business segment on a systemic basis.

COMMERCIAL BUSINESS SEGMENT

The Commercial Business Segment encompasses the Bank's core business of financial intermediation and fee generation activities developed to cater to corporations, financial institutions and investors in Latin America. The extensive array of products and services include the origination of bilateral short- and medium-term loans, structured and syndicated credits, loan commitments, letter of credit contingencies such as issued and confirmed letters of credit, stand-by letters of credit, guarantees covering commercial risk, and other assets consisting of customers' liabilities under acceptances. Profits from the Commercial Business Segment include (i) net interest income from loans; (ii) fess and commissions from the issuance, confirmation and negotiation of letters of credit, guarantees and loan commitments, and through loan structuring and syndication activities; (iii) gain on the sale of loans generated through loan intermediation activities, such as sales in the secondary market and distribution in the primary market; (iv) recovery (impairment loss) on financial instruments, such as loans at amortized cost and loan commitments and financial guarantee contracts, as well as impairment loss in other non-financial assets; and (v) direct and allocated operating expenses.

As of December 31, 2018, Commercial Portfolio balances remained stable QoQ at $6.3 billion, a 5% increase compared to $6.0 billion as of December 31, 2017. Average Commercial Portfolio balances were up to $6.2 billion in 4Q18, resulting in a 3% QoQ and 6% YoY increases, and to $6.0 billion in FY18, a 3% increase from a year ago.

The exposure of the portfolio remains well diversified across regions and industry sectors, with 52% of total Commercial Portfolio on the Bank's traditional client base of Financial Institutions (49% in 2017) and a steady 19% of total Commercial Portfolio placed in Brazil, unchanged from a quarter ago and still representing the country with the largest exposure. As of December 31, 2018, trade finance transactions represented 59% of the short-term Commercial Portfolio, nearly unchanged from 60% a quarter ago and down from 74% a year ago. 74% of the Commercial Portfolio was scheduled to mature within a year, nearly stable compared to 75% a quarter ago and down from 81% a year ago, reflecting higher mid-term lending origination throughout the year.

3

The following graphs illustrate the geographic distribution of the Bank’s Commercial Portfolio, highlighting the portfolio´s risk diversification by country and across industry segments:

Refer to Exhibit IX for additional information relating to the Bank’s Commercial Portfolio distribution by country, and Exhibit XI for the Bank’s distribution of loan disbursements by country.

4

(US$ million)	**2018**	**2017**	**YoY (%)**	**4Q18**	**3Q18**	**4Q17**	QoQ (%)	YoY (%)
Commercial Business Segment:								
Net interest income	$109.8	$120.6	-9%	$28.4	$26.4	$28.9	7%	-2%
Other income (expense)	18.0	18.9	-5%	5.8	4.3	6.5	35%	-12%
Total revenues	127.8	139.5	-8%	34.1	30.7	35.4	11%	-4%
Impairment loss on financial instruments	(57.6)	(9.9)	-480%	1.3	(55.1)	(0.9)	102%	241%
Impairment loss on non-financial assets	(6.0)	0.0	n.m.	(2.3)	(0.8)	0.0	-190%	n.m.
Operating expenses	(37.4)	(35.9)	-4%	(9.3)	(8.6)	(9.7)	-9%	4%
Profit (Loss) for the segment	$26.8	$93.7	-71%	$23.8	$(33.8)	$24.9	170%	-4%

"n.m." means not meaningful.

The Commercial Business Segment reported a profit of $23.8 million for the 4Q18, a QoQ positive swing resulting mainly from the impairment losses charged in the previous quarter and an 11% improvement in total revenues from higher NII and fee income generation.

Full-Year 2018 Commercial Business Segment’s result of $26.8 million was mainly impacted by impairment loss on financial instruments from higher credit provisions associated to NPLs, mainly in Brazil’s sugar sector, and the impairment loss on non-financial assets related to credit restructurings. In addition, the yearly result was also impacted by lower NII due to narrower net lending spreads from a portfolio with exposure to high quality borrowers such as systemic financial institutions, sovereign and quasi-sovereign entities, and USD generating top-tier corporate clients.

TREASURY BUSINESS SEGMENT

The Treasury Business Segment focuses on managing the Bank’s investment portfolio and the overall structure of its assets and liabilities to achieve more efficient funding and liquidity positions for the Bank, mitigating the traditional financial risks associated with its balance sheet, such as interest rate, liquidity, price and currency risks. Interest-earning assets managed by the Treasury Business Segment include liquidity positions (cash and cash equivalents), and security instruments related to the investment management activities, consisting of securities at fair value through other comprehensive income (“OCI”) and investment securities at amortized cost (“Treasury Portfolio”). The Treasury Business Segment also manages the Bank’s interest-bearing liabilities, which constitute its funding sources, mainly deposits, short- and long-term borrowings and debt.

Profit from the Treasury Business Segment includes net interest income derived from the above mentioned treasury assets and liabilities and related net other income (net results from derivative financial instruments and foreign currency exchange, gain (loss) per financial instruments at fair value through profit or loss, gain (loss) per financial instruments at fair value through OCI, and other income), recovery (impairment loss) on financial instruments, and direct and allocated operating expenses.

Liquidity balances amounted to $1.7 billion at year-end 2018, of which 97% were held in deposits with the Federal Reserve Bank of New York, compared to $0.8 billion, or same portion of liquid assets, at the end of 3Q18, and compared to $0.6 billion, or 98% of liquid assets, a year ago. Year-end liquidity balances were above historical levels, as the Bank resorted to alternative funding sources in anticipation of a potential temporary decline of its deposit base. Although the average deposit balances declined 12% QoQ, this trend was reverted by the end of the year, resulting in a 7% increase QoQ. Consequently, liquidity balances represented 22.4% of total assets and 57.4% of total deposits at year-end 2018, compared to 11.7% and 27.5% a quarter ago, and 9.9% and 21.1% a year ago, respectively.

5

The Treasury Portfolio balances totaled $107 million as of December 31, 2018, compared to $93 million as of September 30, 2018, and compared to $86 million as of December 31, 2017. As of these dates, the Investment Securities Portfolio accounted for 1% of total assets, respectively, mostly consisting of readily-quoted Latin American securities, and of which 76% represented sovereign or state-owned risk at the end of the 4Q18, compared to 77% and 79% a quarter and year ago, respectively (refer to Exhibit X for a per-country risk distribution of the Treasury Portfolio).

On the funding side, deposit balances increased 7% QoQ and 1% YoY to reach $3.0 billion, which represents 46% of total funding sources, at the end of 4Q18, compared to $2.8 billion, or 51% of total funding sources at the end of 3Q18 and $2.9 billion, or 57% of total funding sources at the end of the 4Q17. The majority of the deposits are placed by central banks or designees (i.e.: Class A shareholders of the Bank), with 71%, 74%, and 67%, of total deposits, at the end of these periods, respectively. As of December 31, 2018, borrowings and debt increased 32% QoQ and 59% YoY, as a result of a conservative liquidity management approach and the funding requirements of the Bank’s commercial origination.

Weighted average funding costs were 3.13% in 4Q18 (up 24bps QoQ and 103bps YoY) and 2.76% in FY18 (up 81bps YoY), mainly reflecting higher LIBOR-based market rates with funding spreads annually down but slightly up on a quarterly basis.

(US$ million)	**2018**	**2017**	YoY (%)	**4Q18**	**3Q18**	**4Q17**	QoQ (%)	YoY (%)
Treasury Business Segment:								
Net interest income	$(0.0)	$(0.8)	95%	$(0.4)	$0.9	$(0.8)	-145%	52%
Other income (expense)	(0.2)	(0.4)	64%	0.4	(1.4)	(0.2)	125%	338%
Total revenues	(0.2)	(1.2)	84%	(0.0)	(0.6)	(0.9)	96%	97%
Recovery on financial instruments	0.1	0.5	-78%	0.1	0.0	0.1	n.m.	-41%
Operating expenses	(11.5)	(11.0)	-5%	(3.1)	(2.3)	(3.4)	-33%	10%
Loss for the segment	$(11.6)	$(11.7)	1%	$(3.0)	$(2.9)	$(4.3)	-5%	29%

"n.m." means not meaningful.

Fourth Quarter and Full-Year 2018 Treasury Business Segment’s losses were $3.0 million (-5% QoQ; 29% YoY) and $11.6 million (+1% YoY), respectively. The annual improvement was primarily associated to an increase in total revenues mainly from higher NII, as the Bank optimized its GAP position. Other income (expense), mostly related to hedging derivatives valuations and gain on sale of financial instruments, remained relatively stable on a full-year basis.

NET INTEREST INCOME AND MARGINS

(US$ million, except percentages)	**2018**	**2017**	YoY (%)	**4Q18**	**3Q18**	**4Q17**	QoQ (%)	YoY (%)
Net Interest Income								
Interest income	$258.5	$226.1	14 %	$74.1	$65.0	$55.8	14 %	33 %
Interest expense	(148.7)	(106.3)	-40 %	(46.1)	(37.7)	(27.7)	-22 %	-67 %
Net Interest Income	$109.7	$119.8						