

FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 20-F
June 11, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2009

OR

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

OR

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

Date of event requiring this shell company report.....

For the transition period from _____ to _____

Commission File Number 1-11414

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.
(Exact name of Registrant as specified in its charter)

FOREIGN TRADE BANK OF LATIN AMERICA, INC.
(Translation of Registrant's name into English)

REPUBLIC OF PANAMA
(Jurisdiction of incorporation or organization)

Calle 50 y Aquilino de la Guardia

P.O. Box 0819-08730

Panama City, Republic of Panama
(Address of principal executive offices)

Christopher Schech
Chief Financial Officer
(507) 210-8500

Email address: cschech@bladex.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Class E Common Stock	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

6,342,189	Shares of Class A Common Stock
2,584,882	Shares of Class B Common Stock
27,618,545	Shares of Class E Common Stock
0	Shares of Class F Common Stock
36,545,616	Total Shares of Common Stock

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

.. Yes x No

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

.. Yes x No

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

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

Yes No

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

U.S. GAAP IFRS Other

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 Item 18

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

Yes No

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

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In this Annual Report on Form 20-F (this “Annual Report”), references to the “Bank” or “Bladex” are to Banco Latinoamericano de Comercio Exterior, S.A., a specialized supranational bank incorporated under the laws of the Republic of Panama (“Panama”) and its consolidated subsidiaries. References to “Bladex Head Office” are to Banco Latinoamericano de Comercio Exterior, S.A. in its individual capacity. References to “U.S. dollars” or “\$” are to United States dollars. The Bank accepts deposits and raises funds principally in United States dollars, grants loans mostly in United States dollars and publishes its consolidated financial statements in United States dollars. The numbers and percentages set out in this Annual Report have been rounded and, accordingly, may not total exactly.

Upon written or oral request, the Bank will provide without charge to each person to whom this Annual Report is delivered, a copy of any or all of the documents listed as exhibits to this Annual Report (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference in the documents). Written requests for copies should be directed to the attention of Christopher Schech, Chief Financial Officer, Bladex, as follows: (1) if by regular mail, to P.O. Box 0819-08730, Panama City, Republic of Panama, and (2) if by courier, to Calle 50 y Aquilino de la Guardia, Panama City, Republic of Panama. Telephone requests may be directed to Mr. Schech at 011 + (507) 210-8630. Written requests may also be faxed to Mr. Schech at 011 + (507) 269-6333 or sent via e-mail to cschech@bladex.com. Information is also available on the Bank’s website at: <http://www.bladex.com>.

Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from these forward-looking statements include the risks described in the section titled “Risk Factors.” Forward-looking statements include statements regarding:

- the anticipated growth of the Bank’s credit portfolio, including its trade finance portfolio;
 - the Bank’s ability to increase the number of clients;
- the Bank’s ability to maintain its investment-grade credit ratings and preferred creditor status;
- the effects of changing interest rates, inflation, exchange rates and of an improving macroeconomic environment in Latin America and the Caribbean on the Bank’s financial condition;
 - the execution of the Bank’s strategies and initiatives, including its revenue diversification strategy;
 - anticipated operating income and return on equity in future periods;
 - the Bank’s level of capitalization and debt;
 - the implied volatility of the Bank’s Treasury and Asset Management trading revenues;
- levels of defaults by borrowers and the adequacy of the Bank’s allowance and provisions for credit losses;
 - the availability and mix of future sources of funding for the Bank’s lending operations;
 - the adequacy of the Bank’s sources of liquidity to cover large deposit withdrawals;
- management’s expectations and estimates concerning the Bank’s future financial performance, financing, plans and programs, and the effects of competition;
 - existing and future governmental banking and tax regulations;
 - credit and other risks of lending and investment activities; and
 - the Bank’s ability to sustain or improve its operating performance.

In addition, the statements included under the headings “Strategy in 2010” and “Trend Information” are forward-looking statements. All forward-looking statements in this Annual Report are made as of the date hereof, based on information available to the Bank as of the date hereof, and the Bank assumes no obligation to update any forward-looking statement.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not required in this Annual Report.

Item 2. Offer Statistics and Expected Timetable

Not required in this Annual Report.

Item 3. Key Information

A. Selected Financial Data

The following table presents consolidated selected financial data for the Bank. The financial data presented below are at and for the years ended December 31, 2009, 2008, 2007, 2006, and 2005, and are derived from the Bank's consolidated financial statements for the years indicated, which were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are stated in U.S. dollars. The consolidated financial statements for the years ended December 31, 2009, 2008 and 2007 were audited by the independent registered public accounting firm Deloitte, Inc., and the consolidated financial statements of the Bank for the years ended December 31, 2006 and 2005, were audited by the independent registered public accounting firm KPMG. The consolidated financial statements of the Bank for each of the three years in the period ended December 31, 2009 (the "Consolidated Financial Statements") are included in this Annual Report, together with the report of the independent registered public accounting firm Deloitte, Inc. The information below is qualified in its entirety by the detailed information included elsewhere herein and should be read in conjunction with Item 4, "Information on the Company," Item 5, "Operating and Financial Review and Prospects," and the Consolidated Financial Statements and notes thereto included in this Annual Report.

Consolidated Selected Financial Information

	As of and for the Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In \$ thousand, except per share data and ratios)				
Income Statement Data:					
Net interest income	\$ 64,752	\$ 77,847	\$ 70,570	\$ 58,837	\$ 45,253
Fees and commissions, net	6,733	7,252	5,555	6,393	5,826
Reversal (provision) for credit losses (1)	(14,830)	1,544	1,475	13,045	38,374
Derivative financial instruments and hedging	(2,534)	9,956	(989)	(225)	2,338
Recovery (impairment) on assets, net	(120)	(767)	(500)	5,551	10,206
Net gain from investment fund trading	24,997	21,357	23,878	1,091	0
Net gain (loss) from trading securities	13,113	(20,998)	(12)	(212)	0
Net gain on sale on securities available-for-sale	546	67	9,119	2,568	206
	613	(1,596)	115	(253)	3

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Gain (loss) on foreign currency exchange					
Other income (expense), net	912	656	(6)	36	3
Total operating expenses	(38,202)	(39,990)	(37,027)	(28,929)	(24,691)
Cumulative effect of accounting changes	0	0	0	0	2,583
Consolidated Net income	55,980	55,327	72,177	57,902	80,101
Net income attributable to the redeemable noncontrolling interest	(1,118)	(208)	0	0	0
Net income attributable to Bladex	54,862	55,119	72,177	57,902	80,101
Balance Sheet Data:					
Trading assets	50,277	44,939	0	0	0
Investment securities	456,984	636,328	468,360	471,351	208,570
Investment fund	197,575	150,695	81,846	105,199	0
Loans	2,779,262	2,618,643	3,731,838	2,980,772	2,610,019
Allowance for loan losses	73,789	54,648	69,643	51,266	39,448
Total assets	3,878,771	4,362,678	4,698,571	3,922,373	3,159,231
Total deposits	1,256,246	1,169,048	1,462,371	1,056,278	1,046,618
Trading liabilities	3,152	14,157	13	0	0
Securities sold under repurchase agreements and short-term borrowings	399,132	1,212,921	1,504,710	1,595,604	760,699
Borrowings and long-term debt	1,390,387	1,204,952	1,010,316	558,860	533,860
Total liabilities	3,168,234	3,783,665	4,086,320	3,338,477	2,542,449
Total stockholders' equity	675,637	574,324	612,251	583,896	616,782
Average number of shares outstanding	36,493	36,388	36,349	37,065	38,550
Average number of diluted shares outstanding	36,571	36,440	36,414	37,572	38,860
Per Common Share Data:					
Basic earnings per share	1.50	1.51	1.99	1.56	2.01
Diluted earnings per share	1.50	1.51	1.98	1.54	1.99
Book value per share (period end)	18.49	15.77	16.83	16.07	16.19
Regular cash dividends per share	0.60	0.88	0.88	0.75	0.60
Special cash dividends per share	0.00	0.00	0.00	1.00	2.00
Selected Financial Ratios:					
Performance Ratios:					
Return on average assets	1.38%	1.09%	1.76%	1.70%	3.00%
Return on average stockholders' equity	8.60%	8.99%	11.91%	9.96%	12.85%
Net interest margin (2)	1.62%	1.55%	1.73%	1.78%	1.70%
Net interest spread (2)	1.12%	0.98%	0.78%	0.69%	0.67%
Total operating expenses to total average assets	0.96%	0.79%	0.90%	0.85%	0.93%
Regular cash dividend payout ratio	39.91%	58.09%	44.32%	48.01%	29.84%
Special cash dividend payout ratio	0.00%	0.00%	0.00%	64.01%	99.46%

Liquidity Ratios:					
Liquid assets(3) / total assets	10.36%	18.92%	8.43%	10.16%	7.12%
Liquid assets(3) / total deposits	32.00%	70.62%	27.08%	37.72%	21.49%
Asset Quality Ratios:					
Non-accrual loans to total loans					
(4)	1.82%	0.00%	0.00%	0.00%	1.11%
Impaired loans to total loans (4)	1.29%	0.00%	0.00%	0.00%	1.11%
Charged-off loans to total loans	0.00%	0.00%	0.00%	0.00%	0.36%
Allowance for loan losses to total loans, net of unearned income and deferred commission					
	2.66%	2.09%	1.87%	1.72%	1.51%
Allowance for losses on off-balance sheet credit risk to total contingencies					
	8.28%	6.95%	2.51%	4.18%	6.56%
Capital Ratios:					
Stockholders' equity to total assets					
	17.42%	13.16%	13.03%	14.89%	19.52%
Average stockholders' equity to total average assets					
	16.06%	12.11%	14.75%	17.09%	23.37%
Leverage ratio(5)					
	5.7x	7.6x	7.7x	6.7x	5.1x
Tier 1 capital to risk-weighted assets(6)					
	25.8%	20.4%	21.2%	23.8%	33.7%
Total capital to risk-weighted assets(7)					
	27.0%	21.6%	22.5%	25.1%	35.0%
Risk-weighted assets	\$ 2,633,482	\$ 3,143,971	\$ 2,917,393	\$ 2,436,812	\$ 1,827,928

- (1) Includes reversal of (provision for) loan losses and for losses on off-balance sheet credit risks. For information regarding reversal of (provision for) credit losses, see Item 5, "Operating and Financial Review and Prospects/Operating Results."
- (2) For information regarding calculation of the net interest margin and the net interest spread, see Item 5A, "Operating and Financial Review and Prospects/Operating Results/Net Interest Income and Margins."
- (3) Liquid assets consist of investment-grade 'A' securities, and cash and due from banks, excluding pledged deposits. See Item 18, "Financial Statements" Note 3 to the Audited Financial Statements.
- (4) Non-accrual loans amounted \$51 million in 2009 compared to \$29 million in 2005, of which \$36 million corresponded to impaired loans in 2009 and \$29 million in 2005. In determining impairment factors considered by the Bank's management include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence.
- (5) Leverage ratio is the ratio of total assets to stockholders' equity.
- (6) Tier 1 capital is calculated according to Basel I capital adequacy guidelines, and is equivalent to stockholders' equity, excluding the Other Comprehensive Income ("OCI") account effect of the available-for-sale portfolio. The Tier 1 capital ratio is calculated as a percentage of risk-weighted assets. Risk-weighted assets are, in turn, also calculated based on Basel I capital adequacy guidelines.
- (7) Total capital refers to Tier 1 capital plus Tier 2 capital, based on Basel I capital adequacy guidelines. Total capital refers to the total capital ratio as a percentage of risk-weighted assets.

B. Capitalization and Indebtedness

Not required in this Annual Report.

C. Reasons for the Offer and Use of Proceeds

Not required in this Annual Report.

D. Risk Factors

Risks Relating to the Bank's Business

Bladex faces liquidity risk, and its failure to adequately manage this risk could result in a liquidity shortage, which could adversely affect its financial condition, results of operations and cash flows.

Bladex, like all financial institutions, faces liquidity risk, or the risk of not being able to maintain adequate cash flow to repay its deposits and borrowings and fund its credit portfolio on a timely basis. Failure to adequately manage its liquidity risk could produce a cash shortage as a result of which the Bank would not be able to repay these obligations as they become due.

As of December 31, 2009, approximately 12% of the Bank's funding represents short-term borrowings from international banks, the majority of which are European, North American and Asian institutions, which compete with the Bank in its credit extension activity and represent a source of business for the Bank. If these international banks cease to provide funding to the Bank, the Bank would have to seek funding from other sources, which may not be available, or if available, may be at a higher cost.

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

As of December 31, 2009, approximately 26% of the Bank's short-term funding represents deposits from Central Banks.

As a U.S. dollar-based economy, Panama does not have a central bank in the traditional sense, and there is no lender of last resort to the banking system in the country. Central Banks in the Region would not be obligated to act as lenders of last resort if Bladex were to face a liquidity shortage and the Bank would have to rely on commercial liquidity sources to cover the shortfall.

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

The Bank determines the appropriate level of allowances for credit losses based on a process that estimates the probable loss inherent in its portfolio, which is the result of a statistical analysis supported by the Bank's historical portfolio performance and the qualitative judgment of the Bank's Management. The latter includes assumptions and estimates made in the context of changing political and economic conditions in the Region. The Bank's allowances could be inadequate to cover losses in its credit portfolio due to exposure concentration or deterioration in certain sectors or countries, which in turn, could have a material adverse effect on the Bank's financial condition, results of operations and cash flows.

The Bank's businesses are subject to market risk.

Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with many of the Bank's operations and activities, including loans, deposits, investment and trading securities, short-term borrowings,

long-term debt, derivatives and trading positions. Among many other market conditions that may shift from time to time are fluctuations in interest rates and currency exchange rates, changes in the implied volatility of interest rates and changes in securities prices, due to changes in either market perception or actual credit quality of either the issuer or its country of origin. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse affects on the Bank's financial condition, results of operations, cash flows and business.

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

The Bank faces interest rate risk that is caused by the mismatch in maturities of interest-earning assets and interest-bearing liabilities. If not properly managed, this mismatch can reduce net interest income as interest rates fluctuate.

As a bank, Bladex faces interest