Your Connection to Latin America

Bladex

Annual Report
2012

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NOTE: CORPORATE GOVERNANCE (For purposes of section 303A of the NYSE Listed Company Manual / Corporate Governance rules).

Bladex chose to include the information and documentation pertaining to compliance with section 303A of the NYSE Listed Company Manual / Corporate Governance rules on its website (www.bladex.com). Bladex will continuously update this information.

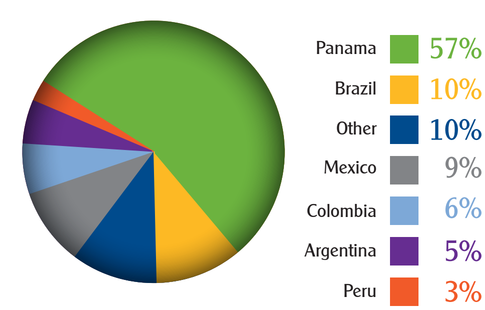
Who we are

A genuinely latin american bank

Bladex is a supranational bank represented by 23 central banks from the Region, with more than 30 years of experience in Latin America, and with deep knowledge of the economy's various sectors, gained through

Bladex's Staff, by Nationality

December 31, 2012

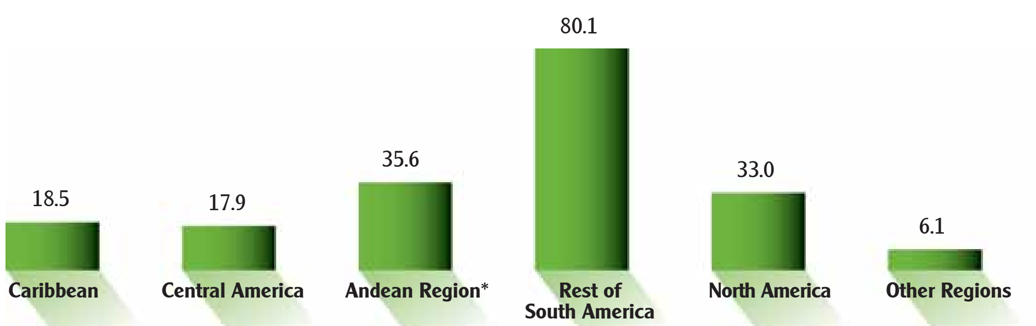


our close relationships with clients and governments.

With a global network of correspondent banks, and local presence in six countries and eight cities in the Region, Bladex has disbursed over $191 billion in credits since our inception. The Bladex brand is synonymous with a commitment to excellence in providing customized customer service, and integrated financial solutions for investors and companies in the trade value chain in Latin America.

Accumulated Credit Disbursements since Inception

In US$ billion



* Includes Bolivia, Colombia, Ecuador and Peru

Who we are

A world class institution

Our unique combination of share ownership that includes governments, and public shareholders in the USA, as well as an international presence in several markets, requires the highest standards of Corporate Governance.

Our model for Corporate Governance determines the way we manage the Organization, reflecting our ethical standards, our integrated risk management framework, and our commitment to shareholders to adhere to best market practices. This model ensures that we comply with the rules and regulations enforced by the various regulatory authorities throughout the Americas to which Bladex is subject.

Transparency

- Regulatory reports
- Conference calls
- Press releases
- Analyst reports
- Roadshows with investors and financial institutions
- Rating agency reports
- Information available on the website

Bladex's Credit Ratings

	Rating Agencies		
	Moody's	Fitch	S & P
TERM	Mar '12*	Jul '12*	Sep '12*
Short Term	P-2	F2	A-2
Long Term	Baa2	BBB+	BBB
Perspective	Stable	Stable	Stable

* Confirmation date of rating

Our Corporate Governance model underpins everything we do; it encompasses the internal control structure by which we actively safeguard the assets and capital of our shareholders, and ensures the strict adherence to applicable accounting standards.

Bladex has been listed on the New York Stock Exchange for over 20 years, being the first Latin American bank to be listed on NYSE–Euronext, and was the first Latin American bank to receive an investment grade rating (1992), which it still holds today.

The Bank is actively involved with international organizations, including as a member of the International Advisory Committee of the NYSE Board of Directors (IAC), a member of the Latin American Business Council (CEAL), and as a member of the Board of Directors of the Association of Trade and Forfaiting in the Americas (ATFA). Since its inception in 1979, Bladex has enjoyed preferred creditor status granted by most of the countries in the Region where it operates.

Internal Corporate Governance Mechanisms

- Disclosure Committee
- Code of ethics
- Whistleblower program
- Internal controls designed and tested to comply with the Panamanian regulations and Section 404 of the Sarbanes Oxley Act
- Operating Risk Committee
- Management Committee

Accounting and Regulatory Standards

- US GAAP
- Superintendency of Banks of Panama
- Securities and Exchange Commission (SEC)
- Sarbanes Oxley (SOX)

Who we are

A bank with vast experience in foreign trade

Bladex has unrivaled capabilities in delivering products and services across the foreign trade value chain. These stem from its deep knowledge of the Region and its unique expertise in foreign trade, qualities gained as a result of more than 30 years of experience and focus.

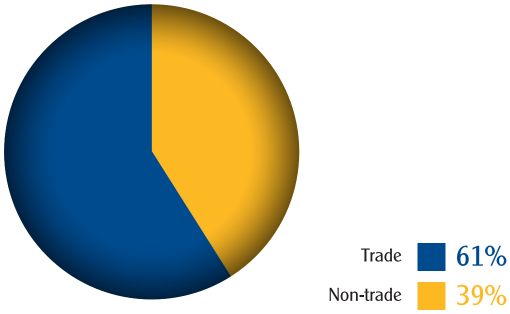
Our clients benefit from a business model that facilitates the connection between Latin America and the rest of the world, whether they are buying and selling products, or investing in the Region.

The various stakeholders involved in business in Latin America, whether financial institutions, Latin American multinational companies, investors, or traditional exporters and importers, find in our business proposition both traditional trade finance products and services, as well as financial solutions customized to their specific needs.

Commercial Portfolio

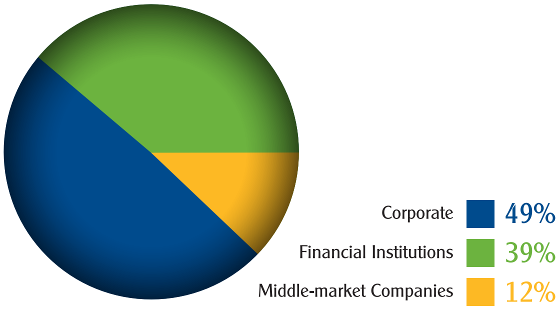
By Trade Indicator

December 31, 2012



By Business Segment

December 31, 2012

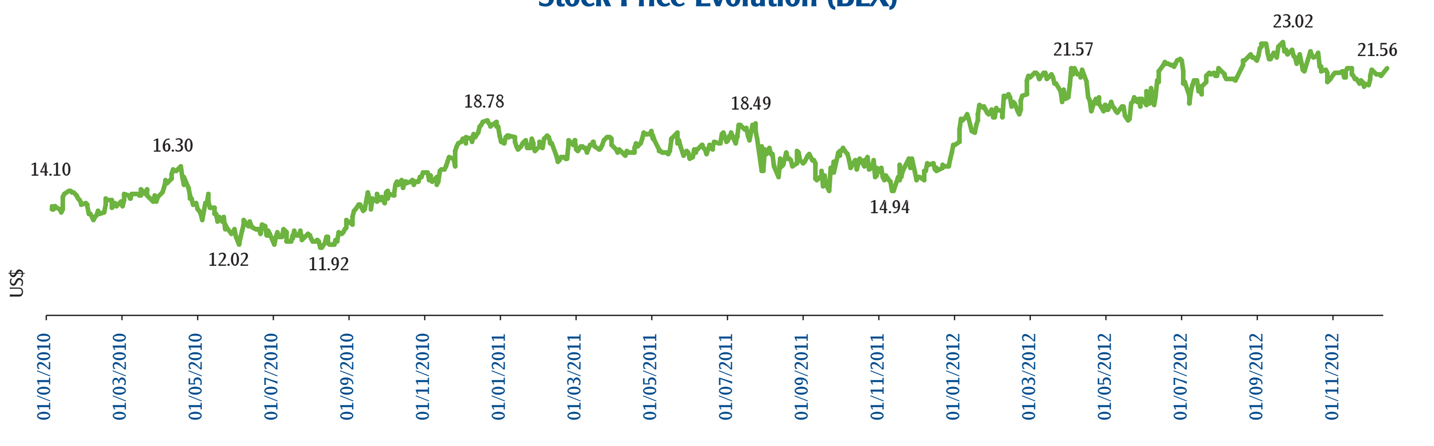


Who we are

Value added to our shareholders

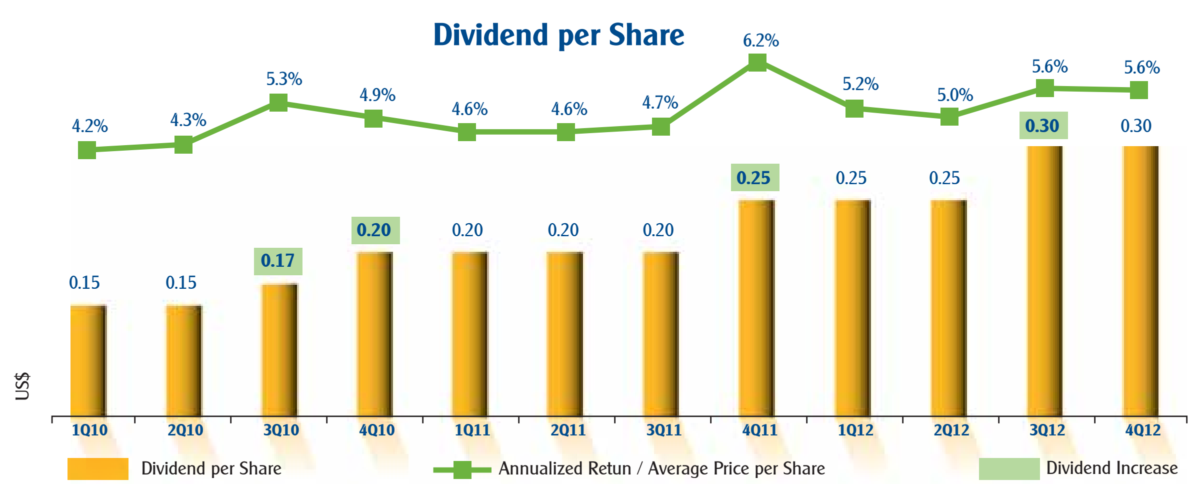
Bladex has a long tradition of sharing results with its shareholders, with a policy of paying quarterly dividends based on sustainable earnings growth. The year 2012 brought yet another dividend increase, as the quarterly dividend was raised from $0.25 per share to $0.30 per share, providing a dividend yield in excess of 5% per

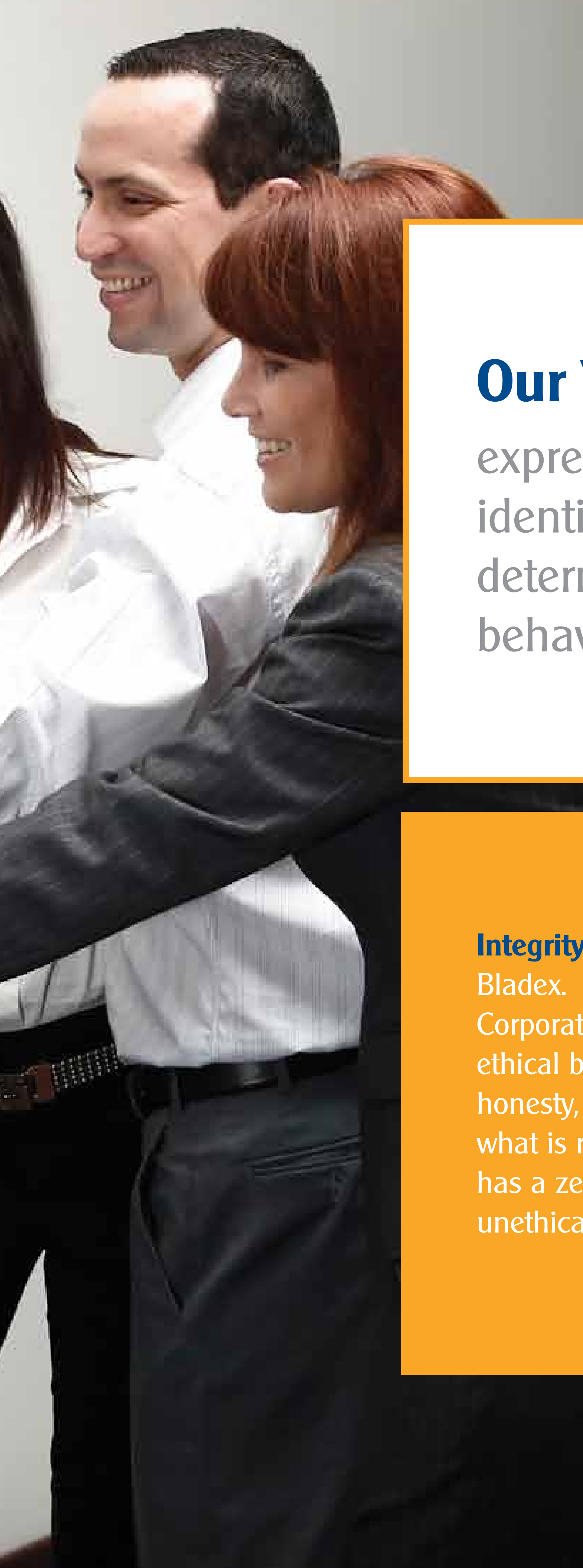
Stock Price Evolution (BLX)



annum. This was the fourth such increase over a period of 10 quarters.

The market has recognized Bladex's performance with an appreciation of its stock price of 34% in 2012. With a price-to-book ratio of only 1x, and a steadily growing business franchise, Bladex remains an attractive investment opportunity to investors interested in participating in the growth of Latin America. Bladex offers investors access to an entire continent, through an institution that has built a balanced portfolio spanning the Region, and that is uniquely positioned to benefit from the continued strong growth prospects of Latin America and its economies.





Our Values

express our identity and determine our behavior

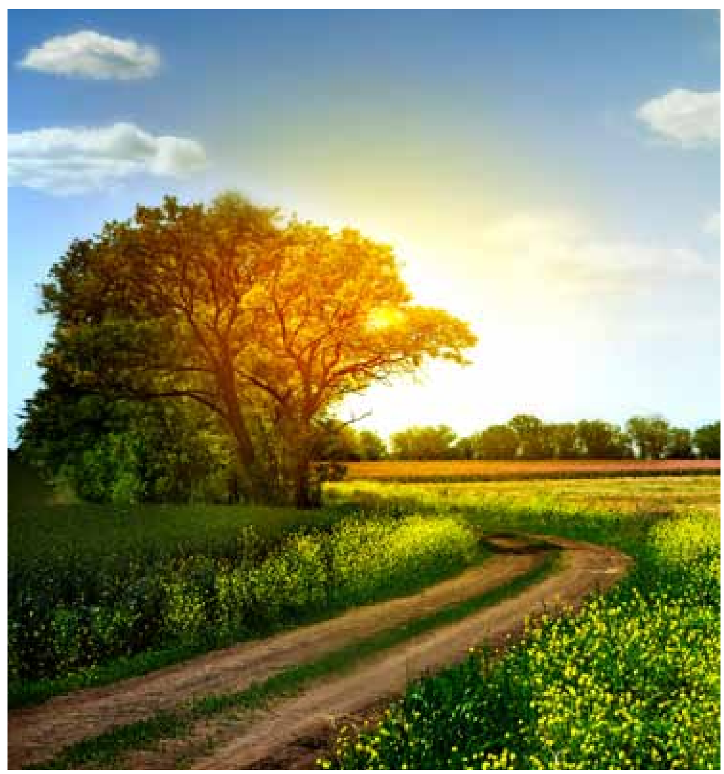
Integrity is the very fabric of Bladex. The principles of our Corporate Governance call for ethical behavior that reflects honesty, transparency, and doing what is right. The Organization has a zero tolerance approach to unethical behavior.

Commitment highlights what we do at Bladex. We strive to provide our various stakeholders the means to find the best solution for their needs. Our conduct is directed toward meeting our clients' requirements, and creating value for our shareholders.

Excellence remains our overriding goal. We aim to exceed stakeholders' expectations through creativity and innovation. The pursuit of quality is present in everything we do.

Respect guides us in our behavior toward our co-workers, clients, shareholders, and the community. We promote an atmosphere of mutual trust and harmony, seeking to benefit from the diversity of a multi-cultural group of professionals. This leads to the development of a strong team culture.

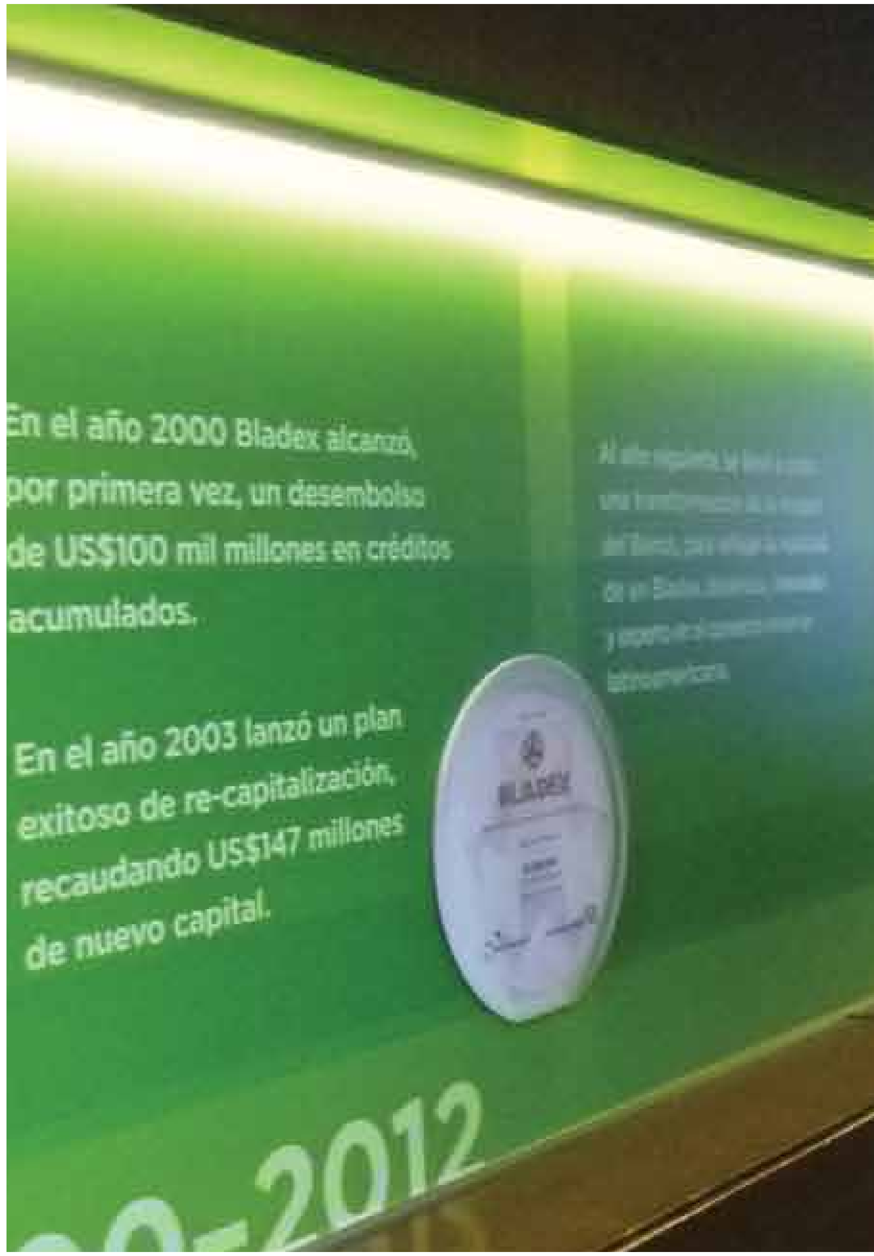
Humility is the bond that makes our organization strong.
We understand that our best performance comes when we are mindful of the importance of each person's contribution toward the success and achievement of the goals of the organization.



Gonzalo Menéndez Duque
Chairman of the Board of Directors

Rubens V. Amaral Jr.
Chief Executive Officer

A Message to Shareholders



BLADEX'S RESULTS REFLECT A SOLID CORE BUSINESS FOCUSED ON SUPPORTING REGIONAL INTEGRATION IN LATIN AMERICA

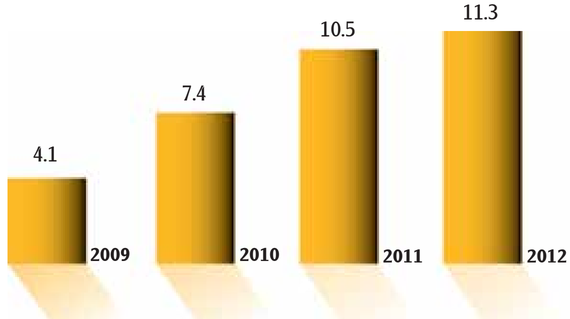
Dear shareholders:

Bladex continued to build on its fundamental strengths to achieve strong results in 2012, despite increased volatility and uncertainty in the global economy, and subdued growth in the economies of the Latin American and Caribbean Region, and worldwide.

The Region's average growth of 3.1% was lower than the previous year's of 4.1%, but still significantly higher than the global average of 2.2%, making Latin America one of the most commercially dynamic and attractive regions for investment. One of the main factors slowing the average growth rate of Latin America in 2012 was a downturn in the Brazilian economy, which accounts for the largest national share of GDP in the Region. However, Chile, Peru, and several countries in Central America continued to show sustained growth, and others, like Mexico, managed to exceed forecasts. As such, while the World Trade Organization projected global trade expansion of 2.5% in 2012, a significant drop from 2011 (5.0%), the Region still managed to achieve solid trade flow growth, with increases of 1.6% in exports and 3.9% in imports.

Annual Total Disbursements

In US$ billion



While volatility in global financial markets remained high throughout 2012, worst-case scenarios thankfully did not materialize. Export trade from the Region was affected mainly by the deceleration of growth in China, the recession in Europe, and a lower-than-expected expansion in the US.

China's growth rate dipped in 2012, strongly impacting the prices of raw materials exported by Latin America, but fortunately averting a 'hard landing'.

Furthermore, the European Union played a relatively minor role in Latin America's trade flows, and did not offer many opportunities for growth. However, Europe's economic deterioration and the knock-on effects of its debt crisis seem to have been effectively limited, helping to reduce volatility in global markets.

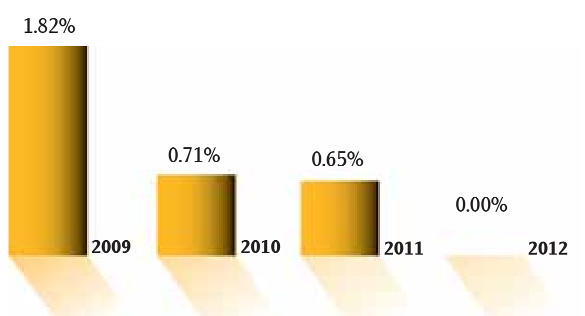
Lastly, the weak growth in the U.S. economy as a result of its internal deficit and various fiscal issues obscured the strengthening of its manufacturing sector, which has benefited companies in the Region that are an integral part of the value chain of finished goods.

Domestic markets in Latin America remained strong, however, with a progressive increase in domestic demand fueling strong growth in most of our countries. This helped drive the downward trend in unemployment rates throughout the Region, and reinforced the fiscal discipline demonstrated by most countries over the past several years.

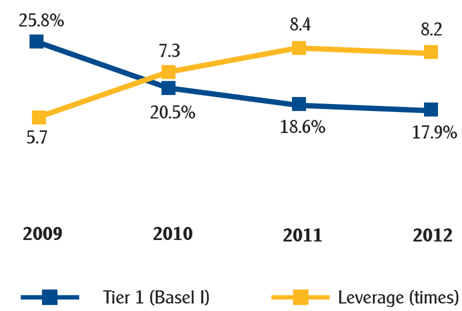
In this macroeconomic scenario, Bladex managed to grow its commercial portfolio by 11% year-on-year, increasing total disbursements to over $11 billion, the highest level of the last 15 years. Our Regional penetration continued apace, with new client relationships bringing our business network to more than 400 clients.

In line with our traditionally prudent approach to conducting business, Bladex maintained solid levels of liquidity and capital, and steadily

Non-accruing Loans to Total Loans, Net



Tier 1 and Leverage Ratio



improved the credit quality of our portfolio. It is a particular source of satisfaction that, at the close of 2012, our non-accruing loan balance was zero.

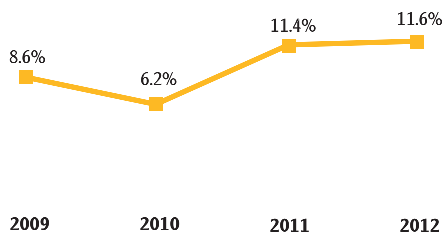
We continued to strengthen our funding structure with a medium-term debt issuance in a market that was new to us, the issuance of 'Certificados Bursátiles' in Mexico, and returned to the global capital markets with a benchmark 144A/Reg S bond issuance. These successful placements reflect not only the favorable reception on the part of investors of Latin American risk in general, but also specifically the superior credit quality of our Bank. Indeed, Bladex's soundness was validated through our international ratings, including an upgrade to BBB+ by Fitch Ratings in July, 2012.

Within this global and regional economic scenario, we focused our efforts on ensuring sustained growth with more clients in more markets, while diversifying our revenue base by establishing a dedicated cross-functional team composed of commercial relationship managers, product structuring experts, and asset distribution managers to generate new fee revenue streams, providing structured transaction expertise tailored to our clients´ needs.

These efforts have already yielded several successful transactions, both small and large, which have started to make their mark in our commission (non-interest) revenues, and have laid the groundwork for a solid business going forward.

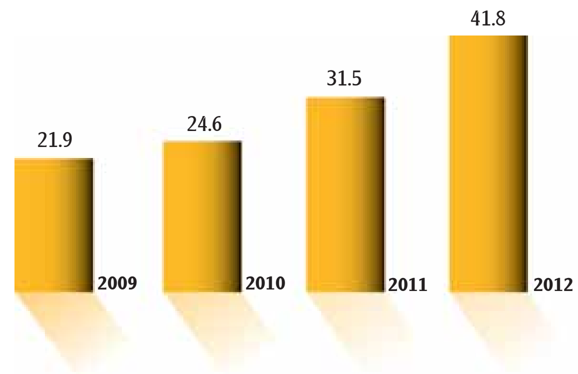
We continue to focus the Bank's activities on our traditional, long-standing core business. In this respect, our asset management activities, while highly profitable from a market-return standpoint, have not produced the desired fee revenue stream and business synergies that we had originally envisioned. The decision to divest the Asset Management Unit was made after a thorough review of several options available to us. We believe this resolution achieves a gradual, but definitive and orderly, exit from non-core, more volatile revenue streams, while allowing the unit to prosper for Bladex's benefit, under new stewardship.

ROE Evolution



Dividends Payment

US$ million



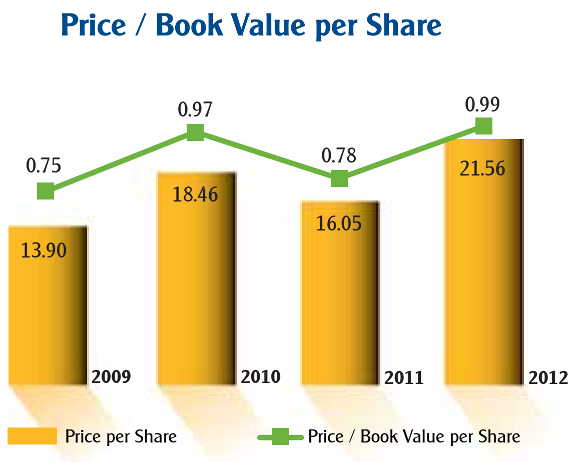
The departure of Jaime Rivera after a long and successful tenure at the helm of the Bank, and Rubens's succession as CEO, have also triggered a general reinforcement of the Bank´s management, with new talent rising from within the Bank, as well as joining us from outside. Simultaneously with the move to our new, state-of-the-art headquarters in June 2012, we have embarked on a fundamental project to review, measure, analyze, and improve internal processes and the organizational structure throughout the Bank, to ensure the efficiency of what we do and how we do it, and to generate near-term productivity gains. Our disciplined approach to creating or re-engineering operational processes where needed, or simply to fine-tuning what is already working well, will yield favorable results in the future. This approach applies not only to our day-to-day operations, but also to our long-term strategy and business development.

The Bank´s strategy remains anchored by the pillars that have supported its growth throughout the years: our core competencies in foreign trade flows, including both goods and capital, our deep knowledge of Latin America, and our expertise in measuring and managing risk.

True to our corporate values of excellence, integrity, respect, commitment, and humility, we endeavor to be an exemplary institution for our clients, shareholders, and employees.

We are honored to be able to continue supporting the development of young people, as well as communities in precarious living conditions, in several countries in the Region, driven by our deeply-ingrained core value of commitment to social responsibility.

Bladex continues to be strongly committed to sharing its success with its shareholders, and strives to increase its added value. Beyond increasing the return on shareholders' investment, a key metric for us, and one with which we are making steady progress, the Bank's Board of Directors and management have emphasized the



importance of maintaining a dividend policy closely linked to core performance, while providing an attractive dividend yield to investors.

Accordingly, the Bank's annual dividend pay-out was increased yet again in 2012, reaching $1.10 per share, compared to $0.85 per share the year before.

We were pleased to see that the market has rewarded Bladex's performance throughout 2012, driving Bladex's stock price to levels not seen in over five years, and reaching $21.56 at year-end 2012, up 34% from 2011.

Price-to-book and price-to-earnings metrics improved, as well. While this was welcome, it does not deter us from continuing to look at opportunities to increase the Bank's value for investors. We will continue working on the development of your institution in order to continue the upward trend.

Lastly, we continue to be optimistic about the global economic environment and our business in 2013. Absent major market disruptions, business growth should continue at a solid pace, accompanied by increased levels of efficiency in what we do: from the appropriate application of capital and leverage, to more active portfolio management producing higher net margins and spreads, along with effective cost management.

We shall stay true to the Bank´s corporate values, without losing sight of what is most important in our work: meeting the needs of our clients, the expectations of our shareholders, and the satisfaction and performance of our employees.

On behalf of the Bladex team,

Gonzalo Menéndez Duque
Chairman of the Board of Directors

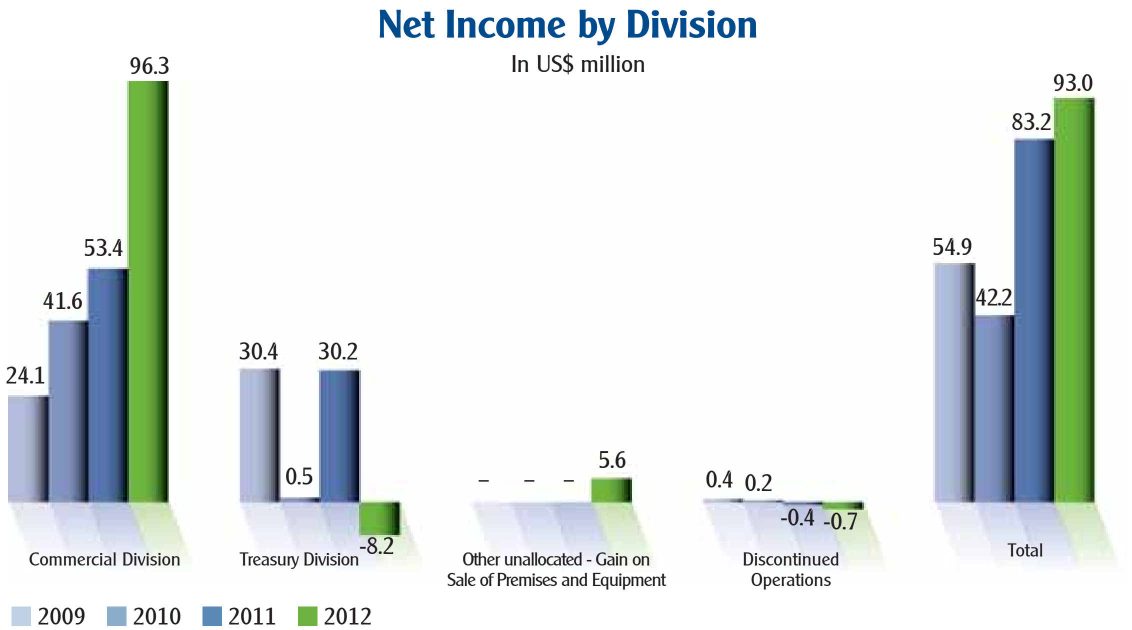
Rubens V. Amaral Jr.
Chief Executive Officer

We work for the growth, expansion, and profitability of foreign trade in the Region

Financial Performance

The results for 2012 demonstrated the strength of Bladex's business model, as the Bank continued to add value to its clients with a focus on trade finance. During the year, the Region experienced an acceleration of economic activity in several countries, which helped propel the increase in balances of the Bank's credit portfolio during 2012, especially in the segments of corporations and middle market companies. The credit quality of the Bank's portfolio continued to improve, with a non-accrual balance of zero at year-end. Liquidity remained strong at $0.7 billion as of December 31, 2012. The Bank's Tier 1 capitalization stood at 17.9% as of December 31, 2012, with leverage at 8.2 times, as the Bank continued to deploy capital toward business growth.

Bladex's financial results continued to strengthen in 2012, mainly as the result of growth and increased profitability in the Commercial Division. Net Income attributable to Bladex reached $93.0 million in 2012, compared to $83.2 million in 2011. The $9.8 million, or 12%, increase was the result of improved performance in core financial intermediation activity, partially offset by lower contributions from investment activities in the Treasury Division, from the non-core activities of the Asset Management Unit (presented as a discontinued operation as of December 31, 2012, pending completion of the divestiture of the Unit), and extraordinary items, which included a $5.6 million gain on the sale of premises and equipment associated with the move to a new headquarters.



Consolidated Financial Data - Summary

YEAR ENDED DECEMBER 31 (In US$ million, except per share amounts)	2012	2011	2010	2009
Income Statement Data				
Net interest income	105	103	75	65
Reversal (provision) for credit losses [(1)]	12	(4)	5	(15)
Fees and commissions, net	10	11	10	6
Operating expenses	(56)	(50)	(42)	(39)
Gain on sale of premises and equipment	6	0	0	0
Net income from continuing operations	94	84	40	56
Net gain (loss) from discontinued operations [(2)]	(1)	0	0	0
Net income attributable to Bladex	93	83	42	55
Selected Balance Sheet Data				
Treasury Portfolio [(3)]	217	460	437	507
Investment fund	106	120	167	198
Loan portfolio [(4)]	5,708	4,953	4,060	2,775
Credit portfolio [(5)]	6,163	5,807	4,880	3,617
Total assets	6,756	6,360	5,100	3,879
Total liabilities	5,927	5,595	4,384	3,168
Stockholders' equity	826	759	697	676
Per Common Share Data				
Net income per share (US$)	2.46	2.25	1.15	1.50
Book value per common share -period end- (US$)	21.67	20.45	18.99	18.49
Common Shares Outstanding: (in thousands)				
Period average	37,824	36,969	36,647	36,493
Period end	38,145	37,132	36,711	36,546
Tier 1 Capital	826	761	701	679
Total Capital	883	812	744	712
Selected Financial Ratios (In %)				
Return on average assets ("ROA")	1.5%	1.5%	1.0%	1.4%
Return on average stockholders' equity ("ROE")	11.6%	11.4%	6.2%	8.6%
Operating Return on Average Equity ("Operating ROE")	9.5%	12.2%	5.1%	11.1%
Efficiency Ratio	42%	36%	55%	35%
Net interest margin	1.70%	1.81%	1.70%	1.62%
Operating expenses to total average assets	0.90%	0.88%	0.97%	0.97%
Stockholders' equity to total assets	12.2%	11.9%	13.7%	17.4%
Tier 1 capital to risk-weighted assets	17.9%	18.6%	20.5%	25.8%
Total capital to risk-weighted assets	19.2%	19.9%	21.8%	27.0%
Leverage (times)	8.2	8.4	7.3	5.7
Liquid Assets / Total Assets	10.2%	12.4%	8.2%	10.4%
Liquid Assets / Total Deposits	29.8%	34.1%	23.1%	32.0%
Non-accruing loans to total loan portfolio [(4)]	0.0%	0.6%	0.7%	1.8%
Charge-offs to total loan portfolio [(4)]	0.1%	0.0%	0.1%	0.0%

Notes

(1) Includes reversal (provision) for loan losses and off-balance sheet credit risk

(2) In the fourth quarter 2012, the Bank established a plan to divest the operations of the Asset Management Unit. The amounts reported in the consolidated financial statements of income for the years ended December 31, 2011, 2010, 2009, have been reclassified to conform with the presentation of discontinued operations in 2012.

(3) Includes securities available-for-sale and securities held-to-maturity, and trading assets. Excludes the Bank's investments in the Investment Fund.

(4) Loan portfolio is presented net of unearned income and deferred loans fees.

(5) Includes book value of loans, selected commercial deposits placed, fair value of investment securities, acceptances and contingencies, (including confirmed letters of credit, stand-by letters of credit, equity investments, guarantees covering commercial risk, credit default swaps, and credit commitments).

Commercial Division

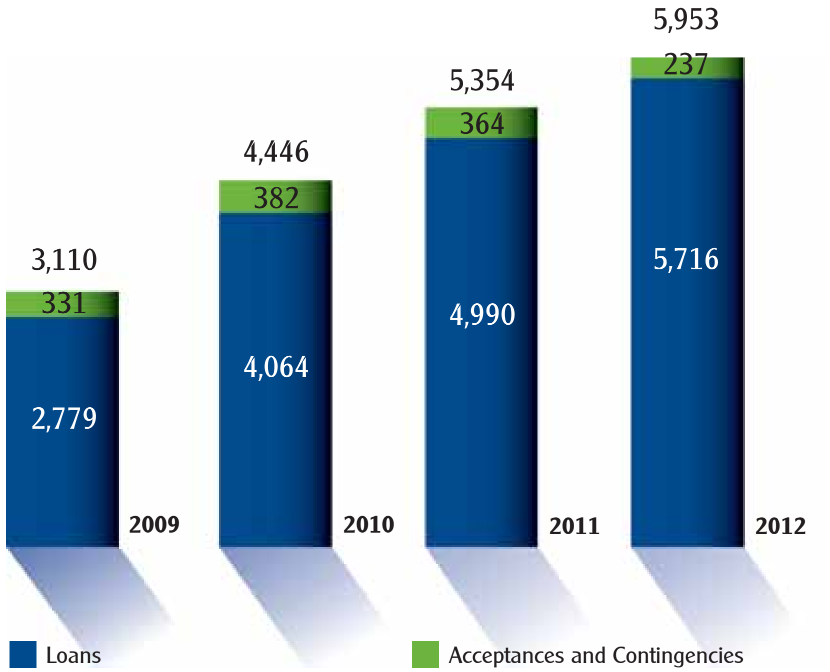
The Commercial Division incorporates the Bank's core business of financial intermediation and fee generation activities relating to the Bank's commercial portfolio, which includes loans, selected deposits placed, acceptances, and contingencies (letters of credit, guarantees, and credit commitments).

The year 2012 again saw relatively slow global economic recovery, with a recurring impact on trade flows, which showed modest growth of 2.5%. Latin America has not been immune to the global slowdown, posting growth of only 1.6% in exports, and 3.9% in imports. Bladex's own performance was also impacted by restrictive measures in important markets that limited U.S. dollar financing by foreign financial institutions. Such was the case in Brazil, where limitations applicable to foreign-sourced credits adversely impacted the prospects for growth in that market.

Despite such challenges, Bladex succeeded in growing its commercial portfolio by 11%, from $5.4 billion at the end of 2011 to $6.0 billion as of December 31, 2012. This was a result of the Bank's expanded regional coverage, enabling it to refocus its resources to benefit from specific opportunities in particular geographical areas. The Brazilian and Colombian portfolios were reduced, as a percentage of the total portfolio, from 35% to 30% and from 14% to 8%, respectively, mostly due to strong growth in other countries such as Peru, which saw its share strongly increase from 6% to 14%, and the Central American and Caribbean region, which increased from 13% of the portfolio to over 20%, reaching a ten-year high of $1.2 billion. Net Income of the Commercial Division showed a sharp increase again in 2012, reaching $96.3 million, up 80% compared to 2011.

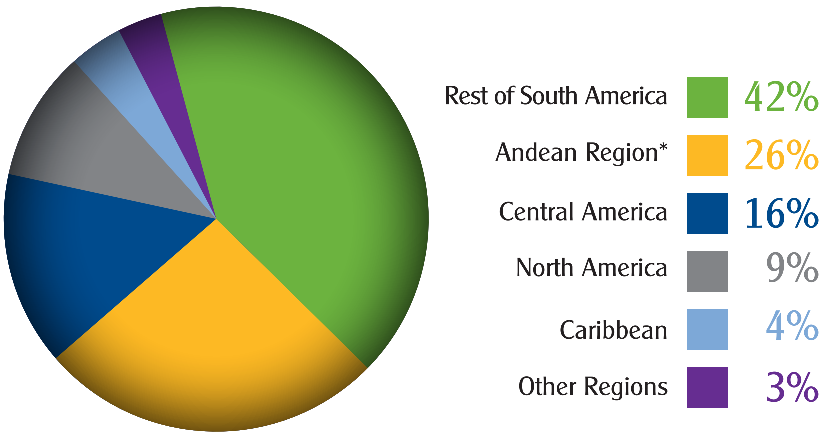
Commercial Portfolio's Composition

End of period balances, in US$ million



Commercial Portfolio by Region

December 31, 2012

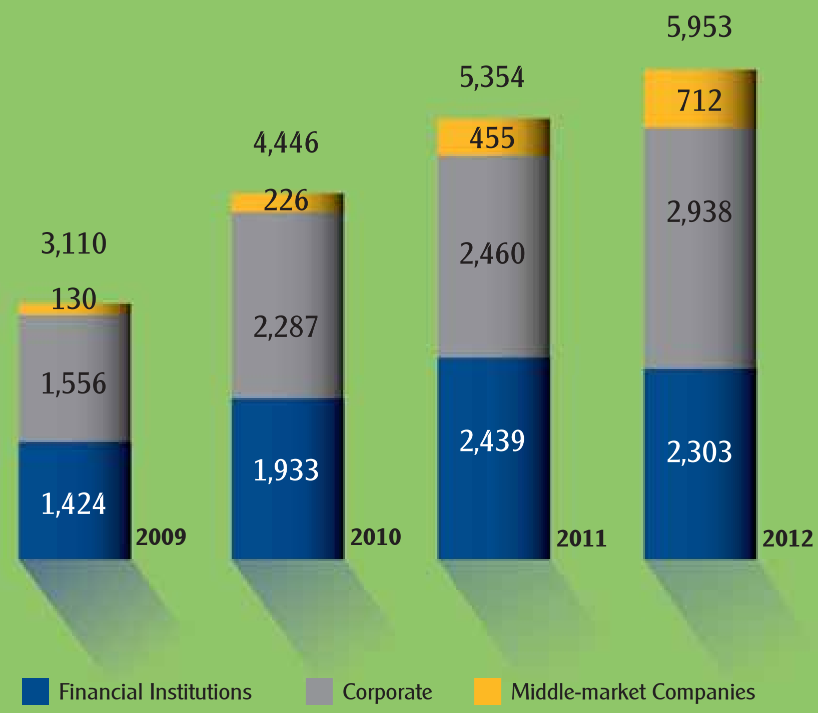


* Includes Bolivia, Colombia, Ecuador and Peru

Bladex focused its efforts on increasing portfolio optimization and profitability, bolstering the corporate banking and middle market portfolios with a 25% year-on-year combined increase, with the middle market client base alone growing by 50%. The financial institutions portfolio remained at the same level as that of the previous year by repositioning maturities in favor of higher margins.

Commercial Portfolio by Business Segment

End of period balances, in US$ million

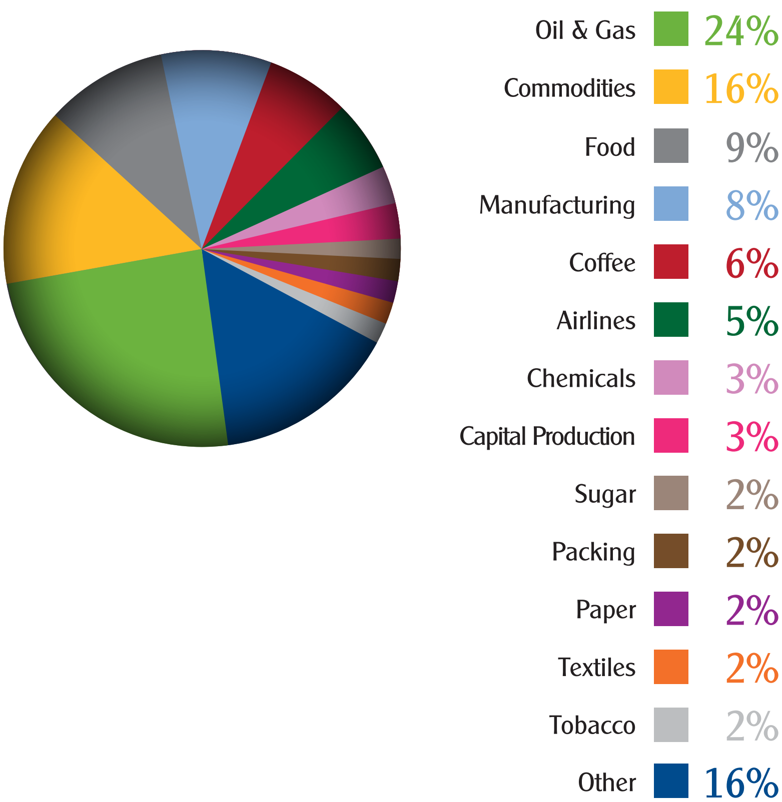


In 2012, Bladex once again demonstrated its level of commitment to offering value-added financial structures and solutions to the Region, focused on 'multi-Latin' corporations. In this regard, a multi-tranche, multi-currency, medium-term syndicated loan for $130 million was successfully originated, led, structured, and disbursed to finance a cross-border acquisition between Mexico and Colombia, with the participation of six regional banks from Brazil, Colombia and Panama. Vendor financing activities also expanded, with a 48% increase in revenue generated by margins compared to 2011, and with a volume of transactions in 2012 in excess of $2.5 billion, a year-on-year increase of 33%.

The outlook for 2013 is positive, with estimated growth prospects close to 4% for the Region, and a more favorable business environment than was experienced in 2012.

Industry Segment Exposure

As of December 31, 2012



Business Highlights 2012

- The Commercial Division's Net Income, which includes net interest income from loans, fee income, net allocated operating expenses, the reversal (provision) for credit losses, and recoveries (impairment) on assets, reached $96.3 million in 2012, compared to $53.4 million in 2011. The $42.9 million, or 80% increase for the year was the result of operating revenue growth attributable to increased net interest income from higher loan portfolio balances and lending rates, and a positive variation in provisions for credit losses due to improved country and client risk exposure profiles, partially offset by increased operating expenses.

- 2012 credit disbursements reached $11.3 billion, up 8% from the $10.5 billion figure reported in 2011.

- There were no non-accrual balances in the loan portfolio as of December 31, 2012, compared to $32.0 million, or 0.6%, as of December 31, 2011.

- The commercial portfolio grew by 11% to $6.0 billion as of December 31, 2012, compared to $5.4 billion the year before, as a result of growth and diversification in the Bank's established client base of corporations (which grew by 19%) and middle-market companies (which grew by 57%), partially offset by a 6% decrease in the financial institutions segment. Average portfolio balances increased 8% year-on-year.

- The commercial portfolio continued to be short-term and trade-related in nature, with 77%, or $4.6 billion, maturing within one year. 61% of the portfolio represented trade financing operations, while the remaining balance consisted primarily of lending to banks and corporations involved in foreign trade.

Treasury Division

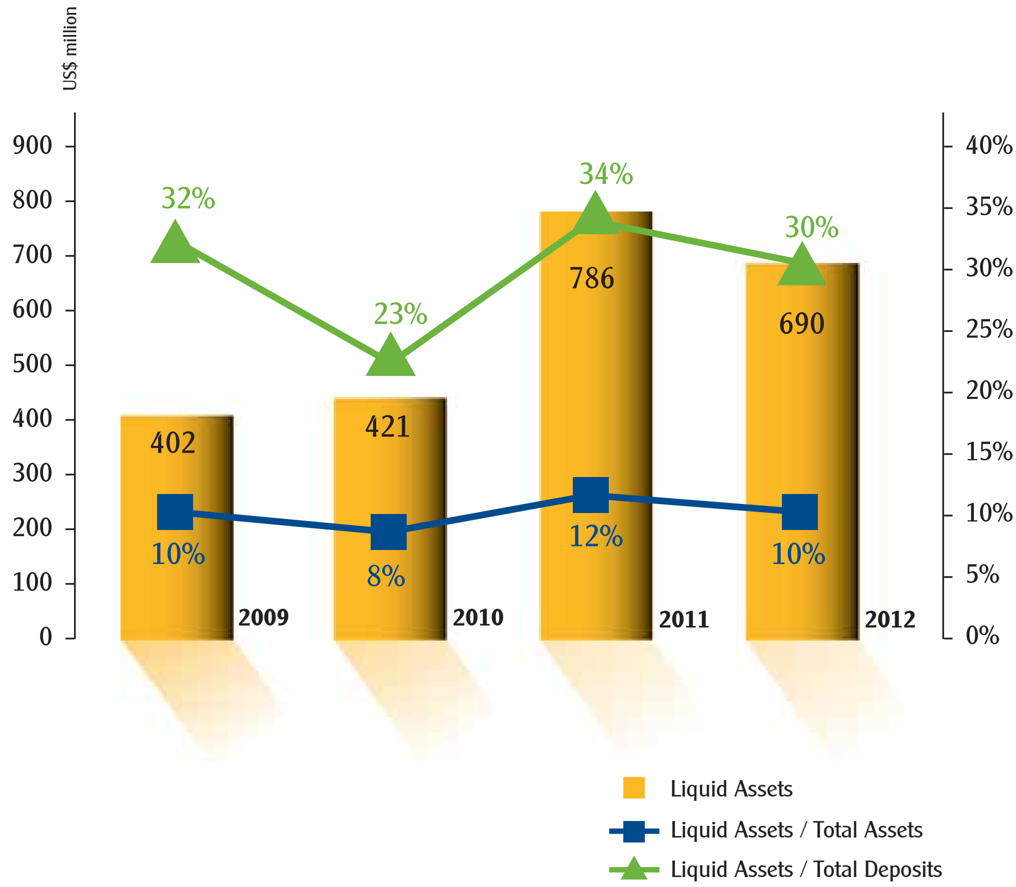
The Treasury Division is responsible for the Bank's funding and liquidity management, along with its investment securities activities, including management of the Bank's interest rate, liquidity, price, and currency risks. The Division manages the Bank's liquidity balance, trading assets, securities available-for-sale, securities held-to-maturity, and the Bank's investment in the Investment Funds.

The Treasury & Capital Markets Division reinforced the Bank's liquidity position in 2012. In March, Bladex issued its first-ever 'Certificados Bursátiles' in the Mexican capital markets, in the amount of Pesos 2.0 billion (two billion Mexican pesos). The peso issuance was substantially oversubscribed, with total demand exceeding Pesos 2.3 billion, with twenty-five pension funds, insurance companies, private banks, commercial banks, and brokerage firms filling the book. Also in March, the Bank returned to the global bond markets with a benchmark five-year, $250 million fixed-rate issuance; the bond was more than nine times oversubscribed, and Bladex opted to upsize the issuance amount to $400 million. These new bond issuances, combined with a two-year global syndicated loan completed in April for $200 million, significantly reinforced the Bank's liquidity position, and reflect investors' confidence in Bladex's solid financial profile, as well as in the prospects for continued increases of Latin America's trade flows. Bladex is well-positioned for continued growth in 2013.

The Division's Asset Distribution unit is responsible for the arrangement, structuring, and distribution of loan syndications on behalf of the Bank's borrowing clients, as well as for the purchase and sale of loans in the secondary market. Through its well-established network of correspondent banks, Bladex has established a platform for both primary and secondary market distribution of Latin American loans, including to investors based right here in the Region.

Liquidity

End of period balances

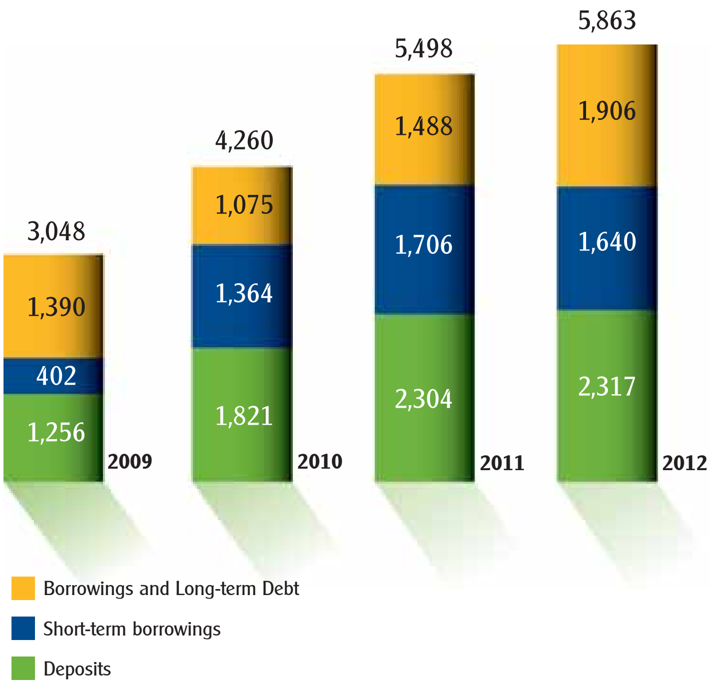


In 2012, the Asset Distribution unit generated $2.7 million in fees during its first full year of operations, and closed a $130 million syndicated dual-currency, senior, multi-tranche revolving and term loan credit facility for a Colombia-based client. Bladex acted as the sole bookrunner and administrative agent on this transaction, completed in December 2012. The participating banks included several leading financial institutions from Colombia, Panama, and Brazil. This important transaction demonstrates Bladex's expertise in providing financial solutions to our Latin American clients. The Bank is particularly well-positioned to add value in arranging syndications to support cross-border acquisition finance transactions, which in this case involved established Bladex clients in both Mexico and in Colombia.

Bladex expects this new business to reach critical mass in 2013, contributing to the continued growth in fee revenue.

Funding Sources

End of period, in US$ million



Business Highlights 2012

- The Treasury Division reported a net loss of $8.2 million for the year 2012, compared to net income of $30.2 million during 2011. Net Income (Loss) is presented net of allocated operating expenses, and includes net interest income and net other income (loss) relating to Treasury activities. The year-on-year variance was attributable to a decrease in net interest income as a result of higher average funding costs associated with extended funding tenors and lower average balances in the investment securities portfolio, a decrease in non-interest operating income attributable to lower gains from investments in the Investment Funds, and increased operating expenses.

- Liquid assets amounted to $0.7 billion as of December 31, 2012, compared to $0.8 billion as of December 31, 2011. The liquidity assets to total assets ratio was 10.2% as of December 31, 2012, compared to 12.4% as of December 31, 2011.

- The securities available-for-sale portfolio totaled $0.2 billion as of December 31, 2012, compared to $0.4 billion as of December 31, 2011, as positions were reduced to take advantage of favorable market valuations. The securities available-for-sale portfolio consisted of readily-quoted Latin American securities, 91% of which were sovereign or state-owned risk.

- The deposits balance amounted to $2.3 billion, about the same level of the previous year, representing 39% of total financial liabilities.

- Borrowings and long-term debt amounted to $1.9 billion, a 28% increase over the year, as a result of inflows from bond issuances, and a medium-term loan syndication.

Risk Management

Bladex applies an enterprise risk management model reflecting best international practices, in line with the level of complexity and nature of the Organization's business. This unit is independent from the other business areas of the Bank, and the Executive Vice President for Risk Management has veto power granted by the Board of Directors.

As provided in our "Enterprise Risk Management Framework", the unit is organized according to risk type, with staff dedicated solely to assessing and monitoring Credit, Market, and Operational risks.

Due to global economic uncertainty and its potential impact on Bladex's business, the management and monitoring role has been strengthened to include a function specifically created for continuous model improvement. This enables us to strictly monitor credit quality, and gives us a portfolio-level view, supplementing the scheduled monitoring already carried out by the Area on an individual credit basis. This includes regular visits to all countries and clients, as well as contact with local authorities, top business owners, senior executives of financial institutions, and with independent analysts, while continually improving our measurement models.

Additionally, to support the expansion of the Bank's network of offices in the Region, Risk Management staff was reinforced locally to provide better risk coverage.

As a part of its Corporate Governance model, Bladex has established different analysis and approval levels for its activities. In the case of the Risk Area, these include:

The Risk Policy and Assessment Committee (CPER), which is made up of members of the Board of Directors and is responsible for reviewing and recommending to the Board of Directors, for its approval, policies related to Comprehensive Prudential Risk Management. It also approves internal risk ratings, amounts, maturities, and other conditions for each country where the Bank operates. The committee meets at least five times per year.

The Country Risk Committee, which proposes the internal ratings of the countries to the CPER and documents Management's opinion with regard to generic reserves. The committee meets on a quarterly basis or at the request of its members, as may be required.

The Credit Committee, which has different approval levels depending on the nature of the client, its internal risk rating, country of risk, and the amount requested. Bladex does not approve credit facilities upon a single signature: it always requires the confirmation of a business officer, plus two additional authorized signatures (the Risk Area's approval is required, and as such exercises veto power).

The Asset and Liability Committee, which it participates in the analysis of the Bank's structure of assets and liabilities, as well as its investments. The committee analyzes market, liquidity, foreign exchange, and interest rate risks, and proposes policies for their management and subsequent monitoring.

The Operational Risk Committee, which analyzes, in accordance with best practices and regulations, the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. It includes legal risk, but excludes strategic and reputational risk.

Bladex has created a special unit, which is responsible for ensuring that the Bank's operational risk is properly managed, identifying risks inherent in each process, mitigating controls and their effectiveness, as well as the need for action plans for risk mitigation.

During 2012, we continued with our implementation of this model, which includes:

- Assessment of processes, through the implementation of matrices for impact self-assessment, and frequency of risks for assessing processes and sub-processes.

- Qualitative assessment of risks, identifying action plans and proposals for improvement of critical processes, all of which meet set objectives.

- Procedures for the collection of risk and loss events to be recorded in a centralized database with the aim of reducing risk incidents and losses, thus incorporating quality assessment into the risk management model.

Bladex understands that the Risk Management process is not only essential for the achievement of its objectives, but also that it is the responsibility of each and everyone in the Bank to manage it efficiently.

The incorporation of the Three Lines of Defense model into the Bank's Corporate Governance framework provides a simple and effective approach to effective decision-making. The lines of defense that make up the model are briefly described below:

The first line of defense is found in the Business and Support areas, which are responsible for implementing business and risk-related decisions, carrying out business within the risk limits set forth in policies, and reporting on the results.

The second line of defense is the actual monitoring involved in risk management, promoting an independent view of business with heightened awareness of the risks involved. Reporting the risk profile to the CPER is what separates risk takers, under the policies approved by the Board of Directors, from those that monitor risks.

The third and last line of defense is the independent monitoring conducted by Internal Audit, which assess the effectiveness of the risk management system in terms of the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with laws, regulations, and agreements.

This conservative approach to risk management has ensured that the Bank maintains its high asset quality, even under adverse macroeconomic conditions. Operating under a favorable climate in the Region, at the end of 2012 Bladex reported total generic reserves of $77.8 million, compared to reserves of $82.6 million at the end of 2011.

Our Human Capital makes the Difference

In 2012, Bladex strengthened and diversified its business, through the integration of a high quality team of professionals. To address the demands of the market and the challenges involved, a Human Resources strategy was designed, focusing on 4 priority areas:

1. Human Resources management and planning: Improving the effectiveness and efficiency of Human Resources systems and processes.

2. Talent and learning: Enhancing individual performance.

3. Organizational development: Improving organizational performance.

4. Human Resources functional excellence: Strengthening our professionalism and our contribution.

This strategy enabled us to standardize our processes and efficiently provide the various areas of the Bank with the appropriate human resources.

In order to establish the base that will allow us to effectively address future challenges, we focused on implementing our talent-related strategy, strengthening team work as a key ingredient of our culture and processes.

We continue to reinforce the professionalism of our leadership team, while strengthening a culture of high performance. We also support key initiatives in our business and have begun to engage our employees through change interventions.


Una
trayectoria
Bladex
Impulso Financiero

Childhood and education are important pillars of our social commitment

Corporate Social Responsibility

Our work as a socially responsible company is in line with the values that govern our corporate behavior.

Our efforts are focused on programs aimed at fostering education and supporting children as key factors in achieving the development of our Latin American countries. We are aware that our institution plays an important role, beyond its economic function, as an agent for development in the communities where we are privileged to work.

In Panama, where our headquarters are located, just as in previous years, we continued to support the Marie Poussepin Educational Center; in 2012, the Bank donated a building providing six classrooms and a psychology and guided studies room, as well as an outdoor area for sport and cultural activities. These facilities provide the Center with additional space to accommodate a growing number of students in seventh to ninth grades.

In addition to its institutional work, the Bank continued promoting volunteer work among its employees who, year after year, through their enthusiasm, time, and personal contributions, support the children and youth of this educational center. In 2012, a total of 148 students were sponsored by our employees through a scholarship program. Their contributions also helped to support the speech program for the school's pre-kindergarten and kindergarten students, aimed at preventing early childhood learning problems.

As a sponsor of the Financial Education Program for Schools implemented by the Banking Association and the Ministry of Education of Panama, an active group of Bladex employees runs workshops on managing personal finance for students, teachers, and parents.

As part of our goal to support the other countries in the Region, this year, for the first time, Bladex contributed in Mexico to the Mexican Foundation for Social Reintegration, an organization that provides support through legal services, training, and job opportunities to facilitate the social reintegration of people of limited means with legal problems.

Offices

Argentina

Buenos Aires

Brazil

- São Paulo
- Porto Alegre

United States

- Miami
- New York

Panama

Panama
Head Office

Colombia

Bogota

Mexico

- Mexico City
- Monterrey

Peru

Lima

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

With Independent Auditors' Report

Consolidated Balance Sheets as of December 31, 2012 and 2011, and Related Consolidated Statements of Income, Comprehensive Income, Changes in Stockholders' Equity and Cash Flows for Each of the Three Years in the Period Ended December 31, 2012

Consolidated Financial Statements 2012, 2011 y 2010

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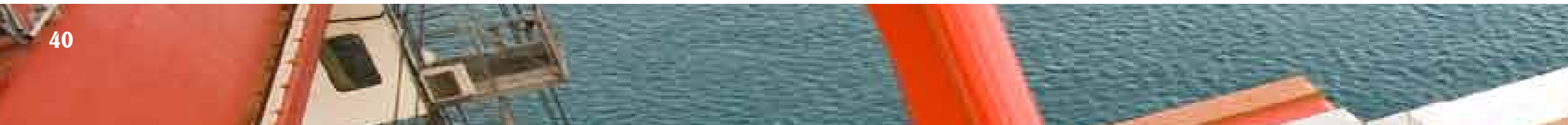

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INDEPENDENT AUDITORS´ REPORT

To the Board of Directors and Stockholders of
Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries (the "Bank") as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and redeemable noncontrolling interest and cash flows for each of the three years in the period ended December 31, 2012. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been translated into English for the convenience of readers outside of Panama.

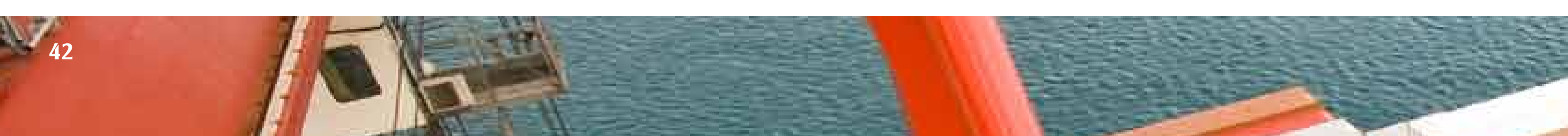
Deloitte.

February 28, 2013

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Consolidated balance sheets
December 31, 2012 and 2011
(in US$ thousand, except share amounts)

	Notes	2012	2011
Assets			
Cash and due from banks	4,23	6,718	12,814
Interest-bearing deposits in banks (including pledged deposits of $14,519 in 2012 and $23,994 in 2011)	4,23	700,312	830,670
Trading assets (including pledged securities to creditors of $1,262 in 2012 and $18,988 in 2011)	5,23	5,265	20,436
Securities available-for-sale (including pledged securities to creditors of $152,340 in 2012 and $375,492 in 2011)	6,23	183,017	416,300
Securities held-to-maturity (fair value of $34,149 in 2012 and $26,637 in 2011) (including pledged securities to creditors of $19,453 in 2012 and $17,486 in 2011)	6,23	34,113	26,536
Investment fund	7,23	105,888	120,425
Loans	8,23	5,715,556	4,959,573
Less:			
Allowance for loan losses	9,23	72,976	88,547
Unearned income and deferred fees		7,100	6,697
Loans, net		5,635,480	4,864,329
Customers' liabilities under acceptances	23	1,157	1,110
Accrued interest receivable	23	37,819	38,168
Premises and equipment (net of accumulated depreciation and amortization of $11,688 in 2012 and $17,881 in 2011)	10	12,808	6,673
Derivative financial instruments used for hedging - receivable	21,23	19,239	4,159
Other assets	11	14,580	18,412
Total assets		6,756,396	6,360,032
Liabilities and stockholders' equity			
Deposits:	12,23		
Noninterest-bearing - Demand		580	680
Interest-bearing - Demand		131,295	66,906
Time		2,185,385	2,235,920
Total deposits		2,317,260	2,303,506
Trading liabilities	5,23	32,304	5,584
Securities sold under repurchase agreement	4,5,6,13,23	158,374	377,002
Short-term borrowings	14,23	1,449,023	1,323,466
Acceptances outstanding	23	1,157	1,110
Accrued interest payable	23	17,943	11,790
Borrowings and long-term debt	15,23	1,905,540	1,487,548
Derivative financial instruments used for hedging - payable	21,23	11,747	53,742
Reserve for losses on off-balance sheet credit risk	9	4,841	8,887
Other liabilities	11	28,348	22,568
Total liabilities		5,926,537	5,595,203
Commitments and contingencies	19,20,21,23,24		
Redeemable noncontrolling interest		3,384	5,547
Stockholders' equity:	16,17,18,22,25		
"Class A" common stock, no par value, assigned value of $6.67 (Authorized 40,000,000; outstanding 6,342,189)		44,407	44,407
"Class B" common stock, no par value, assigned value of $6.67 (Authorized 40,000,000; outstanding 2,531,926 in 2012 and 2011		20,683	20,683
"Class E" common stock, no par value, assigned value of $6.67 (Authorized 100,000,000; outstanding 29,271,067 in 2012 and 28,257,827 in 2011)		214,890	214,890
Additional paid-in capital in excess of assigned value of common stock		121,419	130,177
Capital reserves		95,210	95,210
Retained earnings		422,048	372,644
Accumulated other comprehensive loss	6,21,22	(730)	(3,112)
Treasury stock	16	(91,452)	(115,617)
Total stockholders' equity		826,475	759,282
Total liabilities and stockholders' equity		6,756,396	6,360,032

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



Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries
Consolidated statements of income
Years ended December 31, 2012, 2011 and 2010
(in US$ thousand, except per share amounts)

	Notes	2012	2011	2010
Interest income:	21			
Deposits with banks		1,876	1,351	839
Trading assets		69	1,758	3,133
Investment securities:				
Available-for-sale		5,675	10,780	8,188
Held-to-maturity		721	880	285
Investment fund		880	2,341	2,198
Loans		183,216	140,317	104,835
Total interest income		192,437	157,427	119,478
Interest expense:	21			
Deposits		12,944	8,818	8,531
Investment fund		109	323	963
Short-term borrowings		20,673	15,753	8,058
Borrowings and long-term debt		53,734	29,823	27,423
Total interest expense		87,460	54,717	44,975
Net interest income		104,977	102,710	74,503
Reversal of provision (provision) for loan losses	9	8,343	(8,841)	(9,091)
Net interest income, after reversal of provision (provision) for loan losses		113,320	93,869	65,412
Other income (expense):				
Reversal of provision for losses on off-balance sheet credit risk	9	4,046	4,448	13,926
Fees and commissions, net		10,021	10,619	9,811
Derivative financial instruments and hedging	21	71	2,923	(1,446)
Recoveries, net of impairment of assets		-	(57)	233
Net gain (loss) from investment fund trading		7,011	20,314	(7,995)
Net gain (loss) from trading securities		11,234	(6,494)	(3,603)
Net gain on sale of securities available-for-sale	6	6,030	3,413	2,346
Net gain (loss) on foreign currency exchange		(10,525)	4,269	1,870
Gain on sale of premises and equipment	10	5,626	-	-
Other income, net		2,986	1,059	1,279
Net other income		36,500	40,494	16,421
Operating expenses:				
Salaries and other employee expenses		33,171	27,825	22,251
Depreciation and amortization of premises and equipment		2,269	2,139	2,471
Professional services		4,053	4,151	3,977
Maintenance and repairs		1,936	1,634	1,615
Expenses from the investment fund		2,953	4,372	3,996
Other operating expenses		11,432	9,966	7,908
Total operating expenses		55,814	50,087	42,218
Net income from continuing operations		94,006	84,276	39,615
Net income (loss) from discontinued operations	3	(681)	(420)	206
Net income		93,325	83,856	39,821
Net income (loss) attributable to the redeemable noncontrolling interest		293	676	(2,423)
Net income attributable to Bladex		93,032	83,180	42,244
Amounts attributable to Bladex:				
Net income from continuing operations		93,713	83,600	42,038
Net income (loss) from discontinued operations		(681)	(420)	206
		93,032	83,180	42,244
Earnings per share from continuing operations:				
Basic	18	2.48	2.26	1.15
Diluted	18	2.47	2.25	1.14
Earnings (loss) per share from discontinued operations:				
Basic	18	(0.02)	(0.01)	0.01
Diluted	18	(0.02)	(0.01)	0.01
Earnings per share:				
Basic	18	2.46	2.25	1.15
Diluted	18	2.45	2.24	1.15
Weighted average basic shares	18	37,824	36,969	36,647
Weighted average diluted shares	18	37,938	37,145	36,814

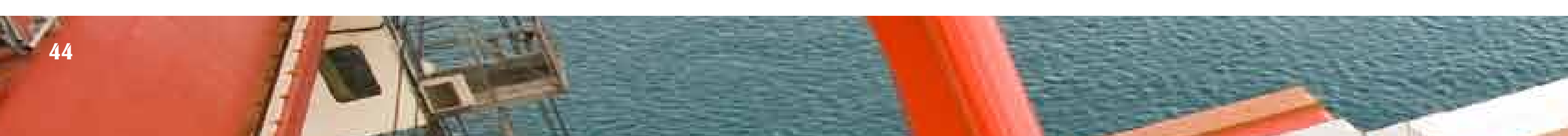
The accompanying notes are an integral part of these consolidated financial statements.

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

Consolidated statements of comprehensive income
Years ended December 31, 2012, 2011 and 2010
(in US$ thousand)

	Notes	2012	2011	2010
Net income		93,325	83,856	39,821
Other comprehensive income (loss)				
Unrealized gains (losses) on securities available-for-sale:				
Unrealized gains arising from the year	22	8,436	4,095	2,325
Less: reclassification adjustments for net gains included in net income	22	(5,775)	(2,079)	(2,825)
Net change in unrealized gains (losses) on securities available for sale		2,661	2,016	(500)
Unrealized gains (losses) on derivative financial instruments:				
Unrealized gains arising from the year	22	5,699	1,097	1,391
Less: reclassification adjustments for net (gains) losses included in net income	22	(5,427)	960	(1,172)
Net change in unrealized gains on derivative financial instruments		272	2,057	219
Foreign currency translation adjustment, net of hedges:				
Current year change		(735)	(744)	-
Change in foreign currency translation adjustment		(735)	(744)	-
Other comprehensive income (loss)		2,198	3,329	(281)
Comprehensive income		95,523	87,185	39,540
Comprehensive income (loss) attributable to the redeemable noncontrolling interest		109	676	(2,423)
Comprehensive income attributable to Bladex		95,414	86,509	41,963

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



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

Consolidated statements of changes in stockholders' equity and redeemable noncontrolling interest
Years ended December 31, 2012, 2011 and 2010
(in US$ thousand)

	Stockholders' equity							
	Common stock	Additional paid-in capital in excess of assigned value of common stock	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity	Redeemable noncontrolling interest
Balances at January 1, 2010	279,980	134,820	95,210	301,389	(6,160)	(129,602)	675,637	34,900
Net income (loss)	-	-	-	42,244	-	-	42,244	(2,423)
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	9,900
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(23,427)
Other comprehensive loss	-	-	-	-	(281)	-	(281)	-
Compensation cost - stock options and stock units plans	-	2,099	-	-	-	-	2,099	-
Issuance of restricted stock	-	(909)	-	-	-	909	-	-
Exercised options and stock units vested	-	(2,195)	-	-	-	3,029	834	-
Repurchase of common stock "Class E"	-	-	-	-	-	(3)	(3)	-
Dividends declared	-	-	-	(23,480)	-	-	(23,480)	-
Balances at December 31, 2010	279,980	133,815	95,210	320,153	(6,441)	(125,667)	697,050	18,950
Net income	-	-	-	83,180	-	-	83,180	676
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	531
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(14,610)
Other comprehensive income	-	-	-	-	3,329	-	3,329	-
Compensation cost - stock options and stock units plans	-	2,311	-	-	-	-	2,311	-
Issuance of restricted stock	-	(609)	-	-	-	609	-	-
Exercised options and stock units vested	-	(5,340)	-	-	-	9,441	4,101	-
Dividends declared	-	-	-	(30,689)	-	-	(30,689)	-
Balances at December 31, 2011	279,980	130,177	95,210	372,644	(3,112)	(115,617)	759,282	5,547
Net income	-	-	-	93,032	-	-	93,032	293
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	1,773
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(4,045)
Other comprehensive income (loss)	-	-	-	-	2,382	-	2,382	(184)
Compensation cost - stock options and stock units plans	-	2,271	-	-	-	-	2,271	-
Issuance of restricted stock	-	(771)	-	-	-	771	-	-
Exercised options and stock units vested	-	(10,258)	-	-	-	23,394	13,136	-
Dividends declared	-	-	-	(43,628)	-	-	(43,628)	-
Balances at December 31, 2012	279,980	121,419	95,210	422,048	(730)	(91,452)	826,475	3,384

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

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

Consolidated statements of cash flows

Years ended December 31, 2012, 2011 and 2010

(in US$ thousand)

	2012	2011	2010
Cash flows from operating activities:			
Net income	93,325	83,856	39,821
Adjustments to reconcile net income to net cash provided by operating activities:			
Activities of derivative financial instruments and hedging	(47,678)	17,177	(6,498)
Depreciation and amortization of premises and equipment	2,269	2,139	2,471
Provision (reversal of provision) for loan losses	(8,343)	8,841	9,091
Provision (reversal of provision) for losses on off-balance sheet credit risk	(4,046)	(4,448)	(13,926)
Impairment loss on assets	-	57	-
Net gain on sale of securities available-for-sale	(6,030)	(3,413)	(2,346)
Gain on sale of premises and equipment	(5,626)	-	-
Compensation cost - compensation plans	2,271	2,311	2,099
Amortization of premium and discounts on investments	3,075	6,912	7,597
Net decrease (increase) in operating assets:			
Trading assets	14,338	29,766	(135)
Investment fund	14,537	46,866	30,284
Accrued interest receivable	349	(7,058)	(5,549)
Other assets	3,786	(7,498)	(24,409)
Net increase (decrease) in operating liabilities:			
Trading liabilities	26,720	1,647	786
Accrued interest payable	6,153	1,706	(1,207)
Other liabilities	2,250	1,126	30,747
Net change from discontinued operating activities	(256)	200	213
Net cash provided by operating activities	97,094	180,187	69,039
Cash flows from investing activities:			
Net decrease (increase) in pledged deposits	9,475	(7,919)	6,507
Net decrease (increase) in deposits with original maturities greater than three months	30,000	(30,000)	-
Net increase in loans	(909,019)	(901,103)	(1,308,935)
Proceeds from the sale of loans	146,211	9,261	20,000
Acquisition of equipment and leasehold improvements	(10,823)	(2,220)	(1,281)
Proceeds from the sale of premises and equipment	8,023	-	-
Proceeds from the redemption of securities available-for-sale	15,277	19,484	33,074
Proceeds from the sale of securities available-for-sale	254,772	264,997	151,267
Proceeds from the redemption of securities held to maturity	7,050	13,500	-
Purchases of investments available-for-sale	(39,982)	(364,993)	(93,009)
Purchases of investments held-to-maturity	(14,811)	(7,050)	(33,196)
Net change from discontinued investing activities	(3)	(88)	(12)
Net cash used in investing activities	(503,830)	(1,006,131)	(1,225,585)
Cash flows from financing activities:			
Net increase in due to depositors	13,754	482,581	564,679
Net increase (decrease) in short-term borrowings and securities sold under repurchase agreements	(93,071)	340,141	961,195
Proceeds from borrowings and long-term debt	817,827	824,139	212,960
Repayments of borrowings and long-term debt	(399,835)	(411,731)	(528,207)
Dividends paid	(39,714)	(29,505)	(22,720)
Subscriptions of redeemable noncontrolling interest	1,773	531	9,900
Redemptions of redeemable noncontrolling interest	(4,045)	(14,610)	(23,427)
Exercised stock options	13,136	4,101	834
Repurchase of common stock	-	-	(3)
Net cash provided by financing activities	309,825	1,195,647	1,175,211
Effect of exchange rate fluctuations on cash and cash equivalents	(68)	(852)	-
Net increase (decrease) in cash and cash equivalents	(96,979)	368,851	18,665
Cash and cash equivalents at beginning of the year	789,490	420,639	401,974
Cash and cash equivalents at end of the year	692,511	789,490	420,639
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	81,307	54,717	46,182

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

1. Organization

Banco Latinoamericano de Comercio Exterior, S. A. ("Bladex Head Office" and together with its subsidiaries "Bladex" or the "Bank"), headquartered in Panama City, Republic of Panama, is a specialized supranational bank established to finance trade 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 signed in 1978 between the Republic of Panama and Bladex, the Bank was granted certain privileges by the Republic of Panama, including an exemption from payment of income taxes in Panama.

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

In the Republic of Panama, banks are regulated by the SBP through Executive Decree No. 52 of April 30, 2008, which adopts the 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., is 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. exercises control over Bladex Asset Management Inc., incorporated on May 24, 2006, under the laws of the State of Delaware, USA, which serves as investment manager for Bladex Offshore Feeder Fund (the "Feeder") and Bladex Capital Growth Fund (the "Fund"). In February 2012, Bladex Asset Management Inc., was registered with the Securities and Exchange Commission ("SEC") as an investment adviser. On September 8, 2009, Bladex Asset Management Inc. was registered as a foreign entity in the Republic of Panama, to establish a branch in Panama, which is mainly engaged in providing administrative and operating services to Bladex Asset Management Inc. in USA.

- The Feeder is an entity in which Bladex Head office owns 98.06% and 95.84% as of December 31, 2012 and 2011, respectively. The Feeder was incorporated on February 21, 2006 under the laws of the Cayman Islands, and invests substantially all its assets in the Fund, which is also incorporated under the laws of the Cayman Islands. The Feeder and the Fund are registered with the Cayman Island Monetary Authority ("CIMA"), under the Mutual Funds Law of the Cayman Islands. The objective of the Fund is to achieve capital appreciation by investing in Latin American debt securities, stock indexes, currencies, and trading derivative instruments.

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

- Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owns 99% of Bladex Investimentos Ltda. and Bladex Holdings Inc. owns the remaining 1%. This company has invested substantially all its assets in Bladex Latam Fundo de Investimento Multimercado, which was also incorporated under the laws of Brazil on July 26, 2011.

  The objective of Bladex Latam Fundo de Investimento Multimercado (the "Brazilian Fund") is to achieve capital gains by dealing in the interest, currency, securities, commodities and debt markets, and by trading instruments available in the spot and derivative markets. Bladex Latam Fundo de Investimento Multimercado is registered with the Brazilian Securities Commission ("CVM"). This fund is a variable interest entity ("VIE"), and has been consolidated in these consolidated financial statements. As of December 31, 2012 and 2011, Bladex Investimentos Ltda. holds 82.90% and 91.99%, respectively, of the Brazilian Fund's net asset value.

- BLX Brazil Ltd., was incorporated under the laws of the Cayman Islands on October 5, 2010. Bladex Head Office owns 99.80% of BLX Brazil Ltd. In turn, BLX Brazil Ltd. owns 99.9999% of Bladex Asset Management Brazil – Gestora de Recursos Ltda. and Bladex Asset Management Inc. owns the remaining 0.0001%. Bladex Asset Management Brazil – Gestora de Recursos Ltda. was incorporated under the laws of Brazil on January 6, 2011, and provides investment advisory services to Bladex Latam Fundo de Investimento Multimercado.

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

The Bank has representative offices in Buenos Aires, Argentina, in Mexico City, D.F. and Monterrey, Mexico, in Porto Alegre, Brazil, in Lima, Peru, in Bogota, Colombia, and an international administrative office in Miami, Florida, USA.

Bladex Head Office owns 50% of the equity shares of BCG PA LLC, a company incorporated under the laws of the State of Delaware, USA. This company owns "Class C" shares of the Fund that entitle it to receive a performance allocation on third-party investments in the Feeder and in the Fund.

Clavex LLC, a former subsidiary of Bladex Holdings, was dissolved on April 7, 2011, and its net assets were transferred to its controlling entity. Clavex S. A., a former subsidiary of Bladex Head Office, was dissolved on August 30, 2011, and its net assets were transferred to its Head Office.

2. Summary of significant accounting policies

a) Basis of presentation

These consolidated financial statements have been prepared under accounting principles generally accepted in the United States of America ("U.S. GAAP"). All amounts presented in the consolidated financial statements and notes are expressed in dollars of the United Stated of America ("US$"), which is the Bank's functional currency. The accompanying consolidated financial statements have been translated from Spanish to English for users outside of the Republic of Panama.

The Accounting Standards Codification (the "ASC") issued by the Financial Accounting Standards Board (the "FASB") constitute the single official source of authoritative, non-governmental GAAP, other than guidance issued by the Securities and Exchange Commission ("SEC"). All other literature is considered non-authoritative.

b) Principles of consolidation

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

When Bladex holds an interest in investment companies under the "Feeder-Master" structure where the Feeder's shareholding is diluted and such entity is registered as a mutual fund with a regulatory body, it is considered an investment company. In those cases, the Feeder, and thereby Bladex indirectly, consolidates its participation in the Fund in one line item in the balance sheet, as required by the specialized accounting in the ASC Topic 946 - Financial Services – Investment Companies.

c) Variable interest entities

Variable interest entities ("VIE") are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. Investors that finance the VIE through debt or equity interests or other counterparties that provide other forms of support, such as guarantees, or certain types of derivative contracts, are variable interest holders in the entity.

The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. The Bank would be deemed to have a controlling financial interest and be the primary beneficiary if it has both of the following characteristics:

- power to direct the activities of a VIE that most significantly impact the entity's economic performance; and
- obligation to absorb losses of the entity that could potentially be significant to the VIE or right to receive benefits from the entity that could potentially be significant to the VIE.

d) Equity method

Investments in companies in which Bladex Head Office exercises significant influence, but not control over its financial and operating policies, and holds an equity participation of at least 20% but not more than 50%, are initially accounted for at cost, which is subsequently adjusted to record the participation of the investment in gains (losses) of the investee after the acquisition date.

e) Specialized accounting for investment companies

The Feeder and the Fund are organized under a "Feeder-Master" structure. Under this structure, the Feeder invests all its assets in the Fund which in turn invests in various assets on behalf of its investor. Specialized accounting for investment companies requires the Feeder to reflect its investment in the Fund in a single line item equal to its proportionate share of the net assets of the Fund, regardless of the level of Feeder's interest in the Fund. The Feeder records the Fund's results by accounting for its participation in the net interest income and expenses of the Fund, as well as its participation in the realized and unrealized gains or losses of the Fund.

As permitted by ASC Topic 810-10-25-15 – Consolidation, when Bladex consolidates its investment in the Feeder, it retains the specialized accounting for investment companies applied by the Feeder in the Fund, reporting it within the "Investment fund" line item in the consolidated balance sheet, and presenting the third party investments in the Feeder in the "Redeemable noncontrolling interest" line item between liabilities and stockholders' equity. The Bank reports interest income and expense from the Fund in the Investment fund line item within interest income and expense, realized and unrealized gains and losses in the "Net gain (loss) from investment fund trading" line item, and expenses from the Fund are reported in "Expenses from the investment fund" line item in the consolidated statements of income.

f) Use of estimates

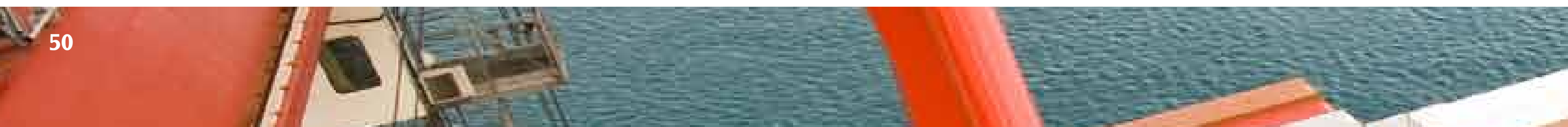
The preparation of the consolidated financial statements requires Management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowances for credit losses, impairment of securities available-for-sale and held-to-maturity, and the fair value of financial instruments. Actual results could differ from those estimates. Management believes these estimates are adequate.

g) Cash equivalents

Cash equivalents include demand deposits in banks and interest-bearing deposits in banks with original maturities of three months or less, excluding pledged deposits.

h) Repurchase agreements

Repurchase agreements are generally treated as collateralized financing transactions. When the criteria set forth in the following paragraph are met to account for the transaction as secured financing, the transaction is recorded at the amounts at which the securities will be subsequently reacquired including interest paid, as specified in the respective agreements. Interest is recognized



in the consolidated statement of income over the life of the transaction. The fair value of securities to be repurchased is continuously monitored, and additional collateral is obtained or provided where appropriate, to protect against credit exposure.

The Bank's policy is to relinquish possession of the securities sold under agreements to repurchase. Despite such relinquishment of possession, repurchase agreements qualify as secured financings if and only if all of the following conditions are met: the repurchase agreement must grant the transferor the right and obligation to repurchase or redeem the transferred financial assets; the assets to be repurchased are the same or substantially the same as those transferred; the agreement is to repurchase or redeem them before maturity, at a fixed and determinable price; and the agreement is entered into concurrently at the transfer date.

When repurchase agreements do not meet the above-noted conditions, they qualify as sales of securities, for which the related security is removed from the balance sheet and a forward purchase agreement is recognized for the obligation to repurchase the security. Changes in fair value of the forward purchase agreement as well as any gain or loss resulting from the sale of securities under repurchase agreements are reported in earnings of the period within net gain (loss) from trading securities.

i) Trading assets and liabilities

Trading assets and liabilities include bonds acquired for trading purposes, and receivables (unrealized gains) and payables (unrealized losses) related to derivative financial instruments which are not designated as hedges or which do not qualify for hedge accounting. These amounts include the derivative assets and liabilities net of cash received or paid, respectively, under legally enforceable master netting agreements.

Trading assets and liabilities are carried at fair value. Unrealized and realized gains and losses on trading assets and liabilities are recorded in earnings as net gain (loss) from trading securities.

j) Investment securities

Securities are classified at the date of purchase based on the ability and intent to sell or hold them as investments. These securities consist of debt securities such as: negotiable commercial paper, bonds and floating rate notes.

Interest on securities is recognized based on the interest method. Amortization of premiums and discounts are included in interest income as an adjustment to the yield.

<u>Securities available-for-sale</u>

These securities consist of debt instruments that the Bank buys with the intention of selling them prior to maturity and are subject to the same approval criteria as the rest of the credit portfolio. These securities are carried at fair value. Unrealized gains and losses are reported as net increases or decreases to other comprehensive income (loss) (OCI) in stockholders' equity until they are realized. Realized gains and losses from the sale of securities which are included in net gain on sale of securities are determined using the specific identification method.

Securities held-to-maturity

Securities classified as held-to-maturity represent securities that the Bank has the ability and the intent to hold until maturity. These securities are carried at amortized cost and are subject to the same approval criteria as the rest of the credit portfolio.

Impairment of securities

The Bank conducts periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other-than-temporary. Impairment of securities is evaluated considering numerous factors, and their relative significance varies case by case. Factors considered in determining whether unrealized losses are temporary include: the length of time and extent to which the fair value has been less than cost, the severity of the impairment, the cause of the impairment and the financial condition of the issuer, activity in the market of the issuer which may indicate adverse credit conditions, the intent and ability of the Bank to retain the security for a sufficient period of time to allow of an anticipated recovery in the market value (with respect to equity securities) and the intent and probability of the Bank to sell the security before the recovery of its amortized cost (with respect to debt securities). If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to its fair value, and a loss is recognized through earnings as impairment loss on assets.

In cases where the Bank does not intend to sell a debt security and estimates that it will not be required to sell the security before the recovery of its amortized cost basis, the Bank periodically estimates if it will recover the amortized cost of the security through the present value of expected cash flows. If the present value of expected cash flows is less than the amortized cost of the security, it is determined that an other-than-temporary impairment has occurred. The amount of this impairment representing credit loss is recognized through earnings and the residual of the other-than-temporary impairment related to non-credit factors is recognized in other comprehensive income (loss).

In periods subsequent to the recognition of the other-than-temporary impairment, the difference between the new amortized cost and the expected cash flows to be collected is accreted as interest income. The present value of the expected cash flows is estimated over the life of the debt security.

The other-than-temporary impairment of securities held-to-maturity that has been recognized in other comprehensive income (loss) is accreted to the amortized cost of the debt security prospectively over its remaining life.

Interest accrual is suspended on securities that are in default, or on which it is likely that future interest payments will not be received as scheduled.

k) Investment Fund

The Feeder records its investment in the Fund at fair value, which is the Feeder's proportionate interest in the net assets of the Fund. The Fund invests in trading assets and liabilities that are carried at fair value. The Fund reports trading gains and losses from negotiation of these instruments as realized and unrealized gains and losses on investments.

l) Other investments

Other investments that mainly consist of unlisted stock are recorded at cost and are included in other assets. The Bank determined that it is not practicable to obtain the fair value of these investments, as these shares are not traded in a secondary market. Performance of these investments is evaluated periodically and declines that are determined to be other-than-temporary are charged to earnings as impairment on assets (See Note 11).

m) Loans

Loans are reported at their amortized cost considering the principal outstanding amounts net of unearned income, deferred fees and allowance for loan losses. Interest income is recognized using the interest method. The amortization of net unearned income and deferred fees are recognized as an adjustment to the related loan yield using the effective interest method.

Purchased loans are recorded at acquisition cost. The difference between the principal and the acquisition cost of loans, the premiums and discounts, is amortized over the life of the loan as an adjustment to the yield. All other costs related to acquisition of loans are expensed when incurred.

The Bank identifies loans as delinquent when no debt service and/or interest payment has been received for 30 days after such payments were due. The outstanding balance of a loan is considered past due when the total principal balance with one single balloon payment has not been received within 30 days after such payment was due, or when no agreed-upon periodical payment has been received for a period of 90 days after the agreed-upon date.

Loans are placed in a non-accrual status when interest or principal is overdue for 90 days or more, or before if the Bank's Management believes there is an uncertainty with respect to the ultimate collection of principal or interest. Any interest receivable on non-accruing loans is reversed and charged-off against earnings. Interest on these loans is only recorded as earned when collected. Non-accruing loans are returned to an accrual status when (1) all contractual principal and interest amounts are current; (2) there is a sustained period of repayment performance in accordance with the contractual terms of at least six months; and (3) if in the Bank Management's opinion the loan is fully collectible.

A modified loan is considered a troubled debt restructuring when the debtor is experiencing financial difficulties and if the restructuring constitutes a concession to the debtor. A concession may include modification of terms such as an extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, and reduction in the face amount of the debt or reduction of accrued interest, among others. Marketable securities received in exchange for loans under troubled debt restructurings are initially recorded at fair value, with any gain or loss recorded as a recovery or charge to the allowance, and are subsequently accounted for as securities available-for-sale.

A loan is considered impaired, and also placed on a non-accrual basis, when based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to original contractual terms of the loan agreement. Factors considered by the Bank's Management in determining impairment include collection status, collateral value, and economic conditions in the borrower's country of residence. Impaired loans also include those modified loans considered troubled debt restructurings. When current events or available information confirm that

specific impaired loans or portions thereof are uncollectible, such impaired loans are charged-off against the allowance for loan losses.

The reserve for losses on impaired loans is determined considering all available evidence, including the present value of expected future cash flows discounted at the loan's original contractual interest rate and/or the fair value of the collateral, if applicable. If the loan's repayment is dependent on the sale of the collateral, the fair value considers costs to sell.

The Bank maintains a system of internal credit quality indicators. These indicators are assigned depending on several factors which include: profitability, quality of assets, liquidity and cash flows, capitalization and indebtedness, economic environment and positioning, regulatory framework and/or industry, sensitivity scenarios and the quality of debtor's management and shareholders. A description of these indicators is as follows:

Rating	Classification	Description
1 to 6	Normal	Clients with payment ability to satisfy their financial commitments.
7	Special Mention	Clients exposed to systemic risks specific to the country or the industry in which they are located, facing adverse situations in their operation or financial condition. At this level, access to new funding is uncertain.
8	Substandard	Clients whose primary source of payment (operating cash flow) is inadequate and who show evidence of deterioration in their working capital that does not allow them to satisfy payments on the agreed terms, endangering recovery of unpaid balances.
9	Doubtful	Clients whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms. Due to the fact that the debtor presents an impaired financial and economic situation, the likelihood of recovery is low.
10	Unrecoverable	Clients with operating cash flow that does not cover their costs, are in suspension of payments, presumably they will also have difficulties to fulfill possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

In order to maintain a periodical monitoring of the quality of the portfolio, loans with ratings between 1 and 5 are reviewed annually, ratings 6 are reviewed semi-annually, and those with ratings above 6 are reviewed quarterly.

The Bank's lending portfolio is summarized in the following segments: corporations, sovereign, middle-market companies and banking and financial institutions. The distinction between corporations and middle-market companies depends on the client's level of annual sales in relation to the country risk, among other criteria. Except for the sovereign segment, segments are broken down into state-owned and private.

The Bank's lending policy is applicable to all classes of loans.

n) Transfer of financial assets

Transfers of financial assets, primarily loans, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank even in bankruptcy or other receivership; (2) the transferee

obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or does not have the right to cause the assets to be returned. Upon completion of a transfer of assets that satisfies the conditions described above to be accounted for as a sale, the Bank recognizes the assets as sold and records in earnings any gain or loss on the sale. The Bank may retain interest in loans sold in the form of servicing rights. Gains or losses on sale of loans depend in part on the carrying amount of the financial instrument involved in the transfer, and its fair value at the date of transfer.

o) Allowance for credit losses

The allowance for credit losses is provided for losses derived from the credit extension process, inherent in the loan portfolio and off-balance sheet financial instruments, using the reserve method of providing for credit losses. Additions to the allowance for credit losses are made by debiting earnings. Credit losses are deducted from the allowance, and subsequent recoveries are added. The allowance is also decreased by reversals of the allowance back to earnings. The allowance attributable to loans is reported as a deduction of loans and the allowance for off-balance sheet credit risk, such as, letters of credit and guarantees, is reported as a liability.

The allowance for possible credit losses includes an asset-specific component and a formula-based component. The asset-specific component, or specific allowance, relates to the provision for losses on credits considered impaired and measured on a case-by-case basis. A specific allowance is established when the discounted cash flows (or observable market price of collateral) of the credit is lower than the carrying value of that credit. The formula-based component, or generic allowance, covers the Bank's performing credit portfolio and is established based in a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative judgment. The statistical calculation is a product of internal risk classifications, probabilities of default and loss given default. The probability of default is supported by Bladex's historical portfolio performance complemented by probabilities of default provided by external sources, in view of the greater robustness of this external data for some cases. The loss given default is based on Bladex's historical losses experience and best practices. The reserve balances, for both on and off-balance sheet credit exposures, are calculated applying the following formula:
Reserves = $\sum$(E x PD x LGD); where:

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

Management can also apply complementary judgment to capture elements of prospective nature or loss expectations based on risks identified in the environment that are not necessarily reflected in the historical data.

The allowance policy is applicable to all classes of loans and off-balance sheet financial instruments of the Bank.

p) Fees and commissions

Loan origination fees, net of direct loan origination costs, are deferred, and the net amount is recognized as revenue over the contractual term of the loans as an adjustment to the yield. These net fees are not recognized as revenue during periods in which interest income on loans is suspended because of concerns about the realization of loan principal or interest. Underwriting fees are recognized as revenue when the Bank has rendered all services to the issuer and is entitled to collect the fee from the issuer, when there are no contingencies related to the fee. Underwriting fees are recognized net of syndicate expenses. In addition, the Bank recognizes credit arrangement and syndication fees as revenue after satisfying certain retention, timing and yield criteria. Fees received in connection with a modification of terms of a troubled debt restructuring are applied as a reduction of the recorded investment in the loan. Fees earned on letters of credit, guarantees and other commitments are amortized using the straight-line method over the life of such instruments.

q) Premises and equipment

Premises and equipment, including the electronic data processing equipment, are carried at cost less accumulated depreciation and amortization, except land, which was carried at acquisition cost. Depreciation and amortization are charged to operations using the straight-line method, over the estimated useful life of the related asset. The estimated original useful life for furniture and equipment is 3 to 5 years and for improvements is 3 to 15 years. The building was depreciated in a period of 40 years.

The Bank defers the cost of internal-use software that has a useful life in excess of one year in accordance with ASC Topic 350-40 - Intangibles – Goodwill and Other – Internal-Use Software. These costs consist of payments made to third parties related to the use of licenses and installation of both, software and hardware. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized internal use software costs are amortized using the straight-line method over their estimated useful lives, generally consisting of 5 years.

r) Borrowings and debt

Short and long-term borrowings and debt are accounted for at amortized cost.

s) Capital reserves

Capital reserves are established as a segregation of retained earnings and are, as such, a form of retained earnings. Even though the constitution of capital reserves is not required by the SBP, their reductions require the approval of the Bank's Board of Directors and the SBP.

t) *Stock-based compensation and stock options plans*

The Bank applies ASC Topic 718 – Compensation - Stock Compensation to account for compensation costs on restricted stock and stock option plans. Compensation cost is based on the grant date fair value of both stock and options and is recognized over the requisite service period of the employee, using the straight-line method. The fair value of each option is estimated at the grant date using a binomial option-pricing model. For the year 2010, the options' expected term was calculated using the simplified weighted average method because the Bank did not have sufficient historical exercise data to provide for a reasonable basis to estimate expected term.

When options and stock are exercised, the Bank's policy is to reissue shares from treasury stock.

u) *Derivative financial instruments and hedge accounting*

The Bank uses derivative financial instruments for its management of interest rate and foreign exchange risks. Interest rate swap contracts, cross-currency swap contracts and forward foreign exchange contracts have been used to manage interest rate and foreign exchange risks associated with debt securities and borrowings with fixed rates, and loans and borrowings in foreign currency. These contracts can be classified as fair value and cash flow hedges. In addition, forward foreign exchange contracts are used to hedge exposures to changes in foreign currency in subsidiary companies with functional currencies other than US dollar. These contracts are classified as net investment hedges.

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

Derivatives held for trading purposes include interest rate swap, cross-currency swap, forward foreign exchange and future contracts used for risk management purposes that do not qualify for hedge accounting. The fair value of trading derivatives is reported as trading assets or trading liabilities, as applicable. Changes in realized and unrealized gains and losses and interest from these trading instruments are included in net gain (loss) from trading securities.

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

1. It is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item.
2. The derivative expires or is sold, terminated or exercised.

3. The Bank otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

The Bank carries all derivative financial instruments in the consolidated balance sheet at fair value. For qualifying fair value hedges, all changes in the fair value of the derivative and the fair value of the item for the risk being hedged are recognized in earnings. If the hedge relationship is terminated, then the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment. The Bank applies the shortcut method of hedge accounting that does not recognize ineffectiveness in hedges of interest rate swap that meet the requirements of ASC Topic 815-20-25-104. For qualifying cash flow hedges and net investment hedges, the effective portion of the change in the fair value of the derivative is recorded in OCI and recognized in the consolidated statement of income when the hedged cash flows affect earnings. The ineffective portion is recognized in the consolidated statement of income as activities of derivative financial instruments and hedging. If the cash flow hedge relationship is terminated, related amounts in OCI are reclassified into earnings when hedged cash flows occur.

v) Foreign currency translation

Assets and liabilities of foreign subsidiaries whose local currency is considered their functional currency, are translated into the reporting currency, US dollars, using period-end spot foreign exchange rates. The Bank uses monthly-averaged exchange rates to translate revenues and expenses from local functional currency into US dollars. The effects of those translations adjustments are reported as a component of the Other comprehensive income (loss) in the stockholders' equity.

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

w) Income taxes

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract signed between the Republic of Panama and Bladex.
- The Feeder, the Fund, and BLX Brazil Ltd. are not subject to income taxes in accordance with the laws of the Cayman Islands. These companies received an undertaking exempting them from taxation of all future profits until March 7, 2026 for the Feeder and the Fund, and until November 23, 2030 for BLX Brazil Ltd.
- Bladex Representacao Ltda., Bladex Investimentos Ltda., and Bladex Asset Management Brazil – Gestora de Recursos Ltda. are subject to income taxes in Brazil.
- The New York Agency and Bladex's subsidiaries incorporated in USA are subject to federal and local taxation in USA based on the portion of income that is effectively connected with its operations in that country.

  Such amounts of income taxes have been immaterial to date.

x) Redeemable noncontrolling interest

ASC Topic 810 - Consolidation requires that a noncontrolling interest, previously referred to as a minority interest, in a consolidated subsidiary be reported as a separate component of equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be presented separately, below net income in the consolidated statement of income.

Furthermore, in accordance with ASC 480-10-S99, equity securities that are redeemable at the option of the holder and not solely within the control of the issuer must be classified outside of equity. The terms of third party investments in the consolidated funds contain a redemption clause which allows the holders the option to redeem their investment at fair value. Accordingly, the Bank presents the noncontrolling interest between liabilities and stockholders' equity in the consolidated balance sheets.

Net assets of the Feeder and the Brazilian Fund are measured and presented at fair value, given the nature of their net assets (i.e. represented mainly by cash and investments in securities). Therefore, when calculating the value of the redeemable noncontrolling interest under ASC Topic 810, such amount is already recorded at its fair value and no further adjustments under ASC 480-10-S99 are necessary.

y) Earnings per share

Basic earnings per share is computed by dividing the net income attributable to Bladex (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year. Diluted earnings per share measure performance incorporating the effect that potential common shares, such as stock options and restricted stock units outstanding during the same period, would have on net earnings per share. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except for the denominator, which is increased to include the number of additional common shares that would have been issued if the beneficiaries of stock purchase options and other stock plans could exercise their options. The number of potential common shares that would be issued is determined using the treasury stock method.

z) Recently issued accounting standards

During 2012 and 2011, new accounting standards, modifications, interpretations, and updates to standards ("ASU"), applicable to the Bank, have been issued and are not in effect. These standards establish the following:

<u>ASU 2011-11 – Balance Sheet (Topic 210)</u>

This update requires an entity to disclose information about financial instruments and derivative instruments that are either offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset. Entities are required to disclose both gross and net information about instruments and transactions eligible for offset and instruments and transactions subject to an agreement similar to a master netting arrangement.

This update is effective for interim and annual periods beginning on or after January 1, 2013. Entities should provide the disclosures required by this update retrospectively for all comparative

periods presented. The Bank does not anticipate any material impact on its financial statements as a result of those disclosures.

ASU 2012-04 – Technical Corrections and Improvements

The amendments in this update are intended to make minor improvements to the Accounting Standard Codification that are not expected to have a significant effect on current accounting practice. Additionally, these amendments will make the Codification easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications.

This update is effective for annual periods beginning on or after December 15, 2012. The Bank is evaluating the potential impact of this update in its financial statements.

3. Discontinued operations

In the fourth quarter of 2012, the Bank established a plan to divest the operations of the Asset Management unit. The Bank applied discontinued operations accounting to the operations of the Asset Management unit for the year ended December 31, 2012, in accordance with ASC Topic 250-20 – Presentation of Financial Statements – Discontinued Operations. Amounts reported in the consolidated financial statements of income and cash flows for the years ended December 31, 2011 and 2010 have been reclassified to conform to the presentation of discontinued operations in 2012. The reclassification of amounts in the consolidated statements of cash flows for the years 2011 and 2010 did not affect the totals of operating, investing and financing activities. The book value of assets of the Asset Management unit is not significant; so have not been reported as assets held-for-sale in the consolidated balance sheet.

The following table summarizes the operating results of the discontinued operations:

	Year ended December 31		
(In thousands of US$)	**2012**	**2011**	**2010**
Other income:			
Fees and commissions [1]	2,683	2,942	3,621
Other income	20	-	181
	2,703	2,942	3,802
Operating expenses:			
Salaries and other employee expenses	(1,535)	(1,443)	(1,247)
Depreciation and amortization	(21)	(27)	(39)
Professional services	(699)	(731)	(968)
Maintenance and repairs	(7)	(5)	(1)
Other operating expenses	(1,122)	(1,156)	(1,341)
Total operating expenses	(3,384)	(3,362)	(3,596)
Net gain (loss) from discontinued operations	(681)	(420)	206

[1] Includes management fees from the investment fund for $2,588 thousand, $2,832 thousand, and $3,106 thousand in years 2012, 2011 y 2010, respectively.

4. Cash and cash equivalents

Cash and cash equivalents are as follows:

(In thousands of US$)	December 31, 2012	2011
Cash and due from banks	6,718	12,814
Interest-bearing deposits in banks	700,312	830,670
Total	707,030	843,484
Less:		
Interest-bearing deposits with original maturities of more than three months	-	30,000
Pledged deposits	14,519	23,994
	692,511	789,490

On December 31, 2012 and 2011, the New York Agency had a pledged deposit with a carrying value of $3.0 million with the New York State Banking Department, as required by law since March 1994. As of December 31, 2012 and 2011, the Bank had pledged deposits of $11.5 million and $21.0 million, respectively, to secure derivative financial instruments transactions and repurchase agreements.

5. Trading assets and liabilities

The fair value of trading assets and liabilities is as follows:

(In thousands of US$)	December 31, 2012	2011
Trading assets:		
Sovereign bonds	5,146	20,415
Cross-currency interest rate swaps	49	21
Forward foreign exchange	50	-
Future contracts	20	-
Total	5,265	20,436
Trading liabilities:		
Interest rate swaps	100	748
Cross-currency interest rate swaps	32,182	4,836
Future contracts	22	-
Total	32,304	5,584

Sovereign bonds outstanding as of December 31, 2012, 2011 and 2010, have generated gains of $0.1 million during 2012 and 2010, respectively, and loss of $0.7 million during 2011 which have been recorded in earnings.

As of December 31, 2012 and 2011, bonds with a carrying value of $1.3 million and $19.0 million, respectively, secured repurchase agreements accounted for as secured borrowings and derivative financial instruments transactions.

During 2012, 2011 and 2010, the Bank recognized the following gains and losses related to trading derivative financial instruments:

(In thousands of US$)	Year ended December 31, 2012	2011	2010
Interest rate swaps	(310)	(299)	(2,091)
Cross-currency interest rate swaps	11,537	(4,858)	(1,662)
Credit default swap	-	-	13
Forward foreign exchange	27	93	-
Future contracts	207	(29)	-
Total	11,461	(5,093)	(3,740)

These amounts are reported in the Net gain (loss) from trading securities and Net gain (loss) from the investment fund trading lines in the consolidated statements of income.

In addition to the trading derivative financial instruments, the Bank has hedging derivative financial instruments that are disclosed in Note 21.

As of December 31, 2012 and 2011, trading derivative liabilities include interest rate swap and cross-currency interest rate swap contracts that were previously designated as fair value hedges of securities available-for-sale, and foreign-currency loans and borrowings, respectively that no longer qualify for hedge accounting. Hedge accounting of certain fair value hedges was discontinued during 2012. Adjustments to the carrying value of the hedged underlying transactions are amortized in the interest expense line over the remaining term of these transactions. Changes in the fair value of these derivative instruments after discontinuation of fair value hedge accounting are recorded in Net gain (loss) from trading securities.

As of December 31, 2012 and 2011, information on the nominal amounts of derivative financial instruments held for trading purposes is as follows:

(In thousands of US$)	2012			2011		
	Nominal Amount	Fair Value Asset	Fair Value Liability	Nominal Amount	Fair Value Asset	Fair Value Liability
Interest rate swaps	35,291	-	100	17,000	-	748
Cross-currency interest rate swaps	155,081	49	32,182	85,163	21	4,836
Forward foreign exchange	7,152	50	22	-	-	-
Future contracts	6,896	20	-	139	-	-
Total	204,420	119	32,304	102,302	21	5,584

6. Investment securities

Securities available-for-sale

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

(In thousands of US$)	December 31, 2012 Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	13,581	158	-	13,739
Colombia	986	60	-	1,046
Chile	1,967	87	-	2,054
Peru	530	17	-	547
	17,064	322	-	17,386
Sovereign debt:				
Brazil	28,783	1,965	-	30,748
Colombia	15,489	-	199	15,290
Chile	1,061	1	-	1,062
Honduras	15,986	224	-	16,210
Mexico	20,553	1,779	-	22,332
Panama	37,845	1,828	-	39,673
Venezuela	39,548	801	33	40,316
	159,265	6,598	232	165,631
Total	176,329	6,920	232	183,017

(In thousands of US$)	December 31, 2011 Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	45,937	152	2,094	43,995
Colombia	28,169	89	-	28,258
Peru	14,916	29	-	14,945
	89,022	270	2,094	87,198
Sovereign debt:				
Brazil	44,541	2,401	376	46,566
Colombia	59,204	1,682	230	60,656
Guatemala	5,469	-	19	5,450
Honduras	16,384	-	166	16,218
Mexico	63,094	2,456	62	65,488
Panama	46,796	2,227	61	48,962
Peru	25,487	602	-	26,089
Venezuela	59,291	577	195	59,673
	320,266	9,945	1,109	329,102
Total	409,288	10,215	3,203	416,300

As of December 31, 2012 and 2011, securities available-for-sale with a carrying value of $152.3 million and $375.5 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

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

(In thousands of US$)	December 31, 2012					
	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	10,188	79	10,009	153	20,197	232
	10,188	79	10,009	153	20,197	232

(In thousands of US$)	December 31, 2011					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	33,366	2,094	-	-	33,366	2,094
Sovereign debt	110,589	1,109	-	-	110,589	1,109
	143,955	3,203	-	-	143,955	3,203

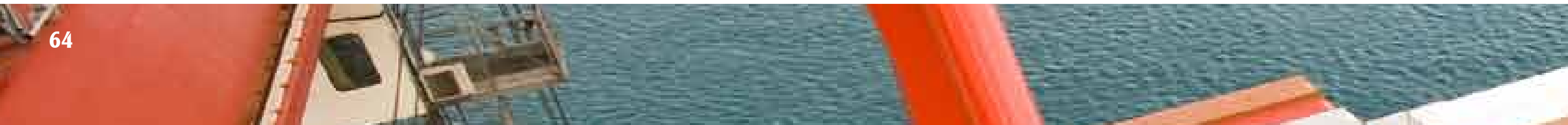
Gross unrealized losses are related mainly to changes in market interest rates and other market factors and not due to underlying credit concerns by the Bank about the issuers. The sovereign debt that shows an unrealized gross loss for more than twelve months relates to a counterparty whose payment performance is and continues to be strong. The price of the bond in question has seen a recovery during 2012. Historically, this counterparty has not failed to perform on its obligations. As of December 31, 2012 the Bank does not intent to sell and will not be required to sell this security available-for-sale showing gross unrealized losses before the recovery of its amortized cost. As a result, the Bank does not consider this exposure to be other-than temporary impaired.

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

(In thousands of US$)	Year ended December 31,		
	2012	2011	2010
Gains	6,141	3,825	2,346
Losses	(111)	(412)	-
Net	6,030	3,413	2,346

The amortized cost and fair value of securities available-for-sale by contractual maturity as of December 31, 2012, are shown in the following table:

(In thousands of US$)	Amortized Cost	Fair Value
Due within 1 year	34,574	34,815
After 1 year but within 5 years	133,298	139,661
After 5 years but within 10 years	8,457	8,541
	176,329	183,017



Securities held-to-maturity

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

	December 31, 2012			
(In thousands of US$)	**Amortized Cost**	**Unrealized Gross Gain**	**Unrealized Gross Loss**	**Fair Value**
Corporate debt:				
Panama	12,660	-	-	12,660
Sovereign debt:				
Colombia	13,011	4	3	13,012
Honduras	6,442	9	19	6,432
Panama	2,000	45	-	2,045
	21,453	58	22	21,489
Total	34,113	58	22	34,149

	December 31, 2011			
(In thousands of US$)	**Amortized Cost**	**Unrealized Gross Gain**	**Unrealized Gross Loss**	**Fair Value**
Corporate debt:				
Panama	7,050	-	-	7,050
Sovereign debt:				
Colombia	13,015	40	-	13,055
Honduras	4,471	1	-	4,472
Panama	2,000	60	-	2,060
	19,486	101	-	19,587
Total	26,536	101	-	26,637

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

The amortized cost and fair value of securities held-to-maturity by contractual maturity as of December 31, 2012, are shown in the following table:

(In thousands of US$)	**Amortized Cost**	**Fair Value**
Due within 1 year	18,960	19,014
After 1 year but within 5 years	15,153	15,135
	34,113	34,149

As of December 31, 2012 and 2011, securities held-to-maturity with a carrying value of $19.4 million and $17.5 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

7. Investment fund

The balance in the investment fund for $105.9 million as of December 31, 2012 and $120.4 million as of December 31, 2011 represents the participation of the Feeder in the net asset value (NAV) of the Fund.

The Fund's net assets are mainly composed by cash, investments in equity and debt instruments, and derivative financial instruments that are quoted and traded in active markets. For financial instruments for which quoted prices are not available, the Fund uses independent valuations from pricing providers that use valuation models considering market information.

As of December 31, 2012, the Feeder owns 97.95% of the Fund with a total of 79,335.7 shares issued, divided in 839.0 "Class A" shares, 846.4 "Class A1" shares and 77,650.3 "Class B" shares.

As of December 31, 2011, the Feeder owns 98.03% of the Fund with a total of 93,094.3 shares issued, divided in 2,948.0 "Class A" shares, 397.9 "Class A1" shares, 89,040.3 "Class B" shares and 708.1 "Class E1" shares.

The Fund has issued "Class A", "Class A1", "Class B", "Class C", "Class D", "Class E" and "Class E1" shares and administrative shares. "Class A", "Class A1" and "Class B" shares are participating shares in the net gains (losses) of the Fund, and only differ in relation to certain administrative fees. "Class C" and "Class D" shares do not participate in the net gains (losses) of the Fund; they are only entitled to the performance allocation from "Class A", "Class A1" and "Class B" shares. The "Class E" and "Class E1" shares are not subject to either administrative fees or performance allocation. The Bank owns the Feeder's and the Fund's administrative shares.

"Class A", "Class A1" and "Class E" shares can be redeemed monthly by investors with 30 days' notice. $100 million of the "Class B" shares can be redeemed starting in 2013.

8. Loans

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

(In thousands of US$)	December 31,	
	2012	**2011**
Corporations:		
Private	2,202,613	2,089,520
State-owned	538,638	232,893
Banking and financial institutions:		
Private	1,775,938	1,716,406
State-owned	416,085	447,757
Middle-market companies:		
Private	681,912	445,731
Sovereign	100,370	27,266
Total	5,715,556	4,959,573

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

(In thousands of US$)	December 31, 2012	December 31, 2011
Banking and financial institutions	2,192,023	2,164,163
Industrial	1,108,223	967,929
Oil and petroleum derived products	894,368	645,875
Agricultural	853,377	730,119
Services	210,925	264,895
Mining	22,122	37,723
Sovereign	100,370	27,266
Others	334,148	121,603
Total	5,715,556	4,959,573

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

(In thousands of US$) — December 31, 2012

Rating [1]	Corporations Private	Corporations State-owned	Banking and financial institutions Private	Banking and financial institutions State-owned	Middle-market companies Private	Sovereign	Total
1-6	2,202,613	538,638	1,775,938	416,085	681,912	100,370	5,715,556
7	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
Total	2,202,613	538,638	1,775,938	416,085	681,912	100,370	5,715,556

(In thousands of US$) — December 31, 2011

Rating [1]	Corporations Private	Corporations State-owned	Banking and financial institutions Private	Banking and financial institutions State-owned	Middle-market companies Private	Sovereign	Total
1-6	2,057,520	232,893	1,716,406	447,757	445,731	27,266	4,927,573
7	-	-	-	-	-	-	-
8	24,000	-	-	-	-	-	24,000
9	8,000	-	-	-	-	-	8,000
10	-	-	-	-	-	-	-
Total	2,089,520	232,893	1,716,406	447,757	445,731	27,266	4,959,573

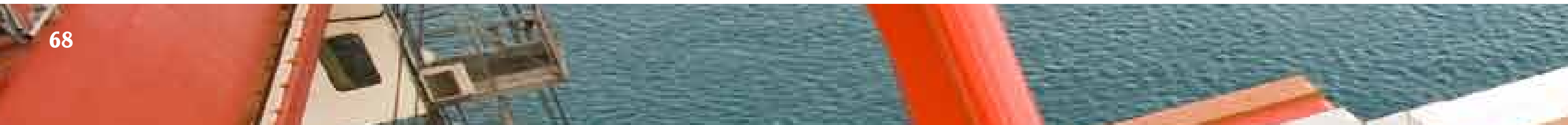
[1] Current ratings as of December 31, 2012 and 2011, respectively.

The remaining loan maturities are summarized as follows:

(In thousands of US$)	December 31, 2012	December 31, 2011
Current:		
Up to 1 month	1,155,222	395,091
From 1 month to 3 months	1,475,201	1,110,307
From 3 months to 6 months	962,377	1,095,632
From 6 months to 1 year	752,822	767,526
From 1 year to 2 years	662,511	539,077
From 2 years to 5 years	692,884	1,000,486
More than 5 years	14,539	18,654
	5,715,556	4,926,773
Delinquent	-	800
Restructured and impaired:		
Current balances with impairment	-	32,000
Past due balances with impairment	-	-
	-	32,000
Total	5,715,556	4,959,573

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

(In thousands of US$)	December 31, 2012	December 31, 2011
Country:		
Argentina	222,159	389,591
Belgium	30,692	-
Brazil	1,773,401	1,852,152
Chile	309,712	376,297
Colombia	450,037	734,213
Costa Rica	196,857	109,263
Dominican Republic	110,688	118,275
Ecuador	173,782	21,676
El Salvador	66,013	21,098
France	59,501	-
Germany	-	5,000
Guatemala	273,051	161,107
Honduras	70,701	45,509
Jamaica	9,772	1,768
Mexico	495,954	416,353
Netherlands	77,336	20,000
Nicaragua	10,169	9,995
Panama	277,144	118,526
Paraguay	27,060	30,286
Peru	841,032	341,784
Spain	9,695	340
Trinidad and Tobago	119,347	76,340
United States	2,925	-
Uruguay	108,528	110,000
	5,715,556	4,959,573



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

(In thousands of US$)	December 31,	
	2012	**2011**
Fixed interest rates	3,282,876	2,360,115
Floating interest rates	2,432,680	2,599,458
	5,715,556	4,959,573

As of December 31, 2012 and 2011, 92% and 84%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

(In thousands of US$)	December 31,		
	2012	**2011**	**2010**
Loans in non-accrual status			
Private corporations	-	32,000	28,000
Private middle-market companies	-	-	1,002
Total loans in non-accrual status	-	32,000	29,002
Interest which would have been recorded if the loans had not been in a non-accrual status	-	2,325	3,403
Interest income collected on non-accruing loans	2,288	2,375	3,335

An analysis of non-accruing loans with impaired balances as of December 31, 2012 and 2011 is detailed as follows:

(In thousands of US$)	December 31, 2012			2012	
	Recorded investment	**Unpaid principal balance**	**Related allowance**	**Average principal loan balance**	**Interest income recognized**
With an allowance recorded					
Private corporations	-	-	-	-	2,288
Total	-	-	-	-	2,288

(In thousands of US$)	December 31, 2011			2011	
	Recorded investment	**Unpaid principal balance**	**Related allowance**	**Average principal loan balance**	**Interest income recognized**
With an allowance recorded					
Private corporations	32,000	32,000	14,800	26,860	2,375
Total	32,000	32,000	14,800	26,860	2,375

As of December 31, 2012 and 2011, there were no impaired loans without related allowance.

As of December 31, 2012 and 2011, the Bank did not have any troubled debt restructurings.

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

(In thousands of US$)	December 31, 2012							
	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past Due	Delinquent	Current	Total Loans
Corporations	-	-	-	-	-	-	2,741,251	2,741,251
Banking and financial institutions	-	-	-	-	-	-	2,192,023	2,192,023
Middle-market companies	-	-	-	-	-	-	681,912	681,912
Sovereign	-	-	-	-	-	-	100,370	100,370
Total	-	-	-	-	-	-	5,715,556	5,715,556

(In thousands of US$)	December 31, 2011							
	91-120 days	121-150 days	151-180 days	Greater than 180 days	Total Past Due	Delinquent	Current	Total Loans
Corporations	-	-	-	-	-	-	2,322,413	2,322,413
Banking and financial institutions	-	-	-	-	-	-	2,164,163	2,164,163
Middle-market companies	-	-	-	-	-	800	444,931	445,731
Sovereign	-	-	-	-	-	-	27,266	27,266
Total	-	-	-	-	-	800	4,958,773	4,959,573

As of December 31, 2012 and 2011, the Bank has credit transactions in the normal course of business with 29% of its Class “A” and “B” stockholders (see Note 16). All transactions are made based on arm’s-length terms and subject to prevailing commercial criteria and market rates and are subject to all of the Bank’s Corporate Governance and control procedures. As of December 31, 2012 and 2011, approximately 18% and 19%, respectively, of the outstanding loan portfolio is placed with the Bank’s Class “A” and “B” stockholders and their related parties. As of December 31, 2012, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no Class “A” or “B” shareholder was the registered owner of more than 3.5% of the total outstanding shares of the voting capital stock of the Bank.

During the years 2012, 2011 and 2010, the Bank sold loans with a book value of $146.2 million, $9.3 million and $20 million, respectively, with a net gain of $1,147 thousand, $64 thousand and $201 thousand in 2012, 2011 and 2010, respectively.

9. Allowance for credit losses

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

a) Allowance for loan losses:

(In thousands of US$)	Year ended December 31, 2012				
	Corporations	Banking and financial institutions	Middle-market companies	Sovereign	Total
Balance at beginning of the year	48,864	30,524	8,952	207	88,547
Provision (reversal of provision) for loan losses [(1)]	(8,886)	(1,705)	1,690	558	(8,343)
Loan recoveries and other	-	17	245	-	262
Loans written-off against the allowance for loan losses	(7,490)	-	-	-	(7,490)
Balance at end of the year	32,488	28,836	10,887	765	72,976
Components:					
Generic allowance	32,488	28,836	10,887	765	72,976
Specific allowance	-	-	-	-	-
Total allowance for loan losses	32,488	28,836	10,887	765	72,976

(In thousands of US$)	Year ended December 31, 2011					Year ended December 31, 2010
	Corporations	Banking and financial institutions	Middle-market companies	Sovereign	Total	
Balance at beginning of the year	54,160	18,790	5,265	400	78,615	73,789
Provision (reversal of provision) for loan losses [(1)]	(5,295)	10,017	4,312	(193)	8,841	9,091
Loan recoveries and other	-	1,716	440	-	2,156	996
Loans written-off against the allowance for loan losses	-	-	(1,065)	-	(1,065)	(5,261)
Balance at end of the year	48,865	30,523	8,952	207	88,547	78,615
Components:						
Generic allowance	34,065	30,523	8,952	207	73,747	67,115
Specific allowance	14,800	-	-	-	14,800	11,500
Total allowance for loan losses	48,865	30,523	8,952	207	88,547	78,615

[(1)] It includes releases of specific reserves for $7,931 thousand during 2012, $1,600 thousand during 2011, and $1,031 thousand during 2010.

Provision (reversal of provision) of generic allowance for credit losses are mostly related to changes in volume and composition of the credit portfolio. The decrease in the generic allowance for loan losses in 2012 was primarily due to an increased exposure in countries, customers and type of transactions with better ratings and a decreased exposure in those with lower ratings.

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

(In thousands of US$)	December 31, 2012				
	Corporations	Banking and financial institutions	Middle-market companies	Sovereign	Total
Allowance for loan losses					
Generic allowance	32,488	28,836	10,887	765	72,976
Specific allowance	-	-	-	-	-
Total of allowance for loan losses	32,488	28,836	10,887	765	72,976
Loans					
Loans with generic allowance	2,741,251	2,192,023	681,912	100,370	5,715,556
Loans with specific allowance	-	-	-	-	-
Total loans	2,741,251	2,192,023	681,912	100,370	5,715,556

(In thousands of US$)	December 31, 2011				
	Corporations	Banking and financial institutions	Middle-market companies	Sovereign	Total
Allowance for loan losses					
Generic allowance	34,065	30,523	8,952	207	73,747
Specific allowance	14,800	-	-	-	14,800
Total of allowance for loan losses	48,865	30,523	8,952	207	88,547
Loans					
Loans with generic allowance	2,290,413	2,164,163	445,731	27,266	4,927,573
Loans with specific allowance	32,000	-	-	-	32,000
Total loans	2,322,413	2,164,163	445,731	27,266	4,959,573

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

(In thousands of US$)	Year ended December 31,		
	2012	2011	2010
Balance at beginning of the year	8,887	13,335	27,261
Reversal of provision for losses on off-balance sheet credit risk	(4,046)	(4,448)	(13,926)
Balance at end of the year	4,841	8,887	13,335

The reserve for losses on off-balance sheet credit risk reflects the Bank's Management estimate of probable losses on off-balance sheet credit risk items such as: confirmed letters of credit, stand-by letters of credit, guarantees and credit commitments (see Note 19). The 2012's decrease in the reserve for losses on off-balance sheet credit risk was primarily due to changes in volume, composition, and risk profile of the portfolio.

10. Premises and equipment

A breakdown of cost and accumulated depreciation and amortization for premises and equipment as of December 31, 2012 and 2011 is as follows:

(In thousands of US$)	**December 31,**	
	2012	**2011**
Land	-	462
Leasehold improvements	7,194	1,646
Building	-	3,750
Furniture and equipment	17,302	18,696
	24,496	24,554
Less: accumulated depreciation and amortization	11,688	17,881
	12,808	6,673

In June 2012, the Bank recorded a gain on sale of premises and equipment of $5.6 million due to the sale of its former head office's premises. The Bank's new head office is located in leased premises at Business Park Tower V, in Panama City.

11. Other assets and other liabilities

Following is a summary of other assets and other liabilities as of December 31, 2012 and 2011:

Other assets

(In thousands of US$)	**December 31,**	
	2012	**2011**
Prepaid commissions	10,193	10,357
Accounts receivable	1,749	1,260
Equity investment in a private fund (at cost)	961	1,415
Other	1,677	5,380
	14,580	18,412

Other liabilities

(In thousands of US$)	**December 31,**	
	2012	**2011**
Accruals and provisions	20,345	14,773
Accounts payable	6,045	5,417
Other	1,958	2,378
	28,348	22,568

12. Deposits

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

(In thousands of US$)	December 31, 2012	December 31, 2011
Demand	131,875	67,586
Up to 1 month	1,194,102	1,474,088
From 1 month to 3 months	540,619	402,472
From 3 months to 6 months	281,120	196,016
From 6 months to 1 year	152,000	151,800
From 1 year to 2 years	7,000	-
From 2 years to 5 years	10,544	11,544
	2,317,260	2,303,506

The following table presents additional information about deposits:

(In thousands of US$)	December 31, 2012	December 31, 2011
Aggregate amounts of time deposits of $100,000 or more	2,185,277	2,233,044
Aggregate amounts of deposits in offices outside Panama	229,170	220,340
Interest expense paid to deposits in offices outside Panama	1,332	983

13. Securities sold under repurchase agreements

The Bank's financing transactions under repurchase agreements amounted to $158.4 million and $377.0 million as of December 31, 2012 and 2011, respectively.

During the years ended December 31, 2012, 2011 and 2010, interest expense related to financing transactions under repurchase agreements totaled $1.7 million, $2.1 million, and $1.5 million, respectively. These expenses are included in the interest expense – borrowings line in the consolidated statements of income.

14. Short-term borrowings

The breakdown of short-term borrowings due to financial institutions, together with contractual interest rates, is as follows:

(In thousands of US$)	December 31, 2012	December 31, 2011
Advances from financial institutions:		
At fixed interest rates	1,181,133	1,005,357
At floating interest rates	267,890	318,109
Total short-term borrowings	1,449,023	1,323,466
Average outstanding balance during the year	967,629	1,100,059
Maximum balance at any month-end	1,449,023	1,323,466
Range of fixed interest rates on borrowings in U.S. dollars	0.75% to 1.92%	0.84% to 2.64%
Range of floating interest rates on borrowings in U.S. dollars	1.06% to 1.99%	1.11% to 2.01%
Fixed interest rate on borrowings in Euros	0.70%	2.98%
Fixed interest rate on borrowings in Renminbis	-	6.65%
Floating interest rate on borrowings in Mexican pesos	5.14% to 5.25%	5.70%
Weighted average interest rate at end of the year	1.48%	1.84%
Weighted average interest rate during the year	1.79%	1.22%

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

(In thousands of US$)	December 31, 2012	December 31, 2011
Currency		
U.S. dollar	1,365,500	1,181,200
Euro	39,633	38,850
Mexican peso	43,890	93,109
Renminbis	-	10,307
Total	1,449,023	1,323,466

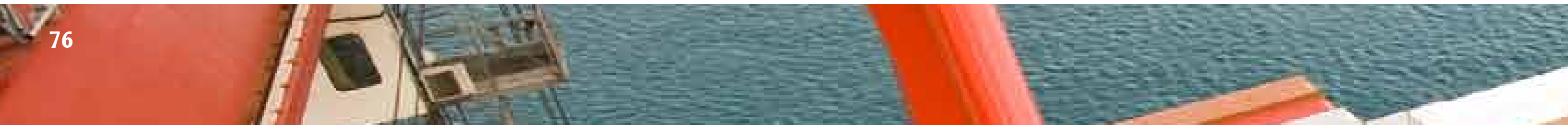
15. Borrowings and long-term debt

Borrowings consist of long-term and syndicated loans obtained from international banks. Debt instruments consist of Euro-Notes and issuances in Latin America. The breakdown of borrowings and long-term debt (original maturity of more than one year), together with contractual interest rates, is as follows:

	December 31,	
(In thousands of US$)	**2012**	**2011**
Borrowings:		
At fixed interest rates with due dates from April 2013 to September 2013	1,435	15,696
At floating interest rates with due dates from January 2013 to September 2014	1,296,785	1,426,237
Total borrowings	1,298,220	1,441,933
Debt:		
At fixed interest rates with due dates from November 2014 to April 2017	453,373	45,615
At floating interest rates with due dates in March 2015	153,947	-
Total debt	607,320	45,615
Total borrowings and long-term debt outstanding	1,905,540	1,487,548
Average outstanding balance during the year	1,893,580	1,391,440
Maximum outstanding balance at any month-end	2,152,584	1,548,404
Fixed interest rates on debt in U.S. dollars	3.75%	1.50%
Range of floating interest rates on borrowings in U.S. dollars	0.68% to 2.40%	0.62% to 2.30%
Range of fixed interest rates on borrowings in Mexican pesos	7.60% to 9.90%	7.50% to 9.90%
Range of floating interest rates on borrowings and debt in Mexican pesos	5.50% to 6.34%	5.66% to 6.30%
Fixed interest rate on debt in Peruvian nuevos soles	6.50%	6.50%
Weighted average interest rate at the end of the year	2.92%	2.16%
Weighted average interest rate during the year	2.74%	1.94%

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

	December 31,	
(In thousands of US$)	**2012**	**2011**
Currency		
U.S. dollar	1,518,592	1,269,575
Mexican peso	338,760	172,358
Peruvian nuevo sol	48,188	45,615
Total	1,905,540	1,487,548



The Bank's funding activities include: (i) Euro Medium Term Note Program ("EMTN"), which may be used to issue notes for up to $2.3 billion, with maturities from 7 days up to a maximum of 30 years, at fixed or floating interest rates, or at discount, and in various currencies. The notes are generally issued in bearer or registered form through one or more authorized financial institutions; (ii) Short-and Long-Term Notes "Certificados Bursatiles" Program (the "Mexico Program") in the Mexican local market, registered with the Mexican National Registry of Securities maintained by the National Banking and Securities Commission in Mexico ("CNBV", for its initials in Spanish), for an authorized aggregate principal amount of 10 billion Mexican pesos with maturities from one day to 30 years; (iii) a Program in Peru to issue corporate bonds under a private offer in Peruvian nuevos soles ("PEN"), offered exclusively to institutional investors domiciled in the Republic of Peru, for an maximum aggregate limit of the equivalent of $300 million, with different maturities and interest rate structures.

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2012, the Bank was in compliance with all covenants.

The future remaining maturities of long-term debt and borrowings outstanding as of December 31, 2012, are as follows:

(In thousands of US$)

Due in:	Outstanding
2013	412,151
2014	934,257
2015	153,947
2016	-
2017	405,185
	1,905,540

16. Common stock

The Bank's common stock is divided into four categories:

1) "Class A"; shares may only be issued to Latin American Central Banks or banks in which the state or other government agency is the majority shareholder.
2) "Class B"; shares may only be issued to banks or financial institutions.
3) "Class E"; shares may be issued to any person whether a natural person or a legal entity.
4) "Class F"; can only be issued to state entities and agencies of non-Latin American countries, including, among others, central banks and majority state-owned banks in those countries, and multilateral financial institutions either international or regional institutions.

The holders of "Class B" shares have the right to convert or exchange their "Class B" shares, at any time, and without restriction, for "Class E" shares, at a rate of one to one.

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the three-year period ended December 31, 2012:

(Share units)	"Class A"	"Class B"	"Class E"	"Class F"	Total
Authorized	40,000,000	40,000,000	100,000,000	100,000,000	280,000,000
Outstanding at January 1, 2010	6,342,189	2,584,882	27,618,545	-	36,545,616
Conversions	-	(42,861)	42,860	-	(1)
Repurchase of common stock	-	-	(200)	-	(200)
Restricted stock issued - directors	-	-	38,115	-	38,115
Exercised stock options - compensation plans	-	-	82,106	-	82,106
Restricted stock units - vested	-	-	44,904	-	44,904
Outstanding at December 31, 2010	6,342,189	2,542,021	27,826,330	-	36,710,540
Conversions	-	(10,095)	10,095	-	-
Restricted stock issued - directors	-	-	25,541	-	25,541
Exercised stock options - compensation plans	-	-	325,996	-	325,996
Restricted stock units - vested	-	-	69,865	-	69,865
Outstanding at December 31, 2011	6,342,189	2,531,926	28,257,827	-	37,131,942
Conversions	-	-	-	-	-
Restricted stock issued - directors	-	-	32,317	-	32,317
Exercised stock options - compensation plans	-	-	895,674	-	895,674
Restricted stock units - vested	-	-	85,249	-	85,249
Outstanding at December 31, 2012	6,342,189	2,531,926	29,271,067	-	38,145,182

The following table presents information regarding shares repurchased but not retired by the Bank and accordingly classified as treasury stock:

(In thousands, except for share data)	"Class A"		"Class B"		"Class E"		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at January 1, 2010	**318,140**	**10,708**	**568,010**	**15,655**	**4,548,075**	**103,239**	**5,434,225**	**129,602**
Repurchase of common stock	-	-	-	-	200	3	200	3
Restricted stock issued - directors	-	-	-	-	(38,115)	(909)	(38,115)	(909)
Exercised stock options - compensation plans	-	-	-	-	(82,106)	(1,958)	(82,106)	(1,958)
Restricted stock units - vested	-	-	-	-	(44,904)	(1,071)	(44,904)	(1,071)
Outstanding at December 31, 2010	**318,140**	**10,708**	**568,010**	**15,655**	**4,383,150**	**99,304**	**5,269,300**	**125,667**
Restricted stock issued - directors	-	-	-	-	(25,541)	(609)	(25,541)	(609)
Exercised stock options - compensation plans	-	-	-	-	(325,996)	(7,775)	(325,996)	(7,775)
Restricted stock units - vested	-	-	-	-	(69,865)	(1,666)	(69,865)	(1,666)
Outstanding at December 31, 2011	**318,140**	**10,708**	**568,010**	**15,655**	**3,961,748**	**89,254**	**4,847,898**	**115,617**
Restricted stock issued - directors	-	-	-	-	(32,317)	(771)	(32,317)	(771)
Exercised stock options - compensation plans	-	-	-	-	(895,674)	(21,361)	(895,674)	(21,361)
Restricted stock units - vested	-	-	-	-	(85,249)	(2,033)	(85,249)	(2,033)
Outstanding at December 31, 2012	**318,140**	**10,708**	**568,010**	**15,655**	**2,948,508**	**65,089**	**3,834,658**	**91,452**

17. Cash and stock-based compensation plans

The Bank established equity compensation plans under which it administers restricted stock, restricted stock units and stock purchase option plans to attract, retain and motivate Directors and top employees and compensate them for their contributions to the growth and profitability of the Bank. Vesting conditions for each of the Bank's plans are only comprised of specified requisite service periods.

A. 2008 Stock Incentive Plan – Directors and Executives

In February 2008, the Board of Directors of the Bank approved an incentive plan for Directors and Executives allowing the Bank to grant restricted stock, restricted stock units, stock purchase options, and/or other similar compensation instruments. Until the year 2011, the maximum aggregate number of shares which may be issued under this plan was two million "Class E" common shares. During 2012, the

Board of Directors of the Bank approved to increase this maximum to three million “Class E” common shares. The 2008 Stock Incentive Plan is administered by the Board of Directors which has the authority in its discretion to select the Directors and Executives to whom the Award may be granted; to determine whether and to what extent awards are granted, and to amend the terms of any outstanding award under this plan.

Restricted stocks are issued at the grant date, but are withheld by the Bank until the vesting date. Restricted stocks are entitled to receive dividends. A restricted stock unit is a grant valued in terms of the Bank’s stock, but no stock is issued at the grant date. Restricted stock units are not entitled to dividends. The Bank issues and delivers common stock at the vesting date of the restricted stock units.

During 2012, 2011 and 2010, the Board of Directors approved the grant of restricted stock to Directors and stock options and restricted stock units to certain Executives of the Bank, as follows:

Restricted stock – Directors

In the years 2012, 2011 and 2010, the Board of Directors granted 32,317, 25,541 and 38,115 “Class E” common shares. The fair value of restricted stock granted was based on the stock closing price in the New York Stock Exchange of the “Class E” shares on July 17, 2012, October 16, 2012, July 15, 2011 and July 9, 2010 and July 10, 2009. Until the year 2011, the restricted stock vested in five years at a rate of 20% each year, beginning the year following the grant date. For grants beginning 2012, the Board of Directors of the Bank established a vesting period of four years, at a rate of 25% each year on the grant’s date anniversary. The fair value of restricted stock granted totaled $714 thousand in 2012, $462 thousand in 2011 and $475 thousand in 2010, of which $428 thousand, $414 thousand and $270 thousand were charged against income during 2012, 2011 and 2010, respectively. The remaining cost pending amortization of $1,326 thousand will be amortized over 3.20 years.

A summary as of December 31, 2012 of the restricted stock granted to Directors during the years 2010, 2011 and 2012 is presented below:

	Shares	**Weighted average grant date fair value**
Outstanding at January 1, 2010	62,938	$13.58
Granted	38,115	12.46
Vested	(13,026)	13.80
Outstanding at December 31, 2010	88,027	13.07
Granted	25,541	18.07
Vested	(31,563)	13.14
Outstanding at December 31, 2011	82,005	14.59
Granted	32,317	22.09
Vested	(23,493)	14.35
Outstanding at December 31, 2012	90,829	$17.32
Expected to vest	90,829	$17.32

The fair value of vested stock during the years 2012, 2011 and 2010 was $337 thousand, $415 thousand and $180 thousand, respectively.

Restricted Stock Units and Stock Purchase Options granted to certain Executives

The Board of Directors approved the grant of stock purchase options and restricted stock units to certain Executives of the Bank with a grant date fair value of $3.7 million in 2012, $1.7 million in 2011 and $2.4 million in 2010. In 2012, the distribution of the fair value in restricted stock units and stock purchase options was $3.2 million and $0.5 million, respectively. In the year 2011, the distribution of the fair value in restricted stock units and stock purchase options was $1.5 million and $0.2 million, respectively. In 2010, the distribution of the total grant was 50% in restricted stock units and 50% in stock purchase options.

The Bank grants one “Class E” share per each exercised option or vested restricted stock unit.

Restricted stock units:

The fair value of the stock units was based on the “Class E” stock closing price in the New York Stock Exchange on the grants date. These stock units vest 25% each year on the grant date’s anniversary.

Compensation costs of the restricted stock units are amortized during the period of restriction. Costs charged against income during 2012, 2011 and 2010 due to the amortization of these grants totaled $1,317 thousand, $1,020 thousand and $742 thousand, respectively. The remaining compensation cost pending amortization of $3,076 thousand will be amortized over 2.26 years.

A summary as of December 31, 2012, 2011 and 2010 of the status of the restricted stock units granted to certain Executives and changes during the years 2010, 2011 and 2012 are presented below:

	Stock units	**Weighted average grant date fair value**	**Weighted average remaining contractual term**	**Aggregate intrinsic value (thousands)**
Outstanding at January 1, 2010	166,118	$10.20		
Granted	101,496	12.04		
Forfeited	-	-		
Vested	(44,904)	10.59		
Outstanding at December 31, 2010	222,710	10.96		
Granted	94,496	15.84		
Forfeited	(20,931)	12.63		
Vested	(69,865)	11.09		
Outstanding at December 31, 2011	226,410	12.80		
Granted	181,598	17.52		
Forfeited	(54,367)	13.88		
Vested	(85,249)	12.31		$578
Outstanding at December 31, 2012	268,392	$15.93	2.11 years	$1,510
Expected to vest	268,392	$15.93		$1,510

The fair value of vested stock during the years 2012, 2011 and 2010 was $1,050 thousand, $775 thousand and $476 thousand, respectively.

Stock purchase options:

The fair value of stock purchase options granted to certain Executives during 2012, 2011 and 2010 was estimated using a binomial option-pricing model for 2012 and 2011 and the "Black-Scholes" option-pricing model for 2010, based on the following factors:

	2012	2011	2010
Weighted average fair value per option	$3.01	$2.92	$2.91
Weighted average expected term, in years	5.50	5.50	4.75
Expected volatility	33.35%	30%	37%
Risk-free rate	0.18% to 1.34%	2.52%	2.32%
Expected dividend	5.30%	4.50%	5.00%

These options expire seven years after the grant date and are exercisable at a rate of 25% each year on the grant date's anniversary.

Related cost charged against income during 2012, 2011 and 2010 as a result of the amortization of these plans amounted to $485 thousand, $765 thousand and $742 thousand, respectively. The remaining compensation cost pending amortization of $474 thousand will be amortized over a period of 2.04 years. A summary of stock options granted is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2010	803,994	$11.58		
Granted	420,777	13.52		
Forfeited	(646)	15.43		
Exercised	(82,106)	10.15		
Outstanding at December 31, 2010	1,142,019	12.39		
Granted	72,053	17.81		
Forfeited	(58,067)	12.16		
Exercised	(240,439)	12.27		
Outstanding at December 31, 2011	915,566	12.87		
Granted	182,420	18.93		
Forfeited	(231,639)	15.82		
Exercised	(442,675)	12.90		
Outstanding at December 31, 2012	423,672	$13.83	4.15 years	$3,273
Exercisable	92,316	$12.45	2.12 years	$841
Expected to vest	331,356	$14.22	4.43 years	$2,432

The intrinsic value of exercised options during the years 2012, 2011 and 2010 was $3,375 thousand, $1,322 thousand and $383 thousand, respectively. During the years 2012, 2011 and 2010 the Bank received $5,709 thousand, $2,949 thousand and $834 thousand, respectively, from exercised options.

B. Restricted Stock – Directors (Discontinued)

During 2003, the Board of Directors approved a restricted stock award plan for Directors of the Bank that was amended in 2007 and subsequently terminated in 2008. No grants were made after the 2007's grant. The restricted stock vests at a rate of 20% each year on the grant date's anniversary.

Related costs to outstanding restricted stock were charged against income totaled $41 thousand, $87 thousand and $108 thousand in 2012, 2011 and 2010, respectively. As of December 31, 2012, the Bank has no unrecognized compensation costs related to this plan.

A summary as of December 31, 2012 of restricted stock granted to Directors under this plan and changes during 2010, 2011 and 2012 is presented below:

	Shares	Weighted average grant date fair value
Non vested at January 1, 2010	14,673	$20.45
Granted	-	-
Vested	(5,756)	19.95
Non vested at December 31, 2010	8,917	20.77
Granted	-	-
Vested	(5,399)	20.39
Non vested at December 31, 2011	3,518	21.35
Granted	-	-
Vested	(3,518)	21.35
Non vested at December 31, 2012	-	$ -
Expected to vest	-	$ -

The total fair value of vested stock during the years ended December 31, 2012, 2011 and 2010 was $75 thousand, $110 thousand and $115 thousand, respectively.

C. Stock Option Plan 2006 – Directors and Executives (Discontinued)

The 2006 Stock Option Plan was terminated in 2008. The options granted under this plan expire seven years after the grant date. No grants were made after the 2007's grant.

Related cost charged against income as a result of the amortization of options granted under this compensation plan amounted to $25 thousand in 2011 and $221 thousand in 2010. As of December 31, 2011, there were no compensation costs pending amortization.

A summary as of December 31, 2012 of the share options granted to Directors and certain Executives and changes during 2010, 2011 and 2012 is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2010	207,706	$16.34		
Forfeited	-	-		
Outstanding at December 31, 2010	207,706	16.34		
Forfeited	-	-		
Exercised	(27,552)	16.34		
Outstanding at December 31, 2011	180,154	16.34		
Forfeited	-	-		
Exercised	(130,350)	16.34		
Outstanding at December 31, 2012	49,804	$16.34	1.12 years	$260
Exercisable at December 31, 2012	49,804	$16.34	1.12 years	$260

The intrinsic value of exercised options during the year ended December 31, 2012 and 2011 was $570 thousand and $45 thousand, respectively. During the year ended December 31, 2012 and 2011, the Bank received $2,130 and $450 thousand from exercised options, respectively. All options are available to be exercised as of December 31, 2012.

D. Indexed Stock Option Plan (Discontinued)

During 2004, the Board of Directors approved an indexed stock purchase option plan for Directors and certain executives of the Bank, which was subsequently terminated in April 2006. The indexed stock options expire ten years after the grant date. The exercise price is adjusted based on the change in a customized Latin American general market index. As of December 31, 2012, there was no compensation cost pending amortization. Related costs charged against income amounted to $17 thousand in 2010.

A summary as of December 31, 2012 and changes during the years 2010, 2011 and 2012 of the indexed stock purchase options is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2010	385,469	$17.46		
Forfeited	-	-		
Exercised	-	-		
Outstanding at December 31, 2010	385,469	17.98		
Forfeited	-	-		
Expired	(4,100)	11.87		
Exercised	(55,433)	12.12		
Outstanding at December 31, 2011	325,936	12.86		
Forfeited	-	-		
Expired	(3,542)	$14.48		
Exercised	(322,394)	$16.41		
Outstanding at December 31, 2012	-	$ -	-	$ -
Exercisable at December 31, 2012	-	$ -	-	$ -

The intrinsic value of options exercised during the years ended December 31, 2012 and 2011 was $1,213 and $235 thousand, respectively. During the years ended December 31, 2012 and 2011, the Bank received $5,292 thousand and $672 thousand, respectively, from exercised options.

E. 1995 and 1999’s Stock Option Plan (Discontinued)

During 1995 and 1999, the Board of Directors approved two stock option plans for employees. Under these plans, stock options were granted at a purchase price equal to the average market value of the common stock at the grant date. One third of the options would have been exercised on each successive year after the grant date and expired on the tenth anniversary after the grant date. These plans were discontinued in 2003; therefore, no additional stock options have been granted.

A summary of the status as of December 31, 2011 of the stock options granted and changes during 2010 and 2011 of these option plans is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2010	11,735	29.89		
Forfeited	-	-		
Expired	(3,615)	23.16		
Outstanding at December 31, 2010	8,120	32.88		
Forfeited	-	-		
Expired	(8,120)	32.88		
Outstanding at December 31, 2011	-	$ -	-	$-

F. Deferred Compensation Plan (the "DC Plan")

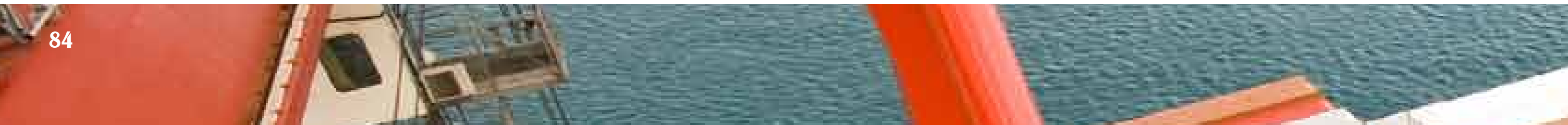
In 1999, the Board of Directors approved the DC Plan, which was subsequently terminated in 2003. The Bank could grant a number of deferred equity units ("DEU"). Eligible employees would vest the DEU after three years of service, and distributions were made on the later of (i) the date the vested DEU were credited to the employee's account, and (ii) ten years the employee was first credited with DEU. Participating employees received dividends with respect to their unvested deferred equity units. A summary on changes is presented below:

	2012	2011	2010
Outstanding at beginning of year	1,812	17,746	18,755
Exercised	(1,278)	(15,934)	(1,009)
Outstanding at end of year	534	1,812	17,746

Related cost charged against income related to this plan amounted to $1 thousand in 2012 and 2011, and $11 thousand in 2010.

G. Other plans - Expatriate Officer Plan

The Bank sponsors a defined contribution plan for its expatriate top executives based in Panama, which are not eligible to participate in the Panamanian social security system. The Bank's contributions are determined as a percentage of the annual salaries of top executives eligible for the plan, each contributing an additional amount withheld from their salary. Contributions to this plan are managed by a fund manager through a trust. The executives are entitled to the Bank's contributions after completing at least three years of service in the Bank. During the years 2012, 2011 and 2010, the Bank charged to salaries expense $131 thousand, $119 thousand and $117 thousand, respectively, that correspond to the Bank's contributions to this plan. As of December 31, 2012 and 2011, the accumulated liability payable amounted to $198 thousand and $255 thousand, respectively.



18. Earnings per share

The following table presents a reconciliation of the income and share data used in the basic and diluted earnings per share ("EPS") computations for the dates indicated:

(In thousands of US$, except per share amounts)	Year ended December 31,		
	2012	**2011**	**2010**
Net income from continuing operations attributable to Bladex for both basic and diluted EPS	93,713	83,600	42,038
Net income (loss) from discontinued operations	(681)	(420)	206
Net income attributable to Bladex for both basic and diluted EPS	93,032	83,180	42,244
Basic earnings per share from continuing operations	2.48	2.26	1.15
Diluted earnings per share from continuing operations	2.47	2.25	1.14
Basic income (loss) per share from discontinued operations	(0.02)	(0.01)	0.01
Diluted income (loss) per share from discontinued operations	(0.02)	(0.01)	0.01
Basic earnings per share	2.46	2.25	1.15
Diluted earnings per share	2.45	2.24	1.15
Weighted average common shares outstanding - applicable to basic EPS	37,824	36,969	36,647
Weighted average common shares outstanding applicable to diluted EPS	37,824	36,969	36,647
Effect of dilutive securities [1]:			
Stock options and restricted stock units plans	114	176	167
Adjusted weighted average common shares outstanding applicable to diluted EPS	37,938	37,145	36,814

[1] As of December 31, 2011 and 2010, weighted average options of 72,053 and 760,284, respectively, were excluded from the computation of diluted earnings per share because the option's exercise price was greater than the average quoted market price of the Bank's common stock. As of December 31, 2012, the computation of earnings per share did not exclude any weighted average options.

19. Financial instruments with off-balance sheet credit risk

In the normal course of business, to meet the financing needs of its customers, the Bank is party to financial instruments with off-balance sheet credit risk. These financial instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated balance sheet. Credit risk represents the possibility of loss resulting from the failure of a customer to perform in accordance with the terms of a contract.

The Bank's outstanding financial instruments with off-balance sheet credit risk were as follows:

(In thousands of US$)	December 31,	
	2012	**2011**
Confirmed letters of credit	106,415	266,547
Stand-by letters of credit and guarantees - Commercial risk	25,167	18,899
Credit commitments	103,294	75,962
	234,876	361,408

As of December 31, 2012, the remaining maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

(In thousands of US$)

Maturities	**Amount**
Within 1 year	219,421
From 1 to 2 years	1,000
From 2 to 5 years	13,791
After 5 years	664
	234,876

As of December 31, 2012 and 2011 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

(In thousands of US$)

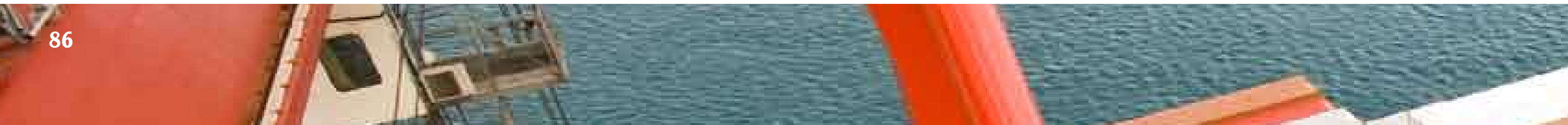
Country:	**2012**	**2011**
Argentina	-	92
Bolivia	820	944
Brazil	23,630	41,116
Chile	6,084	12,367
Colombia	9,098	2,396
Costa Rica	1,000	11,661
Dominican Republic	1,535	1,603
Ecuador	79,760	215,272
El Salvador	625	2,025
Guatemala	180	501
Honduras	562	400
Jamaica	-	295
Mexico	27,289	14,677
Panama	58,219	1,801
Paraguay	-	81
Peru	2,843	2,467
Spain	-	9,660
Switzerland	-	500
United States of America	-	21,780
Venezuela	23,231	21,770
	234,876	361,408

Letters of credit and guarantees

The Bank, on behalf of its client base, advises and confirms letters of credit to facilitate foreign trade transactions. When confirming letters of credit, the Bank adds its own unqualified assurance that the issuing bank will pay and that if the issuing bank does not honor drafts drawn on the credit, the Bank will. The Bank provides stand-by letters of credit and guarantees, which are issued on behalf of institutional customers in connection with financing between its customers and third parties. The Bank applies the same credit policies used in its lending process, and once issued the commitment is irrevocable and remains valid until its expiration. Credit risk arises from the Bank's obligation to make payment in the event of a customer's contractual default to a third party. Risks associated with stand-by letters of credit and guarantees are included in the evaluation of the Bank's overall credit risk.

Credit commitments

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



20. Leasehold commitments

As of December 31, 2012, leasehold commitments are as follows:

(In thousands of US$) **Year**	
2013	2,330
2014	2,192
2015	2,013
2016	1,678
2017	1,587
Thereafter	17,438
Total minimum payments [1]	27,238

[1] Minimum payments have not been reduced by minimum sublease rentals of $1,318 thousand due in the future under non-cancelable subleases.

The following table presents an analysis of all operating leases:

	2012	**2011**	**2010**
Rent expense	2,468	1,403	875
Less: Sublease rentals	(386)	(129)	-
	2,082	1,274	875

21. Derivative financial instruments for hedging purposes

As of December 31, 2012 and 2011, quantitative information on derivative financial instruments held for hedging purposes is as follows:

(In thousands of US$)	**2012**			**2011**		
	Nominal	**Fair Value** [1]		**Nominal**	**Fair Value** [1]	
	Amount	**Asset**	**Liability**	**Amount**	**Asset**	**Liability**
Fair value hedges:						
Interest rate swaps	480,000	8,319	6,600	125,000	16	10,317
Cross-currency interest rate swaps	236,866	3,525	4,665	215,107	56	40,574
Cash flow hedges:						
Interest rate swaps	-	-	-	20,000	-	512
Cross-currency interest rate swaps	42,001	7,333	23	42,336	3,549	-
Forward foreign exchange	75,733	62	411	53,264	249	2,339
Net investment hedges:						
Forward foreign exchange	6,196	-	48	6,036	289	-
Total	840,796	19,239	11,747	461,743	4,159	53,742
Net gain on the ineffective portion of hedging activities [2]	71			2,849		

[1] The fair value of assets and liabilities is reported within the derivative financial instruments used for hedging - receivable and payable lines in the consolidated balance sheets, respectively.

[2] Gains and losses resulting from ineffectiveness and credit risk in hedging activities are reported within the derivative financial instruments and hedging line in the consolidated statements of income.

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

2012

(In thousands of US$)	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	217			
Cross-currency interest rate swaps	3,740	Gain (loss) on foreign currency exchange	2,481	-
		Interest income – loans	(564)	-
Forward foreign exchange	1,742	Interest expense - borrowings	(169)	-
		Gain (loss) on foreign currency exchange	3,679	-
Total	5,699		5,427	-
Derivatives – net investment hedge				
Forward foreign exchange	109	Gain (loss) on foreign currency exchange	-	-
Total	109		-	-

2011

(In thousands of US$)	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	987			
Cross-currency interest rate swaps	2,270	Gain (loss) on foreign currency exchange	1,958	-
Forward foreign exchange	(2,160)	Interest income – loans	(124)	-
		Interest expense - borrowings	172	-
		Gain (loss) on foreign currency exchange	(2,966)	-
Total	1,097		(960)	-
Derivatives – net investment hedge				
Forward foreign exchange	289	Gain (loss) on foreign currency exchange	-	-
Total	289		-	-

2010

(In thousands of US$)	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	460			
Cross-currency interest rate swaps	1,690	Gain (loss) on foreign currency exchange	1,171	-
Forward foreign exchange	(759)	Interest income - loans	(477)	-
		Gain (loss) on foreign currency exchange	478	-
Total	1,391		1,172	-

The Bank recognized in earnings the gain (loss) on derivative financial instruments and the gain (loss) of the hedged asset or liability related to qualifying fair value hedges, as follows:

2012

(In thousands of US$)	Classification in statements of income	Gain (loss) on derivatives	Gain (loss) on hedged item	Net gain (loss)
Derivatives - fair value hedge				
Interest rate swaps	Interest income – available-for-sale	(2,982)	4,776	1,794
	Interest expense – borrowings and debt	1,564	(12,022)	(10,458)
	Derivative financial instruments and hedging (ineffectiveness)	59	-	59
Cross-currency interest rate swaps	Interest income – loans	(239)	522	283
	Interest expense – borrowings and debt	8,024	(11,187)	(3,163)
	Derivative financial instruments and hedging (ineffectiveness)	12	-	12
	Gain (loss) on foreign currency exchange	5,873	(6,469)	(596)
		12,311	(24,380)	(12,069)

2011

(In thousands of US$)	Classification in statements of income	Gain (loss) on derivatives	Gain (loss) on hedged item	Net gain (loss)
Derivatives - fair value hedge				
Interest rate swaps	Interest income – available-for-sale	(6,857)	10,266	3,409
	Derivative financial instruments and hedging	74	-	74
Cross-currency interest rate swaps	Derivative financial instruments and hedging (ineffectiveness)	2,849	-	2,849
	Interest income – loans	(33)	55	22
	Interest expense – borrowings	4,352	(7,874)	(3,522)
	Gain (loss) on foreign currency exchange	(17,427)	17,475	48
		(17,042)	19,922	2,880

(In thousands of US$)	2010 Classification in statements of income	Gain (loss) on derivatives	Gain (loss) on hedged item	Net gain (loss)
Derivatives - fair value hedge				
Interest rate swaps	Interest income – available-for-sale	(14,760)	22,000	7,240
	Derivative financial instruments and hedging	419	-	419
Cross-currency interest rate swaps	Derivative financial instruments and hedging (ineffectiveness)	(1,865)	-	(1,865)
	Interest income – loans	(45)	89	44
	Interest expense – borrowings	3,812	(7,046)	(3,234)
	Gain (loss) on foreign currency exchange	7,922	(7,994)	(72)
		(4,517)	7,049	2,532

For control purposes, derivative instruments are recorded at their nominal amount ("notional amount") in memorandum accounts. Interest rate swaps are made either in a single currency or cross currency for a prescribed period to exchange a series of interest rate flows, which involve fixed for floating interest payments. The Bank also engages in certain foreign exchange trades to serve customers' transaction needs and to manage the foreign currency risk. All such positions are hedged with an offsetting contract for the same currency. The Bank manages and controls the risks on these foreign exchange trades by establishing counterparty credit limits by customer and by adopting policies that do not allow for open positions in the credit and investment portfolio. The Bank also uses foreign currency exchange contracts to hedge the foreign exchange risk associated with the Bank's equity investment in a non-U.S. dollar functional currency foreign subsidiary. Derivative and foreign exchange instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counterparties that negotiate specific agreement terms, including notional amount, exercise price and maturity.

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 1.89 years.

The Bank estimates that approximately $42 thousand of gains reported in OCI as of December 31, 2012 related to forward foreign exchange contracts are expected to be reclassified into interest expense as an adjustment to yield of hedged liabilities during the twelve-month period ending December 31, 2013.

The Bank estimates that approximately $82 thousand of losses reported in OCI as of December 31, 2012 related to forward foreign exchange contracts are expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2013.

Types of Derivatives and Foreign Exchange Instruments

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

In addition to hedging derivative financial instruments, the Bank has derivative financial instruments held for trading purposes that have been disclosed in Note 5.

22. Accumulated other comprehensive income (loss)

As of December 31, 2012, 2011 and 2010 the breakdown of accumulated other comprehensive income (loss) related to investment securities available-for-sale and derivative financial instruments, and foreign currency translation is as follows:

(In thousands of US$)	Securities available-for-sale	Derivative financial instruments	Foreign currency translation adjustment, net of hedges	Total
Balance as of January 1, 2010	(3,244)	(2,916)	-	(6,160)
Net unrealized gains arising from the year	2,325	1,391	-	3,716
Reclassification adjustment for gains included in net income [(1)]	(2,825)	(1,172)	-	(3,997)
Balance as of December 31, 2010	(3,744)	(2,697)	-	(6,441)
Net unrealized gains arising from the year	4,095	1,097	-	5,192
Reclassification adjustment for (gains) losses included in net income [(1)]	(2,079)	960	-	(1,119)
Foreign currency translation adjustment, net	-	-	(744)	(744)
Balance as of December 31, 2011	(1,728)	(640)	(744)	(3,112)
Net unrealized gains arising from the year	8,436	5,699	-	14,135
Reclassification adjustment for gains included in net income [(1)]	(5,775)	(5,427)	-	(11,202)
Foreign currency translation adjustment, net	-	-	(551)	(551)
Balance as of December 31, 2012	933	(368)	(1,295)	(730)

[(1)] Reclassification adjustments include amounts recognized in net income during the current year that had been part of other comprehensive income (loss) in this and previous years.

23. Fair value of financial instruments

The Bank determines the fair value of its financial instruments using the fair value hierarchy established in ASC Topic 820 - Fair Value Measurements and Disclosure, which requires the Bank to maximize the use of observable inputs (those that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market information obtained from sources independent of the reporting entity) and to minimize the use of unobservable inputs (those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances) when measuring fair value. Fair value is used on a recurring basis to measure assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets and liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses some valuation techniques and assumptions when estimating fair value. The Bank applied the following fair value hierarchy:

Level 1 – Assets or liabilities for which an identical instrument is traded in an active market, such as publicly-traded instruments or futures contracts.

Level 2 – Assets or liabilities valued based on observable market data for similar instruments, quoted prices in markets that are not active; or other observable inputs that can be corroborated by observable market data for substantially the full term of the asset or liability.

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

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

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

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

Trading assets and liabilities and securities available-for-sale

Trading assets and liabilities are carried at fair value, which is based upon quoted prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

Securities available for sale are carried at fair value, based on quoted market prices when available, or if quoted market prices are not available, based on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

When quoted prices are available in an active market, available-for-sale securities and trading assets and liabilities are classified in level 1 of the fair value hierarchy. If quoted market prices are not available or they are available in markets that are not active, then fair values are estimated based upon quoted prices of similar instruments, or where these are not available, by using internal valuation techniques, principally discounted cash flows models. Such securities are classified within level 2 of the fair value hierarchy.

Investment fund

The Fund invests in trading assets and liabilities that are carried at fair value, which is based upon quoted market prices when available. For financial instruments for which quoted prices are not available, the Fund uses independent valuations from pricing providers that use their own proprietary valuation models that take into consideration discounted expected cash flows, using market rates commensurate with the credit quality and maturity of the security. These prices are compared to independent valuations from counterparties.

The Fund is not traded in an active market and, therefore, representative market quotes are not readily available. Its fair value is adjusted on a monthly basis based on its financial results, its operating performance, its liquidity and the fair value of its long and short investment portfolio that are quoted and traded in active markets. Such investment is classified within level 2 of the fair value hierarchy.

Derivative financial instruments

The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. Exchange-traded derivatives that are valued using quoted prices are classified within level 1 of the fair value hierarchy.

For those derivative contracts without quoted market prices, fair value is based on internal valuation techniques using inputs that are readily observable and that can be validated by information available in the market. The principal technique used to value these instruments is the discounted cash flows model and the key inputs considered in this technique include interest rate yield curves and foreign exchange rates. These derivatives are classified within level 2 of the fair value hierarchy.

The fair value adjustments applied by the Bank to its derivative carrying values include credit valuation adjustments (“CVA”), which are applied to over-the-counter derivative instruments, in which the base valuation generally discounts expected cash flows using the London Interbank Offered Rate (“LIBOR”) interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant LIBOR curve, a CVA is necessary to incorporate the market view of both, counterparty credit risk and the Bank’s own credit risk, in the valuation.

Own-credit and counterparty CVA is determined using a fair value curve consistent with the Bank’s or counterparty credit rating. The CVA is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most of the Bank’s derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the CVA may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of the Bank or its counterparties or due to the anticipated termination of the transactions.

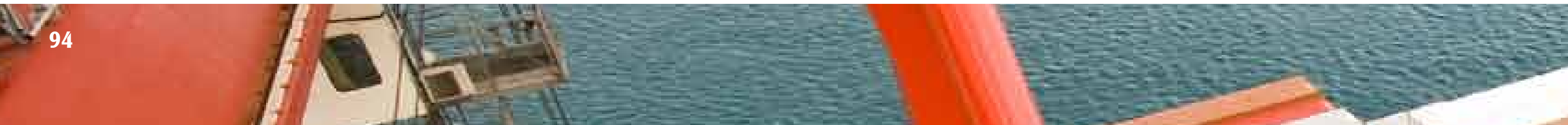
Transfer of financial assets

Gains or losses on sale of loans depend in part on the carrying amount of the financial assets involved in the transfer, and its fair value at the date of transfer. The fair value of instruments is determined based upon quoted market prices when available, or are based on the present value of future expected cash

flows using information related to credit losses, prepayment speeds, forward yield curves, and discounted rates commensurate with the risk involved.

Financial instruments measured at fair value on a recurring basis by caption on the consolidated balance sheets using the fair value hierarchy are described below:

	2012			
(In thousands of US$)	Quoted market prices in an active market (Level 1)	Internally developed models with significant observable market information (Level 2)	Internally developed models with significant unobservable market information (Level 3)	Total carrying value in the consolidated balance sheets
Assets				
Trading assets				
Sovereign bonds	5,146	-	-	5,146
Interest rate swap	49	-	-	49
Forward foreign exchange	-	50	-	50
Future contracts	20	-	-	20
Total trading assets	5,215	50	-	5,265
Securities available-for-sale				
Corporate debt	17,386	-	-	17,386
Sovereign debt	165,355	276	-	165,631
Total securities available-for-sale	182,741	276	-	183,017
Investment fund	-	105,887	-	105,887
Derivative financial instruments used for hedging - receivable				
Interest rate swaps	-	8,319	-	8,319
Cross-currency interest rate swaps	-	10,858	-	10,858
Forward foreign exchange	-	62	-	62
Total derivative financial instruments used for hedging - receivable	-	19,239	-	19,239
Total assets at fair value	187,956	125,452	-	313,408
Liabilities				
Trading liabilities				
Interest rate swaps	-	100	-	100
Cross-currency interest rate swaps	-	32,182	-	32,182
Forward foreign exchange	-	22	-	22
Total trading liabilities	-	32,304	-	32,304
Derivative financial instruments used for hedging – payable				
Interest rate swaps	-	6,600	-	6,600
Cross-currency interest rate swaps	-	4,689	-	4,689
Forward foreign exchange	-	459	-	459
Total derivative financial instruments used for hedging - payable	-	11,748	-	11,748
Total liabilities at fair value	-	44,052	-	44,052



(In thousands of US$)	2011			
	Quoted market prices in an active market (Level 1)	**Internally developed models with significant observable market information (Level 2)**	**Internally developed models with significant unobservable market information (Level 3)**	**Total carrying value in the consolidated balance sheets**
Assets				
Trading assets				
Sovereign bonds	20,415	-	-	20,415
Cross-currency interest rate swaps	-	21	-	21
Total trading assets	20,415	21	-	20,436
Securities available-for-sale				
Corporate debt	87,198	-	-	87,198
Sovereign debt	328,544	558	-	329,102
Total securities available-for-sale	415,742	558	-	416,300
Investment fund	-	120,425	-	120,425
Derivative financial instruments - receivable				
Interest rate swaps	-	16	-	16
Cross-currency interest rate swaps	-	3,605	-	3,605
Forward foreign exchange	-	538	-	538
Total derivative financial instruments - receivable	-	4,159	-	4,159
Total assets at fair value	436,157	125,163	-	561,320
Liabilities				
Trading liabilities				
Interest rate swaps	-	748	-	748
Cross-currency interest rate swaps	-	4,836	-	4,836
Total trading liabilities	-	5,584	-	5,584
Derivative financial instruments – payable				
Interest rate swaps	-	10,829	-	10,829
Cross-currency interest rate swaps	-	40,574	-	40,574
Forward foreign exchange	-	2,339	-	2,339
Total derivative financial instruments - payable	-	53,742	-	53,742
Total liabilities at fair value	-	59,326	-	59,326

ASC Topic 825 - Financial Instruments requires disclosure of fair value of financial instruments including those assets and liabilities for which the Bank did not elect the fair value option. Bank's management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are limitations in any estimation technique. The estimated fair value amounts have been measured as of their respective year-ends, and have not been re-expressed or updated subsequent to the dates of these consolidated financial statements. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

The following information should not be interpreted as an estimate of the fair value of the Bank. Fair value calculations are only provided for a limited portion of the Bank's financial assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates,

comparison of fair value information of the Bank and other companies may not be meaningful for comparative analysis.

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

Financial instruments with carrying value that approximates fair value

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

Securities held-to-maturity

The fair value has been based upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon quoted price of similar instruments, or where these are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

Loans

The fair value of the loan portfolio, including impaired loans, is estimated by discounting future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31 of the relevant period.

Borrowings and short and long-term debt

The fair value of short-term and long-term debt and borrowings is estimated using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements, taking into account the changes in the Bank's credit margin.

Commitments to extend credit, stand-by letters of credit, and financial guarantees written

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements which consider the counterparty risks; which fair value is calculated based on the present value of the premium to be received or a specific allowance for off-balance sheet credit contingencies, whichever is greater.

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

(In thousands of US$)	December 31, 2012				
	Carrying Value	Fair Value	Quoted market prices in an active market (Level 1)	Internally developed models with significant observable market information (Level 2)	Internally developed models with significant unobservable market information (Level 3)
Financial assets:					
Instruments with carrying value that approximates fair value	746,006	746,006	-	746,006	-
Securities held-to-maturity	34,113	34,149	19,444	14,705	-
Loans, net of allowance (1)	5,635,480	5,784,172	-	5,784,172	-
Financial liabilities:					
Instruments with carrying value that approximates fair value	2,494,734	2,494,824	-	2,494,824	-
Short-term borrowings	1,449,023	1,453,159	-	1,453,159	-
Borrowings and long-term debt	1,905,540	1,922,544	-	1,922,544	-
Commitments to extend credit, standby letters of credit, and financial guarantees written	5,781	4,841	-	4,841	-

(1) The carrying value of loans is net of the Allowance for loan losses of $73.0 million for December 31, 2012.

(In thousands of US$)	December 31, 2011	
	Carrying Value	Fair Value
Financial assets:		
Instruments with carrying value that approximates fair value	882,762	882,762
Securities held-to-maturity	26,536	26,637
Loans, net of allowance (1)	4,864,329	4,913,473
Financial liabilities:		
Instruments with carrying value that approximates fair value	2,693,408	2,692,832
Short-term borrowings	1,323,466	1,319,350
Borrowings and long-term debt	1,487,548	1,441,919
Commitments to extend credit, standby letters of credit, and financial guarantees written	10,497	9,807

(1) The carrying value of loans is net of the Allowance for loan losses of $88.5 million for December 31, 2011.

24. Litigation

Bladex is not engaged in any litigation that is material to the Bank's business or, to the best of the knowledge of the Bank's management that is likely to have an adverse effect on its business, financial condition or results of operations.

25. Capital adequacy

The Banking Law in the Republic of Panama requires banks with general banking license to maintain a total capital adequacy index that shall not be lower than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk; and primary capital equivalent that shall not be less than 4% of its assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk. As of December 31, 2012, the Bank's capital adequacy ratio is 17% which is in compliance with the capital adequacy ratios required by the Banking Law in the Republic of Panama.

26. Business segment information

The Bank's activities are operated and managed in two segments, Commercial and Treasury. The Asset Management unit was discontinued since the fourth quarter of 2012. The segment information reflects this operational and management structure, in a manner consistent with the requirements outlined in ASC Topic 280 - Segment Reporting. The segment results are determined based on the Bank's managerial accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable division on a systematic basis.

In 2011, the Bank made the following changes in the measurement methods used to determine segment profit or loss. Current interest expense allocation methodology reflects allocated funding on a matched-funded basis, net of risk adjusted capital by business segment. Current operating expense allocation methodology allocates overhead expenses based on resource consumption by business segment. Prior methodology allocated interest expenses and overhead operating expenses based on the segments average portfolio.

The Bank incorporates net operating income(3) by business segment in order to disclose the revenue and expense items related to its normal course of business, segregating from the net income, the impact of reversals of reserves for loan losses and off-balance sheet credit risk, and recoveries on assets. In addition, the Bank's net interest income represents the main driver of net operating income; therefore, the Bank presents its interest-earning assets by business segment, to give an indication of the size of business generating net interest income. Interest-earning assets also generate gains and losses on sales, such as for securities available-for-sale and trading assets and liabilities, which are included in net other income, in the Treasury segment. The Bank also discloses its other assets and contingencies by business segment, to give an indication of the size of business that generates net fees and commissions, also included in net other income, in the Commercial Segment.

The Bank believes that the presentation of net operating income provides important supplementary information to investors regarding financial and business trends relating to the Bank's financial condition and results of operations. These measures exclude the impact of reversals (provisions) for loan losses and reversals (provisions) for losses on off-balance sheet credit risk (together referred to as "reversal (provision) for credit losses") which Bank's management considers distort trend analysis.

Net operating income disclosed by the Bank should not be considered a substitute for, or superior to, financial measures calculated differently from similar measures used by other companies. These measures, therefore, may not be comparable to similar measurements used by other companies.

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

Treasury incorporates deposits in banks and all of the Bank's trading assets, securities available-for-sale and held-to-maturity, and the balance of the Investment Fund and the assets of the Brazilian Fund. Operating income from the Treasury Segment includes net interest income from deposits with banks, trading securities and securities available-for-sale and held-to-maturity, net interest margin related to the Feeder's participation in the net interest margin of the Fund, derivative and hedging activities, net gain (loss) from investment fund trading, net gain (loss) from trading securities, net gain on sale of securities available-for-sale, net gain (loss) on foreign currency exchange, and allocated income and operating expenses. Operating income from this segment also includes the net interest margin from the Brazilian Fund, as well as net gain (loss) from trading securities, fee income, and allocated operating expenses from the Brazilian Fund. The Treasury segment information for years 2011 and 2010 includes the results of the Investment Fund and the Brazilian Fund for those years, in order to conform to the presentation of this segment in 2012.

Since the fourth quarter of 2012, the Bank established a plan to divest the operations of the Asset Management unit, which are reported as discontinued operation in the following segment analysis.

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

Business Segment Analysis [1]

(In thousands of US$)	2012	2011	2010
COMMERCIAL			
Interest income	183,365	140,697	104,822
Interest expense	(73,398)	(58,969)	(50,306)
Net interest income	109,967	81,728	54,516
Net other income [2]	12,216	11,001	10,306
Operating expenses	(38,322)	(34,895)	(28,304)
Net operating income [3]	**83,861**	**57,834**	**36,518**
Reversal of provision (provision) for loan and off-balance sheet credit losses	12,389	(4,393)	4,835
Recoveries, net of impairment of assets	-	(57)	233
Net income attributable to Bladex	**96,250**	**53,384**	**41,586**
Commercial assets and contingencies (end of period balances):			
Interest-earning assets [4]	5,708,456	4,982,876	4,059,943
Other assets and contingencies [5]	237,077	364,016	382,437
Total interest-earning assets, other assets and contingencies	**5,945,533**	**5,346,892**	**4,442,380**
TREASURY			
Interest income	9,072	16,730	14,656
Interest expense	(14,062)	4,252	5,331
Net interest income	(4,990)	20,982	19,987
Net other income (expense) [2]	14,612	25,102	(8,044)
Operating expenses	(17,492)	(15,192)	(13,914)
Net operating income [3]	**(7,870)**	**30,892**	**(1,971)**
Reversal of provision (provision) for loan and off-balance sheet credit losses	-	-	-
Net income (loss)	**(7,870)**	**30,892**	**(1,971)**
Net income (loss) attributable to the redeemable noncontrolling interest	293	676	(2,423)
Net income (loss) attributable to Bladex	**(8,163)**	**30,216**	**452**
Treasury assets and contingencies (end of period balances):			
Interest-earning assets [6]	1,035,313	1,397,181	1,040,848
Third party participation	(3,384)	(5,547)	(18,950)
Total interest-earning assets and third participation	**1,031,929**	**1,391,634**	**1,021,898**

(In thousands of US$)	**2012**	**2011**	**2010**
TOTAL			
Interest income	192,437	157,427	119,478
Interest expense	(87,460)	(54,717)	(44,975)
Net interest income	104,977	102,710	74,503
Net other income [(2)]	26,828	36,103	2,262
Operating expenses	(55,814)	(50,087)	(42,218)
Net operating income [(3)]	**75,991**	**88,726**	**34,547**
Reversal of provision (provision) for loans and off-balance sheet credit losses	12,389	(4,393)	4,835
Recoveries, net of impairment of assets	-	(57)	233
Net income – business segment	88,380	84,276	39,615
Net income (loss) attributable to the redeemable noncontrolling interest	293	676	(2,423)
Net income attributable to Bladex – business segment	**88,087**	**83,600**	**42,038**
Other income unallocated - Gain on sale of premises and equipment	5,626	-	-
Discontinued operations (Note 3)	(681)	(420)	(206)
Net income attributable to Bladex	**93,032**	**83,180**	**42,244**
Total assets and contingencies (end of period balances):			
Interest-earning assets [(4 & 6)]	6,743,769	6,380,057	5,100,791
Other assets and contingencies [(5)]	237,077	364,016	382,437
Third party participation	(3,384)	(5,547)	(18,950)
Total interest-earning assets, other assets and contingencies	**6,977,462**	**6,738,526**	**5,464,278**

(1) The numbers set out in these tables have been rounded and accordingly may not total exactly.

(2) Net other income excludes reversals (provisions) for loans and off-balance sheet credit losses, recoveries on assets, and gain on sale of premises and equipment.

Reconciliation of Net other income:

Net other income – business segment	26,828	36,103	2,262
Reversal of provision for losses on off-balance sheet credit risk	4,046	4,448	13,926
Recoveries, net of impairment of assets	-	(57)	233
Gain on sale of premises and equipment	5,626	-	-
Net other income – consolidated financial statements	36,500	40,494	16,421

(3) Net operating income refers to net income excluding reversals (provisions) for loans and off-balance sheet credit losses and recoveries on assets.

(4) Includes selected deposits placed, and loans, net of unearned income and deferred loan fees.

(5) Includes customers' liabilities under acceptances, letters of credit and guarantees covering commercial and country risk, and credit commitments.

(6) Includes cash and due from banks, interest-bearing deposits with banks, securities available for sale and held to maturity, trading securities and the balance of the Investment Fund.

Reconciliation of Total assets:

Interest-earning assets – business segment	6,743,769	6,380,057	5,100,791
Allowance for loan losses	(72,976)	(88,547)	(78,615)
Customers' liabilities under acceptances	1,157	1,110	27,213
Premises and equipment	12,808	6,673	6,532
Accrued interest receivable	37,819	38.168	31,110
Derivative financial instruments used for hedging - receivable	19,239	4,159	2,103
Other assets	14,580	18,412	10,953
Total assets – consolidated financial statements	6,756,396	6,360,032	5,100,087

Geographic information is as follows:

(In thousands of US$)	**2012**				
	Panama	Brazil	United States of America	Cayman Islands	Total
Interest income	173,663	155	17,894	725	192,437
Interest expense	(86,019)	-	(1,332)	(109)	(87,460)
Net interest income	87,644	155	16,562	616	104,977
Long-lived assets:					
Premises and equipment, net	12,397	8	403	-	12,808

(In thousands of US$)	2011				
	Panama	Brazil	United States of America	Cayman Islands	Total
Interest income	144,491	114	10,595	2,227	157,427
Interest expense	(53,411)	-	(983)	(323)	(54,717)
Net interest income	91,080	114	9,612	1,904	102,710
Long-lived assets:					
Premises and equipment, net	6,125	10	538	-	6,673

(In thousands of US$)	2010				
	Panama	Brazil	United States of America	Cayman Islands	Total
Interest income	106,673	-	10,607	2,198	119,478
Interest expense	(41,266)	-	(2,746)	(963)	(44,975)
Net interest income	65,407	-	7,861	1,235	74,503
Long-lived assets:					
Premises and equipment, net	6,039	-	493	-	6,532

27. Subsequent events

On February 5, 2013 the Bank reached a substantial agreement on the terms of sale of the Asset Management Unit ("the Unit"), and is in the process of completing final documentation. The agreement contemplates the sale of the Unit to current executives of Bladex Asset Management Inc. together with a third party investor. The transaction is subject to final documentation and regulatory approvals.

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