BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2006 and 2005

(With Independent Registered Public Accounting Firm's Report Thereon)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Banco Latinoamericano de Exportaciones, S. A.:

We have audited the accompanying consolidated balance sheets of Banco Latinoamericano de Exportaciones, S. A. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express and opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. And 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Latinoamericano de Exportaciones, S. A. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As further disclosed in Note 2 and 7 to the consolidated financial statements, the Bank changed its method of accounting for share-based compensation plans and its methodology for estimating generic allowances for credit losses in 2005.

KPMG

February 28, 2007
Panama, Republic of Panama

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2006 and 2005
(in US$ thousand, except per share amounts)

Assets	Note	2006	2005
Cash and due from banks	3,20	401	687
Interest-bearing deposits with banks (including pledged deposits of $33,470 and $5,000 for 2006 and 2005, respectively)	3,20	331,764	229,200
Trading assets	4,20	130,076	0
Securities available for sale	5,20	346,194	182,050
Securities held to maturity (market value of $125,118 in 2006 and $26,325 in 2005)	5,20	125,157	26,520
Loans	6,20	2,980,772	2,610,019
Less:			
Allowance for loan losses	7,20	51,266	39,448
Unearned income and deferred loan fees		4,425	5,577
Loans, net		2,925,081	2,564,994
Customers' liabilities under acceptances	20	46,006	110,621
Premises and equipment (net of accumulated depreciation of $8,043 in 2006 and $9,137 in 2005)		11,136	3,253
Accrued interest receivable	20	55,238	30,254
Derivative instruments used for hedging - receivable	18,20	541	357
Other assets	8,17	6,743	11,295
Total assets		3,978,337	3,159,231
Liabilities and Stockholders' Equity			
Deposits:	9,20		
Noninterest-bearing - Demand		1,620	1,315
Interest-bearing - Demand		130,510	27,070
Interest-bearing - Time		924,147	1,018,233
Total deposits		1,056,277	1,046,618
Securities sold under repurchase agreements	5,20	438,356	128,599
Short-term borrowings	10,20	1,157,248	632,100
Medium and long-term debt and borrowings	11,20	558,860	533,860
Trading liabilities	4,20	54,832	0
Acceptances outstanding	20	46,006	110,621
Accrued interest payable	20	28,420	14,736
Derivative instruments used for hedging - payable	18,20	2,634	297
Reserve for losses on off-balance sheet credit risk	7	27,195	52,086
Redeemable preferred stock ($10 par value)	12,20	0	5,149
Other liabilities		24,614	18,383
Total liabilities		3,394,442	2,542,449
Stockholders' equity:	13,14,15,19		
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 2,725,390 in 2006 and 3,214,344 in 2005)		21,959	25,219
Class "E" common stock, no par value, assigned value of $6.67 (Authorized 100,000,000; outstanding 27,261,495 in 2006 and 28,540,242 in 2005)		213,614	210,353
Additional paid-in capital in excess of assigned value		134,945	134,340
Capital reserves		95,210	95,210
Retained earnings		205,200	212,916
Accumulated other comprehensive income	5,19	3,328	619
Treasury stock	13	(134,768)	(106,282)
Total stockholders' equity		583,895	616,782
Commitments and contingent liabilities	16,17,18,21		
Total liabilities and stockholders' equity		3,978,337	3,159,231

See accompanying notes to consolidated financial statements.

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
AND SUBSIDIARIES

Consolidated Statements of Income

For Each of the Years in the Three - Year Period Ended December 31, 2006
(in US$ thousand, except per share amounts)

	Note	2006	2005	2004
Interest income:				
Deposits with banks		$ 8,973	5,121	2,765
Trading assets		5,810	0	0
Investment securities:				
Available for sale		16,780	7,755	3,688
Held to maturity		5,985	2,219	2,218
Loans		165,802	101,728	67,481
Total interest income		203,350	116,823	76,152
Interest expense:				
Deposits		56,611	29,559	11,939
Trading liabilities		4,639	0	0
Short-term borrowings		55,000	20,408	9,388
Medium and long-term debt and borrowings		28,263	21,603	12,800
Total interest expense		144,513	71,570	34,127
Net interest income		58,837	45,253	42,025
Reversal of (provision for) loan losses	7	(11,846)	54,155	111,400
Net interest income, after reversal of (provision for) loan losses		46,991	99,408	153,425
Other income (expense):				
Reversal of (provision for) losses on off-balance sheet credit risk	7	24,891	(15,781)	871
Fees and commissions, net		6,285	5,824	5,928
Derivatives and hedging activities		(225)	2,338	47
Recoveries on assets, net of impairments	5	5,551	10,206	0
Trading gains		879	0	0
Net gain on sale of securities available for sale	5	2,568	206	2,922
Gain (loss) on foreign currency exchange		(253)	3	(194)
Other income, net		144	5	83
Net other income		39,840	2,801	9,657
Operating expenses:				
Salaries and other employee expenses		16,826	13,073	10,335
Depreciation of premises and equipment		1,406	869	1,298
Professional services		2,671	3,281	2,571
Maintenance and repairs		1,000	1,172	1,207
Other operating expenses		7,026	6,296	5,941
Total operating expenses		28,929	24,691	21,352
Income before cumulative effect of changes in accounting principles		57,902	77,518	141,730
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	7,15	0	2,733	0
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair-value-based method of accounting stock-based employee compensation plan	14,15	0	(150)	0
Net income		$ 57,902	80,101	141,730
Basic earnings per share:	7,14,15			
Income before cumulative effect of changes in accounting principles		$ 1.56	2.01	3.61
Cumulative effect of changes in accounting principles		0.00	0.07	0.00
Basic net income per share		$ 1.56	2.08	3.61
Diluted earnings per share:	7,14,15			
Income before cumulative effect of changes in accounting principles		$ 1.54	1.99	3.60
Cumulative effect of changes in accounting principles		0.00	0.07	0.00
Diluted net income per share		$ 1.54	2.06	3.60
Pro forma amounts, assuming the changes in accounting principles are applied retroactively:	7,14,15			
Income before effect of changes in accounting principles		$ 57,902	77,518	141,730
Cumulative effect on prior years of a change in the credit loss reserve methodology		0	0	(8,244)
Effect on prior year of an early adopion of the fair-value based method of accounting stock-based employee compensation plan		0	0	(150)
Net income available to common stockholders for both basic and diluted earning per share		$ 57,902	77,518	133,336
Basic earnings per share		$ 1.56	2.01	3.40
Diluted earnings per share		$ 1.54	1.99	3.39
Average basic shares		37,065	38,550	39,232
Average diluted shares		37,572	38,860	39,371

See accompanying notes to consolidated financial statements.

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
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Consolidated Statements of Changes in Stockholders´Equity

For Each of the Years in the Three - Year Period Ended December 31, 2006
(in US$ thousand)

	Common stock	Additional paid-in capital	Capital reserves	Retained earnings	Accumulated other comprehensive income	Treasury stock	Total stockholders' equity
Balances at January 1, 2004	279,978	133,786	95,210	150,789	9,876	(85,310)	584,329
Net income	0	0	0	141,730	0	0	141,730
Othe comprehensive income	0	0	0	0	(3,794)	0	(3,794)
Issuance of restricted stocks	0	0	0	(116)	0	211	95
Repurchase of Class "E" common stocks	0	0	0	0	0	(7,528)	(7,528)
Dividends declared	0	0	0	(58,702)	0	0	(58,702)
Balances at December 31, 2004	279,978	133,786	95,210	233,701	6,082	(92,627)	656,130
Net income	0	0	0	80,101	0	0	80,101
Other comprehensive income	0	0	0	0	(5,463)	0	(5,463)
Compensation cost - indexed stock options plan	0	555	0	0	0	0	555
Issuance of restricted stocks	0	0	0	(57)	0	152	95
Exercised stock options	0	0	0	(4)	0	8	4
Repurchase of Class "E" common stocks	0	0	0	0	0	(13,815)	(13,815)
Difference in fractional shares in conversion of common stocks	1	(1)	0	0	0	0	0
Dividends declared	0	0	0	(100,825)	0	0	(100,825)
Balances at December 31, 2005	279,979	134,340	95,210	212,916	619	(106,282)	616,782
Net income	0	0	0	57,902	0	0	57,902
Comprehensive income	0	0	0	0	2,709	0	2,709
Compensation cost - indexed stock options plan	0	606	0	0	0	0	606
Issuance of restricted stocks	0	0	0	(49)	0	144	95
Exercised stock options	0	0	0	(14)	0	27	13
Repurchase of Class "E" common stocks	0	0	0	0	0	(28,657)	(28,657)
Difference in fractional shares in conversion of common stocks	1	(1)	0	0	0	0	0
Dividends declared	0	0	0	(65,555)	0	0	(65,555)
Balances at December 31, 2006	279,980	134,945	95,210	205,200	3,328	(134,768)	583,895

See accompanying notes to consolidated financial statements.

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
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Consolidated Statements of Comprehensive Income

For Each of the Years in the Three - Year Period Ended December 31, 2006
(in US$ thousand)

	Note	2006	2005	2004
Income before cumulative effect of changes in accounting principles		57,902	77,518	141,730
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	7	0	2,733	0
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair value-based method of accounting stock-based employee compensation plan	14,15	0	(150)	0
Net income		57,902	80,101	141,730
Other comprehensive income (loss):				
Unrealized gains (losses) on securities:				
Unrealized gains (losses) arising from the year	5,19	5,349	(5,257)	(1,256)
Less: Reclassification adjustments for gains included in net income	19	(2,568)	(206)	(2,922)
Net change in unrealized gains (losses) on securities available for sale		2,781	(5,463)	(4,178)
Unrealized gains on derivatives arising from the year	19	(72)	0	384
Other comprehensive income (loss)		2,709	(5,463)	(3,794)
Comprehensive income		60,611	74,638	137,936

See accompanying notes to consolidated financial statements.

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
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Consolidated Statements of Cash Flows

For Each of the Years in the Three - Year Period Ended December 31, 2006
(in US$ thousand)

	2006	2005	2004
Cash flows from operating activities:			
Income before cumulative effect of changes in accounting principles	57,902	77,518	141,730
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	0	2,733	0
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair-value based method of accounting stock-based employee compensation plan	0	(150)	0
Net income	57,902	80,101	141,730
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Derivatives and hedging activities	312	(85)	(48)
Depreciation of premises and equipment	1,406	869	1,298
Provision for (reversal of) loan losses	11,846	(54,155)	(111,400)
Provision for (reversal of) losses on off-balance sheet credit risk	(24,891)	15,781	(871)
Impairment loss on assets	0	469	0
Net gain on sale of securities available for sale	(2,568)	(206)	(2,922)
Compensation cost - indexed stock options plan	606	555	0
Issuance of restricted stock	95	95	95
Deferred compensation awards	13	3	0
Amortization of premiums and discounts on investments	4,748	2,343	1,175
Net decrease (increase) in operating assets:			
Trading assets	(130,076)	0	0
Accrued interest receivable	(24,984)	(14,806)	(4,517)
Derivative financial instruments	0	25	(10,333)
Other assets	4,552	(5,804)	723
Net increase (decrease) in operating liabilities:			
Accrued interest payable	13,684	8,259	385
Trading liabilities	54,832	0	0
Other liabilities	2,108	(5,958)	10,511
Net cash (used in) provided by operating activities	(30,415)	27,486	25,826
Cash flows from investing activities:			
Net increase in pledged interest bearing deposits	(28,470)	(800)	(2,000)
Net increase in loans	(384,433)	(179,315)	(173,687)
Proceeds from the sale of loans	12,500	0	0
Net acquisition of premises and equipment	(9,289)	(614)	(688)
Proceeds from the redemption of securities available for sale	20,000	26,000	19,274
Proceeds from the maturity of securities held to maturity	9,000	0	0
Proceeds from the sale of securities available for sale	129,731	276,524	7,657
Purchases of investment securities	(419,143)	(326,307)	(144,425)
Net cash used in investing activities	(670,104)	(204,512)	(293,869)
Cash flows from financing activities:			
Net increase in due to depositors	9,659	182,458	161,205
Net increase in short-term borrowings and securities sold under repurchase agreements	834,905	55,981	17,503
Proceeds from medium and long-term debt and borrowings	133,680	309,962	256,728
Repayments of medium and long-term debt and borrowings	(108,680)	(179,723)	(338,623)
Dividends paid	(63,364)	(100,825)	(52,867)
Redemption of redeemable preferred stocks	(3,216)	(2,711)	(2,425)
Repurchase of common stocks	(28,657)	(13,815)	(7,528)
Net cash provided by financing activities	774,327	251,327	33,993
Net increase (decrease) in cash and cash equivalents	73,808	74,301	(234,050)
Cash and cash equivalents at beginning of the year	224,887	150,586	384,636
Cash and cash equivalents at end of the year	298,695	224,887	150,586
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	130,829	63,298	33,742

See accompanying notes to consolidated financial statements.

(1) Organization

Banco Latinoamericano de Exportaciones, 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 XX 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, constituted in 1978 as a corporation pursuant to the laws of the Republic of Panama, and officially initiated operations on January 2, 1979.

The Bank operates under a general banking license issued by the National Banking Commission, predecessor of the Superintendence of Banks of Panama ("the SBP"), and is subject to its supervision and inspection. 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. Its wholly owned subsidiaries: Clavex LLC, incorporated on June 15, 2006, under the laws of the State of Delaware, provides digital identification solutions to improve international commerce and electronic banking in the Region; and Bladex Asset Management, Inc., incorporated on May 24, 2006, under the laws of the State of Delaware, serves as investment manager for Bladex Offshore Feeder Fund (the "Feeder") and Bladex Capital Growth Fund (the "Fund").

The Feeder is a wholly owned subsidiary, incorporated on February 21, 2006 under the laws of Cayman Islands, and in turn is the sole owner of the Fund, which was also incorporated under the laws of Cayman Islands on February 21, 2006. Both companies are investment funds that started operations in April 2006 and share the same investment objectives. The Feeder invests substantially all of its assets in the Fund.

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 0.001% owned by Bladex Holdings Inc.

Clavex, S.A., is a wholly owned subsidiary, incorporated on May 18, 2006, under the laws of the Republic of Panama, to provide digital identification solutions to improve international commerce and electronic banking in the Region.

The Bank 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 Bank also has representative offices in Buenos Aires, Argentina, and in Mexico City, D.F., Mexico. On March 27, 2006, the Federal Reserve Bank of the USA approved Bladex´s request to establish an office in Miami, Florida. On October 30, 2006, the Bank received the authorization by the Financial Services Commission – Office of Financial Regulation of the State of Florida, to transact business in Florida as an International Administrative Office.

In addition, Banco Latinoamericano de Exportaciones Limited, a wholly owned subsidiary, incorporated under the laws of the Cayman Islands (B.W.I.) ceased its banking operations on November 30, 2004 and was dissolved in 2005. All financial assets and liabilities were transferred to Bladex Head Office and recorded at their carrying amount.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The consolidated financial statements have been prepared under generally accepted accounting principles in the United States of America ("U.S. GAAP"). All amounts presented in the consolidated financial statements and notes are expressed in U.S. dollars.

(b) *Principle of Consolidation*

The consolidated financial statements include the accounts of Bladex Head Office, its agencies and subsidiaries. All inter-company balances and transactions have been eliminated for consolidation purposes.

(c) *Reclassifications*

Certain amounts in prior years have been reclassified to conform to the current year's presentation.

(d) *Use of Estimates*

The preparation of the consolidated financial statements requires management to make estimates and 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 reporting period. Material estimates that are particularly susceptible to significant change relate to the determination of the allowances for credit losses and impairment losses on assets. Actual results could differ from those estimates. Management believes these estimates are adequate.

(e) *Cash Equivalents*

Cash equivalents consist of due from banks and interest-bearing deposits with banks with original maturities of three months or less, except deposits pledged.

(f) *Repurchase and Resale Agreements*

Repurchase and resale agreements represents collateralized financing transactions used to increase liquidity and are carried at the amounts at which the securities will be subsequently reacquired or resold, including accrued interest, as specified in the respective agreements. The Bank's policy is to take possession of securities purchased under agreements to resell and to relinquish possession of the securities sold under agreements to repurchase. The market value of securities to be repurchased and resold is monitored, and additional collateral is provided where appropriate, to protect against credit exposure.

(g) *Trading Assets and Liabilities*

Trading assets include debt instruments that have been bought and held principally for the purpose of selling them in the near term. Trading liabilities include debt instruments that the Bank has sold to other parties but does not own ("short" positions). The Bank is obliged to purchase securities at a future date to cover short positions. Included in trading assets and trading liabilities are the reported receivables (unrealized gains) and payables (unrealized losses) related to derivatives. These amounts include the derivative assets and liabilities net of cash received and paid, respectively, under legally enforceable master netting agreements. Trading assets and trading liabilities are carried at fair value, which is determined 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. Unrealized and realized gains and losses on trading positions are recorded in earnings as trading gains (losses).

(h) *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.

1) Securities Available for Sale

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, based on quoted market 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. Unrealized gains and losses are reported as net increase or decreases to accumulated other comprehensive income (loss) in equity until they are realized.

2) 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.

Interest on securities is recognized based on the interest method. Amortization of premiums and accretion of discounts, are included in interest income as an adjustment to the yield. Realized gains and losses from the sales of securities available for sale, which are included in realized gain (loss) from investment securities, are determined using the specific identification method. Impairment is evaluated considering numerous factors, and their relative significance varies case by case. Factors considered include the length of time and extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the intent and ability to retain the security in order to allow for an anticipated recovery in market value. 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. Accrual of income is suspended on fixed maturities that are in default, or on which it is likely that future interest payments will not be received as scheduled.

(i) *Other Investments*

An investment in a private investment fund and other equity investments are reported at cost and are included in other assets. The Bank determined that it is not practicable to estimate the fair value of these investments, as these shares are not traded in a secondary market. Impairment of these investments is assessed annually.

(j) Loans

Loans are reported at their principal amounts outstanding net of unearned income, deferred loan fees and allowance for loan losses. Interest income is recognized using the interest method. The amortization of net unearned income and deferred loan fees are recognized as an adjustment to the related loan yield over the term of the loan by a method that approximates the interest method.

Loans are identified as impaired and placed on a cash basis (non-accrual) when interest or principal is past due for 90 days or more, or before if the Bank's management determines that the ultimate collection of principal or interest is doubtful. Factors considered by the Bank's management in determining impairment include collection status, collateral value, the probability of collecting scheduled principal and interest payment when due, and economic conditions in the borrowing country. Any interest receivable is reversed and charged-off against earnings. Interest on non-accruing 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 reasonably assured of repayment (2) there is a sustained period of repayment performance in accordance with the contractual terms of at least six months, which is the minimum required by the SBP; and (3) if in the Bank's management's opinion the loan is fully collectible. When current events or available information confirms that specific impaired loans or portions thereof are uncollectible, such impaired loans are charged-off against the allowance for loan losses.

A loan is classified as a troubled debt restructuring if a significant concession in amount, maturity or interest rate is granted to the borrower due to the deterioration in its financial condition. Marketable securities received in exchange for loan claims in debt restructurings are initially recorded at fair value, with any gain or loss recorded as recovery or charge to the allowance, and are subsequently accounted for as securities available for sale.

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; (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. 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. Service rights are only recognized when the benefits of the service exceeds the costs associated with the responsibility of that service.

(k) 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 charges to 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 credit losses includes an asset-specific component and a formula-based component. The asset-specific component relates to provision for losses on credits considered impaired and measured on a case-by-case basis. An allowance is established when the discounted cash flows (or collateral value of observable market price) of the credit is lower than the carrying value of that credit. The formula-based component 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 for higher risk cases, in view of the greater robustness of this external data for such cases. The loss given default utilized is based on Bladex´s historical losses experience and best practices.

(l) Fair Value of Guarantees Including Indirect Indebtedness of Others

The Bank recognizes a liability for the fair value of all the obligations undertaken such as stand-by letters of credit and guarantees. Fair value is calculated based on the present value of the premium to be received based on FIN 45 or a specific off-balance sheet allowance based on FAS 5, whichever is greater.

(m) Fees and Commissions

Loan origination fees, net of direct loan origination costs, are deferred, and the net amount is recognized over the contractual term of the loans as an adjustment to the yield. These fees, net of direct loan origination costs, are not recognized 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. 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. All related costs, including direct loan origination costs, are charged to expense as incurred. Fees earned on letters of credit, guarantees and other commitments are amortized using the straight-line method over the life of such instruments.

(n) *Premises and Equipment*

Premises and equipment are carried at cost less accumulated depreciation, except land, which is carried at cost. Depreciation is charged to operations using the straight-line method, and is provided over the estimated useful life of the related asset. The estimated original useful life for building is 40 years and for furniture and equipment is 3 to 5 years.

The Bank capitalizes the cost of internal-use software that has a useful life in excess of one year in accordance with SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". These costs consist of payments made to third parties related to the use of licenses and installation of both, software and hardware, and other related costs. 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 will be amortized using the straight-line method over their estimated useful lives, generally consisting of 3 to 5 years.

(o) *Capital Reserves*

According to Panamanian banking regulations, capital reserves are established by the Bank as a carve-out of retained earnings and are, as such, a form of retained earnings. Reductions of these capital reserves require the approval of the Bank's Board of Directors and the SBP.

(p) *Cash and Stock Based Compensation Plan*

In year 2005, the Bank chose to make an early adoption of the Statement of Financial Accounting No.123(R) "Share-Based Payment" which established the use of the fair-value-based method of accounting for stock-based employee compensation. As prescribed in this standard, the Bank elected to use the "modified prospective application" for new and previously granted awards that are not fully vested on the effective date. Compensation cost is based on the fair value of the awards granted and is recognized over the requisite service period of the award. The fair value of each option is estimated at the grant date using the Black-Scholes option-pricing model. The Bank has the policy of re-issuing shares from treasury shares. As a result of the early adoption of this rule, a compensation cost of $555 thousand was recorded during 2005. The adjustment of $150 thousand to apply retroactively the new method was included in income of 2005. The pro forma amounts shown on the income statement were adjusted for the effect of retroactive application of compensation cost, which would have been applied, had the new method been in effect. Before the application of FAS 123(R), the Bank applied the intrinsic method as provided in Accounting Principles Board Opinion No.25 (APB 25), "Accounting for Stock Issued to Employees" and related interpretations and accordingly, no compensation cost was recognized for stock options in prior years.

(q) *Redeemable Preferred Stock*

The Bank accounts for as liabilities all financial instruments that embody an obligation to the issuer including the Bank's redeemable preferred stocks. The accrual of interest payable is charged to interest expense.

(r) *Derivative Financial Instruments and Hedge Accounting*

The Bank makes use of derivative financial instruments for its management of interest rate and foreign exchange risks, which represent the majority of the Bank's derivatives, and for trading purposes. 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 swaps, forward foreign exchange contracts and credit default swaps, as part of the Fund's trading activity and those used for risk management purposes that do not qualify for hedge accounting. The fair value of trading derivatives is reported as trading assets and trading liabilities, as applicable. Changes in realized and unrealized gains and losses and interest flows from these trading instruments are included in trading gains (losses).

Derivatives for hedging purposes primarily include interest rate swaps and forward foreign exchange contracts. Derivative contracts designated and qualifying as fair value hedge are reported as other assets and other liabilities 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 derivatives in the 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 hedge item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income and recognized in the income statement when the hedged cash flows affect earnings. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in other comprehensive income is recognized when the cash flows that were hedged occur.

(s) Foreign Currency Transactions
Assets and liabilities denominated in foreign currencies are re-measured into U.S. dollar equivalents using period-end spot foreign exchange rates. The effects of re-measuring assets and liabilities into the U.S. dollar as the functional currency are included in earnings.

(t) Income Taxes
Bladex Head Office, as well as the Feeder, the Fund and Clavex, S.A., are exempt from the payment of income taxes. Bladex Representacao Ltd. is subject to income taxes in Brazil. The New York Agency and Bladex´s subsidiaries incorporated in the USA are subject to United States of America federal and local taxation based on the portion of income that is effectively connected with its operations in that country. Such amounts have been immaterial to date.

(u) Earnings Per Share
Basic earnings per share (EPS) is computed by dividing income available to common stockholders (the numerator) by the average number of common shares outstanding (the denominator) during the year. Diluted EPS measures performance incorporating the effect that potential common shares, such as stock options outstanding during the same period, would have on EPS. The computation is similar to the computation of EPS, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the diluted potential common shares had been issued.

(v) Recent Accounting Pronouncements
FASB Statement No. 157: Fair Value Measurement
FASB 157 defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and enhances disclosures about fair value measurements. This Statement applies when other accounting pronouncements require fair value measurements; it does not require new fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. Earlier application is encouraged, provided the entity has not yet issued financial statements, including financial statements for any interim period for that fiscal year.

FASB Statement No. 158: Employers´ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)
FASB 158 requires an employer to recognize in its statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. Employers must also recognize as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs and credits that arise during the period. The Statement is effective for public entities with a calendar year end of December 31, 2006. This Statement did not have an impact on the Banks´ financial statements.

(3) Cash and Cash Equivalents
Cash and cash equivalents are as follows:

(In US$ thousand)	December 31, 2006	December 31, 2005
Cash and due from banks	401	687
Interest bearing deposits with banks	331,764	229,200
Total	332,165	229,887
Less –		
Pledged deposits	33,470	5,000
	298,695	224,887

At December 31, 2006, pledged deposits with banks include $28 million collateral advanced on securities sold short for trading purposes. On December 31, 2006 and 2005, the Agency of New York had pledged certificates of deposit with a carrying value of $5.5 million and $5 million, respectively, with the State of New York Banking Department, as required by law since March 1994.

(4) Trading Assets and Liabilities

The Bank's trading activity started in April 2006 and is carried through the Fund incorporated in Cayman Islands. At December 31 2006, the fair value of trading assets and liabilities is as follows:

(In US$ thousand)	Fair Value
Trading assets:	
Government securities	81,077
Corporate securities	48,655
Derivative instruments	344
Total	130,076
Trading liabilities:	
Government securities sold short	54,039
Derivative instruments	793
Total	54,832

(5) Investment Securities

a) Securities Available for Sale

The amortized cost, related unrealized gross gain (loss) and fair value of securities available for sale, are as follows:

(In US$ thousand)	December 31, 2006			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	16,985	69	129	16,925
Chile	16,086	0	144	15,942
Panama	20,026	0	254	19,772
	53,097	69	527	52,639
Government debt:				
Argentina	9,421	69	6	9,484
Brazil	112,370	3,315	61	115,624
Colombia	97,335	776	16	98,095
Chile	16,091	0	444	15,647
El Salvador	4,981	19	0	5,000
Mexico	48,350	1,516	161	49,705
	288,548	5,695	688	293,555
Total	341,645	5,764	1,215	346,194

(In US$ thousand)	December 31, 2005			
Corporate debt:				
Brazil	16,967	44	247	16,764
Chile	16,575	0	191	16,384
Panama	5,014	72	0	5,086
	38,556	116	438	38,234
Government debt:				
Argentina	4,336	0	142	4,194
Brazil	80,285	538	15	80,808
Colombia	11,238	63	0	11,301
Chile	16,566	0	523	16,043
El Salvador	20,000	0	0	20,000
Mexico	11,710	0	240	11,470
	144,135	601	920	143,816
Total	182,691	717	1,358	182,050

At December 31, 2006 and 2005, securities available for sale with a carrying value of $322.7 million and $119.3 million, respectively, were pledged to secure borrowings for securities sold under repurchase agreements.

The following table discloses whether these securities have had unrealized losses for less than 12 months, or for 12 months or longer:

(In US$ thousand)	December 31, 2006					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	19,772	254	30,791	273	50,563	527
Government debt	6,187	16	36,004	672	42,191	688
	25,959	270	66,795	945	92,754	1,215
	December 31, 2005					
Corporate debt	31,096	438	0	0	31,096	438
Government debt	26,242	397	16,043	523	42,285	920
	57,338	835	16,043	523	73,381	1,358

The gross unrealized losses are due to overall increases in market interest rates and/or credit spreads, and not due to underlying credit concerns of the issuers. At December 31, 2006 and 2005, the Bank believes that none of the securities in its investment portfolio are other-than-temporarily impaired. During 2006 and 2005, the Bank collected Argentine impaired securities for $5.6 million and $10.7 million, respectively, which had been written-off and charged to earnings in prior years. These recoveries were recorded in earnings as recoveries on assets. During 2005, an impaired security with a net carrying value of $0.5 million was written-off and charged to earnings as a decrease to recoveries on assets.

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

(In US$ thousand)	December 31,					
	2006		2005		2004	
	Gains	Losses	Gains	Losses	Gains	Losses
	2,568	0	253	47	2,922	0

The amortized cost and fair value of securities available for sale distributed by contractual maturity at December 31, 2006, are shown in the following table:

(In US$ thousand)	Amortized Cost	Fair Value
Due within 1 year	16,005	16,054
After 1 but within 5 years	94,960	93,898
After 5 years	230,680	236,242
	341,645	346,194

b) Securities Held to Maturity

The amortized cost, related unrealized gross gain (loss) and quoted market value of securities held to maturity are as follows:

(In US$ thousand)	December 31, 2006			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Switzerland	40,044	0	10	40,034
United States of America	60,048	0	27	60,021
Sub-total	100,092	0	37	100,055
Government debt:				
Mexico	25,065	0	2	25,063
Total	125,157	0	39	125,118
	December 31, 2005			
Government debt - Mexico	26,520	0	195	26,325

At December 31, 2006 and 2005, the contractual maturity of the securities held to maturity was within one year and none of the securities in this portfolio is considered other-than-temporarily impaired in view that those securities do not maintain significant gross unrealized losses for more than twelve months. At December 31, 2006 and 2005, securities held to maturity with a carrying value of $125.2 million and $26.5 million, respectively, were pledged to secure repurchase agreements.

(6) Loans

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

(In US$ thousand)	December 31,	
	2006	**2005**
Corporate	1,417,777	840,061
Banks:		
Commercial	1,130,490	1,582,846
State owned	273,090	117,842
Other	159,415	69,270
Total	2,980,772	2,610,019

The remaining contractual loan maturities are summarized as follows:

(In US$ thousand)	December 31,	
	2006	**2005**
Current		
Up to 1 month	297,920	397,745
From 1 month to 3 months	719,966	601,557
From 3 months to 6 months	649,147	592,223
From 6 months to 1 year	456,528	521,367
From 1 year to 2 years	375,954	309,539
From 2 years to 5 years	412,565	158,766
More than 5 years	68,692	0
	2,980,772	2,581,197
Restructured and impaired	0	28,822
	2,980,772	2,610,019

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

(In US$ thousand)	December 31,	
	2006	**2005**
Country		
Argentina	203,015	51,215
Bolivia	5,000	0
Brazil	1,316,650	1,095,055
Chile	175,147	282,500
Colombia	163,132	249,025
Costa Rica	85,028	53,962
Dominican Republic	8,805	997
Ecuador	42,926	25,407
El Salvador	82,250	80,753
Guatemala	88,573	41,303
Honduras	36,466	25,654
Jamaica	48,904	24,018
Mexico	167,808	160,737
Nicaragua	10,121	1,977
Panama	180,511	156,061
Peru	261,617	180,156
Trinidad and Tobago	103,513	177,498
Uruguay	0	3,701
Venezuela	1,306	0
	2,980,772	2,610,019

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

(In US$ thousand)	December 31,	
	2006	**2005**
Fixed interest rates	1,498,338	1,561,893
Floating interest rates	1,482,434	1,048,126
	2,980,772	2,610,019

At December 31, 2006 y 2005, 89% of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

(In US$ thousand)	December 31,		
	2006	**2005**	**2004**
Loans on non-accrual status	0	28,822	255,552
Interest which would had been recorded if the loans had not been on a non-accrual status	0	7,004	18,716
Interest income collected on non-accruing loans	2,721	7,670	18,692
Foregone interest revenue	0	0	24

The following is a summary of information pertaining to impaired loans:

(In US$ thousand)	December 31,		
	2006	**2005**	**2004**
Impaired loans with specific allowance for credit losses	0	28,822	255,552
Specific allowance for impaired loans (under SFAS 114)	0	11,184	81,725
Average balance of impaired loans during the year	18,168	105,964	356,278
Interest income collected on impaired loans	2,721	7,670	18,692

At December 31, 2006 and 2005, the Bank has credit activity transactions in the normal course of business, with 22% of its Class "A" and "B" stockholders (See Note 13). 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. At December 31, 2006 and 2005, approximately 27% and 40%, respectively, of the outstanding loan portfolio is placed with the Bank's Class "A" and "B" stockholders and their related parties. At December 31, 2006, 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 year 2006, the Bank sold a loan with a book value of $12.5 million, with a net gain of $6 thousand. The Bank did not retain any servicing rights on this sale.

(7) Allowance for Credit Losses

The allowance for credit losses is available to absorb estimated probable credit losses existing in the credit portfolio at the date of the consolidated balance sheets. During the third quarter of 2005, Bladex implemented a new methodology for estimating generic allowances for credit losses. The new methodology incorporates statistical data on Bladex´s historical loss performance in the calculation of expected loss and loss given default ratios replacing the use of general probability of default information from rating agencies in the former model. The Bank believes that this new methodology provide a more adequate level of allowance for credit losses. The effect of the change in methodology for periods ending before December 31, 2004, are included in the results of the year ended December 31, 2005, and represents a net reversal of provisions for $2.7 million (reversal of $5.9 million in provision for loan losses and increase of $3.2 million in provision for off-balance sheet risk). The net effect of the change for the year ended December 31, 2005 was a decrease of $10 million in net income ($0.26 cents per share). The pro forma amounts shown on the income statement have been adjusted for the effect of retroactive application of credit loss reserve, which would have been applied, had the new methodology been in effect.

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

a) Allowance for Loan Losses:

(In US$ thousand)	December 31,		
	2006	**2005**	**2004**
Balance at beginning of the year	39,448	106,352	224,347
Provision for (reversal of) loan losses:			
Current year allocation	11,846	(48,180)	(111,400)
Effect of a change in the credit loss reserve methodology - 2005	0	(5,975)	0
	11,846	(54,155)	(111,400)
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	0	(5,937)	0
Loan recoveries	3	2,612	6,396
Loans written-off against the allowance for loan losses	(31)	(9,424)	(12,991)
Balance at end of the year	51,266	39,448	106,352

b) Reserve for Losses on Off-Balance Sheet Credit Risk:

(In US$ thousand)	December 31,		
	2006	**2005**	**2004**
Balance at beginning of the year	52,086	33,101	33,972
Provision for (reversal of) losses on off-balance sheet credit risk:			
Current year allocation	(24,891)	(210)	(871)
Effect of a change in the credit loss reserve methodology - 2005	0	15,991	0
	(24,891)	15,781	(871)
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	0	3,204	0
Balance at end of the year	27,195	52,086	33,101

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 16).

Reversals of provision for credit losses are mostly related to reserves assigned to the Bank's Argentine non-accruing portfolio, which was collected during the last three years.

(8) Other Assets

At December 31, 2006 and 2005, other assets include an investment in a private investment fund and an equity investment in a company specialized in digital solutions. At December 31, 2006 and 2005, these investments totaled $3.6 million and $2.7 million, respectively.

At December 31, 2006 and 2005, the Bank did not estimate the fair value of these investments and has not identified any events or changes in their financial condition that may have had a significant adverse effect on the carrying value of these investments. The Bank does not consider these investments to be other-than-temporarily impaired.

(9) Deposits

The maturity profile and other information of the Bank's deposits is as follows:

(In US$ thousand)	December 31,	
	2006	**2005**
Demand	132,130	28,385
Up to 1 month	578,220	575,362
From 1 month to 3 months	317,153	361,071
From 3 months to 6 months	28,774	81,800
	1,056,277	1,046,618

(In US$ thousand)	December 31, 2006	December 31, 2005
Aggregate amounts of time deposits of $100,000 or more	924,147	1,018,038
Aggregate amounts of deposits in offices outside of Panama	422,359	350,026
Interest expense	19,963	8,853

(10) Short-Term Borrowings

The breakdown of short-term borrowings due to banks and other investors is as follows:

(In US$ thousand)	December 31, 2006	December 31, 2005
Short-term borrowings:		
Advances from banks	1,147,248	608,100
Discounted acceptances	10,000	24,000
Total short-term borrowings	1,157,248	632,100
Weighted average interest rate at the end of the year	5.56%	4.79%

(11) Medium and Long-Term Debt and Borrowings

Borrowings consist of medium-term and syndicated loans from international banks. Debt instruments consist of Euro medium-term notes. The breakdown of medium and long-term debt and borrowings (original maturity of more than one year) is as follows:

(In US$ thousand)	December 31, 2006	December 31, 2005
Borrowings:		
At fixed interest rates with due dates from January 2007 to January 2011	105,180	40,000
At floating interest rates with due dates from January 2007 to December 2009	428,680	449,860
Total borrowings	533,860	489,860
Debt Instruments:		
At floating interest rates with due dates from January 2008 to October 2010	25,000	44,000
Total debt instruments	25,000	44,000
Total medium and long-term debt and borrowings outstanding	558,860	533,860
Average outstanding during the year	497,830	444,393
Maximum outstanding at any month-end	558,860	587,998
Weighted average interest rate at the end of the year	5.82%	4.64%
Weighted average interest rate during the year	5.50%	4.72%

The Bank's funding activities include an Euro-Medium-Term Note program which may be used to issue notes for up to $2.3 billion, with maturities from 90 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 sold in bearer or registered form through one or more authorized financial institutions.

Some borrowing agreements include various events of default and covenants pertaining to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. At December 31, 2006, the Bank was in compliance with all covenants.

The future maturities of medium and long-term debt and borrowings outstanding at December 31, 2006, are as follows:

(In US$ thousand)

Due in:	Outstanding
2007	145,180
2008	291,500
2009	52,000
2010	5,000
2011	65,180
	558,860

(12) Redeemable Preferred Stock

On May 15, 2006, the Bank redeemed all non-voting preferred shares outstanding. In case of a liquidation of the Bank, the preferred stockholders were entitled to receive a liquidation preference of $10 per share, plus accrued and unpaid dividends. The Bank redeemed preferred stock at its par value as the equivalent of 20% of total par value of the preferred stock outstanding as of March 15, 2002, and on March 15 of each of the subsequent years up to 2006. At December 31, 2006 and 2005, the Bank had $1.9 million and $2.0 million representing 193,623 and 202,633 preferred shares, respectively, redeemed but not claimed by preferred shareholders, which are recorded in other liabilities. Preferred stockholders had the right to receive interest on their preferred stock equivalent to the same percentage as the common stockholders (excluding from the calculation any common stock issued as stock dividend).

(13) Common Stock

The Bank's common stock is divided into three 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.

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. On August 3, 2004, the Board of Directors authorized a three-year stock repurchase program under which Bladex may, from time to time, repurchase up to an aggregate of $50 million of its Class E shares of common stock, in the open market at the then prevailing market price. On July 2006, this stock repurchase program was completed at an average price of $16.43 per share.

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, 2006:

(Shares units)	Class "A"	Class "B"	Class "E"	Total
Authorized	40,000,000	40,000,000	100,000,000	180,000,000
Outstanding at December 31, 2003	6,342,189	3,466,702	29,543,847	39,352,738
Conversions	0	(195,433)	195,432	(1)
Restricted stock granted	0	0	6,242	6,242
Repurchased stock	0	0	(461,900)	(461,900)
Outstanding at December 31, 2004	6,342,189	3,271,269	29,283,621	38,897,079
Conversions	0	(56,925)	56,925	0
Restricted stock granted	0	0	5,320	5,320
Repurchased stock	0	0	(805,900)	(805,900)
Exercised stock options	0	0	276	276
Outstanding at December 31, 2005	6,342,189	3,214,344	28,540,242	38,096,775
Conversions	0	(488,954)	488,954	0
Restricted stock granted	0	0	5,967	5,967
Repurchased stock	0	0	(1,774,818)	(1,774,818)
Exercised stock options	0	0	1,150	1,150
Outstanding at December 31, 2006	6,342,189	2,725,390	27,261,495	36,329,074

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

(In US$ thousand, except share data)	Class "A"		Class "B"		Class "E"		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at December 31, 2003	318,140	10,708	568,010	15,655	1,740,958	58,948	2,627,108	85,311
Repurchased during 2004	0	0	0	0	461,900	7,527	461,900	7,527
Restricted stocks granted	0	0	0	0	(6,242)	(211)	(6,242)	(211)
Outstanding at December 31, 2004	318,140	10,708	568,010	15,655	2,196,616	66,264	3,082,766	92,627
Repurchased during 2005	0	0	0	0	805,900	13,815	805,900	13,815
Restricted stocks granted	0	0	0	0	(5,320)	(152)	(5,320)	(152)
Exercised stock options	0	0	0	0	(276)	(8)	(276)	(8)
Outstanding at December 31, 2005	318,140	10,708	568,010	15,655	2,996,920	79,919	3,883,070	106,282
Repurchased during 2006	0	0	0	0	1,774,818	28,657	1,774,818	28,657
Restricted stocks granted	0	0	0	0	(5,967)	(144)	(5,967)	(144)
Exercised stock options	0	0	0	0	(1,150)	(27)	(1,150)	(27)
Outstanding at December 31, 2006	318,140	10,708	568,010	15,655	4,764,621	108,405	5,650,771	134,768

(14) Cash and Stock Based Compensation Plans

The Bank established equity compensation plans under which it administers restricted stock and stock option plans to attract, retain and motivate Directors and key employees and compensate them for their contributions to the growth and profits of the Bank.

a) Restricted Stock – Directors

During 2003, the Board of Directors approved a restricted stock award program for Directors of the Bank. Restricted stock may be sourced from treasury stock, or authorized un-issued shares. On a yearly basis, the Bank's Board of Directors may grant Class "E" shares for each Director worth $10 thousand, and to the Chairman of the Board worth $15 thousand, all based on Bladex´s closing price in the New York Stock Exchange ("NYSE") at the last trading date preceding the grant. The restricted stocks have a cliff vesting after five years. During 2006, 2005 and 2004, the Bank issued under this plan, 5,967, 5,320 and 6,242, Class "E" common shares respectively, and related compensation costs charged against income was $95 thousand for each year.

b) Stock Option Plan 2006 – Directors and Key Employees

On December 12, 2006, the Bank's Board of Directors adopted the 2006 Stock Option Plan. The maximum aggregate number of shares which may be issued under the 2006 Stock Option Plan is two million Class "E" common shares. However, if there are any modifications to the number of shares representing the outstanding common stock of the Bank, as a result of a stock split, combination of stock or change in the corporate structure, the number of shares that may be issued under the 2006 Stock Option Plan will be revised. Under the 2006 Stock Option Plan, the Bank's Board of Directors, with the recommendation and advice of the Nomination and Compensation Committee, may authorize the grant of options to any one or more key employees or Directors of the Bank, as well as determine or impose conditions upon the grant or exercise of Options under the Plan. The Options expire seven years after the date of grant and, except otherwise provided in the award agreement, shall be exercisable beginning on the fourth anniversary of the date of grant. However, in no event will the exercise price of an Option be less than 100% the fair market value per share subject to the Option on the date the Option was granted. At December 31, 2006, no stock options have been granted under this plan.

c) Indexed Stock Option Plan 2003 – Directors and Key Employees

During 2003, the Board of Directors approved an indexed stock option plan for Directors and key employees of the Bank, which was subsequently terminated in April 2006. On an annual basis, the plan allowed Directors to receive options to purchase Class "E" shares from treasury shares already held, for an equivalent amount of $10 thousand, and for the Chairman of the Board, an equivalent amount of $15 thousand. The number of options granted for key employees was determined by the Board of Directors based on the target of each eligible position and the value of the option at grant date. The indexed stock options expire in seven years with a cliff-vesting period of four years. The exercise price is adjusted based on the change in a customized Latin America general market index. As of December 31, 2006, the Bank had an unrecognized compensation cost of $1.5 million related to non-vested options granted under the indexed stock option plan, which will be recognized over a period of 3.08 years. The fair value of each option granted is estimated at the grant date using the Black-Scholes option-pricing model, based on the following factors:

	December 31,		
	2006	**2005**	**2004**
Weighted average fair value option	$4.5	$5.3	$6.6
Weighted average expected term, in years	6.1	6.2	5.4
Expected volatility	51.4%	51.4%	51.4%
Risk-free rate	3%	3 %	3%
Expected dividends	6.7%	6.7%	6.7%

A summary of the status of the share options granted under the indexed stock option plans is presented below:

	December 31,					
	2006		**2005**		**2004**	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding, beginning of year	307,013	$12.42	184,836	$18.53	0	$ 0
Granted	216,710	$16.00	152,084	$17.30	186,886	$12.19
Forfeited	0	$ 0	(29,907)	$17.30	(2,050)	$12.19
Outstanding, end of year	523,723	$13.90	307,013	$17.30	184,836	$12.19
Weighted average fair value of options granted during the year		$4.48		$5.18		$6.54

	December 31, 2006		
	Number Outstanding	Weighted Average Exercise Prices	Weighted Average Contractual Life Remaining (In years)
Range of Exercise Price			
$10.00 - 20.00	523,723	$13.90	5.19

d) Stock Option Plan - Directors and Employees

During 2000, the Board of Directors approved a stock option plan for Directors of the Bank. The exercise price of each option must equal 100% of the market value of the stock at the grant date and becomes 100% exercisable one year after the grant date and expires on the fifth year after the grant date. In addition, during 1995 and 1999, the Board of Directors approved two stock option plans for employees. Under these stock option 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 may be exercised on each successive year after the grant date and expire on the tenth anniversary after the grant date. On July 19, 2003, the Board of Directors approved discontinuing these plans therefore; no additional stock options have been granted.

A summary of the status of the stock options granted to Directors and employees is presented below:

	December 31,					
	2006		2005		2004	
	Shares	Wtd. Avg. Exercise Price	Shares	Wtd. Avg. Exercise Price	Shares	Wtd. Avg. Exercise Price
Outstanding, beginning of year	56,093	$34.34	102,012	$36.12	228,625	$36.86
Forfeited	(4,200)	$34.47	(37,483)	$35.35	0	$ 0
Expired	(2,280)	$32.88	(8,436)	$37.88	(126,613)	$37.46
Outstanding, end of year	49,613	$34.84	56,093	$34.34	102,012	$36.12
Exercisable at year end	49,613	$34.84	56,093	$34.34	93,989	$36.40

	December 31, 2006				
	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining	Number Exercisable	Weighted Average Exercise Price
$20.00 - 30.00	15,643	$23.10	4 years	15,643	$23.10
$30.01 - 40.00	15,770	$32.88	5 years	15,770	$32.88
$40.01 – 50.00	9,600	$42.56	2 years	9,600	$42.56
Greater than $50.00	8,600	$51.19	1 year	8,600	$51.19
Total	49,613	$34.84		49,613	$34.84

e) Other Employee Plans

Expatriate officers plan:

The Bank sponsors a defined contribution plan for its expatriate top executives. The Bank's contributions are determined as a percentage of the eligible officers' annual salary, with each officer contributing an additional amount withheld from his salary and deposited in a saving account, at market interest rates. During the years 2006, 2005 and 2004, the Bank charged to salaries expense, $261 thousand, $165 thousand, and $179 thousand, respectively. As of December 31, 2006, 2005 and 2004, the accumulated liability payable amounted to $745 thousand, $484 thousand and $356 thousand, respectively.

Deferred equity unit plan (the "DEU Plan"):

In 1999, the Board of Directors approved the adoption of the DEU Plan, which was subsequently terminated in July 2003. This plan expired in February 2006 and employees exercised their rights in cash or shares.

Deferred compensation plan (the "DC Plan"):

In 1999, the Board of Directors approved the adoption of the DC Plan, which was subsequently terminated in July 2003. The DC Plan has two separate features. Under the first component, the Bank may grant to each eligible employee a number of DEU equal to an amount equivalent to a percentage, not to exceed 3%, of the employee's compensation, divided by the market value of a Class "E" share. Eligible employees will vest the DEU after three years of service. Distributions are made in respect of DEU on the later of (i) the date the vested DEU are credited to an employee's account and (ii) ten years after the employee is first credited with DEU under the DC Plan. Participating employees receive dividends, and receive additional deferred equity units in lieu of a dividend with respect to their unvested deferred equity units. The second component allows employees who are not citizens or residents of the United States to defer a percentage of their compensation, and receive discretionary matching cash contribution. In no event shall the value of (i) the discretionary matching cash contribution made on behalf of an employee and (ii) the grant of deferred equity units made to such employees exceed 6% of the employee's annual base compensation.

A summary of the status of the DC Plan is presented bellow:

	December 31,		
	2006	2005	2004
Outstanding at the beginning of the year	27,953	28,351	28,890
Granted	0	0	0
Forfeited	0	0	(82)
Exercised	(4,174)	(398)	(457)
Outstanding at end of the year	23,779	27,953	28,351

As of December 31, 2006, 2005 and 2004, expenses recorded were $48 thousand, $67 thousand and $32 thousand, respectively.

(15) Earnings Per Share

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the dates indicated:

(In US$ thousand, except per share amounts)	December 31,		
	2006	2005	2004
Income before cumulative effect of changes in accounting principles:	$ 57,902	77,518	141,730
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	0	2,733	0
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair-value-based method of accounting stock-based employee compensation	0	(150)	0
Net income available to common stockholders for both, basic and diluted EPS	$ 57,902	80,101	141,730
Weighted average common shares outstanding applicable to basic EPS	37,065	38,550	39,232
Basic earnings per share:			
Income before cumulative effect of changes in accounting principles	$ 1.56	2.01	3.61
Cumulative effect on prior years of accounting changes	0.00	0.07	0
Net income per share	$ 1.56	2.08	3.61
Weighted average common shares outstanding applicable to diluted EPS	37,065	38,550	39,232
Effect of dilutive securities (1):			
Indexed stock option plans	507	310	139
Adjusted weighted average common shares outstanding Applicable to diluted EPS	37,572	38,860	39,371
Diluted earnings per share:			
Income before cumulative effect of changes in accounting principles	$ 1.54	1.99	3.60
Cumulative effect on prior years of accounting changes	0.00	0.07	0
Net income per share	$ 1.54	2.06	3.60
Pro forma amounts, assuming the changes in accounting principles are applied retroactively:			
Income before the effect of changes in accounting principles:	$ 57,902	77,518	141,730
Effect on prior years of a change in the credit loss reserve methodology	0	0	(8,244)
Effect on prior year of early adoption of the fair-value-based method of accounting stock-based employee compensation	0	0	(150)
Net income available to common stockholders for both, basic and diluted EPS	$ 57,902	77,518	133,336
Basic earning per share	$ 1.56	2.01	3.40
Diluted earning per share	$ 1.54	1.99	3.39

(1) At December 31, 2006, 2005 and 2004, weighted average options for 53,177, 98,806 and 145,460, respectively, were excluded from the computation of diluted EPS because the option's exercise price was greater than the average quoted market price of the Bank's common stock.

(16) 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 sheets. 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 US$ thousand)	December 31,	
	2006	**2005**
Confirmed letters of credit	109,102	155,547
Stand-by letters of credit and guarantees:		
Country risk	123,924	149,921
Commercial risk	168,295	239,112
Other	20,000	0
Credit commitments	200,191	138,228
Reimbursement undertaking	2,687	904
	624,199	683,712

As of December 31, 2006, the maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

(In US$ thousand)	
Maturities	**Amount**
Within 1 year	405,047
From 1 to 2 years	120,530
From 2 to 5 years	96,619
After 5 years	2,003
	624,199

As of December 31, 2006 and 2005 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

(In US$ thousand)	December 31,	
	2006	**2005**
Country		
Argentina	1,055	2,316
Brazil	213,956	264,160
Chile	461	132
Colombia	67,830	500
Costa Rica	11,553	31,797
Dominican Republic	112,234	126,559
Ecuador	80,570	82,355
El Salvador	1,175	1,367
Guatemala	5,980	4,084
Jamaica	0	22,715
Mexico	37,526	2,957
Panama	40,152	15,350
Peru	18,743	49,779
Uruguay	0	3,024
United States of America	0	16,677
Venezuela	32,782	59,460
Otros	182	480
	624,199	683,712

Letters of Credit and Guarantees

The Bank, on behalf of its institutional 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, including country risk 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. The Bank issues guarantees to provide coverage for country risk arising from the risk of convertibility and transferability of local currency of countries in the Region into hard currency and to provide coverage for country risk arising from political risks, such as expropriation, nationalization, war and/or civil disturbances.

Credit Commitments
Commitments to extend credit are a combination of either non-binding or legal agreements to lend to a customer. Commitments generally have fixed expiration dates or other termination clauses and may 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.

Other Guarantees
On September 6, 2006 Bladex Head Office issued two guarantees for contingent payments in favor of IdenTrust Inc. for up to $10 million each, to cover any direct loss to IdenTrust that might result from claims received from Clavex LLC´s customers as a consequence of Bladex and/or Clavex LLC break of trust. The guarantees have a maturity of one year, and are automatically renewed while Bladex and/or Clavex LLC have the distribution rights of IdenTrust products.

(17) Leasehold and Other Commitments

Leasehold commitments
At December 31, 2006, a summary of leasehold commitments is as follows:

Expiration Year	Future Rental Commitments
(In US$ thousand)	
2007	700
2008	718
2009	725
2010	735
2011	771
	3,649

Occupancy expense for years ended December 31, 2006, 2005 and 2004, amounted to $637 thousand, $447 thousand, and $311 thousand, respectively.

Other Commitments
Private Investment Fund and Other Equity Investments
At December 31, 2006 the Bank is committed to invest $1.9 million ($2.8 million in 2005) in a private investment fund whose main objective is generate capital appreciation in the long term through the purchase of shares and convertible debt, mainly from Mexican manufacturing corporations or foreign corporations looking for establishing or expanding its operations in Mexico.

Purchase Agreements
The Bank has signed service agreements with certain vendors that provide services that are necessary for the ongoing operations of its business and mainly related to the maintenance of a new technology platform and telecommunications services. The terms of these agreements are up to 8 years and some of them can be re-negotiated for annual or semi-annual price adjustments, after the fifth year. Under the terms of these agreements, the Bank has committed to contractually specified minimum payments over the contractual periods.

The contractual minimum payments are:

(In US$ thousand) Due in:	Contractual payments
2007	699
2008	699
2009	644
2010	654
2011	666
2012 and all years thereafter	2,068
	5,430

To the extent that the Bank does not purchase the contractual minimum amount of services, the Bank must pay the shortfall to the vendors. The Bank believes that it will meet the contractual minimums payments through the normal course of business.

(18) Derivative Financial Instruments

At December 31, quantitative information on derivative financial instruments held for hedging purposes is as follows:

(In thousands of US$)	2006 Nominal Amount	2006 Fair Value Asset	2006 Fair Value Liability	2005 Nominal Amount	2005 Fair Value Asset	2005 Fair Value Liability
Fair value hedges:						
Interest rate swaps	249,338	541	2,196	114,728	357	297
Forward foreign exchange	13,146	0	201	0	0	0
Cross currency interest rate swaps	3,600	0	164	0	0	0
Cash flow hedges:						
Forward foreign exchange	5,022	0	73	0	0	0
Total	271,106	541	2,634	114,728	357	297
Net gain (loss) of the ineffective portion in hedging activities	(225)			84		

For control purposes, derivatives instruments are recorded at their nominal amount ("notional amount") on the 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 payment or vice-versa. The Bank also engages in some foreign exchange trades to serve customers' transaction needs. 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 counter party credit limits by client, and by adopting policies that do not allow for open positions in the credit and investment portfolio. Derivative and foreign exchange instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counter parties that negotiate specific agreement terms, including notional amount, exercise price and maturity. During 2005, the Bank settled, prior to maturity, certain hedge relationships accounted for as fair value hedges, and recorded $2.1 million in other income under derivative and hedging activities. These interest rate swaps were considered highly effective at reducing the interest rate risk associated to available for sale securities.

Types of Derivative 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. 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. Forward foreign exchange contracts represents an agreement to purchase or sale foreign currency on a future date at agreed upon term. The Bank has designated a portion of these derivative instruments as fair value and cash flow hedges.

(19) Accumulated Other Comprehensive Income (Loss)

As of December 31, 2006, 2005 and 2004 the breakdown of accumulated other comprehensive income (loss) related to investment securities and derivatives was as follows:

(In US$ thousand)	Investment Securities	Derivatives Financial Instruments	Total
Balance as of December 31, 2003	10,260	(384)	9,876
Unrealized gains (losses) arising from the year	(1,256)	384	(872)
Reclassification adjustment for gains included in net income (1)	(2,922)	0	(2,922)
Balance as of December 31, 2004	6,082	0	6,082
Unrealized losses arising from the year	(5,257)	0	(5,257)
Reclassification adjustment for gains included in net income (1)	(206)	0	(206)
Balance as of December 31, 2005	619	0	619
Unrealized gains (losses) arising from the year	5,349	(72)	5,277
Reclassification adjustment for gains included in net income (1)	(2,568)	0	(2,568)
Balance as of December 31, 2006	3,400	(72)	3,328

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

(20) Fair Value Disclosure of Financial Instruments

The following disclosures represent the Bank's best estimate of the fair value of on-and-off-balance financial instruments. The following assumptions were used by management in estimating the fair values of each type of financial instruments:

(a) *Financial instruments with carrying value equal to fair value*

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

(b) *Trading assets, trading liabilities and investment securities*

The fair value of investment securities 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.

(c) *Loans*

The fair value of the performing loan portfolio has been determined principally based upon a discounted analysis of anticipated cash flows adjusted for expected credit losses. The loans have been grouped to the extent possible, into homogeneous pools, segregated by maturity and the weighted average maturity of the loans within each pool. Depending upon the type of loan involved, maturity assumptions have been based on either contractual or expected maturity. Credit risk has been factored into the present value analysis of cash flows associated with each loan type, by allocating allowances for loan losses. The allocated portion of the allowance, adjusted by a present value factor based upon the timing of expected losses, has been deducted from the gross cash flows prior to calculating the present value. The fair value of the non-performing loans has been determined net of related allowance for loan losses.

(d) *Medium and long-term debt and borrowings*

The fair value of medium 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.

(e) *Derivative financial instruments*

The fair value of derivatives financial instruments is based upon quoted market prices when available. In cases where these prices are not available, fair value is estimated using valuation models that consider prices for similar assets or similar liabilities and other valuation techniques.

(f) *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 counter parties. For fixed-rate 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 or on the estimated cost to terminate them or otherwise settle the obligations with the counterparts at the reporting date. Fair values have been determined based on applicable requirements and do not necessarily represent the amount that would be realized upon liquidation. The following table provides information on the carrying value and fair value of the Bank's financial instruments:

(In US$ thousand)	December 31,			
	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Instruments with carrying value equal to fair value	433,409	433,365	370,762	370,762
Trading assets	130,076	130,076	0	0
Securities available for sale	346,194	346,194	182,050	182,050
Securities held to maturity	125,157	125,118	26,520	26,325
Loans, net of allowance	2,925,081	2,940,941	2,564,994	2,590,429
Derivatives financial instruments - assets	541	541	357	357
Financial liabilities:				
Instruments with carrying value equal to fair value	2,726,307	2,726,294	1,937,823	1,937,823
Medium and long-term borrowings and placements	558,860	563,183	533,860	527,657
Trading liabilities	54,832	54,832	0	0
Derivatives financial instruments - liabilities	2,634	2,634	297	297
Commitments to extend credit, stand-by letters of credits and guarantees (nominal amount $624,199 in 2006 and $683,712 in 2005)	1,165	1,165	1,532	1,532

(21) Litigation

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

(22) Business Segment Information

The Bank's activities are operated and managed by two divisions, Commercial and Treasury. The segment information reflects this operational and management structure, in a manner consistent with the requirements outlined on FAS 131, "Disclosures about Segments of an Enterprise and Related Information". The segment results are determined based on the Bank's management accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable division on a systematic basis.

The Commercial Division incorporates all of the Bank´s financial intermediation and fee generation activities. Operating income from the Commercial Division includes net interest income from loans, fee income and allocated operating expenses.

The Treasury Division incorporates deposits with banks and all of the Bank's investment securities and proprietary asset management activities. Operating income from the Treasury Division includes: net interest income from deposits and securities, derivatives and hedging activities, gain and losses on trading and investment securities, gain and losses on foreign exchange, and allocated operating expenses.

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

Business Segment Analysis [1]

(In US$ millions)	**2006**	**2005**	**2004**
COMMERCIAL			
Net interest income	50.9	39.4	37.5
Net other income [2]	6.4	5.8	5.9
Operating expenses	(23.7)	(21.7)	(18.5)
Net operating income [3]	**33.6**	**23.5**	**24.9**
Reversals of provision for loans and off-balance sheet credit losses, net	13.0	38.4	112.3
Net income, before cumulative effect of accounting change	46.6	61.9	137.2
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	0.0	2.7	0.0
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair value-based method of accounting stock-based employee compensation plan	0.0	(0.2)	0.0
Net Income	**46.6**	**64.5**	**137.2**
Commercial Assets and Contingencies (end of period balances):			
Interest-earning assets [4]	2,976.3	2,604.4	2,434.7
Other assets and contingencies [5]	653.7	796.9	309.5
Total Interest-Earning Assets, Other Assets and Contingencies	**3,630.0**	**3,401.4**	**2,744.2**
TREASURY			
Net interest income	7.9	5.9	4.5
Net other income [2]	3.0	2.5	2.8
Operating expenses	(5.2)	(3.0)	(2.9)
Net operating income [3]	**5.7**	**5.4**	**4.5**
Recoveries on assets	5.6	10.2	0.0
Net Income	**11.3**	**15.6**	**4.5**
Treasury Assets and Contingencies (end of period balances):			
Interest-earning assets [6]	933.6	438.5	347.6
Total Interest-Earning Assets, Other Assets and Contingencies	**933.6**	**438.5**	**347.6**
TOTAL			
Net interest income	58.8	45.3	42.0
Net other income [2]	9.4	8.4	8.8
Operating expenses	(28.9)	(24.7)	(21.4)
Net operating income [3]	**39.3**	**28.9**	**29.5**
Reversals of provision for loans and off-balance sheet credit losses, net	13.0	38.4	112.3
Recoveries on assets	5.6	10.2	0.0
Net income, before cumulative effect of accounting change	57.9	77.5	141.7
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	0.0	2.7	0.0
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair value-based method of accounting stock-based employee compensation plan	0.0	(0.2)	0.0
Net Income	**57.9**	**80.1**	**141.7**
Total Assets and Contingencies (end of period balances):			
Interest-earning assets [4, 6]	3,909.9	3,042.9	2,782.3
Other assets and contingencies [5]	653.7	796.9	309.5
Total Interest-Earning Assets, Other Assets and Contingencies	**4,563.6**	**3,839.8**	**3,091.9**

(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, and recoveries on assets.
(3) Net operating income refers to net income excluding reversals (provisions) for loans and off-balance sheet credit losses, recoveries on assets, and cumulative effect on prior years of changes in accounting principles.
(4) Includes 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 and equity investments recorded as other assets.
(6) Include cash and due from banks, interest-bearing deposits with banks, securities available for sale, held to maturity and trading securities.

(23) Summary of Unaudited Quarterly Financial Information

(In US$ thousand, except per share data)		2006 Fourth	Third	Second	First
Interest income	$	63,016	54,268	47,957	38,109
Interest expense		(46,278)	(38,687)	(33,021)	(26,527)
Net interest income		16,738	15,581	14,936	11,582
Provision for loan losses		(1,526)	(4,575)	(1,973)	(3,772)
Net interest income after provision for loan losses		15,212	11,006	12,963	7,810
Reversal of provision for losses on off-balance sheet credit risk		2,948	7,158	3,602	11,183
Commission income, net		1,672	1,749	1,293	1,571
Derivatives and hedging activities		115	(64)	(106)	(170)
Recoveries on assets		5,551	0	0	0
Trading gain (loss)		4,849	(1,594)	(2,376)	0
Net gain on sale of securities available for sale		0	0	0	2,568
Gain (loss) on foreign currency exchange		(67)	(57)	(143)	14
Other income, net		51	71	21	1
Operating expenses		(9,261)	(7,020)	(6,321)	(6,327)
Net income	$	21,070	11,249	8,933	16,650
Earnings per share	$	0.58	0.31	0.24	0.44
Diluted earnings per share	$	0.57	0.31	0.23	0.43
Average number of common shares outstanding (thousands)		36,329	36,334	37,556	38,065

(In US$ thousand, except per share data)		2005 Fourth	Third	Second	First
Interest income	$	35,127	29,959	25,061	26,676
Interest expense		(22,629)	(18,291)	(15,122)	(15,528)
Net interest income		12,498	11,668	9,939	11,148
Reversal of (provision for) loan losses:					
Reversal of (provision for) - 2005		(715)	23,213	5,863	19,819
Reversal of (provision for) - effect of a change in the credit loss reserve methodology - 2005		16,518	707	1,266	(12,516)
		15,803	23,920	7,129	7,303
Net interest income after provision (reversal) for loan losses		28,301	35,588	17,068	18,451
Reversal of (provision for) losses on off-balance sheet credit risk:					
Reversal of (provision for) - 2005		1,571	(1,051)	(3,286)	2,977
Reversal of (provision for) - effect of a change in the credit loss reserve methodology - 2005		(9,855)	(10,330)	4,284	(91)
		(8,284)	(11,381)	998	2,886
Commission income, net		1,667	1,546	1,024	1,587
Derivatives and hedging activities		2,336	2	0	0
Recoveries on assets, net of impairments		0	137	0	10,069
Gain (loss) on sale of securities available for sale		(39)	0	93	152
Gain (loss) on foreign currency exchange		(29)	12	20	0
Other income, net		2	1	1	1
Operating expenses		(7,408)	(6,034)	(5,616)	(5,633)
Net income before cumulative effect of changes in accounting principles		16,546	19,871	13,588	27,513
Cumulative effect on prior periods (to Dec. 31, 2004) of a change in the credit loss reserve methodology		0	0	0	2,733
Effect on prior period (to Dec. 31, 2004) of an early adoption of the fair-value based method of accounting stock-based employee compensation		(150)	0	0	0
Net income	$	16,396	19,871	13,588	30,246
Net income per share before the cumulative effect of changes in accounting principles	$	0.43	0.52	0.35	0.71
Cumulative effect of changes in accounting principles		0	0	0	0.07
Earnings per share	$	0.43	0.52	0.35	0.78
Diluted earnings per share before cumulative effect of a change in the credit loss reserve methodology	$	0.43	0.51	0.35	0.70
Cumulative effect of changes in accounting principles		0	0	0	0.07
Diluted earnings per share	$	0.43	0.51	0.35	0.77
Average number of common shares outstanding (thousands)		38,097	38,481	38,738	38,895