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

With Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2009 and 2008, and Related Consolidated Statements of Income, Stockholders' Equity, Comprehensive Income (Loss) and Cash Flows for Each of the Three Years in the Period Ended December 31, 2009

Consolidated Financial Statements 2009, 2008 and 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries (the "Bank") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and redeemable noncontrolling interest in the investment fund, comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2010 expressed an unqualified opinion on the Bank's internal control over financial reporting.

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

Deloitte

March 15, 2010
Panama, Republic of Panama

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

Consolidated balance sheets
December 31, 2009 and 2008
(in US$ thousand, except share amounts)

	Notes	2009	2008
Assets			
Cash and due from banks	3,22	2,961	11,474
Interest-bearing deposits in banks (including pledged deposits of $22,582 in 2009 and $75,004 in 2008)	3,22	421,595	889,119
Trading assets (including pledged securities of $10,250 in 2008)	4,22	50,277	44,939
Securities available-for-sale (including pledged securities of $78,512 in 2009 and $479,724 in 2008)	5,22	456,984	607,918
Securities held-to-maturity (fully pledged, market value of $28,144 in 2008)	5,22	-	28,410
Investment fund	6,22	197,575	150,695
Loans	7,22	2,779,262	2,618,643
Less:			
Allowance for loan losses	8,22	73,789	54,648
Unearned income and deferred fees		3,989	4,689
Loans, net		2,701,484	2,559,306
Customers' liabilities under acceptances	22	1,551	1,375
Premises and equipment (net of accumulated depreciation and amortization of $14,290 in 2009 and $11,594 in 2008)	9	7,749	7,970
Accrued interest receivable	22	25,561	46,319
Derivative financial instruments used for hedging - receivable	20,22	828	7,777
Other assets	10	12,206	7,376
Total assets		3,878,771	4,362,678
Liabilities and stockholders' equity			
Deposits:	11,22		
Noninterest-bearing - Demand		788	718
Interest-bearing - Demand		50,587	112,304
Time		1,204,871	1,056,026
Total deposits		1,256,246	1,169,048
Trading liabilities	4,22	3,152	14,157
Securities sold under repurchase agreement	3,4,5,12,22	71,332	474,174
Short-term borrowings	13,22	327,800	738,747
Borrowings and long-term debt (including $529,110 in 2009 and $210,280 in 2008 with remaining maturity within a year)	14,22	1,390,387	1,204,952
Acceptances outstanding	22	1,551	1,375
Accrued interest payable	22	11,291	32,956
Derivative financial instruments used for hedging - payable	20,22	65,137	91,897
Reserve for losses on off-balance sheet credit risk	8	27,261	30,724
Other liabilities		14,077	25,635
Total liabilities		3,168,234	3,783,665
Commitments and contingencies	18,19,20,23		
Redeemable noncontrolling interest in the investment fund		34,900	4,689
Stockholders' equity:	15,16,17,21,24		
"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 2,584,882 in 2009 and 2,617,784 in 2008)		21,099	21,241
"Class E" common stock, no par value, assigned value of $6.67 (Authorized 100,000,000; outstanding 27,618,545 in 2009 and 27,453,115 in 2008)		214,474	214,332
Additional paid-in capital in excess of assigned value of common stock		134,820	135,577
Capital reserves		95,210	95,210
Retained earnings		301,389	268,435
Accumulated other comprehensive loss	5,20,21	(6,160)	(72,115)
Treasury stock	15	(129,602)	(132,763)
Total stockholders' equity		675,637	574,324
Total liabilities and stockholders' equity		3,878,771	4,362,678

The accompanying notes are part of these consolidated financial statements.

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

Consolidated statements of income
Years ended December 31, 2009, 2008 and 2007
(in US$ thousand, except per share amounts)

	Notes	2009	2008	2007
Interest income:	20			
Deposits with banks		1,260	7,574	12,729
Trading assets		7,158	648	-
Investment securities:				
Available-for-sale		17,267	31,745	19,595
Held-to-maturity		190	746	1,337
Investment fund		1,763	3,485	9,587
Loans		114,326	200,045	221,621
Total interest income		141,964	244,243	264,869
Interest expense:	20			
Deposits		11,493	44,364	70,443
Investment fund		2,325	2,296	4,197
Short-term borrowings		23,729	63,239	70,244
Borrowings and long-term debt		39,665	56,497	49,415
Total interest expense		77,212	166,396	194,299
Net interest income		64,752	77,847	70,570
Reversal (provision) for loan losses	8	(18,293)	18,540	(11,994)
Net interest income, after reversal (provision) for loan losses		46,459	96,387	58,576
Other income (expense):				
Reversal (provision) for losses on off-balance sheet credit risk	8	3,463	(16,997)	13,468
Fees and commissions, net		6,733	7,252	5,555
Derivative financial instruments and hedging	20	(2,534)	9,956	(989)
Impairment of assets, net of recoveries		(120)	(767)	(500)
Net gain from investment fund trading		24,997	21,357	23,878
Net gain (loss) from trading securities	12	13,113	(20,998)	(12)
Net gain on sale of securities available-for-sale	5	546	67	9,119
Gain (loss) on foreign currency exchange		613	(1,596)	115
Other income (expense), net		912	656	(6)
Net other income (expense)		47,723	(1,070)	50,628
Operating expenses:				
Salaries and other employee expenses		20,201	20,227	22,049
Depreciation, amortization and impairment of premises and equipment		2,671	3,720	2,555
Professional services		3,262	3,765	3,181
Maintenance and repairs		1,125	1,357	1,188
Expenses from the investment fund		3,520	2,065	381
Other operating expenses		7,423	8,856	7,673
Total operating expenses		38,202	39,990	37,027
Net income		55,980	55,327	72,177
Net income attributable to the redeemable noncontrolling interest		1,118	208	-
Net income attributable to Bladex		54,862	55,119	72,177
Basic earnings per share	17	1.50	1.51	1.99
Diluted earnings per share	17	1.50	1.51	1.98
Weighted average basic shares	17	36,493	36,388	36,349
Weighted average diluted shares	17	36,571	36,440	36,414

The accompanying notes are part of these consolidated financial statements.

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

Consolidated statements of changes in stockholders' equity and redeemable noncontrolling interest in the investment fund
Years ended December 31, 2009, 2008 and 2007
(in US$ thousand)

	Stockholders' equity							
	Common stock	Additional paid-in capital in excess of assigned value of common stock	Capital reserves	Retained earnings	Acumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity	Redeemable noncontrolling interest in the investment fund
Balances at January 1, 2007	279,980	134,945	95,210	205,200	3,328	(134,768)	583,895	-
Net income	-	-	-	72,177	-	-	72,177	-
Other comprehensive loss	-	-	-	-	(12,969)	-	(12,969)	-
Compensation cost - stock options plans	-	1,130	-	-	-	-	1,130	-
Issuance of restricted stock	-	(644)	-	-	-	531	(113)	-
Exercised options	-	(289)	-	-	-	449	160	-
Dividends declared	-	-	-	(32,029)	-	-	(32,029)	-
Balances at December 31, 2007	279,980	135,142	95,210	245,348	(9,641)	(133,788)	612,251	-
Net income	-	-	-	55,119	-	-	55,119	208
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	6,000
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(1,519)
Other comprehensive loss	-	-	-	-	(62,474)	-	(62,474)	-
Compensation cost - stock options and stock units plans	-	1,033	-	-	-	-	1,033	-
Issuance of restricted stock	-	(484)	-	-	-	745	261	-
Exercised options	-	(114)	-	-	-	280	166	-
Dividends declared	-	-	-	(32,032)	-	-	(32,032)	-
Balances at December 31, 2008	279,980	135,577	95,210	268,435	(72,115)	(132,763)	574,324	4,689
Net income	-	-	-	54,862	-	-	54,862	1,118
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	32,090
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(2,997)
Other comprehensive income	-	-	-	-	65,955	-	65,955	-
Compensation cost - stock options and stock units plans	-	1,596	-	-	-	-	1,596	-
Issuance of restricted stock	-	(905)	-	-	-	905	-	-
Exercised options and stock units vested	-	(1,448)	-	-	-	2,256	808	-
Dividends declared	-	-	-	(21,908)	-	-	(21,908)	-
Balances at December 31, 2009	279,980	134,820	95,210	301,389	(6,160)	(129,602)	675,637	34,900

The accompanying notes are part of these consolidated financial statements.

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

Consolidated statements of comprehensive income (loss)
Years ended December 31, 2009, 2008 and 2007
(in US$ thousand)

	Notes	2009	2008	2007
Net income		55,980	55,327	72,177
Other comprehensive income (loss)				
Unrealized gains (losses) on securities available-for-sale:				
Unrealized gains (losses) arising from the year	21	63,556	(58,453)	(1,912)
Less: reclassification adjustments for net gains included in net income	21	(649)	(67)	(9,119)
Net change in unrealized gains (losses) on securities available-for-sale		62,907	(58,520)	(11,031)
Unrealized gains (losses) on derivative financial instruments:				
Unrealized gains (losses) arising from the year	21	1,971	(2,433)	(2,081)
Less: reclassification adjustments for net (gains) losses included in net income	21	1,077	(1,521)	143
Net change in unrealized gains (losses) on derivative financial instruments		3,048	(3,954)	(1,938)
Other comprehensive income (loss)		65,955	(62,474)	(12,969)
Comprehensive income (loss)		121,935	(7,147)	59,208
Comprehensive income (loss) attributable to the redeemable noncontrolling interest		1,118	208	-
Comprehensive income (loss) attributable to Bladex		120,817	(7,355)	59,208

The accompanying notes are part of these consolidated financial statements.

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

Consolidated statements of cash flows
Years ended December 31, 2009, 2008 and 2007
(in US$ thousand)

	2009	2008	2007
Cash flows from operating activities:			
Net income	55,980	55,327	72,177
Adjustments to reconcile net income to net cash provided by operating activities:			
Activities of derivative financial instruments and hedging	1,391	30,198	1,258
Depreciation, amortization and impairment of premises and equipment	2,671	3,720	2,555
Provision (reversal) for loan losses	18,293	(18,540)	11,994
Provision (reversal) for losses on off-balance sheet credit risk	(3,463)	16,997	(13,468)
Impairment loss on assets	120	767	500
Net gain on sale of securities available-for-sale	(546)	(67)	(9,119)
Compensation cost - compensation plans	1,596	1,033	1,130
Issuance of restricted stock	-	261	(113)
Exercised deferred compensation units	-	15	-
Amortization of premium and discounts on investments	9,382	12,115	6,268
Net decrease (increase) in operating assets:			
Trading assets	(5,338)	(1,355)	-
Investment fund	(46,880)	(68,849)	23,353
Accrued interest receivable	20,758	16,056	(9,887)
Other assets	(5,126)	683	(2,583)
Net increase (decrease) in operating liabilities:			
Trading liabilities	(11,005)	14,144	13
Accrued interest payable	(21,665)	(5,671)	11,332
Other liabilities	1,303	(6,088)	3,631
Net cash provided by operating activities	17,471	50,746	99,041
Cash flows from investing activities:			
Net decrease (increase) in pledged deposits	52,422	(69,504)	-
Net decrease (increase) in loans	(160,471)	1,089,851	(864,971)
Proceeds from the sale of loans	-	25,617	121,824
Acquisition of premises and equipment	(2,450)	(1,514)	(1,595)
Proceeds from the redemption of securities available-for-sale	-	58,074	19,074
Proceeds from the maturity of securities held-to-maturity	28,275	-	125,000
Proceeds from the sale of securities available-for-sale	196,980	229,877	578,697
Purchases of investment securities	(9,994)	(536,880)	(716,472)
Net cash provided by (used in) investing activities	104,762	795,521	(738,443)
Cash flows from financing activities:			
Net increase (decrease) in due to depositors	87,198	(293,323)	406,094
Net decrease in short-term borrowings and securities sold under repurchase agreements	(813,789)	(291,789)	(90,894)
Proceeds from borrowings and long-term debt	335,598	631,099	613,126
Repayments of borrowings and long-term debt	(150,163)	(436,463)	(161,670)
Dividends paid	(34,593)	(30,862)	(29,713)
Subscriptions of redeemable noncontrolling interest in the investment fund	32,090	6,000	-
Redemptions of redeemable noncontrolling interest in the investment fund	(2,997)	(1,519)	-
Exercised stock options	808	151	160
Net cash (used in) provided by financing activities	(545,848)	(416,706)	737,103
Net increase (decrease) in cash and cash equivalents	(423,615)	429,561	97,701
Cash and cash equivalents at beginning of the year	825,589	396,028	298,327
Cash and cash equivalents at end of the year	401,974	825,589	396,028
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	98,877	172,067	183,521

The accompanying notes are part of these consolidated financial statements.

1. Organization

Banco Latinoamericano de Comercio Exterior, S. A. ("Bladex Head Office" and together with its subsidiaries "Bladex" or the "Bank"), headquartered in Panama City, Republic of Panama, is a specialized supranational bank established to finance trade in Latin America and the Caribbean (the "Region"). The Bank was established pursuant to a May 1975 proposal presented to the Assembly of Governors of Central Banks in the Region, which recommended the creation of a multinational organization to increase the foreign trade financing capacity of the Region. The Bank was organized in 1977, incorporated in 1978 as a corporation pursuant to the laws of the Republic of Panama, and officially initiated operations on January 2, 1979. Under a contract signed in 1978 between the Republic of Panama and Bladex, the Bank was granted certain privileges by the government of Panama, including an exemption from payment of income taxes in Panama.

On April 15, 2009, the Bank's shareholders approved at its Annual Shareholders' Meeting some amendments to the Bank's Articles of Incorporation. The amendments, that were effective on June 17, 2009, include, among others:

- A change in the legal name of the Bank from Banco Latinoamericano de Exportaciones, S. A. to Banco Latinoamericano de Comercio Exterior, S. A.

- An extension of the scope of the Bank's activities to encompass all types of banking, investment, and financial or other businesses that support foreign trade and the development of Latin American countries.

- Authorization of: (1) an increase in the total share capital of the Bank to two hundred ninety million (290,000,000) shares, including up to ten million of new preferred stock, with a par value US$10 each, to be issued in one or more series from time to time at the discretion of the Bank's Board of Directors; and (2) the establishment of a new class of common shares (Class F) that will only be issued to (a) state entities and agencies of non-Latin American countries, including, among others, central banks and majority state-owned banks in those countries, and (b) multilateral financial institutions either international or regional institutions. When the number of issued and outstanding Class F common shares is equal to or greater than 15% of the total number of issued and outstanding common shares, the Class F shareholders shall have the right to elect one director of the Bank.

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

In the Republic of Panama, banks are regulated by the SBP through Law Decree No. 9 of February 1998, modified by Law Decree No. 2 of February 22, 2008. Banks are also regulated by the resolutions and agreements issued by this entity. The main aspects of this law and its regulations include: the authorization of banking licenses, minimum capital and liquidity requirements, consolidated supervision, procedures for management of credit and market risks, measures to prevent money laundering, the financing of terrorism and related illicit activities, and procedures for banking intervention and liquidation, among others.

Bladex Head Office's subsidiaries are the following:

- Bladex Holdings Inc., is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Bladex Holdings Inc. exercises control over the following subsidiary companies:

  - Bladex Asset Management Inc., incorporated on May 24, 2006, under the laws of the State of Delaware, USA, serves as investment manager for Bladex Offshore Feeder Fund (the "Feeder") and Bladex Capital Growth Fund (the "Fund"). On September 8, 2009, Bladex Asset Management Inc. was registered as a foreign entity in the Republic of Panama, to establish a branch in Panama, which will be mainly engaged in providing administrative and operating services to Bladex Asset Management Inc. in USA.

  - Clavex, LLC incorporated on June 15, 2006, under the laws of the State of Delaware, USA, ceased operations in February 2007.

- The Feeder is an entity in which Bladex Head office owns 82.34% at December 31, 2009, and 96.89% at December 31, 2008. The Feeder was incorporated on February 21, 2006 under the laws of the Cayman Islands, and invests substantially all its assets in the Fund, which is also incorporated under the laws of the Cayman Islands. The objective of the Fund is to achieve capital appreciation by investing in Latin American debt securities, stock indexes, currencies, and trading derivative instruments.

In April 2008, the Feeder was registered with the Cayman Island Monetary Authority (CIMA), under the Mutual Funds Law of the Cayman Islands. Until April 30, 2008, the Feeder was a wholly owned subsidiary of Bladex Head Office. On May 1, 2008, the Feeder began receiving third party investments.

In April 2009, the Fund was registered with CIMA, under the Mutual Funds Law of the Cayman Islands and began receiving third party investments.

- 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 mainly provide specialized training.

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

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

2. Summary of significant accounting policies

a) Basis of presentation

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

Effective July 1, 2009, the Financial Accounting Standards Board (the "FASB") issued the FASB Accounting Standards Codification (the "ASC") under ASC Topic 105-10, under which the historical GAAP hierarchy was eliminated and the ASC became the single official source of authoritative, non-governmental GAAP, other than guidance issued by the Securities and Exchange Commission ("SEC"). All other literature became non-authoritative. ASC Topic 105-10 became effective for financial statements issued for interim and annual periods ending after September 15, 2009.

b) Principles of consolidation

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

When Bladex holds an interest in investment companies under the Feeder-Master structure where the Feeder's shareholding has not been diluted and it has not been registered as a mutual fund with any regulatory body, the Feeder, and thereby Bladex indirectly, fully consolidates the Master on line-by-line basis. In other cases where the participation in the Feeder is diluted and such entity is registered as a mutual fund with a regulatory body, it is considered an investment company. In those cases, the Feeder, and thereby Bladex indirectly, consolidates its participation in the Master in one line item in the balance sheet, as required by the specialized accounting in the ASC Topic 946 - Financial Services – Investment Companies.

c) Equity method

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

d) *Specialized accounting for investment companies*

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

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

e) *Use of estimates*

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

f) *Cash equivalents*

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

g) *Repurchase agreements*

Repurchase agreements represent collateralized financing transactions used to increase liquidity. When the criteria set forth in the following paragraph are met to account for the transaction as secured financing, the transaction is recorded at the amounts at which the securities will be subsequently reacquired including accrued interest, as specified in the respective agreements. The market value of securities to be repurchased is continuously monitored, and additional collateral is obtained or provided where appropriate, to protect against credit exposure.

The Bank's policy is to relinquish possession of the securities sold under agreements to repurchase. Despite such relinquishment of possession, repurchase agreements qualify as secured financings if and only if all of the following conditions are met: the assets to be repurchased are the same or substantially the same as those transferred; the transferor is able to repurchase them with the collateral received, keeping substantially the agreed terms, even in the event of default of the transferee; the agreement is to repurchase or redeem them before maturity, at a fixed and determinable price; and the agreement is entered into concurrently at the transfer date. In order to be able to repurchase assets on substantially the agreed terms, even in the case of default from the counterparty, the transferor must at all times, during the contract term, have obtained cash or other collateral sufficient to fund substantially all the cost of purchasing the transferred assets from the counterparties.

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

At the date of the repurchase agreement, the Bank recognizes as income the retained interest in the repurchase agreements accounted for as sales. The fair value of the retained interest is based upon quoted market prices when available, or if the quoted market prices are not available, on the present value of future expected cash flows using the information related to credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved.

h) *Trading assets and liabilities*

Trading assets and liabilities include bonds acquired for trading purposes, and receivables (unrealized gains) and payables (unrealized losses) related to derivative financial instruments which are not designated as hedges or which do not qualify for hedge accounting. These amounts include the derivative assets and liabilities net of cash received or paid, respectively, under legally enforceable master netting agreements. Trading assets and liabilities are carried at fair value, which is based upon quoted prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

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

i) *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.

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, based 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 increases or decreases to other comprehensive income (loss) (OCI) in stockholders' equity until they are realized. Realized gains and losses from the sale of securities which are included in net gain on sale of securities are determined using the specific identification method.

Securities held-to-maturity

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

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

Impairment

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

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

In periods subsequent to the recognition of the other-than-temporary impairment, the difference between the new amortized cost and the expected cash flows to be collected is accreted as interest income. The present value of the expected cash flows is estimated over the life of the debt security. The other-than-temporary impairment of securities held-to maturity that has been recognized in other comprehensive income is accreted to the amortized cost of the debt security prospectively over its remaining life.

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

j) Investment Fund

The Feeder records its investment in the Fund at fair value, which is the Feeder's proportionate interest in the net assets of the Fund.

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

k) Other investments

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

l) Loans

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

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

Loans are identified as past-due 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 believes there is an uncertainty with respect to the ultimate collection of principal or interest. Factors considered by the Bank's management in determining impairment include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence. Any interest receivable on non-accruing loans is reversed and charged-off against earnings. Interest on these loans is only recorded as earned when collected. Non-accruing loans are returned to an accrual status when (1) all contractual principal and interest amounts are current; (2) there is a sustained period of repayment performance in accordance with the contractual terms of at least six months; and (3) if in the Bank management's opinion the loan is fully collectible. When current events or available information confirm that specific impaired loans or portions thereof are uncollectible, such impaired loans are charged-off against the allowance for loan losses.

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

m) Transfer of financial assets

Transfers of financial assets, primarily loans, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank even in bankruptcy or other receivership; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or does not have the right to cause the assets to be returned. Upon completion of a transfer of assets that satisfies the conditions described above to be accounted for as a sale, the Bank recognizes the assets as sold and records in earnings any gain or loss on the sale. The Bank may retain interest in loans sold in the form of servicing rights. Gains or losses on sale of loans depend in part on the carrying amount of the financial assets involved in the transfer, and its fair value at the date of transfer. The fair value of instruments is determined based upon quoted market prices when available, or are based on the present value of future expected cash flows using information related to credit losses, prepayment speeds, forward yield curves, and discounted rates commensurate with the risk involved.

n) *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 accreting earnings. Credit losses are deducted from the allowance, and subsequent recoveries are added. The allowance is also decreased by reversals of the allowance back to earnings. The allowance attributable to loans is reported as a deduction of loans and the allowance for off-balance sheet credit risk, such as, letters of credit and guarantees, is reported as a liability.

The allowance for possible credit losses includes an asset-specific component and a formula-based component. The asset-specific component 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 observable market price of collateral) 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 is based on Bladex's historical losses experience and best practices. The reserve balances, for both on and off-balance sheet credit exposures, are calculated applying the following formula:

Reserves = $\sum(E \times PD \times LGD)$; where:

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

o) *Fair value of guarantees including indirect indebtedness of others*

The Bank recognizes at inception a liability for the fair value of 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 or a specific allowance for off-balance sheet credit contingencies, whichever is greater.

p) *Fees and commissions*

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

q) *Premises and equipment*

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

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

Capitalized internal use software costs are amortized using the straight-line method over their estimated useful lives, generally consisting of five years.

r) Capital reserves

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

s) Stock-based compensation and stock options plans

The Bank applies ASC Topic 718 – Compensation - Stock Compensation to account for compensation costs on restricted stock and stock option plans. Compensation cost is based on the grant date fair value of both stock and options and is recognized over the requisite service period of the employee. The fair value of each option is estimated at the grant date using the Black-Scholes option-pricing model. When options and stock are exercised, the Bank's policy is to reissue shares from treasury stock.

t) Derivative financial instruments and hedge accounting

The Bank uses derivative financial instruments for its management of interest rate and foreign exchange risks. Interest rate swap contracts and cross-currency swap contracts have been used to manage interest rate and foreign exchange risks associated with debt securities and borrowings with fixed rates, and loans and borrowings in foreign currency. The accounting for changes in value of a derivative depends on whether the contract is for trading purposes or has been designated and qualifies for hedge accounting.

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

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

1. It is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item.
2. The derivative expires or is sold, terminated or exercised.
3. The Bank otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

The Bank carries all derivative financial instruments in the consolidated balance sheet at fair value. For qualifying fair value hedges, all changes in the fair value of the derivative and the fair value of the item for the risk being hedged are recognized in earnings. If the hedge relationship is terminated, then the fair value adjustment to the 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 OCI and recognized in the income statement when the hedged cash flows affect earnings. The ineffective portion is recognized in the income statement as activities of derivative instruments and hedging. If the cash flow hedge relationship is terminated, related amounts in OCI are reclassified into earnings when hedged cash flows occur.

u) Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar equivalents using period-end spot foreign exchange rates. The effects of translation of monetary assets and liabilities into the U.S. dollar are included in earnings.

v) *Income taxes*

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract signed between the Republic of Panama and Bladex.
- The Feeder and the Fund are not subject to income taxes in accordance with the laws of the Cayman Islands. The Feeder and the Fund received an undertaking exempting them from taxation of all future profits until March 7, 2026.
- Clavex, S. A. is subject to income taxes in Panama on profits from local operations.
- Bladex Representacao Ltda. is subject to income taxes in Brazil.
- The New York Agency and Bladex's subsidiaries incorporated in USA are subject to federal and local taxation in USA based on the portion of income that is effectively connected with its operations in that country.

Such amounts of income taxes have been immaterial to date.

w) *Redeemable noncontrolling interest in the investment fund*

The redeemable noncontrolling interest in the Feeder represents the participation of other investors in the net assets of the Feeder.

Effective January 1, 2009, the Bank adopted ASC Topic 810 - *Noncontrolling Interest in Consolidated Financial Statements*. This new accounting guidance requires that a noncontrolling interest, previously referred to as a minority interest, in a consolidated subsidiary be reported as a separate component of equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be presented separately, below net income in the consolidated statement of income.

Furthermore, in accordance with ASC 480-10-S99, equity securities that are redeemable at the option of the holder and not solely are within the control of the issuer must be classified outside of equity. The terms of third party investments in the Feeder contain a redemption clause which allows the holders the option to redeem their investment at fair value. Accordingly, the Bank retains its presentation of the noncontrolling interest in the investment fund between liabilities and stockholders' equity in the consolidated balance sheets. Additionally, net assets of the Feeder are measured and presented at fair value, given the nature of its net assets (i.e. represented mainly by cash and investments in securities). Therefore, when calculating the value of the redeemable noncontrolling interest under ASC Topic 810, such amount is already recorded at its fair value and no further adjustments under ASC 480-10-S99 are necessary. Therefore, adoption of this new guidance did not have a material effect on the Bank's consolidated financial position, results of operations, or on financial statement presentation.

x) *Earnings per share*

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

y) *Recently issued accounting standards*

During 2009, new accounting standards, modifications and interpretations to standards, applicable to the Bank, have been issued and are not in effect as of the date of the consolidated balance sheet, and thus have not been applied in the preparation of these consolidated financial statements. These standards establish the following:

<u>ASC 860-10 (FAS 166 – *Accounting for Transfers of Financial Assets – an amendment of FASB 140*)</u>

The objective of this statement is to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets, the effects of a transfer on its financial position, financial performance, and cash flows, and a transferor's continuing involvement, if any, in transferred financial assets.

This statement is effective for financial statements issued for fiscal years beginning after November 15, 2009 and for interim periods within that first annual reporting period. Early application is prohibited. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

ASC 810-10 (FAS 167 – *Amendments to FIN 46 (R)*)

This statement amends guidance related to variable interest entities. The objective of this statement is to require enterprises to carefully reconsider its previous conclusions including (1) whether an entity is a variable interest entity ("VIE"), (2) whether the enterprise is the VIE's primary beneficiary, and (3) what type of financial statement disclosures are required.

This statement is effective for financial statements issued for fiscal years beginning after November 15, 2009 and for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Early application is prohibited. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

3. Cash and cash equivalents

Cash and cash equivalents are as follows:

	December 31,	
	2009	2008
(In thousands of US$)		
Cash and due from banks	2,961	11,474
Interest-bearing deposits in banks	421,595	889,119
Total	424,556	900,593
Less:		
Pledged deposits	22,582	75,004
	401,974	825,589

On December 31, 2009 and 2008, the Agency of New York had a pledged deposit with a carrying value of $5.5 million, with the New York State Banking Department, as required by law since March 1994. As of December 31, 2009, the Bank has pledged deposits of $17.1 million to secure derivative financial instruments.

As of December 31, 2008 the Bank had pledged deposits of $69.5 million to secure securities sold under repurchase agreements and derivative financial instruments.

4. Trading assets and liabilities

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

	December 31,	
	2009	2008
(In thousands of US$)		
Trading assets:		
Sovereign bonds	11,150	21,965
Corporate bonds	39,125	-
Credit default swap	2	-
Forward repurchase agreements	-	16,088
Retained interest on repurchase agreements	-	6,886
Total	50,277	44,939
Trading liabilities:		
Interest rate swaps	2,514	14,066
Cross-currency interest rate swaps	638	-
Credit default swap	-	91
Total	3,152	14,157

Sovereign and corporate bonds outstanding as of December 31, 2009, have generated gains of $3.3 million during period 2009, which have been recorded in earnings.

During 2009, the Bank recognized the following gains and losses related to trading derivative financial instruments:

(In thousands of US$)	**2009**
Trading derivatives	Gain (loss) recognized in the income statement[1]
Forward repurchase agreements	2,570
Interest rate swaps	(551)
Cross-currency interest rate swaps	(638)
Credit default swap	110
	1,491

[1] Gains (losses) are reported within the net gain (loss) from trading securities line in the consolidated statements of income.

In addition to the trading derivative financial instruments, the Bank has hedging derivative financial instruments that are disclosed in Note 20.

At December 31, 2009 and 2008, trading derivative liabilities include interest rate swap and cross-currency interest rate swap contracts that were previously designated as fair value hedges of securities available-for-sale and foreign-currency loans, respectively, that no longer qualify for hedge accounting.

At December 31, 2009 and 2008, information on the nominal amounts of derivative financial instruments held for trading purposes is as follows:

	2009			**2008**		
(In thousands of US$)	**Nominal Amount**	**Fair Value**		**Nominal Amount**	**Fair Value**	
		Asset	**Liability**		**Asset**	**Liability**
Interest rate swaps	46,800	-	2,514	175,227	-	14,066
Cross-currency interest rate swaps	15,496	-	638	-	-	-
Credit default swap	3,000	2	-	3,000	-	91
Total	65,296	2	3,152	178,227	-	14,157

As of December 31, 2008, forward repurchase agreements corresponded to derivative financial instruments from transactions of securities sold under repurchase agreements accounted for as sales based on ASC Topic 860 – Transfer and Servicing (see Notes 2(g) and 12).

During 2008, the Bank transferred sovereign and corporate bonds through repurchase agreements accounted for as sales. The Bank reacquired those bonds at the maturity date of those agreements and included them in the trading assets portfolio. As of December 31, 2008, sovereign bonds with a fair value of $10.3 million secured securities under repurchase agreements that qualify as secured financings.

5. Investment securities

Securities available-for-sale

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

	December 31, 2009			
(In thousands of US$)	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	26,428	1,044	-	27,472
Chile	26,763	1,308	-	28,071
Panama	20,008	912	-	20,920
Venezuela	14,979	830	-	15,809
	88,178	4,094	-	92,272
Sovereign debt:				
Brazil	86,583	6,817	-	93,400
Colombia	131,852	8,210	892	139,170
Dominican Republic	6,347	93	-	6,440
El Salvador	15,755	174	-	15,929
Mexico	56,194	1,236	550	56,880
Panama	21,057	1,649	-	22,706
Peru	28,441	1,746	-	30,187
	346,229	19,925	1,442	364,712
Total	434,407	24,019	1,442	456,984

	December 31, 2008			
(In thousands of US$)	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	27,245	-	4,644	22,601
Chile	42,140	64	1,397	40,807
Panama	20,015	885	-	20,900
United States of America	9,725	-	17	9,708
Venezuela	14,973	252	-	15,225
	114,098	1,201	6,058	109,241
Sovereign debt:				
Brazil	105,735	2,620	-	108,355
Colombia	169,026	401	6,690	162,737
Costa Rica	10,905	-	790	10,115
Dominican Republic	9,677	-	2,299	7,378
El Salvador	16,158	-	1,571	14,587
Mexico	97,839	-	5,883	91,956
Panama	43,281	-	1,681	41,600
Peru	28,881	-	1,943	26,938
Sweden	10,041	-	30	10,011
United States of America	24,999	1	-	25,000
	516,542	3,022	20,887	498,677
Total	630,640	4,223	26,945	607,918

At December 31, 2009 and 2008, securities available-for-sale with a carrying value of $79 million and $480 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

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

	December 31, 2009					
(In thousands of US$)	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Sovereign debt	24,138	550	24,720	892	48,858	1,442
	24,138	550	24,720	892	48,858	1,442

	December 31, 2008					
(In thousands of US$)	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	52,905	5,767	5,024	291	57,929	6,058
Sovereign debt	270,757	18,588	7,377	2,299	278,134	20,887
	323,662	24,355	12,401	2,590	336,063	26,945

Gross unrealized losses are related mainly to an overall increase in market interest rates and other market factors and not due to underlying credit concerns by the Bank about the issuers. The sovereign debt that shows an unrealized gross loss for more than twelve months relates to a counterparty whose payment performance is and continues to be sound. The price of the bonds in question has seen a significant recovery during 2009. Historically, this counterparty has not failed to perform on its obligation. As of December 31, 2009 the Bank does not intent to sell and will not be required to sell the security before its recovery of the amortized cost of the instrument. As a result, the Bank does not consider this exposure to be other-than-temporarily impaired.

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

	Year ended December 31,		
(In thousands of US$)	2009	2008	2007
Gains	1,276	2,173	9,550
Losses	(730)	(2,106)	(431)
Net	546	67	9,119

Losses on securities available-for-sale during 2008 were mainly the result of transactions of securities sold under repurchase agreements accounted for as sales at the transfer date of those securities (see Note 12).

An analysis of realized losses is described below:

	Year ended December 31,		
(In thousands of US$)	2009	2008	2007
Realized losses on sale of securities available-for-sale	(730)	(79)	(431)
Realized losses for transfers of securities under repurchase agreements accounted for as sales (see Note 12)	-	(2,027)	-
Total realized loss	(730)	(2,106)	(431)

The amortized cost and fair value of securities available-for-sale by contractual maturity at December 31, 2009, are shown in the following table:

(In thousands of US$)	Amortized Cost	Fair Value
Due within 1 year	30,302	31,463
After 1 year but within 5 years	231,775	243,983
After 5 years but within 10 years	172,330	181,538
	434,407	456,984

Securities held-to-maturity

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

	December 31, 2008			
(In thousands of US$)	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
United States of America	28,410	-	266	28,144
Total	28,410	-	266	28,144

At December 31, 2008, securities held-to-maturity with a carrying value of $28.4 million secured repurchase agreements accounted for as secured borrowings. All securities held-to-maturity were redeemed during the first quarter of 2009.

6. Investment fund

The balance in the investment fund for $197.6 million in 2009, and $150.7 million in 2008 represents the participation of the Feeder in the net asset value (NAV) of the Fund.

At December 31, 2009, the Feeder owns 98.42% of the Fund with a total of 164,925.2 shares issued, divided in 30,725.5 "Class A" shares, 133,491.6 "Class B" shares and 708.1 "Class E" shares.

At December 31, 2008 the Feeder owned 98.83% of the Fund with a total of 137,811.6 shares issued, divided in 4,320.0 "Class A" shares and 133,491.6 "Class B" shares.

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

7. Loans

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

(In thousands of US$)	December 31,	
	2009	2008
Corporate	1,475,031	1,627,721
Banks:		
Private	870,554	571,665
State-owned	333,574	347,403
Others	100,103	71,854
Total	2,779,262	2,618,643

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

(In thousands of US$)	December 31,	
	2009	2008
Industrial	1,031,781	1,020,015
Banking and financing	1,208,458	924,286
Agricultural	230,674	332,582
Services	70,968	111,531
Others	237,381	230,229
Total	2,779,262	2,618,643

The remaining loan maturities are summarized as follows:

(In thousands of US$)	December 31,	
	2009	2008
Current:		
Up to 1 month	253,077	236,679
From 1 month to 3 months	490,950	488,471
From 3 months to 6 months	559,934	315,200
From 6 months to 1 year	526,990	556,744
From 1 year to 2 years	424,073	345,471
From 2 years to 5 years	460,153	622,080
More than 5 years	28,335	53,998
	2,743,512	2,618,643
Impaired	35,750	-
Total	2,779,262	2,618,643

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

(In thousands of US$)	December 31,	
	2009	2008
Country:		
Argentina	72,746	150,988
Brazil	1,334,905	1,289,424
Chile	258,257	8,333
Colombia	200,490	284,901
Costa Rica	82,906	54,855
Dominican Republic	31,364	48,025
Ecuador	23,097	36,364
El Salvador	40,650	75,857
Guatemala	73,809	60,784
Honduras	22,984	44,925
Jamaica	31,297	14,678
Mexico	301,929	380,209
Nicaragua	700	3,993
Panama	41,492	47,495
Peru	161,047	49,812
Trinidad and Tobago	71,589	23,000
Uruguay	30,000	45,000
	2,779,262	2,618,643

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

(In thousands of US$)	December 31,	
	2009	2008
Fixed interest rates	1,310,754	933,234
Floating interest rates	1,468,508	1,685,409
	2,779,262	2,618,643

At December 31, 2009 and 2008, 80% and 78%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

During the year 2009, the Bank reclassified a total of $50.5 million loans to the non-accrual status. Based on analysis of these loans, the Bank has identified impaired loans of $35.7 million for which specific reserves of $14.4 million have been allocated. The remaining of the non-accrual portfolio, of $14.8 million, does not present impairment; therefore, no additional specific reserves have been recorded.

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

(In thousands of US$)	December 31,		
	2009	2008	2007
Loans on non-accrual status	50,534	-	-
Interest which would had been recorded if the loans had not been on a non-accrual status	1,775	-	-
Interest income collected on non-accruing loans	847	-	-
Foregone interest revenue	928	-	-

Non-accruing loans include impaired loans detailed as follows:

(In thousands of US$)	December 31,		
	2009	2008	2007
Impaired loans with specific allowance for credit losses	35,750	-	-
Specific allowance for impaired loans	14,357	-	-
Average balance of impaired loans during the year	16,588	-	-
Interest income collected on impaired loans	719	-	-

At December 31, 2009, the impaired loans portfolio includes past due loans of $5.7 million.

At December 31, 2009 and 2008, the Bank has credit transactions in the normal course of business with 18% and 20%, respectively, of its Class “A” and “B” stockholders (see Note 16). All transactions are made based on arm’s-length terms and subject to prevailing commercial criteria and market rates and are subject to all of the Bank’s corporate governance and control procedures. At December 31, 2009 and 2008, approximately 20% and 16%, respectively, of the outstanding loan portfolio is placed with the Bank’s Class “A” and “B” stockholders and their related parties. At December 31, 2009, 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 2008, the Bank sold loans with a book value of $25.6 million, with a net gain of $54 thousand. There were no loan sales during 2009.

8. Allowance for credit losses

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

a) Allowance for loan losses:

(In thousands of US$)	December 31,		
	2009	2008	2007
Balance at beginning of the year	54,648	69,643	51,266
Provision (reversal) for loan losses	18,293	(18,540)	11,994
Loan recoveries	866	3,545	6,434
Loans written-off against the allowance for loan losses	(18)	-	(51)
Balance at end of the year	73,789	54,648	69,643
Components:			
Generic allowance	59,432	54,648	69,643
Specific allowance	14,357	-	-
Total allowance for loan losses	73,789	54,648	69,643

Provision (reversal) of allowance for credit losses are mostly related to changes in volume and composition of the credit portfolio. Loan recoveries relate to the Bank's non-accruing portfolio in Mexico, Argentina and Brazil, which have been collected during the last three years.

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

(In thousands of US$)		December 31,	
	2009	**2008**	**2007**
Balance at beginning of the year	30,724	13,727	27,195
Provision (reversal) for losses on off-balance sheet credit risk	(3,463)	16,997	(13,468)
Balance at end of the year	27,261	30,724	13,727

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 18).

9. Premises and equipment

A breakdown of cost and accumulated depreciation and amortization for premises and equipment as of December 31, 2009 and 2008 is as follows:

	December 31,	
(In thousands of US$)	**2009**	**2008**
Land	462	462
Building and improvements	5,254	4,958
Furniture and equipment	16,323	14,144
	22,039	19,564
Less: accumulated depreciation and amortization	14,290	11,594
	7,749	7,970

10. Other assets

At December 31, 2009 and 2008, other assets include an equity investment in a private investment fund with a carrying value of $1.9 million and $1.5 million, respectively. During 2009, the participation in this investment was increased by $0.4 million.

11. Deposits

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

	December 31,	
(In thousands of US$)	**2009**	**2008**
Demand	51,375	113,022
Up to 1 month	586,949	766,268
From 1 month to 3 months	324,702	262,443
From 3 months to 6 months	273,220	27,315
From 6 months to 1 year	20,000	-
	1,256,246	1,169,048

The following table presents additional information about deposits:

	December 31,	
(In thousands of US$)	**2009**	**2008**
Aggregate amounts of time deposits of $100,000 or more	1,204,657	1,056,026
Aggregate amounts of deposits in offices outside Panama	418,157	380,765
Interest expense paid to deposits in offices outside Panama	5,821	11,428

12. Securities sold under repurchase agreements

The Bank's financing transactions under repurchase agreements amounted to $71.3 million and $474.2 million as of December 31, 2009 and 2008, respectively.

As of December 31, 2009, all financing transactions under repurchase agreements qualified as secured financings. During 2008, the Bank entered into repurchase agreements that qualified as sales under ASC Topic 860 - Transfers and Servicing. These transactions specifically referred to repurchase agreements on which the Bank was required to take larger discounts or "haircuts" than in the past, as a result of the outbreak of the liquidity and credit crisis in the financial markets near the end of 2008. These were short-term repurchase agreements with anticipated maturity dates within the first quarter of 2009, transacted with counterparties of high repute. The Bank reacquired all the securities that guaranteed these transactions.

A summary of the repurchase agreements and their effect in the results of year 2008 is presented below:

(In thousands of US$)	**2008**
Cash received from counterparties	147,301
Amortized cost of securities at the transfer dates	(192,907)
Fair value of forward repurchase agreements	36,451
Retained interest on securities transferred under repurchase agreements	7,128
Recognized loss in transfers of securities under repurchase agreements accounted for as sales	(2,027)

Changes in fair value of derivative financial instruments resulting from transfers of securities under repurchase agreements were reported in 2008 in the net gain (loss) from trading securities line item. Changes in fair value of sovereign bonds reacquired in repurchase transactions, which were included in the trading portfolio, were reported in the net gain (loss) from trading securities line item. The Bank discontinued hedge accounting for interest rate swaps that hedged securities transferred under these agreements and reported them as trading derivatives. Changes in fair value of these interest rate swaps were recorded in the net gain (loss) from trading securities line item. A summary of the effect of these financial instruments in net income of year ended December 31, 2008 is presented below:

(In thousands of US$)	**2008**
Changes in fair value of forward repurchase agreements	(8,133)
Changes in fair value of sovereign bonds	(1,583)
Changes in fair value of interest rate swaps that hedged transferred securities	(11,219)
Total changes in fair value of financial instruments resulting from transfers of securities under repurchase agreements	(20,935)

The effects in the statement of income for the year ended December 31, 2008 of transfers of securities under repurchase agreements is summarized below:

(In thousands of US$)	**2008**
Loss in sale transactions under repurchase agreements	(2,027)
Changes in fair value of financial instruments resulting from transfers of securities under repurchase agreements	(20,935)
Total loss in transfers of securities under repurchase agreements	(22,962)

13. Short-term borrowings

The breakdown of short-term borrowings due to financial institutions is as follows:

	December 31,	
(In thousands of US$)	**2009**	**2008**
Advances from financial institutions:		
At fixed interest rates	317,800	738,747
At floating interest rate	10,000	-
Total short-term borrowings	327,800	738,747
Average outstanding balance during the year	498,751	1,088,947
Maximum balance at any month-end	693,900	1,254,050
Range on fixed interest rates on borrowings in U.S. dollars	0.85% to 2.70%	2.77% to 6.10%
Floating interest rate outstanding as of December 31, 2009 on borrowing in U.S. dollars	2.66%	-
Range on fixed interest rates on borrowing in Euros	-	5.68% to 5.73%
Floating interest rate on borrowings in Yen	-	1.79%
Weighted average interest rate at end of the year	1.62%	3.92%
Weighted average interest rate during the year	3.34%	4.21%

14. Borrowings and long-term debt

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

	December 31,	
(In thousands of US$)	**2009**	**2008**
Borrowings:		
At fixed interest rates with due dates from September 2010 to September 2013	83,334	138,786
At floating interest rates with due dates from February 2010 to July 2013	1,259,478	1,022,032
Total borrowings	1,342,812	1,160,818
Debt:		
At fixed interest rates with due dates in November 2014	42,575	39,134
At floating interest rates with due dates in October 2010	5,000	5,000
Total debt	47,575	44,134
Total borrowings and long-term debt outstanding	1,390,387	1,204,952
Average outstanding balance during the year	1,208,007	1,182,065
Maximum outstanding balance at any month-end	1,390,387	1,330,422
Range on fixed interest rates on borrowings and debt in U.S. dollars	2.25% to 4.64%	2.53% to 5.14%
Range on floating interest rates on borrowings and debt in U.S. dollars	0.55% to 2.78%	1.88% to 4.75%
Range on fixed interest rates on borrowings in Mexican pesos	8.20% to 9.90%	8.20% to 9.90%
Range on floating interest rates on borrowings in Mexican pesos	5.93% to 5.96%	9.58% to 9.66%
Fixed interest rate on debt in Peruvian soles	6.50%	6.50%
Weighted average interest rate at the end of the year	2.07%	4.58%
Weighted average interest rate during the year	3.07%	4.65%

The Bank's funding activities include a Euro-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 related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. At December 31, 2009, the Bank was in compliance with all covenants.

The future remaining maturities of long-term debt and borrowings outstanding at December 31, 2009, are as follows:

(In thousands of US$)

Due in:	Outstanding
2010	529,110
2011	317,394
2012	191,224
2013	310,084
2014	42,575
	1,390,387

15. Common stock

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

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

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

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the three-year period ended December 31, 2009:

(Share units)	Class "A"	Class "B"	Class "E"	Class "F"	Total
Authorized	40,000,000	40,000,000	100,000,000	100,000,000	280,000,000
Outstanding at January 1, 2007	6,342,189	2,725,390	27,261,495	-	36,329,074
Conversions	-	(64,540)	64,540	-	-
Accumulated difference in fractional shares in conversion of common stock	-	(3)	-	-	(3)
Restricted stock issued	-	-	22,240	-	22,240
Exercised stock options - compensation plans	-	-	18,838	-	18,838
Outstanding at December 31, 2007	6,342,189	2,660,847	27,367,113	-	36,370,149
Conversions	-	(43,063)	43,063	-	-
Restricted stock issued	-	-	31,246	-	31,246
Exercised stock options - compensation plans	-	-	11,693	-	11,693
Outstanding at December 31, 2008	6,342,189	2,617,784	27,453,115	-	36,413,088
Conversions	-	(32,902)	32,901	-	(1)
Restricted stock issued	-	-	37,934	-	37,934
Exercised stock options - compensation plans	-	-	82,180	-	82,180
Restricted stock units - vested	-	-	12,415	-	12,415
Outstanding at December 31, 2009	6,342,189	2,584,882	27,618,545	-	36,545,616

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

(In thousands, except for share data)	Class "A"		Class "B"		Class "E"		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at January 1, 2007	**318,140**	**10,708**	**568,010**	**15,655**	**4,764,621**	**108,405**	**5,650,771**	**134,768**
Restricted stock issued	-	-	-	-	(22,240)	(531)	(22,240)	(531)
Exercised stock options – compensation plans	-	-	-	-	(18,838)	(449)	(18,838)	(449)
Outstanding at December 31, 2007	**318,140**	**10,708**	**568,010**	**15,655**	**4,723,543**	**107,425**	**5,609,693**	**133,788**
Restricted stock issued	-	-	-	-	(31,246)	(745)	(31,246)	(745)
Exercised stock options – compensation plans	-	-	-	-	(11,693)	(280)	(11,693)	(280)
Outstanding at December 31, 2008	**318,140**	**10,708**	**568,010**	**15,655**	**4,680,604**	**106,400**	**5,566,754**	**132,763**
Restricted stock issued	-	-	-	-	(37,934)	(905)	(37,934)	(905)
Exercised stock options – compensation plans	-	-	-	-	(82,180)	(1,960)	(82,180)	(1,960)
Restricted stock units - vested	-	-	-	-	(12,415)	(296)	(12,415)	(296)
Outstanding at December 31, 2009	**318,140**	**10,708**	**568,010**	**15,655**	**4,548,075**	**103,239**	**5,434,225**	**129,602**

16. Cash and stock-based compensation plans

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

A. 2008 Stock Incentive Plan – Directors and Executives

In February 2008, the Board of Directors of the Bank approved an incentive plan for Directors and Executives allowing the Bank to grant restricted stock, restricted stock units, stock purchase options, and/or other similar compensation instruments. The maximum aggregate number of shares which may be issued under this plan is two million Class "E" common shares. The 2008 Stock Incentive Plan is administered by the Board of Directors which has the authority in its discretion to select the Directors and Executives to whom the Award may be granted; to determine whether and to what extent awards are granted, and to amend the terms of any outstanding award under this plan.

During 2009 and 2008, the Board of Directors approved the grant of restricted stock to Directors and stock options and restricted stock units to certain Executives of the Bank, as follows:

Restricted stock – Directors

In July 2009 and 2008, the Board of Directors granted 37,934 and 31,246, respectively, Class "E" common shares worth $50 thousand for each Director and $75 thousand to the Chairman of the Board. The fair value of restricted stock granted was based on the stock closing price in the New York Stock Exchange ("NYSE") of the Class "E" shares on July 10, 2009 and July 11, 2008. The restricted stock vests in five years at a rate of 20% each year, beginning the year following the grant date. The fair value of restricted stock granted totaled $475 thousand in 2009 and 2008, of which $139 thousand and $44 thousand were charged against income during 2009 and 2008, respectively. The remaining cost pending amortization of $767 thousand will be amortized over 4.10 years.

A summary at December 31, 2009 of the restricted stock granted to Directors during the years 2009 and 2008 is presented below:

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2008	-	-
Granted	31,246	$15.20
Vested	-	-
Outstanding at December 31, 2008	31,246	15.20
Granted	37,934	12.52
Vested	(6,242)	15.20
Outstanding at December 31, 2009	62,938	$13.58
Expected to vest	62,938	$13.58

The fair value of vested stock during the year 2009 was $95 thousand.

Restricted Stock Units and Stock Purchase Options granted to certain Executives

The Board of Directors approved the grant of stock purchase options and restricted stock units to certain Executives of the Bank with a grant date fair value of $2.3 million in 2009 and $1.6 million in 2008, where 50% were granted in restricted stock units, and 50% in stock purchase options, in both years.

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

Restricted stock units:

The fair value of the stock units was based on the Class "E" stock closing price in the New York Stock Exchange ("NYSE") on the grant date. These stock units vest 25% each year on the grant date's anniversary.

Compensation costs of these restricted stock units are amortized during the period of restriction. Costs charged against income during 2009 and 2008 due to the amortization of these grants totaled $436 thousand and $178 thousand, respectively. The remaining compensation cost pending amortization of $1.3 million will be amortized over 2.89 years.

A summary as of December 31, 2009 and 2008 of the status of the restricted stock units granted to certain Executives and changes during the years 2009 and 2008 are presented below:

	Stock units	Weighted average grant date fair value	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2008	-	-		
Granted	52,982	$15.43		
Forfeited	(756)	15.43		
Outstanding at December 31, 2008	52,226	15.43		
Granted	132,020	8.67		
Forfeited	(5,713)	11.44		
Vested	(12,415)	15.43	2.89 years	$ -
Outstanding at December 31, 2009	166,118	$10.20		$ -
Expected to vest	166,118	$10.20		$ -

Stock purchase options:

The fair value of stock purchase options granted to certain Executives during 2009 and 2008 was estimated using the "Black-Scholes" option-pricing model, based on the following factors:

	2009	2008
Weighted average fair value per option	$ 1.90	$ 3.52
Weighted average expected term, in years	4.75	5.50
Expected volatility	37%	37%
Risk-free rate	1.79%	2.72%
Expected dividend	6.00%	4.84%

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

Related cost charged against income during 2009 and 2008 as a result of the amortization of these plans amounted to $436 thousand and $178 thousand, respectively. The remaining compensation cost pending amortization of $1.3 million in 2009 will be amortized over a period of 2.80 years. A summary of stock options granted is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2008	-	-		
Granted	232,403	$15.43		
Forfeited	(3,318)	15.43		
Outstanding at December 31, 2008	229,085	15.43		
Granted	601,985	10.15		
Forfeited	(27,076)	12.43		
Outstanding at December 31, 2009	803,994	$11.58	5.85 years	$2,200
Exercisable	54,829	$15.43	5.12 years	$ -
Expected to vest	749,165	$11.30	5.90 years	$2,200

B. Restricted Stock – Directors

During 2003, the Board of Directors approved a restricted stock award plan for Directors of the Bank that was amended in 2007 and subsequently terminated in 2008. Until 2006, the Board of Directors granted Class "E" shares to each Director worth $10 thousand, and to the Chairman of the Board worth $15 thousand per year. In 2007, the Board granted Class "E" shares for each Director worth $50 thousand, and to the Chairman of the Board worth $75 thousand. The fair value of each award granted was based on the stock closing price in the New York Stock Exchange ("NYSE") of the Class "E" shares at the grant date. During 2007 the Bank issued under this plan 22,240 Class "E" common shares with a grant date fair value of $21.35. The restricted stock vests at a rate of 20% each year on the grant date's anniversary. No grants were made after this 2007 grant.

The compensation costs of restricted stock granted of $475 thousand in 2007 are amortized during the restriction period. Related costs charged against income totaled $123 thousand, $217 thousand and $118 thousand in 2009, 2008 and 2007, respectively. At December 31, 2009, the Bank had unrecognized compensation costs of $248 thousand related to this plan that will be amortized over 2.39 years.

A summary as of December 31, 2009 of restricted stock granted to Directors under this plan and changes during 2007, 2008 and 2009 is presented below:

	Shares	Weighted average grant date fair value
Non vested at January 1, 2007	27,076	$14.02
Granted	22,240	21.35
Vested	(4,860)	12.34
Non vested at December 31, 2007	44,456	17.87
Granted	-	-
Vested	(23,037)	15.83
Non vested at December 31, 2008	21,419	20.07
Granted	-	-
Vested	(6,746)	$19.25
Non vested at December 31, 2009	14,673	$20.45
Expected to vest	14,673	$20.45

The total fair value of vested stock during the years ended December 31, 2009, 2008 and 2007 was $130 thousand, $365 thousand and $60 thousand, respectively.

C. Stock Option Plan 2006 – Directors and Executives

On December 12, 2006, the Bank's Board of Directors adopted the 2006 Stock Option Plan that was terminated in 2008. The options granted under this plan expire seven years after the grant date and are exercisable at a rate of 25% each year on the grant date's anniversary.

During 2007, the Board of Directors approved the grant of $95 thousand (grant date fair value) in stock options to members of the Board of Directors, and $890 thousand (grant date fair value) in stock options to certain executives of the Bank. No grants were made subsequent to this grant.

Related cost charged against income as a result of the amortization of options granted under this compensation plan amounted to $221 thousand in 2009, $236 thousand in 2008 and $302 thousand in 2007. The compensation cost pending amortization at December 31, 2009 of $247 thousand will be amortized over 1.12 years. The fair value of each option was estimated at the grant date using the "Black-Scholes" option-pricing model, based on the following factors:

	2007
Weighted average fair value option	$4.72
Weighted average expected term, in years	5.50
Expected volatility	36%
Risk-free rate	4.81%
Expected dividend	3.54%

A summary as of December 31, 2009 of the share options granted to Directors and certain Executives and changes during 2007, 2008 and 2009 is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2007	-	-		
Granted	208,765	$16.34		
Forfeited	-	-		
Outstanding at December 31, 2007	208,765	16.34		
Forfeited	(1,059)	16.34		
Outstanding at December 31, 2008	207,706	16.34		
Forfeited	-	-		
Outstanding at December 31, 2009	207,706	$16.34	4.12 years	$ -
Exercisable at December 31, 2009	93,768	$16.34	4.12 years	$ -
Expected to vest	113,938	$16.34	4.12 years	$ -

D. Indexed Stock Option Plan

During 2004, the Board of Directors approved an indexed stock purchase option plan for Directors and certain executives of the Bank, which was subsequently terminated in April 2006. The indexed stock options expire in ten years and are vested at a rate of 25% each year on the grant date's anniversary. The exercise price is adjusted based on the change in a customized Latin American general market index. As of December 31, 2009, the Bank had remaining compensation costs pending amortization of $17 thousand related to non-vested options granted under the plan. This cost will be recognized over a period of 0.08 years. Related costs charged against income amounted to $241 thousand, $440 thousand and $828 thousand in 2009, 2008 and 2007, respectively.

A summary as of December 31, 2009 and changes during the years 2007, 2008 and 2009 of the indexed stock purchase options is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2007	523,723	$14.53		
Forfeited	-	-		
Exercised	(18,838)	8.50		
Outstanding at December 31, 2007	504,885	14.47		
Forfeited	(26,574)			
Exercised	(10,662)	14.19		
Outstanding at December 31, 2008	467,649	12.93		
Forfeited	-	-		
Exercised	(82,180)	9.84		
Outstanding at December 31, 2009	385,469	$17.46	5.45 years	$104
Exercisable at December 31, 2009	316,893	$17.14	5.32 years	$104
Expected to vest	68,576	$18.91	6.09 years	$ -

The intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007 was $252 thousand, $41 thousand and $228 thousand, respectively. During the years ended December 31, 2009, 2008 and 2007, the Bank received $808 thousand, $151 thousand and $160 thousand, respectively, from exercised options.

E. Stock Option Plans - Discontinued

During 2000, the Board of Directors approved a stock option plan for Directors and employees 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 as of December 31, 2009 of the stock options granted and changes during 2009 and 2008 of these option plans is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2008	38,163	$31.46		
Forfeited	(15,163)	27.63		
Expired	(8,650)	42.56		
Outstanding at December 31, 2008	14,350	28.81		
Forfeited	(533)	27.72		
Expired	(2,082)	23.03		
Outstanding at December 31, 2009	11,735	$29.89	0.79 years	$-
Exercisable at December 31, 2009	11,735	$29.89	0.79 years	$-

All options are available to be exercised as of December 31, 2009.

F. Other plans - Expatriate Officer Plan

The Bank sponsors a defined contribution plan for its expatriate top executives based in Panama, which are not eligible to participate in the Panamanian social security system. The Bank's contributions are determined as a percentage of the annual salaries of top executives eligible for the plan, each contributing an additional amount withheld from their salary. Contributions to this plan are managed by a fund manager through a trust. The executives are entitled to the Bank's contributions after completing at least three years of service in the Bank. During the years 2009, 2008 and 2007, the Bank charged to salaries expense $116 thousand, $241 thousand and $175 thousand, respectively, that correspond to the Bank's contributions to this plan. As of December 31, 2009 and 2008, the accumulated liability payable amounted to $386 thousand and $420 thousand, respectively.

17. Earnings per share

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

(In thousands of US$, except per share amounts)	Year ended December 31,		
	2009	2008	2007
Net income attributable to Bladex for both basic and diluted EPS	54,862	55,119	72,177
Weighted average common shares outstanding - applicable to basic EPS	36,493	36,388	36,349
Basic earnings per share	1.50	1.51	1.99
Weighted average common shares outstanding applicable to diluted EPS	36,493	36,388	36,349
Effect of dilutive securities [(1)]:			
Stock options and restricted stock units plans	78	52	65
Adjusted weighted average common shares outstanding applicable to diluted EPS	36,571	36,440	36,414
Diluted earnings per share	1.50	1.51	1.98

[(1)] At December 31, 2009, 2008 and 2007, weighted average options of 769,790, 943,051 and 38,467, respectively, were excluded from the computation of diluted earnings per share because the option's exercise price was greater than the average quoted market price of the Bank's common stock.

18. Financial instruments with off-balance sheet credit risk

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

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

	December 31,	
(In thousands of US$)	**2009**	**2008**
Confirmed letters of credit	206,953	136,539
Stand-by letters of credit and guarantees:		
Country risk	10,000	40,000
Commercial risk	40,651	180,237
Credit derivative	3,000	3,000
	53,651	223,237
Credit commitments	70,181	84,019
	330,785	443,795

As of December 31, 2009, the remaining maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

(In thousands of US$)

Maturities	**Amount**
Within 1 year	323,980
From 1 to 2 years	4,769
From 2 to 5 years	1,185
After 5 years	851
	330,785

As of December 31, 2009 and 2008 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

(In thousands of US$)	**2009**	**2008**
Country:		
Brazil	22,500	150,967
Chile	-	83,200
Colombia	3,000	4,225
Costa Rica	24,278	19,553
Dominican Republic	130	13,923
Ecuador	112,039	86,363
El Salvador	1,770	476
Guatemala	975	4,578
Honduras	430	350
Mexico	57,682	2,979
Panama	-	15,239
Uruguay	15,788	-
Venezuela	92,193	61,792
Other	-	150
	330,785	443,795

Letters of credit and guarantees

The Bank, on behalf of its client base, advises and confirms letters of credit to facilitate foreign trade transactions. When confirming letters of credit, the Bank adds its own unqualified assurance that the issuing bank will pay and that if the issuing bank does not honor drafts drawn on the credit, the Bank will. The Bank provides stand-by letters of credit and guarantees, 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 stand-by letters and 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.

Credit derivative

Credit derivative represents a guarantee issued by the Bank to the buyer of the derivative instrument, where the Bank guarantees the payment of principal if the underlying financial instrument is impaired and its original issuer does not comply with principal payments; therefore, the impairment risk is taken by the Bank, which receives commission income during the term of this derivative. The credit derivative matures in July 2010. As of December 31, 2009 and 2008, the fair value of this derivative instrument was $2 thousand and $91 thousand, respectively, and reported in trading assets and liabilities, respectively, in the consolidated balance sheet. The maximum potential amount of future payments the Bank could be required to make under this credit derivative is $3 million.

19. Leasehold commitments

At December 31, 2009, a summary of leasehold commitments is as follows:

(In thousands of US$) Year	Future Rental Commitments
2010	577
2011	526
2012	261
2013	243
2014	243
Thereafter	203
	2,053

Occupancy expense for years ended December 31, 2009, 2008 and 2007, amounted to $770 thousand, $809 thousand, and $593 thousand, respectively.

20. Derivative financial instruments for hedging purposes

At December 31, 2009 and 2008, quantitative information on derivative financial instruments held for hedging purposes is as follows:

(In thousands of US$)	2009			2008		
	Nominal Amount	Fair Value (1) Asset	Fair Value (1) Liability	Nominal Amount	Fair Value Asset	Fair Value Liability
Fair value hedges:						
Interest rate swaps	353,600	-	30,756	446,400	-	46,379
Cross-currency interest rate swaps	150,118	-	31,975	149,924	-	34,383
Cash flow hedges:						
Interest rate swaps	20,000	-	1,956	20,000	-	2,178
Cross-currency interest rate swaps	47,141	-	450	41,020	-	6,781
Forward foreign exchange	6,832	828	-	143,179	7,777	2,176
Total	577,691	828	65,137	800,523	7,777	91,897
Net gain (loss) on the ineffective portion of hedging activities (2)	(2,534)			9,956		

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

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

As of December 31, 2009, gains and losses resulting from activities of derivative financial instruments and hedging recognized in the consolidated statements of income are presented below:

(In thousands of US$)

Derivatives - fair value hedge	Classification in statements of income	Gain (loss) on derivatives
Interest rate swaps	Interest income – Investment securities available-for-sale	(11,959)
Cross-currency interest rate swaps	Gain (loss) on foreign currency exchange	591
Cross-currency interest rate swaps	Interest income – Loans	(62)
Cross-currency interest rate swaps	Interest expense - Borrowings	3,480
Cross-currency interest rate swaps	Derivative financial instruments and hedging	(2,531)
Total		(10,481)

(In thousands of US$)

Derivatives – cash flow hedge	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
Interest rate swaps	513			
Cross-currency interest rate swaps	6,231	Gain (loss) on foreign currency exchange	(3,430)	-
		Derivative financial instruments and hedging	-	(3)
Forward foreign exchange	(4,773)	Interest expense – borrowings	336	-
		Interest income - loans	313	-
		Gain (loss) on foreign currency exchange	3,861	-
Total	1,971		1,080	(3)

As of December 31, 2009, the Bank recognized in earnings the gain (loss) on derivative financial instruments and the gain (loss) of the hedged asset or liability related to qualifying fair value hedges, as follows:

(In thousands of US$)

Derivatives - fair value hedge	Classification in statements of income	Gain (loss) on derivatives	Gain (loss) on hedged item	Net gain (loss)
Interest rate swaps	Interest income	(11,959)	27,477	15,518
Cross-currency interest rate swaps	Derivative financial instruments and hedging (ineffectiveness)	(2,531)	-	(2,531)
	Interest income – loans	(62)	619	557
	Interest expense – borrowings	3,480	(8,098)	(4,618)
	Gain (loss) on foreign currency exchange	591	(5,681)	(5,090)
		(10,481)	14,317	3,836

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

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 4.9 years.

The Bank estimates that approximately $430 thousand of losses reported in other comprehensive income (loss) at December 31, 2009 related to forward foreign exchange contracts are expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2010.

Types of Derivatives and Foreign Exchange Instruments

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

In addition to hedging derivative financial instruments, the Bank has derivative financial instruments held for trading purposes that have been disclosed in Note 4.

21. Accumulated other comprehensive income (loss)

As of December 31, 2009, 2008 and 2007 the breakdown of accumulated other comprehensive income (loss) related to investment securities available-for-sale and derivative financial instruments is as follows:

(In thousands of US$)	Securities Available-for-Sale	Derivative Financial Instruments	Total
Balance as of January 1, 2007	3,400	(72)	3,328
Net unrealized gains (losses) arising from the year	(1,912)	(2,081)	(3,993)
Reclassification adjustment for gains (losses) included in net income [1]	(9,119)	143	(8,976)
Balance as of December 31, 2007	(7,631)	(2,010)	(9,641)
Net unrealized gains (losses) arising from the year	(58,453)	(2,433)	(60,886)
Reclassification adjustment for (gains) losses included in net income [1]	(67)	(1,521)	(1,588)
Balance as of December 31, 2008	(66,151)	(5,964)	(72,115)
Net unrealized gains (losses) arising from the year	63,556	1,971	65,527
Reclassification adjustment for (gains) losses included in net income [1]	(649)	1,077	428
Balance as of December 31, 2009	(3,244)	(2,916)	(6,160)

(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.

22. Fair value of financial instruments

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

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

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

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

When determining the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers the assumptions that market participants would use when pricing the asset or liability. When possible, the Bank uses active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Bank uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement.

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

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

Trading assets and liabilities and securities available-for-sale

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

Investment fund

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

Derivative financial instruments

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

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

Adjustments for credit risk of the counterparty are applied to those derivative financial instruments where the internal credit risk rating of said counterparties deviates substantially from the credit risk implied by the London Interbank Offered rate ("LIBOR"). Not all counterparties have the same credit rating that is implicit in the LIBOR curve; therefore, it is necessary to take into account the current credit rating of the counterparty for the purpose of obtaining the true fair value of a particular instrument. In addition, adjustments to bilateral or own risk are adjusted to reflect the bank's credit risk when measuring all liabilities at fair value. The methodology is consistent with the adjustments applied to generate the counterparty credit risk.

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

	2009			
(In thousands of US$)	**Quoted market prices in an active market (Level 1)**	**Internally developed models with significant observable market information (Level 2)**	**Internally developed models with significant unobservable market information (Level 3)**	**Total carrying value in the consolidated balance sheets**
Assets				
Trading assets	50,275	2	-	50,277
Securities available –for-sale	436,064	20,920	-	456,984
Investment fund	-	197,575	-	197,575
Derivative financial instruments - receivable	-	828	-	828
Total assets at fair value	486,339	219,325	-	705,664
Liabilities				
Trading liabilities	-	3,152	-	3,152
Derivative financial instruments - payable	-	65,137	-	65,137
Total liabilities at fair value	-	68,289	-	68,289

(In thousands of US$)	Quoted market prices in an active market (Level 1)	Internally developed models with significant observable market information (Level 2)	Internally developed models with significant unobservable market information (Level 3)	Total carrying value in the consolidated balance sheets
		2008		
Assets				
Trading assets	21,965	22,974	-	44,939
Securities available –for-sale	561,278	46,640	-	607,918
Investment fund	-	150,695	-	150,695
Derivative financial instruments - receivable	-	7,777	-	7,777
Total assets at fair value	583,243	228,086	-	811,329
Liabilities				
Trading liabilities	-	14,157	-	14,157
Derivative financial instruments - payable	-	91,897	-	91,897
Total liabilities at fair value	-	106,054	-	106,054

As of December 31, 2009, the Bank classified within Level 1 securities available-for-sale amounting to $15.8 million which were classified in 2008 as Level 2, since 2009 they were quoted in an active market. As of December 31, 2008, these securities did not have sufficient level of activity to be considered as an active market; therefore, the Bank used observable market data when valuing their fair value.

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

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

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

Financial instruments with carrying value that approximates fair value

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

Securities held-to-maturity

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

Loans

The fair value of the loan portfolio has been determined based upon discounted cash flow models that consider the market's credit margins on comparable debt instruments.

Borrowings and short and long-term debt

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

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

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. Loan commitments, fair value of guarantees and letters of credit is based on fees currently charged for similar agreements wich consider the counterparty risks.

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

	December 31,			
(In thousands of US$)	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Instruments with carrying value that approximates fair value	451,668	451,668	948,288	948,288
Securities held-to-maturity	-	-	28,410	28,144
Loans, net of allowance	2,701,484	2,746,175	2,559,306	2,474,606
Financial liabilities:				
Instruments with carrying value that approximates fair value	1,340,420	1,340,420	1,677,553	1,677,553
Short-term borrowings	327,800	327,877	738,747	737,414
Borrowings and long-term debt	1,390,387	1,381,022	1,204,952	1,126,379
Commitments to extend credit, stand-by letters of credit, and financial guarantees written	29,011	28,113	30,898	30,489

23. Litigation

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

24. Capital adequacy

The Banking Law in the Republic of Panama requires banks with general licenses to maintain a total capital adequacy index that shall not be lower than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk; and primary capital equivalent that shall not be less than 4% of its assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk. As of December 31, 2009, the Bank's capital adequacy ratio is 22% which is in compliance with the capital adequacy ratios required by the Banking Law in the Republic of Panama.

25. Business segment information

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

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

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

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

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

Treasury incorporates deposits in banks and all of the Bank's securities available-for-sale and held-to-maturity. Operating income from the Treasury Segment includes net interest income from deposits with banks and securities available-for-sale and held-to-maturity, derivative and hedging activities, gains and losses on sale of securities available-for-sale, gain and losses on foreign exchange, and allocated operating expenses.

Asset Management incorporates the balance of the investment fund. Operating income from the Asset Management Segment includes net interest margin related to the Feeder's participation in the net interest margin of the Fund, net gains from the investment fund trading, and allocated operating expenses.

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

Business Segment Analysis[1]

(In millions of US$)	**2009**	**2008**	**2007**
COMMERCIAL			
Interest income	114.3	200.1	221.6
Interest expense	(48.1)	(122.0)	(157.1)
Net interest income	66.2	78.1	64.5
Net other income (2)	6.9	7.8	5.3
Operating expenses	(23.4)	(27.5)	(27.2)
Net operating income (3)	**49.7**	**58.4**	**42.6**
(Provision) reversals for loans and off-balance sheet credit losses	(14.8)	1.5	1.5
Impairment on assets, net of recoveries	(0.1)	(0.8)	(0.5)
Net income attributable to Bladex	**34.8**	**59.1**	**43.6**
Commercial assets and contingencies (end of period balances):			
Interest-earning assets (4)	2,775.3	2,614.0	3,725.9
Other assets and contingencies (5)	331.2	443.6	549.5
Total interest-earning assets, other assets and contingencies	**3,106.5**	**3,057.6**	**4,275.4**
TREASURY			
Interest income	25.9	40.7	33.6
Interest expense	(23.9)	(37.7)	(27.7)
Net Interest income	2.0	3.0	5.9
Net other income (2)	12.0	(12.4)	8.5
Operationg expenses	(7.9)	(6.9)	(4.4)
Net operating income (3)	6.1	(16.3)	10.0
Net income attributable to Bladex	**6.1**	**(16.3)**	**10.0**
Treasury assets and contingencies (end of period balances):			
Interes-eaming assets (6)	931.8	1,581.9	869.9
Other assets and contingencies (5)	3.0	3.0	3.0
Total interest-earning assets, other assets and contingencies	**934.8**	**1,584.9**	**872.9**

(In millions of US$)	2009	2008	2007
ASSET MANAGEMENT			
Interest income	1.8	3.5	9.6
Interest expense	(5.2)	(6.7)	(9.5)
Net Interest income	(3.4)	(3.2)	0.1
Net other income (2)	25.4	21.3	23.9
Operationg expenses	(6.8)	(5.6)	(5.5)
Net operating income (3)	**15.2**	**12.5**	**18.5**
Net income	15.2	12.5	18.5
Net income attributable to the redeemable noncontrolling interest	1.1	0.2	-
Net income attributable to Bladex	**14.1**	**12.3**	**18.5**
Fund's assets and contingencies (end of period balances):			
Interest-earning assets (6)	197.6	150.7	81.8
Non-interest-earning assets	0.1	-	-
Total interest-earning assets, other assets and contingencies	**197.7**	**150.7**	**81.8**
TOTAL			
Interest income	142.0	244.3	264.8
Interest expense	(77.2)	(166.4)	(194.3)
Net Interest income	64.8	77.9	70.5
Net other income (2)	44.3	16.7	37.7
Operationg expenses	(38.2)	(40.0)	(37.0)
Net operating income (3)	**70.9**	**54.6**	**71.2**
(Provision) reversals for loans and off-balance sheet credit losses	(14.8)	1.5	1.5
Impairment on assets, net of recoveries	(0.1)	(0.8)	(0.5)
Net income	56.0	55.3	72.2
Net income attributable to the redeemabke noncontrolling interest	1.1	0.2	-
Net income attributable to Bladex	**54.9**	**55.1**	**72.2**
Total assets and contingencies (end of period balances):			
Interest-earning assets (4 & 6)	3,904.7	4,346.6	4,677.6
Other assets and contingencies (5)	334.3	446.6	552.5
Total interest-earning assets, other assets and contingencies	**4,239.0**	**4,793.2**	**5,230.1**

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

(2) Net other income exclude reversals (provisions) for loans and off-balance sheet credit losses, and recoveries on assets.

Reconciliation of Net other income:

Net other income - business segment	44.3	16.7	37.7
Reversal (provision) for losses on off-balance sheet credit risk	3.5	(17.0)	13.4
Recoveries on assets, net of impairments	(0.1)	(0.8)	(0.5)
Net other income - consolidated financial statements	**47.7**	**(1.1)**	**50.6**

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

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

(5) Includes customers' liabilities under acceptances, letters of credit and guarantee covering commercial and country risk, and credit commiments and equity investments recorded as other assets.

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

Reconciliation of Total assets:

Interest-earning assets - business segment	3,904.7	4,346.6	4,677.6
Allowance for loan losses	(73.8)	(54.6)	(69.6)
Customers' liabilities under acceptances	1.6	1.3	9.1
Premises and equipment	7.7	8.0	10.2
Accrued interest receivable	25.6	46.3	62.4
Derivative financial instruments used for hedging - receivable	0.8	7.8	0.1
Other assets	12.2	7.3	8.8
Total assets - consolidated financial statements	**3,878.8**	**4,362.7**	**4,698.6**

Geographic information is as follows:

(In thousands of US$)	Panama	United States of America	Cayman Islands	Total
	2009			
Interest income	122,731	17,470	1,763	141,964
Interest expense	(69,066)	(5,821)	(2,325)	(77,212)
Net interest income	53,665	11,649	(562)	64,752
Long-lived assets:				
Premises and equipment, net	7,096	653	-	7,749

(In thousands of US$)	Panama	United States of America	Cayman Islands	Total
	2008			
Interest income	221,351	19,407	3,485	244,243
Interest expense	(152,665)	(11,435)	(2,296)	(166,396)
Net interest income	68,686	7,972	1,189	77,847
Long-lived assets:				
Premises and equipment, net	7,156	814	-	7,970

(In thousands of US$)	Panama	United States of America	Cayman Islands	Total
	2007			
Interest income	226,218	29,064	9,587	264,869
Interest expense	(167,448)	(22,654)	(4,197)	(194,299)
Net interest income	58,770	6,410	5,390	70,570
Long-lived assets:				
Premises and equipment, net	9,242	934	-	10,176

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries (the "Bank") as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2009 of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries and our report dated March 15, 2010 expressed an unqualified opinion on those financial statements.

Deloitte

March 15, 2010
Panama, Republic of Panama

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