



BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
AND SUBSIDIARIES

With Report of Independent Registered Public Accounting Firm

Consolidated Financial Statements

Years ended December 31, 2008 and 2007

Independent Auditors' Report and Consolidated Financial Statements 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 Exportaciones, S.A.

We have audited the accompanying consolidated balance sheets of Banco Latinoamericano de Exportaciones, S.A. and subsidiaries (the “Bank”) as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders’ equity, comprehensive income and cash flows for the years then ended. 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. The consolidated financial statements of the Bank for the year ended December 31, 2006, were audited by other auditors whose report, dated February 28, 2007, expressed an unqualified opinion on those statements.

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 Exportaciones, S.A. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, in 2008 the Bank’s subsidiary, Bladex Offshore Feeder Fund, began to account for its investment in the Bladex Capital Growth Fund using the specialized accounting for investment companies in the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies. The Bank maintained this specialized accounting in its consolidated financial statements. This change was accounted for as a change in reporting entity on a retrospective basis, adjusting the 2007 and 2006 financial statements for the change.

Deloitte.

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, 2008, 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 16, 2009 expressed an adverse opinion on the Bank's internal control over financial reporting because of a material weakness.

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

A handwritten signature in cursive script that reads "Deloitte".

March 16, 2009
Panama, Republic of Panama

Banco Latinoamericano de Exportaciones, S. A. and Subsidiaries

Consolidated balance sheets

December 31, 2008 and 2007

(in US\$ thousand, except per share amounts)

	Notes	2008	2007
Assets			
Cash and due from banks	4,23	11,474	596
Interest-bearing deposits in banks (including pledged deposits of \$75,004 in 2008 and \$5,500 in 2007)	4,23	889,119	400,932
Trading assets (including pledged assets of \$21,965 in 2008)	5,23	44,939	-
Securities available for sale (including pledged securities of \$479,724 in 2008 and \$322,926 in 2007)	6,23	607,918	468,360
Securities held to maturity (market value of \$28,144 in 2008) (including pledged securities of \$28,410 in 2008)	6,23	28,410	-
Investment fund	7,23	150,695	81,846
Loans	8,23	2,618,643	3,731,838
Less:			
Allowance for loan losses	9,23	54,648	69,643
Unearned income and deferred fees		<u>4,689</u>	<u>5,961</u>
Loans, net		<u>2,559,306</u>	<u>3,656,234</u>
Customers' liabilities under acceptances	23	1,375	9,104
Premises and equipment (net of accumulated depreciation and amortization of \$11,594 in 2008 and \$9,704 in 2007)	10	7,970	10,176
Accrued interest receivable	23	46,319	62,375
Derivative financial instruments used for hedging - receivable	21,23	7,777	122
Other assets	11	<u>7,376</u>	<u>8,826</u>
Total assets	3	<u>4,362,678</u>	<u>4,698,571</u>
Liabilities and stockholders' equity			
Deposits:	12,23		
Noninterest-bearing - Demand		718	890
Interest-bearing - Demand		112,304	110,606
Time		<u>1,056,026</u>	<u>1,350,875</u>
Total deposits		<u>1,169,048</u>	<u>1,462,371</u>
Trading liabilities	5,23	14,157	13
Securities sold under repurchase agreements	4,5,6,13,23	474,174	283,210
Short-term borrowings	14,23	738,747	1,221,500
Borrowings and long-term debt	15,23	1,204,952	1,010,316
Acceptances outstanding	23	1,375	9,104
Accrued interest payable	23	32,956	38,627
Derivative financial instruments used for hedging - payable	21,23	91,897	16,899
Reserve for losses on off-balance sheet credit risk	9	30,724	13,727
Other liabilities		<u>25,635</u>	<u>30,553</u>
Total liabilities	3	<u>3,783,665</u>	<u>4,086,320</u>
Commitments and contingent liabilities	11,19,20,21,24		
Minority interest in the investment fund		4,689	-
Stockholders' equity:	16,17,18,22,25		
Class "A" common stock, no par value, assigned value of \$6.67 (Authorized 40,000,000; outstanding 6,342,189)		44,407	44,407
Class "B" common stock, no par value, assigned value of \$6.67 (Authorized 40,000,000; outstanding 2,617,784 in 2008 and 2,660,847 in 2007)		21,241	21,528
Class "E" common stock, no par value, assigned value of \$6.67 (Authorized 100,000,000; outstanding 27,453,115 in 2008 and 27,367,113 in 2007)		214,332	214,045
Additional paid-in capital in excess of assigned value of common stock		135,577	135,142
Capital reserves		95,210	95,210
Retained earnings		268,435	245,348
Accumulated other comprehensive loss	6,22	(72,115)	(9,641)
Treasury stock	16	<u>(132,763)</u>	<u>(133,788)</u>
Total stockholders' equity		<u>574,324</u>	<u>612,251</u>
Total liabilities and stockholders' equity		<u>4,362,678</u>	<u>4,698,571</u>

The accompanying notes are part of these consolidated financial statements.

Banco Latinoamericano de Exportaciones, S. A. and Subsidiaries

Consolidated statements of income

Years ended December 31, 2008, 2007 and 2006

(in US\$ thousand, except per share amounts)

	Notes	2008	2007	2006
Interest income:				
Deposits with banks		7,574	12,729	6,035
Trading assets		648	-	-
Investment securities:				
Available-for-sale		31,745	19,595	16,780
Held-to-maturity		746	1,337	5,985
Investment fund		3,485	9,587	8,748
Loans		<u>200,045</u>	<u>221,621</u>	<u>165,802</u>
Total interest income		<u>244,243</u>	<u>264,869</u>	<u>203,350</u>
Interest expense:				
Deposits		44,364	70,443	56,611
Investment fund		2,296	4,197	4,639
Short-term borrowings		63,239	70,244	55,000
Borrowings and long-term debt		<u>56,497</u>	<u>49,415</u>	<u>28,263</u>
Total interest expense		<u>166,396</u>	<u>194,299</u>	<u>144,513</u>
Net interest income		77,847	70,570	58,837
Reversal (provision) for loan losses	9	<u>18,540</u>	<u>(11,994)</u>	<u>(11,846)</u>
Net income, after reversal (provision) for loan losses		<u>96,387</u>	<u>58,576</u>	<u>46,991</u>
Other income (expense):				
Reversal (provision) for losses on off-balance sheet credit risk	9	(16,997)	13,468	24,891
Fees and commissions, net		7,252	5,555	6,393
Derivative financial instrument and hedging	21	9,956	(989)	(225)
Recoveries on assets, net of impairments	6,11	(767)	(500)	5,551
Net gain (loss) from investment fund trading		21,357	23,878	1,091
Net gain (loss) from trading securities	13	(20,998)	(12)	(212)
Net gain on sale of securities available-for-sale	6	67	9,119	2,568
Gain (loss) on foreign currency exchange		(1,596)	115	(253)
Other income (expense), net		<u>656</u>	<u>(6)</u>	<u>36</u>
Net other income (expense)		<u>(1,070)</u>	<u>50,628</u>	<u>39,840</u>
Operating expenses:				
Salaries and other employee expenses		20,227	22,049	16,826
Depreciation, amortization and impairment of premises and equipment	10	3,720	2,555	1,406
Professional services		3,765	3,181	2,671
Maintenance and repairs		1,357	1,188	1,000
Expenses from the investment fund		2,065	381	-
Other operating expenses		<u>8,856</u>	<u>7,673</u>	<u>7,026</u>
Total operating expenses		<u>39,990</u>	<u>37,027</u>	<u>28,929</u>
Income before participation of the minority interest in gains of the investment fund		55,327	72,177	57,902
Participation of the minority interest in gains of the investment fund		<u>(208)</u>	<u>-</u>	<u>-</u>
Net income		<u>55,119</u>	<u>72,177</u>	<u>57,902</u>
Basic earnings per share		<u>1.51</u>	<u>1.99</u>	<u>1.56</u>
Diluted earnings per share		<u>1.51</u>	<u>1.98</u>	<u>1.54</u>
Average basic shares	18	<u>36,388</u>	<u>36,349</u>	<u>37,065</u>
Average diluted shares	18	<u>36,440</u>	<u>36,414</u>	<u>37,572</u>

The accompanying notes are part of these consolidated financial statements.

Banco Latinoamericano de Exportaciones, S. A. and Subsidiaries

Consolidated statements of changes in stockholders' equity

Years ended December 31, 2008, 2007 and 2006

(in US\$ thousand)

	Common stock	Additional paid-in capital	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balances at January 1, 2006	279,979	134,340	95,210	212,916	619	(106,282)	616,782
Net income	-	-	-	57,902	-	-	57,902
Other comprehensive income	-	-	-	-	2,709	-	2,709
Compensation cost - indexed stock option plan	-	606	-	-	-	-	606
Issuance of restricted stock	-	-	-	(49)	-	144	95
Exercised stock options pursuant to compensation plan	-	-	-	(14)	-	27	13
Repurchase of Class "E" common stock	-	-	-	-	-	(28,657)	(28,657)
Difference in fractional shares in conversion of common stocks	1	(1)	-	-	-	-	-
Dividends declared	-	-	-	(65,555)	-	-	(65,555)
Balances at December 31, 2006	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 option plan	-	1,130	-	-	-	-	1,130
Issuance of restricted stock	-	(644)	-	-	-	531	(113)
Exercised stock options pursuant to compensation plan	-	(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
Other comprehensive loss	-	-	-	-	(62,474)	-	(62,474)
Compensation cost - stock option and restricted stock unit plans	-	1,033	-	-	-	-	1,033
Issuance of restricted stock	-	(484)	-	-	-	745	261
Exercised stock options pursuant to compensation plan	-	(114)	-	-	-	280	166
Dividends declared	-	-	-	(32,032)	-	-	(32,032)
Balances at December 31, 2008	<u>279,980</u>	<u>135,577</u>	<u>95,210</u>	<u>268,435</u>	<u>(72,115)</u>	<u>(132,763)</u>	<u>574,324</u>

The accompanying notes are part of these consolidated financial statements.

Banco Latinoamericano de Exportaciones, S. A. and Subsidiaries

Consolidated statements of comprehensive income (loss)

Years ended December 31, 2008, 2007 and 2006

(in US\$ thousand)

	Notes	2008	2007	2006
Net income:		55,119	72,177	57,902
Other comprehensive income (loss):				
Unrealized gains (losses) on securities available-for-sale:				
Unrealized gains (losses) arising from the year	22	(58,453)	(1,912)	5,349
Less: Reclassification adjustments for gains included in net income	6,22	<u>(67)</u>	<u>(9,119)</u>	<u>(2,568)</u>
Net change in unrealized gains (losses) on securities available-for-sale		<u>(58,520)</u>	<u>(11,031)</u>	<u>2,781</u>
Unrealized losses on derivative financial instruments:				
Unrealized losses arising from the year	22	(2,433)	(2,081)	(72)
Less: Reclassification adjustments for net (gains) losses included in net income	22	<u>(1,521)</u>	<u>143</u>	<u>-</u>
Net change in unrealized losses on derivative financial instruments		<u>(3,954)</u>	<u>(1,938)</u>	<u>(72)</u>
Other comprehensive income (loss)		<u>(62,474)</u>	<u>(12,969)</u>	<u>2,709</u>
Comprehensive income (loss)		<u>(7,355)</u>	<u>59,208</u>	<u>60,611</u>

The accompanying notes are part of these consolidated financial statements.

Banco Latinoamericano de Exportaciones, S. A. and Subsidiaries

Consolidated statements of cash flows

Years ended December 31, 2008, 2007 and 2006

(in US\$ thousand)

	2008	2007	2006
Cash flows from operating activities:			
Net income	55,119	72,177	57,902
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Activities of derivative financial instruments and hedging	30,198	1,258	312
Depreciation and amortization of premises and equipment	3,720	2,555	1,406
Provision (reversal) for loan losses	(18,540)	11,994	11,846
Provision (reversal) for losses on off-balance sheet credit risk	16,997	(13,468)	(24,891)
Impairment loss on assets	767	500	-
Net gain on sale of securities available-for-sale	(67)	(9,119)	(2,568)
Compensation cost - stock options plans	1,033	1,130	606
Issuance of restricted stock	261	(113)	95
Deferred compensation awards	-	-	13
Exercised stock options pursuant to compensation plan	15	-	-
Amortization of premiums and discounts on investments	12,115	6,268	4,748
Net decrease (increase) in operating assets:			
Trading assets	(1,355)	-	-
Investment fund	(68,849)	23,353	(105,199)
Accrued interest receivable	16,056	(9,887)	(22,234)
Other assets	683	(2,583)	4,552
Net increase (decrease) in operating liabilities:			
Trading liabilities	14,144	13	-
Accrued interest payable	(5,671)	11,332	12,559
Other liabilities	(6,088)	3,631	2,100
Net cash provided by (used in) operating activities	<u>50,538</u>	<u>99,041</u>	<u>(58,753)</u>
Cash flows from investing activities:			
Net increase in pledged interest bearing deposits	(69,504)	-	(500)
Net decrease (increase) in loans	1,089,851	(864,971)	(384,433)
Proceeds from the sale of loans	25,617	121,824	12,500
Net acquisition of premises and equipment	(1,514)	(1,595)	(9,289)
Proceeds from the redemption of securities available-for-sale	58,074	19,074	20,000
Proceeds from the maturity of securities held-to-maturity	-	125,000	9,000
Proceeds from the sale of securities available-for-sale	229,877	578,697	129,731
Purchases of investment securities	(536,880)	(716,472)	(419,143)
Net cash provided by (used in) investing activities	<u>795,521</u>	<u>(738,443)</u>	<u>(642,134)</u>
Cash flows from financing activities:			
Net increase (decrease) in due to depositors	(293,323)	406,094	9,659
Net (decrease) increase in short-term borrowings and securities sold under repurchase agreements	(291,789)	(90,894)	834,905
Proceeds from borrowings and long-term debt	631,099	613,126	133,680
Repayments of borrowings and long-term debt	(436,463)	(161,670)	(108,680)
Dividends paid	(30,862)	(29,713)	(63,364)
Proceeds from the minority interest in the investment fund	4,689	-	-
Redemption of redeemable preferred stock	-	-	(3,216)
Exercised stock options	151	160	-
Repurchase of common stock	-	-	(28,657)
Net cash provided by (used in) financing activities	<u>(416,498)</u>	<u>737,103</u>	<u>774,327</u>
Net increase in cash and cash equivalents	429,561	97,701	73,440
Cash and cash equivalents at beginning of the year	396,028	298,327	224,887
Cash and cash equivalents at end of the year	<u>825,589</u>	<u>396,028</u>	<u>298,327</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	<u>172,067</u>	<u>183,521</u>	<u>130,829</u>

The accompanying notes are part of these consolidated financial statements.

Banco Latinoamericano de Exportaciones, S. A. and Subsidiaries

Notes to consolidated financial statements

1. Organization

Banco Latinoamericano de Exportaciones, S. A. ("Bladex Head Office" and together with its subsidiaries "Bladex" or the "Bank"), headquartered in Panama City, Republic of Panama, is a specialized supranational bank established to finance trade in Latin America and the Caribbean (the "Region"). The Bank was established pursuant to a May, 1975 proposal presented to the 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.

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 consolidated 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").
 - 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 owned 96.89% at December 31, 2008, and 100% at December 31, 2007. 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 was 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 securities, 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.
- 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, primarily 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.

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 thousands of dollars of the United States 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.

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. In 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 and the Feeder, and thereby Bladex indirectly, consolidates its participation in the Master utilizing the specialized accounting in the American Institute of Certified Public Accountants ("AICPA") Audit and Accounting Guide for Investment Companies (the "Guide").

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 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) Adoption of the specialized accounting for investment companies

Until April 30, 2008, the Feeder was a 100% subsidiary of Bladex Head Office and was a 100% owner of the Fund. Accordingly, amounts from the consolidated assets, liabilities, revenues and expenses of the Fund were reported in the respective line items of the consolidated balance sheet and statement of income of the Feeder, and ultimately of the Bank.

In April 2008, the Feeder was registered with CIMA under the Mutual Funds Law of the Cayman Islands. Since May 1, 2008, the Feeder began receiving third party investments. Since that date, the Feeder began accounting for its investments in the Fund as an investment company, in accordance with the Guide. 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 within the Guide 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 Emerging Issues Task Force ("EITF") 85-12, "Retention of Specialized Accounting for Investments in 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 "Minority 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, and realized and unrealized gains and losses in the "Net gain (loss) from investment fund trading" line item. Expenses from the Fund are reported in "Expenses from the investment fund" line item in the consolidated statements of income. As this treatment, adopted in 2008, is considered a change in reporting entity, for comparative purposes, the financial statements as of and for the years ended December 31, 2007 and 2006 have been adjusted to apply the treatment retrospectively.

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.

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 reporting period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowances for credit losses, impairment losses on assets, 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, less deposits pledged.

g) Repurchase agreements

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

Transactions similar to secured financing that do not meet certain criteria of Statement of Financial Accounting Standards ("SFAS") 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities", to be accounted for as secured financing, are recorded as a sale of the transferred security with a forward obligation to repurchase the financial instrument. The forward repurchase obligation is accounted for as a financial derivative instrument and is recorded at fair value in the consolidated balance sheet with changes in the fair value recorded in gains (losses) 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 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. 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 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 the accumulated other comprehensive income (loss) in the stockholders' equity until they are realized. Realized gains and losses from the sales 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 accretion of 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 a loss is 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, and the intent and ability of the Bank to retain the security for a sufficient period of time to allow for an anticipated recovery in market value. If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to its fair value, and a loss is recognized through earnings as impairment loss on assets. 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) 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. Impairment of these investments is evaluated periodically and declines that are determined to be other-than-temporary are charged to earnings as impairment on assets.

k) Loans

Loans are reported at their principal outstanding amounts net of unearned income, deferred fees and allowance for loan losses. Interest income is recognized as accrued. 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 impaired and placed on a cash (non-accrual) basis when interest or principal is past due for 90 days or more, or before if the Bank's management determines that the ultimate collection of principal or interest is doubtful. Factors considered by the Bank's management in determining impairment include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence. Any interest receivable is reversed and charged-off against current year's earnings. Interest on non-accruing loans is only recorded as earned when collected. Non-accruing loans are returned to an accrual status when (1) all contractual principal and interest amounts are 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 in amount, maturity or interest rate is granted to the borrower due to the deterioration in its financial condition. Marketable securities received in exchange for loans under debt restructurings are initially recorded at fair value, with any gain or loss recorded as recovery or charge to the allowance, and are subsequently accounted for as securities available-for-sale.

Transfers of financial assets, primarily loans, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank 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.

l) Allowance for credit losses

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

The allowance for 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 collateral value of observable market price) of the credit is lower than the carrying value of that credit. The formula-based component covers the Bank's performing credit portfolio and is established based in a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative judgment. The statistical calculation is a product of internal risk classifications, probabilities of default and loss given default. The probability of default is supported by Bladex's historical portfolio performance complemented by probabilities of default provided by external sources for higher risk cases, in view of the greater robustness of this external data for such cases. The loss given default 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 during an eight-year period, 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 judgement and historical loss experience on a case-by-case basis.

m) Fair value of guarantees including indirect indebtedness of others

The Bank recognizes 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.

n) 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.

o) 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 Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". These costs consist of payments made to third parties related to the use of licenses and installation of both, software and hardware. 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.

p) 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.

q) Cash and stock-based compensation plan

The Bank applies SFAS 123 (R) "Share-Based Payment" to account for compensation costs on restricted stock and stock option plans. Compensation cost is based on the grant date fair value of both stocks 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 stocks are exercised, the Bank's policy is to reissue shares from treasury stock.

r) Derivative financial instruments and hedge accounting

The Bank uses derivative financial instruments for its management of interest rate and foreign exchange risks, which represent the majority of the Bank's derivatives, as well as for trading purposes. The accounting for changes in value of a derivative depends on whether the contract is for trading purposes or has been designated and qualifies for hedge accounting.

Derivatives held for trading purposes include credit default swaps used for risk management purposes that do not qualify for hedge accounting. The fair value of trading derivatives is reported as trading assets and trading liabilities, as applicable. Changes in realized and unrealized gains and losses and interest flows from these trading instruments are included in 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 as fair value hedge are reported as other assets and other liabilities and hedge accounting is applied. In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. Each derivative must be designated as a hedge, with documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, as well as how effectiveness will be assessed prospectively and retrospectively. The extent to which a hedging instrument is effective at achieving offsetting changes in fair value or cash flows must be assessed at least quarterly. Any ineffectiveness must be reported in current-period earnings. The Bank discontinues hedge accounting prospectively in the following situations:

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

The Bank carries all derivatives in the 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 other comprehensive income 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 financial instruments and hedging. If the cash flow hedge relationship is terminated, related amounts in other comprehensive income are reclassified into earnings when hedged cash flows occur.

s) 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 translating monetary assets and liabilities into the U.S. dollar are included in earnings.

t) Income taxes

- Bladex Head Office is exempt from payment of income taxes in Panama in accordance with its Constitutive Law that grants special benefits, including the total exemption of income tax payment.
- 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 Ltd. is subject to income taxes in Brazil.
- The New York Agency and Bladex's subsidiaries incorporated in the USA are subject to USA federal and local taxation 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.

u) Minority interest in the investment fund

The Bank reports the noncontrolling interest in the Feeder between liabilities and stockholders' equity. The minority interest in the Feeder represents the participation of other investors in the net assets of the Feeder.

v) Earnings per share

Basic earnings per share is computed by dividing the income available to common stockholders (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year. Diluted earnings per share measures performance incorporating the effect that potential common shares, such as stock options 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.

w) Recently issued accounting standards

At the end of 2007 and during 2008, the following new accounting standards, modifications and interpretations to standards have been issued that 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:

SFAS 141 (R) – Business Combinations

SFAS 141 (R) modifies the accounting for business combinations and requires, with limited exceptions, the acquirer in a business combination to recognize all assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date fair value. This statement is effective for financial statements issued for fiscal years and interim periods beginning on or after December 15, 2008. With respect to the effect of income taxes, for business combinations in which the acquisition date was before the effective date of this statement, the acquirer shall apply the requirements of SFAS 109, "Accounting for Income Taxes", as amended by this statement, except for (i) changes in the valuation allowance for acquired deferred taxes by the acquirer and (ii) changes in acquired income tax positions in accordance with FASB Interpretation No. 48. Early adoption is prohibited. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

SFAS 160 – Noncontrolling Interests in Consolidated Financial Statements

SFAS 160 amends Accounting Research Bulletin ("ARB") 51, "Consolidated Financial Statements", to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The objective of this statement is to improve the relevance, comparability, and transparency of the financial information that an entity provides in its consolidated financial statements. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as stockholders' equity. This statement is effective for financial statements issued for fiscal years and interim periods beginning on or after December 15, 2008. Its early adoption is prohibited; however, the presentation and disclosure requirements shall be applied retrospectively for all periods presented. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

SFAS 161 – Disclosures about Derivative Instruments and Hedging Activities

SFAS 161 amends and expands the disclosure requirements of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", with the intention to provide users of financial statements a better understanding of derivative instruments and how those instruments affect the financial position, performance and cash flows of the Bank. In order to meet those objectives, SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives instruments; quantitative disclosures about fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features related to derivative agreements. This statement is effective for financial statements issued for fiscal years and interim periods beginning on or after November 15, 2008. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

FASB Staff Position ("FSP") FAS 157-2 – Effective Date of FASB Statement No. 157

This FSP delays the effective date of SFAS 157, "Fair Value Measurements", for nonfinancial assets and liabilities. The delay is intended to allow the Board and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of SFAS 157. This FSP defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

FSP FAS 140-3 – Accounting for Transfers of Financial Assets and Repurchase Financing Transactions

The objective of this FSP is to provide guidance on accounting for a transfer of a financial asset and a repurchase financing. This FSP presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under SFAS 140. However, if certain criteria are met, the initial transfer and repurchase financing shall not be evaluated as a linked transaction and shall be evaluated separately under SFAS 140. This FSP is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Earlier application is not permitted. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

FSP FAS 142-3 – Determination of the Useful Life of Intangible Assets

This FSP applies to all assets accounted for in accordance with SFAS 142, "Goodwill and Other Intangible Assets". The objective of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141, "Business Combinations", and other generally accepted accounting principles. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

FSP APB 14-1 – Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)

This FSP clarifies that convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, are not addressed by paragraph 12 of Accounting Principles Board Opinion (“APB”) 14, “Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants”. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity’s non-convertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

FSP EITF 03-6-1 – Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities

The guidance in this FSP applies to the calculation of earnings per share under SFAS 128, “Earnings per Share”, for share-based payment awards with rights to dividends or dividend equivalents. This guidance addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents shall be included in the computation of EPS. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early application is not permitted; however, all prior-period EPS data presented shall be adjusted retrospectively to conform with the provisions of this FSP. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

3. Change in the reporting entity

As discussed in Note 2d, beginning May 1, 2008, the Feeder is classified as an investment company, for which it accounts for its investment in the Fund using the specialized accounting as required by the Guide, which resulted in a change in reporting entity. Amounts reported in the consolidated balance sheet as of December 31, 2007, and income and expense amounts in the consolidated statements of income, and consolidated cash flows statements for the years ended December 31, 2007 and 2006 have been adjusted to include the effects of applying the Guide retrospectively, in accordance with SFAS 154, “Accounting Changes and Error Corrections”. The Bank believes that the adoption of this accounting change with respect to the manner the Feeder presents its consolidation of the Fund is consistent with industry practice, resulting in a more appropriate presentation for investors. This presentation results in financial statements focused on the net assets of investment companies, which present the fair value of underlying investment instruments. This change improves the relevance, comparability and transparency of the financial information provided in the consolidated financial statements related to the Bank and Feeder business operations.

In the years 2007 and 2006, the Feeder consolidated, line by line, all assets and liabilities of the Fund. The change, effective May 2008, results in the Feeder accounting for its investment in the Fund in a single line item in the balance sheet, which corresponds to its share in the net assets of the Fund, regardless of the level of the Feeder’s interest in the Fund.

The adjustments had no impact in the net income or earnings per share reported in the years 2007 and 2006, although the presentation of income and expenses related to the Fund have been reclassified to conform to the presentation of 2008. Following totals of assets and liabilities in the consolidated balance sheet and totals in the consolidated statements of cash flows for the years 2007 and 2006 have been adjusted to apply the Guide retrospectively:

<u>Balance Sheet – 2007</u>	<u>As Originally Reported</u>	<u>As Adjusted</u> <i>(In thousands of US\$)</i>	<u>Effect of Change</u>
Total assets	4,790,532	4,698,571	(91,961)
Total liabilities	4,178,281	4,086,320	(91,961)

<u>Statement of Cash Flows – Year 2007</u>	<u>As Originally Reported</u>	<u>As Adjusted</u> <i>(In thousands of US\$)</i>	<u>Effect of Change</u>
Net cash provided by operating activities	<u>146,754</u>	<u>99,041</u>	<u>(47,713)</u>
Net cash used in investing activities	<u>(764,281)</u>	<u>(738,443)</u>	<u>25,838</u>
Net increase in cash and cash equivalents	119,576	97,701	(21,875)
Cash and cash equivalents at beginning of the year	<u>298,695</u>	<u>298,327</u>	<u>(368)</u>
Cash and cash equivalents at end of the year	<u>418,271</u>	<u>396,028</u>	<u>(22,243)</u>

Statement of Cash Flows – Year 2006	As Originally Reported	As Adjusted <i>(In thousands of US\$)</i>	Effect of Change
Net cash provided by (used in) operating activities	<u>(30,415)</u>	<u>(58,753)</u>	<u>(28,338)</u>
Net cash used in investing activities	<u>(670,104)</u>	<u>(642,134)</u>	<u>27,970</u>
Net increase in cash and cash equivalents	73,808	73,440	(368)
Cash and cash equivalents at beginning of the year	<u>224,887</u>	<u>224,887</u>	-
Cash and cash equivalents at end of the year	<u>298,695</u>	<u>298,327</u>	<u>(368)</u>

4. Cash and cash equivalents

Cash and cash equivalents are as follows:

	December 31,	
	2008	2007
<i>(In thousands of US\$)</i>		
Cash and due from banks	11,474	596
Interest bearing deposits in banks	<u>889,119</u>	<u>400,932</u>
Total	900,593	401,528
Less:		
Pledged deposits	<u>75,004</u>	<u>5,500</u>
	<u>825,589</u>	<u>396,028</u>

On December 31, 2008 and 2007, the Agency of New York had a pledged deposit with a carrying value of \$5.5 million, with the State of New York Banking Department, as required by law since March 1994. As of December 31, 2008 the Bank has pledged deposits of \$69.5 million to secure securities sold under repurchase agreements and derivative financial instruments.

5. Trading assets and liabilities

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

	December 31,	
	2008	2007
<i>(In thousands of US\$)</i>		
Trading assets:		
Sovereign bonds	21,965	-
Forward repurchase agreements	16,088	-
Retained interest on repurchase agreements	<u>6,886</u>	<u>-</u>
Total	<u>44,939</u>	<u>-</u>
Trading liabilities:		
Interest rate swaps	14,066	-
Credit default swap	<u>91</u>	<u>13</u>
Total	<u>14,157</u>	<u>13</u>

Forward repurchase agreements correspond to derivative financial instruments from transactions of securities sold under repurchase agreements accounted for as sales based on SFAS 140 (see Notes 2(g) and 13).

During 2008, the Bank transferred sovereign 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 financing.

Trading liabilities include interest rate swaps in U.S. dollars that hedged securities available-for-sale that were subsequently transferred under repurchase agreements. The Bank discontinued hedge accounting prospectively at the transfer date of these investments, and reports these interest rate swaps as trading derivatives (see Note 13).

6. 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, 2008			
<i>(In thousands of US\$)</i>	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	<u>14,973</u>	<u>252</u>	<u>-</u>	<u>15,225</u>
	114,098	1,201	6,058	109,241
Government 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	<u>24,999</u>	<u>1</u>	<u>-</u>	<u>25,000</u>
	<u>516,542</u>	<u>3,022</u>	<u>20,887</u>	<u>498,677</u>
Total	<u>630,640</u>	<u>4,223</u>	<u>26,945</u>	<u>607,918</u>
	December 31, 2007			
<i>(In thousands of US\$)</i>	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	67,971	78	660	67,389
Chile	42,849	-	549	42,300
Panama	<u>20,019</u>	<u>669</u>	<u>-</u>	<u>20,688</u>
	130,839	747	1,209	130,377
Government debt:				
Argentina	19,546	22	28	19,540
Brazil	59,464	1,897	18	61,343
Colombia	123,084	2,797	206	125,675
Dominican Republic	13,093	-	182	12,911
El Salvador	10,984	-	84	10,900
Mexico	27,045	-	89	26,956
Panama	50,008	1,462	112	51,358
Peru	<u>29,291</u>	<u>24</u>	<u>15</u>	<u>29,300</u>
	<u>332,515</u>	<u>6,202</u>	<u>734</u>	<u>337,983</u>
Total	<u>463,354</u>	<u>6,949</u>	<u>1,943</u>	<u>468,360</u>

At December 31, 2008 and 2007, securities available-for-sale with a carrying value of \$480 million and \$323 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:

<i>(In thousands of US\$)</i>	December 31, 2008					
	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
Government debt	<u>270,757</u>	<u>18,588</u>	<u>7,377</u>	<u>2,299</u>	<u>278,134</u>	<u>20,887</u>
	<u>323,662</u>	<u>24,355</u>	<u>12,401</u>	<u>2,590</u>	<u>336,063</u>	<u>26,945</u>

<i>(In thousands of US\$)</i>	December 31, 2007					
	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	68,244	1,107	30,495	102	98,739	1,209
Government debt	<u>113,093</u>	<u>706</u>	<u>15,962</u>	<u>28</u>	<u>129,055</u>	<u>734</u>
	<u>181,337</u>	<u>1,813</u>	<u>46,457</u>	<u>130</u>	<u>227,794</u>	<u>1,943</u>

Gross unrealized losses are related mainly to an overall increase in market interest rates and market credit spreads and not due to underlying credit concerns by the Bank about the issuers. The Bank has the intent, capacity and ability to hold these securities for a period of time sufficient to allow recovery of their market value. In order to do so, Bladex has built a liquidity and capital position strong enough to comply with its future disbursement requirements without having to dispose of its portfolio of investments available-for-sale. At December 31, 2008, the Bank believes that none of the securities in its investment portfolio are other-than-temporarily impaired. A government debt that has shown price declines for over twelve months relates to a counterparty whose payment performance is and continues to be sound. The Government has engaged in debt restructurings in the past on its external debt, but on terms that were voluntarily agreed with its creditors. The price of the bonds in question has seen a significant recovery after December 31, 2008. As a result, the Bank does not consider this exposure to be other-than-temporarily impaired.

During 2006 the Bank collected impaired securities for \$5.6 million which had been charged to earnings in prior years. These recoveries were recorded in earnings as recoveries on assets.

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

<i>(In thousands of US\$)</i>	Year ended December 31,		
	2008	2007	2006
Gains	2,173	9,550	2,568
Losses	<u>(2,106)</u>	<u>(431)</u>	<u>-</u>
Net	<u>67</u>	<u>9,119</u>	<u>2,568</u>

Losses on securities available-for-sale during 2008 are mainly the result of transactions of securities sold under repurchase agreements accounted for as sales at the transfer date of those securities (see Note 13).

An analysis of realized losses is described below:

<i>(In thousands of US\$)</i>	Year ended December 31,		
	2008	2007	2006
Realized losses on sale of securities available-for-sale	(79)	(431)	-
Realized losses for transfers of securities under repurchase agreements accounted for as sales (see Note 13)	<u>(2,027)</u>	<u>-</u>	<u>-</u>
Total realized loss	<u>(2,106)</u>	<u>(431)</u>	<u>-</u>

The amortized cost and fair value of securities available-for-sale by contractual maturity at December 31, 2008, are shown in the following table:

<i>(In thousands of US\$)</i>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due within 1 year	59,889	59,906
After 1 year but within 5 years	285,855	276,023
After 5 years but within 10 years	<u>284,896</u>	<u>271,989</u>
	<u>630,640</u>	<u>607,918</u>

Securities held-to-maturity

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

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

At December 31, 2008, the contractual maturity of the securities held-to-maturity was within one year and none of the securities in this portfolio was considered other-than-temporarily impaired since such securities did not maintain significant gross unrealized losses for more than 12 months. At December 31, 2008, securities held-to-maturity with a carrying value of \$28.4 million secured repurchase agreements accounted for as secured borrowings.

7. Investment fund

The balance in the investment fund of \$150.7 million in 2008, and \$81.8 million in 2007, represent the participation of the Feeder in the net asset value (NAV) of the Fund.

At December 31, 2008, the Feeder owns 98.83% of the Fund with a total of 137,811.6 shares issued, divided in 4,320 "Class A" shares and 133,491.6 "Class B" shares. At December 31, 2007, the Feeder was the only investor of the Fund.

The Fund has issued "Class A", "Class B", "Class C" and "Class D" shares and administrative shares. "Class A" and "Class B" shares are participating shares in 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 net gains (losses) of the Fund; they are only entitled to the performance allocation. The Bank owns the Fund's administrative shares.

The statement of assets and liabilities of the Fund as of December 31, 2008 and 2007 is as follows:

<i>(In thousands of US\$)</i>	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Cash (including pledged deposits of \$7,994 in 2008 and \$53,808 in 2007)	148,501	76,051
Deposits with related parties	-	50,273
Bonds	21,705	16,097
Shares in indexed funds	1,745	36,315
Derivative financial instruments	3,481	185
Other assets (including interest receivable for \$83 with related parties in 2007)	<u>2,200</u>	<u>45,242</u>
Total assets	177,632	224,163
Liabilities:		
Bonds sold short	11,990	31,734
Shares in indexed funds sold short	2,420	57,863
Derivative financial instruments	696	1,155
Fees payable to related parties	-	3,225
Other liabilities (including \$495 with related parties in 2007)	<u>11,831</u>	<u>1,704</u>
Total liabilities	<u>26,937</u>	<u>95,681</u>
	<u>150,695</u>	<u>128,482</u>
Less: net assets with related parties	-	<u>(46,636)</u>
Net assets	<u>150,695</u>	<u>81,846</u>

The analysis of net assets is as follows:

(In thousands of US\$, except per share amounts)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Net capital paid-in on shares of capital stock	137,992	100,000
Distributable earnings	<u>12,703</u>	<u>28,482</u>
Net assets (equivalent to \$1,085 for "Class A" shares based on 4,320 shares, and \$1,094 for "Class B" shares based on 133,492 shares in 2008; and \$1.285 based on 100,000,000 ordinary shares in 2007)	<u>150,695</u>	<u>128,482</u>

The statement of changes in net assets for 2008, 2007 and 2006 is as follows:

	<u>Year ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<i>(In thousands of US\$)</i>			
Increase (decrease) in net assets from operations:			
Net investment income (loss)	(3,629)	438	3,075
Net realized gain (loss) on investments	20,964	32,803	(4,235)
Net change in unrealized gain (loss) on investments	<u>393</u>	<u>(8,925)</u>	<u>5,326</u>
Net increase in net assets resulting from operations	17,728	24,316	4,166
Capital contributions	6,000	-	100,000
Capital redemptions	<u>(1,515)</u>	<u>-</u>	<u>-</u>
Total increase	22,213	24,316	104,166
Net assets			
Beginning of year	<u>128,482</u>	<u>104,166</u>	<u>-</u>
End of year	<u>150,695</u>	<u>128,482</u>	<u>104,166</u>

8. Loans

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

(In thousands of US\$)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Corporate	1,627,721	1,886,580
Banks:		
Private	571,665	1,485,313
State-owned	347,403	241,322
Other	<u>71,854</u>	<u>118,623</u>
Total	<u>2,618,643</u>	<u>3,731,838</u>

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

(In thousands of US\$)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Industrial	1,020,015	1,333,426
Banking and financing	924,286	1,731,961
Agricultural	332,582	271,931
Services	111,531	96,795
Other	<u>230,229</u>	<u>297,725</u>
Total	<u>2,618,643</u>	<u>3,731,838</u>

Loan maturities are summarized as follows:

(In thousands of US\$)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Maturities:		
Up to 1 month	236,679	667,612
From 1 month to 3 months	488,471	667,393
From 3 months to 6 months	315,200	572,597
From 6 months to 1 year	556,744	617,482
From 1 year to 2 years	345,471	399,655
From 2 years to 5 years	622,080	729,786
More than 5 years	<u>53,998</u>	<u>77,313</u>
	<u>2,618,643</u>	<u>3,731,838</u>

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

(In thousands of US\$)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Country:		
Argentina	150,988	263,814
Bolivia	-	5,000
Brazil	1,289,424	1,379,394
Chile	8,333	10,000
Colombia	284,901	400,458
Costa Rica	54,855	76,506
Dominican Republic	48,025	28,770
Ecuador	36,364	60,529
El Salvador	75,857	46,563
Guatemala	60,784	95,902
Honduras	44,925	48,631
Jamaica	14,678	77,401
Mexico	380,209	410,164
Nicaragua	3,993	12,616
Panama	47,495	139,720
Peru	49,812	454,226
Trinidad and Tobago	23,000	87,565
Uruguay	45,000	-
Venezuela	-	<u>134,579</u>
	<u>2,618,643</u>	<u>3,731,838</u>

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

(In thousands of US\$)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Fixed interest rates	933,234	1,855,540
Floating interest rates	<u>1,685,409</u>	<u>1,876,298</u>
	<u>2,618,643</u>	<u>3,731,838</u>

At December 31, 2008 and 2007, 78% and 84%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

(In thousands of US\$)

	<u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Interest income collected on non-accruing loans	=	=	<u>2,721</u>

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

(In thousands of US\$)

	<u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Average balance of impaired loans during the year	=	=	<u>18,168</u>
Interest income collected on impaired loans	=	=	<u>2,721</u>

At December 31, 2008 and 2007, the Bank has credit transactions in the normal course of business with 20% and 18%, 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, 2008 and 2007, approximately 16% and 22%, respectively, of the outstanding loan portfolio is placed with the Bank's Class "A" and "B" stockholders and their related parties. At December 31, 2008, 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.

As of the date of the preparation of the consolidated financial statements as of December 31, 2008, the Bank, as part of its review procedures had not identified conditions of impairment regarding its loan portfolio. However, as a result of the current international financial crisis, the Bank is constantly performing evaluations of the impact in the levels of risk in the region.

During the year 2008, the Bank sold loans with a book value of \$25.6 million, with a net gain of \$54 thousand.

9. Allowance for credit losses

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

a) Allowance for loan losses:

(In thousands of US\$)

	<u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance at beginning of the year	69,643	51,266	39,448
Provision (reversal) for loan losses	(18,540)	11,994	11,846
Loan recoveries	3,545	6,434	3
Loans written-off against the allowance for loan losses	-	(51)	(31)
Balance at end of the year	<u>54,648</u>	<u>69,643</u>	<u>51,266</u>

Provision (reversal) of provision for credit losses is mostly related to changes in volume and composition of the credit portfolio. Loan recoveries relate to the Bank's non-accruing portfolio in 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\$)

	<u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance at beginning of the year	13,727	27,195	52,086
Provision (reversal) for losses on off-balance sheet credit risk	<u>16,997</u>	<u>(13,468)</u>	<u>(24,891)</u>
Balance at end of the year	<u>30,724</u>	<u>13,727</u>	<u>27,195</u>

The reserve for losses on off-balance sheet credit risk reflects the Bank's management estimate of probable losses on off-balance sheet credit risk items such as: confirmed letters of credit, stand-by letters of credit, guarantees and credit commitments (see Note 19).

10. Premises and equipment

A breakdown of cost and accumulated depreciation and amortization for premises and equipment as of December 31, 2008 and 2007 is as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
<i>(In thousands of US\$)</i>		
Land	462	462
Building and improvements	4,958	5,163
Furniture and equipment	<u>14,144</u>	<u>14,255</u>
	19,564	19,880
Less: accumulated depreciation and amortization	<u>11,594</u>	<u>9,704</u>
	<u><u>7,970</u></u>	<u><u>10,176</u></u>

In 2008, the Bank recorded impairment on a portion of a financial information system for \$968 thousand that is included in the depreciation, amortization and impairment of premises and equipment expense line.

11. Other assets

At December 31, 2008 and 2007, other assets include an equity investment in a private investment fund with a carrying value of \$1.5 million and \$2.4 million, respectively. The main objective of this fund is to generate capital gains in the long-term through the purchase of shares and convertible debt, mainly from Mexican manufacturing corporations or foreign corporations looking for establishing or expanding their operations in Mexico. During the year 2008, the Bank recorded an impairment of \$767 thousand on this investment. At December 31, 2008, the Bank is committed to invest \$1.4 million in this fund.

During 2007, the Bank wrote-off \$500 thousand related to an equity investment in a company specialized in digital solutions as its impairment was considered other-than-temporary.

12. Deposits

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

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
<i>(In thousands of US\$)</i>		
Demand	113,022	111,496
Up to 1 month	766,268	1,060,706
From 1 month to 3 months	262,443	206,889
From 3 months to 6 months	27,315	73,280
From 6 months to 1 year	-	<u>10,000</u>
	<u>1,169,048</u>	<u>1,462,371</u>

The following table presents additional information about deposits:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
<i>(In thousands of US\$)</i>		
Aggregate amounts of time deposits of \$100,000 or more	<u>1,056,026</u>	<u>1,350,875</u>
Aggregate amounts of deposits in offices outside Panama	<u>380,765</u>	<u>290,501</u>
Interest expense paid to deposits in offices outside Panama	<u>11,428</u>	<u>22,636</u>

13. Securities sold under repurchase agreements

The Bank's financing transactions under repurchase agreements amounted to \$474.2 million and \$283.2 million as of December 31, 2008 and 2007, respectively.

The Bank enters into financing transactions under repurchase agreements in order to keep its liquidity at adequate levels required to finance its operations. Through these transactions, the Bank receives cash and transfers securities to and/or places cash with counterparties as a guarantee for those financing transactions. Repurchase agreements should be accounted for in the financial statements either as sales of securities or as secured financings. SFAS 140 and related supporting literature emphasizes accounting for the form, rather than the substance of these transactions, which causes the application of SFAS 140 to become especially complex in periods of high volatility as has been observed in the financial markets recently.

Despite the transfer of assets in repurchase agreements, they qualify as secured financings if and only if 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; 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.

During 2008, the Bank entered into repurchase agreements that qualified as sales under SFAS 140. 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 a liquidity and credit crisis in the financial markets near the end of 2008. These are short-term repurchase agreements with anticipated maturity dates within the first quarter of 2009, transacted with counterparties of high repute, for which reason the Bank does not believe any difficulty exists with respect to reacquiring the securities that guaranteed these transactions. At the trade date of these agreements, the Bank transferred available-for-sale securities and received cash and rights to repurchase transferred securities at the maturity of the repurchase agreement. A summary of the repurchase agreements and their effect in the results of year 2008 is presented below:

<i>(In thousands of US\$)</i>	<u>2008</u>
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	<u>7,128</u>
Recognized loss in transfers of securities under repurchase agreements accounted for as sales	<u>(2,027)</u>

Changes in fair value of derivative financial instruments resulting from transfers of securities under repurchase agreements are reported in current year's earning in the net gain (loss) from trading securities line item. Changes in fair value of sovereign bonds reacquired in repurchase transactions, that are included in the trading portfolio, are also 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 reports them as trading derivatives. Changes in fair value of these interest rate swaps are 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:

<i>(In thousands of US\$)</i>	<u>2008</u>
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	<u>(11,219)</u>
Total changes in fair value of financial instruments resulting from transfers of securities under repurchase agreements	<u>(20,935)</u>

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

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

14. Short-term borrowings

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

(In thousands of US\$)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
At fixed interest rates:		
Advances from corporations	30,000	25,000
Advances from banks	<u>708,747</u>	<u>1,181,500</u>
	738,747	1,206,500
At floating interest rates:		
Advances from banks	-	<u>15,000</u>
Total short-term borrowings	<u>738,747</u>	<u>1,221,500</u>
Average outstanding balance during the year	<u>1,088,947</u>	<u>1,272,986</u>
Maximum balance at any month-end	<u>1,254,050</u>	<u>1,221,500</u>
Range on fixed interest rates on borrowings in U.S. dollars	<u>2.77% to 6.10%</u>	<u>4.65% to 5.82%</u>
Floating interest rate on borrowings in U.S. dollars	-	<u>5.17%</u>
Range on fixed interest rates on borrowing in Euros	<u>5.68% to 5.73%</u>	-
Floating interest rate on borrowings in Yen	<u>1.79%</u>	-
Weighted average interest rate at end of the year	<u>3.92%</u>	<u>5.31%</u>
Weighted average interest rate during the year	<u>4.21%</u>	<u>5.48%</u>

15. Borrowings and long-term debt

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

(In thousands of US\$)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Borrowings:		
At fixed interest rates with due dates from January 2009 to September 2013	138,786	235,578
At floating interest rates with due dates from June 2009 to July 2013	<u>1,022,032</u>	<u>708,690</u>
Total borrowings	<u>1,160,818</u>	<u>944,268</u>
Debt:		
At fixed interest rates with due dates in November 2014	39,134	41,048
At floating interest rates with due dates in October 2010	<u>5,000</u>	<u>25,000</u>
Total debt	<u>44,134</u>	<u>66,048</u>
Total borrowings and long-term debt outstanding	<u>1,204,952</u>	<u>1,010,316</u>
Average outstanding balance during the year	<u>1,182,065</u>	<u>808,890</u>
Maximum outstanding balance at any month-end	<u>1,330,422</u>	<u>1,059,224</u>
Range on fixed interest rates on borrowings and debt in U.S. dollars	<u>2.53% to 5.14%</u>	<u>4.20% to 5.55%</u>
Range on floating interest rates on borrowings and debt in U.S. dollars	<u>1.88% to 4.75%</u>	<u>4.91% to 6.19%</u>
Range on fixed interest rates on borrowings and debt in Mexican pesos	<u>8.20% to 9.90%</u>	<u>8.20% to 8.42%</u>
Range on floating interest rates on borrowings and debt in Mexican pesos	<u>9.58% to 9.66%</u>	-
Fixed interest rate on debt in Peruvian soles	<u>6.50%</u>	<u>6.50%</u>
Weighted average interest rate at the end of the year	<u>4.58%</u>	<u>5.75%</u>
Weighted average interest rate during the year	<u>4.65%</u>	<u>5.94%</u>

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.

During 2007 the Bank issued long-term debt for a total of 123 million Peruvian soles with maturity in November 2014. This issuance is hedged with cross currency swaps at fixed interest rate.

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, 2008, the Bank was in compliance with all covenants.

The future maturities of long-term debt and borrowings outstanding at December 31, 2008, are as follows:

(In thousands of US\$)

Due in:	Outstanding
2009	210,280
2010	470,781
2011	26,966
2012	151,846
2013	305,944
2014	<u>39,135</u>
	<u>1,204,952</u>

16. Common stock

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

- 1) Class "A"; shares may only be issued to Latin American Central Banks or banks in which the state or other government agency is the majority shareholder.
- 2) Class "B"; shares may only be issued to banks or financial institutions.
- 3) Class "E"; shares may be issued to any person whether a natural person or a legal entity.

The holders of Class "B" shares have the right to convert or exchange their Class "B" shares, at any time, and without restriction, for Class "E" shares, at a rate of one to one. On August 3, 2004, the Board of Directors authorized a three-year stock repurchase program under which Bladex may, from time to time, repurchase up to an aggregate of \$50 million of its Class "E" shares of common stock, in the open market at the prevailing market price. In July 2006, this stock repurchase program was completed at an average price of \$16.43 per share.

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the three-year period ended December 31, 2008:

<i>(Share units)</i>	Class "A"	Class "B"	Class "E"	Total
Authorized	<u>40,000,000</u>	<u>40,000,000</u>	<u>100,000,000</u>	<u>180,000,000</u>
Outstanding at January 1, 2006	6,342,189	3,214,344	28,540,242	38,096,775
Conversions	-	(488,954)	488,954	-
Restricted stock issued	-	-	5,967	5,967
Repurchased stock	-	-	(1,774,818)	(1,774,818)
Exercised stock options - compensation plans	-	-	<u>1,150</u>	<u>1,150</u>
Outstanding at December 31, 2006	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 stocks	-	(3)	-	(3)
Restricted stock issued	-	-	22,240	22,240
Exercised stock options - compensation plans	-	-	<u>18,838</u>	<u>18,838</u>
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	-	-	<u>11,693</u>	<u>11,693</u>
Outstanding at December 31, 2008	<u>6,342,189</u>	<u>2,617,784</u>	<u>27,453,115</u>	<u>36,413,088</u>

Notes to consolidated financial statements

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)

	<u>Class "A"</u>		<u>Class "B"</u>		<u>Class "E"</u>		<u>Total</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Outstanding at January 1, 2006	318,140	10,708	568,010	15,655	2,996,920	79,919	3,883,070	106,282
Repurchased during 2006	-	-	-	-	1,774,818	28,657	1,774,818	28,657
Restricted stock issued	-	-	-	-	(5,967)	(144)	(5,967)	(144)
Exercised stock options – compensation plans	-	-	-	-	(1,150)	(27)	(1,150)	(27)
Outstanding at December 31, 2006	318,140	10,708	568,010	15,655	4,764,621	108,405	5,650,771	134,768
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	<u>318,140</u>	<u>10,708</u>	<u>568,010</u>	<u>15,655</u>	<u>4,680,604</u>	<u>106,400</u>	<u>5,566,754</u>	<u>132,763</u>

17. Cash and stock-based compensation plans

The Bank established equity compensation plans under which it administers restricted stock 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 2008, the Board of Directors granted restricted stocks to Directors and stock options and restricted stock units to certain Executives of the Bank, as follows:

Restricted stocks – Directors

In July 2008, the Board of Directors granted 31,246 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 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, of which \$44 thousand were charged against income during 2008. The remaining cost pending amortization of \$431 will be amortized over 4.54 years.

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

	<u>2008</u>	
	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at January 1, 2008	-	-
Granted	31,246	\$15.20
Vested	-	-
Outstanding at December 31, 2008	<u>31,246</u>	<u>\$15.20</u>
Expected to vest	<u>31,246</u>	<u>\$15.20</u>

Restricted Stock Units and Stock Purchase Options granted to certain Executives

In February 2008, the Board of Directors granted stock purchase options and restricted stock units to certain Executives of the Bank with a grant date fair value of \$1.6 million, where \$818 thousand were granted in restricted stock units, and \$818 thousand in stock purchase options.

Restricted stock units:

The fair value of the stock units granted to certain Executives was based on the "Class E" stock closing price in the New York Stock Exchange ("NYSE") on the grant date. These stock units had a cliff vesting of four years after the grant date. In November 2008, the Board of Directors approved the modification of the vesting terms of these restricted stock units, which now vest 25% each year on the grant date's anniversary. This modification did not represent any additional compensation cost.

Compensation costs of these restricted stock units are amortized during the period of restriction. Costs charged against income during 2008 due to the amortization of this grant totaled \$178 thousand. The remaining compensation cost pending amortization of \$628 thousand will be amortized over 3.12 years.

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

	<u>Stock Units</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Weighted Average Remaining Contractual Term</u>
Outstanding at January 1, 2008	-	-	
Granted	52,982	\$15.43	
Forfeited	(756)	15.43	
Vested	<u>-</u>	-	
Outstanding at December 31, 2008	<u>52,226</u>	<u>\$15.43</u>	3.12 years
Expected to vest	<u>51,304</u>	<u>\$15.43</u>	3.12 years

Stock purchase options:

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

	<u>2008</u>
Weighted average fair value option	\$3.52
Weighted average expected terms, in years	5.50
Expected volatility	37%
Risk-free rate	2.72%
Expected dividend	4.84%

These options expire seven years after the grant date and were exercisable beginning on the fourth anniversary of the grant date. In November 2008, the Board of Directors approved the modification of the vesting terms of outstanding options granted under this plan, which vest 25% each year on the grant date's anniversary. This modification did not represent any additional compensation cost.

Related cost charged against income during 2008 as a result of the amortization of this plan amounted to \$178 thousand. The remaining compensation cost pending amortization of \$628 thousand will be amortized over a period of 3.12 years. A summary of stock options granted is presented below:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (Thousands)</u>
Outstanding at January 1, 2008	-	-		
Granted	232,403	\$15.43		
Forfeited	<u>(3,318)</u>	15.43		
Outstanding at December 31, 2008	<u>229,085</u>	<u>\$15.43</u>	6.12 years	\$-
Expected to vest	<u>225,036</u>	<u>\$15.43</u>	6.12 years	\$-

Notes to consolidated financial statements

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 may grant "Class E" shares to each Director worth \$10 thousand, and to the Chairman of the Board worth \$15 thousand. Following the amendment of this award plan, starting in 2007, the Board may grant on an annual basis Class "E" shares for each Director worth \$50 thousand, and to the Chairman of the Board worth \$75 thousand, per year. 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. The restricted stock had a cliff vesting period of five years after the grant date. During 2007 and 2006 the Bank issued under this plan 22,240 and 5,967 Class "E" common shares, respectively with a grant date fair value of \$21.35 in 2007 and \$15.90 in 2006. In November 2008, the Board of Directors approved the modification of the vesting terms of outstanding restricted shares at the modification date, which now vest as follows: 36% in 2008, 20% in 2009, 17% in 2010, 15% in 2011, and 12% in 2012. This modification did not represent any additional compensation cost.

The fair value of restricted stock granted for \$475 thousand in 2007 and \$95 thousand in 2006 are amortized during the restriction period. Related costs charged against income totaled \$217 thousand, \$118 thousand and \$65 thousand in 2008, 2007 and 2006, respectively. At December 31, 2008, the Bank had unrecognized compensation costs for \$371 thousand related to this plan that will be amortized over 3.26 years.

A summary as of December 31, 2008 of restricted stocks granted to Directors under this plan and changes during 2006, 2007 and 2008 is presented below:

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non vested at January 1, 2006	21,109	\$13.49
Granted	5,967	15.90
Vested	-	-
Non vested at December 31, 2006	27,076	14.02
Granted	22,240	21.35
Vested	<u>(4,860)</u>	12.34
Non vested at December 31, 2007	44,456	17.87
Granted	-	-
Vested	<u>(23,037)</u>	15.83
Non vested at December 31, 2008	<u>21,419</u>	<u>\$20.07</u>
Expected to vest	<u>21,419</u>	<u>\$20.07</u>

The total fair value of vested stocks during the years ended December 31, 2008 and 2007 was \$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 were exercisable beginning on the fourth anniversary of the grant date.

During 2007, the Board of Directors granted \$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 during 2008.

In November 2008, the Board of Directors approved the modification of the vesting terms of outstanding options at the modification date granted under this plan, which 25% vested in November 2008, and 25% will vest on each year on the grant date's anniversary. This modification did not represent any additional compensation cost.

Related cost charged against income as a result of the amortization of options granted under this compensation plan amounted to \$236 thousand in 2008 and \$302 thousand in 2007. The compensation cost pending amortization at December 31, 2008 for \$468 thousand will be amortized over 2.12 years. The fair value of each option granted is estimated at the grant date using the Black-Scholes option-pricing model, based on the following factors:

	<u>2007</u>
Weighted average fair value option	\$ 4.72
Weighted average expected terms, in years	5.50
Expected volatility	36%
Risk-free rate	4.81%
Expected dividend	3.54%

A summary as of December 31, 2008 of the status of the share options granted to Directors and certain Executives and changes during 2007 and 2008 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	<u>(1,059)</u>	16.34		
Outstanding at December 31, 2008	<u>207,706</u>	<u>\$16.34</u>	5.12 years	\$ -
Exercisable at December 31, 2008	<u>46,884</u>	<u>\$16.34</u>	5.12 years	<u>\$ -</u>
Expected to vest	<u>160,822</u>	<u>\$16.34</u>	5.12 years	<u>\$ -</u>

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 expired in seven years with a cliff-vesting period of four years. The exercise price is adjusted based on the change in a customized Latin American general market index. As of December 31, 2008, the Bank had remaining compensation costs pending amortization of \$258 thousand related to non-vested options granted under the plan. This cost will be recognized over a period of 1.08 years. Related costs charged against income amounted to \$440 thousand, \$828 thousand and \$635 thousand in 2008, 2007 and 2006, respectively.

In November 2008, the Board of Directors approved modifications to the indexed stock option plan; mainly updating the index used to determine the exercise price of these options, to extend their maturity dates to three more years, and to modify the terms to exercise the outstanding options at the date of the modification. As a result of this modification, the Bank recognized additional compensation costs for \$61 thousand in the year ended December 31, 2008.

The weighted average of the fair value at the grant date of indexed stock purchase options granted during the year ended December 31, 2006 was estimated using the Black-Scholes option-pricing model, based on the following factors:

	2006
Weighted average fair value option	\$ 4.67
Weighted average expected term, in years	7.00
Expected volatility	51.4%
Risk-free rate	3%
Expected dividend	6.7%

A summary as of December 31, 2008 and changes during the years 2006, 2007 and 2008 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, 2006	307,013	\$12.42		
Granted	216,710	16.00		
Forfeited	-	-		
Outstanding at December 31, 2006	523,723	14.53		
Forfeited	-	-		
Exercised	<u>(18,838)</u>	8.50		
Outstanding at December 31, 2007	504,885	14.47		
Forfeited	(26,574)	-		
Exercised	<u>(10,662)</u>	14.19		
Outstanding at December 31, 2008	<u>467,649</u>	<u>\$12.93</u>	5.90 years	\$ 668
Exercisable at December 31, 2008	<u>325,113</u>	<u>\$12.41</u>	5.75 years	<u>\$ 634</u>
Expected to be exercisable	<u>142,536</u>	<u>\$14.12</u>	6.25 years	<u>\$ 34</u>

Notes to consolidated financial statements

The intrinsic value of options exercised during the years ended December 31, 2008 and 2007 was \$41 thousand and \$228 thousand, respectively. During the years ended December 31, 2008 and 2007, the Bank received \$151 thousand and \$160 thousand, respectively, from exercised options. During the year 2006, no indexed stock options were exercised.

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, 2008 of the stock options granted and changes during 2008 of these option plans is presented below:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (Thousands)</u>
Outstanding at January 1, 2008	38,163	\$31.46		
Forfeited	(15,163)	27.63		
Expired	<u>(8,650)</u>	42.56		
Outstanding at December 31, 2008	<u>14,350</u>	<u>\$28.81</u>	1.54 years	\$-
Exercisable at December 31, 2008	<u>14,350</u>	<u>\$28.81</u>	1.54 years	\$-
Expected to be exercised	<u>-----</u>	<u>-----</u>		

F. Other employee 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 were transferred to a fund manager who manages the Plan 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 2008, 2007 and 2006, the Bank charged to salaries expense, \$241 thousand, \$175 thousand, and \$261 thousand, respectively that correspond to the Bank's contributions to this plan. As of December 31, 2008, 2007 and 2006, the accumulated liability payable amounted to \$420 thousand, \$382 thousand and \$745 thousand, respectively.

18. Earnings per share

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

(In thousands of US\$, except per share amounts)

	<u>Year ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net income available to common stockholders for both, basic and diluted EPS	55,119	72,177	57,902
Weighted average common shares outstanding - applicable to basic EPS	36,388	36,349	37,065
Basic earnings per share	<u>1.51</u>	<u>1.99</u>	<u>1.56</u>
Weighted average common shares outstanding applicable to diluted EPS	36,388	36,349	37,065
Effect of dilutive securities (1):			
Stock option and restricted stock unit plans	<u>52</u>	<u>65</u>	<u>507</u>
Adjusted weighted average common shares outstanding applicable to diluted EPS	36,440	36,414	37,572
Diluted earnings per share	<u>1.51</u>	<u>1.98</u>	<u>1.54</u>
Basic earnings per share	<u>1.51</u>	<u>1.99</u>	<u>1.56</u>
Diluted earnings per share	<u>1.51</u>	<u>1.98</u>	<u>1.54</u>

(1) At December 31, 2008, 2007, 2006, weighted average options of 943,051, 38,467, and 53,177, 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.

19. Financial instruments with off-balance sheet credit risk

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

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

(In thousands of US\$)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Confirmed letters of credit	136,539	97,211
Stand-by letters of credit and guarantees:		
Country risk	40,000	113,924
Commercial risk	180,237	197,528
Credit derivative	<u>3,000</u>	<u>3,000</u>
	223,237	314,452
Credit commitments	<u>84,019</u>	<u>129,378</u>
	<u>443,795</u>	<u>541,041</u>

As of December 31, 2008, the maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

(In thousands of US\$)

<u>Maturities</u>	<u>Amount</u>
Within 1 year	403,203
From 1 to 2 years	38,041
From 2 to 5 years	1,188
After 5 years	<u>1,363</u>
	<u>443,795</u>

As of December 31, 2008 and 2007 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

(In thousands of US\$)

	<u>2008</u>	<u>2007</u>
Country:		
Argentina	-	4,057
Brazil	150,967	220,281
Chile	83,200	590
Colombia	4,225	4,225
Costa Rica	19,553	71,871
Dominican Republic	13,923	60,601
Ecuador	86,363	81,379
El Salvador	476	1,675
Guatemala	4,578	6,293
Honduras	350	400
Jamaica	-	15,615
Mexico	2,979	11,750
Panama	15,239	10,565
Peru	-	10
Trinidad and Tobago	-	5,000
United States	-	18,616
Venezuela	61,792	27,963
Other	<u>150</u>	<u>150</u>
	<u>443,795</u>	<u>541,041</u>

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 assumed by the Bank, which receives commission income during the term of this derivative. The credit derivative matures in July 2010. As of December 31, 2008 and 2007, the fair value of this derivative instrument was \$91 thousand and \$13 thousand, respectively, and reported in trading liabilities 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.

20. Lease and other commitments

Lease commitments

At December 31, 2008, a summary of lease commitments is as follows:

	<i>(In thousands of US\$)</i>
Year	Future Rental Commitments
2009	552
2010	563
2011	515
2012	261
2013	243
Thereafter	<u>446</u>
	<u>2,580</u>

Occupancy expense for years ended December 31, 2008, 2007 and 2006, amounted to \$809 thousand, \$593 thousand, and \$637 thousand, respectively.

Other commitments

Commitments to repurchase securities sold under repurchase agreements

Repurchase agreements for \$138.2 million as of December 31, 2008 represent the amounts the Bank is committed to pay to counterparties at the maturity date of the financing contracts under repurchase agreements that have been accounted for as sales. At the maturity date of such contracts, the Bank makes a payment in exchange of the financial instrument it has repurchased (see Note 13).

21. Derivative financial instruments

At December 31, 2008 and 2007, quantitative information on derivative financial instruments held for hedging purposes is as follows:

<i>(In thousands of US\$)</i>	2008			2007		
	Nominal Amount	Fair Value		Nominal Amount	Fair Value	
		Asset	Liability		Asset	Liability
Fair value hedges:						
Interest rate swaps	446,400	-	46,379	372,996	122	13,408
Cross-currency interest rate swaps	149,924	-	34,383	4,435	-	622
Cash flow hedges:						
Interest rate swaps	20,000	-	2,178	20,000	-	1,129
Cross-currency interest rate swaps	41,020	-	6,781	41,020	-	857
Forward foreign exchange	<u>143,179</u>	<u>7,777</u>	<u>2,176</u>	<u>26,282</u>	-	<u>883</u>
Total	<u>800,523</u>	<u>7,777</u>	<u>91,897</u>	<u>464,733</u>	<u>122</u>	<u>16,899</u>
Net gain (loss) on the ineffective portion of hedging activities		<u>9,956</u>			<u>(989)</u>	

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 some 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 six years.

The Bank estimates that approximately \$190 thousand of gains reported in other comprehensive income (loss) at December 31, 2008, related to forward foreign exchange contracts were expected to be reclassified into interest expense as an adjustment to yield of hedged liabilities during the twelve-month period ending December 31, 2009.

The Bank estimates that approximately \$258 thousand of losses reported in other comprehensive income (loss) at December 31, 2008 related to forward foreign exchange contracts were expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2009.

Types of Derivative and Foreign Exchange Instruments

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. The Bank has designated a portion of these derivative instruments as fair value hedges and a portion as cash flow hedges. Cross currency interest rate 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 financial instruments as cash flow hedges.

22. Accumulated other comprehensive income (loss)

As of December 31, 2008, 2007 and 2006 the breakdown of accumulated other comprehensive income (loss) related to investment securities available-for-sale and derivative financial instruments is as follows:

<i>(In thousands of US\$)</i>	Investment Securities	Derivative Financial Instruments	Total
Balance as of January 1, 2006	619	-	619
Net unrealized gains (losses) arising from the year	5,349	(72)	5,277
Reclassification adjustment for gains included in net income ⁽¹⁾	<u>(2,568)</u>	<u>-</u>	<u>(2,568)</u>
Balance as of December 31, 2006	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⁾	<u>(9,119)</u>	<u>143</u>	<u>(8,976)</u>
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⁾	<u>(67)</u>	<u>(1,521)</u>	<u>(1,588)</u>
Balance as of December 31, 2008	<u>(66,151)</u>	<u>(5,964)</u>	<u>(72,115)</u>

(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.

23. Fair value of financial instruments

Beginning 2008, the Bank determines the fair value of its financial instruments using the fair value hierarchy established in SFAS 157, "Fair Value Measurements", 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, which are in accordance with SFAS 157. 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.

A description of the valuation methodologies used for instruments measured at fair value on a recurring basis, including the general classification of such instruments 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, securities 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 by using pricing models and quoted prices of securities with similar characteristics. 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 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

Exchange-traded derivatives that are valued using quoted prices are classified within level 1 of the fair value hierarchy. However, for those derivative contracts without quoted market prices, fair value is based on internally developed models using assumptions that are readily observable and that can be validated by information available in the market. These derivatives are classified within level 2 of the fair value hierarchy.

Adjustments for credit risk of the counterparty is applied to all derivative financial instruments where its valuation uses parameters based on interest curves based on 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, according to the requirements of SFAS 157. The methodology is consistent with the adjustments applied to generate the counterparty credit risk.

As of December 31, 2008, 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:

	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
<i>(In thousands of US\$)</i>				
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	-	<u>7,777</u>	-	<u>7,777</u>
Total assets at fair value	<u>583,243</u>	<u>228,086</u>	<u>-</u>	<u>811,329</u>
Liabilities				
Trading liabilities	-	14,157	-	14,157
Derivative financial instruments - payable	-	<u>91,897</u>	-	<u>91,897</u>
Total liabilities at fair value	<u>-</u>	<u>106,054</u>	<u>-</u>	<u>106,054</u>

SFAS 107, "Disclosures about Fair Value of Financial Instruments", requires disclosure of fair value of financial instruments including those financial instruments 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. Therefore, for substantially all financial instruments whose fair value is not measured on a recurring basis, the fair value estimates herein are not necessarily an indicative of the amounts the Bank could have realized in a sale transaction on the dates indicated. 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 equal to 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 be equal to 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 principally 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.

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:

<i>(In thousands of US\$)</i>	December 31,			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Instruments with carrying value equal to fair value	984,288	984,288	473,007	473,007
Securities held-to-maturity	28,410	28,144	-	-
Loans, net of allowance	2,559,306	2,474,606	3,656,234	3,674,978
Financial liabilities:				
Instruments with carrying value equal to fair value	1,677,553	1,677,553	1,793,311	1,793,311
Short-term borrowings	738,747	737,414	1,221,500	1,221,500
Borrowings and long-term debt	1,204,952	1,126,379	1,010,316	1,023,413

24. Litigation

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

25. Capital adequacy

The Banking Law in the Republic of Panama requires banks with general licenses to maintain capital funds equivalent to, at least, 8% of total assets and off-balance sheet contingency transactions, weighted according to their risk; and primary capital equivalent to no less than 4% of its assets and off-balance sheet contingency transactions, weighted according to their risk. As of December 31, 2008, the Bank's capital adequacy ratio is 19% which is in compliance with the capital adequacy ratios required by the Banking Law in the Republic of Panama.

26. Business segment information

The Bank's activities are operated and managed 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 SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". The segment results are determined based on the Bank's management accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable division on a systematic basis.

The 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 non-GAAP financial information provides important supplementary information to investors regarding financial and business trends relating to the Bank's financial condition and results of operations. These non-GAAP 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, for the year 2006, included significant amounts of credit provision reversals related to assets and contingencies classified as non-accruing in previous years, and which were fully collected and/or classified as accruing during 2006. During that year, the \$11.8 million in provision for loan losses included a reversal of specific reserves of \$11.2 million and a generic provision charge of \$23 million. In the same year, the \$24.9 million in reversal for losses on off-balance sheet credit risk included a reversal of specific reserves of \$9.9 million and a generic provision of \$15 million. The Bank's management considered that these credit provision reversals distorted trend analysis and, therefore, excluded the reversal (provision) for credit losses in the "net operating income (expense)" line. For 2007 and 2008, the Bank maintained this presentation for comparative purposes.

The non-GAAP measures disclosed by the Bank should not be considered a substitute for, or superior to, financial measures calculated differently from similar measure 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 all of the Fund's deposits and trading assets attributable to the investment fund. Operating income from the Asset Management Segment includes net interest income from deposits with brokers, trading assets, derivative instruments for trading, gains and losses on trading, and allocated operating expenses.

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

Business Segment Analysis ⁽¹⁾

<i>(In millions of US\$)</i>	<u>2008</u>	<u>2007</u>	<u>2006</u>
COMMERCIAL			
Interest income	200.1	221.6	165.8
Interest expense	<u>(122.0)</u>	<u>(157.1)</u>	<u>(115.1)</u>
Net interest income	78.1	64.5	50.7
Net other income ⁽²⁾	7.8	5.3	6.3
Operating expenses	<u>(27.5)</u>	<u>(27.2)</u>	<u>(23.6)</u>
Net operating income ⁽³⁾	58.4	42.6	33.4
Reversals for loans and off-balance sheet credit losses	1.5	1.5	13.0
Impairment on assets	<u>(0.8)</u>	<u>(0.5)</u>	<u>0.0</u>
Net income	59.1	43.6	46.5
Commercial assets and contingencies (end of period balances):			
Interest-earning assets ⁽⁴⁾	2,614.0	3,725.9	2,976.3
Other assets and contingencies ⁽⁵⁾	<u>443.6</u>	<u>549.5</u>	<u>653.7</u>
Total Interest-Earning Assets, Other Assets and Contingencies	3,057.6	4,275.4	3,630.0
TREASURY			
Interest income	40.7	33.6	28.8
Interest expense	<u>(37.7)</u>	<u>(27.7)</u>	<u>(21.9)</u>
Net interest income	3.0	5.9	6.9
Net other income ⁽²⁾	(12.4)	8.5	2.2
Operating expenses	<u>(6.9)</u>	<u>(4.4)</u>	<u>(3.4)</u>
Net operating income ⁽³⁾	(16.3)	10.0	5.7
Recoveries on assets	<u>0.0</u>	<u>0.0</u>	<u>5.5</u>
Net income	(16.3)	10.0	11.2
Treasury assets and contingencies (end of period of balances):			
Interest-earning assets ⁽⁶⁾	1,581.9	869.9	775.2
Other assets and contingencies ⁽⁵⁾	<u>3.0</u>	<u>3.0</u>	<u>-</u>
Total Interest-earning assets, other assets and contingencies	1,584.9	872.9	775.2
ASSET MANAGEMENT			
Interest income	3.5	9.6	8.8
Interest expense	<u>(6.7)</u>	<u>(9.5)</u>	<u>(7.6)</u>
Net interest income	(3.2)	0.1	1.2
Net other income ⁽²⁾	21.3	23.9	0.9
Operating expenses	<u>(5.6)</u>	<u>(5.5)</u>	<u>(1.9)</u>
Net operating income ⁽³⁾	12.5	18.5	0.2
Participation of the minority interest in gains of the investment fund	<u>(0.2)</u>	-	-
Net income	12.3	18.5	0.2
Fund's assets and contingencies (end of period of balances):			
Interest-earning assets ⁽⁶⁾	150.7	81.8	105.2
Non-interest-earning assets	<u>-</u>	<u>-</u>	<u>-</u>
Total interest-earning assets, other assets and contingencies	150.7	81.8	105.2

<i>(In millions of US\$)</i>	<u>2008</u>	<u>2007</u>	<u>2006</u>
TOTAL			
Interest income	244.3	264.8	203.4
Interest expense	<u>(166.4)</u>	<u>(194.3)</u>	<u>(144.6)</u>
Net interest income	77.9	70.5	58.8
Net other income ⁽²⁾	16.7	37.7	9.4
Operating expenses	<u>(40.0)</u>	<u>(37.0)</u>	<u>(28.9)</u>
Net operating income ⁽³⁾	54.6	71.2	39.3
Reversals for loans and off-balance sheet credit losses	1.5	1.5	13.0
Recoveries (impairment) on assets	(0.8)	(0.5)	5.6
Participation of the minority interest in gains of the investment fund	<u>(0.2)</u>	<u>-</u>	<u>-</u>
Net income	55.1	72.2	57.9
Total assets and contingencies (end of period balances):			
Interest-earning assets ^(4 & 6)	4,346.6	4,677.6	3,856.7
Other assets and contingencies ⁽⁵⁾	<u>446.6</u>	<u>552.5</u>	<u>653.7</u>
Total Interest-Earning Assets, Other Assets and Contingencies	<u>4,793.2</u>	<u>5,230.1</u>	<u>4,510.4</u>

- (1) The numbers set out in these tables have been rounded and accordingly may not total exactly.
- (2) The net other income excludes reversals (provisions) for loans and off-balance sheet credit losses, and recoveries on assets.
- (3) Net operating income refers to net income excluding reversals (provisions) for loans and off-balance sheet credit losses and recoveries on assets included within net other income (expense).

Reconciliation of Net other income (expense):

Net other income – business segment	16.7	37.7	9.4
Reversal (provision) for losses on off-balance sheet credit risk	(17.0)	13.4	24.9
Recoveries on assets, net of impairments	<u>(0.8)</u>	<u>(0.5)</u>	<u>5.6</u>
Net other income (expense) – consolidated financial statements	<u>(1.1)</u>	<u>50.6</u>	<u>39.9</u>

- (4) Includes loans, net of unearned income and deferred loan fees.
- (5) Includes customers' liabilities under acceptances, letters of credit and guarantees covering commercial and country risk, and credit commitments and equity investments recorded as other assets.
- (6) Includes cash and due from banks, interest-bearing deposits with banks, securities available for sale and held to maturity and trading securities.

Geographic information is as follows:

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

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

	2006			
<i>(In thousands of US\$)</i>	Panama	United States of America	Cayman Islands	Total
Interest income	170,359	24,243	8,748	203,350
Interest expense	<u>(119,868)</u>	<u>(20,005)</u>	<u>(4,640)</u>	<u>(144,513)</u>
Net interest revenue	<u>50,491</u>	<u>4,238</u>	<u>4,108</u>	<u>58,837</u>
Long-lived assets:				
Premises and equipment, net	<u>10,381</u>	<u>755</u>	<u>-</u>	<u>11,136</u>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Banco Latinoamericano de Exportaciones and subsidiaries (the “Bank”) as of December 31, 2008, 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 the accompanying Management’s Annual Report on the Assessment of 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 that 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.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment:

Policies, procedures and controls established to assess the risks over financial information related to: a) recognition as sales of securities of certain repurchase agreements in accordance with Statement of Financial Accounting Standards ("SFAS") 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", and b) the fair value measurement of financial liabilities that resulted from certain hedging derivative contracts (forward contracts) due to the adoption of SFAS 157 "Fair Value Measurements", did not identify effectively if (i) the escalating credit and liquidity crisis of international markets in late 2008 as it relates to the application of SFAS 140 and (ii) the implementation of the new accounting standard SFAS 157, impacted the effectiveness of existing policies, procedures and controls over financial information, or required changes in their design. As a result, the Bank's policies, procedures and financial controls related to the two items discussed above were not modified in response to the rapid deterioration of liquidity in the market regarding repurchase agreements with respect to SFAS 140 or designed appropriately with respect to the fair value of financial liabilities under certain hedging derivative contracts under SFAS 157, and thus were ineffective at December 31, 2008. This material weakness resulted in an audit adjustment to recognize a net charge to results in the fourth quarter of 2008 in the amount of \$12.8 million.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2008 of the Bank, and this report does not affect our report on such financial statements.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Bank has not maintained effective internal control over financial reporting as of December 31, 2008, 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, 2008 of the Bank, and our report dated March 16, 2009 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding a change in reporting entity.

The image shows the word "Deloitte" written in a cursive, handwritten style.

March 16, 2009
Panama, Republic of Panama