Bladex

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2004 and 2003

(With Independent Auditors' Report Thereon)

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KPMG
Apartado Postal 816-1089
Panamá 5, República de Panamá

Teléfono: (507) 208-0700
Fax: (507) 263-9852
Internet: www.kpmg.com.pa

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Banco Latinoamericano de Exportaciones, S. A. and subsidiaries at December 31, 2004 and 2003, and the related consolidated statements of operations, changes in stockholders' equity, comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco Latinoamericano de Exportaciones, S. A. and subsidiaries at December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

As further disclosed in Note 2 (n) and 12, the Bank changed its method of accounting for certain financial instruments with characteristics of both liabilities and equity effective July 1, 2003.

KPMG

February 1, 2005
Panama, Republic of Panama

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
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Consolidated Balance Sheets

December 31, 2004 and 2003

Assets	Note	2004	2003
Cash and due from banks	3, 20	US$ 687,248	868,018
Interest-bearing deposits with banks (including pledged certificate of deposit of US$4,200,000 and US$2,200,000 for 2004 and 2003, respectively)	3, 20	154,099,108	253,945,857
Securities purchased under agreements to resell	3, 4, 6, 20	0	132,022,050
Securities available for sale	5, 6, 20	164,871,623	48,340,618
Securities held to maturity (market value of US$28,117,000 in 2004 and US$29,790,000 in 2003)	5, 20	27,984,068	29,452,040
Loans	6, 20	2,441,685,854	2,275,031,138
Less:			
Allowance for loan losses	7	106,352,107	224,347,459
Unearned income		3,845,358	4,282,083
Loans, net		2,331,488,389	2,046,401,596
Customers' liabilities under acceptances	6, 20	32,529,977	29,006,054
Premises and equipment	8	3,508,404	4,118,848
Accrued interest receivable	20	15,448,061	10,930,756
Derivative financial instruments-assets	18, 20	0	2,256,084
Other assets	17	5,490,612	6,213,612
Total assets		US$ 2,736,107,490	2,563,555,533
Liabilities and Stockholders' Equity			
Deposits:	9, 20		
Noninterest-bearing - Demand		US$ 22,619,188	19,370,257
Interest-bearing - Time		841,540,399	683,584,579
Total deposits		864,159,587	702,954,836
Short-term borrowings	5, 10, 20	704,718,013	687,214,017
Medium and long-term borrowings and placements	11, 20	403,620,966	485,516,431
Acceptances outstanding		32,529,977	29,006,054
Accrued interest payable		6,477,399	5,431,818
Derivative financial instruments-liabilities	18, 20	0	13,021,310
Reserve for losses on off-balance sheet credit risk	7	33,101,436	33,972,581
Redeemable preferred stock (US$10 par value)	12	7,860,386	10,946,434
Other liabilities		27,509,396	11,163,367
Total liabilities		2,079,977,160	1,979,226,848
Stockholders' equity:	13, 14, 15		
Class "A" common stock, no par value, assigned value of US$6.67 (Authorized 40,000,000; outstanding 6,342,189)		44,407,100	44,407,100
Class "B" common stock, no par value, assigned value of US$6.67 (Authorized 40,000,000; outstanding 3,271,269 in 2004 and 3,466,702 in 2003)		25,598,199	26,901,149
Class "E" common stock, no par value, assigned value of US$6.67 (Authorized 100,000,000; outstanding 29,283,621 in 2004 and 29,543,847 in 2003)		209,973,177	208,669,649
Additional paid-in capital in excess of assigned value		133,785,441	133,786,028
Capital reserves	25	95,210,154	95,210,154
Retained earnings		233,700,536	150,788,831
Treasury stock	13	(92,626,751)	(85,310,452)
Accumulated other comprehensive income	5, 19	6,082,474	9,876,226
Total stockholders' equity		656,130,330	584,328,685
Commitments and contingent liabilities	6, 17, 20		
Total liabilities and stockholders' equity		US$ 2,736,107,490	2,563,555,533

See accompanying notes to consolidated financial statements.

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
AND SUBSIDIARIES

Consolidated Statements of Operations

For Each of the Years in the Three-Year Period Ended December 31, 2004

	Note	2004	2003	2002
Interest income:				
Deposits with banks		US$ 2,729,348	4,620,632	9,716,709
Investment securities:				
Investment available for sale		3,688,302	6,515,781	6,986,015
Investment held to maturity		2,218,141	1,275,553	10,379,207
Loans		67,480,314	85,944,679	138,681,758
Other		35,664	38,534	36,660
Total interest income		76,151,769	98,395,179	165,800,349
Interest expense:				
Deposits		11,938,675	7,348,428	15,283,449
Short-term borrowings		9,388,323	12,050,472	33,555,221
Medium and long-term borrowings and placements		12,799,615	25,009,240	52,182,769
Total interest expense		34,126,613	44,408,140	101,021,439
Net interest income		42,025,156	53,987,039	64,778,910
(Reversal) provision for loan losses	7	(111,399,762)	(69,507,810)	272,586,082
Net interest income (loss) after (reversal) provision for loan losses		153,424,918	123,494,849	(207,807,172)
Other income (expense):				
Commission income, net		5,927,778	7,445,581	8,886,260
Reversal (provision) for losses on off-balance sheet credit risk	7	871,145	(10,602,890)	(6,169,691)
Derivatives and hedging activities		47,713	(7,987,844)	(340,743)
Impairment loss on securities	5	0	(953,477)	(44,268,201)
Gain on sale of securities available for sale	5	2,921,688	22,210,998	183,586
Gain on early extinguishment of debt	11	6,250	788,907	1,430,000
Gain (loss) on foreign currency exchange		(193,663)	(381,814)	300,589
Other income (expense)		76,774	42,385	552,727
Net other income (expense)		9,657,685	10,561,846	(39,425,473)
Operating expenses:				
Salaries and other employee expenses		10,334,744	11,390,409	9,873,652
Depreciation of premises and equipment		1,298,489	1,511,981	1,418,251
Professional services		2,571,544	3,146,994	2,395,277
Maintenance and repairs		1,206,780	1,165,864	915,902
Other operating expenses		5,940,806	5,345,635	4,655,988
Total operating expenses		21,352,363	22,560,883	19,259,070
Income (loss) from continuing operations		141,730,240	111,495,812	(266,491,715)
Discontinued operations:				
Loss from operations and disposal of business segment	16, 24	0	0	(2,346,094)
Net income (loss)		US$ 141,730,240	111,495,812	(268,837,809)
Basic earnings (loss) per share:	16			
Income (loss) from continuing operations		US$ 3.61	3.88	(15.42)
Loss from discontinued operations		0.00	0.00	(0.14)
Net income (loss) per share		US$ 3.61	3.88	(15.56)
Diluted earnings (loss) per share:	16			
Income (loss) from continuing operations		US$ 3.60	3.88	(15.42)
Loss from discontinued operations		0.00	0.00	(0.14)
Net income (loss) per share		US$ 3.60	3.88	(15.56)

See accompanying notes to consolidated financial statements.

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

For Each of the Years in the Three-Year Period Ended December 31, 2004

		2004	2003	2002
Common stock:				
Balance at beginning of the year	US$	279,977,898	133,234,806	133,217,418
Issuance of common stock		0	146,740,000	15,734
Difference in fractional shares in conversion of common stock		578	3,092	1,654
Balance at end of the year	US$	279,978,476	279,977,898	133,234,806
Additional paid-in capital in excess of assigned value:				
Balance at beginning of the year	US$	133,786,028	145,490,027	145,456,320
Issuance of common stock		0	220,000	35,361
Difference in fractional shares in conversion of common stock		(587)	(3,092)	(1,654)
Stock offering costs		0	(11,920,907)	0
Balance at end of the year	US$	133,785,441	133,786,028	145,490,027
Capital reserves:				
Balance at beginning of the year	US$	95,210,154	95,210,154	305,210,154
Transfer to retained earnings		0	0	(210,000,000)
Balance at end of the year	US$	95,210,154	95,210,154	95,210,154
Retained earnings:				
Balance at beginning of the year	US$	150,788,831	40,739,863	100,674,373
Net income (loss)		141,730,240	111,495,812	(268,837,809)
Dividends - common stock		(58,702,056)	0	0
Dividends - redeemable preferred stock		0	(1,218,557)	(1,096,701)
Earnings transferred from capital reserves		0	0	210,000,000
Issuance of restricted stock		(116,471)	(228,262)	0
Difference on fractional shares in conversion of common stock		(8)	(25)	0
Balance at end of the year	US$	233,700,536	150,788,831	40,739,863
Treasury stock:				
Balance at beginning of the year	US$	(85,310,452)	(85,633,707)	(85,633,707)
Issuance of restricted stock		211,349	323,255	0
Repurchase of Class "E" common stock		(7,527,648)	0	0
Balance at end of the year	US$	(92,626,751)	(85,310,452)	(85,633,707)
Accumulated other comprehensive income (loss):				
Balance at beginning of the year	US$	9,876,226	(117,717)	(506,280)
Net change in unrealized gains (losses) on securities available for sale		(4,178,041)	7,258,933	2,967,166
Net change in unrealized gains (losses) on derivatives		384,289	2,735,010	(2,578,603)
Balance at end of the year	US$	6,082,474	9,876,226	(117,717)
Balance at beginning of the year	US$	584,328,685	328,923,426	598,418,278
Changes during the year, net		71,801,645	255,405,259	(269,494,852)
Balance at end of the year	US$	656,130,330	584,328,685	328,923,426

See accompanying notes to consolidated financial statements.

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

For Each of the Years in the Three-Year Period Ended December 31, 2004

	Note		2004	2003	2002
Net income (loss)		US$	141,730,240	111,495,812	(268,837,809)
Other comprehensive income (loss):					
Unrealized gains (losses) on securities:					
Unrealized gains (losses) arising from the year (including adjustments related to transfers from securities held to maturity to available for sale)			(1,256,353)	29,469,931	(38,916,035)
Less: Reclassification adjustments for (gains) losses included in net income (loss)			(2,921,688)	(22,210,998)	41,883,201
Net change in unrealized gains (losses) on securities available for sale	5, 19		(4,178,041)	7,258,933	2,967,166
Unrealized gains (losses) on derivatives arising from the year	19		384,289	2,735,010	(2,578,603)
Other comprehensive income (loss)			(3,793,752)	9,993,943	388,563
Comprehensive income (loss)		US$	137,936,488	121,489,755	(268,449,246)

See accompanying notes to consolidated financial statements.

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

For Each of the Years in the Three-Year Period Ended December 31, 2004

	2004	2003	2002
Cash flows from operating activities:			
Net income (loss)	US$ 141,730,240	111,495,812	(268,837,809)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Derivatives and hedging activities	(47,713)	1,274,094	340,743
Depreciation of premises and equipment	1,298,489	1,511,981	1,434,217
Reversal (provision) for loan losses	(111,399,762)	(69,507,810)	272,586,082
Impairment loss on securities	0	953,477	44,268,201
(Reversal) provision for losses on off-balance sheet credit risk	(871,145)	10,602,890	6,169,691
Provision for fair value of guarantees	0	5,260	0
Gain on sale of securities available for sale	(2,921,688)	(22,210,998)	(183,586)
Issuance of restricted stock	94,878	94,993	0
Amortization of premiums and discounts on investments	1,175,166	(262,576)	(833,151)
Net (increase) decrease in accrued interest receivable	(4,517,305)	4,481,097	58,988,253
Net (decrease) increase in derivatives financial instruments	(10,333,224)	(1,223,177)	38,104,883
Net decrease (increase) in other assets	723,000	2,756,416	(1,273,916)
Net increase (decrease) in accrued interest payable	384,853	(6,074,500)	(28,021,652)
Net increase (decrease) in other liabilities	10,511,467	(1,796,950)	(6,793,106)
Net cash provided by operating activities	25,827,256	32,100,009	115,948,850
Cash flows from investing activities:			
(Increase) decrease in pledged certificates of deposit	(2,000,000)	2,800,000	1,000,000
Net (increase) decrease in loans	(173,687,031)	102,804,456	2,188,689,639
Net acquisition of premises and equipment	(688,045)	(543,940)	(1,043,325)
Proceeds from the redemption of securities available for sale	19,273,758	56,815,259	4,300,000
Proceeds from the redemption of securities held to maturity	0	11,817,973	143,337,714
Proceeds from the sale of securities available for sale	7,656,903	40,675,803	64,555,240
Acquisition of securities available for sale	(144,425,213)	0	(51,128,723)
Net cash (used in) provided by investing activities	(293,869,628)	214,369,551	2,349,710,545
Cash flows from financing activities:			
Net increase (decrease) in due to depositors	161,204,751	150,982,224	(1,019,386,627)
Net decrease in short-term borrowings and placements with original maturity of less than 90 days	(183,023,712)	(25,574,014)	(249,198,695)
Proceeds from short-term borrowings and placements with original maturity greater than 90 days	936,355,458	870,583,548	398,145,749
Repayments of short-term borrowings and placements with original maturity greater than 90 days	(735,827,750)	(805,140,006)	(1,324,926,193)
Proceeds from medium and long-term borrowings and placements with original maturity greater than 90 days	256,727,846	100,098,511	225,386,872
Repayments of medium and long-term borrowings and placements with original maturity greater than 90 days	(338,623,311)	(900,075,345)	(727,054,926)
Dividends paid	(52,867,494)	(852,990)	(1,096,701)
Proceeds from issuance of common stock	0	146,960,000	51,095
Stock offering costs	0	(7,841,128)	(4,079,779)
Redemption of redeemable preferred stock	(2,425,320)	(2,260,299)	(2,756,360)
Repurchase of common stock	(7,527,648)	0	0
Conversion of common stock	(17)	(25)	0
Net cash provided by (used in) financing activities	33,992,803	(473,119,524)	(2,704,915,565)
Net decrease in cash and cash equivalents	(234,049,569)	(226,649,964)	(239,256,170)
Cash and cash equivalents at beginning of the year	384,635,925	611,285,889	850,542,059
Cash and cash equivalents at end of the year	US$ 150,586,356	384,635,925	611,285,889
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	US$ 33,741,760	50,482,640	127,166,695
Non-cash investing and financing activities:			
Loan restructured as investment	US$ 0	933,374	3,023,100
Investment restructured as loan	US$ 0	3,325,000	5,500,000
Transfer from securities held to maturity to available for sale	US$ 0	0	173,974,293
Transfer from securities available for sale to held to maturity	US$ 0	29,821,038	0
Transfer from capital reserves to retained earnings	US$ 0	0	210,000,000

See accompanying notes to consolidated financial statements.

BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
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Notes to Consolidated Financial Statements

December 31, 2004 and 2003

(1) Organization

Banco Latinoamericano de Exportaciones, S. A. ("Bladex Panama" or "Head Office" and together with its subsidiaries "Bladex" or the "Bank"), headquartered in Panama City, Republic of Panama ("Panama"), is a specialized supranational bank established to finance trade in Latin America and the Caribbean (the "Region"). The Bank was established pursuant to a May 1975 proposal presented to the XX Assembly of Governors of Central Banks in the Region, which recommended the creation of a multinational organization to increase the foreign trade financing capacity of the Region. The Bank was organized in 1977, constituted in 1978 as a corporation pursuant to the laws of the Republic of Panama and initiated official operations on January 2, 1979, with its corporate headquarters located in Panama.

The Bank operates under a general banking license issued by the National Banking Commission, predecessor of the Superintendency of Banks of Panama, and is subject to its supervision and inspection.

Bladex's subsidiaries are the following:

- Banco Latinoamericano de Exportaciones Limited, ("Bladex Cayman") a wholly owned subsidiary, incorporated under the laws of the Cayman Islands (B.W.I.) on September 8, 1987. On November 30, 2004, Bladex Cayman ceased its banking operations. All financial assets and liabilities were transferred to Bladex Panama (its parent company) and were recorded at predecessor basis. On December 2004, Bladex Cayman obtained authorization to surrender its banking license from the Cayman Island Monetary Authority and the Superintendency of Banks of Panama.

- Bladex Representacao Ltda., which was incorporated under the laws of Brazil on January 7, 2000 and continues to exist there under, was established to act as the Bank's representative office in Brazil. Bladex Representacao Ltda. is 99.999% owned by Bladex Panama and 0.001% owned by Bladex Cayman.

- Bladex Holdings Inc., which is a wholly owned subsidiary, was incorporated under the laws of the State of Delaware on May 30, 2000 and continues to exist there under. Bladex Holdings Inc.'s wholly owned subsidiary, Bladex Financial Services, LLC, incorporated under the laws of the State of New York on October 20, 2000, was closed on June 30, 2002 together with its wholly owned subsidiary, Bladex Securities, LLC, incorporated under the laws of the State of New York on October 20, 2000. Bladex Financial Services, LLC and its wholly owned subsidiary Bladex Securities, LLC, had no operations subsequent to June 30, 2002.

The Bank established an agency in the State of New York (the "New York Agency"), which began operations on March 27, 1989. The New York Agency is principally engaged in obtaining inter-bank deposits and short-term borrowings to finance the Bank's short-term investments and foreign trade loans. The Bank also has representative offices in Buenos Aires, Argentina, and in Mexico City, Mexico.

(2) Summary of Significant Accounting Policies

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

(a) Principle of Consolidation

The consolidated financial statements include the accounts of Bladex (Head Office), its New York Agency and its subsidiaries, Bladex Cayman, Bladex Holdings Inc. and Bladex Representacao Ltda. All significant inter-company balances and transactions have been eliminated for consolidation purposes.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowances for credit losses and impairment losses on securities and off-balance sheet credit losses.

(c) Cash Equivalents

For purposes of the consolidated statements of cash flows, cash equivalents consist of due from banks, interest-bearing deposits with banks, securities purchased under agreements to resell with original maturities of three months or less, except certificates of deposit and banker's acceptances pledged.

(d) Repurchase and Resale Agreements

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

(e) *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, banker's acceptances, bonds and floating rate notes and equity securities.

1) Trading Securities
Securities that have been bought and held principally for the purpose of selling them in the near term are classified as trading securities. Changes in fair value are recorded in earnings.

2) Securities Available for Sale
These securities consist of mostly 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, and interest earned is recognized as income. Changes in fair values are recorded as a component of other comprehensive income (loss) in shareholders' equity until realized.

Realized gains and losses on sales of securities are computed on a specific identified cost basis, and are reported within other income (expense) in the consolidated statements of operation.

3) Securities Held to Maturity
Securities classified as held to maturity are securities that the Bank has the positive intent and ability to hold them to maturity. These securities are carried at amortized cost and are subject to the same approval criteria as the rest of the credit portfolio.

Any security that experiences a decline in value, which is deemed other than temporary, is written down to its estimated fair value through a charge to current period income, as impairment loss on securities. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using a method that approximates the interest method.

Accrual of income is suspended on fixed income securities that are in default, or on which it is likely that future interest payments will not be collected as scheduled.

(f) *Investment Fund*
Investment fund is reported at cost and is included in other assets.

(g) *Loans*
Loans are reported at their principal amounts outstanding net of unearned income, reduced by the allowance for loan losses. The amortization of net unearned income is recognized as an adjustment to the related loan yield by using a method that approximates the interest method, based on the estimated lives of the loans.

Loans are identified as impaired and placed on non-accrual status (cash basis) when any payment of principal or interest is over 90 days due, or before if the Bank's management determines that the ultimate collection of principal or interest is doubtful. Any interest receivable that was accrued during the current period is reversed and any interest accrued in prior periods is charged-off against earnings. Interest on non-accrual loans is only recorded as earned when collected. Non-accrual loans are returned to an accrual status when both principal and interest are current and the loan is determined to be performing in accordance with the applicable contractual loan terms and conditions for a sustained period of time and not less than six months, which is the minimum required by the Superintendency of Banks of Panama, and if in the Bank's management's opinion the loan is fully collectible. When current events or available information confirms that specific impaired loans or portions thereof are uncollectible, these credit losses are deducted from the allowance for loan losses. Factors considered by the Bank's management in determining impairment include collection status, collateral value, the probability of collecting scheduled principal and interest payment when due, and economic conditions in the borrowing country.

A loan is classified as a troubled debt restructuring if a significant concession is granted to the borrower due to the deterioration in the borrower's financial condition.

Transfers of financial assets, primarily loans, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Upon completion of a transfer of assets that satisfies the conditions described above to be accounted for as a sale, the Bank derecognizes all assets sold; and recognizes in earnings any gain or loss on the sale.

(h) *Allowance for Credit Losses*
The allowance for credit losses is provided for risk on 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 for credit losses is based on the evaluation of risks in the credit portfolio, and additionally, the Bank's management takes into consideration the growth, nature and composition of the credit portfolio, including concentration, prior credit loan losses experience, and the conditions and general tendencies of the economy in each borrower's country.

Securities received in exchange for loan claims in debt restructurings are initially recorded at fair value, with any gain or loss recorded as recovery to the allowance, and are subsequently accounted for as securities available for sale.

The Bank's management estimates losses on impaired credits on a loan-by-loan basis, and considers all available evidence including, as appropriate, the present value of expected future cash flows discounted at the loan's contractual effective rate, the secondary market value of the loan, if available, the fair value of the collateral, and other factors.

The Bank's management estimates probable credit losses on the balance of its credit portfolio using a provision matrix model, which classifies and aggregates risk into three categories: country risk, borrower risk and transaction type risk. To determine the probability of default due to country and borrower risk, the Bank uses sovereign and counter-party ratings of well-known independent rating agencies. The Bank evaluates the transaction risk mainly by taking into account whether the risk is a foreign trade related transaction or otherwise. This model is a tool to estimate and validate the levels of required reserves, but does not take into account all variables affecting asset quality. Therefore, on a quarterly basis, the Bank also reviews the adequacy of reserves taking into account regional political, financial and economic trends affecting the portfolio, delinquency trends, volatility and significant concentrations that are not fully reflected in the model, and then adjust the level of required reserves, accordingly.

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 liabilities.

(i) *Fair Value of Guarantees Including Indirect Indebtedness of Others*
FIN 45 requires that upon issuance of a guarantee the Bank recognize a liability for the fair value of all the obligations undertaken such as stand by letters of credit and guarantees. Fair value is calculated based on the present value of the premium to be received. The Bank's policy is to record reserves for off-balance sheet credit risk, which usually is greater than the fair value of the guarantees, accordingly, no additional adjustments have been required to present stand by letter of credit and guarantees at fair value.

(j) *Commission Income*
Loan origination fees, net of direct loan origination costs are deferred; the net amount is recognized over the contract life of the loans as an adjustment to the yield. During periods in which interest income on loans is suspended because of concerns about the realization of loan principal or interest, these fees, net of direct loan origination costs are not recognized.

Fees received in connection with a modification of terms of a troubled debt restructuring are applied as a reduction of the recorded investment in the loan. All related costs, including direct loan origination costs, are charged to expense as incurred.

Fees earned on letters of credit, guarantees and commitments are amortized over the life of such instruments.

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

(l) *Capital Reserves*
According to Panamanian banking regulations, capital reserves are established by the Bank as a carve-out of retained earnings and are as such a form of retained earnings. Reductions of these capital reserves require the approval of the Bank's Board of Directors and the Superintendency of Banks of Panama.

(m) *Cash and Stock Based Compensation Plan*

On December 16, 2004, the FASB issued the SFAS 123, Share-Based Payment (revised 2004), which required to account as an expense all employee services received in share-based payment transactions, using a fair-value-based method. For public companies, the effective date is the first interim period beginning after June 15, 2005. The accompanying consolidated financial statements have been prepared applying the intrinsic value based method to account for stock-based compensation plans prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees", accordingly. Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date, over the amount an employee must pay to acquire the stock.

Had the Bank applied the fair value based method (SFAS 123) in accounting for the Bank's Stock Option Plans, net income and net income per share would have been the pro forma amounts indicated below:

(In US$ thousands, except per share data)		December 31, 2004	2003	2002
Net income (loss), as reported	US$	141,730	111,496	(268,838)
Adjust: Total stock-based employee compensation expense determined under the fair value based method for all grants.		(295)	(385)	(320)
Pro-forma net income (loss)	US$	141,435	111,111	(269,158)
Earnings (loss) per share				
Basic - as reported	US$	3.61	3.88	(15.56)
Basic - pro forma	US$	3.60	3.87	(15.58)
Diluted-as reported	US$	3.60	3.88	(15.56)
Diluted-pro forma	US$	3.59	3.87	(15.58)

(n) *Redeemable Preferred Stock*

Since 2003, the Bank adopted the Statement of Financial Accounting Standard No.150 (SFAS 150) "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity", which required classifying as liabilities all financial instruments that embodied an obligation to the issuer. Adoption of SFAS 150 brought about the reclassification of redeemable preferred stock as liabilities in the consolidated balance sheets and recognition as interest expense, the dividend payable on redeemable preferred stock. In this case, SFAS 150 did not require restatement of prior years.

(o) *Derivative Financial Instruments*

The Bank makes use of derivative financial instruments, primarily foreign exchange forward contracts and interest rate swaps, as part of its management of foreign exchange and interest rate risks.

Foreign exchange forward contracts are commitments to purchase non-US dollar currencies at a specified price on an agreed-upon future date, and are used mainly to hedge non-US dollar hard-currency interest paying liabilities and interest earning assets.

Interest rate swaps are contracts that represent an exchange of US dollar interest payment streams based on an agreed-upon notional principal amount, with one stream based on a specified floating rate or fixed rate. These financial instruments are used to manage interest rate risk through the exchange of interest payments based on a predetermined notional principal amount. The underlying principal balances are not affected. Net settlement amounts are reported as adjustments to interest.

The Bank carries all derivatives in the balance sheets at fair value. The accounting for changes in fair value (i.e. gains or losses) of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the type of hedge. That is, the derivative is designated by the Bank as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge); or (2) a hedge of the variability of cash flows of a forecasted transaction to be received or paid related to a recognized asset or liability ("cash flow" hedge); or (3) as a trading position.

Changes in the fair value of a derivative that has been designated and qualifies as a fair value hedge, along with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are included in other income (expense) and recorded as derivative and hedging activities. Changes in the fair value of a derivative that has been designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss) to the extent of its effectiveness, until earnings are impacted by the variability of cash flows from the hedged item. Changes in the fair value of derivatives held for trading purposes or those that do not qualify as hedges (freestanding) are included in other income (expense) and recorded as derivative and hedging activities. Ineffectiveness relating to fair value and cash flow hedges, if any, is recorded within interest expense. The impact of hedge ineffectiveness on the Bank's consolidated statement of operations was not material for all periods presented.

At the inception of each hedge, the Bank documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the consolidated balance sheets, or to specific firm commitments or forecasted transactions.

Hedge discontinuation

On an on-going basis the Bank formally assesses whether the derivatives used in hedging transactions will continue to be "Highly Effective" in offsetting changes in fair values or cash flows of hedged items. If it is determined that a derivative is not "highly effective" as a hedge, or that it has ceased to be a "highly effective hedge", the Bank discontinues hedge accounting prospectively.

The Bank discontinues hedge accounting prospectively when (1) 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) it is unlikely that a forecasted transaction will occur; (4) the hedged firm commitment no longer meets the definition of a firm commitment; or (5) the designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair value or cash flow hedge, the derivative continues to be carried on the consolidated balance sheets at its fair value, with changes in fair value reported in current period earnings. The hedged item will no longer be adjusted for changes in fair value. If the hedged item was a firm commitment or a forecasted transaction that is not expected to occur, any amounts recorded on the consolidated balance sheets related to the hedged item, including any amounts recorded in accumulated other comprehensive income (loss) are reversed against earnings. In all other situations, the accumulated fair value adjustment recorded on the consolidated balance sheets for the hedged asset or liability (including amounts recorded in other comprehensive income (loss)) will be accreted/amortized to earnings over the remaining term of the hedged asset or liability.

(p) *Foreign Currency Transactions*

Assets and liabilities denominated in foreign currencies are re-measured into U.S. dollar equivalents using period-end spot foreign exchange rates. The effects of re-measuring assets and liabilities into the U.S. dollar as the functional currency are included in other income (expense) and recorded as gains (losses) on foreign currency exchange.

(q) *Income Taxes*

Bladex Panama and Bladex Cayman are exempt from the payment of income taxes. Bladex Representacao Ltda., in Brazil, is subject to income taxes. The New York Agency and Bladex's subsidiaries incorporated in the United States of America are subject to United States of America federal and local taxation based on the portion of income that is effectively connected with its operations in that country. Such amounts have been immaterial to date.

(r) *Discontinued Operations*

On January 1, 2002, the Bank adopted the Statement of Financial Accounting Standard No.144 (SFAS 144) "Accounting for the Impairment or Disposal of Long-Lived Assets", which established additional criteria to determine when a long-lived asset is held for sale and the definition of "discontinued operations", and does not allow the accrual of future operating losses, as was previously permitted. The Bank's management determined that the closure of Bladex Financial Services, LLC and its wholly owned subsidiary Bladex Securities, LLC in 2002, qualified for discontinued operations presentation and, accordingly, a loss from the operations and closure of this business segment was presented as discontinued operations in the consolidated statements of operations for the year ended December 31, 2002.

(s) *Earnings Per Share*

Earnings per share (EPS) is computed by dividing income available to common stockholders (the numerator) by the average number of common shares outstanding (the denominator) during the year.

Diluted EPS measures performance incorporating the effect that potential common shares, such as stock options outstanding during the same period, would have on EPS. The computation is similar to the computation of EPS, except that the denominator is increased to include the number of additional common shares using the treasury stock method that would have been outstanding if the diluted potential common shares had been issued.

(t) *Reclassifications*

Certain amounts reported in previous years have been reclassified to conform to the 2004 presentation.

(3) Cash and Cash equivalents

As of December 31, 2004 and 2003, cash and cash equivalents are as follows:

		December 31,	
		2004	2003
Cash and due from banks	US$	687,248	868,018
Interest bearing deposits with banks		154,099,108	253,945,857
Securities purchased under agreements to resell		0	132,022,050
Total		154,786,356	386,835,925
Less – Pledged certificate of deposit		4,200,000	2,200,000
	US$	150,586,356	384,635,925

(4) Securities Purchased under Agreements to Resell

The Bank enters into purchases of securities under agreements to resell the same or substantially identical securities. These agreements are considered secured loans. At December 31, 2003, securities purchased under agreements to resell had a carrying value of US$132,022,050 and were all with an Argentine counter-party, fully collateralized with U.S. Treasury securities. Consequently, the Bank classified these instruments as U.S. country risk. At December 31, 2003, the maturity of these agreements did not exceed 90 days, and they were all current with regard to principal and interest. Those resale agreements were settled during 2004, therefore, at December 31, 2004, the Bank does not have any securities purchased under agreements to resell.

(5) Investment Securities

a) Securities Available for Sale

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

		December 31, 2004			
		Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Bonds - Government	US$	160,599,220	3,924,310	583,670	163,939,860
Impaired bonds - Argentine issuers		664,558	267,205	0	931,763
	US$	161,263,778	4,191,515	583,670	164,871,623

		December 31, 2003			
		Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Bonds:					
Corporate	US$	1,001,585	18,492	0	1,020,077
Government		37,910,614	4,131,074	0	42,041,688
Impaired bonds - Argentine issuers		2,859,895	2,418,958	0	5,278,853
	US$	41,772,094	6,568,524	0	48,340,618

The majority of securities available for sale with gross unrealized losses have been individually in unrealized loss position for 12 months or less. The impairment on these securities is not considered other-than-temporary.

At December 31, 2004 and 2003, all Argentine securities were classified as available for sale. During 2003, investments with a fair value of US$933,374 were received in lieu of payment of an impaired Argentine loan. In addition, the terms of an impaired Argentine security with a fair value of US$4,269,479 were modified as a result of a restructuring agreement. During 2003, an impaired security with a net value of US$3,325,000 was restructured and converted into loans.

At December 31, 2004 and 2003, securities available for sale with a carrying value of US$62,405,220 and US$43,061,765, respectively, were pledged to secure borrowings for securities sold under repurchase agreements.

As of December 31, 2004, 2003 and 2002, the realized gain on securities available for sale was US$2,921,688, US$22,210,998 and US$183,586, respectively. There were no losses on these transactions.

The amortized cost and fair value of securities available for sale distributed by contractual maturity at December 31, 2004, are shown in the following table:

		Amortized Cost	Fair Value
Due within 1 year	US$	26,035,846	26,387,200
After 1 but within 5 years		61,125,710	64,084,500
After 5 years		74,102,222	74,399,923
	US$	161,263,778	164,871,623

On June 30, 2002, the Bank's management determined that the decline in fair value of Argentine investment securities classified at that time, as available for sale, was other than temporary. Consequently, as of December 31, 2002 an impairment loss on securities of US$44,268,201 was recorded. During 2003, the decline in fair value of these investments considered other than temporary was US$953,477; 2004 (nil).

b) Securities Held to Maturity

The Bank's treasury investment policy is to acquire securities with maturities up to three years, as long as they have a short-term rating of "A1/P1" or long-term rating of "A" or better, issued by at least two of the following agencies: Standard & Poor's, Moody's Investors Service, or Fitch Ratings, and as long as they are negotiable in the secondary markets. Securities rated one level or more below investment grade ratings are classified as available for sale.

As of December 31, 2004 and 2003, the outstanding balances of securities held to maturity were US$27,984,068 and US$29,452,040, respectively. At December 31, 2004 and 2003, there were no securities held to maturity outstanding for purposes of treasury investments.

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

		December 31, 2004		
		Amortized Cost	Unrealized Gross Gain	Fair Value
Bonds-Government	US$	27,984,068	132,932	28,117,000

		December 31, 2003		
		Amortized Cost	Unrealized Gross Gain	Fair Value
Bonds-Government	US$	29,452,040	337,960	29,790,000

During August 2003, the Bank transferred Mexican government securities classified as available for sale for US$29,821,038, to the held to maturity category. At the date of the transfer, the estimated unrealized gains on these securities were US$4,107,753, which are being amortized until their respective maturities in January 2007. As of December 31, 2004 and 2003, the balance of the estimated unrealized gross gain, net of amortization, was US$2,474,629 and US$3,691,991, respectively.

At December 31, 2004 and 2003, securities held to maturity with a carrying value of US$27,984,068 and US$29,452,040, respectively, were pledged to secure borrowings for securities sold under repurchase agreements.

(6) Loans

The remaining loan maturities are summarized as follows:

		December 31, 2004	2003
Current:			
Up to 1 month	US$	255,891,335	240,111,995
From 1 month to 3 months		356,776,753	463,387,032
From 3 months to 6 months		617,428,125	629,434,403
From 6 months to 1 year		614,782,625	435,279,440
Over 1 year		341,254,799	61,942,139
Impaired - Argentina		7,500,000	39,653,128
Impaired - Brazil		5,000,000	0
		2,198,633,637	1,869,808,137
Restructured and impaired:			
Argentine borrowers		196,006,509	336,411,853
Brazilian borrower		42,770,190	46,986,148
		238,776,699	383,398,001
Past due:			
Impaired Argentine borrowers		3,275,518	21,825,000
Brazilian borrower		1,000,000	0
		4,275,518	21,825,000
	US$	2,441,685,854	2,275,031,138

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

		December 31, 2004	2003
Fixed interest rates	US$	1,480,456,735	1,281,556,042
Floating interest rates		961,229,119	993,475,096
	US$	2,441,685,854	2,275,031,138

The 81% of loans at fixed interest rates have maturities of less than 180 days.

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

Country		December 31, 2004	2003
Argentina	US$	206,782,027	397,889,981
Brazil		1,054,073,486	1,011,165,805
Chile		321,500,000	131,010,000
Colombia		148,261,929	96,479,616
Costa Rica		37,507,106	58,927,685
Dominican Republic		242,267	24,169,884
Ecuador		51,046,834	21,644,929
El Salvador		44,473,350	25,646,616
Guatemala		38,040,435	33,831,065
Honduras		5,956,725	0
Jamaica		26,123,150	13,551,989
Mexico		262,155,669	183,051,940
Nicaragua		4,807,500	8,609,442
Panama		89,297,993	43,600,000
Peru		54,691,530	64,664,849
Trinidad and Tobago		92,120,487	99,874,837
Venezuela		4,605,366	60,912,500
	US$	2,441,685,854	2,275,031,138

In the normal course of business, at December 31, 2004 and 2003, the Bank has transactions with 23% and 39% of its Class "A" and "B" stockholders, respectively (See Note 13). All transactions are made based on arm's-length terms and subject to prevailing commercial criteria and market rates and are subject to all of the Bank's corporate governance and control procedures. At December 31, 2004 and 2003, approximately 49% and 51%, respectively, of the outstanding loan portfolio is placed with the Bank's Class "A" and "B" stockholders and their related parties. At December 31, 2004, 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.

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

		December 31, 2004	2003	2002
Loans on non-accrual status	US$	255,552,217	444,876,129	691,471,518
Interest which would had been recorded if the loans had not been on a non-accrual status	US$	18,716,370	28,888,663	26,835,677
Interest income collected on non-accruing loans		18,692,148	24,086,389	16,572,439
Foregone interest revenue	US$	24,222	4,802,274	10,263,238

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

		December 31, 2004	2003	2002
Impaired loans with specific allowance for credit losses	US$	255,552,217	444,876,129	691,471,518
Specific allowance for impaired loans (under SFAS 114)	US$	81,725,067	191,293,077	365,345,703
Average balance of impaired loans during the year	US$	356,277,617	572,811,928	422,412,361
Interest income collected on impaired loans	US$	18,692,148	24,086,389	16,572,439

At December 31, 2004 the Bank's Brazilian portfolio had two impaired loans in non-accrual status for US$43 million to a corporation and US$6 million to a financial institution, compared to US$47 million to a corporation at December 31, 2003. The impaired loan to a Brazilian corporation was restructured in March 2004, and it is current in interest and principal payments. During 2004 and 2003, the Bank collected interest from these clients for US$2.2 million and US$1.6 million, respectively.

Exposure in Argentina

As December 31, 2004 and 2003, the Bank's exposure in Argentina is the following:

December 31, 2004 (In US$ million)		Loans	Investment Securities	Contingencies and Acceptances	Total	Reverse Repurchase Agreements
Nominal value	US$	207	5	32	244	0
Impairment losses		0	(4)	0	(4)	0
Credit portfolio		**207**	**1**	**32**	**240**	**0**
Specific allowance for credit losses		(63)	0	(21)	(84)	0
Net exposure	US$	**144**	**1**	**11**	**156**	**0**

December 31, 2003 (In US$ million)		Loans	Investment Securities	Contingencies and Acceptances	Total	Reverse Repurchase Agreements
Nominal value	US$	398	10	32	440	132
Impairment losses		0	(5)	0	(5)	0
Credit portfolio		**398**	**5**	**32**	**435**	**132**
Specific allowance for credit losses		(175)	0	(20)	(195)	0
Collateral (U.S. Treasury Strips)		0	0	0	0	(132)
Net exposure	US$	**223**	**5**	**12**	**240**	**0**

At December 31, 2004 and 2003, the Bank's net exposure in Argentina represented 24% and 41%, respectively, of the total equity capital of the Bank. The Bank has established specific reserves for possible credit losses from the loans not collected as scheduled.

At December 31, 2004 and 2003, the Bank's Argentine credit portfolio of US$240 million and US$435 million, respectively, presented a reduction of US$195 million or 45% for 2004 and US$339 million, or 44% for 2003. This reduction was mainly due to payments and prepayments for US$167 million during 2004, the sale of Argentine credit portfolio with a nominal value of US$28 million during 2004 and US$308 million during 2003.

At December 31, 2004, the Bank's exposure in Argentina is 89% denominated in US dollars and 11% in Euros, compared to 94% and 6%, respectively, at December 31, 2003.

At December 31, 2004 and 2003, the Bank's gross Argentine credit portfolio distribution by type of client is as follows:

	December 31, 2004	December 31, 2003
Corporations	33%	35%
Financial institutions:		
State owned banks	50%	51%
U.S. and European banks	17%	14%

In accordance with the Bank's policy, all interest income on Argentine credits is recorded on a cash basis. Although significant amounts of interest have been received on a consistent basis from most of the Bank's clients in the country, the ultimate collection of principal on these loans is evaluated separately. During 2004 and 2003, the Bank collected interest from Argentine borrowers of approximately US$17 million and US$24 million, respectively. The ratio of interest collected from Argentine borrowers to total interest payments due and payable from these borrowers was 99% during the 2004 and 86% in 2003.

At December 31, 2004 and 2003 the status of the Bank's Argentine's credit portfolio is as follows:

	December 31, 2004	December 31, 2003
Restructured and performing under renegotiated terms	84%	80%
Performing under original terms	11%	8%
Under negotiation (current)	0%	4%
Neither restructured nor paying interest	5%	8%

As of December 31, 2004 and 2003, the Bank had suspended unamortized commissions on the impaired loans for the amount of US$3,492,222 and US$3,204,546, respectively.

(7) Allowance for Credit Losses

The allowance for credit losses is available to absorb future estimated probable credit losses existing in the credit portfolio at the date of the consolidated balance sheets. The Bank classifies the allowance for credit losses into two components:

a) Allowance for Loan Losses:

		December 31, 2004	2003	2002
Balance at beginning of the year	US$	224,347,459	429,720,362	177,483,648
(Reversal) provision charged to income		(111,399,762)	(69,507,810)	272,586,082
Loan recoveries		6,395,625	1,971,400	291,616
Loans written-off against the allowance for loan losses		(12,991,215)	(137,836,493)	(20,640,984)
Balance at end of the year	US$	106,352,107	224,347,459	429,720,362

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

		December 31, 2004	2003	2002
Balance at beginning of the year	US$	33,972,581	23,369,691	17,200,000
(Reversal) provision charged to income		(871,145)	10,602,890	6,169,691
Balance at end of the year	US$	33,101,436	33,972,581	23,369,691

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 17).

(8) Premises and Equipment

The table below provides information on premises and equipment:

		December 31, 2004	2003
Land	US$	462,176	462,176
Building and improvements		4,148,144	4,092,982
Furniture and equipment		8,079,278	8,017,960
		12,689,598	12,573,118
Less: accumulated depreciation		9,181,194	8,454,270
	US$	3,508,404	4,118,848

(9) Deposits

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

		December 31, 2004	2003
Demand	US$	22,619,188	19,370,257
Up to 1 month		475,821,114	497,740,333
From 1 month to 3 months		261,290,294	161,379,961
From 3 months to 6 months		103,000,419	10,000,000
From 6 months to 1 year		1,428,572	5,000,000
Over 1 year		0	9,464,285
	US$	864,159,587	702,954,836
Aggregate amounts of time deposits of US$100,000 or more	US$	841,540,399	683,486,038
Aggregate amounts of deposits in offices outside of Panama	US$	301,494,655	285,167,933
Interest expense	US$	4,484,628	3,505,529

(10) Short-term Borrowings

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

		December 31, 2004	December 31, 2003
Borrowings:			
At fixed interest rates:			
Advances from banks	US$	622,350,000	448,800,000
Discounted acceptances		0	14,600,000
Securities sold under repurchase agreements		82,368,013	223,814,017
Total short-term borrowings outstanding at the end of the year	US$	704,718,013	687,214,017
Average outstanding during the year	US$	532,575,280	602,496,299
Maximum outstanding at any month-end	US$	704,718,013	704,240,216

	December 31, 2004	December 31, 2003
At fixed interest rates:		
Weighted average interest rate at the end of the year	2.83%	1.50%
Weighted average interest rate during the year	1.74%	1.93%
At floating interest rates:	nil	nil

The Bank's activities to secure funds include a US$750 million program for issuance of Euro-Commercial Paper. This program may be used by the Bank to issue commercial paper with maturities between 7 and 365 days, bearing interest or at discount, in denomination of US$10,000 and in various currencies. The securities are generally sold in bearer form through one or more authorized financial institutions.

(11) Medium and Long-term Borrowings and Placements

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

		December 31, 2004	December 31, 2003
Borrowings:			
At fixed interest rates settled during 2004	US$	0	10,000,000
At floating interest rates with due dates from January 2005 until December 2009		333,620,966	357,642,058
Total borrowings		333,620,966	367,642,058
Placements:			
At fixed interest rates with due dates from January 2005 until September 2005		21,000,000	39,661,939
At floating interest rates with due dates from September 2005 until January 2008		49,000,000	78,212,434
Total placements		70,000,000	117,874,373
Total medium and long-term borrowings and placements outstanding	US$	403,620,966	485,516,431

		December 31, 2004	December 31, 2003
Average outstanding during the year	US$	392,058,601	867,598,550
Maximum outstanding at any month-end	US$	488,362,552	1,251,316,393

	December 31, 2004	December 31, 2003
At fixed interest rates:		
Weighted average interest rate at the end of the year	8.05%	6.24%
Weighted average interest rate during the year	7.24%	6.27%
At floating interest rates:		
Weighted average interest rate at the end of the year	2.97%	1.84%
Weighted average interest rate during the year	2.03%	2.01%

The future maturities of medium and long-term borrowings and placements outstanding at December 31, 2004, are as follows:

2005	US$	153,402,422
2006		144,359,095
2007		67,859,449
2008		18,000,000
2009		20,000,000
	US$	403,620,966

The Bank's funding activities include an Euro-Medium-Term Note program ("EMTN Program"), which, in October 1997, was increased to a maximum of US$2,250 million. The program may be used to issue notes with maturities from 90 days up to a maximum of 30 years, at fixed, floating interest rates, or at discount, and in various currencies. The notes are generally sold in bearer or registered form through one or more authorized financial institutions. During 2004, the Bank issued notes for US$10 million under this program.

One of the Bank's borrowing agreement has covenants related to the following ratios: risk weighted capital adequacy ratio, open credit exposure ratio, maturity gap ratio, single country exposure ratio, single group exposure ratio. As of December 31, 2004 the Bank was in compliance with these covenants.

Early Extinguishment of Debt

During the first quarter of 2004 and second quarter of 2003, the Bank repurchased in the market at discount, notes issued under its EMTN program, with a face value of US$5,000,000 and US$14,098,000, respectively, and original maturity dates of October 10, 2004 and September 20, 2005, respectively. The Bank's total disbursements were US$4,993,750 and US$13,309,093, respectively, which resulted in realized gains of US$6,250 and US$788,907, respectively.

(12) Redeemable Preferred Stock

The redeemable preferred stock is non-voting. If the Bank fails to pay the minimum dividend of 8% for three years, and certain other conditions were not complied with, the preferred stockholders have the right to elect a Director. In case of a liquidation of the Bank, the preferred stockholders are entitled to receive a liquidation preference of US$10 per share, plus accrued and unpaid dividends. The Bank is required to redeem preferred stock at its par value by means of a sinking fund designed to retire 20% of the aggregate par value of the preferred stock outstanding as of March 15, 2002, and on May 15 of each of the subsequent years up to 2006. Accordingly, on May 17, 2004, the Bank redeemed 304,639 outstanding shares, chosen by lot on May 3, 2004. At December 31, 2004 and 2003, the Bank had 169,719 and 107,612 preferred stocks, respectively, redeemed but not executed by preferred shareholders.

Preferred stockholders have the right to receive an interest in their preferred stock equivalent to the same percentage as the common stockholders (excluding in the calculation of common stock issued as stock dividend). (See Note 26)

On July 1, 2003, the Bank adopted SFAS 150. Consequently, the Bank's redeemable preferred stock was reclassified as liability and the accrual of interest payable was charged to interest expense.

(13) Common Stock

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

1) Class "A" shares may only be issued to Latin American Central Banks or banks in which the state or other government agencies 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. Class "E" shares so issued, will not be freely tradable on the New York Stock Exchange until the end of a two-year holding period, which will include the holding period of the respective Class "B" shares exchanged.

On November 18, 2002, the Bank's shareholders approved an amendment to the Articles of Incorporation of the Bank to increase its authorized common capital from 70,000,000 to 180,000,000 shares for the purpose of allowing the Bank to raise needed additional equity capital through a rights offering to the Bank's common stockholders. (See Note 14).

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, 2004:

	Clase "A"	Clase "B"	Clase "E"	Total
Authorized	40,000,000	40,000,000	100,000,000	180,000,000
Outstanding at December 31, 2001	4,911,185	4,247,213	8,182,440	17,340,838
Conversions	0	(502,850)	502,847	(3)
Issuance of new stock	0	2,358	0	2,358
Outstanding at December 31, 2002	4,911,185	3,746,721	8,685,287	17,343,193
Conversions	0	(933,016)	933,014	(2)
Issuance of new stock	1,431,004	652,997	19,915,999	22,000,000
Restricted stock granted	0	0	9,547	9,547
Outstanding at December 31, 2003	6,342,189	3,466,702	29,543,847	39,352,738
Conversions	0	(195,433)	195,432	(1)
Restricted stock granted	0	0	6,242	6,242
Repurchased stock	0	0	(461,900)	(461,900)
Outstanding at December 31, 2004	6,342,189	3,271,269	29,283,621	38,897,079

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 US$50 million of its Class E shares of common stock, in the open market at the then prevailing market price. The following table presents information regarding shares repurchased not retired by the Bank classified as treasury stock, accordingly:

	Clase "A"		Clase "B"		Clase "E"		Total	
	Shares	Amount (in US dollar)	Shares	Amount (in US dollar)	Shares	Amount (in US dollar)	Shares	Amount (in US dollar)
Outstanding at December 31, 2002	318,140	10,707,719	568,010	15,655,232	1,750,505	59,270,756	2,636,655	85,633,707
Restricted stocks granted	0	0	0	0	(9,547)	(323,255)	(9,547)	(323,255)
Outstanding at December 31, 2003	318,140	10,707,719	568,010	15,655,232	1,740,958	58,947,501	2,627,108	85,310,452
Repurchased during 2004	0	0	0	0	461,900	7,527,648	461,900	7,527,648
Restricted stocks granted	0	0	0	0	(6,242)	(211,349)	(6,242)	(211,349)
Outstanding at December 31, 2004	318,140	10,707,719	568,010	15,655,232	2,196,616	66,263,800	3,082,766	92,626,751

During 2002, there were no movements of treasury stock.

The Board of Directors at a meeting held on August 3, 2004, authorized an increase in the quarterly cash dividend from US$0.10 per share to US$0.15 per share of common stock, starting with the dividend paid on October 7, 2004. Also, at the same meeting, the Board of Directors approved a special dividend of US$1.00 per share of common stock, paid on October 7, 2004. Accordingly, during 2004, the Bank paid cash dividends in an aggregate amount of US$58,702,056 to the holders of common shares.

(14) Capital Issuance

As of June 27, 2003, the Bank completed a capital rising process through a stock rights offering raising US$147 million at US$6.68 per share. The capitalization had an important and positive connotation on the credit risk ratings of the Bank. At December 31, 2004, the Bank had investment grade ratings from the three more important rating agencies.

Capital issuance related costs

On June 28, 2002, the Bank hired BNP Paribas Securities Corp. and Deutsche Bank Securities Inc. to provide financial advice with respect to the capital raising plans and ratings-related issues. At December 31, 2003, the accumulated direct costs related to the advisory services provided by the financial advisors as well as legal and others were US$11,920,907, which was recorded as a deduction from additional paid-in capital.

(15) Cash and Stock Based Compensation Plans

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

a) Restricted Stock – Directors

During the Annual Meeting of Stockholders held on April 14, 2004, Bladex informed the stockholders that the Board of Directors approved a restricted stock award program for non-employee Directors of the Bank.

Restricted stock delivered under this award program may be sourced from treasury stock, or authorized un-issued shares. In accordance with this program, on a yearly basis, the Bank's Board of Directors may grant Class "E" shares for each Director worth US$10,000, except in the case of the Chairman of the Board, who is granted an amount of US$15,000, all based on Bladex's closing price in the New York Stock Exchange at the last trading date preceding the grant. The restricted stock will have a cliff vesting after five years. During 2004 and 2003, the Bank issued under this plan 6,242 and 9,547 Class "E" common shares, respectively, and related compensation costs charged against income was US$94,878 and US$94,993, respectively.

b) Stock Option Plan - Directors

During 2000, the Bank's Board of Directors approved a stock option plan for non-employee Directors of the Bank. The exercise price of each option must equal 100% of the fair market value of the stock covered by such option at the date the option is granted. The options granted become 100% exercisable one year after the date granted and expire on the fifth year after the date granted. On July 19, 2003, the Bank's Board of Directors approved to discontinue this plan; consequently, no options were granted during 2004.

c) Indexed Stock Option Plan 2003 - Directors

During the Annual Meeting of Stockholders held on April 14, 2004, Bladex informed the stockholders that the Board of Directors approved an indexed stock option plan for non-employee Directors of the Bank. The plan allows Directors to receive options to purchase Class "E" shares for an equivalent amount of US$10,000, and for the Chairman of the Board, an equivalent amount of US$15,000, on an annual basis.

This indexed stock option plan has the following features:

a. Indexed options are based on a customized Latin America general market index (Optimized Equity Index – Merval, Ibovespa, IndMex, IPSA, IGBVL, IGBC, IBC).
b. The exercise price is adjusted based on the change in a relevant market index.
c. The option term is seven years, and there is a cliff-vesting period of four years.
d. Grants are calculated based on the Black-Scholes derived expected value of the award.

d) Indexed Stock Option Plan 2003 - Top Executives

On July 19, 2003, the Bank's Board of Directors approved a new indexed stock option plan for top executives of the Bank with the same features as the Indexed Stock Option Plan 2003-Directors described previously.

A summary of the status of the options granted under the indexed stock option plans to the Directors and top executives is presented below:

	December 31, 2004	
	Shares	Wtd. Avg. Exercise Price
Outstanding at beginning of the year	0	US$ 0
Granted	186,886	18.53
Exercised	0	0
Forfeited	(2,050)	18.53
Outstanding at end of the year	184,836	18.53
Options exercisable at end of the year	0	0
Weighted average fair value of options granted during the year		US$ 4.88

Range of Exercise Prices	December 31, 2004 Options Outstanding Number Outstanding	Precio promedio Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Life (In years)
US$10.00 - 20.00	184,836	US$ 18.53	6.29

There are no stock options exercisable due to the vesting period has not been fulfilled.

The fair value of each option grant under the indexed plan is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for 2004:

	Stock Option Plans
Weighted average fair value option	US$4.11
Weighted average expected life	7 years
Expected volatility	0.5
Risk-free interest rate	3.00%
Expected annual dividends per share	US$1.00
Expected annual forfeitures	0

e) Stock Option Plans - Employees

During 1995, the Board of Directors approved a stock option plan for employees (the "1995 Stock Option Plan") under which, options were granted from time-to-time at a purchase price equal to the average fair market value of the common stock covered by each option on the date that the option was granted. One third of the options may be exercised on each successive year after the grant date and expire on the tenth year after the grant date.

During 1999, the Board of Directors approved a stock option plan for employees (the "1999 Stock Option Plan"). The terms of the plan are the same as the 1995 Stock Option Plan with the exception that one third of the options become exercisable two years after grant and become exercisable in full after the fourth year with expiration on the tenth anniversary after the grant day.

On July 19, 2003, the Bank's Board of Directors approved to discontinue the 1995 and 1999 Stock Option Plans – Employees.

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

	December 31, 2004 Shares	2004 Wtd. Avg. Exercise Price	2003 Shares	2003 Wtd. Avg. Exercise Price	2002 Shares	2002 Wtd. Avg. Exercise Price
Outstanding at beginning of the year	228,625	US$36.86	247,642	US$37.23	291,596	US$36.65
Granted	0	0	0	0	0	0
Exercised	0	0	0	0	0	0
Forfeited	(126,613)	US$37.46	(19,017)	US$41.66	(43,954)	US$33.39
Outstanding at end of the year	102,012	US$36.12	228,625	US$36.86	247,642	US$37.23
Options exercisable at end of the year	93,989	US$36.40	191,210	US$38.00	176,891	US$40.21

Range of Exercise Prices	December 31, Options Outstanding Number Outstanding	Options Outstanding Wtd. Avg. Exercise Price	Options Outstanding Wtd. Avg. Remaining Contractual Life (In years)	Options Exercisable Number Exercisable	Options Exercisable Wtd. Avg. Exercise Price
US$20.00 - 30.00	26,726	US$23.12	4.77	26,726	US$23.12
US$30.01 - 40.00	26,350	32.88	6.09	18,327	32.88
US$40.01 - 50.00	33,436	42.06	1.98	33,436	42.06
Greater than US$50.00	15,500	51.19	2.09	15,500	51.19
Total	102,012	US$36.12	3.79	93,989	US$36.40

f) Other employee Plans

Expatriate officers plan:

The Bank sponsors a defined contribution plans for its expatriate top executives and employees. The Bank's contributions are determined as a percentage of the eligible officers' annual salary, with each officer contributing an additional amount withheld from his salary and deposited in a savings account with the Bank, earning interest at market rates. During the years 2004, 2003, and 2002, the Bank charged to salaries expense in connection to this plan, the amount of US$178,626, US$139,934, and US$118,900, respectively. As of December 31, 2004, 2003 and 2002, the accumulated liability payable under this contribution plan amounted to US$356,369, US$571,755 and US$431,821, respectively.

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

The DEU Plan allowed eligible employees to invest up to 25% of their annual profit sharing in Class "E" shares (the "Participation Shares"). The employee received a grant of one DEU for every two participating shares. Every DEU represented the right to receive a Class "E" share. On July 19, 2003, the Bank's Board of Directors approved to discontinue this plan and consequently, no additional options were granted under this plan.

During December 2004, 2003, and 2002, the Bank recorded as expense the market value of the related Class "E" shares of US$177, US$1,863, and US$(3,011), respectively, corresponding to 122 deferred equity units to be exercisable in February 2006.

Deferred compensation plan (the "DC plan"):

The DC Plan has two separate features. Under the first component of the DC Plan, the Bank may grant to each eligible employee a number of deferred equity units equal to the product of (x) an amount equal to a percentage, not to exceed 3%, of the employee's compensation, divided by (y) the fair market value of a Class "E" share. Each deferred equity unit represents the right to receive a Class "E" share (or the economic equivalent thereof). Employees will vest the deferred equity units after three years of service (which may be either before or after the deferred equity unit award). Distributions are made in respect of deferred equity units on the later of (i) the date the vested deferred equity units are credited to an employee's account and (ii) ten years after the employee is first credited with deferred equity units under the DC Plan. Participating employees receive dividends with respect to their vested deferred equity units, and receive additional deferred equity units in lieu of a dividend with respect to their unvested deferred equity units. The second component allows employees who are not citizens or residents of the United States to defer a percentage of their compensation, and receive discretionary matching cash contribution. In no event shall the value of (i) the discretionary matching cash contribution made on behalf of an employee and (ii) the grant of deferred equity units made to such employees exceed 6% of the employee's annual base compensation. Under the DC Plan, 30,000 Class "E" shares were reserved.

On July 19, 2003, the Bank's Board of Directors approved to discontinue this plan. No additional options were granted under this plan.

The following presents a detail of changes in the deferred equity units under the DC Plan, as of December 31, 2004, 2003, and 2002:

	December 31, 2004	2003	2002
Outstanding at the beginning of the year	28,890	9,114	4,308
Granted	0	20,140	6,248
Forfeited	(82)	(281)	(1,442)
Exercised	(457)	(83)	0
Outstanding at end of the year	28,351	28,890	9,114

As of December 31, 2004, 2003, and 2002, expenses recorded under this plan the were US$31,506, US$58,573, and US$49,122, respectively.

(16) Earnings (Loss) Per Share

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

		December 31,		
		2004	**2003**	**2002**
Income (loss) from continuing operations	US$	141,730,240	111,495,812	(266,491,715)
Discontinued operations		0	0	(2,346,094)
		141,730,240	111,495,812	(268,837,809)
Less:				
Preferred stock dividends		0	365,567	1,011,910
Income (loss) available to common stockholders for both, basic and diluted EPS	US$	141,730,240	111,130,245	(269,849,719)
Weighted average common shares outstanding applicable to basic EPS		39,232,118	28,674,725	17,342,689
Basic earnings (loss) per share:				
Income (loss) from continuing operations	US$	3.61	3.88	(15.42)
Loss from discontinued operations		0	0	(0.14)
Net income (loss) per share	US$	3.61	3.88	(15.56)
Weighted average common shares outstanding applicable to diluted EPS		39,232,118	28,674,725	17,342,689
Effect of dilutive securities:				
Indexed Stock Option Plans		139,384	0	0
Adjusted weighted average common shares outstanding applicable to diluted EPS		39,371,502	28,674,725	17,342,689
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	US$	3.60	3.88	(15.42)
Loss from discontinued operations		0	0	(0.14)
Net income (loss) per share	US$	3.60	3.88	(15.56)

At December 31, 2004 and 2003, weighted average options for 145,460 and 145,537, respectively, were excluded from the computation of diluted EPS because the option's exercise price was greater than the average quoted market price of the Bank's common stock.

(17) 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, at the dates indicated, were as follows:

		December 31,	
		2004	**2003**
Confirmed letters of credit	US$	51,323,078	76,333,440
Stand-by letters of credit and guarantees:			
Country risk		83,059,521	79,343,348
Commercial risk		120,994,500	121,541,123
Credit commitments:			
At fixed interest rates		4,769,807	23,518,019
At floating interest rates		15,631,603	32,122,756
	US$	275,778,509	332,858,686

As of December 31, 2004, the maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

Within 1 year	US$	181,243,935
From 1 to 2 years		40,142,857
From 3 to 4 years		50,631,603
Without maturity		3,760,114
	US$	275,778,509

As of December 31, 2004 and 2003 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

		December 31,	
Country		**2004**	**2003**
Argentina	US$	5,000,000	5,000,000
Bolivia		0	55,743
Brazil		114,831,938	126,466,105
Chile		518,484	1,333,647
Colombia		409,851	40,000
Costa Rica		133,355	15,883,240
Dominican Republic		27,189,036	12,126,168
Ecuador		49,585,701	65,532,104
El Salvador		11,851,228	5,101,978
Guatemala		2,200,000	2,000,000
Jamaica		0	11,250,000
Mexico		14,958,930	33,738,019
Nicaragua		0	5,798,000
Panama		10,124,982	162,123
Peru		30,530,034	41,371,559
Other		8,444,970	7,000,000
	US$	275,778,509	332,858,686

Letters of Credit and Guarantees

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

The Bank provides stand-by letters of credit and guarantees (including country risk coverage), which are issued on behalf of institutional customers in connection with financing between the 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 such stand-by letters of credit and guarantees are included in the evaluation of overall credit risk.

The Bank issues stand-by letters of credit 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. However, the Bank also issues stand-by letters of credit and guarantees to provide coverage for country risk arising from political risks, such as expropriation, nationalization, war and/or civil disturbances. Nevertheless, the Bank has the option to choose between four alternatives that allow the Bank to recover the amounts paid under these guarantees in case of being executed.

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

Other commitments
During November 2003, the Bank made a commitment to invest US$5,000,000 in an investment fund whose main objective is to invest in the Mexican export industry and its supply chain. As of December 31, 2004, the total disbursement related with this investment fund was US$1,351,008, recorded as other assets. On January 2005, the Bank made an additional disbursement of US$52,572.

Unused commitments available to the Bank
During 2004, the Bank cancelled a borrowing agreement with a financial institution for US$125,000,000 granted in 2003.

(18) Derivative Financial Instruments
Effective January 1, 2001, the Bank adopted the Statement of Financial Accounting Standard No.133 (SFAS 133) related to the accounting of financial instruments that are considered to be derivatives, which requires that these financial instruments be recorded on the consolidated balance sheets at their fair value. For control purposes, these financial instruments are recorded at their nominal amount ("notional amount") on the memorandum accounts.

In the normal course of business, the Bank uses interest rate and foreign exchange derivatives primarily for hedging purposes in its consolidated balance sheets management activities. The entire interest rate swaps and foreign exchange forward contracts entered during 2003 were made by the Bank to hedge interest rate and foreign exchange risks arising from the Bank's lending activity and the issuance of non-US dollar denominated Euro Medium-Term Notes. Interest rate swaps are made either in a single currency or cross-currency for a prescribed period to exchange a series of interest rate flows, which involve fixed for floating interest payment or vice-versa. The Bank also engages in some foreign exchange trades to serve customers' transaction needs. All positions are hedged with an offsetting contract for the same currency. The Bank manages and controls the risks on these foreign exchange trades by establishing counter party credit limits by client, and policies that do not allow for open positions.

Types of Derivative and Foreign Exchange Instruments
Derivative and foreign exchange instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counter parties that negotiate specific agreement terms, including notional amount, exercise price and maturity.

For purposes of asset/liability activities, the Bank uses the following 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 these derivative instruments as fair value hedges, cash flow hedges and freestanding derivatives.

Cross-currency swaps are contracts that generally involve the exchange of both interest and principal amounts in two different currencies. The Bank has designated these derivative instruments as fair value hedges.

Forward foreign exchange contract represents an agreement to purchase or sell foreign currency on a future date at agreed-upon terms. The Bank has not designated a hedging relationship to these derivative instruments.

There were no derivative financial instruments outstanding at December 31, 2004. The following table provides quantitative information on derivative financial instruments outstanding at December 31, 2003:

(In US Dollar)	Nominal Amount	Fair Value Asset	Fair Value Liability
Fair Value Hedges:			
Cross-currency swaps	61,425,806	1,684,209	7,051,049
Cash Flow Hedges:			
Interest rate swaps	60,000,000	0	792,537
Freestanding:			
Cross-currency swaps	50,129,509	571,875	5,177,724
Total	171,555,315	2,256,084	13,021,310

(19) Accumulated Other Comprehensive Income (Loss)
As of December 31, 2004, 2003 and 2002 the breakdown of accumulated other comprehensive income (loss) related to investment securities and derivatives was as follows:

		Investment Securities	Derivatives Financial Instruments	Total
Balance as of December 31, 2001	US$	34,416	(540,696)	(506,280)
Unrealized losses arising from the year (including adjustments related to transfers from securities held to maturity to available for sale)		(38,916,035)	(2,578,603)	(41,494,638)
Reclassification adjustment for losses included in net loss (1)		41,883,201	0	41,883,201
Balance as of December 31, 2002		3,001,582	(3,119,299)	(117,717)
Unrealized gains arising from the year		29,469,931	2,735,010	32,204,941
Reclassification adjustment for gains included in net income (1)		(22,210,998)	0	(22,210,998)
Balance as of December 31, 2003		10,260,515	(384,289)	9,876,226
Unrealized gains (losses) arising from the year		(1,256,353)	384,289	(872,064)
Reclassification adjustment for gains included in net income (1)		(2,921,688)	0	(2,921,688)
Balance as of December 31, 2004	US$	6,082,474	0	6,082,474

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

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

(a) *Financial instruments with carrying value equal to fair value*
The carrying value of certain financial assets, including cash and due from banks, interest-bearing deposits with banks, securities purchased under agreements to resell, accrued interest receivable, customers' liabilities under acceptances and certain financial liabilities including, interest, other liabilities and acceptances outstanding, as a result of their short-term nature, is considered to be equal to fair value.

(b) *Investment securities*
The fair value of investment securities has been based upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon quoted price of similar instruments.

(c) *Loans*
The fair value of the performing loan portfolio has been determined principally based upon a discounted analysis of anticipated cash flows adjusted for expected credit losses. The loans have been grouped to the extent possible, into homogeneous pools, segregated by maturity and the weighted average maturity of the loans within each pool. Depending upon the type of loan involved, maturity assumptions have been based on either contractual or expected maturity.

Credit risk has been factored into the present value analysis of cash flows associated with each loan type, by allocating allowances for loan losses. The allocated portion of the allowance, adjusted by a present value factor based upon the timing of expected losses, has been deducted from the gross cash flows prior to calculating the present value. The fair value of the non-performing loans has been determined net of related allowance for loan losses.

(d) *Deposits*
The fair value of demand deposits is equal to the amount payable on demand at the reporting date. For time deposits, fair value has been estimated based upon interest rates currently being offered on deposits with similar characteristics and maturities.

(e) *Short-term borrowings*
The fair value of short-term borrowings is estimated using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements.

(f) *Medium and long-term borrowings and placements*
The fair value of medium and long-term borrowings and placements is estimated using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements.

(g) *Derivative financial instruments*
The fair value of derivatives financial instruments and options is based upon quoted market prices.

(h) *Commitments to extend credit, stand-by letters of credit, and financial guarantees written*
The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counter parties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparts at the reporting date.

Fair values have been determined based on applicable requirements and do not necessarily represent the amount that would be realized upon liquidation. The following table provides information on the carrying value and fair value of the Bank's financial instruments:

	December 31,			
	2004		2003	
(In US Dollar)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Instruments with carrying value equal to fair value	202,764,394	202,764,394	426,772,735	426,772,735
Securities available for sale	164,871,623	164,871,623	48,340,618	48,340,618
Securities held to maturity	27,984,068	28,117,000	29,452,040	29,790,000
Loans, net of allowance	2,331,488,389	2,349,326,818	2,046,401,596	2,077,225,191
Derivatives financial instruments - assets	0	0	2,256,084	2,256,084
Financial liabilities:				
Instruments with carrying value equal to fair value	69,486,950	69,486,950	64,754,563	64,754,563
Time deposits	841,540,399	841,378,826	683,584,579	681,738,412
Short-term borrowings	704,718,013	704,503,811	687,214,017	687,343,803
Medium and long-term borrowings and placements	403,620,966	398,868,861	485,516,431	485,317,237
Derivatives financial instruments - liabilities	0	0	13,021,310	13,021,310
Commitments to extend credit, stand-by letters of credits and guarantees	275,778,509	1,136,084	332,858,686	1,604,595

(21) Business Segment Information

The Bank's businesses are grouped into three segments for management reporting and analysis purposes: Short-term loans, medium-term loans and selected securities, and contingencies (letters of credit, guarantees and other fee generating businesses). These segments are based upon products and services offered and are identified in a manner consistent with the requirements outlined on Statement of Financial Accounting Standard No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information". The segment results show the financial performance of the major lines of business. These results are determined based on the Bank's management accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable line of business on a systematic basis.

The short-term loans (original term of up to 365 days) represent the Bank's principal activity, and constitute mostly short-term trade related financing to its stockholders banks and other selected commercial banks in the Region, including stockholder banks which then on-lend to businesses engaged in foreign trade, to state owned export institutions, and to a lesser extent to private entities.

Medium-term loans (original term of over one to five years, and exceptionally more than five years) were mainly granted to selected commercial banks in the Region, to support the medium-term financing needs of the Bank's clients.

The contingencies constitute mainly guarantees and stand-by or commercial letters of credit covering commercial and country risk. This business segment is the primary component of fee income generation. Additional components of other income are commissions earned on loan origination. The following table presents certain information regarding the Bank's continuing operations by segment:

Business Segment Analysis (1)

(In US$ million)

2004	Average Assets	Net Interest Income	Net Commissions and Other Income	Net Revenues	Operating Expenses	Net Operating Income (2)
Loans and selected securities (3)						
Short-term	1,884	31.5	2.4	33.9	(15.0)	19.0
Medium-term	448	10.5	0.6	11.1	(3.6)	7.5
Total loans selected securities	2,332	42.0	3.0	45.0	(18.5)	26.5
Acceptances and contingencies (4)	373	0	5.8	5.8	(2.8)	2.9
Credit portfolio (5)	2,705	42.0	8.8	50.8	(21.3)	29.4

(In US$ million)

2003	Average Assets	Net Interest Income	Net Commissions and Other Income	Net Revenues	Operating Expenses	Net Operating Income (2)
Loans and selected securities (3)						
Short-term	1,763	37.9	17.1	55.0	(14.1)	40.9
Medium-term	720	16.1	7.0	23.1	(5.7)	17.4
Total loans and selected securities	2,483	54.0	24.1	78.1	(19.8)	58.3
Acceptances and contingencies (4)	369	0	6.1	6.1	(2.8)	3.3
Credit portfolio (5)	2,852	54.0	30.2	84.2	(22.6)	61.6

(In US$ million)

2002	Average Assets	Net Interest Income	Net Commissions and Other Income	Net Revenues	Operating Expenses	Net Operating Income (2)
Loans and selected securities (3)						
Short-term	2,101	32.5	1.4	33.9	(9.2)	24.7
Medium-term	1,701	32.3	1.2	33.5	(7.5)	26.0
Total loans and selected securities	3,802	64.8	2.6	67.4	(16.7)	50.7
Acceptances and contingencies (4)	665	0	8.8	8.8	(2.6)	6.2
Credit portfolio (5)	4,467	64.8	11.4	76.2	(19.3)	56.8

(1) The numbers set out in these tables have been rounded and accordingly may not total exactly.
(2) To reconcile the net operating income reported on the preceding table with the net income reported on the consolidated statement of operations for the years ended December 31, 2004, 2003, and 2002, the following items should be included: (a) reversal (provisions) for credit losses for US$112.3 million, US$58.9 million and US$(278.8) million, respectively; (b) impairment loss on securities of US$(1.0) million and US$(44.3) million for the years ended December 31, 2003 and 2002, respectively; (c) derivatives and hedging activities from market valuation for US$(8.0) million and US$(0.3) million for the years ended December 31, 2003 and 2002, respectively; and (d) loss on operations and disposal of segment for US$(2.3) million for the year ended December 31, 2002.
(3) Includes loans, selected investment securities and securities purchased under agreements to resell.
(4) Includes customers' liabilities under acceptances, letters of credit and guarantees covering commercial and country risk and credit commitments.
(5) Includes loans and selected investment securities plus acceptances and contingencies.

(22) Leasehold Commitments

At December 31, 2004, a summary of leasehold commitments is as follows:

Expiration Year		Future Rental Commitments
2005	US$	450,925
2006		165,080
2007		169,207
2008		84,626
	US$	869,838

Occupancy expense for years ended December 31, 2004, 2003 and 2002 amounted to US$311,349, US$293,289 and US$408,993, respectively.

(23) Litigation

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

(24) Discontinued Operations

At June 30, 2002, the Bank's Board of Directors approved the closing of its structured transactions finance unit (Bladex Financial Services, LLC and Bladex Securities, LLC) in New York, as part of its restructuring program. As of December 31, 2002, the loss from operations and disposal of segment, totaled US$2,346,094 (including US$1,531,789 of loss from disposal).

(25) Capital Reserves

Effective on June 30, 2002, the Bank transferred US$210,000,000 from the Capital Reserves account to the Retained Earnings account. This reclassification was approved by the Bank's Board of Directors, and was previously authorized by the Superintendency of Banks of Panama.

(26) Subsequent Events

On February 1, 2005, Board of Directors authorized the payment of a special cash dividend of US$2.00 per common share, or US$77.8 million, payable on April 11, 2005 to shareholders of record as of March 28, 2005, along with the quarterly common dividend.

(27) Summary of Unaudited Quarterly Financial Information

		2004			
(In US$ thousands, except per share data)		Fourth	Third	Second	First
Interest income	US$	20,422	18,535	17,687	19,508
Interest expense		(11,358)	(7,950)	(6,632)	(8,186)
Net interest income		9,064	10,585	11,054	11,322
Reversal of provision for loan losses		45,010	27,413	20,638	18,338
Net interest income after reversal of provision for loan losses		54,074	37,998	31,692	29,660
Commission income, net		1,201	1,569	1,471	1,686
Reversal (provision) for loan losses on off-balance sheet credit risk		4,715	(3,683)	(3,212)	3,051
Derivatives and hedging activities		0	24	(89)	113
Gain on early extinguishment of debt		0	0	0	6
Gain on sale of securities available for sale		0	2,589	332	0
Gain (loss) on foreign currency exchange		7	5	(205)	(1)
Other income (expense)		60	14	1	2
Operating expenses		(6,145)	(4,792)	(5,727)	(4,689)
Net income	US$	53,913	33,724	24,263	29,830
Net income available to common stockholders	US$	53,913	33,724	24,263	29,830
Earnings per share	US$	1.39	0.86	0.62	0.76
Diluted earnings per share	US$	1.39	0.86	0.62	0.76
Average number of common shares outstanding (thousands)		38,916	39,297	39,353	39,353

		2003			
(In US$ thousands, except per share data)		Fourth	Third	Second	First
Interest income	US$	21,522	22,769	26,265	27,840
Interest expense		(8,253)	(9,339)	(12,748)	(14,069)
Net interest income		13,270	13,430	13,517	13,770
Reversal of provision for loan losses		14,661	10,093	37,429	7,325
Net interest income after provision for loan losses		27,930	23,523	50,946	21,096
Commission income, net		1,400	1,782	1,835	2,429
Provision (reversal) for loan losses on off-balance sheet credit risk		(5,127)	(5,043)	7,209	(7,642)
Derivatives and hedging activities		(199)	(6,667)	(320)	(802)
Impairment loss on securities		0	(75)	(875)	(3)
Gain on early extinguishment of debt		0	0	789	0
Gain on sale of securities available for sale		0	8,860	13,351	0
Gain (loss) on foreign currency exchange		3	176	(534)	(27)
Other income (expense)		38	2	93	(91)
Operating expenses		(7,812)	(4,755)	(5,409)	(4,585)
Net income	US$	16,233	17,803	67,084	10,376
Net income available to common stockholders	US$	16,233	17,803	66,899	10,127
Earnings per share (after dividends on preferred stock)	US$	0.41	0.45	3.65	0.58
Diluted earnings per share	US$	0.41	0.45	3.65	0.58
Average number of common shares outstanding (thousands)		39,343	39,343	18,310	17,343