



Annual Report

Consolidated
Financial Statements



2007



BANCO LATINOAMERICANO DE EXPORTACIONES, S. A.
AND SUBSIDIARIES

With Report of Independent Registered Public Accounting Firm

Consolidated financial statements

Years ended December 31, 2007 and 2006

Deloitte-Panamá

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of Banco Latinoamericano de Exportaciones, S.A. and subsidiaries (the “Bank”) as of December 31, 2007, and the related consolidated statements of income, stockholders’ equity, comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statement of the Bank for the years ended December 31, 2006 and 2005, were audited by other auditors whose report, dated February 28, 2007, expressed an unqualified opinion on those statements and included an explanatory paragraph indicating that the Bank changed its method of accounting for share-based compensation plans and its methodology for estimating generic allowances for credit losses in 2005.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Banco Latinoamericano de Exportaciones, S.A. and subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank’s internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February, 25, 2008, expressed an unqualified opinion on the Bank’s internal control over financial reporting.



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

(Signed by Deloitte)

February 25, 2008
Panama, Rep. of Panama

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Banco Latinoamericano de Exportaciones and subsidiaries (the "Bank") as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on the Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2007 of the Bank and our report dated February 25, 2008 expressed an unqualified opinion on those financial statements.

(signed by Deloitte)

February 25, 2008
Panama Rep. of Panama

**Banco Latinoamericano de Exportaciones, S. A.
and subsidiaries**

Consolidated balance sheets

December 31, 2007 and 2006

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

	Notes	<u>2007</u>	<u>2006</u>
Assets			
Cash and due from banks	3,20	596	401
Interest-bearing deposits in banks (including pledged deposits of \$59,308 in 2007 and \$33,470 in 2006)	3,20	476,983	331,764
Trading assets	4,20	52,597	130,076
Securities available for sale	5,20	468,360	346,194
Securities held to maturity (market value of \$125,118 in 2006)	5,20	-	125,157
Loans	6,20	3,731,838	2,980,772
Less:			
Allowance for loan losses	7,20	69,643	51,266
Unearned income and deferred fees		<u>5,961</u>	<u>4,425</u>
Loans, net		<u>3,656,234</u>	<u>2,925,081</u>
Customers' liabilities under acceptances	20	9,104	46,006
Premises and equipment (net of accumulated depreciation and amortization of \$9,704 in 2007 and \$8,043 in 2006)		10,176	11,136
Accrued interest receivable	20	62,884	55,238
Derivative instruments used for hedging - receivable	18,20	122	541
Brokerage receivable	20	44,289	-
Other assets	8	9,187	6,743
Total assets		<u>4,790,532</u>	<u>3,978,337</u>
Liabilities and stockholders' equity			
Deposits:			
Noninterest-bearing - Demand	9,20	890	1,620
Interest-bearing - Demand		110,606	130,510
Time		<u>1,350,875</u>	<u>924,147</u>
Total deposits		<u>1,462,371</u>	<u>1,056,277</u>
Trading liabilities	4,20	90,765	54,832
Securities sold under repurchase agreements	5,20	283,210	438,356
Short-term borrowings	10,20	1,221,500	1,157,248
Borrowings and long-term debt	11,20	1,010,316	558,860
Acceptances outstanding	20	9,104	46,006
Accrued interest payable	20	39,198	28,420
Derivative instruments used for hedging - payable	18,20	16,899	2,634
Reserve for losses on off-balance sheet credit risk	7	13,727	27,195
Other liabilities	12	31,191	24,614
Total liabilities		<u>4,178,281</u>	<u>3,394,442</u>
Stockholders' equity			
Class "A" common stock, no par value, assigned value of \$6.67 (Authorized 40,000,000; outstanding 6,342,189)	13,14,15,19	44,407	44,407
Class "B" common stock, no par value, assigned value of \$6.67 (Authorized 40,000,000; outstanding 2,660,847 in 2007 and 2,725,390 in 2006)		21,528	21,959
Class "E" common stock, no par value, assigned value of \$6.67 (Authorized 100,000,000; outstanding 27,367,113 in 2007 and 27,261,495 in 2006)		214,045	213,614
Additional paid-in capital in excess of assigned value to common stock		135,142	134,945
Capital reserves		95,210	95,210
Retained earnings		245,348	205,200
Accumulated other comprehensive income (loss)	5,19	(9,641)	3,328
Treasury stock	13	<u>(133,788)</u>	<u>(134,768)</u>
Total stockholders' equity		<u>612,251</u>	<u>583,895</u>
Commitments and contingent liabilities	8,16,17,18,21		
Total liabilities and stockholders' equity		<u>4,790,532</u>	<u>3,978,337</u>

The accompanying notes are part of these consolidated financial statements.

**Banco Latinoamericano de Exportaciones, S. A.
and subsidiaries**

Consolidated statements of income
Years ended december 31, 2007, 2006 and 2005
(in US\$ thousand, except per share amounts)

	Notes	2007	2006	2005
Interest income:				
Deposits with banks		17,001	8,973	5,121
Trading assets		5,315	5,810	-
Investment securities:				
Available for sale		19,595	16,780	7,755
Held to maturity		1,337	5,985	2,219
Loans		<u>221,621</u>	<u>165,802</u>	<u>101,728</u>
Total interest income		<u>264,869</u>	<u>203,350</u>	<u>116,823</u>
Interest expense:				
Deposits		70,443	56,611	29,559
Trading liabilities		4,197	4,639	-
Short-term borrowings		70,244	55,000	20,408
Borrowings and long-term debt		<u>49,415</u>	<u>28,263</u>	<u>21,603</u>
Total interest expense		<u>194,299</u>	<u>144,513</u>	<u>71,570</u>
Net interest income		70,570	58,837	45,253
Reversal (provision) for loan losses	7	<u>(11,994)</u>	<u>(11,846)</u>	<u>54,155</u>
Net interest income, after reversal of provision for loan losses		<u>58,576</u>	<u>46,991</u>	<u>99,408</u>
Other income (expense):				
Reversal (provision) for losses on off-balance sheet credit risk	7	13,468	24,891	(15,781)
Fees and commissions, net		5,555	6,393	5,824
Activities of hedging derivative instruments	18	(989)	(225)	2,338
Recoveries on assets, net of impairments	5,8	(500)	5,551	10,206
Trading gains		23,866	879	-
Net gain on sale of securities available for sale	5	9,119	2,568	206
Gain (loss) on foreign currency exchange		115	(253)	3
Other income (expense), net		<u>(6)</u>	<u>36</u>	<u>5</u>
Net other income		<u>50,628</u>	<u>39,840</u>	<u>2,801</u>
Operating expenses:				
Salaries and other employee expenses		22,049	16,826	13,073
Depreciation and amortization of premises and equipment		2,555	1,406	869
Professional services		3,562	2,671	3,281
Maintenance and repairs		1,188	1,000	1,172
Other operating expenses		<u>7,673</u>	<u>7,026</u>	<u>6,296</u>
Total operating expenses		<u>37,027</u>	<u>28,929</u>	<u>24,691</u>
Income before cumulative effect of changes in accounting principles		72,177	57,902	77,518
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	7,15	-	-	2,733
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair-value-based method of accounting stock-based employee compensation plan	14,15	-	-	(150)
Net income		<u><u>72,177</u></u>	<u><u>57,902</u></u>	<u><u>80,101</u></u>
Basic earnings per share:	7,14,15			
Income before cumulative effect of changes in accounting principles		1.99	1.56	2.01
Cumulative effect of changes in accounting principles		<u>0.00</u>	<u>0.00</u>	<u>0.07</u>
Net income per share		<u>1.99</u>	<u>1.56</u>	<u>2.08</u>
Diluted earnings per share:	7,14,15			
Income before cumulative effect of changes in accounting principles		1.98	1.54	1.99
Cumulative effect of changes in accounting principles		<u>0.00</u>	<u>0.00</u>	<u>0.07</u>
Net income per share		<u>1.98</u>	<u>1.54</u>	<u>2.06</u>
Basic earnings per share		<u>1.99</u>	<u>1.56</u>	<u>2.01</u>
Diluted earnings per share		<u>1.98</u>	<u>1.54</u>	<u>1.99</u>
Average basic shares		<u>36,349</u>	<u>37,065</u>	<u>38,550</u>
Average diluted shares		<u>36,414</u>	<u>37,572</u>	<u>38,860</u>

The accompanying notes are part of these consolidated financial statements.

**Banco Latinoamericano de Exportaciones, S. A.
and subsidiaries**

Consolidated statements of changes in stockholders' equity

Years ended december 31, 2007, 2006 and 2005

(in US\$ thousand)

	Common stock	Additional paid-in capital	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balances at January 1, 2005	279,978	133,786	95,210	233,701	6,082	(92,627)	656,130
Net income	-	-	-	80,101	-	-	80,101
Other comprehensive income	-	-	-	-	(5,463)	-	(5,463)
Compensation cost - indexed stock options plan	-	555	-	-	-	-	555
Issuance of restricted stocks	-	-	-	(57)	-	152	95
Exercised stock options pursuant to compensation plan	-	-	-	(4)	-	8	4
Repurchase of Class "E" common stock	-	-	-	-	-	(13,815)	(13,815)
Difference in fractional shares in conversion of common stocks	1	(1)	-	-	-	-	-
Dividends declared	-	-	-	(100,825)	-	-	(100,825)
Balances at December 31, 2005	279,979	134,340	95,210	212,916	619	(106,282)	616,782
Net income	-	-	-	57,902	-	-	57,902
Comprehensive income	-	-	-	-	2,709	-	2,709
Compensation cost - indexed stock options plan	-	606	-	-	-	-	606
Issuance of restricted stocks	-	-	-	(49)	-	144	95
Exercised stock options pursuant to compensation plan	-	-	-	(14)	-	27	13
Repurchase of Class "E" common stock	-	-	-	-	-	(28,657)	(28,657)
Difference in fractional shares in conversion of common stocks	1	(1)	-	-	-	-	-
Dividends declared	-	-	-	(65,555)	-	-	(65,555)
Balances at December 31, 2006	279,980	134,945	95,210	205,200	3,328	(134,768)	583,895
Net income	-	-	-	72,177	-	-	72,177
Comprehensive income	-	-	-	-	(12,969)	-	(12,969)
Compensation cost - stock options plan	-	1,130	-	-	-	-	1,130
Issuance of restricted stocks	-	(644)	-	-	-	531	(113)
Exercised stock options pursuant to compensation plan	-	(289)	-	-	-	449	160
Dividends declared	-	-	-	(32,029)	-	-	(32,029)
Balances at December 31, 2007	<u>279,980</u>	<u>135,142</u>	<u>95,210</u>	<u>245,348</u>	<u>(9,641)</u>	<u>(133,788)</u>	<u>612,251</u>

The accompanying notes are part of these consolidated financial statements.

**Banco Latinoamericano de Exportaciones, S. A.
and subsidiaries**

Consolidated statements of comprehensive income
Years ended december 31, 2007, 2006 and 2005
(in US\$ thousand)

	Notes	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income:				
Income before cumulative effect of changes in accounting principles		72,177	57,902	77,518
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	7	-	-	2,733
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair value-based method of accounting stock-based employee compensation plan	14,15	-	-	(150)
Net income		<u>72,177</u>	<u>57,902</u>	<u>80,101</u>
Other comprehensive income (loss):				
Unrealized gains (losses) on securities available for sale:				
Unrealized gains (losses) arising from the year	19	(1,912)	5,349	(5,257)
Less: Reclassification adjustments for gains included in net income	5,19	<u>(9,119)</u>	<u>(2,568)</u>	<u>(206)</u>
Net change in unrealized gains (losses) on securities available for sale		<u>(11,031)</u>	<u>2,781</u>	<u>(5,463)</u>
Unrealized losses on derivative financial instruments:				
Unrealized losses arising from the year	19	(2,081)	(72)	-
Less: Reclassification adjustments for net losses included in net income	19	<u>143</u>	-	-
Net change in unrealized losses on derivative financial instruments		<u>(1,938)</u>	<u>(72)</u>	-
Other comprehensive income (loss)		<u>(12,969)</u>	<u>2,709</u>	<u>(5,463)</u>
Comprehensive income		<u>59,208</u>	<u>60,611</u>	<u>74,638</u>

The accompanying notes are part of these consolidated financial statements.

**Banco Latinoamericano de Exportaciones, S. A.
and subsidiaries**

Consolidated Statements of Cash Flows
Years Ended December 31, 2007, 2006 and 2005
(in US\$ thousand)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Income before cumulative effect of changes in accounting principles	72,177	57,902	77,518
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	-	-	2,733
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair-value based method of accounting stock-based employee compensation plan	-	-	(150)
Net income	<u>72,177</u>	<u>57,902</u>	<u>80,101</u>
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Activities of hedging derivative instruments	1,258	312	(85)
Depreciation and amortization of premises and equipment	2,555	1,406	869
Provision (reversal) for loan losses	11,994	11,846	(54,155)
Provision (reversal) for losses on off-balance sheet credit risk	(13,468)	(24,891)	15,781
Impairment loss on assets	500	-	469
Net gain on sale of securities available for sale	(9,119)	(2,568)	(206)
Compensation cost - stock options plans	1,130	606	555
Issuance of restricted stock	(113)	95	95
Deferred compensation awards	-	13	3
Amortization of premiums and discounts on investments	6,268	4,748	2,343
Net decrease (increase) in operating assets:			
Trading assets	77,479	(130,076)	-
Accrued interest receivable	(7,646)	(24,984)	(14,806)
Derivative financial instruments	-	-	25
Brokerage receivable	(44,289)	-	-
Other assets	(2,944)	4,552	(5,804)
Net increase (decrease) in operating liabilities:			
Trading liabilities	35,933	54,832	-
Accrued interest payable	10,778	13,684	8,259
Other liabilities	4,261	2,108	(5,958)
Net cash provided by (used in) operating activities	<u>146,754</u>	<u>(30,415)</u>	<u>27,486</u>
Cash flows from investing activities:			
Net increase in pledged interest bearing deposits	(25,838)	(28,470)	(800)
Net increase in loans	(864,971)	(384,433)	(179,315)
Proceeds from the sale of loans	121,824	12,500	-
Net acquisition of premises and equipment	(1,595)	(9,289)	(614)
Proceeds from the redemption of securities available for sale	19,074	20,000	26,000
Proceeds from the maturity of securities held to maturity	125,000	9,000	-
Proceeds from the sale of securities available for sale	578,697	129,731	276,524
Purchases of investment securities	(716,472)	(419,143)	(326,307)
Net cash used in investing activities	<u>(764,281)</u>	<u>(670,104)</u>	<u>(204,512)</u>
Cash flows from financing activities:			
Net increase in due to depositors	406,094	9,659	182,458
Net (decrease) increase in short-term borrowings and securities sold under repurchase agreements	(90,894)	834,905	55,981
Proceeds from borrowings and long-term debt	613,126	133,680	309,962
Repayments of borrowings and long-term debt	(161,670)	(108,680)	(179,723)
Dividends paid	(29,713)	(63,364)	(100,825)
Redemption of redeemable preferred stock	-	(3,216)	(2,711)
Exercised stock options	160	-	-
Repurchase of common stock	-	(28,657)	(13,815)
Net cash provided by financing activities	<u>737,103</u>	<u>774,327</u>	<u>251,327</u>
Net increase (decrease) in cash and cash equivalents	119,576	73,808	74,301
Cash and cash equivalents at beginning of the year	<u>298,695</u>	<u>224,887</u>	<u>150,586</u>
Cash and cash equivalents at end of the year	<u><u>418,271</u></u>	<u><u>298,695</u></u>	<u><u>224,887</u></u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	<u>183,521</u>	<u>130,829</u>	<u>63,298</u>

The accompanying notes are part of these consolidated financial statements.

Banco Latinoamericano de Exportaciones, S. A. and subsidiaries

Notes to consolidated financial statements

1. Organization

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

The Bank operates under a general banking license issued by the National Banking Commission of Panama, predecessor of the Superintendency of Banks of Panama (the "SBP"), and is subject to its supervision and inspection. Bladex Head Office's subsidiaries are the following:

Bladex Holdings Inc., is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Its wholly owned subsidiaries are:

- Bladex Asset Management, Inc., incorporated on May 24, 2006, under the laws of the State of Delaware, USA, serves as investment manager for Bladex Offshore Feeder Fund (the "Feeder") and Bladex Capital Growth Fund (the "Fund").
- Clavex LLC, incorporated on June 15, 2006, under the laws of the State of Delaware, USA, ceased operations in February 2007.

The Feeder is a wholly owned subsidiary, incorporated on February 21, 2006 under the laws of Cayman Islands, and in turn is the sole owner of the Fund, which was also incorporated under the laws of Cayman Islands on February 21, 2006. Both companies are investment funds that started operations in April 2006 and share the same investment objectives. The Feeder invests substantially all of its assets in the Fund. The objective of the Fund is to achieve capital appreciation by investing in Latin American debt securities, indexed funds, currencies, and trading derivative instruments.

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

Clavex, S.A., is a wholly owned subsidiary, incorporated on May 18, 2006, under the laws of the Republic of Panama, to mainly provide specialized training.

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

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

2. Summary of significant accounting policies

a) Basis of presentation

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

b) Principles of consolidation

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

c) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Material estimates

that are particularly susceptible to significant changes relate to the determination of the allowances for credit losses, impairment losses on assets, impairment of securities available for sale and held to maturity, and the fair value of financial instruments. Actual results could differ from those estimates. Management believes these estimates are adequate.

d) Cash equivalents

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

e) Repurchase agreements

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

f) Trading assets and liabilities

Trading assets include mainly debt instruments and shares in indexed funds that have been bought and held principally for the purpose of selling them in the near term. Trading liabilities include debt instruments that the Bank has sold to other parties but does not own ("short" positions). The Bank is obliged to purchase securities at a future date to cover short positions. Included in trading assets and liabilities are the reported receivables (unrealized gains) and payables (unrealized losses) related to derivative instruments. These amounts include the derivative assets and liabilities net of cash received or paid, respectively, under legally enforceable master netting agreements. Trading assets and liabilities are carried at fair value, which is determined based upon quoted prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security. Unrealized and realized gains and losses on trading assets and liabilities are recorded in earnings as trading gains (losses).

Transactions traded not yet settled at the consolidated balance sheet date are recorded as brokerage receivables and payables.

g) Investment securities

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

Securities available for sale

These securities consist of debt instruments that the Bank buys with the intention of selling them prior to maturity and are subject to the same approval criteria as the rest of the credit portfolio. These securities are carried at fair value, based on quoted market prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security. Unrealized gains and losses are reported as net increase or decreases to accumulated other comprehensive income (loss) in equity until they are realized.

Securities held to maturity

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

Interest on securities is recognized based on the interest method. Amortization of premiums and accretion of discounts are included in interest income as an adjustment to the yield. Realized gains and losses from the sales of securities which are included in realized gain (loss) from investment securities, are determined using the specific identification method.

Impairment of investments is evaluated considering numerous factors, and their relative significance varies case by case. Factors considered include the length of time and extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the intent and ability of the Bank to retain the security in order to allow for an anticipated recovery in market value. If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to its fair value, and a loss is recognized through earnings as impairment loss on assets. Accrual of income is suspended on fixed maturities that are in default, or on which it is likely that future interest payments will not be received as scheduled.

h) Other Investments

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

Notes to consolidated financial statements

i) Loans

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

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

Loans are identified as impaired and placed on a cash (non-accrual) basis when interest or principal is past due for 90 days or more, or before if the Bank's management determines that the ultimate collection of principal or interest is doubtful. Factors considered by the Bank's management in determining impairment include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence. Any interest receivable is reversed and charged-off against earnings. Interest on non-accruing loans is only recorded as earned when collected. Non-accruing loans are returned to an accrual status when (1) all contractual principal and interest amounts are current (2) there is a sustained period of repayment performance in accordance with the contractual terms of at least six months; and (3) if in the Bank management's opinion the loan is fully collectible. When current events or available information confirm that specific impaired loans or portions thereof are uncollectible, such impaired loans are charged-off against the allowance for loan losses.

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

Transfers of financial assets, primarily loans, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. Upon completion of a transfer of assets that satisfies the conditions described above to be accounted for as a sale, the Bank recognizes the assets as sold and records in earnings any gain or loss on the sale. The Bank may retain interest in loans sold in the form of servicing rights. Service rights are only recognized when the benefits of the service exceeds the costs associated with the responsibility of that service.

j) Allowance for credit losses

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

The allowance for possible credit losses includes an asset-specific component and a formula-based component. The asset-specific component relates to provision for losses on credits considered impaired and measured on a case-by-case basis. An allowance is established when the discounted cash flows (or collateral value of observable market price) of the credit is lower than the carrying value of that credit. The formula-based component covers the Bank's performing credit portfolio and is established based in a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative judgment. The statistical calculation is a product of internal risk classifications, probabilities of default and loss given default. The probability of default is supported by Bladex's historical portfolio performance complemented by probabilities of default provided by external sources for higher risk cases, in view of the greater robustness of this external data for such cases. The loss given default is based on Bladex's historical losses experience and best practices.

k) Fair value of guarantees including indirect indebtedness of others

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

l) Fees and commissions

Loan origination fees, net of direct loan origination costs, are deferred, and the net amount is recognized as revenue over the contractual term of the loans as an adjustment to the yield. These net fees are not recognized as revenue during periods

in which interest income on loans is suspended because of concerns about the realization of loan principal or interest. Underwriting fees are recognized as revenue when the Bank has rendered all services to the issuer and is entitled to collect the fee from the issuer, when there are no contingencies related to the fee. Underwriting fees are recognized net of syndicate expenses. In addition, the Bank recognizes credit arrangement and syndication fees as revenue after satisfying certain retention, timing and yield criteria. Fees received in connection with a modification of terms of a troubled debt restructuring are applied as a reduction of the recorded investment in the loan. Fees earned on letters of credit, guarantees and other commitments are amortized using the straight-line method over the life of such instruments.

m) Premises and equipment

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

The Bank defers the cost of internal-use software that has a useful life in excess of one year in accordance with SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". These costs consist of payments made to third parties related to the use of licenses and installation of both, software and hardware. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized internal use software costs will be amortized using the straight-line method over their estimated useful lives, generally consisting of 5 years.

n) Capital reserves

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

o) Cash and stock-based compensation plan

In year 2005, the Bank chose to early adopt Statement of Financial Accounting Standards ("SFAS") No.123(R), "Share-Based Payment", which established the use of the fair-value-based method of accounting for stock-based compensation to key employees and directors. The Bank elected to use the "modified prospective application" for new and previously granted awards that are not fully vested on the effective date. Compensation cost is based on the fair value of the awards granted and is recognized over the requisite service period of the award. The fair value of each option is estimated at the grant date using the Black-Scholes option-pricing model. The Bank has the policy of re-issuing shares from treasury shares, when options are exercised.

p) Redeemable preferred stock

The Bank accounts for as liabilities all financial instruments that embody an obligation to the Bank. The accrual of interest payable is charged to interest expense.

q) Derivative financial instruments and hedge accounting

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

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

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

Notes to consolidated financial statements

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

The Bank carries all derivatives in the consolidated balance sheet at fair value. For qualifying fair value hedges, all changes in the fair value of the derivative and the fair value of the item for the risk being hedged are recognized in earnings. If the hedge relationship is terminated, then the fair value adjustment to the hedge item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income and recognized in the income statement when the hedged cash flows affect earnings. Ineffective portion is recognized in the income statement as activities of hedging derivative instruments. If the cash flow hedge relationship is terminated, related amounts in other comprehensive income are reclassified into earnings when hedged cash flows occur.

r) Foreign currency transactions

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

s) Income taxes

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance to its Constitutive Law that granted special benefits, including the total exemption of income tax payment.
- The Feeder and the Fund are not subject to income taxes in accordance to Laws of the Caiman Islands.
- Clavex, S.A. is subject to income taxes in Panama on profits from local operations.
- Bladex Representacao Ltd. is subject to income taxes in Brazil.
- The New York Agency and Bladex's subsidiaries incorporated in the USA are subject to USA federal and local taxation based on the portion of income that is effectively connected with its operations in that country.

Such amounts of income taxes have been immaterial to date.

t) Earnings per share

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

u) Recently Issued Accounting Standards

SFAS No. 157: Fair Value Measurement

SFAS No. 157 defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and enhances disclosures about fair value measurements. This Standard applies when other accounting pronouncements require fair value measurements. This Standard is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The Bank does not anticipate any significant effect on its consolidated financial position, operations and cash flows with the adoption of SFAS No.157.

SFAS No. 159: The Fair Value Option for Financial Assets and Financial Liabilities.

SFAS No. 159 will allow the Bank to report at fair value many of its financial instruments and certain other items that are not currently required to be reported at fair value. The valuation of a financial instrument at fair value is irrevocable once adopted. All changes in fair value are reported in earnings. This standard is effective for years beginning after November 15, 2007. The Bank is currently evaluating the potential impact on its consolidated financial statements of adopting this standard.

3. Cash and cash equivalents

Cash and cash equivalents are as follows:

<i>(In thousand of US\$)</i>	December 31,	
	2007	2006
Cash and due from banks	596	401
Interest bearing deposits in banks	476,983	331,764
Total	477,579	332,165
Less:		
Pledged deposits	59,308	33,470
	<u>418,271</u>	<u>298,695</u>

At December 31, 2007 and 2006 pledged deposits in banks include \$53.8 million and \$28 million, respectively, of collateral advanced on trading liabilities. On December 31, 2007 and 2006, the Agency of New York had pledged certificates of deposit with a carrying value of \$5.5 million, with the State of New York Banking Department, as required by law since March 1994.

4. Trading assets and liabilities

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

<i>(In thousand of US\$)</i>	December 31,	
	2007	2006
Trading assets:		
Government bonds	10,891	81,077
Corporate bonds	5,206	48,655
Shares in indexed funds	36,315	-
Derivative instruments	185	344
Total	<u>52,597</u>	<u>130,076</u>
Trading liabilities:		
Government bonds sold short	31,734	54,039
Shares in indexed funds sold short	57,863	-
Derivative instruments	1,168	793
Total	<u>90,765</u>	<u>54,832</u>

Trading assets secure all short sale transactions.

5. Investment securities

Securities available for sale

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

<i>(In thousand of US\$)</i>	December 31, 2007			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	67,971	78	660	67,389
Chile	42,849	-	549	42,300
Panama	20,019	669	-	20,688
	<u>130,839</u>	<u>747</u>	<u>1,209</u>	<u>130,377</u>
Government debt:				
Argentina	19,546	22	28	19,540
Brazil	59,464	1,897	18	61,343
Colombia	123,084	2,797	206	125,675
Dominican Republic	13,093	-	182	12,911
El Salvador	10,984	-	84	10,900
Mexico	27,045	-	89	26,956
Panama	50,008	1,462	112	51,358
Peru	29,291	24	15	29,300
	<u>332,515</u>	<u>6,202</u>	<u>734</u>	<u>337,983</u>
Total	<u>463,354</u>	<u>6,949</u>	<u>1,943</u>	<u>468,360</u>

Notes to consolidated financial statements

(In thousand of US\$)

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

At December 31, 2007 and 2006, securities available for sale with a carrying value of \$323 million each year, were pledged to secure repurchase agreements.

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

(In thousand of US\$)

	December 31, 2007					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	68,244	1,107	30,495	102	98,739	1,209
Government debt	<u>113,093</u>	<u>706</u>	<u>15,962</u>	<u>28</u>	<u>129,055</u>	<u>734</u>
	<u>181,337</u>	<u>1,813</u>	<u>46,457</u>	<u>130</u>	<u>227,794</u>	<u>1,943</u>

(In thousand of US\$)

	December 31, 2006					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	19,772	254	30,791	273	50,563	527
Government debt	<u>6,187</u>	<u>16</u>	<u>36,004</u>	<u>672</u>	<u>42,191</u>	<u>688</u>
	<u>25,959</u>	<u>270</u>	<u>66,795</u>	<u>945</u>	<u>92,754</u>	<u>1,215</u>

Gross unrealized losses are related mainly to an overall increase in market interest rates and market credit spreads and not due to underlying credit concerns about the issuers. At December 31, 2007, the Bank believes that none of the securities in its investment portfolio are other-than-temporarily impaired.

During 2006 and 2005, the Bank collected Argentine impaired securities for \$5.6 million and \$10.7 million, respectively, which had been written-off and charged to earnings in prior years. These recoveries were recorded in earnings as recoveries on assets. During the year 2005, an impaired security with a net carrying value of \$0.5 million was written-off and charged to earnings as a decrease to recoveries on assets.

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

Notes to consolidated financial statements

<i>(In thousand of US\$)</i>	Year ended December 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Gains	9,550	2,568	253
Losses	<u>(431)</u>	<u>-</u>	<u>(47)</u>
Net	<u>9,119</u>	<u>2,568</u>	<u>206</u>

The amortized cost and fair value of securities available for sale distributed by contractual maturity at December 31, 2007, are shown in the following table:

<i>(In thousand of US\$)</i>	Amortized Cost	Fair Value
Due within 1 year	19,998	19,953
After 1 year but within 5 years	153,382	153,628
After 5 years but within 10 years	<u>289,974</u>	<u>294,779</u>
	<u>463,354</u>	<u>468,360</u>

Securities held to maturity

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

<i>(In thousand of US\$)</i>	December 31, 2006			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Switzerland	40,044	-	10	40,034
United States of America	<u>60,048</u>	<u>-</u>	<u>27</u>	<u>60,021</u>
	100,092	-	37	100,055
Government debt:				
Mexico	<u>25,065</u>	<u>-</u>	<u>2</u>	<u>25,063</u>
Total	<u>125,157</u>	<u>-</u>	<u>39</u>	<u>125,118</u>

At December 31, 2006, the contractual maturity of the securities held to maturity was within one year and none of the securities in this portfolio was considered other-than-temporarily impaired since such securities did not maintain significant gross unrealized losses for more than 12 months. At December 31, 2006, securities held to maturity with a carrying value of \$125.2 million were pledged to secure repurchase agreements. All held to maturity investments matured during the first semester of 2007.

6. Loans

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

<i>(In thousand of US\$)</i>	December 31,	
	<u>2007</u>	<u>2006</u>
Corporate	1,886,580	1,417,777
Banks:		
Private	1,485,313	1,130,490
State-owned	241,322	273,090
Other	<u>118,623</u>	<u>159,415</u>
Total	<u>3,731,838</u>	<u>2,980,772</u>

	Year ended December 31,		
	2007	2006	2005
<i>(In thousand of US\$)</i>			
Gains	9,550	2,568	253
Losses	<u>(431)</u>	<u>-</u>	<u>(47)</u>
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	100,092	-	37	100,055
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Other	<u>118,623</u>	<u>159,415</u>
Total	<u>3,731,838</u>	<u>2,980,772</u>

The remaining loan maturities are summarized as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
<i>(In thousand of US\$)</i>		
Maturities:		
Up to 1 month	667,612	297,920
From 1 month to 3 months	667,393	719,966
From 3 months to 6 months	572,597	649,147
From 6 months to 1 year	617,482	456,528
From 1 year to 2 years	399,655	375,954
From 2 years to 5 years	729,786	412,565
More than 5 years	<u>77,313</u>	<u>68,692</u>
	<u>3,731,838</u>	<u>2,980,772</u>

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

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
<i>(In thousand of US\$)</i>		
Country:		
Argentina	263,814	203,015
Bolivia	5,000	5,000
Brazil	1,379,394	1,316,650
Chile	10,000	175,147
Colombia	400,458	163,132
Costa Rica	76,506	85,028
Dominican Republic	28,770	8,805
Ecuador	60,529	42,926
El Salvador	46,563	82,250
Guatemala	95,902	88,573
Honduras	48,631	36,466
Jamaica	77,401	48,904
Mexico	410,164	167,808
Nicaragua	12,616	10,121
Panama	139,720	180,511
Peru	454,226	261,617
Trinidad and Tobago	87,565	103,513
Venezuela	<u>134,579</u>	<u>1,306</u>
	<u>3,731,838</u>	<u>2,980,772</u>

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

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
<i>(In thousand of US\$)</i>		
Fixed interest rates	1,855,540	1,498,338
Floating interest rates	<u>1,876,298</u>	<u>1,482,434</u>
	<u>3,731,838</u>	<u>2,980,772</u>

At December 31, 2007 and 2006, 84% and 89%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

	<u>December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
<i>(In thousand of US\$)</i>			
Loans on non-accrual status	-	-	<u>28,822</u>
Interest which would had been recorded if the loans had not been on a non-accrual status	-	-	<u>7,004</u>
Interest income collected on non-accruing loans	-	<u>2,721</u>	<u>7,670</u>
Foregone interest revenue	-	-	-

Notes to consolidated financial statements

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

<i>(In thousand of US\$)</i>	December 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Impaired loans with specific allowance for credit losses	<u>-</u>	<u>-</u>	<u>28,822</u>
Specific allowance for impaired loans (under SFAS 114)	<u>-</u>	<u>-</u>	<u>11,184</u>
Average balance of impaired loans during the year	<u>-</u>	<u>18,168</u>	<u>105,964</u>
Interest income collected on impaired loans	<u>-</u>	<u>2,721</u>	<u>7,670</u>

At December 31, 2007 and 2006, the Bank has credit transactions in the normal course of business with 18% and 22%, respectively, of its Class "A" and "B" stockholders (see Note 13). All transactions are made based on arm's-length terms and subject to prevailing commercial criteria and market rates and are subject to all of the Bank's corporate governance and control procedures. At December 31, 2007 and 2006, approximately 22% and 27%, respectively, of the outstanding loan portfolio is placed with the Bank's Class "A" and "B" stockholders and their related parties. At December 31, 2007, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no Class "A" or "B" shareholder was the registered owner of more than 3.5% of the total outstanding shares of the voting capital stock of the Bank.

During the year 2007, the Bank sold loans with a book value of \$121.8 million, with a net gain of \$271 thousand.

7. Allowance for credit losses

The allowance for credit losses is available to absorb estimated probable credit losses existing in the credit portfolio at the date of the consolidated balance sheets. During 2005, Bladex implemented a new methodology for estimating generic allowances for credit losses. The new methodology incorporates statistical data on Bladex's historical loss performance to calculate the expected loss and loss given default ratios, replacing the use of general probability of default information from rating agencies used in the former model. The Bank believes that this new methodology represents a change in determining an adequate level of allowance for credit losses. The effect of the change in methodology for periods ending before December 31, 2005 is included into the 2005 earnings and represented a net reversal of provisions for \$2.7 million (reversal of \$5.9 million in provision for loan losses and increase of \$3.2 million in provision for off-balance sheet risk). The net effect of the change for the year ended December 31, 2005 was a decrease of \$10 million in net income (\$0.26 per share).

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

a) Allowance for loan losses:

<i>(In thousand of US\$)</i>	December 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Balance at beginning of the year	51,266	39,448	106,352
Provision (reversal) for loan losses:			
Current year allocation	11,994	11,846	(48,180)
Effect of a change in the credit loss reserve methodology - 2005	<u>-</u>	<u>-</u>	<u>(5,975)</u>
	11,994	11,846	(54,155)
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	<u>-</u>	<u>-</u>	<u>(5,937)</u>
Loan recoveries	6,434	3	2,612
Loans written-off against the allowance for loan losses	<u>(51)</u>	<u>(31)</u>	<u>(9,424)</u>
Balance at end of the year	<u>69,643</u>	<u>51,266</u>	<u>39,448</u>

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

Notes to consolidated financial statements

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

<i>(In thousand of US\$)</i>	December 31,		
	2007	2006	2005
Balance at beginning of the year	27,195	52,086	33,101
Provision (reversal) for losses on off-balance sheet credit risk:			
Current year allocation	(13,468)	(24,891)	(210)
Effect of a change in the credit loss reserve methodology - 2005	-	-	15,991
	<u>(13,468)</u>	<u>(24,891)</u>	<u>15,781</u>
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	-	-	3,204
Balance at end of the year	<u>13,727</u>	<u>27,195</u>	<u>52,086</u>

The reserve for losses on off-balance sheet credit risk reflects the Bank's management estimate of probable losses on off-balance sheet credit risk items such as: confirmed letters of credit, stand-by letters of credit, guarantees and credit commitments (see Note 16).

8. Other Assets

At December 31, 2007 and 2006, other assets include an equity investment in a private investment fund for \$2.4 million and \$3.1 million, respectively. Its main objective is to generate capital gains in the long term through the purchase of shares and convertible debt, mainly from Mexican manufacturing corporations or foreign corporations looking for establishing or expanding its operations in Mexico. During 2007, the Bank invested \$0.4 million in the fund, and received a total of \$1.1 million of capital distribution that generated a net loss of \$106 thousand. During 2006 the Bank invested \$0.9 million.

At December 31, 2007 the Bank is committed to invest \$1.5 million in this fund.

At December 31, 2007 and 2006, the Bank has not identified any events or changes in their financial condition that may have had a significant adverse effect on the carrying value of this investment. The Bank does not consider this investment to be other-than-temporary impaired.

At December 31, 2006, other assets also included an equity investment of \$500 thousand in a company specialized in digital solutions. During the first semester of 2007, this investment was written off and charged to earnings as its impairment was considered other than temporary.

9. Deposits

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

<i>(In thousand of US\$)</i>	December 31,	
	2007	2006
Demand	111,496	132,130
Up to 1 month	1,060,706	578,220
From 1 month to 3 months	206,889	317,153
From 3 months to 6 months	73,280	28,774
From 6 months to 1 year	10,000	-
	<u>1,462,371</u>	<u>1,056,277</u>

The following table presents additional information about deposits:

<i>(In thousand of US\$)</i>	December 31,	
	2007	2006
Aggregate amounts of time deposits of \$100,000 or more	<u>1,350,875</u>	<u>924,147</u>
Aggregate amounts of deposits in offices outside Panama	<u>290,501</u>	<u>422,359</u>
Interest expense paid to deposits in offices outside Panama	<u>22,636</u>	<u>19,963</u>

Notes to consolidated financial statements

10. Short-term borrowings

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

<i>(In thousand of US\$)</i>	December 31,	
	2007	2006
At fixed interest rates:		
Advances from corporations	25,000	-
Advances from banks	1,181,500	1,147,248
Discounted acceptances	-	10,000
	<u>1,206,500</u>	<u>1,157,248</u>
At floating interest rates:		
Advances from banks	<u>15,000</u>	<u>-</u>
Total short-term borrowings	<u>1,221,500</u>	<u>1,157,248</u>
Average outstanding balance during the year	<u>1,272,986</u>	<u>497,830</u>
Maximum balance at any month-end	<u>1,221,500</u>	<u>1,208,348</u>
Weighted average interest rate at end of the year	<u>5.31%</u>	<u>5.56%</u>
Weighted average interest rate during the year	<u>5.48%</u>	<u>5.50%</u>

11. Borrowings and long-term debt

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

<i>(In thousand of US\$)</i>	December 31,	
	2007	2006
Borrowings:		
At fixed interest rates with due dates from June 2008 to July 2011	235,578	105,180
At floating interest rates with due dates from January 2008 to March 2012	<u>708,690</u>	<u>428,680</u>
Total borrowings	<u>944,268</u>	<u>533,860</u>
Debt:		
At fixed interest rates with due dates in November 2014	41,048	-
At floating interest rates with due dates from January 2008 until October 2010	<u>25,000</u>	<u>25,000</u>
Total debt	<u>66,048</u>	<u>25,000</u>
Total borrowings and long-term debt outstanding	<u>1,010,316</u>	<u>558,860</u>
Average outstanding balance during the year	<u>808,890</u>	<u>497,830</u>
Maximum outstanding balance at any month-end	<u>1,059,224</u>	<u>558,860</u>
Weighted average interest rate at the end of the year	<u>5.75%</u>	<u>5.82%</u>
Weighted average interest rate during the year	<u>5.94%</u>	<u>5.50%</u>

The Bank's funding activities include a Euro-Note program, which may be used to issue notes for up to \$2.3 billion, with maturities from 90 days up to a maximum of 30 years, at fixed or floating interest rates, or at discount, and in various currencies.

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

The notes are generally sold in bearer or registered form through one or more authorized financial institutions.

Notes to consolidated financial statements

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. At December 31, 2007, the Bank was in compliance with all covenants.

The future maturities of long-term debt and borrowings outstanding at December 31, 2007, are as follows:

(In thousand of US\$)

Due in:	Outstanding
2008	357,300
2009	138,000
2010	214,393
2011	109,575
2012	150,000
2013	-
2014	<u>41,048</u>
	<u><u>1,010,316</u></u>

12. Other liabilities

Redeemed Preferred Stock:

On May 15, 2006, the Bank redeemed all non-voting preferred shares outstanding. In case of a liquidation of the Bank, the preferred stockholders were entitled to receive a liquidation preference of \$10 per share, plus accrued and unpaid dividends. The Bank redeemed preferred stock at its par value by 20% of the aggregate par value of the preferred stock outstanding as of March 15, 2002, and on March 15 of each of the subsequent years up to 2006. At December 31, 2007 and 2006, the Bank had \$1.3 million and \$1.9 million, respectively, representing 126,448 and 193,623 preferred shares, respectively, redeemed but not claimed by preferred shareholders, which are recorded in other liabilities. Preferred stockholders had the right to receive an interest equivalent to the same percentage as the common stockholders (excluding from the calculation any common stock issued as stock dividend).

13. Common stock

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

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

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

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the three-year period ended December 31, 2007:

(Share units)	Class "A"	Class "B"	Class "E"	Total
Authorized	<u>40,000,000</u>	<u>40,000,000</u>	<u>100,000,000</u>	<u>180,000,000</u>
Outstanding at December 31, 2004	6,342,189	3,271,269	29,283,621	38,897,079
Conversions	-	(56,925)	56,925	-
Restricted stock issued	-	-	5,320	5,320
Repurchased stock	-	-	(805,900)	(805,900)
Exercised stock options - compensation plan	-	-	276	276
Outstanding at December 31, 2005	6,342,189	3,214,344	28,540,242	38,096,775
Conversions	-	(488,954)	488,954	-
Restricted stock issued	-	-	5,967	5,967
Repurchased stock	-	-	(1,774,818)	(1,774,818)
Exercised stock options - compensation plan	-	-	1,150	1,150
Outstanding at December 31, 2006	6,342,189	2,725,390	27,261,495	36,329,074
Conversions	-	(64,540)	64,540	-
Accumulated difference in fractional shares in conversion of common stocks	-	(3)	-	(3)
Restricted stock issued	-	-	22,240	22,240
Exercised stock options - compensation plan	-	-	18,838	18,838
Outstanding at December 31, 2007	<u>6,342,189</u>	<u>2,660,847</u>	<u>27,367,113</u>	<u>36,370,149</u>

Notes to consolidated financial statements

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

	Class "A"		Class "B"		Class "E"		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at December 31, 2004	318,140	10,708	568,010	15,655	2,196,616	66,264	3,082,766	92,627
Repurchased during 2005	-	-	-	-	805,900	13,815	805,900	13,815
Restricted stock issued	-	-	-	-	(5,320)	(152)	(5,320)	(152)
Exercised stock options - compensation plan	-	-	-	-	(276)	(8)	(276)	(8)
Outstanding at December 31, 2005	318,140	10,708	568,010	15,655	2,996,920	79,919	3,883,070	106,282
Repurchased during 2006	-	-	-	-	1,774,818	28,657	1,774,818	28,657
Restricted stock issued	-	-	-	-	(5,967)	(144)	(5,967)	(144)
Exercised stock options - compensation plan	-	-	-	-	(1,150)	(27)	(1,150)	(27)
Outstanding at December 31, 2006	318,140	10,708	568,010	15,655	4,764,621	108,405	5,650,771	134,768
Restricted stock issued	-	-	-	-	(22,240)	(531)	(22,240)	(531)
Exercised stock options - compensation plan	-	-	-	-	(18,838)	(449)	(18,838)	(449)
Outstanding at December 31, 2007	<u>318,140</u>	<u>10,708</u>	<u>568,010</u>	<u>15,655</u>	<u>4,723,543</u>	<u>107,425</u>	<u>5,609,693</u>	<u>133,788</u>

14. Cash and stock-based compensation plans

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

During 2005 the Bank adopted SFAS No. 123(R) "Share-Based Payment". As a result of the early adoption of this rule, compensation cost of \$555 thousand was recorded in 2005. The adjustment of \$150 thousand to retroactively apply the new method was charged to income of 2005.

Restricted Stock - Directors

During 2003, the Board of Directors approved a restricted stock award plan for Directors of the Bank that was amended during 2007. These Class "E" stocks may be sourced from treasury stock, or authorized unissued shares. Until 2006, the plan allowed Directors to receive Class "E" shares for each Director on an annual basis worth \$10 thousand, and to the Chairman of the Board worth \$15 thousand. Following the amendment of this award plan, starting in 2007, annually the Board may grant Class "E" shares for each Director worth \$50 thousand, and to the Chairman of the Board worth \$75 thousand, all based on Bladex's closing price in the New York Stock Exchange ("NYSE") at the trading date of the grant. The restricted stocks have a cliff vesting period of five years after the grant date. During 2007, 2006, and 2005, the Bank issued under this plan 22,240, 5,967, and 5,320 Class "E" common shares, respectively. Costs of restricted stock issued under this plan for \$475 thousand in 2007, and \$95 thousand in 2006 and 2005, are amortized during the cliff vesting period. Related costs charged against income totaled \$118 thousand, \$65 thousand and \$46 thousand in 2007, 2006 and 2005, respectively. At December 31, 2007 remaining compensation cost for \$587 thousand will be amortized over 3.06 years.

Stock Option Plan 2006 - Directors and Key Employees

On December 12, 2006, the Bank's Board of Directors adopted the 2006 Stock Option Plan. The maximum aggregate number of shares which may be issued under the 2006 Stock Option Plan is two million Class "E" common shares. However, if there are any modifications to the number of shares representing the outstanding common stock of the Bank, as a result of a stock dividend, combination of stock or change in the corporate structure, the number of shares that may be issued under the 2006 Stock Option Plan will be revised. Under the 2006 Stock Option Plan, the Bank's Board of Directors, with the recommendation and advice of the Nomination and Compensation Committee, may authorize the grant of options to any one or more key employees or directors of the Bank, as well as determine or impose conditions upon the grant or exercise of Options under the Plan. The Options expire seven years after the grant date and, except otherwise provided in the award agreement, shall be exercisable beginning on the fourth anniversary of the date of grant.

During 2007, the Board of Directors granted \$95 thousand in stock options to members of the Board of Directors and \$890 thousand in stock options to key employees of the Bank. At December 31, 2007, related cost charged against income was \$302 thousand. Remaining compensation cost for \$709 thousand will be amortized over 3.12 years. The fair value of each option granted is estimated at the grant date using the Black-Scholes option-pricing model, based on the following factors:

Notes to consolidated financial statements

	<u>December 31, 2007</u>
Weighted average fair value option	\$ 4.72
Weighted average expected terms, in years	5.50
Expected volatility	36%
Risk-free rate	4.81%
Expected dividend	3.54%

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

	<u>2007</u>	
	<u>Options</u>	<u>Weighted Average Option Price Exercisable</u>
Outstanding, beginning of year	-	-
Granted	208,765	\$16.34
Forfeited	<u>-</u>	<u>-</u>
Outstanding, end of year	<u>208,765</u>	<u>\$16.34</u>

Indexed Stock Option Plan

During 2003, the Board of Directors approved an indexed stock option plan for Directors and key employees of the Bank, which was subsequently terminated in April 2006. On an annual basis, the plan allowed Directors to receive options to purchase Class "E" shares from treasury shares already held, for an equivalent amount of \$10 thousand, and for the Chairman of the Board, an equivalent amount of \$15 thousand. The number of options granted for key employees was determined by the Board of Directors based on the target of each eligible position and the value of the option at grant date. The indexed stock options expire in seven years with a cliff-vesting period of four years. The exercise price is adjusted based on the change in a customized Latin America general market index. As of December 31, 2007, the Bank had an unrecognized compensation cost of \$689 thousand related to non-vested options granted under the indexed stock option plan, which will be recognized over a period of 1.70 years. Related costs charged against income amounted to \$828 thousand in 2007, \$635 thousand in 2006, and \$385 thousand in 2005. The fair value of each option granted is estimated at the grant date using the Black-Scholes option-pricing model, based on the following factors:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Weighted average fair value option	\$ 6.02	\$ 4.5	\$ 5.3
Weighted average expected term, in years	4.11	6.1	6.2
Expected volatility	51.4%	51.4%	51.4%
Risk-free rate	3%	3%	3%
Expected dividend	6.7%	6.7%	6.7%

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

	<u>2007</u>		<u>2006</u>		<u>2005</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	523,723	\$14.53	307,013	\$12.42	184,836	\$ 18.53
Granted	-	\$ -	216,710	\$16.00	152,084	\$17.30
Forfeited	-	\$ -	-	\$ -	(29,907)	\$ 17.30
Exercised	<u>(18,838)</u>	\$ 8.50	-	\$ -	-	\$ -
Outstanding, end of year	<u>504,885</u>	\$14.47	<u>523,723</u>	\$13.90	<u>307,013</u>	\$ 17.30
Weighted average fair value of options granted during the year		<u>\$ -</u>		<u>\$ 4.48</u>		<u>\$ 5.18</u>

Notes to consolidated financial statements

December 31, 2007

Range of Exercise Price	Number Outstanding	Weighted Average Exercise Prices	Weighted Average Contractual Life Remaining (in years)
\$10.00 - 20.00	<u>504,885</u>	<u>\$14.47</u>	<u>4.11</u>

Stock Option Plan - Discontinued

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

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

	2007		2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	49,613	\$34.84	56,093	\$34.34	102,012	\$36.12
Forfeited	(2,850)	\$30.95	(4,200)	\$34.47	(37,483)	\$35.35
Expired	<u>(8,600)</u>	\$51.19	<u>(2,280)</u>	\$32.88	<u>(8,436)</u>	\$37.88
Outstanding, end of year	<u>38,163</u>	\$31.46	<u>49,613</u>	\$34.84	<u>56,093</u>	\$34.34
Exercisable at year end	<u>38,163</u>	<u>\$31.46</u>	<u>49,613</u>	<u>\$34.84</u>	<u>56,093</u>	<u>\$34.34</u>

	December 31, 2007			December 31, 2007	
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining	Number Outstanding	Weighted Average Exercise Price
Range of Exercise Prices					
\$20.00 - 30.00	14,143	\$23.12	2 years	14,143	\$23.12
\$30.01 - 40.00	15,370	\$32.88	4 years	15,370	\$32.88
\$40.01 - 50.00	<u>8,650</u>	\$42.56	1 year	<u>8,650</u>	\$42.56
Total	<u>38,163</u>	\$31.46		<u>38,163</u>	\$31.46

Other employee plans

Expatriate Officer Plan:

The Bank sponsors a defined contribution plan for its expatriate top executives. The Bank's contributions are determined as a percentage of the eligible officers' annual salaries, with each officer contributing an additional amount withheld from his salary. Contributions from officers were deposited in a saving account with the Bank at market interest rates until March 2007, when the Bank transferred the balance of contributions from both, the Bank and the officers, to a trust that is managed by a fund manager. Officers are entitled to the contributions from the Bank once they have worked with the Bank for at least three years. During the years 2007, 2006 and 2005, the Bank charged to salaries expense, \$175 thousand, \$261 thousand and \$165 thousand, respectively. As of December 31, 2007, 2006 and 2005, the accumulated liability payable amounted to \$382 thousand, \$745 thousand and \$484 thousand, respectively.

Deferred Equity Unit Plan (the "DEU Plan"):

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

Notes to consolidated financial statements

Deferred Compensation Plan (the "DC Plan"):

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Outstanding, beginning of year	23,779	27,953	28,351
Exercised	<u>(1,597)</u>	<u>(4,174)</u>	<u>(398)</u>
Outstanding, end of year	<u>22,182</u>	<u>23,779</u>	<u>27,953</u>

As of December 31, 2007, 2006, and 2005, expenses recorded were \$20 thousand, \$48 thousand, and \$67 thousand, respectively.

15. Earnings Per Share

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

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

	<u>Year ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Income before cumulative effect of changes in accounting principles:	72,177	57,902	77,518
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	-	-	2,733
Cumulative effect on prior year (to December 31, 2004) of an early adoption of the fair-value-based method of accounting stock-based employee compensation	<u>-</u>	<u>-</u>	<u>(150)</u>
Net income available to common stockholders for both, basic and diluted EPS	72,177	57,902	80,101
Weighted average common shares outstanding applicable to basic EPS	36,349	37,065	38,550
Basic earnings per share:			
Income before cumulative effect of changes in accounting principles	1.99	1.56	2.01
Cumulative effect on prior years of accounting changes	<u>0.00</u>	<u>0.00</u>	<u>0.07</u>
Net income per share	<u>1.99</u>	<u>1.56</u>	<u>2.08</u>
Weighted average common shares outstanding applicable to diluted EPS	36,349	37,065	38,550
Effect of dilutive securities (1):			
Indexed stock option plans	<u>65</u>	<u>507</u>	<u>310</u>
Adjusted weighted average common shares outstanding applicable to diluted EPS	36,414	37,572	38,860
Diluted earnings per share:			
Income before cumulative effect of changes in accounting principles	1.98	1.54	1.99
Cumulative effect on prior years of accounting changes	<u>0.00</u>	<u>0.00</u>	<u>0.07</u>
Net income per share	<u>1.98</u>	<u>1.54</u>	<u>2.06</u>
Basic earning per share	<u>1.99</u>	<u>1.56</u>	<u>2.01</u>
Diluted earning per share	<u>1.98</u>	<u>1.54</u>	<u>1.99</u>

(1) At December 31, 2007, 2006, 2005, weighted average options for 38,467, 53,177 and 98,806, respectively, were excluded from the computation of diluted earning per share because the option's exercise price was greater than the average quoted market price of the Bank's common stock.

Notes to consolidated financial statements

16. Financial instruments with off-balance sheet credit risk

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

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

<i>(In thousand of US\$)</i>	December 31,	
	<u>2007</u>	<u>2006</u>
Confirmed letters of credit	97,211	109,102
Stand-by letters of credit and guarantees:		
Country risk	113,924	123,924
Commercial risk	197,528	168,295
Other	-	20,000
Credit derivatives	<u>3,000</u>	<u>-</u>
	314,452	312,219
Credit commitments	129,378	200,191
Reimbursement undertaking	<u>-</u>	<u>2,687</u>
	<u>541,041</u>	<u>624,199</u>

As of December 31, 2007, the maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

<i>(In thousand of US\$)</i>	Amount
Maturities	
Within 1 year	427,146
From 1 to 2 years	70,502
From 2 to 5 years	41,807
After 5 years	<u>1,586</u>
	<u>541,041</u>

As of December 31, 2007 and 2006 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

<i>(In thousand of US\$)</i>	<u>2007</u>	<u>2006</u>
Country:		
Argentina	4,057	1,055
Brazil	220,281	213,956
Chile	590	461
Colombia	4,225	67,830
Costa Rica	71,871	11,553
Dominican Republic	60,601	112,234
Ecuador	81,379	80,570
El Salvador	1,675	1,175
Guatemala	6,293	5,980
Honduras	400	-
Jamaica	15,615	-
Mexico	11,750	37,526
Panama	10,565	40,152
Peru	10	18,743
Trinidad and Tobago	5,000	-
United States	18,616	-
Venezuela	27,963	32,782
Other	<u>150</u>	<u>182</u>
	<u>541,041</u>	<u>624,199</u>

Notes to consolidated financial statements

Letters of credit and guarantees

The Bank, on behalf of its client base, advises and confirms letters of credit to facilitate foreign trade transactions. When confirming letters of credit, the Bank adds its own unqualified assurance that the issuing bank will pay and that if the issuing bank does not honor drafts drawn on the credit, the Bank will. The Bank provides stand-by letters of credit and guarantees, including country risk guarantees, which are issued on behalf of institutional customers in connection with financing between its customers and third parties. The Bank applies the same credit policies used in its lending process, and once issued the commitment is irrevocable and remains valid until its expiration. Credit risk arises from the Bank's obligation to make payment in the event of a customer's contractual default to a third party. Risks associated with stand-by letters of credit and guarantees are included in the evaluation of the Bank's overall credit risk. The Bank issues stand-by letters and guarantees to provide coverage for country risk arising from the risk of convertibility and transferability of local currency of countries in the Region into hard currency, and to provide coverage for country risk arising from political risks, such as expropriation, nationalization, war and/or civil disturbances.

Credit commitments

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

17. Leasehold and other commitments

Leasehold commitments

At December 31, 2007, a summary of leasehold commitment is as follows:

<i>(In thousand of US\$)</i>	
Year	Future Rental Commitments
2008	654
2009	660
2010	667
2011	618
2012	417
Thereafter	<u>1,122</u>
	<u>4,138</u>

Occupancy expense for years ended December 31, 2007, 2006 and 2005, amounted to \$593 thousand, \$637 thousand, and \$447 thousand, respectively.

Other commitments

Purchase Agreements

The Bank has signed service agreements with certain vendors that provide services that are necessary for the ongoing operations of its business and mainly related to the maintenance of a new technology platform and telecommunications services. The terms of these agreements are up to 8 years and some of them can be renegotiated for annual or semiannual price adjustments, after the fifth year.

Under the terms of these agreements, the Bank has committed to contractually specified minimums payments over the contractual periods as follows:

The contractual minimum payments are:

<i>(In thousand of US\$)</i>	
Due in:	Amount
2008	577
2009	530
2010	519
2011	311
2012	323
Thereafter	<u>336</u>
	<u>2,596</u>

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

18. Derivative financial instruments

At December 31, 2007 and 2006, quantitative information on derivative financial instruments held for hedging purposes is as follows:

(In thousand of US\$)	2007			2006		
	Nominal Amount	Fair Value		Nominal Amount	Fair Value	
		Asset	Liability		Asset	Liability
Fair value hedges:						
Interest rate swaps	372,996	122	13,408	249,338	541	2,196
Forward foreign exchange	-	-	-	13,146	-	201
Cross-currency interest rate swaps	45,455	-	1,479	3,600	-	164
Cash flow hedges:						
Interest rate swaps	20,000	-	1,129	-	-	-
Forward foreign exchange	<u>26,282</u>	-	<u>883</u>	<u>5,022</u>	-	<u>73</u>
Total	<u>464,733</u>	<u>122</u>	<u>16,899</u>	<u>271,106</u>	<u>541</u>	<u>2,634</u>
Net loss on the ineffective portion of hedging activities		(989)			(225)	

For control purposes, derivative instruments are recorded at their nominal amount ("notional amount") in memorandum accounts. Interest rate swaps are made either in a single currency or cross currency for a prescribed period to exchange a series of interest rate flows, which involve fixed for floating interest payments. The Bank also engages in some foreign exchange trades to serve customers' transaction needs and to manage the foreign currency risk. All such positions are hedged with an offsetting contract for the same currency. The Bank manages and controls the risks on these foreign exchange trades by establishing counter party credit limits by customer and by adopting policies that do not allow for open positions in the credit and investment portfolio. Derivative and foreign exchange instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counter parties that negotiate specific agreement terms, including notional amount, exercise price and maturity. During 2005, the Bank settled, prior to maturity, certain hedge relationships accounted for as fair value hedges and recorded \$2.1 million in other income under derivative and hedging activities. These interest rate swaps were considered highly effective at reducing the interest rate risk associated with available for sale securities.

The Bank estimates that approximately \$127 thousand of gains reported in other comprehensive income (loss) at December 31, 2007, related to forward foreign exchange contracts were expected to be reclassified into interest expense as an adjustment to yield adjustment of hedged liabilities during the twelve-month period ending December 31, 2008.

The Bank estimates that approximately \$183 thousand of losses reported in other comprehensive income (loss) at December 31, 2007 related to forward foreign exchange contracts were expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2008.

Types of Derivative and Foreign Exchange Instruments

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

19. Accumulated other comprehensive income (loss)

As of December 31, 2007, 2006 and 2005 the breakdown of accumulated other comprehensive income (loss) related to investment securities available for sale and derivatives is as follows:

(In thousand of US\$)	Investment Securities	Derivative Financial Instruments	Total
Balance as of December 31, 2004	6,082	-	6,082
Net unrealized losses arising from the year	(5,257)	-	(5,257)
Reclassification adjustment for gains included in net income ⁽¹⁾	<u>(206)</u>	-	<u>(206)</u>
Balance as of December 31, 2005	619	-	619
Net unrealized gains (losses) arising from the year	5,349	(72)	5,277
Reclassification adjustment for gains included in net income ⁽¹⁾	<u>(2,568)</u>	-	<u>(2,568)</u>
Balance as of December 31, 2006	3,400	(72)	3,328
Net unrealized gains (losses) arising from the year	(1,912)	(2,081)	(3,993)
Reclassification adjustment for gains included in net income ⁽¹⁾	<u>(9,119)</u>	<u>143</u>	<u>(8,976)</u>
Balance as of December 31, 2007	<u>(7,631)</u>	<u>(2,010)</u>	<u>(9,641)</u>

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

Notes to consolidated financial statements

20. Fair value of financial instruments

Bank's management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily an indicative of the amounts the Bank could have realized in a sale transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends, and have not been re-expressed or updated subsequent to the dates of these consolidated financial statements. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

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

Financial instruments with carrying value equal to fair value

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

Trading assets, trading liabilities and investment securities

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

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 the related allowance for loan losses.

Borrowings and long-term debt

The fair value of long-term debt and borrowings is estimated using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements.

Derivative financial instruments

All derivative instruments are recognized in the consolidated balance sheet at fair value. Fair value is based on dealer quotes, pricing models, discounted cash flow analysis or quoted prices for instruments with similar characteristics.

The following table provides information on the carrying value and fair value of the Bank's financial instruments:

(In thousand of US\$)

	December 31,			
	2007		2006	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Financial assets:				
Instruments with carrying value equal to fair value	593,856	593,856	433,409	433,409
Trading assets	52,597	52,597	130,076	130,076
Securities available for sale	468,360	468,360	346,194	346,194
Securities held to maturity	-	-	125,157	125,118
Loans, net of allowance	3,656,234	3,674,978	2,925,081	2,940,941
Derivative financial instruments - assets	122	122	541	541
Financial liabilities:				
Instruments with carrying value equal to fair value	3,015,383	3,015,383	2,726,307	2,726,307
Borrowings and long-term debt	1,010,316	1,023,413	558,860	563,183
Trading liabilities	90,765	90,765	54,832	54,832
Derivative financial instruments - liabilities	16,899	16,899	2,634	2,634

21. Litigation

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

22. Business segment information

The Bank's activities are operated and managed by three segments, Commercial, Treasury and Asset Management. The segment information reflects this operational and management structure, in a manner consistent with the requirements outlined in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The segment results are determined based on the Bank's management accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable division on a systematic basis.

In 2007 the Bank segregated the Asset Management activities from the Treasury Segment. Business segment information reported in the financial statements for the years ended December 31, 2006 and 2005 has been restated to segregate the new Asset Management Segment.

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

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

Asset Management incorporates all of the Fund's deposits and trading assets. Operating income from the Asset Management Segment includes net interest income from deposits with brokers, trading assets, derivative instruments for trading, gains and losses on trading, and allocated operating expenses.

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

Business Segment Analysis ⁽¹⁾

<i>(In millions of US\$)</i>	<u>2007</u>	<u>2006</u>	<u>2005</u>
COMMERCIAL			
Interest income	221.6	165.8	101.7
Interest expense	<u>(157.5)</u>	<u>(114.9)</u>	<u>(62.3)</u>
Net interest income	64.1	50.9	39.4
Net other income ⁽²⁾	5.3	6.4	5.8
Operating expenses	<u>(27.2)</u>	<u>(23.7)</u>	<u>(21.7)</u>
Net operating income ⁽³⁾	42.3	33.6	23.5
Reversals for loans and off-balance sheet credit losses	1.5	13.0	38.4
Impairment on assets	<u>(0.5)</u>	<u>0.0</u>	<u>0.0</u>
Net income, before cumulative effect of accounting change	43.2	46.6	61.9
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	0.0	0.0	2.7
Cumulative effect on prior years (to December 31, 2004) of an early adoption of the fair value-based method of accounting stock-based employee compensation plan	<u>0.0</u>	<u>0.0</u>	<u>(0.2)</u>
Net income	43.2	46.6	64.5
 Commercial Assets and Contingencies (end of period balances):			
Interest-earning assets ⁽⁴⁾	3,725.9	2,976.3	2,604.4
Other assets and contingencies ⁽⁵⁾	<u>549.5</u>	<u>653.7</u>	<u>796.9</u>
Total Interest-Earning Assets, Other Assets and Contingencies	4,275.4	3,630.0	3,401.4
 TREASURY			
Interest income	33.7	28.8	15.1
Interest expense	<u>(27.5)</u>	<u>(21.9)</u>	<u>(9.2)</u>
Net interest income	6.2	6.9	5.9
Net other income ⁽²⁾	8.5	2.1	2.5
Operating expenses	<u>(4.3)</u>	<u>(3.5)</u>	<u>(2.7)</u>
Net operating income ⁽³⁾	10.3	5.5	5.8
Recoveries on assets	<u>0.0</u>	<u>5.6</u>	<u>10.2</u>
Net income	10.3	11.1	16.0
 Treasury assets and contingencies (end of period of balances):			
Interest-earning assets ⁽⁶⁾	<u>819.6</u>	<u>775.2</u>	<u>438.5</u>
Total Interest-earning assets, other assets and contingencies	819.6	775.2	438.5
 ASSET MANAGEMENT			
Interest income	9.6	8.7	0.0
Interest expense	<u>(9.4)</u>	<u>(7.7)</u>	<u>(0.0)</u>
Net interest income	0.2	1.0	0.0
Net other income ⁽²⁾	23.9	0.9	0.0
Operating expenses	<u>(5.5)</u>	<u>(1.9)</u>	<u>(0.3)</u>
Net operating income ⁽³⁾	<u>18.6</u>	<u>0.0</u>	<u>(0.3)</u>
Net income	18.6	0.0	(0.3)
 Fund's Assets and Contingencies (end of period of balances):			
Interest-earning assets ⁽⁶⁾	<u>178.9</u>	<u>158.4</u>	<u>0.0</u>
Total interest-earning assets, other assets and contingencies	178.9	158.4	0.0

Notes to consolidated financial statements

<i>(In millions of US\$)</i>	2007	2006	2005
TOTAL			
Interest income	264.9	203.3	116.8
Interest expense	<u>(194.3)</u>	<u>(144.5)</u>	<u>(71.5)</u>
Net interest income	70.6	58.8	45.3
Net other income ⁽²⁾	37.7	9.4	8.4
Operating expenses	<u>(37.0)</u>	<u>(28.9)</u>	<u>(24.7)</u>
Net operating income ⁽³⁾	71.2	39.3	28.9
Reversals for loans and off-balance sheet credit losses	1.5	13.0	38.4
Recoveries (impairment) on assets	<u>(0.5)</u>	<u>5.6</u>	<u>10.2</u>
Net income, before cumulative effect of accounting change	72.2	57.9	77.5
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	0.0	0.0	2.7
Cumulative effect on prior years (to December 31, 2004) of an early adoption of the fair value-based method of accounting stock-based employee compensation plan	<u>0.0</u>	<u>0.0</u>	<u>(0.2)</u>
Net income	72.2	57.9	80.1
Total Assets and Contingencies (end of period balances):			
Interest-earning assets ^(4 & 6)	4,724.4	3,909.9	3,042.9
Other assets and contingencies ⁽⁵⁾	<u>552.5</u>	<u>653.7</u>	<u>796.9</u>
Total Interest-Earning Assets, Other Assets and Contingencies	5,276.9	4,563.6	3,839.8

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

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

(3) Net operating income refers to net income excluding reversals (provisions) for loans and off-balance sheet credit losses, recoveries on assets, and cumulative effect on prior years of changes in accounting principles.

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

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

(6) Includes cash and due from banks, interest-bearing deposits in banks, securities available for sale and held to maturity and trading securities.

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Calle 50 y Aquilino de la Guardia
Apartado 0819-08730, Panamá,
República de Panamá
Tel: (507) 210 8500 Fax: (507) 269 6333
e-mail: webmaster@bladex.com
www.bladex.com