LATIN AMERICAN EXPORT BANK
Form 20-F
June 20, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report……………………………

For the transition period from ______ to _______

Commission File Number 1-11414

BANCO LATINOAMERICANO DE EXPORTACIONES, S.A.
(Exact name of Registrant as specified in its charter)

LATIN AMERICAN EXPORT BANK	**REPUBLIC OF PANAMA**
(Translation of Registrant's name into English)	*(Jurisdiction of incorporation or organization)*

Calle 50 y Aquilino de la Guardia

P.O. Box 0819-08730
Panama City, Republic of Panama
(507) 210-8500
(Address and telephone number of Registrant's principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Class E Common Stock	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

6,342,189	Shares of Class A Common Stock
2,660,847	Shares of Class B Common Stock
27,367,113	Shares of Class E Common Stock
36,370,149	Total Shares of Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

¨ Yes ý No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

¨ Yes ý No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

ý Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

¨ Large Accelerated Filer ý Accelerated Filer ¨ Non-accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

ý U.S. GAAP ¨ IFRS ¨ Other

Indicate by check mark which financial statement item the Registrant has elected to follow.

¨ Item 17 ý Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

¨ Yes ý No

BANCO LATINOAMERICANO DE EXPORTACIONES, S.A.

TABLE OF CONTENTS

In this Annual Report on Form 20-F (this "Annual Report"), references to the "Bank" or "Bladex" are to Banco Latinoamericano de Exportaciones, S.A., a specialized supranational bank incorporated under the laws of the Republic of Panama ("Panama") and its subsidiaries. References to "dollars" or "$" are to United States dollars. The Bank accepts deposits and raises funds principally in United States dollars, grants loans mostly in United States dollars and publishes its consolidated financial statements in United States dollars. The numbers and percentages set out in this Annual Report have been rounded and, accordingly, may not total exactly.

Upon written or oral request, the Bank will provide without charge to each person to whom this Annual Report is delivered, a copy of any or all of the documents listed as exhibits to this Annual Report (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference in the documents). Written requests for copies should be directed to the attention of Jaime Celorio, Chief Financial Officer, Bladex, as follows: (1) if by regular mail, to P.O. Box 0819-08730, Panama City, Republic of Panama, and (2) if by courier, to Calle 50 y Aquilino de la Guardia, Panama City, Republic of Panama. Telephone requests may be directed to Mr. Celorio at 011-507-210-8563. Written requests also may be faxed to Mr. Celorio at 011-507-269-6333 or sent via e-mail to jcelorio@bladex.com. Information is also available on the Bank's website at: www.bladex.com.

Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from these forward-looking statements include the risks described in the section titled "Risk Factors." Forward-looking statements include statements regarding:

- the anticipated growth of the Bank's credit portfolio, including its trade finance portfolio;
- the Bank's ability to increase the number of corporate clients;
- the continuation of the Bank's preferred creditor status;
- the effects of changing interest rates and of an improving macroeconomic environment in the Region on the Bank's financial condition;
- the execution of the Bank's strategies and initiatives, including its revenue diversification strategy;
- the anticipated operating income and return on equity in future periods;
- the implied volatility of the Bank's Treasury and Asset Management revenues;
- the adequacy of the Bank's allowance for and provisions for credit losses;
- the Bank's ability to maintain its investment-grade credit ratings;
- the availability and mix of future sources of funding for the Bank's lending operations; and
- the adequacy of the Bank's sources of liquidity to replace large deposit withdrawals.

In addition, the statements included under the headings "Strategy" and "Trends" are forward-looking statements. All forward-looking statements in this Annual Report are made as of the date hereof, based on information available to the Bank as of the date hereof, and the Bank assumes no obligation to update any forward-looking statement.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not required in this Annual Report.

Item 2. Offer Statistics and Expected Timetable

Not required in this Annual Report.

Item 3. Key Information

A. Selected Financial Data

The following table presents consolidated selected financial data for the Bank. The financial data presented below are at and for the years ended December 31, 2003, 2004, 2005, 2006 and 2007 and are derived from the Bank's consolidated financial statements for the years indicated, which were prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The 2003, 2004, 2005 and 2006 consolidated financial statements were audited by the registered public accounting firm KPMG, and the consolidated financial statements for the year ended December 31, 2007 were audited by the registered public accounting firm Deloitte, Inc. The consolidated financial statements of the Bank at December 31, 2006 and 2007 and for each of the three years in the period ended December 31, 2007 (the "Consolidated Financial Statements") are included in this Annual Report, together with the reports of the registered public accounting firms KPMG and Deloitte Inc. The information below is qualified in its entirety by the detailed information included elsewhere herein and should be read in conjunction with Item 4, "Information on the Company", Item 5, "Operating and Financial Review and Prospects" and the Consolidated Financial Statements and notes thereto included in this Annual Report.

Consolidated Selected Financial Information

	At and for the Year Ended December 31,				
	2003	2004	2005	2006	2007
	(in $ thousand, except per share amounts and ratios)				
Income Statement Data:					
Net interest income	$ 53,987	$ 42,025	$ 45,253	$ 58,837	$ 70,570
Fees and commissions, net	7,446	5,928	5,824	6,393	5,555
Reversal of provision for credit losses [1]	58,905	112,271	38,374	13,045	1,475
Trading gains	0	0	0	879	23,866
Net gain on sale on securities available for sale	22,211	2,922	206	2,568	9,119
Total operating expenses	(22,561)	(21,352)	(24,691)	(28,929)	(37,027)
Income before cumulative effect of changes in accounting principles	111,496	141,730	77,518	57,902	72,177
Cumulative effect of accounting changes	0	0	2,583	0	0
Net income	111,496	141,730	80,101	57,902	72,177
Balance Sheet Data:					
Trading assets	0	0	0	130,076	52,597
Investment securities	77,793	192,856	208,570	471,351	468,360

Loans	2,275,031	2,441,686	2,610,019	2,980,772	3,731,838
Allowance for loan losses	224,347	106,352	39,448	51,266	69,643
Total assets	2,560,612	2,732,940	3,159,231	3,978,337	4,790,532
Total deposits	702,955	864,160	1,046,618	1,056,277	1,462,371
Trading liabilities	0	0	0	54,832	90,765
Short-term borrowings	687,214	704,718	760,699	1,595,604	1,504,710
Borrowings and long-term debt	485,516	403,621	533,860	558,860	1,010,316
Total liabilities	1,976,283	2,076,810	2,542,449	3,394,442	4,178,281
Total stockholders' equity	584,329	656,130	616,782	583,895	612,251
Average number of shares outstanding	28,675	39,232	38,550	37,065	36,349
Average number of diluted shares outstanding	28,675	39,372	38,860	37,572	36,414
Per Common Share Data:					
Basic earnings per share[6]	3.88	3.61	2.01	1.56	1.99
Diluted earnings per share[6]	3.88	3.60	1.99	1.54	1.98
Book value per share (period end)	14.84	16.87	16.19	16.07	16.83
Regular cash dividends per share	0.00	0.50	0.60	0.75	0.88
Special cash dividends per share	0.00	1.00	2.00	1.00	0.00
Selected Financial Ratios:					
Performance Ratios:					
Return on average assets	4.24%	5.83%	3.00%	1.70%	1.71%
Return on average stockholders' equity	23.91%	22.75%	12.85%	9.96%	11.91%
Net interest margin [2]	1.87%	1.65%	1.70%	1.76%	1.71%
Net interest spread [2]	1.23%	0.98%	0.67%	0.70%	0.80%
Total operating expenses to total average assets	0.86%	0.88%	0.93%	0.85%	0.88%
Regular cash dividend payout ratio	0.00%[3]	13.84%	29.84%	48.01%	44.32%
Special cash dividend payout ratio	0.00%[3]	27.68%	99.46%	64.01%	0.00%
Asset Quality Ratios:					
Impaired loans to total loans [4]	19.62%	10.50%	1.11%	0.00%	0.00%
Charged-off loans to total loans	6.1%	0.5%	0.4%	0.00%	0.00%
Allowance for loan losses to total loans, net of unearned income and deferred commission	9.89%	4.37%	1.51%	1.72%	1.87%
Allowance for credit losses to non-accruing credits	53%	48%	217%	n.a.	n.a.
Capital Ratios:					
Stockholders' equity to total assets	22.82%	24.01%	19.52%	14.68%	12.78%
Tier 1 capital to risk-weighted assets [5]	35.42%	42.90%	33.74%	24.45%	20.92%

Total capital to risk-weighted assets [5]	36.67%	44.15%	34.99%	25.70%	22.17%

5

[1] Includes Reversal (provision) for loan losses to on and off-balance sheet credit risks. For information regarding reversal (provision) for credit losses, see Item 5, "Operating and Financial Review and Prospects/Operating Results".
[2] For information regarding calculation of the net interest margin and the net interest spread, see Item 5A, "Operating and Financial Review and Prospects/Operating Results/Net Interest Income and Margins".
[3] During 2003, the Bank suspended its dividend payment. In 2004, the Bank re-established its dividend payment.
[4] Repossessed assets or troubled debt restructurings as defined in Statement of Financial Accounting Standards No. 15 amounted to $23 million in 2005, and $202 million in 2004, and related mostly to Argentine credits.
[5] Calculated using the U.S. Federal Reserve Board's 1992 fully phased-in risk-weighted capital guidelines.
[6] For 2005, exclude the cumulative effect of changes in accounting principles, which represented $0.07 per share.

B. Capitalization and Indebtedness

Not required in this Annual Report.

C. Reasons for the Offer and Use of Proceeds

Not required in this Annual Report.

D. Risk Factors

Risks Relating to the Region

The Bank's credit portfolio is concentrated in Latin America and the Caribbean. The Bank also faces borrower concentration. Adverse economic changes in those countries or in the condition of the Bank's largest borrowers could affect adversely the Bank's growth, asset quality, prospects, profitability and financial condition.

The Bank's credit activities are concentrated in Central and South America and the Caribbean (the "Region"), which is a reflection of the Bank's mission and strategy. Historically, economies of countries in the Region have occasionally experienced significant volatility characterized, in some cases, by political uncertainty, slow growth or recession, declining investments, government and private sector debt defaults and restructurings, significant inflation and/or devaluation. Global economic changes, including oil prices, commodities prices, the U.S. dollar interest rates and exchange rate, and slower economic growth in industrialized countries, could have a significant adverse effect on the economic condition of countries in the Region. In turn, adverse changes affecting the economies of countries in the Region could have a significant adverse impact on the quality of the Bank's credit portfolio, including increased loan loss provisions, debt restructurings, and loan losses. As a result, this could also have an adverse impact on the Bank's asset growth, asset quality, prospects, profitability and financial condition.

The Bank's credit activities are concentrated in a relatively small number of countries, which could have an adverse impact on the Bank's credit portfolio and, as a result, its financial condition, growth, prospects, results of operations and financial condition if one or more of those countries encounters economic difficulties. At December 31, 2007, approximately 67% of the Bank's credit portfolio was outstanding to borrowers in the following four countries: Brazil ($1,728 million, or 36%); Colombia ($530 million, or 11%); Peru ($484 million, or 10%); and Mexico ($451 million, or 9%).

In addition, at December 31, 2007, 11% of the Bank’s total credits were to five borrowers in Brazil, and 13% of total credits were to four borrowers from Peru (5%), Colombia (3%), Mexico (2%) and Venezuela (3%). A significant deterioration of the financial or economic condition of any of these countries or borrowers could have an adverse impact on the Bank’s credit portfolio, requiring the Bank to create additional allowances for credit losses, or suffer credit losses with the effect being accentuated because of this concentration.

Local country foreign exchange controls or currency devaluation may harm the Bank’s borrowers’ ability to pay U.S. dollar-denominated obligations.

The Bank makes mostly U.S. dollar-denominated loans and investments. As a result, the Bank faces the risk that local country foreign exchange controls will restrict the ability of the Bank’s borrowers, even if they are exporters, to acquire dollars to repay loans on a timely basis, and/or that significant currency devaluation will occur, which could increase the cost, in local currency terms, to the Bank’s borrowers of acquiring dollars to repay loans.

Increased risk perception in countries in the Region where the Bank has large credit exposure could have an adverse impact on the Bank’s credit ratings, funding activities and funding costs.

Increased risk perception in any country in the Region where the Bank has large exposures could trigger downgrades to the Bank’s credit ratings. A credit rating downgrade would likely increase the Bank’s funding costs, and reduce its deposit base and access to the debt capital markets. In that case, the Bank’s ability to obtain the necessary funding to carry on its financing activities in the Region at meaningful levels could be severely hampered.

Risks Relating to the Bank’s Business

Bladex faces liquidity risk, and its failure to adequately manage this risk could result in a liquidity shortage, which could adversely affect its financial condition, results of operations and cash flows.

Bladex, like all financial institutions, faces liquidity risk, or the risk of not being able to maintain adequate cash flow to repay its deposits and borrowings, and fund its credit portfolio on a timely basis. Failure to adequately manage its liquidity risk could produce a cash shortage as a result of which the Bank would not be able to repay these obligations as they become due.

Approximately one third of the Bank’s funding represents short-term borrowings from international banks, the majority of which are European and North American institutions, which also compete with the Bank in its credit extension activity, and represent a source of business for the Bank, as well. If these international banks ceased to provide funding to the Bank, the Bank would have to seek funding from other sources, which may not be available, or if available, may be at higher interest cost.

Financial turnmoil in the international markets could negatively impact liquidity in the financial markets, reducing the Bank’s access to credit or increasing its cost of funding, which could lead to tighter lending standards. An example of this situation is the liquidity constraint experienced since the second half of 2007 in the international financial markets, driven by the subprime crisis in the United States. The persistence or worsening of these unfavorable market conditions could have a material adverse effect on the Bank's liquidity.

As a U.S. dollar-based economy, Panama does not have a central bank in the traditional sense, and there is no lender of last resort to the banking system in the country. Central banks in other Latin American and Caribbean countries would not be obligated to act as lenders of last resort if Bladex were to face a liquidity shortage. Accordingly, if the Bank faced a liquidity shortage, it would have to rely on commercial liquidity sources to resolve the liquidity shortage.

The Bank's allowances for credit losses could be inadequate to cover credit losses related to its loans and contingencies.

The Bank determines the appropriate level of allowances for credit losses based on a process that estimates the probable loss inherent in its portfolio, which is the result of a statistical analysis supported by the Bank's historical portfolio performance and the Bank's management's qualitative judgment. The latter includes assumptions and estimates made in the context of changing political and economic conditions in the Region. The Bank's allowances could be inadequate to cover losses in its credit portfolio due to exposure concentration, which in turn, could have a material adverse effect on the Bank's financial condition, results of operations and cash flows.

The Bank's businesses are subject to market risk.

Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. Market risk is inherent in the financial instruments associated with many of the Bank's operations and activities, including loans, deposits, investment and trading securities, short-term borrowings, long-term debt, derivatives and trading positions. Among many other market conditions that may shift from time to time are fluctuations in interest and currency exchange rates, changes in the implied volatility of interest rates and changes in securities prices, due to changes in either market perception or actual credit quality of either the issuer or its country of origin. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse affects on the Bank's financial condition, results of operations, cash flows and business. See Item 11, "Quantitative and Qualitative Disclosure About Market Risk".

The Bank faces interest rate risk which is caused by the mismatch in maturities of interest earning assets and interest bearing liabilities. If not properly managed, this mismatch can reduce net interest income as interest rates fluctuate.

As a bank, Bladex faces interest rate risk because interest-bearing liabilities generally reprice at a different pace than interest-earning assets. Failure to adequately manage eventual mismatches may reduce the Bank's net interest income during periods of fluctuating interest rates.

Operational problems or errors can have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows.

Bladex, like all financial institutions, is exposed to operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, and errors by employees. Operational problems or errors may occur, and their occurrence may have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows.

Bladex, has an Operational Risk department that evaluates the operational risk level of every key product or process that could have an impact on the financial statements. This department coordinates periodic training for all personnel and auto-evaluations with the participation of those personnel controlling each process. Each incident reported, with real or potential loss, is registered in an operational risk database, and on a quarterly basis, the Bank's management is informed of the relevant incidents that occurred (if any) and the suggested mitigation plan.

The Bank's credit portfolio may not continue to grow at the same or similar rate.

No assurance can be given that, in the future, the Bank's credit portfolio, including the Bank's foreign trade portfolio, will continue to grow at historical rates. A reversal in the growth rate of the Region's economy and trade volumes could adversely affect the growth rate of the Bank's credit portfolio.

Increased competition and banking industry consolidation could limit the Bank's ability to grow and may adversely affect results of operations.

Most of the competition the Bank faces in the trade finance business comes from international banks, the majority of which are European and North American institutions. Many of these international banks have substantially greater resources than the Bank and enjoy access to less expensive funding than the Bank does. There can be no assurance that increased competition will not adversely affect the Bank's growth prospects and results of operations.

Merger activity in the financial services industry has produced companies that are capable of offering a wide array of financial products and services at competitive prices. Globalization of the capital markets and financial services industries exposes the Bank to further competition. The Bank's ability to grow its business and, therefore, its earnings, is affected by these competitive pressures.

Any delays or failure to implement business initiatives that the Bank may undertake could prevent the Bank from realizing the anticipated revenues and benefits of the initiatives.

Part of the Bank's strategy is to diversify income sources through business initiatives, including targeting new clients and developing new products and services. These initiatives may not be fully implemented within the time frame the Bank expects, or at all. In addition, even if such initiatives are fully implemented, they may not generate revenues as expected. Any delays in implementing these business initiatives could prevent the Bank from realizing the anticipated benefits of the initiatives, which could adversely affect the Bank's business, results of operations and growth prospects.

Item 4. Information on the Company

A. History and Development of the Company

The Bank, headquartered in Panama City, Panama, is a specialized supranational bank originally established by central banks of Latin American and Caribbean countries to promote trade finance in the Region. The Bank was established pursuant to a May 1975 proposal of the XX Assembly of Governors of central banks in the Region, which recommended the creation of a supranational organization to increase the Region's foreign trade financing capacity. The Bank was constituted in 1978 as a corporation pursuant to the laws of the Republic of Panama as "Banco Latinoamericano de Exportaciones, S.A." and commenced operations on January 2, 1979. The Bank operates under the commercial name of "Bladex." Panama was selected as the location of the Bank's headquarters because of the country's importance as a Regional banking center, the benefits of a fully U.S. dollar-based economy, the absence of foreign exchange controls, its geographic location, and the quality of its communications facilities. Under special legislation enacted in 1978, the Bank was granted certain privileges by the government of Panama, including an exemption from payment of income taxes in Panama.

Bladex offers its services through the Bank's head office and subsidiaries in Panama City, and its subsidiaries and offices in New York City, including its agency (the "New York Agency") and Bladex Asset Management, Inc. ("Bladex Asset Management"), its subsidiaries in Brazil and the Cayman Islands, its international administrative office in Miami and its representative offices in Mexico City and Buenos Aires as well as through a worldwide network of correspondent banks. Bladex's head office is located at Calle 50 y Aquilino de la Guardia, Panama City, Panama, and its telephone number is 011-507-210-8500. See Item 18, "Financial Statements", note 1.

B. Business Overview

Overview

The Bank's mission is to provide seamless support to Latin America's foreign trade, while creating value for its stockholders. The Bank is principally engaged in providing trade financing to selected commercial banks and corporations in the Region.

Bladex intermediates in the financial and capital markets throughout the Region, through three business platforms:

The Commercial Division, which comprises the Bank's financial intermediation and fee generation activities, including the Bank's trade finance products, such as loans for pre - and post-export financing and import of goods, letters of credit, banker's acceptances and guarantees. The majority of the Bank's loans are extended in connection with specific identified foreign trade transactions. Through its revenue diversification strategy, the Bank's Commercial Division has introduced a broader range of products, services and solutions associated with foreign trade, including co-financing arrangements, underwriting of syndicated credit facilities, structured trade financing, asset-based financing in the form of factoring, vendor financing and leasing, as well as other fee-based business, like U.S.-clearing electronic services.

The Treasury Division, which is responsible for ensuring the Bank's funding and liquidity, for the management of its interest rate, liquidity and currency risks, and for Bladex's investments in fixed-income securities.

The Bank's lending and investing activities are funded by interbank deposits, primarily from central banks and financial institutions in the Region, by borrowings from international commercial banks and, to a lesser extent, by sales of the Bank's debt securities to financial institutions and investors in Japan, Europe, North America and the Region. The Bank does not provide retail banking services to the general public, such as retail savings accounts or checking accounts, and does not take retail deposits.

The Asset Management Division, which is based in New York and commenced operations in April 2006, provides investment advisory services to funds and managed accounts, and conducts business through the Bladex Offshore Feeder Fund ("the Feeder") and the Bladex Capital Growth Fund ("the Fund") incorporated in the Cayman Islands. The Asset Management Division incorporates the investment manager, Bladex Asset Management, and the Bank's investment in any of the managed funds or accounts. The Asset Management Division's objective is to achieve above average long-term rates of return, while also attempting to preserve capital, mitigate risk and produce returns, which, over the long-term, have low correlation to the returns of the major U.S. equity and investment grade fixed income indices.

At December 31, 2007, the Bank had 49 officers across its offices responsible for marketing the Bank's financial products and services to existing and potential customers.

Historically, trade finance generally has not been negatively affected by Latin American debt restructurings. This has been due, in part, to the perceived importance that governments and borrowers in the Region attach to maintaining their access to trade finance. In the case of Bladex, the Bank generally has enjoyed "preferred creditor" status in several countries in the Region, which has strengthened its position in respect of debt restructurings. The Bank, due in part to its preferred creditor status, generally has been allowed to negotiate directly with the governments of these countries concerning its loans, as opposed to negotiating indirectly as a member of a group of creditors in debt restructuring proceedings. In addition, the Bank's preferred creditor status has generally exempted it from convertibility and transfer limitations of U.S. dollars for payment of external obligations. The Bank believes that its preferred creditor status is partially attributable to its relationship with its Class A stockholders consisting of central banks or governmental financial institutions from 23 countries in the Region.

Developments During 2007

During 2007, the Bank continued the successful execution of its revenue diversification strategy among its three business divisions.

The Commercial Division achieved corporate client base growth and portfolio diversification, resulting in a 16% increase in its average credit portfolio over 2006, with approximately $8 billion in credits granted. The growth of the Bank's credit and other business activities was achieved while maintaining credit quality, resulting in no past due or non-accrual loans at the end of the year 2007.

The Treasury Division continued the expansion of its revenue-driven activities, increasing its securities available-for-sale portfolio by 35%. This portfolio is comprised of liquid, Latin American fixed income securities of high credit quality. In addition, the Treasury Division was able to effectively manage and strengthen the Bank's liquidity position, in spite of the increased level of uncertainty in international markets since August of 2007, as a result of the subprime crisis in the United States. During 2007, the Bank closed its first-ever funding transactions denominated in local currencies of the Region, including a bond issuance in Peruvian Nuevo Soles and inter-bank borrowings and loans denominated in Mexican Pesos; the Bank also signed a five-year international loan syndication for an amount of $150 million, and a three-year borrowing for an additional $75 million, and updated its $2.25 billion European Medium-Term Note ("EMTN") program.

The Asset Management Division was successful in its proprietary asset management activities and earned above-average returns. As a result, along with the Bank's commitment to the industry's best practices in risk management and operational control, the Bank obtained the approval of U.S. regulators to offer investment advisory services to qualified offshore investors.

In quantitative terms, these activities resulted in a 25% increase in net income, which totaled $72 million, compared to $58 million in 2006. See Item 5, "Operating and Financial Review and Prospects/Operating Results/Net Income" and

Item 18, “Financial Statements”, note 22.

Strategy for 2008

For 2008, Bladex intends to continue focusing its efforts on diversifying its revenue sources across its three business units, with the objective of achieving improved return on equity levels, while preserving and optimizing the Bank's stockholders' equity.

The Commercial Division intends to continue developing a stronger client base, focused towards a growing corporate segment, and continuing the implementation of a wider product range, including factoring, vendor financing and leasing, which in turn should result in increasing the Bank's capacity and execution of fee income generation.

The Bank also intends to continue to expand its Treasury Division activities, by increasing its available-for-sale and held-to-maturity fixed income portfolio throughout the Region, and to issue additional bonds in other Latin American markets.

The Asset Management Division intends to continue to expand its operations and expects to offer its services to third-party investors, in order to generate additional fee income.

Lending Policies

The Bank extends credit directly to banks, corporations and state-owned export organizations within the Region. The Bank analyzes credit requests from eligible borrowers in light of credit risk criteria, including economic and market conditions. The Bank maintains a consistent lending policy and applies the same credit criteria to all types of potential borrowers in evaluating creditworthiness.

The Bank finances import and export transactions for all goods and products, with the exception of articles such as weapons, ammunition, military equipment, hallucinogenic drugs or narcotics not utilized for medical purposes. Imports and exports financed by the Bank are destined for buyers/sellers in countries both inside and outside the Region.

The Bank's loans generally are unsecured. However, in certain instances, based upon its credit review of the borrower and the economic and political situation and trends in the borrower's home country, the Bank has determined that the level of risk involved requires that a loan be secured by pledged deposits.

Country Credit Limits

Bladex has a methodology for capital allocation by country and its risk weights for assets. The Credit Policy and Risk Assessment Committee of the Board of Directors ("CPER") approves a level of "allocated capital" for each country, instead of nominal exposure limits. These country capital limits are reviewed at least annually in the quarterly meetings of the CPER. The system establishes the capital equivalent of each transaction, based on the internal numeric rating assigned to each country, which is approved by the CPER.

The amounts of capital allocated take into account the customer type (sovereign, state-owned or private, corporate or financial institutions), the type of transaction (trade or non-trade), and the average remaining term of the transaction (from 1 to 180 days, 181 days to a year, between one and three years, or more than three years). Capital utilizations by the business units should not exceed the Bank's reported stockholders' equity.

Borrower Lending Limits

Generally the Bank establishes lines of credit for each borrower according to the results of its risk analysis and potential business prospects; however, the Bank is not required to lend under these lines of credit. Once a line of credit has been established, credit generally is extended after receipt of a request from the borrower for financing, usually related to foreign trade. Loan pricing is determined in accordance with prevailing market conditions and the borrower's creditworthiness.

For existing borrowers, the Bank's management has authority to approve credit lines up to the legal lending limit prescribed by Panamanian law (see Item 4, "Information on the Company/Business Overview/Regulation—Panamanian Law"), provided that the credit lines comply fully with the country credit limits and conditions for the borrower's country of domicile set by the Bank's Board of Directors (the "Board"). Approved borrower lending limits are reported to the CPER quarterly. Panamanian Banking Law prescribes certain concentration limits, which are applicable and strictly adhered to by the Bank, including a thirty percent (30%) limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of financial institutions, and a twenty-five percent (25%) limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of corporate and sovereign borrowers. As of December 31, 2007, the legal lending limit prescribed by Panamanian law for corporations and sovereign borrowers amounted to approximately $153 million, and for financial institutions and financial groups amounted to approximately $184 million. On a quarterly basis, the CPER reviews the impaired portfolio, if any, along with certain non-impaired credits.

At December 31, 2007, the Bank was in full compliance with all regulatory limits. See Item 4, "Information on the Company/Business Overview/Regulation/Panamanian Law".

Credit Portfolio

The Bank's credit portfolio consists of the commercial portfolio and the treasury portfolio.

The Bank's credit portfolio increased from $3,616 million at December 31, 2005 to $4,006 million at December 31, 2006 and $4,753 million at December 31, 2007.

Commercial Portfolio

The commercial portfolio includes the book value of loans, securities purchased under agreements to resell and contingencies and other assets (including confirmed and stand-by letters of credit and guarantees, credit commitments, reimbursement undertakings, equity investments and customers' liabilities under acceptances).

The Bank's commercial portfolio (excluding non-accruing credits in 2005) increased from $3,365 million at December 31, 2005 to $3,634 million at December 31, 2006 and $4,281 million at December 31, 2007.

At December 31, 2007, 63% of the Bank's commercial portfolio represented trade related credits. The corporate market segment represented 49% of the total commercial portfolio, of which 68% represented trade financing. The following table sets forth the distribution of the Bank's commercial portfolio (excluding non-accruing credits), by product category at December 31 of each year:

	At December 31,									
	2003	**%**	**2004**	**%**	**2005**	**%**	**2006**	**%**	**2007**	**%**
	(in $ million, except percentages)									
Loans	$ 1,830	79.8	$ 2,186	88.7	$ 2,581	76.7	$ 2,981	82.0	$ 3,732	87.2
Securities purchased under agreements to resell	132	5.8	0	0.0	0	0.0	0	0.0	0.0	0.0
Contingencies and other assets	330	14.4	277	11.3	784	23.3	654	18.0	550	12.8
Total	**$ 2,292**	**100.0**	**$ 2,463**	**100.0**	**$ 3,365**	**100.0**	**$ 3,634**	**100.0**	**$ 4,281**	**100.0**

Loan Portfolio

At December 31, 2007, the Bank's total loans amounted to $3,732 million, compared to $2,981 million at December 31, 2006. See Item 5, "Operating and Financial Review and Prospects/Operating Results/Changes in Financial Condition" and Item 18, "Financial Statements", note 6.

Loans by Country

The following table sets forth the distribution of the Bank's loans by country at December 31 of each year:

	At December 31,									
	2003	**%**	**2004**	**%**	**2005**	**%**	**2006**	**%**	**2007**	**%**
	(in $ million, except percentages)									
Argentina	$ 398	17.5	$ 207	8.5	$ 51	2.0	$ 203	6.8	$ 264	7.1
Bolivia	0	0.0	0	0.0	0	0.0	5	0.2	5	0.1

Brazil	1,011	44.4	1,054	43.2	1,095	42.0	1,317	44.2	1,379	37.0
Chile	131	5.8	322	13.2	283	10.8	175	5.9	10	0.3
Colombia	96	4.2	148	6.1	249	9.5	163	5.5	400	10.7
Costa Rica	59	2.6	38	1.5	54	2.1	85	2.9	77	2.1
Dominican Republic	24	1.1	0	0.0	1	0.0	9	0.3	29	0.8
Ecuador	22	1.0	51	2.1	25	1.0	43	1.4	61	1.6
El Salvador	26	1.1	44	1.8	81	3.1	82	2.8	47	1.2
Guatemala	34	1.5	38	1.6	41	1.6	89	3.0	96	2.6
Honduras	0	0.0	6	0.2	26	1.0	36	1.2	49	1.3
Jamaica	14	0.6	26	1.1	24	0.9	49	1.6	77	2.1
Mexico	183	8.0	262	10.7	161	6.1	168	5.6	410	11.0
Nicaragua	9	0.4	5	0.2	2	0.1	10	0.3	13	0.3
Panama	44	1.9	89	3.7	156	6.0	180	6.1	140	3.7
Paraguay	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Peru	65	2.8	55	2.2	180	7.0	262	8.8	454	12.2
Trinidad & Tobago	100	4.4	92	3.8	177	6.8	104	3.5	88	2.3
Uruguay	0	0.0	0	0.0	4	0.1	0	0.0	0	0.0
Venezuela	61	2.7	5	0.2	0	0.0	1	0.0	135	3.6
Total	**$ 2,275**	**100.0**	**$ 2,442**	**100.0**	**$ 2,610**	**100.0**	**$ 2,981**	**100.0**	**$ 3,732**	**100.0**

12

Loans by Type of Borrower

The following table sets forth the amounts of the Bank's loans by type of borrower at December 31 of each year:

	At December 31,				
	2003	**2004**	**2005**	**2006**	**2007**
			(in $ million)		
Private sector commercial banks	$ 986	$ 1,243	$ 1,583	$ 1,167	$ 1,491
State-owned commercial banks	422	563	118	273	241
Central banks	0	13	0	0	0
Sovereign debt	50	58	49	123	113
State-owned exporting organizations	424	363	402	138	282
Private corporations	392	201	458	1,279	1,605
Total	**$ 2,275**	**$ 2,442**	**$ 2,610**	**$ 2,981**	**$ 3,732**

During 2007, the Bank increased its exposure to private corporations by $326 million, reflecting its strategy of developing a stronger client base, focused towards a growing corporate segment.

Maturities and Sensitivites of the Loan Portfolio

The following table sets forth the maturity profile of the loan portfolio at December 31, 2007, by type of rate and type of borrower:

	At December 31, 2007 (in $ million)			
	Due in one year or less	**Due after one year through five years**	**Due after five years**	**Total**
FIXED RATE				
Private sector commercial banks	$ 830	$ 30	$ 0	$ 860
State-owned commercial banks	145	20	0	165
Sovereign debt	30	83	0	113
State-owned exporting organizations	148	0	0	148
Private corporations	538	29	2	569
Sub-total	**$ 1,692**	**$ 162**	**$ 2**	**$ 1,856**
FLOATING RATE				
Private sector commercial banks	$ 355	$ 220	$ 56	$ 631
State-owned commercial banks	41	35	0	76
State-owned exporting organizations	131	3	0	134
Private corporations	307	710	19	1,036
Sub-total	**$ 833**	**$ 968**	**$ 75**	**$ 1,876**
Total	**$ 2,525**	**$ 1,129**	**$ 77**	**$ 3,732**

Contingencies and other assets

The Bank's contingencies and other assets included in the commercial portfolio consist of selected financial instruments with off-balance sheet credit risk and customer liabilities under acceptances.

The Bank, on behalf of its client base, advises and confirms letters of credit to facilitate foreign trade transactions. The Bank also provides stand-by letters of credit and guarantees, including country risk guarantees, which cover the country risk arising from the risk of convertibility and transferability of local currency of countries in the Region into hard currency and from political risks, such as expropriation, nationalization, war and/or civil disturbances. The Bank also provides commitments to extend credit, which are a combination of either non-binding or legal agreements to lend to a customer.

The Bank applies the same credit policies used in its lending process to its evaluation of these instruments, and, once issued, the commitment is irrevocable and remains valid until its expiration. At December 31, 2007, total contingencies and other assets in the commercial portfolio amounted to $550 million, representing 13% of the Bank's total commercial portfolio. See Item 18, "Financial Statements," note 16.

Treasury Portfolio

The treasury portfolio includes investment securities and credit default swaps (an off-balance sheet credit derivative product), which totaled $468 million and $3 million, respectively, at December 31, 2007.

Investment Securities

The Bank's investment securities consist mostly of debt securities held to maturity and securities available for sale. See Item 18, "Financial Statements", notes 2 (g) and 5.

In the normal course of business, the Bank utilizes interest rate swaps for hedging purposes in its assets (mainly its investment securities) and liabilities management activities.

At December 31, 2007, the Bank's investment securities portfolio totaled $468 million and consisted of investments with issuers in the Region, of which 67% were banks and sovereign borrowers and 33% were corporations. For the year 2007, the Bank's total securities portfolio had a weighted average interest rate of 5.99% per annum.

Asset Management Portfolio

The asset management portfolio includes trading assets and liabilities of the Asset Management Division, which is the investment manager of the Fund. At December 31, 2007, the fair value of trading assets was $53 million and the fair value of trading liabilities was $91 million. See Item 18, "Financial Statements", notes 1, 2 (f), 4, and 20.

The Fund follows a multi-strategy/multi-product trading approach striving to take advantage of Latin American and Caribbean opportunities. The Fund takes long and short positions within the equity, fixed income and foreign exchange markets.

The Board of Directors of the Fund controls the exposure of the Fund to certain risks through a risk matrix, which contains guidelines and parameters that the Fund's managers must follow. Specific risk management guidelines include constraints regarding capital usage, portfolio concentration, among other factors.

Total Outstandings by Country

The following table sets forth the aggregate amount of the Bank's cross-border outstandings, consisting of cash and due from banks, interest-bearing deposits in other banks, investment securities, trading assets and loans, but not including contingencies and other assets (collectively "cross-border outstandings") at December 31 of each year:

	2005		2006		2007	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in $ million, except percentages)					
Argentina	$ 55	1.8	$ 229	5.9	$ 283	6.0
Austria	0	0.0	0	0.0	45	1.0
Brazil	1,193	39.1	1,494	38.2	1,544	32.7
Chile	315	10.3	210	5.4	52	1.1
Colombia	260	8.5	278	7.1	526	11.1
Costa Rica	54	1.8	85	2.2	77	1.6
Ecuador	25	0.8	43	1.1	61	1.3
El Salvador	101	3.3	87	2.2	57	1.2
France	1	0.0	50	1.3	45	1.0
Germany	40	1.3	0	0.0	60	1.3
Guatemala	41	1.4	89	2.3	96	2.0
Honduras	26	0.8	36	0.9	49	1.0
Jamaica	24	0.8	51	1.3	77	1.6
Mexico	199	6.5	268	6.8	442	9.4
Panama	161	5.3	200	5.1	212	4.5
Peru	180	5.9	271	6.9	484	10.2
Spain	48	1.6	73	1.9	48	1.0
Trinidad & Tobago.	177	5.8	104	2.6	88	1.9
United States	5	0.2	135	3.5	110	2.3
Venezuela.	0	0.0	1	0.0	135	2.8
Other countries[1]	142	4.6	209	5.3	240	5.1
Total	**$ 3,048**	**100.0**	**$ 3,914**	**100.0**	**$ 4,730**	**100.0**

[1] Other consists of cross-border outstandings to countries in which cross-border outstandings did not exceed 1% of total assets outstandings.

In allocating country risk limits, the Bank takes into consideration several factors, including the Bank's perception of country risk levels, business opportunities, and economic and political analysis, applying a portfolio management approach.

Cross-border outstandings in countries outside the Region correspond principally to the Bank's liquidity placements. See Item 5, "Operating and Financial Review and Prospects/Liquidity and Capital Resources/Liquidity".

The following table sets forth the amount of the Bank's cross-border outstandings by type of institution at December 31 of each year:

	2005	2006	2007
		(in $ million)	
Private sector commercial banks	$ 1,784	$ 1,595	$ 1,943
State-owned commercial banks	184	324	306
Central banks	20	0	0
Sovereign debt	157	424	436
State-owned exporting organizations	434	219	364
Private corporations	470	1,352	$ 1,680
Total	**$ 3,048**	**$ 3,914**	**$ 4,730**

Revenues Per Country

The following table sets forth information regarding the Bank's net revenues per country at the dates indicated, with net revenues calculated as the sum of net interest income, fees and commissions, net, activities of hedging derivative instruments, trading gains, net gain on sale of securities available for sale, gain (loss) on foreign currency exchange and other income (expense), net[1].

	For the year ended December 31,		
	2005	**2006**	**2007**
		(in $ million)	
Argentina	$ 5.7	$ 4.2	$ 4.8
Brazil	23.4	31.4	33.2
Chile	2.9	2.7	1.4
Colombia	3.4	3.6	7.8
Costa Rica	0.0	1.6	0.9
Dominican Republic	1.0	1.0	0.9
Ecuador	2.5	2.9	3.2
El Salvador	1.2	1.5	0.9
Guatemala	0.0	1.3	1.5
Jamaica	1.2	1.5	1.5
Mexico	4.7	5.0	12.4
Panama	1.6	3.6	3.8
Peru	1.4	3.4	4.5
Trinidad and Tobago	0.0	1.8	2.4
Venezuela	0.7	1.0	3.3
Other countries[2]	3.9	1.2	1.5
Asset Management Division	0.0	0.6	24.1
Total	**$ 53.6**	**$ 68.2**	**$ 108.2**

[1] Net revenues per country exclude operating expenses, reversal (provision) for loan losses, reversal (provision) for losses on off-balance sheet credit risk, recoveries on assets, net of impairments and cumulative effect on prior years of changes in accounting principles.

[2] Other consists of net revenues per country in which net revenues did not exceed $1 million for any of the periods indicated above

Net revenues per country reflect the net revenues derived from the Bank's commercial portfolio (loans and contingencies), treasury portfolio (investment securities and credit default swaps) and asset management portfolio (trading assets and liabilities), throughout the Region. See Item 4, "Information on the Company/Business Overview/Commercial Portfolio, Treasury Portfolio and Asset Management Portfolio" and Item 5, "Operating and Financial Review and Prospects/Operating Results/Net Income".

Competition

The Bank operates in a highly competitive environment in most of its markets, and faces competition principally from regional and international banks in making loans, and providing fee-generating services. The Bank competes in its lending and deposit taking activities with other banks and international financial institutions, many of which have greater financial resources and offer sophisticated banking services. Whenever economic conditions and risk perception improve in the largest countries of the Region, competition from commercial banks, the securities markets and other new participants tends to increase. Competition may have the effect of reducing the spreads of the Bank's lending rates over its funding costs and constraining the Bank's profitability.

The trade finance business is subject to change. Increased open account exports and new financing requirements from multinational corporations are changing the way banks intermediate foreign trade financing. The Bank cannot predict with certainty the changes that may occur and how these may affect the competitiveness of its businesses.

The Bank believes that competition also comes from investment banks and the local and international securities markets, which provide liquidity to the financial systems in certain countries in the Region, as well as non-bank specialized financial institutions. The Bank competes primarily on the basis of pricing and quality of service. See Item 3, "Key Information/Risk Factors".

Regulation

General

The Superintendency of Banks of Panama (the "Superintendency of Banks") regulates, supervises and examines Bladex. The New York Agency is regulated, supervised and examined by the New York Banking Department and the Federal Reserve Board and the Florida International Administrative Office is regulated, supervised and examined by the Florida Office of Financial Regulation and the Federal Reserve Board. Bladex Offshore Feeder Fund and Bladex Capital Growth Fund are regulated by government authorities in the Cayman Islands. The regulation of the Bank by relevant Panamanian authorities differs from the regulation generally imposed on banks, including foreign banks, in the United States by U.S. federal and state regulatory authorities.

The Superintendency of Banks has signed and executed agreements or letters of understanding with twenty-four foreign supervisory authorities for the sharing of supervisory information under the principles of reciprocity, appropriateness, national agreement, and confidentiality. Those twenty-four entities include the Federal Reserve System, the Office of the Comptroller of Currency and the Board of Governors, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. In addition, the Statement of Cooperation between the United States and Panama promotes cooperation between U.S. and Panamanian banking regulators and demonstrates the commitment of the U.S. regulators and the Superintendency of Banks to the principles of comprehensive consolidated supervision.

Panamanian Law

The Bank operates in Panama under a General Banking License issued by the National Banking Commission, predecessor of the Superintendency of Banks, and is subject to supervision and examination by the Superintendency of Banks, pursuant to Decree-Law No. 9 of February 26, 1998 (the “Banking Law”). Banks operating under a General Banking License (“General License Banks”) may engage in all aspects of the banking business in Panama, including taking local and offshore deposits, as well as making local and international loans.

General License Banks must have paid-in capital of not less than $10 million. Additionally, General License Banks must maintain minimum capital of 8% of their total risk-weighted assets. The capital adequacy standards used by the Superintendency of Banks are based on the Basel Capital Accord. The Superintendency of Banks is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards as set forth in the Basel Capital Accord become more stringent.

General License Banks are required to maintain 30% of their global deposits in liquid assets (which include short-term loans to other banks and other liquid assets) of the type prescribed by the Superintendency of Banks. Under the Banking Law, deposits from central banks and other similar depositories of the international reserves of sovereign states are immune from attachment or seizure proceedings.

Pursuant to the Banking Law, banks cannot grant loans or issue guarantees or any other obligation (“Credit Facilities”) to any one person or a group of related persons in excess of twenty-five percent (25%) of the Bank’s total capital. However, the Banking Law established that in cases of loans and other credits granted by mixed-capital banks with headquarters in Panama whose principal business is the granting of loans to other banks, the limit will be thirty percent (30%) of the Bank´s capital funds. As confirmed by the Superintendency of Banks, the Bank currently applies the limit of thirty percent (30%) of the Bank’s total capital with respect to the Bank’s credit facilities in favor of financial institutions and the limit of twenty-five percent (25%) of the Bank’s total capital with respect to the Bank’s credit facilities in favor of corporations and sovereign borrowers.

Under the Banking Law, a bank may not grant loans or issue guarantees or any other obligation to “related parties” that exceed (1) 5% of its total capital, in the case of unsecured transactions, (2) 10% of its total capital, in the case of collateralized transactions (other than loans secured by deposits in the bank), and (3) 50% of its total capital in the case of loans secured by deposits in the bank. For these purposes, a “related party” is (a) any one or more of the bank’s directors, (b) any stockholder of the bank who directly or indirectly owns 5% or more of the issued and outstanding capital stock of the bank, (c) any company of which one or more of the bank’s directors is a director or officer or where one or more of the bank’s directors is a guarantor of the loan or credit facility, (d) any company or entity in which the bank or any one of its directors or officers can exercise a controlling influence, (e) any company or entity in which the bank or any one of its directors or officers owns 20% or more of the outstanding and issued capital stock of the company or entity and (f) managers, officers and employees of the bank, or their respective spouses (other than home mortgage loans or guaranteed personal loans under general programs approved by the bank for employees).

The Superintendency of Banks may authorize the total or partial exclusion of loans or credits from the computation of these limitations in cases of unsecured loans and other credits granted by mixed-capital banks with headquarters in Panama whose principal business is the granting of loans to other banks, which is the case of the Bank. This authorization is contingent on the following conditions: (i) the ownership of shares in the debtor bank -directly or indirectly-by the shared director or shared officer, may not exceed five percent (5%) of the bank's capital, or may not amount to any sum that would ensure his or her majority control over the decisions of the bank; (ii) the ownership of shares in the creditor bank-directly or indirectly-by the debtor bank represented in any manner by the shared director or shared officer, may not exceed five percent (5%) of the shares outstanding of the creditor bank, or may not amount to any sum that would ensure his or her majority control over the decisions of the bank; (iii) the shared director or shared officer must abstain from participating in the deliberations and in the voting sessions held by the creditor bank regarding the loan or credit request, and (iv) the loan or credit must strictly comply with customary standards of discretion set by the grantor bank's credit policy. The Superintendency of Banks will determine the amount of the exclusion in the case of each loan or credit submitted for its consideration.

The Banking Law contains additional limitations and restrictions with respect to related party loans and credit facilities. For instance, under the Banking Law, all loans made to managers, officers, employees or stockholders who are owners of 5% or more of the lending Bank's outstanding and issued capital stock will be made on terms and conditions similar to those given by the bank to its clients in arm's-length transactions and which reflect market conditions. Shares of a bank cannot be pledged or offered as security for loans or credit facilities issued by the bank.

In addition to the foregoing requirements, there are certain other restrictions applicable to General License Banks, including (1) a requirement that a bank must notify the Superintendency of Banks before opening or closing a branch or office in Panama and obtain approval from the Superintendency of Banks before opening or closing a branch or subsidiary outside Panama, (2) a requirement that a bank obtain approval from the Superintendency of Banks before it liquidates its operations, merges or consolidates with another bank or sells all or substantially all of its assets, (3) a requirement that a bank must notify the Superintendency of Banks, within sixty (60) days prior to the beginning of each fiscal term, the name of the certified public accounting firm that it wishes to contract to carry out the duty of external auditing for the new fiscal term, and (4) a requirement that a bank obtains prior approval from the Superintendency of Banks of the risk rating entity it wishes to hire to perform the risk rating. The subsidiaries of Panamanian banks established in foreign jurisdictions must observe the legal and regulatory provisions applicable in Panama regarding the sufficiency of capital, as prescribed under the Banking Law.

The Banking Law provides that banks in Panama are subject to inspection by the Superintendency of Banks, which must take place at least once every two years. These supervisory powers of the Superintendency of Banks also extend to a bank's subsidiaries and branches. The Superintendency of Banks last inspected the Bank during April and May 2006, and the results of this inspection were fully satisfactory.

The Superintendency of Banks is empowered to request from any bank or any company that belongs to the economic group of which a bank in Panama is a member, the documents and reports pertaining to its operations and activities. Banks are required to file with the Superintendency of Banks monthly, quarterly and annual information, including financial statements, an analysis of their credit facilities and any other information requested by the Superintendency of Banks. In addition, banks are required to make available for inspection any reports or documents that are necessary for the Superintendency of Banks to ensure compliance with Panamanian banking laws and regulations. Banks subject to supervision may be fined by the Superintendency of Banks for violations of Panamanian banking laws and regulations.

On February 22, 2008, the Panamanian cabinet voted to adopt Decree-Law No. 2 (the "New Banking Law"), which is a revision and restatement of the Banking Law. This new legislation will take effect on August 25, 2008. The New Banking Law regulates banks and the entire "banking group" to which each bank belongs. Banking groups are defined as the holding company and all direct and indirect subsidiaries of the holding company, including the bank in question. Banking groups must comply with audit standards and various limitations set forth in the New Banking Law, in addition to all compliance required of the bank in question.

Under the New Banking Law, a bank's capital composition will include tertiary capital in addition to primary and secondary capital, and the sum of secondary and tertiary capital cannot exceed primary capital. Tertiary capital will be made up of short-term subordinated debt incurred for the management of market risk. Capital adequacy standards will require primary capital equal to no less than 4% of the bank's assets and off-balance sheet operations that represent a contingency to the bank, as well as the previous requirement of maintaining a minimum capital of 8% of its total risk-weighted assets. Additionally, the Superintendency of Banks may take into account market risks, operational risks and country risks, among others, to evaluate capital adequacy standards.

The New Banking Law will limit loans, guarantees and other similar obligations granted to "related parties" by the bank as well as by the ultimate parent of the banking group. The new definition of related parties also includes parties related to the ultimate parent of the banking group.

The supervisory powers of the Superintendency of Banks will extend to the bank and the banking group, and any inspection carried out by the Superintendency of Banks may involve an inspection of the banking group. As a result, the bank, as well as the banking group, must make available for inspection any reports or documents that are necessary for the Superintendency of Banks to ensure compliance with Panamanian banking laws and regulations.

The Bank has not been significantly impacted by the incorporation of these changes regarding the New Banking Law.

Panamanian Anti-Money Laundering laws and regulations. In Panama, all banks and trust corporations must take necessary measures to prevent their operations and/or transactions from being used to commit the felony of money laundering, terrorism financing or any other illicit activity contemplated in the laws and regulations addressing this matter.

United States Law

Bladex operates a New York state-licensed agency in New York, New York and maintains a direct wholly-owned non-banking subsidiary in Delaware, Bladex Holdings Inc. ("Bladex Holdings"), that is not engaged in activities other than owning one wholly owned subsidiary incorporated under the laws of the State of Delaware: Bladex Asset Management, Inc. incorporated on May 24, 2006. In february 2007, another wholly-owned subsidiary Clavex, LLC,which was incorporated on June 15, 2006, was dissolved. On October 30, 2006, the Bank established an International Administrative Office in Miami, Florida (the "Florida International Administrative Office").

New York State Law. The New York Agency, established in 1989, is licensed by the Superintendent of Banks of the State of New York (the "Superintendent") under the New York Banking Law. The New York Agency maintains an international banking facility that also is regulated by the Superintendent and the Federal Reserve Board. The New York Agency is examined by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York agency. New York agencies of foreign banks are regulated substantially the same as, and have similar powers to, New York state-chartered banks, except with respect to capital requirements and deposit-taking activities.

The Superintendent is empowered by law to require any branch or agency of a foreign bank to maintain in New York specified assets equal to a percentage of the branch or agency's liabilities, as the Superintendent may designate. Under the current requirement, the New York Agency is required to maintain a pledge of a minimum of $2 million with respect to its total third-party liabilities and such pledge may be up to 1% of the agency's third party liabilities, or upon meeting eligibility criteria, up to a maximum amount of $100 million. At December 31, 2007, the New York Agency maintained a pledge of $5.5 million, complying with the minimum required amount.

In addition, the Superintendent retains the authority to impose specific asset maintenance requirements upon individual agencies of foreign banks on a case-by-case basis. No special requirement has been prescribed for the New York Agency.

The New York Banking Law generally limits the amount of loans to any one person to 15 percent of the capital, surplus fund and undivided profits of a bank. For foreign bank agencies, the lending limits are based on the capital of the foreign bank and not that of the agency.

The Superintendent is authorized to take possession of the business and property of a New York agency of a foreign bank whenever an event occurs that would permit the Superintendent to take possession of the business and property of a state-chartered bank. These events include the violation of any law, unsafe business practices, an impairment of capital, and the suspension of payments of obligations. In liquidating or dealing with an agency's business after taking possession of the agency, the New York Banking Law provides that the claims of creditors which arose out of transactions with the agency may be granted a priority with respect to the agency's assets over other creditors of the foreign bank.

Florida Law. The Florida International Administrative Office, established in October 2006, is licensed and supervised by the Florida Office of Financial Regulation under the Florida Financial Institutions Codes. The activities of the Florida International Administrative Office are subject to the restrictions described below as well as to Florida banking laws and regulations that are applicable generally to foreign banks that operate offices in Florida. The Florida International Administrative Office is also subject to regulation by the Federal Reserve Board under the International Banking Act of 1978 (the "IBA").

Pursuant to Florida law, the Florida International Administrative Office is authorized to conduct certain "back office" functions on behalf of the Bank, including administration of the Bank's personnel and operations, data processing and record keeping activities, and negotiating and servicing loans or extensions of credit and investments. Under the provisions of the IBA and the regulations of the Federal Reserve Board, the Florida International Administrative Office is also permitted to function as a representative office of the Bank. In this capacity it may solicit new business for the Bank and conduct research. It may also act in a liaison capacity between the Bank and its customers.

Federal Law. In addition to being subject to New York and Florida state laws and regulations, the New York Agency and the Florida International Administrative Office are subject to federal regulations, primarily under the IBA, and are subject to examination and supervision by the Federal Reserve Board. The IBA generally extends federal banking supervision and regulation to the U.S. offices of foreign banks and to the foreign bank itself. Under the IBA, the U.S. branches and agencies of foreign banks, including the New York Agency, are subject to reserve requirements on certain deposits. At present, the New York Agency has no deposits subject to such requirements. The New York Agency also is subject to reporting and examination requirements imposed by the Federal Reserve Board similar to those imposed on domestic banks that are members of the Federal Reserve System. The Foreign Bank Supervision Enhancement Act of 1991 (the "FBSEA") has amended the IBA to enhance the authority of the Federal Reserve Board to supervise the operations of foreign banks in the United States. In particular, the FBSEA has expanded the Federal Reserve Board's authority to regulate the entry of foreign banks into the United States, supervise their ongoing operations, conduct and coordinate examinations of their U.S. offices with state banking authorities, and terminate their activities in the United States for violations of law or for unsafe or unsound banking practices.

In addition, under the FBSEA, state-licensed branches and agencies of foreign banks may not engage in any activity that is not permissible for a "federal branch" (i.e., a branch of a foreign bank licensed by the federal government through the Office of the Comptroller of the Currency of the Treasury Department ("OCC"), rather than by a state), unless the Federal Reserve Board has determined that such activity is consistent with sound banking practices.

The New York Agency does not engage in retail deposit-taking in the United States, and deposits with the New York Agency are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Under the FBSEA, the New York Agency may not obtain FDIC insurance and generally may not accept deposits of less than $100,000.

The IBA also restricts the ability of a foreign bank with a branch or agency in the United States to engage in non-banking activities in the United States, to the same extent as a U.S. bank holding company. Bladex is subject to certain provisions of the Federal Bank Holding Company Act of 1956 (the "BHCA") because it maintains an agency in the United States. Generally, any nonbanking activity engaged in by Bladex directly or through a subsidiary in the United States is subject to certain limitations under the BHCA. Under the Gramm-Leach-Bliley Financial Modernization Act of 1999 (the "GLB Act"), a foreign bank with a branch or agency in the United States may engage in a broader range of non-banking financial activities, provided it is qualified and has filed a declaration with the Federal Reserve Board to be a "financial holding company" ("FHC"). As of the date hereof, Bladex has not filed such a declaration with the Federal Reserve Board. At present, Bladex has one subsidiary in the United States, Bladex Holdings that is incorporated under Delaware law. That subsidiary is not engaged in any activity, other than owning one Delaware company, which is Bladex Asset Management, Inc.

In addition, pursuant to the Financial Services Regulatory Relief Act of 2006, the Securities and Exchange Commission ("SEC") and the Federal Reserve Board finalized Regulation R. Regulation R defines the scope of exceptions provided for in the GLB Act for securities activities which banks may conduct without registering with the SEC as securities brokers or moving such activities to a broker-dealer affiliate. The "push out" rules exceptions contained in Regulation R enable banks, subject to certain conditions, to continue to conduct securities transactions for customers as part of the bank's trust and fiduciary, custodial, and deposit "sweep" functions, and to refer customers to securities broker-dealer pursuant to a networking arrangement with the broker-dealer. The New York Agency is subject to Regulation R with respect to its securities activities.

USA PATRIOT Act of 2001. The USA PATRIOT Act of 2001 (the "PATRIOT Act") substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significantly new compliance and due diligence obligations, creating new crimes and penalties and expanding the extraterritorial jurisdiction of the United States. Failure of a financial institution to comply with the PATRIOT Act's requirements could have serious legal and reputational consequences for an institution. Both the New York Agency and the Florida International Administrative Office are "financial institutions" within the meaning of the PATRIOT Act. The New York Agency has adopted comprehensive policies and procedures to address the requirements of the PATRIOT Act.

Cayman Islands Law

Bladex Offshore Feeder Fund and Bladex Capital Growth Fund are exempted companies incorporated in the Cayman Islands with limited liability, incorporated on February 21, 2006 under the Companies Law of the Cayman Islands. The registered office of these companies is at PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands.

The Companies Law (2007 Revision) of the Cayman Islands (the "Companies Law") is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Section 193 of the Companies Law requires that Bladex Offshore Feeder Fund and Bladex Capital Growth Fund shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of these companies carried on outside the Cayman Islands. This does not prevent Bladex Offshore Feeder Fund and Bladex Capital Growth Fund from effecting and concluding contracts in the Cayman Islands and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.

The Proceeds of Criminal Conduct Law (2007 Revision) and the Terrorism Law, 2003 of the Cayman Islands impose reporting obligations on residents of the Cayman Islands who know or suspect the involvement of another person in money laundering or terrorist activities.

C. Organizational Structure

For information regarding the Bank’s organizational structure see Item 18, “Financial Statements”, note 1.

D. Property, Plant and Equipment

The Bank owns its main branch, with space of 6,161 square meters, located at Calle 50 and Aquilino de la Guardia in Panama City. The Bank leases 11.2 square meters of computer equipment hosting located at Gavilan Street Balboa in Panama City and 21.2 square meters of office space and Internet access to be used in case of a contingency, located at 75E Street San Francisco in Panama City. In addition, the Bank leases office space for its representative offices in Mexico and Buenos Aires, Bladex Representação Ltda. in Brazil, its New York Agency, Bladex Asset Management in New York, and its International Administrative Office in Miami. See Item 18, “Financial Statements”, notes 2 (m) and 17.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with the Bank’s Consolidated Financial Statements and the notes thereto included elsewhere in this Annual Report.

Nature of Earnings

The Bank derives income from net interest income, fees and commissions, trading gains, and net gains on sale of securities available-for-sale. Net interest income, or the difference between the interest income the Bank receives on its interest-earning assets and the interest it pays on interest-bearing liabilities, is generated principally by the Bank’s lending activities. The Bank generates fees and commissions mainly through the issuance, confirmation and negotiation of letters of credit and guarantees covering commercial and country risk, and through loan origination and sales.

A. Operating Results

The following table summarizes changes in components of the Bank's net income and performance at and for the periods indicated.

	At and For the Year Ended December 31,		
	2005	2006	2007
	(in $ thousand, except per share amounts and percentages)		
Total interest income	$ 116,823	$ 203,350	$ 264,869
Total interest expense	71,570	144,513	194,299
Net interest income	45,253	58,837	70,570
Reversal (provision) for loan losses	54,155	(11,846)	(11,994)
Net interest income after reversal of (provision for) loan losses	99,408	46,991	58,576
Other income (expense):			
Reversal (provision) for losses on off-balance sheet credit risk	(15,781)	24,891	13,468
Fees and commissions, net	5,824	6,285	5,555
Activities of hedging derivatives instruments	2,338	(225)	(989)
Recoveries of assets, net of impairments	10,206	5,551	(500)
Trading gains	0	879	23,866
Net gain on sale of securities available for sale	206	2,568	9,119
Gain (loss) on foreign currency exchange	3	(253)	115
Other income (expense), net	5	144	(6)
Net other income	2,801	39,840	50,628
Total operating expenses	(24,691)	(28,929)	(37,027)
Income before cumulative effect of changes in accounting principles	$ 77,518	$ 57,902	$ 72,177
Cumulative effect on prior years (to December 31, 2004) of a change in the credit loss reserve methodology	2,733	0	0
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	(150)	0	0
Net income	$ 80,101	$ 57,902	$ 72,177
Basic earnings per share	$ 2.01	$ 1.56	$ 1.99
Diluted earnings per share	$ 1.99	$ 1.54	1.98
Return on average assets	3.0%	1.7%	1.7%
Return on average stockholders' equity	12.9%	10.0%	11.9%

Net Income

For 2007, net income was $72 million, compared with $58 million for 2006, a $14 million, or 25%, increase, mainly attributable to a $12 million, or 20%, increase in net interest income (mostly from the Commercial Division), $23 million in higher trading gains from the Asset Management Division, and a $7 million increase from gain on sale of securities available-for-sale from the Treasury Division. These increases were partly offset mainly by an $8 million increase in operating expenses.

The Commercial Division's net income, which includes net interest income from loans, fees and commissions and other income derived from financial services and off-balance sheet credits (such as letters of credit, guarantees and credit commitments), allocated operating expenses and reversals (provisions) for credit losses, amounted to $43 million in 2007, compared to $47 million in 2006. The $4 million decrease was mainly driven by lower reversals for credit losses which amounted to $1 million in 2007 compared to $13 million in 2006. This decrease was partly offset mainly by net interest income growth, due to higher average balances of the loan portfolio and higher weighted average lending spreads over cost of funds.

The Treasury Division's net income, which includes net interest income on investment securities, gains and losses on the sale of securities, on activities of hedging derivative instruments and on foreign currency exchange transactions, allocated operating expenses and recoveries on assets, net of impairment, amounted to $10 million in 2007, compared to $11 million in 2006. The $1 million, or 7%, decrease is mainly attributable to recoveries on assets which amounted to $0 during 2007, compared to $6 million during 2006 (related to collections of Argentine securities which had been written-off and charged to earnings in prior years). This decrease was partly offset mainly by gains in the available-for-sale portfolio.

The Asset Management Division's net income, which includes net interest income on trading securities, trading gains and allocated operating expenses, totaled $19 million for the year 2007, compared to $21 thousand in 2006. The increase is attributable principally to higher trading gains from asset management activities, which amounted to $24 million in 2007 compared to $0.9 million in 2006.

For 2006, net income was $58 million, compared to $80 million for 2005. The $22 million reduction in net income during 2006 mainly resulted from lower reversals of credit provisions and recoveries on assets, net of impairments, which, for 2006, amounted to $19 million, compared to $51 million in 2005. This reduction was partly offset mainly by higher net interest income derived from the Commercial Division's loan portfolio growth and diversification.

For further information on net income by business segment, see Item 18, "Financial Statements", note 22.

Net Interest Income and Margins

The following table sets forth information regarding net interest income, the Bank's net interest margin (the net interest income divided by the average balance of interest-earning assets), and the net interest spread (the average yield earned on interest-earning assets, less the average yield paid on interest-bearing liabilities) for the periods indicated.

	For the Year Ended December 31,		
	2005	**2006**	**2007**
	(in $ million, except percentages)		
Net interest income			
Commercial Division			
Accruing portfolio	$ 33.2	$ 49.0	$ 64.1
Non-accruing portfolio	6.2	2.0	0.0
Commercial Division	$ 39.4	$ 50.9	$ 64.1
Treasury Division	5.9	6.9	6.2
Asset Management Division	0.0	1.0	0.2
Consolidated	**$ 45.3**	**$ 58.8**	**$ 70.6**
Net interest margin	1.70%	1.76%	1.71%
Net interest spread	0.67%	0.70%	0.80%

The $12 million, or 20%, increase in net interest income in 2007 compared to 2006 was the result of higher average balances in the loan portfolio (24%) and increased weighted average lending spreads over the cost of funds. The increase in loan portfolio average balances and lending spreads is attributable to the Bank's strategy to improve client and geographic portfolio diversification, by increasing its exposure to the corporate client segment in several countries in the Region. The 5 basis point decrease in net interest margin during 2007 compared to 2006 was mainly due to higher leveraging of the balance sheet and by non-recurring interest income on non-accrual loans received on a cash basis during 2006, both of which offset higher lending spreads during 2007.

The $14 million increase in net interest income and the 6 basis point increase in net interest margin in 2006 compared to 2005 were mainly due to an increase in the average accruing loan and investment portfolio, increasing interest rates on the Bank's available capital, wider lending spreads reflecting changes in the Bank's portfolio mix, and a lower cost of funds. These factors were partially offset by the lower interest collections on the Bank's non-accruing portfolio over 2006, compared to 2005.

Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Differentials

The following table presents the distribution of consolidated average assets, liabilities and stockholders' equity, as well as the total dollar amounts of interest income from average interest-earning assets and the resulting yields, the dollar amounts of interest expense and average interest-bearing liabilities, and corresponding information regarding rates. All impaired loans are on a non-accruing basis, and interest on these loans is accounted for on a cash basis. Average balances have been computed on the basis of consolidated daily average balance sheets.

Description	2005 Average balance	2005 Interest	2005 Average yield/rate	2006 Average balance	2006 Interest	2006 Average yield/rate	2007 Average balance	2007 Interest	2007 Average yield/rate
	Year ended December 31, (in $ million, except percentages)								
Interest-Earning Assets									
Interest-bearing deposits with banks	$ 158	$ 5	3.19%	$ 180	$ 9	4.90%	$ 327	$ 17	5.12%
Loans, net	2,211	93	4.15	2,697	163	5.96	3,366	222	6.49
Impaired loans	106	9	8.10	18	3	14.77	0	0	n.a.
Trading assets	0	0	n.a.	50	6	11.46	84	5	6.27
Investment securities	181	10	5.43	390	23	5.76	345	21	5.99
Total interest-earning assets	**$ 2,656**	**$ 117**	**4.34%**	**$ 3,336**	**$ 203**	**6.01%**	**$ 4,122**	**$ 265**	**6.34%**
Non-interest-earning assets	$ 81			$ 90			$ 90		
Allowance for loan losses	(79)			(44)			(62)		
Other assets	9			21			59		
Total Assets	**$ 2,667**			**$ 3,403**			**$ 4,209**		
Interest-Bearing Liabilities									
Deposits	$ 869	$ 30	3.36%	1,106	$ 57	5.05%	$ 1,321	$ 70	5.26%
Trading liabilities	0	0	n.a.	35	5	13.17	59	4	6.98
Securities sold under repurchase agreements	40	1	2.92	306	16	5.29	253	14	5.30
Short-term borrowings	565	19	3.36	738	39	5.16	1,019	57	5.49
Borrowings and long-term debts	451	22	4.72	500	28	5.57	809	49	6.02
Total interest-bearing liabilities	**$ 1,925**	**$ 72**	**3.67%**	**$ 2,684**	**$ 145**	**5.31%**	**$ 3,462**	**$ 194**	**5.54%**
Non-interest bearing liabilities and other liabilities	$ 118			$ 137			$ 141		
Total Liabilities	**$ 2,044**			**$ 2,821**			**$ 3,603**		
Stockholders' equity	**623**			**581**			**606**		
Total Liabilities, Redeemable Preferred Stock and Stockholders' Equity	**$ 2,667**			**$ 3,403**			**$ 4,209**		
Net Interest Spread			0.67%			0.70%			0.80%
Net Interest Income and Net Interest Margin		$ 45	1.70%		$ 59	1.76%		$ 71	1.71%

Changes in Net Interest Income — Volume and Rate Analysis

Net interest income is affected by changes in volume and changes in interest rates. Volume changes are caused by differences in the level of interest-earning assets and interest-bearing liabilities. Rate changes result from differences in yields earned on interest-earning assets and rates paid on interest-bearing liabilities. The following table sets forth a summary of the changes in net interest income of the Bank resulting from changes in average interest-earning asset and interest-bearing liability balances (volume) and changes in average interest rates for 2006 compared to 2005 and for 2007 compared to 2006. Volume and rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Variances caused by changes in both volume and rates have been allocated equally to volume and rate.

	2006 vs. 2005			2007 vs. 2006		
	Volume	**Rate**	**Net Change**	**Volume**	**Rate**	**Net Change**
	(in $ thousand)					
Increase (decrease) in interest income						
Interest-bearing deposits with banks	$ 914	$ 2,939	$ 3,853	$ 7,461	$ 566	$ 8,027
Loans, net	24,916	45,141	70,058	42,262	16,278	58,540
Impaired loans	(10,180)	4,196	(5,984)	(1,360)	(1,360)	(2,721)
Trading assets	2,905	2,905	5,810	3,024	(3,518)	(495)
Investment securities	11,836	955	12,791	(2,677)	844	(1,832)
Total increase (decrease)	**$ 30,391**	**$ 56,135**	**$ 86,527**	**$ 48,710**	**$ 12,810**	**$ 61,519**
Increase (decrease) in interest expense						
Deposits	10,090	16,961	27,051	11,275	2,557	13,832
Trading liabilities	2,320	2,320	4,640	2,505	(2,948)	(443)
Securities sold under repurchase agreements	11,065	4,167	15,232	(2,860)	11	(2,848)
Short-term borrowings	7,460	11,901	19,361	15,205	2,939	18,144
Borrowings and long term debt	2,540	4,120	6,660	18,147	2,954	21,101
Total increase (decrease)	**$ 33,474**	**$ 39,469**	**$ 72,943**	**$ 44,273**	**$ 5,513**	**$ 49,786**
Increase (decrease) in net interest income	**$ (3,082)**	**$ 16,666**	**$ 13,584**	**$ 4,437**	**$ 7,297**	**$ 11,734**

As depicted in the table above, the main factor contributing to the $12 million increase in net interest income during 2007 compared to 2006 was the increase in rates, which resulted in a $7 million increase in net interest income, reflecting higher average lending spreads over the cost of funds for the Bank's loan portfolio and higher average inter-bank market rates in the Bank's assets and liabilities. The $4 million increase in net interest income derived from higher volumes during 2007 is mainly attributable to an increase in the average loan portfolio and higher average liquidity balances (interest-bearing deposits with banks), partly offset by an increase in the Bank's funding through higher average liability deposits and borrowings.

For 2006, the $13 million increase in net interest income compared to 2005 was mainly attributable to higher inter-bank market rates in the Bank's assets and liabilities, partly offset by a reduction in the average balance of the Bank's impaired portfolio.

Reversal (Provision) for Loan Losses

During 2007, as the Bank reduced its impaired portfolio to zero at December 31, 2006, there were no reversals of specific provisions for loan losses related to the impaired and restructured portfolio. These impaired portfolio reversals totaled $11 million in 2006 and $61 million in 2005.

The Bank's $12 million provision for loan losses during 2007 was mainly due to the net effect of:

- an $18 million generic provision charge, due to increased loan exposure; and
- a $6 million recovery on previously charged-off loans.

The Bank's $12 million provision for loan losses during 2006 was mainly due to the net effect of:

- a $23 million generic provision charge, due to increased loan exposure;
- a $10 million reversal related to the collection of Argentine restructured loans during the year; and
- a $1 million reversal related to the collection of a Brazilian restructured loan during the year.

The Bank's $54 million reversal of provision for loan losses during 2005 was mainly due to the net effect of:

- a $48 million reversal related to the decrease in Argentine restructured loans, reflecting loan sales, payments and prepayments during the year;
- a $13 million reversal related to the decrease in Brazilian restructured loans, reflecting payments and prepayments during the year;
- a $3 million recovery on previously charged-off loans;
- a $16 million generic provision charge, due to increased loan exposure; and
- a $6 million reversal due to the change in the credit loss reserve methodology during 2005.

For detailed information, see Item 5, "Operating and Financial Review and Prospects/Operating Results/Asset Quality and Allowance for Credit Losses".

Reversal (provision) for Losses on Off-Balance Sheet Credit Risk

The $13 million reversal of provision for losses on off-balance sheet credit risk in 2007 was mainly due to decreased letter of credit exposure in higher risk countries, as well as improved risk profiles in certain countries.

The $25 million reversal of provision for losses on off-balance sheet credit risk in 2006 was mainly due to a $15 million reduction in generic reserves driven by exposure reductions in certain countries and a $10 million reversal in specific reserves resulting from the maturity of Argentine impaired contingencies. The $16 million provision for losses on off-balance sheet credit risk in 2005 was mainly related to the effect of a change in the credit loss reserve methodology during 2005.

Fees and Commissions, net

The Bank generates fee and commission income primarily from originating letters of credit confirmation, guarantees (including commercial and country risk coverage), loan origination and distribution, and service activities. The following table shows the components of the Bank's fees and commissions, net, for the periods indicated.

	For the Year Ended December 31,		
	2005	2006	2007
		(in $ thousand)	
Letters of credit	$ 3,396	$ 4,121	$ 2,842
Guarantees	2,012	1,419	1,088
Loans	297	556	836
Other [1]	119	297	789
Fees and commissions, net	**$ 5,824**	**$ 6,393**	**$ 5,555**

[1] Net of commission expense.

The decrease of $838 thousand in net fees and commissions for 2007 compared to 2006 is attributable to lower letter of credit and guarantee activity during the first part of the year, partially offset by increased loan fees and other service activities.

The increase of $569 thousand in net fees and commissions for 2006 compared to 2005 reflects mainly a 12% increase in the average volume of letters of credit.

Activities of Hedging Derivative Instruments

During 2007 and 2006, the Bank recorded losses of $989 thousand and $225 thousand, respectively, related to hedging derivative instruments. During 2005, the Bank recorded income of $2 million mainly related to the unwinding of interest rate swaps associated with the sale of securities available-for-sale. The 2007 losses relate mainly to the fair value at their inception of interest rate swaps contracted for fair value hedge relationships that classify under the short-cut method. The difference in price at inception of these derivatives is attributable solely to differing prices within the bid-ask spread between the entry transaction and a hypothetical exit transaction. The Bank has the policy of recognizing this difference in prices in the results of operations at the inception of a hedge relationship. For additional information, see Item 11, “Quantitative and Qualitative Disclosure about Market Risk”.

Recoveries on Assets, Net of Impairments

For information, see Item 18, “Financial Statements”, notes 2(g) and 5.

Trading gains

During 2007, the Bank achieved $24 million in trading gains compared to $879 thousand in 2006.

Net Gain on Sale of Securities Available for Sale

From time to time, the Bank purchases debt instruments as part of its Treasury activity with the intention of selling them prior to maturity. These debt instruments are classified as securities available-for-sale and are included as part of the Bank’s credit portfolio.

For the year 2007, the Bank’s net gains on the sale of securities available-for-sale were $9 million. This net gain relates to the sale of securities for a nominal amount of $509 million.

During 2006, the Bank’s net gain on the sale of securities available-for-sale was $3 million, compared to $0.2 million in 2005. The 2006 gain was related to the sale of securities available-for-sale for a nominal amount of $105 million.

Operating Expenses

The following table shows a breakdown of the components of the Bank's total operating expenses for the periods indicated.

26

	For the Year Ended December 31,		
	2005	2006	2007
	(in $ thousand)		
Salaries and other employee expenses	$ 13,073	$ 16,826	$ 22,049
Depreciation and amortization	869	1,406	2,555
Professional services	3,281	2,671	3,562
Maintenance and repairs	1,172	1,000	1,188
Other operating expenses	6,295	7,026	7,673
Total Operating Expenses	**$ 24,691**	**$ 28,929**	**$ 37,027**

The $8 million, or 28%, increase in operating expenses for 2007 compared to 2006 was mainly due to:

- a $5 million increase in salaries and other employee expenses mainly driven by a $3 million increase in performance-based variable compensation for the Bank's proprietary asset management team, and the remaining $2 million mainly related to higher senior management's stock compensation plan, a one-time event accrual of employee vacation, and an increase in performance-based variable compensation provision for business lines other than proprietary asset management.
- a $1 million increase in maintenance and depreciation expenses related to the Bank's new technology platform;
- a $1 million increase in professional services, mainly due to legal expenses related to the Bank's business; and
- a $1 million increase in expenses related to marketing and business travel.

The $4 million, or 17%, increase in operating expenses for 2006 compared to 2005 was mainly due to higher salary expenses associated with the development of the corporate segment and the implementation of new business initiatives, including proprietary asset management, leasing, and digital identity, as well as increased depreciation expenses related to the Bank's new technology platform.

Changes in Financial Condition

The following table presents components on the Bank's balance sheet at December 31 of each year:

	2005	2006 (in $ thousand)	2007
Assets			
Cash and due from banks	$ 687	$ 401	$ 596
Interest-bearing deposits in banks	229,200	331,764	476,983
Trading assets	0	130,076	52,597
Investment securities	208,570	471,351	468,360
Loans	2,610,019	2,980,772	3,731,838
Less:			
Allowance for loan losses	(39,448)	(51,266)	(69,643)
Unearned income and deferred loan fees	(5,577)	(4,425)	(5,961)
Loans, net	2,564,994	2,925,081	3,656,234
Customers’ liabilities under acceptances	110,621	46,006	9,104
Premises and equipment, net	3,253	11,136	10,176
Accrued interest receivable	30,254	55,238	62,884
Derivative instruments-used for hedging - receivable	357	541	122
Other assets	11,295	6,743	53,476
Total Assets	**$ 3,159,231**	**$ 3,978,337**	**$ 4,790,532**
Liabilities and Stockholders’ Equity			
Deposits	1,046,618	1,056,277	1,462,371
Trading liabilities	0	54,832	90,765
Securities sold under repurchase agreements	128,599	438,356	283,210
Short-term borrowings	632,100	1,157,248	1,221,500
Borrowings and long-term debt	533,860	558,860	1,010,316
Acceptances outstanding	110,621	46,006	9,104
Accrued interest payable	14,736	28,420	39,198
Derivative instruments used for hedging - payable	297	2,634	16,899
Reserve for losses on off-balance sheet credit risk	52,086	27,195	13,727
Redeemable preferred stock	5,149	0	0
Other liabilities	18,383	24,614	31,191
Total Liabilities	**$ 2,542,449**	**$ 3,394,442**	**$ 4,178,281**
Stockholders’ Equity			
Common stock, no par value	279,979	279,980	279,980
Capital surplus	134,340	134,945	135,142
Capital reserves	95,210	95,210	95,210
Retained earnings	212,916	205,200	245,348
Accumulated other comprehensive income (loss)	619	3,328	(9,641)
Treasury stock	(106,282)	(134,768)	(133,788)
Total Stockholders’ Equity	**$ 616,782**	**$ 583,895**	**$ 612,251**
Total Liabilities and Stockholders’ Equity	**$ 3,159,231**	**$ 3,978,337**	**$ 4,790,532**

The $812 million increase in total assets during 2007 was mainly due to a $751 million increase in the loan portfolio, resulting from the continued execution of the Bank’s strategy of diversifying its portfolio concentration specifically by increasing its loans within the corporate segment. At December 31, 2007, the average maturity of the loan portfolio was 429 days, and 68% of the portfolio was scheduled to mature within one year. 60% of the portfolio was trade related and 40% constituted non-trade loans mainly extended to banks, sovereign or exporting corporations. The corporate segment (which includes state-owned exporting organizations and private corporations) represented 51% of the loan portfolio in 2007 compared to 48% in 2006 and, of this corporate segment, 66% and 74% was trade related in 2007 and 2006, respectively.

The increase in assets during 2007 was mainly financed by a $406 million increase in deposits from central and commercial banks of the Region, and by a $451 million increase in medium- and long-term borrowings and debt, including a bond issuance in Peruvian Nuevo Soles, interbank borrowings in Mexican Pesos, a five-year international loan syndication for an amount of $150 million, and a three-year borrowing for an additional $75 million, among other borrowings.

The $819 million increase in assets during 2006, compared to 2005, was mainly due to a $371 million increase in loans which reflects the Bank's strategy to diversify its client base, involving principally an increase in its activity with corporations. The corporate portfolio increased $600 million and represented 45% of the total portfolio, as compared to one third of the portfolio in 2005. In addition, during 2006, the Bank increased its investment securities portfolio -which mainly consisted of debt securities available-for-sale and held-to-maturity with banks and sovereign borrowers-, and its trading assets, as the Bank initiated operations of its Asset Management Division, which acts as investment manager for the Fund engaged in the management of a multi-strategy portfolio of Latin American fixed income investment securities, foreign exchange and equity securities and derivatives.

The increase in assets during 2006 was mainly financed by a $525 million increase in short-term borrowings primarily from North American and European banks, and by a $310 million increase in securities sold under repurchase agreements related to the investment securities portfolio.

Asset Quality

The Bank believes that its asset quality is linked to the composition of its client base, the importance that governments and borrowers in the Region attach to maintaining continued access to trade financing, its preferred creditor status, and the Bank's strict adherence to commercial criteria in its credit activities.

The Bank's management and the CPER periodically review a report of all loan delinquencies. The Bank's collection policies include rapid internal notification of any delinquency and prompt initiation of collection efforts, usually involving senior management.

Impaired Assets and Contingencies

The Bank's impaired assets consist of impaired loans and impaired securities. For more information on impaired loans, see Item 18, "Financial Statements", notes 2 (i) and 6. For more information on impaired securities, see Item 18, "Financial Statements", notes 2 (g) and 5.

Contingencies are identified as impaired and placed on non-accrual status when any payment of fees or commissions relating thereto is over 90 days past due or if the Bank's management determines that the item may become payable by the Bank and its ultimate collection of principal or commission is doubtful. For more information on contingencies, see Item 18, "Financial Statements", note 16.

The following table sets forth information regarding the Bank's impaired assets and contingencies at December 31 of each year:

	2003	2004	2005	2006	2007
		(in $ million, except percentages)			
Impaired loans	$ 445	$ 256	$ 29	$ 0	$ 0
Allocation from the allowance for loan losses	191	82	11	0	0
Impaired loans as a percentage of total loans, net of unearned income and deferred commission	19.6%	10.5%	1.1%	0.0%	0.0%
Impaired contingencies	$ 32	$ 32	$ 13	$ 0	$ 0
Allocation from the reserve for losses on off balance-sheet credit risks	20	21	9	0	0
Impaired contingencies as a percentage of total contingencies	8.8%	10.5%	1.7%	0.0%	0.0%
Impaired securities (par value)	$ 10	$ 5	$ 0	$ 0	$ 0
Estimated fair value adjustments on options and impaired securities[1]	5	4	0	0	0
Estimated fair value of impaired securities	$ 5	$ 1	$ 0	$ 0	$ 0
Impaired securities as a percentage of total securities[2]	6.8%	0.5%	0.0%	0.0%	0.0%
	17.0%	9.8%	1.2%	0.0%	0.0%

Impaired assets and contingencies as a percentage of total credit portfolio[3]	

[1] Includes impairment losses on securities, estimated unrealized gain (loss) on impaired securities, premiums and discounts.
[2] Total securities consist of investment securities considered part of the Bank's credit portfolio.
[3] The total credit portfolio consists of loans net of unearned income, fair value of investment securities, securities purchased under agreements to resell and contingencies.

As of December 31, 2006 and 2007 the Bank did not have any impaired credits on its portfolio nor any credits with specific reserves.

Allowance for Credit Losses

The allowance for credit losses (which includes the allowance for loan losses and the reserve for losses on off-balance sheet credit risk) covers the credit risk on loans and contingencies. The allowance for credit losses includes an asset-specific component and a formula-based component in line with Statement of Financial Accounting Standard ("SFAS") No. 5 "Accounting for Contingencies" ("SFAS No. 5"). The asset-specific component relates to a provision for losses on credits considered impaired and measured on a case-by-case basis pursuant to SFAS No. 114 "Accounting by Creditors for Impairment of a Loan". For additional information regarding allowance for credit losses, see Item 18, "Financial Statements", notes 2 (j) and 7.

During 2005, Bladex implemented a new methodology for estimating generic allowances for credit losses. The new methodology is driven primarily by Bladex's own historical default and loss experience, as well as an internal country risk classification, rather than relying exclusively on third-party data, as was formerly the case. This change in methodology was the result of the Bank's decision to adopt best practices in the banking industry, and is in line with SFAS No.5, which calls for the use of internal historical performance data in estimating credit loss reserves. The Bank began compiling its eight-year historical database in 2004 and completed this effort during 2005.

The reserve balances for estimating generic allowances, for both on and off-balance sheet credit exposures are calculated applying the following formula:

Reserves = S(E x PD x LGD)

where:

a) Exposure (E) = the total accounting balance (on and off-balance sheet) at the end of the period under review, segregated by country.

b) Probabilities of Default (PD) = one-year probability of default applied to the portfolio in each country. Default rates are based on Bladex's historical portfolio performance per rating category during a ten-year period, complemented by probabilities of default data from international credit rating agencies for high risk cases, in view of the greater robustness of credit rating agencies data for such cases.

c) Loss Given Default (LGD) = a factor of 45% is utilized, based on best practices in the banking industry. This factor applies to all countries, except those classified as higher risk, in which case management applies historical loss experience on a case-by-case basis.

The effect of this new methodology for 2005 was a decrease in net income by $10 million, or $0.26 per share (resulting from a loan loss reserve provision reversal of $6 million, and an off-balance sheet reserve provision charge of $16 million). In addition, the adjustment to apply retroactively the new methodology (to December 31, 2004) increased net income for 2005 by $3 million (resulting from a loan loss reserve provision reversal of $6 million and an off-balance sheet reserve provision charge of $3 million). See Item 18, "Financial Statements", notes 2 (j) and 7.

The following table sets forth information regarding the Bank's allowance for credit losses with respect to total credits outstanding at December 31 of each year:

		2003		2004		2005		2006		2007
					(in $ million, except percentages)					
Components of the allowance for credit losses										
Allowance for loan losses										
Balance at beginning of the year	$	430	$	224	$	106	$	39	$	51
Provision (reversal)		(70)		(111)		(48)		12		12
Effect of change in methodology		0		0		(6)		0		0
Cumulative effect on prior years (2004) of a change in credit loss reserve methodology		0		0		(6)		0		0
Recoveries		2		6		3		0		6
Loans charged-off		(138)		(13)		(9)		0		0
Balance at the end of the year	$	224	$	106	$	39	$	51	$	70
Reserve for losses on off-balance sheet credit risk:										

Balance at beginning of the year	$	23	$	34	$	33	$	52	$	27
Provision (reversal)		11		(1)		(0)		(25)		(13)
Effect of change in methodology		0		0		16		0		0
Cumulative effect on prior years (2004) of a change in credit loss reserve methodology		0		0		3		0		0
Balance at end of the year	$	34	$	33	$	52	$	27	$	14
Total allowance for credit losses	**$**	**258**	**$**	**139**	**$**	**92**	**$**	**78**	**$**	**83**
Allowance for credit losses to total credit portfolio		9.1%		4.7%		2.5%		2.0%		1.8%

The following table sets forth information regarding the Bank's allowance for credit losses allocated by country of exposure at December 31 of each year:

	2005		2006		2007	
	Total	%	Total	%	Total	%
	(in $ million, except percentages)					
Argentina	$ 21	23.0	$ 25	32.4	$ 32	38.4
Brazil	19	20.2	11	14.3	11	13.2
Colombia	1	0.5	2	2.2	2	2.7
Dominican Republic	1	1.3	3	3.3	0	0.3
Ecuador	46	50.4	30	38.3	17	20.2
Jamaica	0	0.3	2	3.1	4	5.0
Mexico	0	0.1	1	1.6	3	3.5
Nicaragua	0	0.1	0	0.6	1	1.7
Peru	3	3.0	1	0.8	2	2.9
Venezuela	0	0.3	0	0.1	7	8.3
Other[1]	1	0.9	3	3.4	3	3.7
Total Allowance for Credit Losses	**$ 92**	**100.0**	**$ 79**	**100.0**	**$ 83**	**100.0**

[1] Other consists of allowance for credit losses allocated to countries in which allowance for credit losses outstanding did not exceed $1 million as of December 31, 2007.

The following table sets forth information regarding the Bank's allowance for credit losses by type of borrower at December 31 of each year:

	2005	2006	2007
		(in $ million)	
Private sector commercial banks	$ 20	$ 15	$ 22
State-owned commercial banks	18	5	2
Central banks	36	21	9
Sovereign debt	1	1	1
State-owned exporting organization	3	2	10
Private corporations	14	35	39
Total	**$ 92**	**$ 79**	**$ 83**

The following table sets forth the distribution of the Bank's loans charged-off against the allowance for loan losses by country at December 31 of each year:

	2003	%	2004	%	2005	%	2006	%	2007	%
	(in $ million, except percentages)									
Argentina	$ 137	99.4	$ 13	100.0	$ 5	53.7	$ 0	0.0	$ 0	0.0
Brazil	0	0.0	0	0.0	4	46.3	0	0.0	0	0.0
Paraguay	1	0.6	0	0.0	0	0.0	0	0.0	0	0.0
Total	**$ 138**	**100.0**	**$ 13**	**100.0**	**$ 9**	**100.0**	**$ 0**	**0.0**	**$ 0**	**0.0**

Reversals of Argentine Specific Provision for Credit Losses

At the end of 2001 and during 2002, the Bank classified as impaired most of its $1 billion Argentine credit exposure at the time, due to the country's economic and financial crisis of 2001, which caused the Bank's Argentine obligors to face payment difficulties. Accordingly, the Bank increased its allowance for credit losses during 2001 and 2002 by $77 million and $279 million, respectively, bringing the total credit reserves assigned to its Argentine portfolio to $380 million at December 31, 2002. From 2002 to 2005, the Bank negotiated the restructuring of its Argentine portfolio and sold at a discount most of the positions that the Bank estimated had the lowest probability of collection. At the close of 2005, the Bank had restructured, sold or charged-off all of its non-performing exposures.

As a result, the Bank was able to decrease its impaired Argentine loan portfolio to $23 million at December 31, 2005 and to zero at December 31, 2006, resulting in reversals of loan loss provisions related to the portfolio for $48 million and $10 million for 2005 and 2006, respectively. These reversals resulted from loan collections and sales that exceeded their respective net book values.

The following table sets forth information regarding the Bank's reversals (provisions) of allowance for loan losses during the years indicated:

	For the year ended December 31,		
	2005	**2006**	**2007**
		(in $ million)	
Argentine reversals related to sale of loans	$ 2.9	$ 0.0	$ 0.0
Argentine reversals related to credit restructurings and collections, and changes in expected loss levels	45.1	10.2	0.0
Total Argentine Specific Reserves Reversals	$ 47.9	$ 10.2	$ 0.0
Brazil Specific Reserves Reversals (Provisions)	13.2	1.0	0.0
Total Specific Reserves Reversals	**$ 61.1**	**$ 11.2**	**$ 0.0**
Generic Reserves Reversals (Provisions) - due to changes in credit portfolio composition and risk levels	$ (15.5)	$ (23.0)	(18.4)
Generic Reserves Reversals - due to change in credit loss reserve methodology	6.0	0.0	0.0
Total Generic Reserves Reversals (Provisions)	**$ (9.6)**	**$ (23.0)**	**$ (18.4)**
Recoveries - Argentine credits	0.3	0.0	2.0
Recoveries - Other credits	2.3	0.0	4.4
Total Recoveries	**$ 2.6**	**$ 0.0**	**$ 6.4**
Total Reversals (Provisions) of Allowance for Loan Losses	**$ 54.2**	**$ (11.8)**	**$ (12.0)**

Critical Accounting Policies

General

The Bank prepares its Consolidated Financial Statements in conformity with U.S. GAAP. As such, the Bank is required to use methods, make estimates, judgments and assumptions in applying its accounting policies that have a significant impact on the results it reports in its Consolidated Financial Statements. Some of the Bank's accounting policies require management to make subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The Bank's management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from the estimates.

The Bank's most critical accounting estimates include the assessment of allowance for credit losses, impairments on the value of securities that are "other than temporary" and the fair value of financial instruments. For information regarding the Bank's significant accounting policies, see Item 18, "Financial Statements", note 2.

Allowance for Credit Losses

The classification of the Bank's credit portfolio for allowances for credit losses under U.S. GAAP is determined through statistical modeling and estimates. Informed judgments must be made when identifying deteriorated loans, the probability of default, the expected loss, the value of collateral and current economic conditions. Even though the Bank's management considers its allowances for credit losses to be adequate, the use of different estimates and assumptions could produce different allowances for credit losses, and amendments to the allowances may be required in the future due to changes in the value of collateral, the amount of cash to be received or other economic events. See Item 18, "Financial Statements", note 2(j).

The estimates of the Bank's portfolio's inherent risks and overall recovery vary with changes in the economy, individual industries, and countries and individual borrowers' or counterparties' ability and willingness to repay their obligations. The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions. The methods and assumptions used by management in estimating the fair values of each type of financial instruments are described in Item 18, "FInancial

Statements", note 20.

Fair Value of Financial Instruments

In calculating the fair value of the Bank's financial instruments, the Bank's management uses market data available and its best judgment. However, there are limitations in any estimation technique. The estimated fair value amounts have been measured as of their respective year-ends. Fair value calculations are only provided for a limited portion of the Bank's assets and liabilities. See Item 18, "Financial Statements", note 20.

Notwithstanding the level of subjectivity inherent in determining fair value, the Bank's management believes that its estimates of fair value are adequate. The use of different models or assumptions could lead to changes in the Bank's reported results.

B. Liquidity and Capital Resources

Liquidity

Liquidity refers to the Bank's ability to maintain adequate cash flows to fund operations and meet obligations and other commitments on a timely basis. The Bank maintains its liquid assets mainly in demand deposits, overnight funds and time deposits with well-known international banks, as well as highly rated marketable securities. These liquid assets are adequate to cover 24-hour deposits from customers, which theoretically could be withdrawn on the same day. At December 31, 2007, the Bank's 24-hour deposits from customers (overnight deposits, demand deposit accounts and call deposits) amounted to $111 million, representing 8% of the Bank's total deposits. The liquidity requirement resulting from these maturities is met by the Bank's liquid assets, which at December 31, 2007, were $418 million (representing 29% of total deposits), and by daily maturities of approximately $172 million to $205 million.

As established by the Bank's liquidity policy, the Bank's liquid assets are held in the form of inter-bank deposits with reputable international banks that have A1, P1, or F1 ratings from two of the major rating agencies, and are located outside of the Region. These banks must have a correspondent relationship with the Bank and be approved by the Board on an annual basis. In addition, the Bank's liquidity policy allows for investing in negotiable money market instruments, including Euro certificates of deposit, commercial paper, bankers' acceptances and other liquid instruments with maturities of up to three years. These instruments must be of investment grade quality A or better and must have a liquid secondary market.

The Bank performs daily review and controls on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk. Specific limits have been established to control cumulative maturity "gaps" between assets and liabilities, for each maturity classification presented in the Bank's internal liquidity reports, as well as to control concentrations of deposits taken from any client or economic group maturing in one day and total maximum deposits maturing in one day. The Bank has also established a minimum amount of liquidity to be maintained at the end of each day, as a percentage of total assets. As a precautionary measure, since the onset of the global liquidity crisis in August 2007, Bladex has consistently maintained a cash position substantially in excess of the minimum required.

In 2007, Bladex updated its Contingent Liquidity Plan, which provides for regular stress-testing of its liquidity position. The plan contemplates the regular monitoring of several quantified internal and external reference points (such as deposit level, quality of assets, Emerging Markets Bonds Index Plus ("EMBI+"), cost of funds and market interest rates), which, in moments of high volatility, would trigger implementation of a series of precautionary measures to reinforce the Bank's liquidity position.

The following table shows the Bank's liquid assets, which consist of short-term funds deposited with other banks broken down by principal geographic area, at December 31 of each year:

	At December 31,		
	2005	**2006**	**2007**
		(in $ million)	
Europe	$ 189	$ 224	$ 298
United States	1	49	39
Other O.E.C.D.	35	54	81

Total	**$ 225**	**$ 327**	**$ 418**

While the Bank's liabilities generally mature over somewhat shorter periods than its assets, the associated liquidity risk is diminished by the short-term nature of the loan portfolio, as the Bank is engaged primarily in the financing of foreign trade. At December 31, 2007, the average original term to maturity of the Bank's short-term loan portfolio was approximately 217 days.

Medium term assets (maturing beyond one year) totaled $1.6 billion as of December 31, 2007. Of that amount, $448 million was comprised of liquid bonds held primarily in the Bank's securities available-for-sale portfolio. The remaining $1.2 billion in medium-term assets represented commercial loans. These medium-term loans are funded by medium-term borrowings (49%) and the Bank's equity (51%).

Funding Sources

The Bank's principal sources of funds are deposits, borrowed funds and floating- and fixed-rate placements. While these sources are expected to continue to provide the majority of the funds needed by the Bank in the future, the exact composition of the Bank´s funding sources, as well as the possible use of other sources of funds, will depend upon future economic and market conditions. The following table shows the Bank's funding distribution at December 31 of each year:

	At December 31,		
	2005	**2006**	**2007**
		(in percentages)	
Inter-bank deposits	41.2%	31.1%	35.0%
Securities sold under repurchase agreements	5.1%	12.9%	6.8%
Borrowings and debts	45.9%	50.6%	53.4%
Other liabilities.	7.9%	5.4%	4.8%
Total liabilities	**100.0%**	**100.0%**	**100.0%**

Deposits

The Bank obtains deposits principally from central and commercial banks in the Region. At December 31, 2007, approximately 31% of the deposits held by the Bank were deposits made by central banks of countries in the Region. Many of these banks deposit a portion of their dollar reserves with the Bank. The average term remaining to maturity of deposits from central banks of countries in the Region at December 31, 2007 and 2006 was 36 days and 44 days, respectively. The bulk of the Bank's other deposits is obtained primarily from commercial banks located in the Region. At December 31, 2007, deposits from the Bank´s five largest depositors, of which three were central banks in the Region, represented 43% of the Bank's total deposits.

The following table shows the Bank's deposits by country at December 31 of each year:

	2005	**2006**	**2007**
		(in $ million)	
Argentina	$ 75	$ 91	$ 75
Barbados	10	5	28
Brazil	424	400	322
Cayman Island	0	27	33
Colombia	44	47	154
Costa Rica	2	7	10
Dominican Republic	22	27	21
Ecuador	182	99	70
El Salvador	32	27	26
Finland	0	10	10
Guatemala	0	1	0
Haiti	2	3	3
Honduras	10	14	27
Jamaica	2	2	2

Mexico		128		35		332
The Netherlands		17		18		21
Nicaragua		0		2		11
Panama		15		48		80
Peru		5		43		41
Trinidad and Tobago		11		10		20
United Kingdom		0		0		40
United States		0		19		20
Venezuela		65		121		117
Total	**$**	**1,047**	**$**	**1,056**	**$**	**1,462**

Short-Term Borrowings and Securities Sold Under Repurchase Agreements

The Bank’s short-term borrowings consist of borrowings from banks that have maturities of up to 365 days. These borrowings are made available to the Bank on an uncommitted basis for the financing of trade-related loans. Approximately 35 European and North American banks provide these short-term borrowings to the Bank.

As of December 31, 2007, short-term borrowings amounted to $1,222 million, an increase of $64 million from the amount as of December 31, 2006. The increase in short-term borrowings was due to funding, liquidity and asset/liability management needs.

The average term remaining to maturity of short-term borrowings at December 31, 2007 was approximately 104 days. See Item 18, “Financial Statements”, note 10.

The Bank also enters into repurchase agreements (“repos”) with international banks, utilizing its investment securities portfolio as collateral to secure cost-effective funding. As of December 31, 2007, repos amounted to $283 million, a decrease of $155 million from the amount as of December 31, 2006, reflecting an increase of borrowings as a funding strategy.

The following table presents information regarding the amounts outstanding, and interest rates on, the Bank’s short-term borrowings and securities sold under repurchase agreements at the dates and during the periods indicated.

	At and for the Year Ended December 31,		
	2005	**2006**	**2007**
	(in $ million, except percentages)		
Short-term borrowings and securities sold under repurchase agreements			
Advances from banks	$ 608	$ 1,147	$ 1,222
Discounted acceptances	24	10	0
Securities sold under repurchase agreements	129	438	283
Total short-term borrowings and securities sold under repurchase agreements	**$ 761**	**$ 1,596**	**$ 1,505**
Maximum amount outstanding at any month-end	$ 761	$ 1,634	$ 1,505
Amount outstanding at year-end	$ 761	$ 1,596	$ 1,505
Average amount outstanding	$ 601	$ 1,044	$ 1,272
Weighted average interest rate on average amount outstanding	3.39%	5.20%	5.45%
Weighted average interest rate on amount outstanding at year end	4.73%	5.51%	5.34%

Borrowings and Long-Term Debt

The interest rates on long-term borrowings are adjusted semi-annually based on short-term LIBOR rates plus a credit spread (which is based on several factors, including credit ratings, risk perception, and the remaining term to maturity). The Bank uses these funds to finance its medium-term and long-term loan portfolio. At December 31, 2007 the average term remaining to maturity of the Bank’s medium and long-term debt was two years.

The Bank’s EMTN Program has a maximum aggregate limit of $2.3 billion. Notes issued under the EMTN Program are placed in the Euro (Regulation S), or 144A markets and are general obligations of the Bank. The EMTN Program may be used to issue notes with maturities ranging from 90 days up to a maximum of 30 years, at fixed or floating interest rates and in various currencies. As of December 31, 2007, the total amount outstanding under the EMTN Program with medium-term maturities was $25 million.

During the third quarter of 2007, the Bank established a program for bond issuances in Peru. The program has a maximum aggregate limit of the equivalent of $300 million. Bonds issued under the program are denominated in Peruvian Nuevo Soles (PEN), may be issued in several series with different maturities and interest rate structures, will be offered exclusively to institutional investors domiciled in the Republic of Peru, and will rank pari-passu with other debt obligations of the Bank. The funds raised from the program will be used to finance the Bank's credit portfolio and to cover its general long-term financial needs. The first placement of bonds under the program consisted of bonds with a maturity of seven years and a fixed rate of interest, and was subsequently swapped into U.S. dollars through a cross-currency swap. As of December 31, 2007, the total amount outstanding under the program was PEN 123,000,000 (equivalent to $41.0 million).

As part of its interest rate and currency risk management, the Bank may from time to time, enter into foreign exchange forwards, cross-currency contracts and interest rate swaps to hedge the risk associated with a portion of the notes issued under its various programs. See Item 18, “Financial Statements”, note 11, and Item 11, “Quantitative and Qualitative Disclosure About Market Risk”.

Cost and Maturity Profile of Borrowed Funds and Floating- and Fixed-Rate Placements

The following table sets forth certain information regarding the weighted average cost and the remaining maturities of the Bank’s borrowed funds and floating- and fixed-rate placements at December 31, 2007:

		Amount (in $ million)	**Weighted Average Cost**
Short-term borrowings at fixed interest rate			
Due in 0 to 30 days	$	250	5.47%
Due in 31 to 90 days		403	5.45%
Due in 91 to 180 days		255	5.30%
Due in 181 to 365 days		298	5.01%
Total	**$**	**1,207**	**5.31%**
Short-term borrowings at floating interest rate			
Due in 0 to 30 days	$	283	5.49%
Due in 181 to 365 days		15	5.17%
Total	**$**	**298**	**5.48%**
Medium and long-term borrowings at fixed interest rate			
Due in 0 to 30 days	$	3	8.31% [1]
Due in 31 to 90 days		5	