

FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 20-F
April 23, 2013

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

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

For the fiscal year ended December 31, 2012

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 COMERCIO EXTERIOR, S.A.

(Exact name of Registrant as specified in its charter)

FOREIGN TRADE BANK OF LATIN AMERICA, INC. REPUBLIC OF PANAMA

(Translation of Registrant’s name into English)

(Jurisdiction of incorporation or organization)

Torre V, Business Park

Avenida La Rotonda, Urb. Costa del Este

P.O. Box 0819-08730

Panama City, Republic of Panama

(Address of principal executive offices)

Christopher Schech

Chief Financial Officer

(507) 210-8500

Email address: cschech@bladex.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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
2,531,926	Shares of Class B Common Stock
29,271,067	Shares of Class E Common Stock
_____	0 Shares of Class F Common Stock
38,145,182	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 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 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.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 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:

U.S. GAAP IFRS Other

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

Item 17 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 COMERCIO EXTERIOR, S.A.

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In this Annual Report on Form 20-F, or this Annual Report, references to the “Bank” or “Bladex” are to Banco Latinoamericano de Comercio Exterior, S.A., a specialized supranational bank incorporated under the laws of the Republic of Panama, or Panama, and its consolidated subsidiaries. References to “Bladex Head Office” are to Banco Latinoamericano de Comercio Exterior, S.A. in its individual capacity. References to “U.S. dollars” or “\$” are to United States, or U.S., dollars. The Bank accepts deposits and raises funds principally in U.S. dollars, grants loans mostly in U.S. dollars and publishes its consolidated financial statements in U.S. 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 Christopher Schech, 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 Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Republic of Panama. Telephone requests may be directed to Mr. Schech at 011+(507) 210-8630. Written requests may also be sent via e-mail to cschech@bladex.com. Information is also available on the Bank’s website at: <http://www.bladex.com>.

Forward-Looking Statements

In addition to historical information, this Annual Report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements may appear throughout this Annual Report. The Bank uses words such as “believe,” “intend,” “expect,” “anticipate,” “plan,” “may,” “will,” “should,” “estimate,” “potential,” “project” and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning the Bank’s expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. 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 growth of the Bank’s credit portfolio, including its trade finance portfolio;
- the Bank’s ability to increase the number of its clients;
- the Bank’s ability to maintain its investment-grade credit ratings and preferred creditor status;
- the effects of changing interest rates, inflation, exchange rates and of an improving macroeconomic environment in Latin America and the Caribbean on the Bank’s financial condition;
- the execution of the Bank’s strategies and initiatives, including its revenue diversification strategy;
- anticipated operating income and return on equity in future periods;
- the Bank’s level of capitalization and debt;
- the implied volatility of the Bank’s Treasury and trading revenues;

- levels of defaults by borrowers and the adequacy of the Bank's allowance and provisions for credit losses;
 - the availability and mix of future sources of funding for the Bank's lending operations;
 - the adequacy of the Bank's sources of liquidity to cover large deposit withdrawals;
- management's expectations and estimates concerning the Bank's future financial performance, financing, plans and programs, and the effects of competition;
- existing and future governmental banking and tax regulations, including Basel II and Basel III capital and leverage requirements and Basel Committee on Banking Supervision liquidity requirements as adopted in the countries in which the Bank does business, and the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, on the Bank's business, business practices, and costs of operation as a foreign bank with offices in the United States;

- credit and other risks of lending and investment activities; and
- the Bank's ability to sustain or improve its operating performance.

In addition, the statements included under the headings "Item 4.B. Business Overview—Strategies for 2013 and Subsequent Years" and "Item 5.D. Trend Information" are forward-looking statements. Given the risks and uncertainties surrounding forward-looking statements, undue reliance should not be placed on these statements. Many of these factors are beyond the Bank's ability to control or predict. The Bank's forward-looking statements speak only as of the date of this Annual Report. Other than as required by law, the Bank undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

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 selected consolidated financial data for the Bank. The financial data presented below are at and for the years ended December 31, 2012, 2011, 2010, 2009, and 2008, and are derived from the Bank's consolidated financial statements for the years indicated, which were prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, and are stated in U.S. dollars. The consolidated financial statements for the years ended December 31, 2012, 2011, 2010, 2009, and 2008 were audited by the independent registered public accounting firm Deloitte, Inc. The consolidated financial statements of the Bank for each of the three years in the period ended December 31, 2012, or the Consolidated Financial Statements, are included in this Annual Report, together with the report of the independent registered public accounting firm 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

	As of and for the Year Ended December 31,				
	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽¹⁾	2009 ⁽¹⁾	2008 ⁽¹⁾
	(in \$ thousand, except per share data and ratios)				
Income Statement Data:					
Net interest income	\$ 104,977	\$ 102,710	\$ 74,503	\$ 64,752	\$ 77,847
Fees and commissions, net	10,021	10,619	9,811	6,452	4,920
Reversal of provision (provision) for credit losses ⁽²⁾	12,389	(4,393)	4,835	(14,830)	1,544
Derivative financial instruments and hedging	71	2,923	(1,446)	(2,534)	9,956
Recoveries, net of impairment of assets	0	(57)	233	(120)	(767)
Net gain (loss) from investment fund trading	7,011	20,314	(7,995)	24,997	21,357
Net gain (loss) from trading securities	11,234	(6,494)	(3,603)	13,113	(20,998)
Net gain on sale of securities available-for-sale	6,030	3,413	2,346	546	67
Gain (loss) on foreign currency exchange	(10,525)	4,269	1,870	613	(1,596)
Gain on sale of premises and equipment	5,626	0	0	0	0
Other income, net	2,986	1,059	1,279	1,451	703
Total operating expenses	(55,814)	(50,087)	(42,218)	(38,674)	(37,317)
Net income from continuing operations	94,006	84,276	39,615	55,767	55,714
Net income (loss) from discontinued operations ⁽¹⁾	(681)	(420)	206	214	(388)
Net income	93,325	83,856	39,821	55,980	55,327
Net income (loss) attributable to the redeemable noncontrolling interest	293	676	(2,423)	1,118	208
Net income attributable to Bladex	93,032	83,180	42,244	54,862	55,119
Net income from continuing operations	93,713	83,600	42,038	54,648	55,507
Net income (loss) from discontinued operations ⁽¹⁾	(681)	(420)	206	214	(388)
Balance Sheet Data:					
Trading assets	5,265	20,436	50,412	50,277	44,939
Securities available-for-sale	183,017	416,300	353,250	456,984	607,918
Securities held-to-maturity	34,113	26,536	33,181	0	28,410
Investment fund	105,888	120,425	167,291	197,575	150,695
Loans	5,715,556	4,959,573	4,064,332	2,779,262	2,618,643
Allowance for loan losses	72,976	88,547	78,615	73,789	54,648
Total assets	6,756,396	6,360,032	5,100,087	3,878,771	4,362,678
Total deposits	2,317,260	2,303,506	1,820,925	1,256,246	1,169,048
Trading liabilities	32,304	5,584	3,938	3,152	14,157
Securities sold under repurchase agreements and short-term borrowings	1,607,397	1,700,468	1,360,327	399,132	1,212,921
Borrowings and long-term debt	1,905,540	1,487,548	1,075,140	1,390,387	1,204,952
Total liabilities	5,926,537	5,595,203	4,384,087	3,168,234	3,783,665

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Capital stock	279,980	279,980	279,980	279,980	279,980	
Total stockholders' equity	826,475	759,282	697,050	675,637	574,324	
Weighted average basic shares	37,824	36,969	36,647	36,493	36,388	
Weighted average diluted shares	37,938	37,145	36,814	36,571	36,440	
Per Common Share Data:						
Basic earnings per share	2.46	2.25	1.15	1.50	1.51	
Diluted earnings per share	2.45	2.24	1.15	1.50	1.51	
Book value per share (period end)	21.67	20.45	18.99	18.49	15.77	
Regular cash dividends per share	1.10	0.85	0.67	0.60	0.88	
Selected Financial Ratios:						
Performance Ratios:						
Return on average assets ⁽³⁾	1.51	% 1.46	% 0.97	% 1.38	% 1.09	%
Return on average stockholders' equity ⁽⁴⁾	11.57	% 11.40	% 6.21	% 8.60	% 8.99	%
Net interest margin ⁽⁵⁾	1.70	% 1.81	% 1.70	% 1.62	% 1.55	%
Net interest spread ⁽⁵⁾	1.44	% 1.62	% 1.43	% 1.12	% 0.99	%
Total operating expenses to total average assets ⁽⁶⁾	0.90	% 0.88	% 0.97	% 0.97	% 0.74	%
Regular cash dividend payout ratio	44.72	% 37.78	% 58.12	% 39.91	% 58.09	%
Special cash dividend payout ratio	0.00	% 0.00	% 0.00	% 0.00	% 0.00	%
Liquidity Ratios:						
Liquid assets ⁽⁷⁾ / total assets	10.21	% 12.36	% 8.25	% 10.36	% 18.92	%
Liquid assets ⁽⁷⁾ / total deposits	29.78	% 34.11	% 23.10	% 32.00	% 70.62	%
Asset Quality Ratios:						
Non-accrual loans to total loans ⁽⁸⁾	n.m. (*)	0.65	% 0.71	% 1.82	% n.m. (*)	
Impaired loans to total loans ⁽⁸⁾	n.m. (*)	0.65	% 0.71	% 1.29	% n.m. (*)	
Charged-off loans to total loans	0.13	% 0.02	% 0.13	% 0.00	% n.m. (*)	
Allowance for loan losses to total loans, net of unearned income and deferred commission	1.28	% 1.79	% 1.94	% 2.66	% 2.09	%
Allowance for losses on off-balance sheet credit risk to total contingencies	2.05	% 2.45	% 3.50	% 8.28	% 6.95	%
Capital Ratios:						
Stockholders' equity to total assets	12.23	% 11.94	% 13.67	% 17.42	% 13.16	%
Average stockholders' equity to total average assets ⁽⁹⁾	13.03	% 12.83	% 15.62	% 16.06	% 12.11	%
Leverage ratio ⁽¹⁰⁾	8.2	x 8.4	x 7.3	x 5.7	x 7.6	x
Tier 1 capital to risk-weighted assets ⁽¹¹⁾	17.9	% 18.6	% 20.5	% 25.8	% 20.4	%
Total capital to risk-weighted assets ⁽¹²⁾	19.2	% 19.9	% 21.8	% 27.0	% 21.6	%
Risk-weighted assets	\$4,609,221	\$4,090,333	\$3,416,782	\$2,633,482	\$3,143,971	

(*) "n.m." means not meaningful.

The Asset Management Unit is reported as a discontinued operation since the Bank decided to divest the operations of this Unit in the fourth quarter of 2012, in accordance with the ASC Topic 250-20 – Presentation of

(1) Financial Statements – Discontinued Operations. The amounts reported for the years ended December 31, 2011, 2010, 2009, and 2008 have been reclassified to conform with the presentation of discontinued operations in 2012. See Item 4.B, "Business Overview – Overview", for a discussion of the Asset Management Unit.

Includes reversal of (provision for) loan losses and for losses on off-balance sheet credit risks. For information

(2) regarding reversal of (provision for) credit losses, see Item 5, "Operating and Financial Review and Prospects—Operating Results."

- (3) Average assets calculated on the basis of unaudited daily average balances.
- (4) Average stockholders' equity calculated on the basis of unaudited daily average balances.
- (5) 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."
- (6) Average assets calculated on the basis of unaudited daily average balances.
- (7) Liquid assets consist of investment-grade "A" securities, and cash and due from banks, excluding pledged deposits. See Item 18, "Financial Statements" Note 3 to the Audited Financial Statements.
As of December 31, 2012, the Bank did not have any loans in non-accrual status. Non-accrual loans amounted \$32 million in 2011, all of which corresponded to impaired loans, \$29 million in 2010, all of which corresponded to impaired loans, and \$51 million in 2009 of which \$36 million corresponded to impaired loans in 2009. Impairment
- (8) factors considered by the Bank's management include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence.
- (9) Average stockholders' equity and total average assets calculated on the basis of unaudited daily average balances.
- (10) Leverage ratio is the ratio of total assets to stockholders' equity.
Tier 1 capital is calculated according to Basel I capital adequacy guidelines, and is equivalent to stockholders' equity, excluding the Other Comprehensive Income account effect of the available-for-sale portfolio. The Tier 1
- (11) capital ratio is calculated as a percentage of risk-weighted assets. Risk-weighted assets are, in turn, also calculated based on Basel I capital adequacy guidelines.
- (12) Total capital refers to Tier 1 capital plus Tier 2 capital, based on Basel I capital adequacy guidelines. Total capital refers to the total capital ratio as a percentage of risk-weighted assets.

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 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 an available funds shortage as a result of which the Bank would not be able to repay its obligations as they become due.

As of December 31, 2012, approximately 24% of the Bank's funding represents short-term borrowings from international private banks, the majority of which are European and North American institutions, which compete with the Bank in its credit extension activity. If these international banks cease 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 a higher cost.

Financial turmoil 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 in the second half of 2007 in the international financial markets, which intensified during the third quarter of 2008, driven first by the subprime crisis in the United States and then followed by the credit crisis, and in the ongoing European sovereign debt crisis. As of December 31, 2012, the Bank had extended loans in Spain of approximately \$10 million. The reoccurrence of such unfavorable market conditions could have a material adverse effect on the Bank's liquidity.

As of December 31, 2012, approximately 38% of the Bank's total deposits represented deposits from state-owned banks, 37% of the Bank's total deposits represented deposits from central banks, and 16% of the Bank's deposits

represented deposits from private sector commercial banks and financial institutions.

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 Latin America and the Caribbean, or the Region, would not be obligated to act as lenders of last resort if Bladex were to face a liquidity shortage and the Bank would have to rely on commercial liquidity sources to cover the shortfall.

The credit ratings of Bladex are an important factor in maintaining the Bank's liquidity. A reduction in the Bank's credit rating could reduce the Bank's access to debt markets or materially increase the cost of issuing debt, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing or permitted, contractually or otherwise, to do business with or lend to the Bank. This in turn could reduce the Bank's liquidity and negatively impact its operating results and financial position.

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, external sources, and the judgment of the Bank's management. The latter reflects 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 commercial portfolio due to exposure concentration or deterioration in certain sectors or countries, 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 rates 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 relevant issuer or its country of origin. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on the Bank's financial condition, results of operations, cash flows and business.

See Item 11, "Quantitative and Qualitative Disclosures About Market Risk."

The Bank faces interest rate risk that 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. Bladex's exposure to instruments whose values vary with the level or volatility of interest rates contributes to its interest rate risk. Failure to adequately manage eventual mismatches may reduce the Bank's net interest income during periods of fluctuating interest rates.

The Bank's credit portfolio may decrease or may not continue to grow at the present rate or at a similar rate. Additionally, growth in the Bank's credit portfolio may expose the Bank to an increase in allowance for loan losses.

It is difficult to predict whether the Bank's credit portfolio, including the Bank's foreign trade portfolio, will continue to grow in the future 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. Additionally, the future expansion of Bladex's credit portfolio may expose the Bank to higher levels of potential or actual losses and require an increase in credit risk reserves, which could negatively impact the Bank's operating results and financial position. Non-performing or low credit quality loans can negatively impact the Bank's results of operations. The Bank may not be able to effectively control the level of the impaired loans in its total loan portfolio. In particular, the amount of its reported non-performing loans may increase in the future as a result of growth in its loan portfolio, including as a result of loan portfolios that the Bank may acquire in the future, or factors beyond the Bank's control, such as the impact of economies trends and political events affecting the Region, events affecting certain industries or events affecting financial markets and global economies.

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 domestic and international banks, the majority of which are European and North American institutions. Many of these banks have substantially greater resources than the Bank and enjoy access to less expensive funding than the Bank does. It is difficult to predict how increased competition will affect the Bank's growth prospects and results of operations.

Over time, there has been substantial consolidation among companies in the financial services industry, and this trend continued accelerating in 2011 and 2012 as the credit crisis led to numerous mergers and asset acquisitions among industry participants and in certain cases reorganization, restructuring, or even bankruptcy. 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. In addition, whenever economic conditions and risk perception improve in the Region, competition from commercial banks, the securities markets and other new participants generally increases.

Globalization of the capital markets and financial services industries exposes the Bank to further competition. To the extent the Bank expands into new business areas and new geographic regions, the Bank may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect the Bank's ability to compete. The Bank's ability to grow its business and therefore, its earnings, is affected by these competitive pressures.

The Bank's businesses rely heavily on data collection, management and processing, and information systems, the failure of which could have a material adverse effect on the Bank, including the effectiveness of the Bank's risk management and internal control systems.

All of the Bank's principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information across numerous and diverse markets, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Bank's businesses and to its ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect the Bank's decision-making process, the Bank's risk management and internal control systems, as well as the Bank's ability to respond on a timely basis to changing market conditions. If the Bank cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected.

The Bank is also dependent on information systems to operate its website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. The Bank may experience operational problems

with its information systems as a result of system failures (including failure to update systems), viruses, computer “hackers” or other causes. The Bank’s ability to remain competitive depends in part on its ability to upgrade its information technology on a timely and cost-effective basis. The Bank continually makes investments and improvements in its information technology infrastructure in order to remain competitive. In the future, the Bank may not be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of its information technology infrastructure. Any failure to effectively improve or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Bank.

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, and any failure, interruption or breach in the security or operation of the Bank’s information technology systems could result in interruptions in such activities. 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.

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.

Any failure to remain in compliance with applicable banking laws or other applicable regulations in the jurisdictions in which the Bank operates could harm its reputation and/or cause it to become subject to fines, sanctions or legal enforcement, which could have an adverse effect on the Bank's business, financial condition and results of operations.

Bladex has adopted various policies and procedures to ensure compliance with applicable laws, including internal controls and "know-your-customer" procedures aimed at preventing money laundering and terrorism financing; however, participation of multiple parties in any given trade finance transaction can make the process of due diligence difficult. Further, because trade finance can be more document-based than other banking activities, it is susceptible to documentary fraud, which can be linked to money laundering, terrorism financing, illicit activities and/or the circumvention of sanctions or other restrictions (such as export prohibitions, licensing requirements, or other trade controls). While the Bank is alert to high-risk transactions, it is also aware that efforts, such as forgery, double invoicing, partial shipments of goods and use of fictitious goods, may be used to evade applicable laws and regulations. If the Bank's policies and procedures are ineffective in preventing third parties from using it as a conduit for money laundering or terrorism financing without its knowledge, the Bank's reputation could suffer and/or it could become subject to fines, sanctions or legal action (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Bank), which could have an adverse effect on the Bank's business, financial condition and results of operations. In addition, amendments to applicable laws and regulations in Panama and other countries in which the Bank operates could impose additional compliance burdens on the Bank.

Panamanian laws and regulations, including future government restrictions on interest rates or changes in reserves, may have a material adverse effect on the Bank.

The Bank is subject to extensive laws and regulations regarding the Bank organization, operations, lending and funding activities, capitalization and other matters. In September 2010, the Basel Committee on Banking Regulations and Supervisory Practices, or the Basel Committee, proposed comprehensive changes to the capital adequacy framework, known as Basel III. On December 16, 2010 and January 13, 2011, the Basel Committee issued its final guidance on a number of regulatory reforms to the regulatory capital framework in order to strengthen minimum capital requirements, including the phasing out of innovative Tier 1 and 2 Capital instruments with incentive-based

redemption clauses and implementing a leverage ratio on institutions in addition to current risk-based regulatory requirements. The Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá*), or the Superintendency, is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards (the standards set by the Basel Committee on Banking Supervision) become more stringent. Non-compliance with this legal lending limit could result in the assessment of administrative sanctions by the Superintendency for such violations, taking into consideration the magnitude of the offense and any prior occurrences, and the magnitude of damages and prejudice caused to third parties.

Legislation regarding the financial services industry may subject the Bank to significant and extensive regulation, which may have an impact on the Bank's operations.

On July 21, 2010, the Dodd-Frank Act, was signed into law in the United States. The Dodd-Frank Act is intended primarily to overhaul the financial regulatory framework in the United States following the global financial crisis and may impact substantially all financial institutions including the Bank. The Dodd-Frank Act, among other things, imposes higher prudential standards, including more stringent risk-based capital, leverage, liquidity and risk-management requirements, establishes a Bureau of Consumer Financial Protection, establishes a systemic risk regulator, consolidates certain federal bank regulators, imposes additional requirements related to corporate governance and executive compensation and requires various U.S. federal agencies to adopt a broad range of new implementing rules and regulations, for which they are given broad discretion. The Bank is closely monitoring this rulemaking process, and analyzing, the impact of new rules on the Bank's business. For example, the provisions of the Dodd-Frank Act generally known as the "Volcker Rule" are designed to restrict banking entities' proprietary trading and private fund investment activities. The Volcker Rule is subject to final rule-making and interpretation, including with respect to the scope of its applicability to activities outside of the United States, and the impact of the rule on the Bank's business operations is still not completely certain.

The Bank, as a foreign financial institution (FFI), will be subject to provisions of the U.S. Foreign Account Tax Compliance Act (FATCA). Pursuant to this legislation, the Bank will enter into an agreement with the Internal Revenue Service (IRS) directly or indirectly through an intergovernmental agreement, which will require the Bank to identify U.S. accounts, report certain information regarding the U.S. accounts to the IRS and withhold a 30% tax on "pass-thru payments" made to non-participating FFIs or accountholders that fail to provide requested information.

Risk Relating to the Region

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

The Bank's credit activities are concentrated in 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 recessions, declining investments, government and private sector debt defaults and restructurings, and significant inflation and/or currency devaluation. Global economic changes, including fluctuations in oil prices, commodities prices, U.S. dollar interest rates and the U.S. dollar exchange rate, and slower economic growth in industrialized countries, could have a significant adverse effect on the economic condition of countries in the Region, including Panama and the other countries where the Bank operates. 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 restructuring, 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 number of countries. Adverse changes affecting the economies in one or more of those countries 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. As of December 31, 2012, approximately 67% of the Bank's credit portfolio was outstanding to borrowers in the following five countries: Brazil (\$1,842 million, or 30%), Peru (\$844 million, or 14%), Mexico (\$547 million, or 9%), Colombia (\$488 million, or 8%), and Panama (\$390 million, or 6%).

In addition, as of December 31, 2012, of the Bank's total credit portfolio balances, 8% were to five borrowers in Brazil, 8% were to five borrowers in Peru, 2% were to five borrowers in Mexico, 4% were to five borrowers in Colombia, and 4% were to five borrowers in Panama. 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.

See Item 4.B. “Information on the Company—Business Overview—Developments During 2012”.

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 might 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 affected in an important way.

Item 4. Information on the Company

A. History and Development of the Company

The Bank, a corporation (*sociedad anónima, S.A.*) organized under the laws of Panama and 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 Panama and commenced operations on January 2, 1979. Panama was selected as the location of the Bank’s headquarters because of

the country's importance as a banking center in the Region, 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 Contract No. 103-78 signed between Panama and the Bank, the Bank was granted certain privileges by the government of Panama, including an exemption from payment of income taxes in Panama.

On June 17, 2009, the Bank changed its name from "Banco Latinoamericano de Exportaciones, S.A." to "Banco Latinoamericano de Comercio Exterior, S.A.," although it continues to operate under the commercial name of "Bladex."

The Bank offers its services through its head office and its subsidiaries in Panama City, its subsidiaries and offices in New York City, including its agency, or the New York Agency, and Bladex Asset Management Inc., or Bladex Asset Management, its subsidiaries in Brazil and the Cayman Islands, its international administrative office in Miami, or the Florida Administrative Office, and its representative offices in Buenos Aires, Argentina, in Mexico City, D.F. and Monterrey, Mexico, in Porto Alegre, Brazil, in Lima, Peru and in Bogotá, Colombia, as well as through a worldwide network of correspondent banks. Bladex's shares of Class E common stock are listed on the New York Stock Exchange, or NYSE, under the symbol "BLX."

The following is a description of the Bank's subsidiaries:

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

Bladex Holdings Inc., Bladex Holdings, incorporated under the laws of the State of Delaware on May 30, 2000, is a wholly owned subsidiary of Bladex Head Office and, exercises control over Bladex Asset Management.

Bladex Asset Management, incorporated on May 24, 2006 under the laws of the State of Delaware, serves as investment manager for Bladex Offshore Feeder Fund, or the Feeder, and Bladex Capital Growth Fund, or the Fund, both of which are registered with the Cayman Islands Monetary Authority, or CIMA, under the Mutual Funds Law of the Cayman Islands. On September 8, 2009, Bladex Asset Management was registered as a foreign entity in the Republic of Panama, to permit the establishment of a branch in Panama, which is mainly engaged in providing administrative and operating services to Bladex Asset Management in the United States. On February 23, 2012 Bladex Asset Management was registered with the United States Securities and Exchange Commission, or SEC as an Investment Adviser.

Bladex Head Office is a member of BCG PA LLC, or BCG, a company incorporated under the laws of the State of Delaware, and owns a 50% interest in BCG.

Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owns 99% of Bladex Investimentos Ltda. and Bladex Holdings owns the remaining 1%. Bladex Investimentos Ltda. has invested substantially all of its assets in Bladex Latam Fundo de Investimento Multimercado, or the Brazilian Fund, which was incorporated under the laws of Brazil on July 26, 2011.

The objective of the Brazilian Fund is to achieve capital gains by dealing in the interest, currency, securities, commodities and debt markets, and by trading instruments available in the spot and derivative markets. The Brazilian Fund is registered with the Brazilian Securities Commission, or CVM. This fund is a variable interest entity, or VIE, and has been consolidated in the consolidated financial statements. As of December 31, 2012, Bladex Investimentos Ltda. holds 82.90% of the Brazilian Fund's net asset value.

BLX Brazil Ltd. was incorporated under the laws of the Cayman Islands on October 5, 2010. Bladex Head Office owns 99.8% of BLX Brazil Ltd. In turn, BLX Brazil Ltd. owns 99.9999% of Bladex Asset Management Brazil –

Gestora de Recursos Ltda., or BAM Brazil, and Bladex Asset Management owns the remaining 0.0001% . BAM Brazil was incorporated under the laws of Brazil on January 6, 2011 and provides investment advisory services to the Brazilian Fund.

Clavex LLC, a former subsidiary of Bladex Holdings, was dissolved on April 7, 2011, and its net assets were transferred to its controlling entity. Clavex S.A., a former subsidiary of Bladex Head Office, was dissolved on August 30, 2011, and its net assets were transferred to Bladex Head Office.

On April 2, 2013, Bladex announced the finalization of its definitive agreement for the sale of its Asset Management Unit. The Asset Management Unit is being sold to Alpha4X Asset Management, LLC (“Alpha4X”), a newly-formed company that is majority-owned by former members of the Asset Management Unit’s executive team. A subsidiary of XL Group plc (NYSE: XL) will acquire a minority equity stake in Alpha4X as part of the sale. Bladex will continue to invest in the fund under Alpha 4X’s management in its role as anchor investor for a period of up to three years with revenue-sharing rights. As part of the agreement, a subsidiary of XL will also become an anchor investor in the fund under Alpha4X’s management. Following the completion of the divestiture of the Asset Management Unit, BLX Brazil Ltd and Bladex Asset Management Brazil – Gestora de Recursos Ltda., will be transferred to Alpha4X and Bladex Asset Management and BCG PA, LLC, will be dissolved. The divestiture is expected to be completed in the second quarter of 2013.

On June, 2012, The Bank's headquarters office were relocated to Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Panama, and its telephone number is + (507) 210-8500.

The Bank's financial statements are prepared in accordance with U.S. GAAP.

See Item 18. "Financial Statements," notes 1 and 2(a).

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, middle-market companies and corporations in the Region. 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 Asia, 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.

Bladex intermediates in the financial and capital markets throughout the Region, through two business segments.

The Commercial Division is responsible for the Bank's core business of financial intermediation and fee generation activities generated by the commercial portfolio. The division's portfolio includes loan portfolio, selected deposits placed, equity investments, customer liabilities under acceptances and contingencies (including confirmed and stand-by letters of credit and guarantees covering commercial risk, credit commitments). The majority of the Bank's loans are extended in connection with specifically 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, and other fee-based services, such as electronic clearing services.

The Treasury Division is responsible for the Bank's funding and liquidity management, along with its investment securities activities, including management of the Bank's interest rate, liquidity, price and currency risks. The Division manages the Bank's liquidity balance, trading assets, securities available-for-sale, securities held-to-maturity, and the Bank's investments in the Investment Funds, see "—Investment Fund" below for a detailed discussion. Historically, trade finance has been afforded favorable treatment under Latin American debt restructurings. This has been, in part, due to the perceived importance that governments and other borrowers in the Region have attributed to maintaining access to trade finance. The Bank believes that, in the past, the combination of its focus on trade finance and the composition of its Class A shareholders has been instrumental in obtaining some exceptions on U.S. dollars convertibility and transfer limitations imposed on the servicing of external obligations, or preferred creditor status. Although the Bank maintains its focus both on trade finance and its Class A shareholders, it cannot guarantee that such exceptions will be granted in all future debt restructurings.

The Asset Management Unit, which was comprised of the Bank's interests in BAM Brazil, BCG, BLX Brazil Ltd. and Bladex Asset Management, was responsible for the Bank's asset management activities, including its investments in the Investment Fund and the Brazilian Fund. The Asset Management Unit has been reported as a discontinued operation as of December 31, 2012, following the Bank's decision to divest the operations of this Unit in the fourth quarter of 2012. A definitive agreement to sell the Asset Management Unit was announced on April 2, 2013.

As of December 31, 2012, the Bank had 63 employees, or 32% of its total employees, across its offices responsible for marketing the Bank's financial products and services to existing and potential customers.

Developments During 2012

The macroeconomic environment in the Region faced major challenges in 2012, such as the ability to sustain economic growth against a backdrop of global downturn, partly due to increased downside risks in the European economy as a result of high debt levels and weak economic growth (with some countries showing economic contractions), increased downside risks in the Chinese economy, and the looming deadline in the U.S. to reach a deal to steer away from the "fiscal cliff". While some economies saw a slowdown in growth during the year the prudent handling of economic policies in the countries allowed the Region to continue seeing positive growth, without any significant adverse impact on other fiscal and monetary stability indicators.

Despite the dampening in global economic growth, particularly in large economies such as Europe and China, and a slight upturn in other major economies such as the U.S. and Japan, exports grew by 2% in the Region in 2012 according to "Economic Commission for Latin America", while maintaining a trend towards greater diversification, supported by a steady inflow of foreign direct investment that grew nearly 8% year-over-year. Despite lower growth in 2012, compared to 2011, the Region also benefited from the demand from China and other emerging countries for raw materials. Although GDP growth was more moderate in 2012 than in 2011, in response to a less favorable world economic environment, the Region as a whole continued to improve its fiscal and solvency indicators, improving its global position in the face of greater international economic uncertainty.

These developments were reflected in the gradual improvement in the international ratings of some countries in the Region, such as Bolivia, Chile, Ecuador, Panama, Peru, and Uruguay, with a generally higher investment grade in the Region. In this environment, the Bank has developed even further its capacity to support both international and inter-regional trade, which has resulted in its highest-ever geographic diversification of credit placements and a downward trend in systemic risk related to these placements throughout the period.

The Bank continued to build on its fundamental strengths to achieve favorable results in 2012, notwithstanding an environment of heightened volatility and uncertainty resulting in generally more subdued growth in the economies throughout the Latin American Region and the rest of the world. In line with its long-standing prudent approach to doing business, the Bank maintained solid levels of liquidity, capital, and improved credit quality throughout the year, while continuing to strengthen its funding structure by way of benchmark bond issuances, taking advantage of a favorable reception in capital markets towards Latin American risk.

The Bank financial results continued to strengthen in 2012, mainly as the result of growth and increased profitability in the Commercial Division. Net income attributable to the Bank reached \$93.0 million in 2012, compared to \$83.2 million in 2011. The \$9.8 million, or 12%, increase was the result of improved performance in core financial intermediation activity, partially offset by lower contributions from investment activities in the Treasury Division. Additional reasons for the increase include contributions from the non-core activities of the Asset Management Unit (presented as a discontinued operation as of December 31, 2012), and extraordinary items, including a \$5.6 million gain on the sale of premises and equipment associated with the relocation of the Bank's headquarters.

The Bank's commercial portfolio grew by 11% during 2012, amounting to \$5,953 million as of December 31, 2012, compared to \$5,354 million as of December 31, 2011, as a result of higher growth and diversification from the Bank's established client base of corporations (which grew by 19%) and middle-market segment (which grew by 57%), offset by a small decrease in the financial institutions (which decrease by 6%).

The credit quality of the Bank's portfolio continued to improve, with a non-accrual balance of zero at year-end, compared to \$32 million, or 0.6% of total loan portfolio as of December 31, 2011. The ratio of allowance for credit losses to the Bank's commercial portfolio stood at 1.3% as of December 31, 2012, compared to 1.8% as of December 31, 2011. The Bank's Tier 1 capitalization stood at 17.9% as of December 31, 2012, with leverage at 8.2 times, as the Bank continued to deploy capital towards business growth, compared with 18.6% of Tier 1 capital and 8.4 times, as of December 31, 2011.

The Bank's efficiency ratio stood at 42% for the year 2012, compared to 36% for the year 2011, mainly as a result of a \$5.7 million, or 11% increase in operating expenses. The Commercial Division's 32% increase in operating revenues, over the year, more than offset the impact of lower revenue contributions from the Treasury Division. The increase in operating expenses was attributable to increases in salaries and other employee expenses related to increased headcount in the Commercial and Risk Departments, severance payments associated with executive officers, and other operating expenses associated with the relocation of the Bank's headquarters.

Liquidity remained strong at \$690 million as of December 31, 2012, compared to \$786 million as of December 31, 2011, as the Bank maintained prudent liquidity management by increasing its liquidity position in response to volatility in the markets. Liquid asset to total assets ratio stood at 10.2% as of December 31, 2012 compared to 12.4% as of December 31, 2011.

On October 16, 2012, the Bank's Board of Directors, or the Board, approved an increase in quarterly dividends distributed to holders of common shares from \$0.25 to \$0.30 per share pertaining to the third quarter of 2012. This 20% increase in quarterly dividends reaffirmed the Bank's commitment to a dividend payout that reflects the Bank's growing core business.

See Item 5, "Operating and Financial Review and Prospects—Operating Results—Net Income Attributable to Bladex" and Item 18, "Financial Statements," note 26.

Strategies for 2013 and Subsequent Years

Further extend the Bank's business in politically and economically stable, high-growth markets

The Bank's expertise in risk and capital management and extensive knowledge of the Region allows it to identify and strategically focus on stable and growth-oriented markets, including investment grade countries in the Region. Bladex maintains strategically placed representative offices in order to provide focused products and services in markets that the Bank considers key to its continued growth. In addition, the Bank continually considers establishing a presence in other strategic locations throughout the Region in order to rapidly respond to stability and growth trends it identifies.

Targeted growth in expanding and diversifying the Bank's client base

The Bank's strategy to participate in a broad range of activities and further diversify its client base includes targeting clients that offer the potential for longstanding relationships and a wider presence in the Region, such as financial institutions, large corporations and middle-market companies, including through participation in bilateral and co-financed transactions. The Bank intends to continue to cultivate existing and new longstanding client relationships through the quality of the Bank's services and the Bank's agile decision-making and credit approval processes.

Enhance current products and services by providing relevant sector-specific solutions in the Region

The Bank intends to continue its focus on the development of expertise in the sectors in which the Bank currently operates, while strategically targeting industries with significant growth potential by offering sector-specific products and solutions to clients in these industries. These sectors include some of the most profitable industries in the Region, such as oil & gas, food, mining and agribusiness commodities, as well as growth sectors such as Latin American intra-regional trade. Bladex also intends to continue to explore key regional and local partnerships to bolster its range of services and increase its presence in key economic sectors throughout the Region.

Increase the range of products and services that the Bank offers

Due to the Bank's relationships throughout, and knowledge of, the Region, the Bank is strongly positioned to strategically identify key additional products and services to offer to clients. The Bank's Articles of Incorporation permit a broad scope of potential activities, encompassing all types of banking, investment, and financial and other businesses that support foreign trade flows and the development of the trade in the Region. This support the Bank's ongoing strategy to develop new products and services, such as factoring and vendor finance, debt intermediation in primary and secondary markets, and structure financing, including export insurance programs, that complement the Bank's expertise in foreign trade finance and risk management.

The Bank's management believes that the Bank is well positioned to comply with its mission to provide seamless support to Latin America's foreign trade, while creating value for its stockholders.

Lending Policies

The Bank extends credit directly to banks, corporations and middle market companies within the Region. The Bank finances import and export transactions for all types of 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 analyzes credit requests from eligible borrowers in the 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.

Due to the nature of trade finance, the Bank's loans generally are unsecured. However, in certain instances, based upon the Bank's 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 may require that a loan be secured by pledged deposits and other type of collateral.

Country Credit Limits

The Bank maintains a continuous review of each country's risk profile evolution, supporting its analysis with various factors, both quantitative and qualitative, the main driving factors of which include: the evolution of macroeconomic policies (fiscal, monetary, and exchange rate policy), fiscal and external performance, price stability, level of liquidity in foreign currency, changes of legal and institutional framework, as well as material social and political events, among others, including industry analysis relevant to Bladex business activities.

Bladex has a methodology for capital allocation by country and its risk weights for assets. The Risk Policy and Assessment Committee, or the CPER, of the Board approves a level of “allocated capital” for each country, in addition to nominal exposure limits. These country capital limits are reviewed at least once a year by the CPER and more often if necessary. The methodology helps to establish the capital equivalent of each transaction, based on the internal numeric rating assigned to each country, which is approved by the CPER.

The amount of capital allocated to a transaction is based on customer type (sovereign, state-owned or private, middle-market companies, corporate or financial institution), the type of transaction (trade or non-trade), and the average remaining term of the transaction (from one to 180 days, 181 days to a year, between one and three years, or longer than three years). Capital utilizations by the business units cannot exceed the Bank’s reported stockholders’ equity.

Borrower Lending Limits

The Bank generally 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, which accounted for 58% of such credit as of December 31, 2012. 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.B, "Information on the Company—Business Overview—Regulations—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 Board. Approved borrower lending limits are reported to the CPER quarterly. Panamanian Law sets forth certain concentration limits, which are applicable and strictly adhered to by the Bank, including a 30% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of financial institutions, and a 25% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of corporate, sovereign and middle-market companies. As of December 31, 2012, the legal lending limit prescribed by Panamanian law for corporations, sovereign borrowers and middle-market companies amounted to \$207 million, and for financial institutions and financial groups amounted to \$248 million. Non-compliance with this legal lending limit could result in the assessment of administrative sanctions by the Superintendency for such violations, taking into consideration the magnitude of the offense and any prior occurrences, and the magnitude of damages and prejudice caused to third parties. On a quarterly basis, the CPER reviews the impaired portfolio, if any, along with certain non-impaired credits. As of December 31, 2012, the Bank was in full compliance with all regulatory limits. See Item 4.B, "Information on the Company—Business Overview—Regulations—Panamanian Law."

Credit Portfolio

The Bank's credit portfolio, which consists of the commercial portfolio and investment securities portfolio, increased to \$6,170 million as of December 31, 2012, from \$5,814 million as of December 31, 2011, and from \$4,884 million as of December 31, 2010. The \$356 million, or 6%, credit portfolio increase during 2012 was largely attributable to increased demand from the Bank's established client base of corporations (\$302 million, or 11%), and middle-market companies (\$257 million, or 57%) segments, partially offset by a decreased of \$203 million, or 8%, in the financial institutions segment.

Commercial Portfolio

The commercial portfolio includes the loan portfolio, selected deposits placed, equity investments, customer liabilities under acceptances, and contingencies (including confirmed and stand-by letters of credit and guarantees covering commercial risk and credit commitments).

The Bank's commercial portfolio increased to \$5,953 million as of December 31, 2012, a 11% increase from \$5,354 million as of December 31, 2011, a 34% increase from \$4,446 million as of December 31, 2010. The increase in 2012 was largely attributable to growing demand in the Bank's corporate client base (which grew by \$478 million, or 19%), the Bank's continued diversification into the middle-market segment (which grew by \$257 million, or 57%), offset by a decrease in the financial institutions segment (by \$136 million, or 6%).

As of December 31, 2012, 61% of the Bank's commercial portfolio represented trade-related credits, and the remaining balance consisted primarily of lending to banks and corporations. The corporations segment represented 49% of the total commercial portfolio, of which 66% represented trade financing. The middle-market companies segment represented 12% of the total commercial portfolio, of which 70% represented trade financing.

The following table sets forth the distribution of the Bank's commercial portfolio, by product category, as of December 31 of each year:

	As of December 31,									
	2012	%	2011 ⁽¹⁾	%	2010 ⁽²⁾	%	2009 ⁽³⁾	%	2008	%
	(in \$ million, except percentages)									
Loans	\$5,716	96.0	\$4,960	92.6	\$4,064	91.4	\$2,779	89.4	\$2,619	85.5
Selected deposits placed	0	0.0	30	0.6	0	0.0	0	0.0	0	0.0
Contingencies and other assets	237	4.0	364	6.8	382	8.6	331	10.6	444	14.5
Total	\$5,953	100.0	\$5,354	100.0	\$4,446	100.0	\$3,110	100.0	\$3,062	100.0

(1) Includes non-accrual loans for \$32 million as of December 31, 2011.

(2) Includes non-accrual loans for \$29 million as of December 31, 2010.

(3) Includes non-accrual loans for \$51 million as of December 31, 2009.

Loan Portfolio

As of December 31, 2012, the Bank's total loans amounted to \$5,716 million, compared to \$4,960 million as of December 31, 2011 and compared to \$4,064 million as of December 31, 2010. As of December 31, 2012, 76% of the Bank's loans were scheduled to mature within one year.

As of December 31, 2012, the Bank had no non-accrual loans. As of December 31, 2011 and 2010, the Bank had non-accrual loans for \$32 million (or 0.65% of loan portfolio) and \$29 million (0.71% of loan portfolio), respectively.

For more detailed information, see Item 5, "Operating and Financial Review and Prospects—Operating Results—Changes in Financial Condition" and "Operating and Financial Review and Prospects—Operating Results—Asset Quality and Allowance for Credit Losses," and Item 18, "Financial Statements," note 8 and note 9.

For more information about non-accrual loans, see Item 18 "Financial Statements," note 8.

Loans by Country Risk

The following table sets forth the distribution of the Bank's loans by country risk at the dates indicated:

	As of December 31,									
	2012	% of Total Loans	2011	% of Total Loans	2010	% of Total Loans	2009	% of Total Loans	2008	% of Total Loans
	(in \$ million, except percentages)									
Argentina	\$222	3.9	\$390	7.9	\$237	5.8	\$73	2.6	\$151	5.8
Belgium	31	0.5	0	0.0	0	0.0	0	0.0	0	0.0
Brazil ⁽¹⁾	1,773	31.0	1,852	37.3	1,583	38.9	1,335	48.0	1,289	49.2
Chile	310	5.4	376	7.6	328	8.1	258	9.3	8	0.3
Colombia	450	7.9	734	14.8	585	14.4	200	7.2	285	10.9
Costa Rica	197	3.4	109	2.2	88	2.2	83	3.0	55	2.1
Dominican Republic	111	1.9	118	2.4	135	3.3	31	1.1	48	1.8
Ecuador	174	3.0	22	0.4	18	0.4	23	0.8	36	1.4
El Salvador	66	1.2	21	0.4	39	1.0	41	1.5	76	2.9
France	60	1.0	0	0.0	0	0.0	0	0.0	0	0.0
Germany	0	0.0	5	0.1	0	0.0	0	0.0	0	0.0
Guatemala	273	4.8	161	3.2	92	2.3	74	2.7	61	2.3
Honduras	71	1.2	46	0.9	38	0.9	23	0.8	45	1.7
Jamaica	10	0.2	2	0.0	64	1.6	31	1.1	15	0.6
Mexico ⁽²⁾	496	8.7	416	8.4	404	9.9	302	10.9	380	14.5
Netherlands	77	1.4	20	0.4	0	0.0	0	0.0	0	0.0
Nicaragua	10	0.2	10	0.2	0	0.0	1	0.0	4	0.2
Panama	277	4.8	119	2.4	47	1.2	41	1.5	47	1.8
Paraguay	27	0.5	30	0.6	0	0.0	0	0.0	0	0.0
Peru	841	14.7	342	6.9	343	8.4	161	5.8	50	1.9
Spain	10	0.2	0	0.0	0	0.0	0	0.0	0	0.0
Trinidad & Tobago	119	2.1	76	1.5	63	1.6	72	2.6	23	0.9
United States	3	0.1	0	0.0	0	0.0	0	0.0	0	0.0
Uruguay	109	1.9	110	2.2	0	0.0	30	1.1	45	1.7
Total	\$5,716	100.0	\$4,960	100.0	\$4,064	100.0	\$2,779	100.0	\$2,619	100.0

(1) Includes non-accrual loans in Brazil of \$1 million in 2010 and \$7 million in 2009.

(2) Includes non-accrual loans in Mexico of \$32 million in 2011, \$28 million in 2010 and \$44 million in 2009.

As of December 31, 2012, the loans extended in European countries represented \$177 million or 3.1% of total loan portfolio, compared to \$25 million or 0.5% as of December 31, 2011. Of total loans granted in 2012 to European countries, \$87 million corresponded to corporations in the Netherlands (\$77 million, or 1.4% of the total loan portfolio), and Spain (\$10 million, or 0.2%), and \$90 million corresponded to financial institutions in France (\$60 million, or 1%) and Belgium (\$31 million, or 0.5%).

Loans by Type of Borrower

The following table sets forth the amounts of the Bank's loans by type of borrower at the dates indicated:

	As of December 31,							
	2012	% of Total Loans	2011	% of Total Loans	2010	% of Total Loans	2009	% of Total Loans
	(in \$ million, except percentages)							
Private sector commercial banks and financial institutions	\$1,776	31.1	\$1,716	34.6	\$1,381	34.0	\$875	31.1
State-owned commercial banks	416	7.3	448	9.0	320	7.9	334	12.1
Central banks	0	0.0	0	0.0	0	0.0	0	0.0
Sovereign debt	100	1.8	27	0.5	54	1.3	96	3.4
State-owned exporting organizations	539	9.4	233	4.7	312	7.7	193	7.0
Private middle-market companies ⁽¹⁾	682	11.9	446	9.0	225	5.5	129	4.6
Private corporations ⁽²⁾	2,203	38.5	2,090	42.1	1,772	43.6	1,153	41.1
Total ⁽³⁾	\$5,716	100.0	\$4,960	100.0	\$4,064	100.0	\$2,779	100.0

⁽¹⁾ In 2012, 43% of loans to private middle-market companies correspond to the industrial sector, 24% of loans correspond to the agricultural sector, and 5% correspond to oil and petroleum and derived products.

⁽²⁾ In 2012, 37% of loans to private corporations correspond to the industrial sector, 31% of loans correspond to the agricultural sector, 16% of loans correspond to oil and petroleum derived products, and 1% of loans correspond to the mining sector.

⁽³⁾ Includes \$32 million, \$29 million and \$51 million in non-accrual loans in 2011, 2010 and 2009, respectively.

The Bank did not have any exposure to European sovereign debt, as of December 31, 2012 and December 31, 2011.

As of December 31, 2012, the Bank's loan portfolio amounted to \$5,716 million, an increase of \$756 million, or 15%, from \$4,960 million, as of December 31, 2011. The increase resulted from improved conditions in the Latin American financial market and increased demand for the Bank's lending products. As of December 31, 2012, 18% of the Bank's \$3,423 million loan exposure to private corporations, state-owned exporting organizations and private middle-market companies was concentrated in the oil & gas industry in countries such as Brazil, Chile, Trinidad & Tobago, Uruguay, the Netherlands, Argentina, Dominican Republic, Colombia and Guatemala.

Maturities and Sensitivities of the Loan Portfolio

The following table sets forth the remaining term of the maturity profile of the Bank's loan portfolio as of December 31, 2012, by type of rate and type of borrower:

	As of December 31, 2012 (in \$ million)			Total
	Due in one year or less	Due after one year through five years	Due after five years through ten years ⁽¹⁾	
FIXED RATE				
Private sector commercial banks and financial institutions	\$955	\$ 0	\$ 0	\$955
State-owned commercial banks	374	0	0	374
Sovereign debt	100	0	0	100
State-owned exporting organizations	324	0	0	324
Private middle-market companies	420	3	0	423
Private corporations	1,069	38	0	1,107
Sub-total	\$3,242	\$ 41	\$ 0	\$3,283
FLOATING RATE				
Private sector commercial banks and financial institutions	\$470	\$ 351	\$ 0	\$821
State-owned commercial banks	22	20	0	42
Sovereign debt	0	0	0	0
State-owned exporting organizations	10	205	0	215
Private middle-market companies	165	94	0	259
Private corporations	436	660	0	1,096
Sub-total	\$1,104	\$ 1,329	\$ 0	\$2,433
Total	\$4,346	\$ 1,370	\$ 0	\$5,716

(1) The Bank's loan portfolio on private corporations matures no later than the year 2018.

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, customer liabilities under acceptances, equity investment, guarantees covering commercial risk and credit commitments.

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, guarantees, and commitments to extend credit, which are binding 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. As of December 31, 2012, total contingencies and other assets in the commercial portfolio amounted to \$237 million (4% of the total commercial portfolio), of which 56% corresponded to letters of credit, mainly in Ecuador.

As of December 31, 2011, total contingencies and other assets in the commercial portfolio amounted to \$364 million (7% of the total commercial portfolio), of which 79% corresponded to letters of credit, mainly in Ecuador.

As of December 31, 2010, total contingencies and other assets in the commercial portfolio amounted to \$382 million (9% of the total commercial portfolio), of which 68% corresponded to letters of credit, mainly in Ecuador and Venezuela.

The following table presents the amount of contingencies and other assets, as of December 31 of each year:

	As of December 31, 2012		2011		2010	
	Amount	% of Total Contingencies and other assets	Amount	% of Total Contingencies and other assets	Amount	% of Total Contingencies and other assets
	(in \$ million, except percentages)					
Customers' liabilities under acceptances	\$1	0.5	\$1	0.3	\$27	7.1
Contingencies						
Bolivia	1	0.3	1	0.3	0	0.0
Brazil	24	10.0	41	11.3	67	17.4
Chile	6	2.6	12	3.4	0	0.0
Colombia	9	3.8	2	0.7	0	0.0
Costa Rica	1	0.4	12	3.2	32	8.4
Dominican Republic	2	0.6	2	0.4	0	0.0
Ecuador	80	33.6	215	59.1	121	31.7
El Salvador	1	0.3	2	0.6	0	0.0
Guatemala	0	0.1	1	0.1	1	0.4
Honduras	1	0.2	0	0.1	0	0.1
Jamaica	0	0.0	0	0.1	0	0.0
Mexico	28	11.9	16	4.4	53	13.8
Panama	58	24.6	2	0.5	1	0.3
Peru	3	1.2	2	0.7	0	0.0
Spain	0	0.0	10	2.7	0	0.0
Switzerland	0	0.0	1	0.1	1	0.1
United States	0	0.0	22	6.0	0	0.0
Venezuela	23	9.8	22	6.0	78	20.5
Total Contingencies	\$236	99.5	\$363	99.7	\$355	92.9
Total Contingencies and Other Assets	\$237	100.0	\$364	100.0	\$382	100.0

See Item 18, "Financial Statements," note 19.

Investment Securities Portfolio

The Bank's investment securities portfolio consists of debt securities available-for-sale, securities held-to-maturity and some trading assets, and excludes the Bank's investments in the Investment Funds.

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

The following table sets forth information regarding the carrying value of the Bank's investment securities portfolio at the dates indicated.

	As of December		
	31,		
	2012	2011	2010
	(in \$ millions)		
Treasury trading assets ⁽¹⁾	0	17	50
Securities available-for-sale	183	416	353
Securities held-to-maturity	34	27	33
Total investment securities	\$217	\$460	\$437

The Treasury trading assets as of December 31, 2012 and 2011 does not include trading assets related to the ⁽¹⁾Brazilian Fund (\$5 million and \$3 million), respectively which are shown of the trading assets on the consolidated information of the Bank's balance sheet.

Trading assets

As of December 31, 2012, the Bank's treasury trading assets amounted to nil, compared to \$17 million as of December 31, 2011, and compared to \$50 million as of December 31, 2010. See Item 18, "Financial Statements", notes 2(i) and 5.

Securities available-for-sale

As of December 31, 2012, the Bank's securities available-for-sale amounted to \$183 million and consisted of investments with issuers in the Region, of which 47% corresponded to sovereign borrowers, and 14% corresponded to private corporations and banks. The \$233 million decrease in the securities available-for-sale portfolio during 2012 compared to 2011 reflects the net effect of: (i) \$40.0 million on investment securities acquired during 2012, (ii) the sale of \$254.8 million in book value (\$239.6 million in nominal value) which generated gains of \$6.0 million during 2012, (iii) redemption of \$15.3 million of investment securities, (iv) a \$0.3 million variance of fair value of the available for sale securities portfolio, and (v) a \$3.0 million decrease in amortization of premiums and discounts.

As of December 31, 2011, the Bank's securities available-for-sale amounted to \$416 million and consisted of investments with issuers in the Region, of which 79% corresponded to sovereign borrowers, and 21% corresponded to private corporations and banks. The \$63 million increase in the securities available-for-sale portfolio during 2011 compared to 2010 reflects the net effect of: (i) \$364.9 million on investment securities acquired during 2011, (ii) the sale of \$264.9 million in book value (\$243.6 million in nominal value) which generated net gains of \$3.4 million during 2011, (iii) redemption of \$19.4 million of investment securities, (iv) a \$10.7 million variance of fair value of the available for sale securities portfolio, and (v) a \$6.7 million decrease in amortization of premiums and discounts.

As of December 31, 2010, the Bank's securities available-for-sale amounted to \$353 million and consisted of investments with issuers in the Region, of which 63% corresponded to sovereign borrowers and 37% corresponded to state and private corporations. The \$104 million decrease in the securities available-for-sale portfolio during 2010 compared to 2009 reflects the sale of \$135 million in nominal value which generated net gains of \$2.3 million during 2010.

Securities held-to-maturity

The held-to-maturity portfolio amounted to \$34 million as of December 31, 2012, compared to \$27 million as of December 31, 2011, and compared to \$33 million as of December 31, 2010.

See Item 18, "Financial Statements," notes 2 (j) and 6.

Investment Securities portfolio by Country Risk

The following table sets forth the distribution of the Bank's investment securities portfolio (treasury trading assets, securities available-for-sale and securities held-to-maturity) by country risk at the dates indicated:

	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
	(in \$ millions, except percentages)					
Brazil	44	20.5	91	19.7	93	21.3
Chile	3	1.4	0	0.0	28	6.3
Colombia	29	13.5	102	22.1	120	27.4
Costa Rica	0	0.0	0	0.0	5	1.2
Dominican Republic	0	0.0	0	0.0	3	0.7
El Salvador	0	0.0	0	0.0	16	3.6
Guatemala	0	0.0	5	1.2	11	2.5
Mexico	22	10.3	65	14.2	48	11.0
Panama	54	25.0	58	12.6	49	11.3
Peru	1	0.3	41	8.9	0	0.0
Multilateral Organizations	63	29.0	98	21.3	65	14.8
Total	\$217	100.0	\$460	100.0	437	100.0

Investment Fund

The Investment Fund, consists of the Bank's investment in the Fund's assets and liabilities and is managed by a third party following the divestiture of the Bladex Asset Management Unit.

The Fund's net assets are composed of cash, investment in equity and debt instruments, and derivative financial instruments that are quoted and traded in active markets. The Fund reports trading gains and losses from negotiation of these instruments as realized and unrealized gains and losses on investments.

As of December 31, 2012, the Fund's net asset value totaled \$106 million, compared to \$120 million as of December 31, 2011, and compared to \$167 million as of December 31, 2010, of which the minority interest in the investment fund amounted to \$3 million, \$6 million, and \$19 million, respectively. The Bank's ownership of the Feeder was 98.06% as of December 31, 2012, 95.84% as of December 31, 2011, and 88.67% as of December 31, 2010, with the remaining balances owned by third party investors.

During 2012, the Bank redeemed \$15 million from its investment in the Fund, and redeemed \$50 million in 2011.

Following the announcement of the definitive agreement to sale the Bank's Asset Management unit, on April 2, 2013, the Bank expects to redeemed its investment by \$34 million.

See Item 18, "Financial Statements," notes 1, 2(e), 2(k), 7, and 23.

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-earning deposits in other banks, trading assets, investment securities, loans, Investment Fund outstandings and accrued interest receivable, but not including contingencies as of December 31 of each year:

	As of December 31,					
	2012		2011		2010	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in \$ million, except percentages)					
Argentina	\$225	3.3	\$392	6.1	\$239	4.7
Brazil	1,837	27.1	1,962	30.5	1,689	32.9
Chile	313	4.6	377	5.9	367	7.1
Colombia	482	7.1	843	13.1	711	13.8
Costa Rica	199	2.9	110	1.7	93	1.8
Dominican Republic	112	1.6	149	2.3	139	2.7
Ecuador	174	2.6	22	0.3	18	0.4
El Salvador	66	1.0	21	0.3	55	1.1
France	60	0.9	1	0.0	11	0.2
Germany	0	0.0	7	0.1	0	0.0
Guatemala	274	4.0	168	2.6	104	2.0
Honduras	71	1.0	46	0.7	38	0.7
Jamaica	10	0.1	2	0.0	65	1.3
Japan	20	0.3	11	0.2	62	1.2
Mexico	523	7.7	484	7.5	457	8.9
Netherlands	77	1.1	20	0.3	0	0.0
Panama	333	4.9	181	2.8	98	1.9
Peru	846	12.5	386	6.0	346	6.7
Switzerland	0	0.0	0	0.0	32	0.6
Trinidad & Tobago	120	1.8	77	1.2	63	1.2
United Kingdom	2	0.0	1	0.0	1	0.0
United States	681	10.0	779	12.1	297	5.8
Uruguay	109	1.6	110	1.7	0	0.0
Multilateral Organization	64	0.9	99	1.5	65	1.3
Other countries ⁽¹⁾	78	1.1	55	0.9	20	0.4
Sub-Total	\$6,678	98.4	\$6,304	98.1	\$4,969	96.7
Investment Fund ⁽²⁾	111	1.6	120	1.9	167	3.3
Total ⁽³⁾	\$6,789	100.0	\$6,425	100.0	\$5,136	100.0

⁽¹⁾Other countries consists of cross-border outstandings to countries in which cross-border outstandings did not exceed 1% for any of the periods indicated. Other countries in 2012 was comprised of \$31 million in Belgium, \$27 million in Paraguay, \$10 million in Nicaragua and \$10 million in Spain. Other countries in 2011 was comprised of \$31 million in Paraguay, \$10 million in Nicaragua, \$10 million in China, and \$4 million in Spain. Other countries in

2010 was comprised of \$20 million in Finland. The balances in Investment Fund represent the participation of the Feeder in the net asset value of the Fund, as well as trading assets of the Brazilian Fund.

(2) The outstandings by country does not include contingencies. See Item 4.B, “Business Overview—Contingencies and Other Assets.”

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

The composition of the outstandings per country portfolio has increased over the last three years. Some exposures in certain countries have been adjusted in accordance with the Bank’s risk perception.

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 as of December 31 of each year:

	As of December 31,		
	2012	2011	2010
	(in \$ million)		
Private sector commercial banks and financial institutions	\$1,828	\$ 1,823	\$1,560
State-owned commercial banks	424	505	403
Central banks	653	761	265
Sovereign debt	203	238	307
State-owned exporting organizations	623	383	355
Private middle-market companies	727	449	227
Private corporations	2,218	2,146	1,852
Sub-Total	\$6,678	\$ 6,304	\$4,969
Investment fund ⁽¹⁾	111	120	167
Total	\$6,789	\$ 6,425	\$5,136

⁽¹⁾ The balances in Investment Fund represent the participation of the Feeder in the net asset value of the Fund, as well as trading assets of the Brazilian Fund.

Net Revenues Per Country

The following table sets forth information regarding the Bank's net revenues by country at the dates indicated, with net revenues calculated as the sum of net interest income, net fees and commissions, derivative financial instruments and hedging, net gain (loss) from investment fund trading, net gain (loss) from trading securities, net gain (loss) on sale of securities available-for-sale, net gain (loss) on foreign currency exchange, and other income (expense), net:

	For the year ended		
	December 31,		
	2012	2011	2010
	(in \$ million)		
Argentina	\$10.3	\$8.4	\$4.9
Bolivia	0.1	0.0	0.0
Brazil	40.5	37.5	28.6
Chile	3.8	3.5	2.9
Colombia	9.3	12.0	5.1
Costa Rica	3.9	1.9	2.0
Dominican Republic	2.5	2.8	1.3
Ecuador	5.9	5.8	4.1
El Salvador	0.6	0.5	0.8
Guatemala	3.4	0.8	1.4

Honduras	1.7	1.8	1.4
Jamaica	1.3	1.4	1.1
Mexico	16.6	18.8	15.7
Nicaragua	0.3	0.0	0.0
Panama	2.2	2.5	1.6
Paraguay	0.8	0.4	0.0
Peru	12.2	8.7	5.0
Trinidad and Tobago	1.6	1.7	1.3
Uruguay	1.7	1.3	0.5
Venezuela	1.5	2.6	4.6
Other countries ⁽¹⁾	3.4	4.6	2.0
Investment Funds	8.3	21.6	(7.7)
Total net revenues	\$131.8	\$138.8	\$76.8
Reversal (provision) for credit losses	12.4	(4.4)	4.8
Recoveries, net of impairment of assets	0.0	(0.1)	0.2
Operating expenses	(55.8)	(50.1)	(42.2)
Net income – Business Segments	\$88.4	\$84.3	\$39.6
Net income (loss) attributable to the redeemable non-controlling interest	0.3	0.7	(2.4)
Net income attributable to Bladex – Business Segments	\$88.1	\$83.6	\$42.0
Other income unallocated—Gain on sale of premises and equipment	5.6	0.0	0.0
Net income (loss) from discontinued operations	(0.7)	(0.4)	0.2
Net income attributable to Bladex	\$93.0	\$83.6	\$42.0

⁽¹⁾ Other countries consists of net revenues per country in which net revenues did not exceed \$1 million for any of the periods indicated above.

The table above provides a reconciliation of the net revenues (as defined previously) to the Bank's net income. Net revenues do not include the effects of reversals (provisions) for credit losses, recoveries on assets, net of impairments, operating expenses, the income (loss) attributable to the redeemable non-controlling interest, other income unallocated—gain on sale of premises and equipment, and net income (loss) from discontinued operations. The objective of the aforementioned table is to show net revenues before operating expenses generated from the Bank's Commercial and Treasury Division, on a by-country basis. Given that the Bank's business segments generate revenues not only from net interest income, but from other sources including fees and commissions, gains and losses on investments and derivative financial instruments, which form part of other income rather than net interest income, the Bank adds those amounts to net interest income to show net revenues earned before operating expenses. Reversals (provisions) for credit losses, and recoveries, net of impairment of assets, are not included as part of net revenues as the Bank believes such amounts, which are based on management estimates, may distort trend analysis. Thus, the Bank believes excluding such amounts from net revenues provides a more accurate and clear indicator of the Bank's performance within its two business segments for each country, and thus provides a better analysis of the efficiency of the Bank. The Bank also believes the presentation of net revenues helps facilitate comparisons of performance between periods. However, net revenues should not be considered a substitute for, or superior to, financial measures calculated differently on a U.S. GAAP basis. Furthermore, net revenues may be calculated differently by other companies in the financial industry.

Competition

The Bank operates in a highly competitive environment in most of its markets, and faces competition principally from regional and international banks, the majority of which are European or North American, 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, enjoy access to less expensive funding and offer sophisticated banking services. Whenever economic conditions and risk perception improve in the Region, competition from commercial banks, the securities markets and other new participants generally increases. 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.

Increased open account exports and new financing requirements from multinational corporations are changing the way banks intermediate foreign trade financing. Trade finance volumes are also dependent on global economic conditions.

The Bank also faces competition 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 agility, pricing, and quality of service. See Item 3.D., "Key Information/Risk Factors."

Regulations

General

The Superintendency regulates, supervises and examines the Bank on a consolidated basis. The New York Agency is regulated, supervised and examined by the New York State Department of Financial Services and the Board of Governors of the Federal Reserve System, or the U.S. Federal Reserve Board, and the Florida International Administrative Office is regulated, supervised and examined by the Florida Office of Financial Regulation and the U.S. Federal Reserve Board. The Bank's direct and indirect nonbanking subsidiaries doing business in the United States are subject to regulation by the U.S. Federal Reserve Board. The Feeder and the Fund are regulated by the CIMA in the Cayman Islands. The Bank is subject to regulations in each jurisdiction in which the Bank has a physical presence. 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 24 foreign supervisory authorities for the sharing of supervisory information under the principles of reciprocity, appropriateness, national agreement, and confidentiality. These 24 entities include the U.S. Federal Reserve Board, the Office of the Comptroller of Currency of the Treasury Department or the OCC, 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 to the principles of comprehensive and 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. Banks operating under a General Banking License, or 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.

All banking institutions in Panama are governed by Executive Decree 52 of April 30, 2008, or the Banking Law.

Under the Banking Law, a bank's capital composition includes primary, secondary and tertiary capital. Primary capital is made up of paid-in capital, declared reserves and retained earnings. Secondary capital is made up of undeclared reserves, hybrid instruments of debt and equity, and long-term subordinated debt. Tertiary capital is made up of

short-term subordinated debt incurred for the management of market risk. Under the Banking Law, the sum of secondary and tertiary capital cannot exceed primary capital.

General License Banks must have paid-in capital of not less than \$10 million. Additionally, they must maintain a minimum total capital of 8% of their total risk-weighted assets, and primary equity capital must be equal to or greater than 4% of the bank's assets and off-balance sheet operations that represent a contingency to the bank. The Superintendency is authorized to take into account market risks, operational risks and country risks, among others, to evaluate capital adequacy. In addition, the Superintendency is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards (the standards set by the Basel Committee on Banking Supervision) 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. 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, or Credit Facilities, to any one person or group of related persons in excess of 25% of the Bank's total capital. This limitation also extends to Credit Facilities granted to parties related to the ultimate parent of the banking group. However, the Banking Law establishes that, in the case of Credit Facilities granted by mixed-capital banks with headquarters in Panama whose principal business is the granting of loans to other banks, the limit is 30% of the bank's capital funds. As confirmed by the Superintendency, the Bank currently applies the limit of 30% of the Bank's total capital with respect to the Bank's credit facilities in favor of financial institutions and the limit of 25% of the Bank's total capital with respect to the Bank's credit facilities in favor of corporations, middle-market companies and sovereign borrowers.

Under the Banking Law, a bank and the ultimate parent of the banking group 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, and (2) 10% of its total capital, in the case of collateralized transactions (other than 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 issue and outstanding 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 currently limits the total amount of secured and unsecured Credit Facilities (other than Credit Facilities secured by deposits in the bank) granted by a bank or the ultimate parent of a banking group to related parties to 25% of the total capital of the bank.

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 subject to the following conditions: (1) the ownership of shares in the debtor bank—directly or indirectly—by the shared director or shared officer, may not exceed 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; (2) 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 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; (3) 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 (4) the loan or credit must strictly comply with customary standards of discretion set by the grantor bank's credit policy. The Superintendency 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, banks may not grant Credit Facilities to any employee in an amount that exceeds the employee's annual compensation package, and all Credit Facilities to managers, officers, employees or stockholders who are owners of 5% or more of the issued and outstanding capital stock of the lending bank or the

ultimate parent of the banking group, 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 for a similar type of operation. 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 requirements applicable to General License Banks, including (1) a requirement that a bank must notify the Superintendency before opening or closing a branch or office in Panama and obtain approval from the Superintendency before opening or closing a branch or subsidiary outside Panama, (2) a requirement that a bank obtain approval from the Superintendency 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 designate the certified public accounting firm that it wishes to contract to carry out the duty of external auditing for the new fiscal term, within the first three months of each fiscal term, and notify the Superintendency within 7 days of such designation, (4) a requirement that a bank obtain prior approval from the Superintendency of the rating agency it wishes to hire to perform the risk rating of the bank, (5) a requirement that a bank must publish in a local newspaper the risk rating issued by the rating agency and any risk rating update, and (6) a requirement that a bank must provide written affirmation of the Bank's audited financial statements signed by the Bank's Chairman of the Board, the Chief Executive Officer and Chief Financial Officer. 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 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 Banking Law, in addition to all compliance required of the bank in question. The Banking Law provides that banks and banking groups in Panama are subject to inspection by the Superintendency, which must take place at least once every two years. The Superintendency 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 weekly, monthly, quarterly and annual information, including financial statements, an analysis of their credit facilities and any other information requested by the Superintendency. In addition, banks are required to make available for inspection any reports or documents that are necessary for the Superintendency to ensure compliance with Panamanian banking laws and regulations. Banks subject to supervision may be fined by the Superintendency for violations of Panamanian banking laws and regulations.

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

The Bank 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, which is not engaged in activities other than owning one

wholly-owned subsidiary incorporated under the laws of the State of Delaware, Bladex Asset Management, another wholly-owned subsidiary, Clavex LLC, was dissolved on April 7, 2011 and its net assets were transferred to its controlling entity. On October 30, 2006, the Bank established the Florida International Administrative Office in Miami, Florida. On April 16, 2008, the Bank incorporated a direct fifty percent (50%) owned subsidiary in Delaware, BCG PA LLC, which receives the performance allocation of the Fund. See Item 4.A “Information on the Company—History and Development of the Company”.

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 International Banking Act of 1978, as amended, or IBA, and are subject to examination and supervision by the U.S. 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 U.S. Federal Reserve Board similar to those imposed on domestic banks that are members of the U.S. Federal Reserve System. The Foreign Bank Supervision Enhancement Act of 1991, or the FBSEA, amended the IBA to enhance the authority of the U.S. Federal Reserve Board to supervise the operations of foreign banks in the United States. In particular, the FBSEA expanded the U.S. 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 OCC, rather than by a state), unless the U.S. 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 from persons in the United States. Under the FBSEA, the New York Agency may not obtain Federal Deposit Insurance Corporation, or FDIC, insurance and generally may not accept deposits from persons in the United States, but may accept credit balances incidental to its lawful powers, from persons in the United States, and accept deposits from non-U.S. citizens who are non-U.S. residents, but must inform each customer that the deposits are not insured by the FDIC.

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, or 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, or 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 U.S. Federal Reserve Board to be a "financial holding company". The application with the U.S. Federal Reserve Board to obtain financial holding company status, filed by the Bank on January 29, 2008, was withdrawn, effective March 2, 2012, as the Bank no longer considered the financial holding company status to be a necessary requirement in order to achieve its long-term strategic goals and objectives. At present, the Bank has subsidiaries in the United States, Bladex

Holdings, a wholly-owned company incorporated under Delaware law that is not engaged in any activity other than owning Bladex Asset Management, a Delaware corporation and BCG PA LLC, a fifty percent (50%) owned subsidiary incorporated under the laws of Delaware.

In addition, pursuant to the Financial Services Regulatory Relief Act of 2006, the SEC and the U.S. Federal Reserve Board finalized Regulation R. Regulation R defines the scope of exceptions provided for in the GLB Act for securities brokerage 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 a 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.

Certain provisions of the Dodd-Frank Act also require regulatory agencies, including the SEC, to establish regulations for implementation of many of the provisions of the Dodd-Frank Act. The Bank is closely monitoring this rulemaking process and analyzing the exact impact of the new rules on the Bank’s business. The Bank will continue to monitor all relevant developments and rulemaking initiatives, and expects to successfully implement any new applicable legislative and regulatory requirements.

Finally, under the regulations of the Office of Foreign Asset Control, or OFAC, the Bank is required to monitor and block transactions with certain “specially designated nationals” which OFAC has determined pose a risk to U.S. national security.

New York State Law

The New York Agency, established in 1989, is licensed by the Superintendent of Financial Services of the State of New York, or 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 U.S. Federal Reserve Board. The New York Agency is examined by the Department of Financial Services 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’s 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. As of December 31, 2012, the New York Agency maintained a pledge deposit with a carrying value of \$3.0 million with the New York State Department of Financial Services, 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 U.S. Federal Reserve Board under 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 Florida Financial Institutions Codes, as well as the IBA and the regulations of the U.S. 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.

Anti-Money Laundering Laws

U.S. anti-money laundering laws, as amended by the USA PATRIOT Act of 2001, impose significant compliance and due diligence obligations, on financial institutions doing business in the United States. Both the New York Agency and the Florida International Administrative Office are “financial institutions” for these purposes. Failure of a financial institution to comply with the requirements of these laws and regulations could have serious legal and reputational consequences for an institution. The New York Agency and the Florida International Administrative Office have adopted comprehensive policies and procedures to address these requirements.

Cayman Islands Law

The Feeder and the Fund, both incorporated in the Cayman Islands with limited liability on February 21, 2006, and BLX Brazil Ltd., incorporated in the Cayman Islands on October 5, 2010, are exempted companies pursuant to the Companies Law (2012 Revision) of the Cayman Islands, or the Companies Law. The registered office of these companies is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. These companies have received an undertaking exempting them from taxation of all future profits until March 7, 2026 for the Feeder and the Fund, and until November 23, 2030 for BLX Brazil Ltd.

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 174 of the Companies Law prohibits the Feeder, the Fund and BLX Brazil Ltd. from trading 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 the Feeder, the Fund and BLX Brazil Ltd. from executing contracts in the Cayman Islands and exercising in the Cayman Islands all of their powers necessary for the carrying on of their business outside the Cayman Islands.

The Proceeds of Crime Law, 2008 of the Cayman Islands and the Terrorism Law (2011 Revision) of the Cayman Islands impose reporting obligations on residents of the Cayman Islands who know or suspect, or have reasonable grounds for knowing or suspecting, the involvement of another person in criminal conduct or with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector.

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 leases its headquarters, with 4,990 square meters of office space located at Business Park - Tower V, Costa del Este, Panama City, Panama. The Bank leases 11 square meters of computer equipment hosting, located at Gavilan Street Balboa, Panama City, Panama and 21 square meters of office space and internet access, as a contingency, located at 75E Street San Francisco, in Panama City, Panama. The Bank also leases, as contingency, 10 square meters of computer equipment hosting, located at Cable & Wireless Howard IDC, Brujas Street (Perimetral Oeste), behind the International Business Park, Arraijan, Panama.

In addition, the Bank leases office space for its representative offices in Mexico City and Monterrey, Mexico, Buenos Aires, Argentina, Lima, Peru, Bogotá, Colombia, Bladex Representação Ltda. in São Paulo and Porto Alegre, Brazil, its New York Agency in New York City, New York, and the Florida International Administrative Office in Miami, Florida. See Item 18, “Financial Statements,” notes 2(q), 10 and 20.

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. See Item 18, “Financial Statements.”

Nature of Earnings

The Bank derives income from net interest income, fees and commissions, derivative financial instruments and hedging, recoveries, net of impairment of assets, net gain (loss) from investment fund trading, net gain (loss) from trading securities, net gain on sale of securities available-for-sale, and net gain (loss) on foreign currency exchange, and other income (net). 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 and through loan origination.

A. Operating Results

The following table summarizes changes in components of the Bank’s net income and performance for the periods indicated:

	For the Year Ended December 31,		
	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽¹⁾
	(in \$ thousand, except per share amounts and percentages)		
Total interest income	\$ 192,437	\$ 157,427	\$ 119,478

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Total interest expense	87,460	54,717	44,975
Net interest income	104,977	102,710	74,503
Reversal of provision (provision) for loan losses ⁽²⁾	8,343	(8,841)	(9,091)
Net interest income, after reversal of provision (provision) for loan losses	113,320	93,869	65,412
Other income (expense):			
Reversal of provision for losses on off-balance sheet credit risk ⁽²⁾	4,046	4,448	13,926
Fees and commissions, net	10,021	10,619	9,811
Derivative financial instruments and hedging	71	2,923	(1,446)
Recoveries, net of impairment of assets	0	(57)	233
Net gain (loss) from investment fund trading	7,011	20,314	(7,995)
Net gain (loss) from trading securities	11,234	(6,494)	(3,603)
Net gain on sale of securities available-for-sale	6,030	3,413	2,346
Net gain (loss) on foreign currency exchange	(10,525)	4,269	1,870
Gain on sale of premises and equipment	5,626	0	0
Other income , net	2,986	1,059	1,279
Net other income	36,500	40,494	16,421
Total operating expenses	(55,814)	(50,087)	(42,218)
Net income from continuing operations	94,006	84,276	39,615
Net income (loss) from discontinued operations ⁽¹⁾	(681)	(420)	206
Net income	93,325	83,856	39,821
Net income (loss) attributable to the redeemable noncontrolling interest	293	676	(2,423)
Net income attributable to Bladex	\$93,032	\$83,180	\$42,244
Net income from continuing operations	93,713	83,600	42,038
Net income (loss) from discontinued operations ⁽¹⁾	(681)	(420)	206
Basic earnings per share	\$2.46	\$2.25	\$1.15
Diluted earnings per share	\$2.45	\$2.24	\$1.15
Return on average assets ⁽³⁾	1.51 %	1.46 %	0.97 %
Return on average stockholders' equity ⁽⁴⁾	11.57 %	11.40 %	6.21 %

The Asset Management Unit is reported as a discontinued operation since the Bank decided to divest the operations of this Unit in the fourth quarter of 2012, in accordance with the ASC Topic 250-20 – Presentation of ⁽¹⁾ Financial Statements – Discontinued Operations. The amounts reported for the years ended December 31, 2011, 2010, 2009, and 2008 have been reclassified to conform with the presentation of discontinued operations in 2012. Includes reversal of provision (provision) loan losses and for losses on off-balance sheet credit risks. For ⁽²⁾ information regarding reversal of provision (provision) credit losses, see Item 5, “Operating and Financial Review and Prospects—Operating Results.”

⁽³⁾ Average assets calculated on the basis of unaudited daily average balances.

⁽⁴⁾ Average stockholders' equity calculated on the basis of unaudited daily average balances.

Business Segment Analysis

The Bank's activities are operated and managed in two business segments: Commercial and Treasury. The Asset Management segment was discontinued as of December 31, 2012, as a result of its divestiture.

The business segment results are determined based on the Bank's managerial accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable division on a systemic basis.

In 2011, the Bank made the following changes in the measurement methods used to determine business segment profit or loss. Current interest expense allocation methodology reflects allocated funding on a matched-funded basis, net of risk adjusted capital by business segment. Current operating expense allocation methodology allocates overhead expenses based on resource consumption by business segment. Prior methodology allocated interest expenses and overhead operating expenses based on the business segments' average portfolio.

The Bank incorporates net operating income by business segment in order to disclose the revenue and expense items related to its normal course of business, segregating from the net income, the impact of reversals of reserves for loan losses and off-balance sheet credit risk, and recoveries on assets. In addition, the Bank's net interest income represents the main driver of net operating income. The following table summarizes net operating income of the Bank, both by business segment and on a consolidated basis for the periods indicated:

	For the Year Ended December 31,		
	2012	2011	2010
	(in \$ million, except percentages)		
COMMERCIAL DIVISION:			
Net interest income	\$110.0	\$81.7	\$54.5
Non-interest operating income	12.2	11.0	10.3
Operating expenses	(38.3)	(34.8)	(28.3)
Net operating income	83.9	57.9	36.5
Reversal (provision) for loan and off-balance sheet credit losses, net	12.4	(4.4)	4.8
Recoveries, net of impairment of assets	0.0	(0.1)	0.2
NET INCOME ATTRIBUTABLE TO BLADEX	\$96.3	\$53.4	\$41.6
TREASURY DIVISION:			
Net interest income	\$(5.0)	\$21.0	\$20.0
Non-interest operating income	14.6	25.1	(8.0)
Operating expenses	(17.5)	(15.2)	(13.9)
Net operating income	(7.9)	30.9	(2.0)
Net income (loss)	(7.9)	30.9	(2.0)
Net income (loss) attributable to the redeemable noncontrolling interest	0.3	0.7	(2.4)
NET INCOME (LOSS) ATTRIBUTABLE TO BLADEX	\$(8.2)	\$30.2	\$0.5
CONSOLIDATED:			
Net interest income	\$105.0	\$102.7	\$74.5
Non-interest operating income	26.8	36.1	2.3
Operating expenses	(55.8)	(50.0)	(42.2)
Net operating income	76.0	88.8	34.5
Reversal (provision) for loan and off-balance sheet credit losses, net	12.4	(4.4)	4.8
Recoveries, net of impairment of assets	0.0	(0.1)	0.2
Net income – business segments	88.4	84.3	39.6
Net income (loss) attributable to the redeemable non-controlling interest	0.3	0.7	(2.4)
NET INCOME ATTRIBUTABLE TO BLADEX – BUSINESS SEGMENT	88.1	83.6	42.0
Other income unallocated – Gain on sale of premises and equipment	5.6	0.0	0.0
Net income (loss) from discontinued operations	(0.7)	(0.4)	0.2
NET INCOME ATTRIBUTABLE TO BLADEX	\$93.0	\$83.2	\$42.2

For further information on net income by business segment, see Item 18, "Financial Statements," notes 3 and 26.

The Commercial Division

The Commercial Division is responsible for the Bank's core business of financial intermediation and fee generation activities generated by the commercial portfolio. The division's portfolio includes loan portfolio, selected deposits placed, equity investments and contingencies and other assets. The Commercial Division's net income includes net interest income from loans, fees and commissions, allocated operating expenses, the reversal (provision) for credit losses, and recoveries, net of impairment of assets.

Year 2012 vs. Year 2011

The Commercial Division's net income amounted to \$96.3 million for the year ended December 31, 2012, compared to \$53.4 million for the year ended December 31, 2011. The \$42.9 million, or 80%, increase in 2012 was mainly the result of: (i) a \$29.5 million, or 32%, increase in net operating revenues mainly attributable to increased net interest income (an increase of \$28.3 million, or 35%) from higher loan portfolio balances (an increase of 11%) and lending rates (an increased of 55 bps), and (ii) a \$16.8 million positive variation in provisions for credit losses due to improved country and client risk exposure profiles in the Commercial Portfolio. These effects were partially offset by a \$3.5 million, or 10%, increase in allocated operating expenses mainly due to higher average headcount.

The Commercial Division's portfolio balance amounted to \$5,953 million, a 11% increase from the balances as of December 31, 2011. The increases were mainly attributable to growing demand in the Bank's client base of corporations (which grew by 19%) and continued diversification into the middle-market companies (which grew by 56%), offset by a 6% decrease in the financial institutions segment.

The Commercial Portfolio continued to be short-term and trade-related in nature with \$4,563 million, or 77%, of the Commercial Portfolio maturing within one year. Trade financing operations represented 61% of the portfolio, while the remaining balance consisted primarily of lending to banks and corporations involved in foreign trade.

Credit disbursements in 2012 increased 8% to \$11.3 billion, the highest level in 15 years, compared to \$10.5 billion disbursed in 2011. As of December 31, 2012, the Bank had no portfolio balances in non-accrual, compared to \$32.0 million, or 0.6% of the loan portfolio balances in non-accrual, as of December 31, 2011.

Year 2011 vs. Year 2010

The Commercial Division's net income amounted to \$53.4 million for the year ended December 31, 2011, compared to the \$41.6 million for the year ended December 31, 2010. The \$11.8 million, or 28%, increase during the year 2011 was mainly due to: (i) a \$27.2 million, or 50%, increase in net interest income, which amounted to \$81.7 million in 2011, reflective of higher average loan portfolio balances (an increase of \$1,319 million, or 40%) and improved net interest margins (an increase of 11 bps) and (ii) a \$0.7 million, or 7%, increase in non-interest operating income, mainly as a result of increased commission income from higher average volumes in the letter of credit business (an increase of 28%). The revenue increase was partly offset by (i) a \$6.5 million increase in operating expenses, as the Commercial Division expanded its sales force and local presence in various markets in the Region, and (ii) \$4.4 million in credit provision charges during the year 2011, related to higher portfolio balances and shift in the composition of the commercial portfolio, as compared to \$4.8 million in reversals of provisions during 2010.

The Commercial Division's portfolio balance amounted to \$5,354 million as of December 31, 2011, compared to \$4,446 million as of December 31, 2010. The 20% portfolio increase in 2011 compared to 2010 was attributable to increased demand from the Bank's established client base of corporations (an increase of 8%) and financial institutions (an increase of 26%), in addition to the Bank's continued business expansion into the middle-market segment (an increase of 101%) as the Bank's regional expansion and segment penetration activities continues to have results. In 2011, the Bank disbursed \$8.2 billion in new loans, an increase of \$2.7 billion, or 49%, compared to the year 2010, driven by strong demand from the Bank's established client base and benefitting from the Bank's expansion of its cross border vendor finance business during 2011. Of these disbursements during 2011, \$583 million in loans were made to the middle-market companies. The non-accrual portfolio amounted to \$32 million as of December 31, 2011, compared to \$29 million as of December 31, 2010, and compared to \$51 million as of December 31, 2009. The \$32 million in non-accrual portfolio as of December 31, 2011 represented 0.6% of the total loan portfolio balance.

The Treasury Division

The Treasury Division is responsible for the Bank's funding and liquidity management, along with its investment securities activities, including management of the Bank's interest rate, liquidity, price and currency risks. The Division manages the Bank's funding and liquidity along with its investment securities activities in trading assets, securities available-for-sale, securities held-to-maturity, and the Bank's investments in the Investment Fund (balance of the Investment Fund and assets of the Brazilian Fund). With the designation of the former Bladex's Asset Management Unit as a discontinued operation the Treasury Division now incorporates the Bank's investment in the Investment Funds for 2012. The Treasury Division results for the years 2011 and 2010 have been adjusted to conform with the presentation in 2012.

The Treasury Division's net income is presented net of allocated operating expenses, and includes net interest income on treasury assets (interest-bearing deposits with banks, investment securities, and trading assets); net interest margin related to the Feeder's participation in the net interest margin of the Fund, non-interest operating income (expense), such as net gain (loss) from trading securities, net gain (loss) from investment fund trading, the net gain on sale of securities available-for-sale, foreign currency exchange, and derivative financial instruments and hedging. The Division also includes net interest margin from the Brazilian Fund, as well as net gain (loss) from trading securities, fee income, and allocated operating expenses from the Brazilian Fund.

Year 2012 vs. Year 2011

The Treasury Division reported a net loss of \$8.2 million for the year ended December 31, 2012, compared to a net income of \$30.2 million for the year ended December 31, 2011. The \$38.4 million, or 127%, decrease during 2012 was due to the combined effects of: (i) a \$26.0 million decrease in net interest income, as a result of higher average funding costs due to increased funding tenors, along with lower average interest-earning securities portfolio balances and \$5.0 million in amortizations to the carrying amount of certain financial instruments for which hedge accounting was discontinued in the third quarter of 2012, (ii) a \$10.5 million decrease in non-interest operating income mainly from lower gains from investments in the Investment Fund and (iii) a \$2.3 million increase in allocated operating expenses.

Liquidity balance as of December 31, 2012 amounted to \$690 million, compared to \$786 million as of December 31, 2011. Liquid assets as of December 31, 2012 represented 10.2% of total assets and 11.6% of total liabilities, compared to 12.4% and 14.0%, respectively, as of December 31, 2011. Deposit balances increased \$13 million, or 1%, to \$2,317 million as of December 31, 2012, compared to \$2,304 million as of December 31, 2011.

Weighted average funding costs for the year ended December 31, 2012 amounted to 1.63%, an increase of 51 bps, or 46%, compared to 1.12% for the year ended December 31, 2011, mainly as a result of inflows recorded in the first half of 2012 from bond issuances and a loan syndication.

Short-term borrowings and securities sold under repurchase agreements amounted to \$1,607 million a decreased of 5% during 2012. Borrowings and long-term debt increased 28% during 2012 to \$1,906 million as of December 31, 2012, compared to \$1,488 million as of December 31, 2011.

Year 2011 vs. Year 2010

The Treasury Division reported net income of \$30.2 million for the year ended December 31, 2011, compared to net income of \$0.5 million for the year ended December 31, 2010. The \$29.8 million increase during 2011 was due to the combined effects of a \$33.1 million increase in non-interest operating income attributable to higher gains from sale of securities available-for-sale and the positive valuations of trading securities and their associated trading derivatives during the year and trading gains from the investment fund, which was partially offset by increased operating expenses (\$0.9 million).

Liquidity balance as of December 31, 2011 amounted to \$786 million, compared to \$421 million as of December 31, 2010. Liquid assets as of December 31, 2011 represented 12.4% of total assets and 34.1% of liability deposits, compared to 8.2% and 23.1%, respectively, as of December 31, 2010. Deposit balances increased \$483 million, or 27%, to \$2,304 million as of December 31, 2011 compared to \$1,821 million as of December 31, 2010.

Funding costs continued to improve as weighted average funding cost for the year ended December 31, 2011 amounted to 1.12%, a decrease of 14 bps, or 11%, compared to 1.26% for the year ended December 31, 2010, as a result of lower average interbank market rates and improvement in funding costs of deposits. Borrowings and securities sold under repurchase agreements balances increased 31% during 2011 to \$3,188 million as of December 31, 2011 compared to \$2,435 million as of December 31, 2010.

Net Income Attributable to Bladex

The results for 2012 demonstrated the strength of Bladex's business model, as the Bank continued to add value to its clients with a focus on trade finance. During the year, the Region experienced an acceleration of economic activity in several countries, which helped propel the increase in balances of the Bank's credit portfolio during 2012, especially in the segments of corporations and middle market companies. The credit quality of the Bank's portfolio continued to improve, with a non-accrual balance of zero at year-end. Liquidity remained strong at \$690 million as of December 31, 2012, with leverage at 8.2 times, as the Bank continued to deploy capital towards business growth. The Bank's Tier 1 capitalization stood at 17.9% as of December 31, 2012.

Bladex's financial results continued to strengthen in 2012, mainly as the result of growth and increased profitability in the Commercial Division. Net Income attributable to Bladex reached \$93.0 million in 2012, compared to \$83.2 million in 2011. The \$9.8 million, or 12%, increase, was the result of improved performance in core financial intermediation activity, partially offset by lower contributions from investment activities in the Treasury Division. Additional reasons for the increase include contributions from the non-core activities of the Asset Management Unit (presented as a discontinued operation as of December 31, 2012), and extraordinary items, including a \$5.6 million gain on the sale of premises and equipment associated with the relocation of the Bank's headquarters.

The 2011 results reflect the Bank's solid positioning as a result of a strategy focused on business growth, diversification of the Bank's business activities, and the strengthening of the Bank's position, supported by growing trade flows in Latin America, which resulted in net income attributable to Bladex of \$83.2 million in 2011 compared to \$42.2 million net income attributable to Bladex during 2010. The \$40.9 million, or 97%, increase was mostly driven by \$53.3 million in net income from the Commercial Division, and \$30.2 million in net income from the Treasury Division.

Net Interest Income and Margins

The following table sets forth information regarding net interest income, the Bank's net interest margin (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,		
2012	2011	2010
(in \$ million, except		
percentages)		

Net interest income (loss)			
Commercial Division	110.0	81.7	\$54.5
Treasury Division	(0.0)	21.0	20.0
Consolidated Net Interest Income	\$110.0	\$102.7	\$74.5
Amortization of free-standing financial instruments	(5.0)	0.0	0.0
Total Net Interest Income	\$105.0	\$102.7	\$74.5
Net interest margin ⁽¹⁾	1.70 %	1.81 %	1.70%
Net interest spread	1.44 %	1.62 %	1.43%

⁽¹⁾ Excluding the amortization of free-standing financial instruments assigned to the Treasury Division, the net interest margin from commercial activities amounted to 1.78% as of December 31, 2012.

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. Average balances have been computed on the basis of consolidated daily average balances:

Description	For the Year ended December 31,											
	2012			2011			2010					
	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate			
	(in \$ million, except percentages)											
Interest-Earning Assets												
Interest-earning deposits with banks	\$711	\$ 2	0.26 %	\$458	\$ 1	0.29 %	\$384	\$ 1	0.22 %			
Loans, net of unearned income & deferred loan fees	5,064	181	3.52 %	4,576	138	2.97 %	3,243	102	3.09 %			
Non-accrual loans ⁽¹⁾ ((1))	23	2	9.17 %	29	2	8.03 %	44	3	7.55 %			
Trading assets	7	0	0.94 %	30	2	5.79 %	51	3	6.11 %			
Investment securities ⁽²⁾	254	6	2.48 %	441	12	2.61 %	468	8	1.79 %			
Investment fund	117	1	0.74 %	148	2	1.56 %	190	2	1.14 %			
Total interest-earning assets	\$6,177	\$ 192	3.06 %	\$5,681	\$ 157	2.73 %	\$4,378	\$ 119	2.69 %			
Non-interest-earning assets	55			71			42					
Allowance for loan losses	(82)			(81)			(75)					
Other assets	20			16			12					
Total Assets	\$6,169			\$5,687			\$4,357					
Interest-Bearing Liabilities												
Deposits	\$2,258	\$ 13	0.56 %	\$2,074	\$ 9	0.42 %	\$1,555	\$ 9	0.54 %			
Trading liabilities	10	0	n.m. (*)	2	0	n.m. (*)	4	0	n.m. (*)			
Investment fund	0	0	n.m. (*)	0	0	n.m. (*)	0	1	n.m. (*)			
Securities sold under repurchase agreements	153	2	1.05 %	267	2	0.75 %	179	1	0.79 %			
Short-term borrowings	973	19	1.92 %	1,102	14	1.23 %	545	7	1.20 %			
Borrowings and long-term debt	1,892	54	2.79 %	1,392	30	2.11 %	1,241	27	2.18 %			
Total interest-bearing liabilities	\$5,285	\$ 87	1.63 %	\$4,838	\$ 55	1.12 %	\$3,524	\$ 45	1.26 %			
Non-interest bearing liabilities and other liabilities	\$76			\$111			\$119					
Total Liabilities	\$5,361			\$4,949			\$3,643					
	4			8			34					

Redeemable noncontrolling interest									
Stockholders' equity	804			730				681	
Total Liabilities and Stockholders' Equity	\$6,169			\$5,687				\$4,357	
Net interest spread			1.44 %				1.62 %		1.43 %
Net interest income and net interest margin		\$ 105	1.70 %		\$ 103	1.81 %		\$ 75	1.70 %

(*) "n.m." means not meaningful.

(1) Interest received on non-accrual loans is only recorded as earned when collected.

(2) The average yield of the investment securities portfolio using cost-based average balances, would have been 2.56%, 2.65%, and 2.02%, for 2012, 2011 and 2010, respectively.

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 accrued 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 volume and changes in average interest rates for 2012 compared to 2011 and for 2011 compared to 2010. Volume and rate variances have been calculated based on daily movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

	2012 vs. 2011			2011 vs. 2010		
	Volume ^(*)	Rate ^(*)	Net Change	Volume ^(*)	Rate ^(*)	Net Change
	(in \$ thousand)					
Increase (decrease) in interest income						
Interest-bearing deposits with banks	\$670	\$(145)	\$525	\$217	\$294	\$512
Accruing loans, net	17,653	25,472	43,125	40,190	(3,749)	36,441
Non-accrual loans	(569)	343	(226)	(1,168)	209	(959)
Trading assets	(214)	(1,474)	(1,688)	(1,212)	(164)	(1,375)
Investment securities	(4,689)	(575)	(5,264)	(721)	3,908	3,188
Investment fund	(230)	(1,232)	(1,462)	(655)	799	144
Total increase (decrease)	\$12,621	\$22,389	\$35,010	\$36,652	\$1,297	\$37,949
Increase (decrease) in interest expense						
Deposits	1,063	3,063	4,126	2,206	(1,918)	288
Trading liabilities	0	0	0	0	0	0
Investment fund	(25)	(189)	(214)	(36)	(604)	(641)
Securities sold under repurchase agreement and Short-term borrowings	(4,436)	9,355	4,920	7,420	275	7,695
Borrowings and long-term debt	14,234	9,677	23,911	3,246	(847)	2,399
Total increase (decrease)	\$10,836	\$21,907	32,743	\$12,836	\$(3,095)	\$9,742
Increase (decrease) in net interest income	\$1,785	\$482	\$2,267	\$23,817	\$4,392	\$28,208

(*) Volume variation effect in net interest income is calculated by multiplying the difference in average volumes by the current year's average yield. Rate variation effect in net interest income is calculated by multiplying the difference in average yield by the prior year's average volume.

Net Interest Income and Net Interest Margin Variation

2012 vs. 2011

The \$2.3 million, or 2% increase in net interest income for the year ended December 31, 2012 primarily reflected the combined effects of:

- i. Higher average interest-earning asset levels (increase of 9%), mainly average loan portfolio balances, which resulted in a \$12.6 million overall increase in interest income, partially offset by a \$10.8 million increase in interest expense, resulting from a 9% increase in average interest-bearing liabilities.
- ii.

A \$0.9 million increase in net interest income from the net impact of higher average interest rates on the Bank's assets and liabilities, mainly driven by an increase in lending rates (increase of 55 bps), partly offset by a shift towards longer interest bearing liability tenors, resulting in higher rates (increase of 51 bps) along with \$5.0 million in amortizations of free-standing financial instruments.

Net interest margin decreased 11 bps to 1.70% in 2012 compared to 1.81% in 2011, mainly due to increasingly higher cost of funds associated with increase in interest bearing liabilities balances, which offset the increase in average yields of interest earning assets, mainly in the loan portfolio.

2011 vs. 2010

The \$28.2 million, or 38%, increase in net interest income for the year ended December 31, 2011 compared to the year ended December 31, 2010 primarily reflects:

Higher average interest-earning assets balances, primarily in average loan portfolio balances, which increased from \$3.3 billion in 2010 to \$4.6 billion in 2011, a \$1.3 billion, or 40%, increase during the year. The higher average balance in interest-earning assets during 2011 resulted in a \$36.7 million overall increase in interest income, partially offset by a \$12.8 million increase in interest expense associated with an increase of \$1.3 billion, or 37%, in interest-bearing liability balances (deposits, securities sold under repurchase agreements, short-term borrowings and borrowings and long-term debt) from \$3.5 billion in 2010 to \$4.8 billion in 2011. Higher average volumes in interest-earning assets and interest-bearing liabilities resulted in a net effect of a \$23.9 million net increase in net interest income.

A \$4.3 million increase in net interest income during 2011 due to rate variances, as the average yield paid on interest-bearing liabilities decreased 14 bps to 1.12% in 2011 (from 1.26% in 2010), while the average yield on interest-earning assets increased 4 bps to 2.73% in 2011 (from 2.69% in 2010).

Net interest margin increased 11 bps to 1.81% in 2011 compared to 1.70% in 2010, mainly due to higher average loan portfolio balances and lending spreads as a result of greater market penetration, relative business growth and portfolio mix in the corporate and middle-market companies segments, and in the financial institutions segment, in a year characterized by liquidity constraints and volatility in the financial industry.

Reversal (Provision) for Loan Losses

	For the year ended December 31,		
	2012	2011	2010
	(in \$ million)		
Net Brazil specific reserve reversals (provisions)	0.0	(0.7)	2.1
Net Mexico specific reserve reversals (provisions)	7.3	(3.6)	0.8
Total specific reserve reversals (provisions)	7.3	(4.3)	2.9
Generic reserve reversals (provisions) — due to changes in credit portfolio composition and risk levels	1.0	(4.5)	(11.9)
Total generic reserve reversals (provisions)	1.0	(4.5)	(11.9)
Total reversals (provisions) of allowance for loan losses	\$8.3	\$(8.8)	\$(9.1)

As of December 31, 2012, the Bank had loans in non-accrual status. As of December 31, 2011 and 2010, the Bank had \$32.0 million and \$29.0 million in non-accrual loans, respectively, all of which correspond to impaired loans for which specific reserves of \$14.8 million and \$11.5 million, respectively, were allocated.

During 2012, the Bank reversed \$8.3 million in provisions for loan losses, as a result of the release of specific reserves associated with the exit of a non-accruing loan exposure, along with a reversal of generic reserves associated with the improved risk profile of the Bank's loan portfolio.

The \$8.8 million provision for loan losses in 2011 was the result of: (i) \$4.5 million in generic provision for loan losses driven by the combination of an increase in the Bank's loan portfolio, attributable to increased demand from the Bank's client base of corporations, financial institutions and middle-market clients, and an improvement in client-specific and country risk levels in the Region; and ii) \$4.3 million in charges for specific loan loss reserves assigned to the impaired portfolio which totaled \$32.0 million as of December 31, 2011.

During 2010, the Bank reversed \$2.9 million in specific provisions assigned to the impaired portfolio. The \$11.9 million generic provision for loan losses in 2010 was primarily due to an increase in the loan portfolio which was partially mitigated by an improvement of the risk profile of the Region.

The Bank's loan loss reserve coverage was 1.3% as of December 31, 2012, a decrease from 1.8% as of December 31, 2011, and a decrease from 1.9% as of December 31, 2010. The decrease in the loan loss reserve coverage reflects the impact of changes in the composition of the Bank's loan portfolio and improvement of the risk profile of the portfolio on the Bank's reserve model.

For more detailed information, see Item 5, “Operating and Financial Review and Prospects/Operating Results/Asset Quality and Allowance for Credit Losses,” and Item 18, “Financial Statements,” note 9.

For more detailed information about Non-Accrual Loans, see Item 18 “Financial Statements,” note 8.

Reversals (Provisions) for Losses on Off-Balance Sheet Credit Risk

The \$4.0 million reversal of provision for losses on off-balance sheet credit risk in 2012 was primarily the result of lower balances in the off-balance sheet exposures in the commercial portfolio and improved risk profile of the Bank’s portfolio composition.

The \$4.4 million reversal of provision for losses on off-balance sheet credit risk in 2011 was primarily due to improved risk profile in the off-balance sheet exposures in the commercial portfolio, primarily in customer liabilities under acceptances and contingencies, at the end of year 2011.

The \$13.9 million reversal of provision for losses on off-balance sheet credit risk in 2010 was primarily the net result of changes in volume, composition, and improvement of the risk profile of the portfolio, together with the purchase of international insurance to mitigate exposures on the off-balance sheet credit risk portfolio.

The off-balance sheet reserve coverage decreased to 2.1% as of December 31, 2012, compared to 2.5% as of December 31, 2011, and compared to 3.5% as of December 31, 2010.

For more detailed information, see Item 5, “Operating and Financial Review and Prospects/Operating Results/Asset Quality and Allowance for Credit Losses,” and Item 18, “Financial Statements,” note 9.

Fees and Commissions, net

The Bank generates fee and commission income primarily from originating letters of credit confirmations, 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,		
	2012	2011	2010
	(in \$ thousand)		
Letters of credit	\$7,617	\$ 9,360	\$8,314
Guarantees	184	14	158
Loan Fees	2,153	1,109	1,195
Other ⁽¹⁾	67	136	144
Fees and commissions, net	\$10,021	\$ 10,619	\$9,811

⁽¹⁾ Net of commission expense.

In 2012, fees and commissions totaled \$10.0 million, compared to \$10.6 million in 2011. The \$0.6 million, or 6% decrease reflects reduced commissions from lower average balances in the letters of credit portfolio, partially offset by increased fees and commissions from transactional loans.

The \$0.4 million, or 4%, increase in fees and commissions during 2011 was mostly attributable to increased commission income from higher average volumes in the letter of credit business (which increased 28%), partially offset by lower loan and asset management fee income.

The \$3.6 million, or 53%, increase in 2010 compared to 2009 mainly reflects increased commission income from the letter of credit business, as a result of higher volumes of letters of credit in a more favorable economic environment.

For more information, see Item 18, “Financial Statements,” notes 2(p).

Derivative Financial Instruments and Hedging

The Bank recorded a net gain of \$0.1 million, a net gain of \$2.9 million, and a net loss of \$1.4 million in 2012, 2011 and 2010, respectively, in derivative financial instruments and hedging.

The 2011 results reflect the effect of recording the effectiveness on hedging relationships, which was offset by the discount of the Bank’s own credit risk when calculating the fair value of its cross currency swap portfolio that it contracts for hedging purposes.

The 2010 results reflect the effect of recording the effectiveness (ineffectiveness) on hedging relationships and the discount of the Bank’s own credit risk when calculating the fair value of its cross currency swap portfolio that it contracts for hedging purposes, which had a liability balance as of December 31, 2010. The fair value of these cross currency swaps improved during 2010, and as a consequence, the credit risk discount decreased when valuing these derivative instruments.

For additional information, see Item 11, “Quantitative and Qualitative Disclosure about Market Risk,” and Item 18, “Financial Statements,” notes 2(u) and 21.

Net Gain (Loss) from Investment Fund Trading

The Bank recorded a net gain of \$7.0 million from investment fund trading in 2012, compared to \$20.3 million in 2011, and compared to a net loss of \$8.0 million in 2010, related to the performance of the trading activities of the Fund.

For additional information, see Item 18, "Financial Statements," notes 5 and 23.

Net Gain (Loss) from Trading Securities

In 2012, the Bank recorded a gain from trading securities of \$11.2 million, compared to a \$6.5 million loss and a \$3.6 million loss in 2011 and 2010, respectively.

The \$11.2 million gain in 2012 was mainly due to valuations of financial derivative instruments for which hedge accounting was discontinued in 2012.

The \$6.5 million loss in 2011 was due to diminished valuations of trading securities and valuations of financial instruments that do not qualify for hedge accounting.

The \$3.6 million loss in 2010 was due to the increases in securities valuations which were more than offset by the diminished valuations of financial instruments that do not qualify for hedge accounting.

For additional information, see Item 18, “Financial Statements,” notes 5 and 13.

Net Gain on Sale of Securities Available-for-Sale

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.

The Bank’s net gain on sale of securities available-for-sale in 2012 was \$6.0 million, compared to \$3.4 million in 2011, and compared to \$2.3 million in 2010. Detail of the net gains is as follows:

	For the year ended		
	December 31,		
	2012	2011	2010
	(in \$ millions)		
Nominal amount	\$239.6	\$243.6	\$135.0
Amortized cost	\$(254.8)	\$(265.0)	\$(151.3)
Proceeds	262.2	279.7	167.2
Net effect of unwinding hedging derivatives of the available for-sale securities portfolio	(1.4)	(11.3)	(13.6)
Total net gain on sale of securities available-for-sale	\$6.0	\$3.4	\$2.3

For additional information, see Item 18, “Financial Statements,” notes 6.

Gain (Loss) on Foreign Currency Exchange

The Bank recorded a net loss of \$10.5 million on foreign currency exchange during 2012, compared to a gain of \$4.3 million in 2011, and compared to a net gain of \$1.8 million in 2010. The results reflect the effects of currency exchanges in assets and liabilities economically hedged with derivatives that do not qualify for hedge accounting, the impact of which is shown under Net Gain (Loss) from Trading Securities.

Operating Expenses

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

	For the Year Ended		
	December 31,		
	2012	2011	2010
	(in \$ thousand)		
Salaries and other employee expenses	\$33,171	27,825	22,251
Depreciation and amortization of premises and equipment	2,269	2,139	2,471
Professional services	4,053	4,151	3,977
Maintenance and repairs	1,936	1,634	1,615
Expenses from the investment fund	2,953	4,372	3,996
Other operating expenses	11,432	9,966	7,908
Total operating expenses	\$55,814	\$50,087	\$42,218

During 2012, the Bank's operating expenses amounted \$55.8 million, compared to \$50.1 million for the year ended December 31, 2011. The \$5.7 million, or 11% increase in operating expenses over the year was primarily attributable to: (i) salary and other employee expenses mainly from higher average headcount in the Commercial Division and Risk Department, and (ii) other operating expenses associated with relocation of the Bank's headquarters.

During 2011, operating expenses amounted to \$50.1 million, compared to \$42.2 million for the year 2010. The \$7.9 million, or 19%, increase in operating expenses was primarily attributable to: (i) an increase in salary and other employee expenses associated with higher average headcount in support of expanding the Commercial Division as well as the risk management function, (ii) an increase in other operating expenses related higher rental costs associated with the new representative offices in Monterrey, Mexico, in Porto Alegre, Brazil, in Lima, Peru and in Bogotá, Colombia, established in support of the Commercial Division, as well as higher travel, communication and general expenses associated with increased average headcount and (iii) an increase in expenses from the Fund related to higher performance-related expenses.

Changes in Financial Condition

The following table presents components of the Bank's balance sheet at the dates indicated:

	As of December 31,		
	2012	2011	2010
	(in \$ thousand)		
Assets			
Cash and due from banks	\$6,718	\$12,814	\$5,570
Interest-bearing deposits in banks	700,312	830,670	431,144
Trading assets	5,265	20,436	50,412
Securities available-for-sale	183,017	416,300	353,250
Securities held-to-maturity	34,113	26,536	33,181
Investment fund	105,888	120,425	167,291
Loans	5,715,556	4,959,573	4,064,332
Allowance for loan losses	(72,976)	(88,547)	(78,615)
Unearned income and deferred fees	(7,100)	(6,697)	(4,389)
Loans, net	5,635,480	4,864,329	3,981,328
Customers' liabilities under acceptances	1,157	1,110	27,213
Accrued interest receivable	37,819	38,168	31,110
Premises and equipment, net	12,808	6,673	6,532
Derivative financial instruments used for hedging — receivable	19,239	4,159	2,103
Other assets	14,580	18,412	10,953
Total Assets	\$6,756,396	\$6,360,032	\$5,100,087
Liabilities and Stockholders' Equity			
Deposits	\$2,317,260	\$2,303,506	\$1,820,925
Trading liabilities	32,304	5,584	3,938
Securities sold under repurchase agreements	158,374	377,002	264,927

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Short-term borrowings	1,449,023	1,323,466	1,095,400
Acceptances outstanding	1,157	1,110	27,213
Accrued interest payable	17,943	11,790	10,084
Borrowings and long-term debt	1,905,540	1,487,548	1,075,140
Derivative financial instruments used for hedging - payable	11,747	53,742	53,029
Reserve for losses on off-balance sheet credit risk	4,841	8,887	13,335
Other liabilities	28,348	22,568	20,096
Total Liabilities	\$5,926,537	\$5,595,203	\$4,384,087
Redeemable noncontrolling interest	3,384	5,547	18,950
Stockholders' Equity			
Common stock, no par value	279,980	279,980	279,980
Additional paid-in capital in excess of assigned value of common stock	121,419	130,177	133,815
Capital reserves	95,210	95,210	95,210
Retained earnings	422,048	372,644	320,153
Accumulated other comprehensive loss	(730)	(3,112)	(6,441)
Treasury stock	(91,452)	(115,617)	(125,667)
Total Stockholders' Equity	826,475	759,282	697,050
Total Liabilities and Stockholders' Equity	\$6,756,396	\$6,360,032	\$5,100,087

2012 vs. 2011

During 2012, total assets increased by \$396 million, or 6%, mainly from a 15%, or \$756 million, increase in the Bank's loan portfolio, as a result of strong growth in the corporate and middle-market companies segment of the loan portfolio. This increase was offset by a \$248 million decrease in trading assets and securities available for sale portfolio, and a \$136 million decrease in cash and due from banks. As of December 31, 2012, the Bank's loan portfolio amounted to \$5,716 million, with an average maturity term of 264 days, as 76% of the portfolio were scheduled to mature within one year. 61% of the loan portfolio was trade-related in nature and 39% constituted non-trade loans mainly extended to private banks and corporations.

As of December 31, 2012, the Bank's liquidity amounted to \$690 million, compared to \$786 million as of December 31, 2011, as a result of the Bank's long-standing approach to prudent and proactive liquidity management.

The increase in assets during 2012 was accompanied by a \$331 million increase in liabilities, mainly as a result of: (i) an increase in borrowings and long-term debt (which increased by \$418 million, or 28%), as a result of inflows recorded in the first half of 2012 from bond issuances and loan syndications, short-term borrowings (which increased by \$126 million, or 10%), and deposits (which increased by \$13 million, or 1%), and (ii) a decrease in securities sold under repurchase agreements of \$219 million, or 58%.

2011 vs. 2010

During 2011, total assets increased by \$1,260 million, or 25%, strengthened by a 22%, or \$896 million, increase in the Bank's loan portfolio, as a result of strong growth in the three business segments of the loan portfolio. In addition, during the same period, cash and due from banks and interest-bearing deposits with banks collectively increased \$406 million, or 93%, as a result of the market uncertainty experienced in 2011. As of December 31, 2011, the Bank's loan portfolio amounted \$4,960 million and had an average maturity term of 373 days, with 68% of the portfolio scheduled to mature within one year. 57% of the loan portfolio was trade-related in nature and 43% constituted non-trade loans mainly extended to financial institutions and corporations.

As of December 31, 2011, the Bank's liquidity amounted to \$786 million, compared to \$421 million as of December 31, 2010, as the Bank maintained proactive liquidity management by increasing its liquidity position in response to volatility in the markets.

The increase in assets in 2011 was accompanied by a \$1,211 million increase in liabilities, mainly from an increase in deposits (which increased by \$483 million, or 27%), borrowings and long-term debt (which increased by \$413 million, or 38%), short-term borrowings (which increased by \$228 million, or 21%), and securities sold under repurchase agreements (which increased by \$112 million, or 42%), as a result of more demand for credit and more confidence from the Bank's international correspondent banks.

Asset Quality

The Bank believes that its asset quality is a function of its strong client base, the importance that governments and borrowers alike attribute to maintaining continued access to trade financing, its preferred creditor status, and its strict adherence to commercial criteria in its credit activities. The Bank's management and the CPER review periodically 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.

The Bank maintains a system of internal credit quality indicators. These indicators are assigned depending on several factors which include: profitability, quality of assets, liquidity and cash flows, capitalization and indebtedness, economic environment and positioning, regulatory framework and/or industry, sensitivity scenarios and the quality of debtor's management and shareholders. A description of these indicators is as follows:

Rating Classification **Description**

1 to 6	Normal	Clients with payment ability to satisfy their financial commitments.
7	Special Mention	Clients exposed to systemic risks specific to the country or the industry in which they are located, facing adverse situations in their operation or financial condition. At this level, access to new funding is uncertain.
8	Substandard	Clients whose primary source of payment (operating cash flow) is inadequate and who show evidence of deterioration in their working capital that does not allow them to satisfy payments on the agreed terms, endangering recovery of unpaid balances.
9	Doubtful	Clients whose operating cash flow continuously shows inability to service the debt on the originally agreed terms. Due to the fact that the debtor presents an impaired financial and economic situation, the likelihood of recovery is low.
10	Unrecoverable	Clients with operating cash flow that does not cover their costs, are in suspension of payments, may also have difficulties fulfilling possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

Impaired Assets and Contingencies

The Bank's assets that are subject to impairment consist mainly of loans and securities. For more information on impaired loans, see Item 18, "Financial Statements", Notes 2(m) and 8. For information on impaired securities, see Item 18, "Financial Statements," notes 2(j) and 6. For more information on contingencies, see Item 18, "Financial Statements", note 19, and see Item 5, "Operating and Financial Review and Prospects—Operating Results—Reversal (Provision) for Loan Losses."

The Bank identifies as delinquent those loans where no debt service and/or interest payment has been received for 30 days after such payments were due. The outstanding balance of a loan is considered past due when the total principal balance with one single balloon payment has not been received within 30 days after such payment was due, or when no agreed-upon periodic payment has been received for a period of 90 days after the agreed-upon date.

Loans are placed on a non-accrual status when interest or principal is overdue for 90 days or more, or before if the Bank's management believes there is uncertainty with respect to the ultimate collection of principal or interest. Any interest receivable on non-accruing loans is reversed and charged-off against earnings. Interest on these loans is only recorded as earned when collected. Non-accruing loans are returned to an accrual status when (1) all contractual principal and interest amounts are current; (2) there is a sustained period of repayment performance in accordance with the contractual terms of at least six months; and (3) if in the Bank management's opinion the loan is fully

collectible.

A modified loan is considered a troubled debt restructuring when the debtor is experiencing financial difficulties and if the restructuring constitutes a concession to the debtor. A concession may include modification of terms such as an extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, and reduction in the face amount of the debt or reduction of accrued interest, among others. Marketable securities received in exchange for loans under troubled debt restructurings are initially recorded at fair value, with any gain or loss recorded as a recovery or charge to the allowance, and are subsequently accounted for as securities available-for-sale.

A loan is considered impaired and placed on a non-accrual basis when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to original contractual terms of the loan agreement. Factors considered by the Bank's management in determining impairment include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due and economic conditions in the borrower's country of residence. These loans include modified loans considered to be troubled debt restructurings. When current events or available information confirm that specific impaired loans or portions thereof are uncollectible, such impaired loans are charged-off against the allowance for loan losses.

The reserve for losses on impaired loans is determined considering all available evidence, including the present value of expected future cash flows discounted at the loan's original contractual interest rate and/or the fair value of the collateral, if applicable. If the loan's repayment is dependent on the sale of the collateral, the fair value considers costs to sell.

The following table sets forth information regarding the Bank's impaired assets and contingencies at the dates indicated:

	As of December 31,				
	2012	2011	2010	2009	2008
	(in \$ million, except percentages)				
Impaired loans	\$0	\$32	\$29	\$36	\$0
Allocation from the allowance for loan losses	0	15	12	14	0
Impaired loans as a percentage of total loans, net of unearned income and deferred commission	0.0	0.6 %	0.7 %	1.3 %	0.0 %
Impaired contingencies	\$0	\$0	\$0	\$0	\$0
Allocation from the reserve for losses on off balance-sheet credit risks	0	0	0	0	0
Impaired contingencies as a percentage of total contingencies	0.0%	0.0 %	0.0 %	0.0 %	0.0 %
Impaired securities (par value)	\$0	\$0	\$0	\$0	\$0
Estimated fair value adjustments on options and impaired securities ⁽¹⁾	0	0	0	0	0
Estimated fair value of impaired securities	\$0	\$0	\$0	\$0	\$0
Impaired securities as a percentage of total securities ⁽²⁾	0.0%	0.0 %	0.0 %	0.0 %	0.0 %
Impaired assets and contingencies as a percentage of total credit portfolio ⁽³⁾	0.0%	0.6 %	0.6 %	1.0 %	0.0 %

⁽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, 2012, there were no impaired loans in the loan portfolio, and as of December 31, 2011 and 2010, there were no impaired loans without related allowance.

The Bank has not had any troubled debt restructurings for the years ended December 31, 2012 and 2011.

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

	As of December 31,									
	2012	%	2011	%	2010	%	2009	%	2008	%
	(in \$ million, except percentages)									
Brazil	0	0.0	1	100.0	2	40.5	0	0.0	0	0.0
Mexico	7	100.0	0	0.0	3	59.5	0	0.0	0	0.0
Total	\$7	100.0	\$1	100.0	\$5	100.0	\$0	0.0	\$0	0.0

Loans charged-off against the allowance as of December 31, 2012 represented 0.13% of the loan portfolio compared to 0.02% as of December 31, 2011, and 0.13% as of December 31, 2010, respectively.

The following table summarizes information regarding loans in non-accrual status, and interest amounts on non-accrual loans:

	For the year ended		
	December 31,		
	2012	2011	2010
	(in \$ thousands)		
Loans in non-accrual status			
Private corporations	\$0	\$32,000	\$28,000
Private middle-market companies	0	0	1,002
Total loans in non-accrual status	\$0	\$32,000	\$29,002
Interest which would have been recorded if the loans had not been in a non-accrual status	0	2,325	3,403
Interest income collected on non-accrual loans	2,288	(2,375)	(3,335)

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

The allowance for credit losses includes an asset-specific component and a formula-based component. The asset-specific component, or specific allowance, relates to provision for losses on credits considered impaired and measured on a case-by-case basis. A specific allowance is established when the discounted cash flows (or observable market price of collateral) of the credit is lower than the carrying value of that credit. The formula-based component, or generic allowance, is applied to the Bank's performing credit portfolio and is established based on a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative

judgment. The statistical calculation is a product of internal risk classifications, probabilities of default and loss given default. The probability of default is supported by Bladex's historical portfolio performance complemented by probabilities of default provided by external sources, in view of the greater robustness of this external data for some cases. The loss given default is based on Bladex's historical losses experience and best practices.

The reserve balances for estimating generic allowances is applicable to all classes of loans and off-balance sheet financial instruments of the Bank.

$$\text{Reserves} = S(E \times PD \times LGD)$$

where:

- a) Exposure (E) = the total accounting balance (on- and off-balance sheet) at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio. Default rates are based on
- b) the Bank's historical portfolio performance per rating category, complemented by Standard & Poor's, or S&P, probabilities of default for categories 6, 7 and 8, in view of the greater robustness of S&P data for such cases.
- c) Loss Given Default (LGD) = a factor utilized, based on historical information, and best practices in the banking industry. Management applies judgment for imprecision and uncertainty and historical loss experience.

Management may also apply judgment to capture elements of a prospective nature or loss expectations based on risks identified in the environment that are not necessarily included in the historical data.

The allowance policy is applicable to all classes of loans and off-balance sheet financial instruments of the Bank.

For additional information regarding allowance for credit losses, see Item 18, “Financial Statements,” notes 2(o) and 9.

The following table sets forth information regarding the Bank’s allowance for credit losses with respect to the total commercial portfolio outstanding as of December 31 of each year:

	As of December 31,				
	2012	2011	2010	2009	2008
	(in \$ million, except percentages)				
Components of the allowance for credit losses					
Allowance for loan losses:					
Balance at beginning of the year	\$89	\$79	\$74	\$55	\$70
Provision (reversal)	(8)	9	9	18	(19)
Recoveries	0	2	1	1	4
Loans charged-off	(7)	(1)	(5)	0	0
Balance at the end of the year	\$73	89	79	74	55
Reserve for losses on off-balance sheet credit risk:					
Balance at beginning of the year	9	13	27	31	14
Provision (reversal)	(4)	(4)	(14)	(3)	17
Balance at end of the year	5	9	13	27	31
Total allowance for credit losses	\$78	\$98	\$92	\$101	\$85
Allowance for credit losses to total commercial portfolio	1.31 %	1.83 %	2.07 %	3.25 %	2.79 %
Net charge offs to average loans outstanding	0.15 %	0.02 %	0.16 %	n.m. (*)	n.m. (*)

(*) “n.m.” means not meaningful.

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

	As of December 31,					
	2012		2011		2010	
	Total %		Total %	Total %		Total %
(in \$ million, except percentages)						
Allowance for loan losses						
Argentina	\$9	12.7	\$16	18.1	\$28	35.1
Brazil	12	16.4	11	13.0	13	15.9
Chile	1	1.6	2	2.0	1	1.1
Colombia	5	7.2	12	13.0	5	5.8
Costa Rica	5	7.2	3	3.3	2	3.0
Dominican Republic	5	6.3	6	6.9	5	6.9
Ecuador	8	11.4	3	3.1	2	2.7
El Salvador	2	2.4	1	0.6	1	1.3
Guatemala	7	10.0	4	4.8	1	1.4
Honduras	3	4.0	2	2.1	2	1.9
Jamaica	0	0.5	0	0.1	3	3.2
Mexico	4	5.3	18	20.7	14	18.0
Nicaragua	1	1.7	1	1.4	0	0.0
Panama	1	1.9	1	0.8	0	0.4
Paraguay	1	1.0	1	0.9	0	0.0
Peru	4	5.9	5	5.4	2	3.1
Uruguay	3	4.0	3	3.3	0	0.0
Other	0	0.5	3	3.4	0	0.6
Total Allowance for loan losses	\$73	100.0	\$89	100.0	\$79	100.0

Reserve for losses on off-balance sheet credit risk

Ecuador	3	57.2	7	82.7	10	72.5
Venezuela	1	16.5	1	7.0	2	18.0
Other	1	26.3	1	10.3	1	9.6
Total Reserve for losses on off-balance sheet credit risk	\$5	100.0	\$9	100.0	\$13	100.0

Allowance for credit losses

Argentina	9	11.9	16	16.5	\$28	30.0
Brazil	12	15.9	11	11.9	13	13.8
Chile	1	1.6	2	1.9	1	0.9
Colombia	5	6.8	12	11.9	5	5.0
Costa Rica	5	6.8	3	3.3	3	3.5
Dominican Republic	5	6.0	6	6.3	5	5.9
Ecuador	11	14.3	10	10.3	12	12.8
El Salvador	2	2.3	1	0.6	1	1.1
Guatemala	7	9.4	4	4.4	1	1.2

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Honduras	3	3.8	2	2.0	2	1.7
Jamaica	0	0.4	0	0.1	3	2.7
Mexico	4	5.2	18	19.0	14	15.6
Nicaragua	1	1.6	1	1.3	0	0.0
Panama	2	2.3	1	0.7	0	0.4
Paraguay	1	0.9	1	0.8	0	0.0
Peru	4	5.6	5	5.0	2	2.7
Uruguay	3	3.7	3	3.0	0	0.0
Venezuela	1	1.0	1	0.6	2	2.6
Other ⁽¹⁾	0	0.5	0	0.4	0	0.2
Total Allowance for credit losses	\$78	100.0	\$98	100.0	\$92	100.0

⁽¹⁾ Other consists of allowances for credit losses allocated to countries in which allowances for credit losses outstanding did not exceed \$1 million for any of the periods.

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

	As of December 31,					
	2012		2011		2010	
	Total %		Total %	Total %		Total %
	(in \$ million, except percentages)					
Private sector commercial banks and Financial Institutions	\$20	26.9	\$22	22.7	\$15	15.5
State-owned commercial banks	9	12.6	16	16.8	7	7.1
Central banks	0	0.0	0	0.1	9	9.9
Sovereign debt	1	1.0	0	0.3	0	0.4
State-owned exporting organization	2	3.3	3	3.3	5	5.7
Private middle - market companies	11	14.9	9	9.3	5	8.8
Private corporations	30	41.2	46	47.5	50	52.5
Total	\$73	100.0	\$98	100.0	\$92	100.0

The allowance for credit losses to total commercial portfolio amounted to 1.31% as of December 31, 2012 compared to 1.83% as of December 31, 2011, 2.07% as of December 31, 2010. The decrease in 2012 was primarily due to the release of specific reserves associated with the reduction in exposure from non-accruing loans, reversal of provisions for losses on off-balance sheet credit risk as total contingencies declined during the year, and an improved risk profile in the composition of the Bank's portfolio.

Critical Accounting Policies

General

The Bank prepares its consolidated financial statements in conformity with U.S. GAAP. As a result, the Bank is required to 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 use subjective judgment, 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 critical accounting estimates include assessments of allowances for fair value of certain financial instruments, credit losses, and impairment of securities available-for-sale and held-to-maturity. For information regarding the Bank's significant accounting policies, see Item 18, "Financial Statements," note 2.

Variable interest entities

Variable interest entities, or VIEs, are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. Investors that finance a VIE through debt or equity interests or other counterparties that provide other forms of support, such as guarantees or certain types of derivative contracts, are variable interest holders in the entity.

The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. The Bank would be deemed to have a controlling financial interest and be the primary beneficiary if it has both of the following characteristics:

- the power to direct the activities of a VIE that most significantly impact the entity’s economic performance; and

- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

See Item 18, “Financial Statements,” note 2 (c).

Fair Value of Financial Instruments

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

The Bank applied the following fair value hierarchy:

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

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

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

When determining the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers the assumptions that market participants would use when pricing the asset or liability. When possible, the Bank uses active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Bank uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the size of the bid-ask spread and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in those markets. When there has been a significant decrease in the volume or level of activity for a financial asset or liability, the Bank uses the present value technique which considers market information to determine a representative fair value in usual market conditions.

Additionally, as of December 31, 2012, 2.78% of the Bank's assets were accounted for at fair value using quoted market prices in an active market, and 1.86% of total assets were accounted for at fair value using internally developed models with significant observable market information.

The Bank's management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are limitations in any estimation technique. The estimated fair value amounts have been measured as of their respective year-ends, and have not been re-expressed or updated subsequent to the dates of these consolidated financial statements. As a result, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

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

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

Trading assets and liabilities and securities available-for-sale

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

Investment fund

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

Derivative financial instruments

Derivative instruments are recorded at their nominal amount, or notional amount in memorandum accounts. The accounting for changes in value of a derivative depends on whether the contract is for trading purposes or has been designated and qualifies for hedge accounting.

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

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

The fair value adjustments applied by the Bank to its derivative carrying values include credit valuation adjustments, or CVA, which are applied to over-the-counter derivative instruments, in which the base valuation generally discounts expected cash flows using the London Interbank Offered Rate, or LIBOR, interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant LIBOR curve, a CVA is necessary to incorporate the market view of both counterparty credit risk and the Company's own credit risk in the valuation. Under U.S. GAAP the Bank is required to take into account its own credit risk when measuring the fair value of derivative positions as well as other liabilities for which it has elected fair value accounting. This is recognized on the balance sheet as a reduction in the associated liability to arrive at the fair value of the liability.

Own-credit and counterparty CVA is determined using a fair value curve consistent with the Bank's or counterparty credit rating. The CVA adjustment is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most of the Bank's derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the credit valuation adjustments may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of Bladex or its counterparties, or due to the anticipated termination of the transactions. See Item 18, "Financial Statements," note 21.

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. See Item 18, "Financial Statements," note 23.

Allowance for Credit Losses

The classification of the Bank's credit portfolio for allowances for credit losses under U.S. GAAP is determined by risk management and approved by the CPER of the Bank's Board through statistical modeling, internal risk ratings and estimates. Informed judgments must be made when identifying impaired 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 expected to be received or other economic events. In addition, risk management has established and maintains reserves for the probable credit losses related to the Bank's off-balance sheet exposures. See Item 18, "Financial Statements," note 2(o).

The estimates of the inherent risks of the Bank's portfolio and overall recovery vary with changes in the economy, individual industries or sectors, and countries and individual borrowers' or counterparties' concentrations, ability, capacity 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. See Item 5, "Operating and Financial Review and Prospects/Operating Results/Allowance for Credit Losses."

Impairment of Investment Securities

The Bank conducts periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other-than-temporary. Impairment of securities is evaluated considering numerous factors, and their relative significance varies case-by-case. Factors considered in determining whether a loss is temporary include: (1) the length of time and extent to which the market value has been less than cost, (2) the severity of the impairment, (3) the cause of the impairment and the financial condition of the issuer, (4) activity in the market of the issuer which may indicate adverse credit conditions, and (5) the intent and ability of the Bank to retain the security for a sufficient period of time to allow for an anticipated recovery in market value (with respect to equity securities) and the intent and probability of the Bank to sell the security before the recovery of its amortized cost (with respect to debt securities). If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to its fair value, and a loss is recognized through earnings as impairment loss on assets.

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

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

See Item 18, "Financial Statements," note 2(j).

Recently issued accounting standards

During 2012 and 2011, new accounting standards, modifications, interpretations, and updates to standards ("ASU"), applicable to the Bank, have been issued and are not in effect. These standards establish the following:

ASU 2011-11 – Balance Sheet (Topic 210)

This update requires an entity to disclose information about financial instruments and derivative instruments that are either offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset. Entities are required to disclose both gross and net information about instruments and transactions eligible for offset and instruments and transactions subject to an agreement similar to a master netting arrangement.

This update is effective for interim and annual periods beginning on or after January 1, 2013. Entities should provide the disclosures required by this update retrospectively for all comparative periods presented. The Bank does not anticipate any material impact on its financial statements as a result of these disclosures.

ASU 2012-04- Technical Corrections and Improvements

The amendments in this update are intended to make minor improvements to the Accounting Standard Codification that are not expected to have a significant effect on current accounting practice. Additionally, these amendments will make the Codification easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications.

This update is effective for annual periods beginning on or after December 15, 2012. The Bank is evaluating the potential impact of this update in its financial statements.

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. These liquid assets are adequate to cover 24-hour deposits from customers, which theoretically could be withdrawn on the same day. As of December 31, 2012, the Bank's 24-hour deposits from customers (overnight deposits, demand deposit accounts and call deposits) amounted to \$132 million, representing 6% of the Bank's total deposits. The liquidity requirement resulting from these maturities is satisfied by the Bank's liquid assets, which as of December 31, 2012 were \$690 million (representing 30% of total deposits) of which \$30 million corresponds to time deposits.

As established by the Bank's liquidity policy, the Bank's liquid assets are held in the form of interbank deposits with reputable international banks that have A1, P1, or F1 ratings from two of the major internationally – recognized rating agencies and are located outside of the Region. These banks must have a correspondent relationship with the Bank. 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 reviews and controls on its liquidity position, including the application of a series of limits to restrict its overall liquidity risk and the monitors the liquidity level according to the macroeconomic environment. Specific limits have been established to control (1) cumulative maturity "gaps" between assets and liabilities, for each maturity classification presented in the Bank's internal liquidity reports, and (2) 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.

The Bank follows a 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, cost of funds and market interest rates), which in cases of high volatility would trigger implementation of a series of precautionary measures to reinforce the Bank's liquidity position. In the Bank's opinion, its working capital is sufficient for the Bank's present requirements.

The following table shows the Bank's liquid assets, by principal geographic area as of December 31 of each year:

	As of December 31,		
	2012	2011	2010
	(in \$ million)		
Europe	\$0	\$2	\$60
United States	668	762	287
Other O.E.C.D.	22	21	74
Total	\$690	\$786	\$421

As of December 31, 2012, liquidity amounted to \$690 million. \$653 million, or 95%, of liquid assets were deposited at the Federal Reserve Bank of New York. The remaining liquid assets consisted of short-term funds deposited with other banks.

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. As of December 31, 2012, the average original term to maturity of the Bank's short-term loan portfolio of \$3,625 million maturing up to one year based on original term was approximately 174 days.

Medium-term assets (maturing beyond one year based on original term) totaled \$2,295 million as of December 31, 2012. Of that amount, \$183 million corresponded to the Bank's securities available-for-sale portfolio and \$21 million in the securities held to maturity. The remaining \$2,091 million in medium-term assets represented commercial loans.

Credit Ratings

The cost and availability of financing for the Bank are influenced by its credit ratings, among other factors. The credit ratings of the Bank as of December 31, 2012, were as follows:

	As of December 31, 2012		
	Fitch	Moody's	Standard & Poor's
Short -Term	F2	P-2	A-2
Long-Term	BBB+	Baa2	BBB
Rating Outlook	Stable	Stable	Stable

Credit Rating from Fitch Ratings Ltd.

On July 31, 2012, Fitch Ratings Ltd., or Fitch, upgraded the Bank's Issuer Default Rating, or IDR, to "BBB+", Outlook Stable.

Credit Rating from Moody's Investor Service, Inc.

The credit ratings from Moody's Investor Service, Inc., or Moody's, have been unchanged since December 19, 2007, and on March 20, 2012, Moody's confirmed its credit rating of the Bank.

Credit Rating from Standard & Poor's

The credit ratings from Standard & Poor's, or S&P, have been unchanged since May 13, 2008, and on September 25, 2012, S&P confirmed its credit ratings of the Bank.

Critical factors in maintaining the Bank's high credit ratings, include a substantial expansion in core earnings, the maintenance of a high-quality balance sheet, and strong tier one capitalization. Although the Bank closely monitors and manages factors influencing its credit ratings, there is no assurance that such ratings will not be lowered in the

future.

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 providing the majority of the funds required 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 as of December 31 of each year:

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	As of December 31,					
	2012		2011		2010	
	(in percentages)					
Interbank deposits	39.1	%	41.2	%	41.5	%
Securities sold under repurchase agreements	2.7	%	6.7	%	6.0	%
Borrowings and debts	56.6	%	50.2	%	49.5	%
Other liabilities.	1.6	%	1.9	%	2.9	%
Total liabilities	100.0	%	100.0	%	100.0	%

Short-term borrowings and borrowings and long-term debt are important funding sources for the Bank's loan portfolio because they permit the Bank to diversify its funding sources outside the Region, and because the Bank uses these borrowings and placements, which generally have longer maturities than deposits, to manage its asset and liability positions. See "Cash—Asset—Liability Management."

Among other sources, Bladex funds itself through short- and medium-term loans taken from international correspondent banks mainly from the United States and Europe. Among those European banks with credit lines in favor of Bladex, the largest country concentrations are from banks located in the United Kingdom and Germany. Bladex has not taken funding from banks based in Ireland or Greece. The volume of funds taken from Italian and Portuguese banks has been minimal in recent years, with no balance outstanding from Italian banks as of December 31, 2012, and \$8 million outstanding from Portuguese banks as of that date. There are no bilateral loans taken from Spanish banks as of December 31, 2012.

As concerns over European sovereign debt and interbank liquidity rose over the course of 2011, Bladex suffered minimal impact to the volume of credit lines available from its European correspondent banks. However, the pricing of credit from European banks in favor of Bladex did increase to some extent, reflecting increases in European banks' own funding costs, particularly during the fourth quarter of the year.

Bladex engages in interest rate swap and cross currency swap transactions, exclusively for hedging purposes. As of December 31, 2012, the volume of interest rate swaps contracted with European banks was \$140 million. The counterparties to those interest rate swaps were highly-rated banks based in Germany, France, the United Kingdom, and Switzerland. The volume of cross currency swaps as of that date was \$187 million, contracted with highly-rated banks from France, the United Kingdom, and Switzerland. As of December 31, 2012, Bladex had no derivative contracts outstanding with banks from any other European countries, apart from those mentioned above.

Deposits

The Bank obtains deposits principally from central and commercial banks in the Region. As of December 31, 2012, approximately 37% of the deposits held by the Bank were deposits made by central banks of countries in the Region 38% of deposits held by the Bank were made by state owned banks, and 25% of the Bank's total deposits represented deposits from private sector commercial banks and financial institutions. 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 as of December 31, 2012, 2011, and 2010, was 76 days, 72 days, and 53 days, respectively. The bulk of the Bank's other deposits is obtained primarily from commercial banks located in the Region. As of December 31, 2012, deposits from the Bank's five largest depositors, of which four were central banks in the Region, represented 48% of the Bank's total deposits. See Item 18, "Financial Statements," note 12.

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

	As of December 31,		
	2012	2011	2010
	(in \$ million)		
Argentina	\$68	\$71	\$78
Bahamas	2	2	2
Barbados	33	35	5
Bolivia	2	0	0
Brazil	386	465	359
Cayman Island	21	7	41
Colombia	49	4	7
Costa Rica	0	0	12
Dominican Republic	0	0	0
Ecuador	471	746	437
El Salvador	25	28	18
France	2	0	0
Guatemala	20	50	60
Haiti	181	78	3
Honduras	86	71	99
Jamaica	1	1	1
Japan	0	0	0
Mexico	50	50	50
Nicaragua	59	57	50
Panama	235	125	147
Paraguay	275	250	200
Peru	30	21	31
Trinidad and Tobago	29	19	19
United Kingdom	74	50	50
United States	28	27	15
Venezuela	191	146	137
Total	\$2,317	\$2,304	\$1,821

Securities Sold Under Repurchase Agreements and Short-Term Borrowings

The Bank enters into repurchase agreements, or repos, with international banks, utilizing its investment securities portfolio as collateral to secure cost-effective funding. Repurchase agreements are accounted for either as sales of securities or as secured financings in the financial statements. As of December 31, 2012, securities sold under repurchase agreements amounted to \$158 million, a decrease of \$219 million from December 31, 2011 and a decrease of \$107 million from \$265 million as of December 31, 2010. See Item 18, "Financial Statements," note 13.

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 19 European and North American, three Asian and two Latin American banks provide these short-term borrowings to the Bank.

As of December 31, 2012, short-term borrowings amounted to \$1,449 million, compared to \$1,323 million as of December 31, 2011, an increase of \$126 million. The increase in short-term borrowings was the result of increased levels of liquidity in international markets and more demand for credit as well as the Bank's increased access to additional funding as the result of new relationships with correspondent banks and the increased credit lines from existing counterparties. The average term remaining to maturity of short-term borrowings as of December 31, 2012 was approximately 146 days. See Item 18, "Financial Statements," note 13 and 14.

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

	As of and for the Year Ended December 31,		
	2012	2011	2010
	(in \$ million, except percentages)		
Short-term borrowings and securities sold under repurchase agreements			
Advances from banks and financial institutions	\$1,449	\$1,323	\$1,095
Securities sold under repurchase agreements	158	377	265
Total short-term borrowings and securities sold under repurchase agreements	\$1,607	\$1,700	\$1,360
Maximum amount outstanding at any month-end	\$1,607	\$1,700	\$1,360
Amount outstanding at year-end	\$1,607	\$1,700	\$1,360
Average amount outstanding	\$1,126	\$1,369	\$724
Weighted average interest rate on average amount outstanding	1.74 %	1.12 %	1.09 %
Weighted average interest rate on amount outstanding at year end	1.22 %	0.91 %	0.58 %

Borrowings and Long-Term Debt

Borrowings consist of long-term and syndicated loans obtained from international banks. Debt instruments consist of notes issued under the Bank's Euro Medium Term Note Program, or EMTN, and local – currency bond issuances in Latin America.

Interest rates on most long-term borrowings are adjusted quarterly or semi-annually based on short-term LIBOR rates plus a credit spread. The credit spread is defined according to several factors, including credit ratings, risk perception, and the remaining term to maturity. The Bank uses these funds to primarily finance its medium-term and long-term loan portfolio. As of December 31, 2012, the average term remaining to maturity of the Bank's medium and long-term debt was 1.8 years.

On April 27, 2012, the Bank completed the placement of a \$200 million two-year syndicated loan with the participation of several banks and financial institutions as lenders.

During 2011, the Bank continued accessing the Asian market, enabling it to incur two new syndicated loans, further expanding Bladex's network of Asian correspondent banks. In January, 2011 the Bank entered into a \$130 million three-year term syndicated loan, and in August, 2011 the Bank entered into a \$165 million three-year term syndicated loan. These financings represent the third and fourth cross-border syndicated loans arranged for Bladex in the Asian financial markets after the successful closing of two previous Bladex deals in August and November of 2009, both of which matured during 2011. In addition, the Bank placed a \$270 million three-year term global syndicated loan,

taking advantage of the Bank's access to the international markets in April, 2011.

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.

Notes Program in Mexico

On March 22, 2012, the Bank carried out its first-ever issuance of "certificados bursátiles" in the Mexican capital markets, in the amount of Pesos 2.0 billion (two billion Mexican pesos). The notes have a three-year tenor, with a floating-rate coupon of 28-day TIE plus 65 basis points.

On February 22, 2012, the Bank established a short- and long-term notes program (the "Mexico Program") in the Mexican local market, registered with Mexican National Registry of Securities (*Registro Nacional de Valores*) maintained by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), for an authorized aggregate principal amount of 10 billion Mexican Pesos or its equivalent in "Investment Unit" (*Unidades de Inversión*), U.S. dollars or Euros and with maturities from one day to 30 years.

Rule 144A/Regulation S Notes Offering

On April 4, 2012, Bladex, as issuer, closed a Rule 144A/Regulation S offering of 3.750% fixed-rate notes due in 2017, for a total aggregate principal amount of \$400 million. This transaction represented the first issuance of notes under Bladex's \$2.25 billion Euro Medium Term Note Program (EMTN) in the United States in reliance on Rule 144A. The notes are listed on the Official List of the Luxembourg S.E. and trade on the Euro MTF. The inflows of these funds were recorded in early April, 2012.

The following table presents information regarding the amounts outstanding under, and interest rates on, the Bank's borrowings and long-term debt at the dates and during the periods indicated. See Item 18, "Financial Statements," notes 15, 21 and Item 11, "Quantitative and Qualitative Disclosure About Market Risk." See Item 18, Financial Statements—Consolidated Balance Sheets as of December 31, 2012 and 2011."

	As of and for the Year Ended December 31,		
	2012	2011	2010
	(in \$ million, except percentages)		
Borrowings and long-term debt			
Amount outstanding at year-end	\$1,906	\$1,488	\$1,075
Maximum amount outstanding at any month-end	\$2,153	\$1,548	\$1,400
Average amount outstanding	\$1,894	\$1,392	\$1,241
Weighted average interest rate on average amount outstanding	2.74 %	1.94 %	2.07 %
Weighted average interest rate on amount outstanding at year end	2.92 %	2.16 %	2.10 %

Cost and Maturity Profile of Borrowed Funds and Floating-Rate 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 (including securities sold under repurchase agreements) as of December 31, 2012:

Weighted
Amount Average
Cost

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	(in \$ million, except percentage)		
Short-term borrowings and Securities sold under repurchase agreements at fixed interest rate			
Due in 0 to 30 days	218	1.03	%
Due in 31 to 90 days	279	0.92	%
Due in 91 to 180 days	494	1.36	%
Due in 181 to 365 days	348	1.60	%
Total	\$1,340	1.28	%
Short-term borrowings at floating interest rate			
Due in 0 to 30 days	10	1.98	%
Due in 31 to 90 days	105	1.88	%
Due in 91 to 180 days	24	1.11	%
Due in 181 to 365 days	128	2.42	%
Total	\$268	2.08	%
Medium and long-term borrowings at fixed interest rate			
Due in 0 to 30 days	0	8.24	%
Due in 31 to 90 days	2	3.17	%
Due in 91 to 180 days	0	9.40	%
Due in 181 to 365 days	1	3.29	%
Due in 1 through 6 years	2	0.87	%
Total	\$6	2.78	%
Medium and long-term borrowings at floating interest rate			
Due in 0 to 30 days	18	0.94	%
Due in 31 to 90 days	286	2.59	%
Due in 91 to 180 days	28	0.76	%
Due in 181 to 365 days	77	3.14	%
Due in 1 through 6 years	884	2.09	%
Total	\$1,292	2.22	%
Medium and long-term fixed-rate placements			
Due in 1 through 6 years	453	4.04	%
Total	\$453	4.04	%
Medium and long-term floating-rate placements			
Due in 1 through 6 years	154	5.50	%
Total	\$154	5.50	%
Grand Total	\$3,513		

The lines granted to Bladex are advised, they are not committed. The utilization of lines from correspondent banks may contain restrictions such as the assets to be financed should be trade related.

Cash flows

The following discussion highlights the major activities and transactions that affected the Bank's cash flows during 2012, 2011, and 2010.

Cash flows from operating activities

The Bank's operating assets and liabilities reflect the Bank's capital markets and lending activities, including the origination of loans and the purchase of securities such as the Bank's portfolio of securities available-for-sale. Operating assets and liabilities can vary significantly in the normal course of business due to the amount and timing of cash flows, which are affected by client-driven activities, market conditions, and trading strategies. Management believes cash flows from operations, adequate reserve coverage levels, and the Bank's ability to generate cash through short and long-term borrowings are sufficient to fund its operating liquidity needs.

For the year ended December 31, 2012, net cash provided by operating activities was \$97.1 million primarily as a result of a net income of \$93.3 million, a net decrease in the Fund portfolio by \$14.5 million mainly due to redemptions of part of the Bank's interest therein, and the net variance in derivatives financial instruments of \$47.7 million, offset by a net increase of \$26.7 million in trading liabilities mainly composed by freestanding derivative financial instruments and a net decrease of \$14.3 million in trading assets.

For the year ended December 31, 2011, net cash provided by operating activities was \$180.2 million. Net cash was provided by net income of \$83.9 million, a net decrease in the Fund portfolio by \$46.9 million, mainly due to redemptions of part of the Bank's interest therein, net decrease in the trading assets by \$29.8 million, and by net cash of \$17.2 million provided by activities of derivative financial instruments and hedging.

For the year ended December 31, 2010, net cash provided by operating activities was \$69.0 million. Net cash was provided by net income, a net decrease in the investment fund portfolio by \$30.3 million, and a \$5.5 million increase in accrued interest receivable mainly due to an increase in the credit portfolio. Net cash was provided by net income

and from adjustments for non-cash items such as the provision for credit losses, depreciation and amortization and stock-based compensation.

Cash flows from investing activities

The Bank's investing activities predominantly include loans originated by the Bank, as well as the portfolio of securities available-for-sale and securities held-to-maturity.

For the year ended December 31, 2012, net cash of \$504 million was used in investing activities, mostly in form of a net increase in loans of \$909 million from increased commercial activity, with main inflows from the net sale of \$146 million of loans and the sale of investment securities of \$255 million.

For the year ended December 31, 2011, net cash of \$1,006 million was used in investing activities, mostly from a net increase in loans originated by the Bank, resulting from increased commercial activity during 2011, and net cash used to purchase investment securities.

For the year ended December 31, 2010, net cash of \$1,226 million was used in investing activities. This resulted primarily from a net increase in loans originated by the Bank due to improved conditions in the financial markets and increased demand for the Bank's lending products.

Cash flows from financing activities

The Bank's financing activities primarily reflect cash flows related to raising deposits, short-term borrowings and securities sold under repurchase agreements, and proceeds from, and repayments of, borrowings and long-term debt.

In 2012, net cash provided by financing activities was \$310 million. This was mainly due to a net increase in borrowings and long-term debt of \$418 million, offset by a decrease of short-term borrowings and securities sold under repurchase agreements of \$93 million.

In 2011, net cash provided by financing activities was \$1,196 million. This resulted from an increase in deposits, short-term borrowings and securities sold under repurchase agreements.

In 2010, net cash provided by financing activities was \$1,175 million. This resulted from an increase in deposits, short-term borrowings and securities sold under repurchase agreements.

Asset/Liability Management

The Bank seeks to manage its assets and liabilities to reduce the potential adverse impact on net interest income that could result from interest rate changes. The Bank controls interest rate risk through systematic monitoring of maturity mismatches. The Bank's investment decision-making takes into account not only the rates of return and the respective underlying degrees of risk, but also liquidity requirements, including minimum cash reserves, withdrawal and maturity of deposits and additional demand for funds. For any given period, a matched pricing structure exists when an equal amount of assets and liabilities are repriced. An excess of assets or liabilities over these matched items results in a "gap" or "mismatch," as shown in the table under "Interest Rate Sensitivity" below. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on net interest income. Most of the Bank's assets and most of its liabilities are denominated in U.S. dollars and, therefore, the Bank has no material foreign exchange risk. The foreign exchange risk is mitigated by the use of derivatives, which, though economically perfectly hedged, might give rise to some accounting volatility.

Interest Rate Sensitivity

The following table presents the projected maturities and interest rate adjustment periods of the Bank's assets, liabilities and stockholders' equity based upon the contractual maturities and adjustment dates as of December 31, 2012. The Bank's interest-earning assets and interest-bearing liabilities and the related interest rate sensitivity gap shown in the following table may not reflect positions in subsequent periods.

The Bank actively uses interest rate swaps as part of its interest rate risk management. Interest rate swaps are contracted either in a single currency or cross-currency for a prescribed period in order to exchange a series of interest payment flows, which generally involve swapping fixed for floating-rate.

See Item 11 “Quantitative and Qualitative Disclosure About Market Risk”.

	Total	0-30 Days	31-90 Days	91-180 Days	181-365 Days	More than 365 Days	Non-Interest Sensitive
(in \$ million, except percentages)							
Interest-earning assets							
Cash, due from banks & interest-bearing deposits with banks	707	707	0	0	0	0	0
Trading assets	5	0	0	0	0	0	5
Securities available-for-sale	183	10	60	27	0	41	45
Securities held to maturity	34	0	0	17	15	2	0
Investment fund	106	0	0	0	0	0	106
Loans, net	5,635	1,820	2,233	1,407	256	0	(80)
Total interest-earning assets	6,671	2,537	2,293	1,451	271	43	76
Non-interest earning assets							
Other assets	15	0	0	0	0	0	15
Total assets	6,756	2,537	2,293	1,451	271	43	161
Interest-bearing liabilities							
Deposits							
Demand	132	132	0	0	0	0	0
Time	2,185	1,194	541	281	152	18	0
Trading liabilities	32	0	0	0	0	0	32
Securities sold under repurchase agreements	158	89	70	0	0	0	0
Short-term borrowings	1,449	207	400	494	348	0	0
Borrowings and long-term debt	1,906	435	486	983	1	1	0
Total interest-bearing liabilities	5,863	2,057	1,496	1,758	501	19	32
Non-interest-bearing liabilities							
Total liabilities	5,926	2,057	1,496	1,758	501	19	96
Redeemable noncontrolling interest	3	0	0	0	0	0	3
Stockholders' equity	287	0	0	0	0	0	827
Total liabilities and stockholders' equity	6,756	2,057	1,496	1,758	501	19	926
Interest rate sensitivity gap		480	797	(307)	(230)	24	(765)
Cumulative interest rate sensitivity gap		480	1,277	971	741	765	
Cumulative gap as a % of total interest-earning assets		7 %	19 %	14 %	11 %	11 %	

The Bank's interest rate risk is the exposure of earnings (current and potential) and capital to adverse changes in interest rates and is managed by attempting to match the term and repricing characteristics of the Bank's interest rate sensitive assets and liabilities. The Bank's interest rate risk typically arises from the Bank's liability sensitive short-term position, which means that the Bank's interest-bearing liabilities reprice more quickly than the Bank's interest-earning assets. As a result, there is a potential adverse impact on the Bank's net interest income from interest rate increases. The Bank's policy with respect to interest rate risk provides that the Bank establish limits with regards to: (1) changes in net interest income due to a potential impact, given certain movements in interest rates and (2) changes in the amount of available equity funds of the Bank, given a one basis point movement in interest rates.

As part of its normal Treasury operation, Bladex is exploring new markets for short- and medium-term financing, anticipating funding needs related to the projected Bank's growth. These funding sources should come from the international correspondent banks and from new financings obtained in the capital markets.

Stockholders' Equity

The following table presents information concerning the Bank's capital position at the dates indicated:

	As of December 31,		
	2012	2011	2010
	(in \$ thousand)		
Common stock	\$279,980	\$279,980	\$279,980
Additional paid-in capital in excess of assigned value of common stock	121,419	130,177	133,815
Capital reserves	95,210	95,210	95,210
Retained earnings	422,048	372,644	320,153
Accumulated other comprehensive loss	(730)	(3,112)	(6,441)
Treasury stock	(91,452)	(115,617)	(125,667)
Total stockholders' equity	\$826,475	\$759,282	\$697,050

As of December 31, 2012, stockholders' equity amounted to \$826 million, compared to \$759 million, as of December 31, 2011 and compared to \$697 million as of December 31, 2010.

The \$67 million increase during 2012 compared to 2011 was the net result of (i) increased retained earnings as a result of net income attributable to Bladex of \$93 million, partially offset by \$44 million declared as cash dividends, (ii) \$15 million net variance due to the exercise of stock-based compensation plans (\$13 million) and compensation cost of \$2 million, and (iii) \$2 million net variance in other comprehensive loss as the net result of improved valuations of the securities and/or hedging instruments.

The \$62 million increase during 2011 compared to 2010 was the net result of: increased retained earnings as a result of net income attributable to Bladex of \$83 million, partially offset by \$31 million declared as cash dividends, \$10 million net variance in treasury stock mostly due to compensation cost (\$2 million) and the exercise of stock-based compensation plans (\$4 million), and \$3 million net variance in other comprehensive loss as the net result of improved valuations of the securities and/or the interest rate hedging instruments associated with such securities.

Capital reserves are established by the Bank from retained earnings. Capital reserves are intended to strengthen the Bank's capital position. Reductions of these reserves, for purposes such as the payment of dividends, require the approval of the Board and Panamanian banking authorities. Panamanian banking regulations do not require the Bank to maintain any particular level of capital reserves.

As of December 31, 2012, the capital ratio of total stockholders' equity to total assets was 12.2% and the Bank's Tier 1 and total capital ratios calculated according to Basel I capital adequacy guidelines were 17.9% and 19.2%, respectively. As of December 31, 2012, the Bank's total capital to risk-weighted asset ratio, calculated according to the guidelines of the Banking Law, was 16.51%. See Item 4, "Information on the Company—Business Overview—Regulations."

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

The following are the most important trends, uncertainties and events that are likely to materially affect the Bank or that would cause the financial information disclosed herein to not be indicative of the Bank's future operating results or financial condition:

Changes in global economic conditions, including prices of oil and other commodities, the U.S. dollar exchange rate, interest rates, and slower economic growth in developed countries and trading partners, and the effect that these changes may have on the economic condition of countries in the Region, including the Region's foreign trade growth, and, therefore, the growth of the Bank's trade financing business;

The effect that an economic slowdown or political events in the Region may have on the Bank's asset quality, results of operations and growth prospects;

Risk perception in the markets in which the Bank operates, increased competition, and U.S. dollar liquidity, which could affect spreads over the cost of funds on the Bank's loan portfolio and, in turn, impact the Bank's net interest spreads; and

A continued downturn in the capital markets, or a continued downturn in investor confidence, which could affect the Bank's access to funding or increase its cost of funding.

Year 2012

The Bank performance in 2012 continued to be strong as it leveraged its fundamental strengths, notwithstanding an environment of heightened volatility and uncertainty, which resulted in generally more subdued growth in both Latin American and global economies. The Region's average growth of 3.1% was lower compared to 4.1% in 2011, but still significantly higher than the global average of 2.2%. Within this challenging operating environment, the Bank focused on ensuring sustained growth with more clients in more markets, while gradually improving margins and risks profile through careful management of the Bank's portfolio mix. As of December 31, 2012, the Bank's net income amounted to \$93.0 million in 2012, compared to \$83.2 million as of December 31, 2011. The increase was due to improved performance in the Commercial Division.

As of December 31, 2012, the Bank's commercial portfolio amounted to \$5,953 million, an increase of \$599 million, or 11%, compared to \$5,354 million as of December 31, 2011, as a result of increases associated with corporate and middle-market companies segments. The Bank's credit quality continued to improve with no loan balances in non-accrual status as of December 31, 2012, compared to \$32 million, or 0.6%, of the loan portfolio, as of December 31, 2011. Liquid assets totaled \$690 million as of December 31, 2012 as a result of the Bank's long-standing approach to prudent and proactive liquidity management. Deposit balances remained at \$2,317 million as of December 31, 2012, nearly flat compared to as of December 31, 2011. Short-term borrowings and securities sold under repurchase agreements ("Repos") reached \$1,607 million, while borrowings and long-term debt amounted to \$1,906 million as of December 31, 2012, as a result of inflows recorded in the first half of 2012 from bond issuances and a loan syndication.

Year 2011

The Bank's performance in 2011 was characterized by solid financial results, strong portfolio growth, prudent levels of liquidity, capital and credit quality. The Latin American Region experienced a 23% increase in trade flows, seizing a clear opportunity to capitalize on the Bank's competitive advantages in import/export finance. As of December 31, 2011, the Bank's commercial portfolio amounted to \$5,354 million, an increase of \$908 million or 20%, across all business segments, compared to \$4,446 million as of December 31, 2010. The increase was mainly the result of the

reinforcement of the Bank's client management team, continued expansion of Bladex's regional network of offices, and higher net interest spreads (162 bps in 2011 compared to 143 bps in 2010), despite a small decrease in average interbank market interest rates 6M LIBOR. Net interest margin increased 11 bps to 1.81% in 2011 compared to 1.70% in 2010, as a result of higher average balances, lending spreads and portfolio mix in the corporate and middle-market companies and financial institutions' segment which yield higher margins. The non-accrual portfolio amounted to \$32 million, representing 0.6% of total loan portfolio as of December 31, 2011.

Given the volatility in global interbank liquidity conditions, arising in particular from challenging sovereign debt conditions in the Eurozone, Bladex maintained a conservative approach to liquidity management throughout the year. As a result, the Bank achieved a liquidity level of \$786 million as of December 31, 2011, compared to \$421 million as of December 31, 2010. Weighted average funding cost for the year ended December 31, 2011 amounted to 1.12%, a decrease of 14 bps, or 11%, compared to 1.26% for the year ended December 31, 2010, as a result of improvement in funding costs of deposits, most of which come from primarily from the Bank's Central Bank shareholders.

The Bank's net income for the year 2011 amounted to \$83.2 million, of which \$53.4 million was achieved by the Commercial Division, \$14.7 million by the Treasury Division, and \$15.1 million by the Asset Management Unit. Tier 1 capital ratio stood at 18.6% while the Bank achieved a return on equity of 11.4% for the year 2011.

In addition, see Item 3.D. “Key Information—Risk Factors,” for a discussion of the risks the Bank faces, which could affect the Bank’s business, results of operations and/or financial condition.

E. Off-Balance Sheet Arrangements

In the normal course of business, in order to meet the financing needs of its customers, the Bank is party to financial instruments with off-balance sheet credit risk. As of December 31, 2012, the Bank’s off-balance sheet arrangements included letters of credit, stand-by letters of credit, guarantees (commercial risk and country risk), credit derivatives and credit commitments (including unused commitments and other commitments). These arrangements are kept off-balance sheet as long as the Bank does not incur an obligation relating to them or itself become entitled to an asset. Such off-balance sheet arrangements are exposed to credit and market risk. Therefore, a reserve for losses on off-balance sheet credit risk is recognized on the balance sheet, with the resulting provision recorded in the income statement. As of December 31, 2012, total reserves for losses on off-balance sheet arrangements amounted to \$4 million, compared to \$9 million, and \$13 million as of December 31, 2011 and 2010, respectively. See Item 18, “Financial Statements,” note 9 and 19.

As of December 31, 2012, the total off-balance sheet portfolio amounted \$237 million, compared to \$364 million as of December 31, 2011, and compared to \$381 million as of December 31, 2010.

Fees and commission income from off-balance sheet arrangements amounted to \$10 million, \$11 million, and \$10 million, for the years ended December 31, 2012, December 31, 2011, and December 31, 2010, respectively.

For additional information, see Item 5 “Operating and Financial Review and Prospects—Operating Results—Fees and Commissions, net.”

No obligations have arisen from variable interest entities as defined in U.S. GAAP, including indemnification agreements with the Bank’s executive officers and directors. The Bank provides indemnity insurance pursuant to which directors and officers are indemnified or insured against liability or loss under certain circumstances, including liabilities or related losses arising under the Securities Act and the Exchange Act.

F. Contractual Obligations and Commercial Commitments

The following tables set forth information regarding the Bank's contractual obligations and commercial commitments as of December 31, 2012.

Contractual Obligations ⁽¹⁾	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
	(in \$ million)				
Deposits	\$2,317	2,300	18	0	0
Trading liabilities	32	32	0	0	0
Securities sold under repurchase agreement	158	158	0	0	0
Short-term borrowings	1,449	1,449	0	0	0
Borrowings and long-term debt ⁽²⁾	1,906	412	1,088	405	0
Accrued interest payable	18	18	0	0	0
Leasehold obligations ⁽³⁾	27	2	6	5	14
Total contractual obligations	5,908	4,372	1,112	410	14

⁽¹⁾ The contractual obligations exclude future contractual interest payment obligations as some obligations have floating interest rates.

⁽²⁾ Certain debt obligations are subject to covenants that could accelerate the payment of these obligations.

Obligations under the agreement for the leasing of the Bank's new offices commenced in June of 2012. Minimum

⁽³⁾ payments have not been reduced by minimum sublease rentals of \$1.3 million due in the future under non-cancelable subleases.

Other Commercial Commitments	Amount of Commitment Expiration by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
	(in \$ million)				
Letters of credit ⁽⁴⁾	108	108	0	0	0
Stand-by letters of credit	24	23	1	0	0
Guarantees	1	1	0	0	0
Other commercial commitments	103	89	2	11	1
Total Commercial Commitments	\$236	221	3	11	1

⁽⁴⁾ Includes customer liabilities under acceptances outstanding (on-balance sheet assets) for a total amount of \$11 million as of December 31, 2012.

The covenants included in some of the Bank's liabilities contracts are standard market covenants. Bladex has been and expects to continue to be in compliance with regards to these covenants.

See Item 18, "Financial Statements," notes 19 and 20.

Item 6. Directors, Executive Officers and Employees

A. Directors and Executive Officers

Directors

The following table sets forth certain information concerning the Directors of the Bank as of the date of this Annual Report.

Name	Country of Citizenship	Position Held with The Bank	Year Term Expires	Director Since	Age
CLASS A					
Esteban Alejandro Acerbo Second Vice President Banco de la Nación Argentina, Argentina	Argentina	Director	2014	2010	51
Manuel Sánchez González Deputy Governor Banco de Mexico, Mexico	Mexico	Director	2014	2011	62
João Carlos Nobrega Pecego Regional General Manager – Head of Latin America Banco do Brasil, Brazil	Brazil	Director	2013	2010	49
CLASS E					
Mario Covo Chief Executive Officer Helios Advisors, U.S.A.	U.S.A.	Director	2014	1999	55
Herminio Blanco Chief Executive Officer Soluciones Estratégicas Consultoría, Mexico	Mexico	Director	2013	2004	62
Maria da Graça França Brazil William D. Hayes President Whaleco, Inc., U.S.A.	Brazil	Director	2013	2004	64
Guillermo Güémez García Mexico	U.S.A.	Director	2013	2004	69
	Mexico	Director	2015	1997	72
ALL CLASSES OF COMMON STOCK ⁽¹⁾					
Gonzalo Menéndez Duque Director Banco de Chile, Chile		Chairman of the Board			
Rubens V. Amaral Jr. ⁽²⁾ Chief Executive Officer Bladex, Panama	Chile	Board	2015	1990	64
	Brazil	Director	2015	2012 ⁽²⁾	53

⁽¹⁾ Denotes class(es) of common stock of the Bank that elect the directors listed.

Mr. Rubens V. Amaral Jr. was appointed Director of the Board of all classes of shares after the resignation of Mr. ⁽²⁾Jaime Rivera, the Bank's former Chief Executive Officer. He will serve the remainder of Mr. Rivera's original term, which was due to expire in April 2015.

Esteban Alejandro Acerbo has served as a Director of the Board since 2010. Mr. Acerbo has served as Second Vice President of Banco de la Nación Argentina since 2012, Director of Banco de la Nación Argentina from 2006 to 2012 and President of Nación Leasing since 2006. Mr. Acerbo has also served as main advisor of the Administrative Council on behalf of the partners and members of Garantizar – Sociedad de Garantías Recíprocas. He is President of Nación Reaseguros S.A., Compañía de Reaseguros. Mr. Acerbo is President of the following Commissions of Banco de la Nación Argentina: Commercial and Individual Banking since 2010 and from 2006 until 2008, Risk and Collection from 2008 to 2010 and Planning and Control from 2009 until 2010. He also has served as Vice President of the International Relations and Foreign Trade Commission of Banco de la Nación Argentina since 2008 and was Vice President of the Finance and Credit Policy Commission from 2006 to 2008. Mr. Acerbo was an Associate of the Treasury Division of the Ministry of Economy of Argentina in 2005, Advisor and associate in accounting, taxes and finance to the Chamber of Commerce, Industry and Production from 1991 to 2001. Prior to that, Mr. Acerbo was Principal of Estudio Acerbo y Asociados from 1989 to 2005, member of the Development Commission of the Production Office of the Daireaux Municipality, Argentina from 2001 to 2004 and associate in tax policy for the creation of industrial parks in different districts of the Buenos Aires Province in Argentina from 1999 to 2001. Mr. Acerbo holds a degree of Public Accountant from Universidad Nacional del Sur, Argentina, and a degree of Chartered Accountant with honors from Colegio Nacional y Sección Comercial Anexa de Daireaux, Argentina. Mr. Acerbo's professional experience in the fields of tax, accounting and finance qualify him to serve on the Board.

Manuel Sánchez González has served as Director of the Board since 2011. He has also served as Deputy Governor of Banco de México, Mexico's central bank, since 2009. Prior to this appointment, he was Director of Investment at Valanza México, a private equity unit of BBVA Financial Group. He joined BBVA Bancomer Financial Group (formerly Bancomer Financial Group) in 1993 as Director of Financial Analysis and Investor Relations. From 1995 to 1997 he was Director of Planning and Finance of the Banking Services Division, and from 1997 to 2004 he served as the group's Chief Economist. Prior to those positions he was Director General of the Center for Economic Analysis and Research at the Instituto Tecnológico Autónomo de México (ITAM). Dr. Sánchez has been a Professor of Economics at ITAM and at various universities, including Boston College and the University of Chicago. He is the author of several articles published in books and specialized journals. He was coordinator and editor of the book *Procesos de Privatización en América Latina*, published in 1993, with contributions by research centers from Chile, Mexico, Colombia, and Argentina. He is also the author of *Economía Mexicana para Desencantados*, published in 2006, and has written op-ed articles for several newspapers and a column for Mexican newspaper *Reforma*. He has been a consultant for several companies and international institutions. Previous posts include Chief Economist at Grupo Vitro and Senior Economist at Grupo Industrial Alfa, in Monterrey, Mexico. Mr. Sánchez holds a B.S. degree in Economics from ITAM and Instituto Tecnológico de Estudios Superiores de Monterrey, a M.S. degree from the University of Missouri, and Doctorate degrees in Economics from the University of Chicago. He was honored with an excellence award for his Master Thesis from the American Agricultural Economic Association. Mr. Sánchez's professional experience in finance and economics and his academic skills qualify him to serve on the Board.

Mario Covo has served as a Director of the Board since 1999 and Director of Bladex Asset Management Inc. since 2008. Dr. Covo is the Managing Partner of Helios Advisors in New York. He was a founding partner of Finaccess International, Inc. in 2000 and of Columbus Advisors in 1995. Dr. Covo worked at Merrill Lynch from 1989 to 1995, where he was Head of Emerging Markets-Capital Markets. Prior to working for Merrill Lynch, Dr. Covo worked at Bankers Trust Company of New York from 1985 to 1989 as Vice President in the Latin American Merchant Banking Group, focusing on corporate finance and debt-for-equity swaps. Prior to that Dr. Covo was an International Economist for Chase Econometrics from 1984 to 1985, focusing primarily on Venezuela and Colombia. Dr. Covo holds a Ph.D. in Economics from Rice University and a B.A. with honors from Instituto Tecnológico Autónomo de México. Dr. Covo's extensive background and experience in the financial services industry, and his exposure to the markets where the Bank operates qualify him to serve on the Board.

Herminio A. Blanco has served as a Director of the Board since 2004. Dr. Blanco is the founder and CEO of Soluciones Estratégicas Consultoría, in Mexico City. Dr. Blanco has been the Chairman of IQOM, a consulting corporation and a daily analytical electronic newspaper specializing in international trade in Latin America since 2005. He has been a member of the Advisory Board of SSA Mexico since 2008. Dr. Blanco has served on the boards of Banorte and CYDSA since 2006 and Arcelor Mittal Steel U.S. since 2004. He has been a member of the International Advisory Committee of Mitsubishi Corporation and the Trilateral Commission since 2000. He was the Secretary of Trade and Industry of Mexico from 1994 to 2000, the Undersecretary for International Trade and Negotiations from 1993 to 1994 and Mexico's Chief Negotiator of the North American Free Trade Agreement (NAFTA) from 1990 to 1993. Dr. Blanco was one of the three members of the Council of Economic Advisors to the President of Mexico from 1985 to 1988. In addition, he was responsible for the negotiation of the Mexico-European Union and Mexico and the European Free Trade Area free trade agreements and various other free trade agreements with Latin American countries and with Israel. Dr. Blanco also contributed to the launching of negotiations for the free trade agreement with Japan. He was Assistant Professor of Economics at Rice University, in Houston, Texas from 1980 to 1985. Dr. Blanco served as senior advisor to the Finance Minister of Mexico from 1978 to 1980. Dr. Blanco

holds a B.A. in Economics from Instituto Tecnológico de Estudios Superiores de Monterrey, a M.A. and a Ph.D. in Economics from University of Chicago. Dr. Blanco's extensive experience and background in foreign trade along with his academic and consulting skills qualify him to serve on the Board.

Maria da Graça França has served as a Director of the Board since 2004. Ms. França served as Director of Internal Control of Banco do Brasil from 2006 to 2007. She also served in various other capacities during her tenure with Banco do Brasil, since 1971, as Head of North America and General Manager of Banco do Brasil, New York Branch from 2004 to 2005, Executive General Manager of the International Division in Brasilia, Brazil from 2002 to 2003, Regional Manager for the operations of the Bank in South America based in Argentina in 2002, General Manager of Banco do Brasil, Paris Branch from 1999 to 2002, Deputy General Manager of Banco do Brasil, Miami Branch from 1993 to 1999, General Manager of the department responsible for Banco do Brasil's foreign network from 1992 to 1993, Deputy General Manager for foreign exchange from 1989 to 1992, Assistant Manager within the Risk Management Area from 1988 to 1989, Assistant Manager for foreign exchange internal controls from 1984 to 1987 and employee in the Foreign Exchange Department from 1971 to 1984. Ms. França holds a degree in Economics and Accounting from Universidad Federal de Uberlandia-Minaias Gerais, Brazil. Ms. França's experience managing operations and internal controls in international banking as well as her extensive tenure with Banco do Brasil, provide her unique insight, and qualify her to serve on the Board.

William Dick Hayes has served as a Director of the Board since 2004 and has served as a Director of Bladex Asset Management since 2008. Mr. Hayes has served as President of Whaleco, Inc., New York since 1994, as Managing Director of MacGregor Design Development, LLC, Connecticut since 2006 and as Chairman and charter member of the Board of Directors and the Investment Committee of Tricon Forfeiting Fund Limited, Bermuda since 2000. He served as Managing Director-Emerging Markets and Global Head of Emerging Market Fixed Income Sales and in other Latin American regional capacities, based in London and New York, for West Merchant Bank, Chartered WestLB and Standard Chartered Merchant Bank from 1987 to 2000. Mr. Hayes served as Senior Vice President-Trading for Libra Bank Limited, New York Agency from 1986 to 1987, Principal of W.D. Hayes and Associates, California from 1984 to 1986, and in numerous administrative, lending and Latin American investment banking functions for Wells Fargo Bank, N.A., San Francisco, California from 1969 to 1984. Mr. Hayes holds a B.A. and MBA from Stanford University and he pursued additional graduate studies at Instituto Tecnológico de Estudios Superiores de Monterrey. Mr. Hayes' diversified financial services industry experience, including his experience in emerging markets and exposure to international capital markets qualify him to serve on the Board.

Guillermo Güémez García has served as Director of the Board since 1997. Mr. Güémez has been a member of the board and a member of the Investment Committee of Fundación Gonzalo Rio Arronte since 2013. Mr. Güémez is a member of the Board and the chairman of the Risk Committee of Banco Santander (Mexico) S.A., chairman of the Audit Committee of Zurich Compañía de Seguros S.A. and Zurich Vida Compañía de Seguros S.A., a member of the Senior Advisory Board of Oliver Wyman Financial Services, a member of the Board of Directors of Zurich Santander Seguros Mexico S.A., a member of the Board of Financiera Mexicana para el Desarrollo Rural S.A. de C.V. and a member of the Investment Committee of Nacional Monte de Piedad IAP since 2012. Mr. Güémez has served as a member of the Institute of International Finance Board of Director's Alumni Council, a member of the Board of Directors of Zurich Compañía de Seguros S.A. and Zurich Vida Compañía de Seguros S.A., a member of the Board of Directors and a member of the Investment Committee of Afore Sura (former ING pension fund in Mexico), a member of the Strategy and Financial Committee of Nacional Monte de Piedad IAP, member of the Board of Geusa S.A. de C.V., a board member of Fundación de Estudios Financieros and a member of the Board of Fundación UNAM since 2011, and Chairman of the Advisory Board of the Business School of Universidad Panamericana in Guadalajara since 2008. He served as Deputy Governor of Banco de Mexico from 1995 to 2010. He also served as a Board Member of the National Insurance Commission and Casa de Moneda de Mexico since 1995. He served as President of the Executive Committee of Grupo Azucarero Mexico and Vice Chairman of Grupo de Embotelladoras Unidas, S.A. de C.V. from 1993 to 1994. Mr. Güémez served as Co-Chairman of the North American Committee, Board Member of Home Mart, S.A. de C.V. and Vice Chairman of the Board of Grupo Embotelladoras Unidas, S.A. de C.V. from 1992 to 1994. He served on the Mexican Business Coordinating Council for the North American Free Trade Agreement ("NAFTA") in the capacity of Executive Director from 1990 to 1992. He was employed by Banco Nacional de Mexico (Banamex) in various capacities from 1974 to 1991, including Manager for Foreign Currency Funding and International Credits from 1974 to 1978, Representative in London from 1979 to 1981, Executive Vice President of International Treasury and Foreign Exchange, Exchange Controls and Ficorca from 1982 to 1986, and Executive Vice President for International Products from 1986 to 1990. Mr. Güémez founded and was President of Euromex Casa de Cambio and Euroamerican Capital Corporation from 1986 to 1990. Mr. Güémez is the Chairman of Fundación de Reintegración Social del Estado de Mexico. He also has served as a Board Member of the Institute of International Finance and as a Board Member and Chairman of the Executive Committee of International Mexican Bank Ltd. Prior to that Mr. Güémez was employed by Bank of America Corporation in Mexico as Assistant Representative. Mr. Güémez holds a degree in Civil Engineering with honors from Universidad Nacional Autónoma de Mexico and a M.S. from Stanford University. Mr. Güémez's extensive background and professional experience in risk assessment, financial services and international banking qualify him to serve on the Board.

Gonzalo Menéndez Duque has served as a Director of the Board since 1990. Mr. Menéndez Duque is a senior director of the Luksic companies in Chile and serves as Director of the following Luksic group holding companies: Banco de Chile since 2001, Aguas de Antofagasta S.A. since 2004, Andsberg Investment Ltd. since 2007, Andsberg Ltd. since 2007, Antofagasta Group since 1997, Antofagasta PLC since 1985, Banchile Factoring S.A. since 2010, Holdings Quiñenco since 1996, Socofin S.A. since 2010, Compañía Sudamericana de Vapores S.A. and Sudamericana Agencias Aéreas y Marítimas S.A.-SAAM since 2011 and Sociedad Matriz SAAM S.A., since 2012. In addition, he has served as President of Inversiones Vita since 2000, a Luksic group company. He also serves as Vice Chairman of Fundación Andrónico Luksic A. and Fundación Pascual Baburizza since 2005. Previously, Mr. Menéndez Duque served as Director and President of several companies related to Grupo Luksic since 1985, including the following: Banco de A. Edwards and related companies, Banco Santiago, Empresas Lucchetti, S.A., Banco O’Higgins, Banchile Corredores de Bolsa S.A. and Banchile Administradora General de Fondos. Mr. Menéndez Duque has been the Chairman of the Board of Bladex since 2002, and was previously the Chairman of the Bank’s Board of Bladex from 1995 to 1997. Mr. Menéndez holds a degree in Business Administration and Accounting with honors from Universidad de Chile. Mr. Menéndez Duque’s skills, leadership and managerial experience in large complex organizations in various extensively regulated industries, and his experience as a board member in different companies, qualify him to serve on the Board.

Rubens V. Amaral Jr. has served as a Director of the Board and Chief Executive Officer since August 2012. Prior to his appointment as the Chief Executive Officer, Mr. Amaral was Executive Vice President, Chief Commercial Officer of the Bank, and the alternate to the Chief Executive Officer since April 2004. He previously served as General Manager and Managing Director for North America at Banco do Brasil, New York Branch, and a Director of the Board of Bladex from 2000 to 2004. Mr. Amaral served in various capacities with Banco do Brasil since 1975, holding the positions of Managing Director of the International Division and alternate member of the board of directors in 1998, among others. Mr. Amaral also served as a representative in banking supervision for the Central Bank of Brazil from 1982 to 1988. Mr. Amaral has also served in various roles at institutions in the banking industry, including as Trustee of the Board of Trustees of the Institute of International Bankers—IIB, a member of the Advisory Board of the Center for Latin America Studies at the George Washington University, a member of the International Advisory Council at the Bankers Association for Finance and Trade—BAFT, and a Director of the Brazilian American Chamber of Commerce, in New York. He is a graduate in Economics, and he holds a special certification from the Association of Alumni of the Brazilian Superior School of War in Political and Economic Affairs.

Executive Officers

The following table and information sets forth the names of the executive officers of Bladex, their respective positions at the date hereof and positions held by them with the Bank and other entities in prior years:

Name	Position Held with The Bank	Country of Citizenship	Age
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Rubens V. Amaral Jr.	Chief Executive Officer	Brazil	53
Ulysses Marciano	Executive Vice President, Chief Commercial Officer	Brazil	45
Gregory D. Testerman	Executive Vice President, Treasury & Capital Markets	U.S.A.	50
Miguel Moreno	Executive Vice President, Chief Operating Officer	Colombia	59
Daniel Otero	Executive Vice President, Chief Risk Officer	Argentina	43
Christopher Schech	Executive Vice President, Chief Financial Officer	Germany	48
Gustavo Díaz	Senior Vice President, Audit	Colombia	50
Julio C. Aguirre	Senior Vice President, Head of Compliance	Panama	45
Manuel Mejía-Aoun	Chief Investment Officer, Bladex Asset Management Inc.	Panama	54

Presented below is a brief biographical description of each executive officer that is not a member of the Bank's Board:

Rubens V. Amaral Jr. Please see “Information as to the Board, Committees, Non-Executive Officers of the Board, Advisory Council and Executive Officers of the Bank”.

Ulysses Marciano Jr. has served as Executive Vice President, Chief Commercial Officer of the Bank since May 2012. Mr. Marciano previously served as Director of Corporate Banking & Governments of the Bank from 2008 to 2011. Prior to his reincorporation to Bladex, he was Executive Director of Corporate Banking of BBVA Representative Office, São Paulo, Brazil. He has served in various capacities with Banco Santander Brasil S/A since 2003, holding the positions of Senior Banker—Corporate & Investment Banking from 2006 to 2008, Senior Relationship Manager—Corporate & Investment Banking Group from 2004 to 2006. Mr. Marciano has an MBA degree from Instituto Brasileiro de Mercado de Capitais—IBMEC, a Post Graduate in Business Administration from Escola de Administração de Empresas da Fundação Getulio Vargas—FGV, and a B.S. degree in Economics degree from Oswaldo Cruz – São Paulo.

Gregory D. Testerman has served as Executive Vice President, Treasury & Capital Markets of the Bank since 2007. Mr. Testerman has served as a Director of Bladex Asset Management since 2006. Mr. Testerman previously served as Senior Vice President and Treasurer of the Bank from 2005 to 2006. Mr. Testerman served in various capacities with Banco Santander Central Hispano, S.A. from 1986 to 2003, including General Manager, Miami Agency, from 1999 to 2003, General Manager, Tokyo Branch and Country Manager in Japan from 1995 to 1999, Vice President, Head of Financial Control, Benelux and Asia Pacific, from 1991 to 1995, Second Vice President, Special Credit Valuation Assignment, London Branch, in 1991, Second Vice President, Treasury Operations Manager, Belgium, from 1989 to 1991, and Second Vice President, Management Reporting, Belgium, from 1986 to 1989. Mr. Testerman began his career with The Chase Manhattan Bank, N.A. and served as Assistant Treasurer in Belgium in 1986, after completing his training at the bank’s headquarters in New York, from 1984 to 1986. Mr. Testerman holds a B.S. degree in Finance and Business Economics from the University of Notre Dame.

Miguel Moreno has served as Executive Vice President, Chief Operating Officer since July 2007. He previously served as Senior Vice President and Controller of the Bank since September 2001. He was a Management Consulting Partner for PricewaterhouseCoopers LLP, Bogotá, Colombia, from 1988 to 2001, and served as Vice President of Information Technology and Operations for Banco de Crédito, Bogotá, Colombia, from 1987 to 1988. Mr. Moreno served as Chief Executive Officer of TM Ingeniería, Bogotá, Colombia, from 1983 to 1987, and as Head of Industrial Engineering Department, Los Andes University, Colombia, from 1982 to 1984. Mr. Moreno was employed by SENA, Colombia, as Chief of the Organization and Systems Office, from 1977 to 1981, and served as Advisor to the Minister for the Finance and Public Credit Ministry of Colombia, from 1976 to 1977. Mr. Moreno holds a B.S. degree and a M.S. degree in Industrial Engineering, both from Universidad de Los Andes, in Bogotá, Colombia.

Daniel Otero has served as Executive Vice President, Chief Risk Officer of Bladex since August 2012. Mr. Otero has over 22 years of international financial experience. Prior to joining the Bank, he was Chief Risk Officer of Centro Financiero BHD, Santo Domingo, Dominican Republic from 2006 to 2012. Prior to that, he has served in various capacities with PricewaterhouseCoopers Buenos Aires, PricewaterhouseCoopers Santiago de Chile, and PricewaterhouseCoopers London since 1990. Mr. Otero is founder director of the Global Association of Risk

Professionals and the Professional Risk Managers International Association, both in Argentina. He is a Certified Public Accountant from Universidad de Buenos Aires, Argentina.

Christopher Schech has served as Chief Financial Officer of the Bank since September 2009. Previously, Mr. Schech served as Chief Financial Officer in the Region International division at Volvo Financial Services, part of AB Volvo Group based in Gothenburg, Sweden, covering operations in Latin America, Eastern Europe, Asia and Australia. Prior to that, Mr. Schech served in various capacities in Audit, Finance, and Business Development at General Electric Company (GE), from 1996 to 2008. Mr. Schech's background also includes serving in various positions in the Financial Services Audit Division at Coopers & Lybrand Deutsche Revision in Frankfurt, Germany, from 1990 to 1996. Mr. Schech is a certified Public Tax Advisor, and holds a M.S. degree in Economic Studies from the University of Konstanz, Germany.

Gustavo Díaz has served as Senior Vice President, Audit of the Bank since July 2012. He previously served as Senior Vice President and Controller of the Bank since September 2009. Prior to joining the Bank, he served as Chief Audit Executive for Central American Bank for Economic Integration (CABEI) in Honduras covering operations in Central America, from 2000 to 2009. Prior to that, he served as Director of Internal Audit and Chief Compliance Officer for Corporación Financiera del Valle (Corfivalle) in Colombia, from 1994 to 2000. Mr. Díaz served in various capacities with KPMG Colombia and KPMG Chile, from 1985 to 1994 specializing in the financial industry. Mr. Diaz has an MBA and a M.S. degree in Professional Management, both from the University of Miami, a Postgraduate in Finance with a specialization in International Business from Universidad ICESI, Colombia, and B.S. degree in Accounting from Universidad Jorge Tadeo Lozano, Colombia. Mr. Díaz has CIA, CFSA, and CCSA certifications, granted by The Institute of Internal Auditors (IIA) and AML/CA certification granted by Florida International Bankers Association (FIBA, Inc.) and Florida International University (FIU).

Julio C. Aguirre has served as Senior Vice President, Head of Compliance since June 2012. He previously served as Compliance Officer of Bladex since February 2002. Formerly, Mr. Aguirre served as Finance Manager at Banco Internacional de Panamá, where he was responsible for all matters related to Compliance for the bank and its subsidiaries. Mr. Aguirre holds a CP/AML certification granted by FIBA and FIU, an MBA in Business Administration with a major in Banking and Finance and a post-graduate in Top Management granted by Universidad Latina de Panamá, and a B.S. degree in Accounting from Universidad de Panamá. Mr. Aguirre is a member of the Money Laundering Prevention Committee – FELABAN, is President of the Compliance Officers Committee of Panama's Banking Association (ABP) and is President of the Organizing Committee of the Hemispheric Congress for the Money Laundering Prevention of the Panama Banking Association.

Manuel Mejía-Aoun has served as Chief Investment Officer of Bladex Asset Management since November 2005, and as a Director of Bladex Asset Management since 2008. Mr. Mejía-Aoun has over 25 years of investment experience in emerging markets. Prior to joining the Bank, he was Chief Executive Officer of Maxblue, Deutsche Bank's first personal financial consultancy business, focusing on high net worth investors in Latin America. Prior to that he headed the Latin American Foreign Exchange and Local Money Markets Sales and Trading Group at Deutsche Bank. In 1995, Mr. Mejía-Aoun served as Chief Emerging Markets Strategist at Merrill Lynch, covering fixed income securities in Latin America, Eastern Europe, Africa and Asia. From 1987 to 1995, he established and headed the Emerging Markets Trading Group at Merrill Lynch. Mr. Mejia holds a MBA from Thunderbird (American Graduate School of International Management), and a B.S. degree in Business Administration from the Southeast Missouri State University.

B. Compensation

Compensation Consultant

The Nomination and Compensation Committee has authority to retain compensation consulting firms to assist it in the evaluation of executive officer and employee compensation and benefit programs. During 2012, the Bank retained services of McLagan, an international management consulting firm that provided advice in connection with the compensation of the Bank's directors and executive officers. The advice was limited to general statistical data regarding compensation trends and best practices. McLagan did not provide separate additional services for management. No conflict of interest exists that would prevent McLagan from independently representing the Nomination and Compensation Committee.

Cash and Stock-Based Compensation

Executive Officers Compensation

The aggregate amount of cash compensation paid by the Bank during the year ended December 31, 2012, to the executive officers employed in the Bank's Head Office as a group for services in all capacities was \$2,413,906. During the fiscal year ended December 31, 2012, the Bank accrued, and paid on February 15, 2013, performance-based bonuses to the Bank's executive officers in the aggregate amount of \$1,503,025.

In addition, the aggregate amount of salaries and revenue sharing earned by the executive and non-executive employees of Bladex Asset Management during the year ended December 31, 2012, as a group, for services in all capacities, was \$1,321,650.

In February 2008, the Board approved the 2008 Stock Incentive Plan (the "2008 Plan"), which allows the Bank, from time to time, to grant restricted shares, restricted stock units, stock options and/or other stock-based awards to the directors, executive officers and non-executive employees of the Bank.

On February 14, 2012, the Bank granted to current executive officers 55,830 restricted stock units and 25,581 stock options. The Bank granted an additional 67,727 restricted stock units and 66,890 stock options to other current non-executive employees of the Bank. These stock options have an exercise price of \$18.93. The restricted stock units vest 25% per year, measured from the award date, on each anniversary of the award date. The options vest 25% per year, measured from the award date, on each anniversary of the award date. As of December 31, 2012, the compensation cost charged against the Bank's 2012 income in connection with these restricted stock units and stock options was \$446,603 and \$61,196 respectively. The total remaining compensation cost of \$1,801,816 will be charged over a period of 3.12 years.

On October 16, 2012, the Bank granted 32,906 restricted stock units to executive officers of the Bank. The Bank granted an additional 6,966 restricted stock units to other non-executive employees of the Bank. The restricted stock units vest 100% on the first anniversary of the award date. As of December 31, 2012, the compensation cost charged against the Bank's 2012 income in connection with these restricted stock units was \$179,841. The total remaining compensation cost of \$672,651 will be charged over a period of 9.5 months.

The Bank sponsors a defined contribution plan for its expatriate officers. The Bank's contributions are determined as a percentage of the eligible officer's annual salary, with each officer contributing an additional amount withheld from his

salary. All contributions are administered by a trust through an independent third party. During 2012, the Bank charged to salaries expense \$130,820 with respect to the contribution plan. As of December 31, 2012, the total amount set aside or accrued by the Bank in 2012 to provide pension, retirement or similar benefits for executive officers was approximately \$198,240.

2012 Chief Executive Officer Compensation

The 2012 compensation of the Bank's Chief Executive Officer included a base salary of \$350,000, a performance-based cash bonus of \$275,000, a grant of performance-based stock option and a restricted stock units grant with a value of \$320,000, an aggregate 2012 contribution from the Bank to the Chief Executive Officer's retirement plan account in the amount of \$5,833, and limited perquisites and other benefits amounting to \$38,396. In addition, the Chief Executive Officer has a contractual severance payment of \$350,000 in the event of his termination without cause.

The former Chief Executive Officer, who resigned effective July 31, 2012, received a total cash compensation of \$1,330,175 during 2012, including a contractual severance payment of \$300,000.

Results of the Advisory 2012 Say on Pay Shareholder Vote

At the Company's annual meeting of shareholders held in April of 2012, the Bank's shareholders were asked to approve, on an advisory basis, the Bank's fiscal 2011 executive officers' compensation programs (commonly referred to as "say on pay" proposal). A substantial majority (95%) of the votes cast on the say on pay proposal at that meeting were voted in favor of the proposal. The Nomination and Compensation Committee believes that these results affirm the Bank's shareholders' support for the Bank's approach to executive compensation, and therefore did not change its approach in 2012. The Nomination and Compensation Committee will continue working to ensure that the design of the Bank's executive officers' compensation program is focused on long-term shareholder value creation and emphasizes pay for performance.

Compensation and Risk

The Bank reviews and monitors the extent to which compensation practices and programs for senior executives and employees whose activities, individually or as a group, may create incentives for excessive risk taking.

In light of the actions referred to above, the Bank and the Board have not identified any risks arising from the Bank's compensation policies and practices that are reasonably likely to have a material adverse effect on the Bank. Furthermore, certain aspects of the Bank's executive compensation programs, such as the combination of performance-based short-term cash bonuses and performance-based long-term equity awards, reduce the likelihood of excessive risk-taking, and instead create incentives for senior executives to work for long-term growth of the Bank.

Board of Directors Compensation

Each non-employee director of the Bank receives an annual cash retainer of \$44,000 for his or her services as a director and the Chairman of the Board receives an annual cash retainer in the amount of \$93,500. This annual retainer covers seven Board and/or shareholders' meetings. If the Board meets more than seven times, the Bank will pay each director an attendance fee of \$1,700 for each additional Board and/or shareholders' meeting. The Chairman of the Board is eligible to receive an additional 50% of the attendance fee for each such additional Board, shareholders or committee meeting attended.

The Chairman of the Audit and Compliance Committee receives an annual retainer of \$22,000 and the Chairmen of the Assets and Liabilities Committee, Nomination and Compensation Committee, Risk Policy and Assessment Committee, and Business Committee each receive an annual retainer of \$16,500. The non-Chairman members of the

Audit and Compliance Committee receive an annual retainer of \$11,000 and the non-Chairman members of the Assets and Liabilities Committee, Nomination and Compensation Committee, Risk Policy and Assessment Committee, and Business Committee, each receive an annual retainer of \$8,500. These annual retainers cover seven meetings of the Audit and Compliance Committee and six meetings each of the Assets and Liabilities Committee, Nomination and Compensation Committee, Risk Policy and Assessment Committee, and Business Committee. When the Audit and Compliance Committee has met more than seven times and the Assets and Liabilities Committee, Nomination and Compensation Committee, Risk Policy and Assessment Committee, and Business Committee have each met more than six times, the Bank will pay an attendance fee of \$1,100 for each additional committee meeting. The Chairman of each committee of the Board is eligible to receive an additional 50% for each additional committee meeting attended.

The aggregate amount of cash compensation paid by the Bank during the year ended December 31, 2012 to the directors of the Bank as a group for their services as directors was \$708,107.

The aggregate number of restricted shares awarded during the year ended December 31, 2012, to non-employee directors of the Bank as a group under the 2008 Plan was 32,317 Class E shares. As of December 31, 2012, the total cost for these restricted shares amounted to \$713,758 of which \$89,966 was registered during 2012, and the remaining compensation cost of \$623,792 for these restricted shares will be charged against income over a period of 3.47 years.

Beneficial Ownership

As of December 31, 2012, the Bank's executive officers and directors as a group, beneficially owned an aggregate of 318,923 Class E shares, representing approximately 1.09% (based on 29,271,067 Class E shares outstanding as of December 31, 2012) of all issued and outstanding Class E shares as of such date. "Beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is deemed to be the beneficial owner of securities that can be acquired within 60 days from December 31, 2012 through the exercise of any option or through the vesting of any restricted stock or restricted stock units. Ordinary shares subject to options that are currently exercisable or exercisable within 60 days, or that constitute restricted stock or restricted stock units that will vest within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such options, restricted stock or restricted stock units, but are not deemed outstanding for computing the ownership percentage of any other person.

The following table sets forth information regarding beneficial ownership of the Bank's shares, including stock options, deferred equity units, and restricted stock units and holdings of unvested stock options, unvested deferred equity units, and unvested restricted stock units by the Bank's executive officers as of December 31, 2012.

Name and Position of Executive Officer	Number of Shares Owned as of Dec. 31, 2012 ⁽¹⁾	Number of Shares that may be acquired within 60 days of Dec. 31, 2012 ⁽²⁾	Total Number of Shares Beneficially Owned	Percent of Class Beneficially Owned	Stock Options ⁽³⁾	Unvested Restricted Stock Units (2008 Stock Incentive Plan) ⁽⁴⁾
Rubens V. Amaral Jr. Chief Executive Officer	28,392	64,196	92,588	*	18,288	61,070
Ulysses Marciano Executive Vice President Chief Commercial Officer	0	0	0	*	0	0
Gregory D. Testerman Executive Vice President Treasury and Capital Markets	0	64,503	64,503	*	18,288	28,937
Miguel Moreno Executive Vice President Chief Operating Officer	6,840	52,926	59,766	*	26,072	6,320
Daniel Otero Executive Vice President Chief Risk Officer	0	0	0	*	0	0
	0	3,406	3,406	*	0	8,560

Christopher Schech Executive Vice President Chief Financial Officer						
Gustavo Díaz Senior Vice President Audit	946	1,934	2,880	*	0	4,860
Julio Aguirre Senior Vice President Head of Compliance	912	7,263	8,175	*	1,281	2,627
Manuel Mejía-Aoun ⁽⁵⁾ Chief Investment Officer Bladex Asset Management	0	0	0	*	0	0
Total	37,090	194,228	231,318	-	63,929	112,374

* Less than one percent of the outstanding Class E shares.

⁽¹⁾ Includes shares purchased by the executive and restricted stock units or Deferred Equity Units vested and transferred to the executive as of such date.

⁽²⁾ Includes vested traditional stock options, as well as options, restricted stock units and deferred equity units that will vest within 60 days of December 31, 2012.

Includes 19,186, 797 and 43,946 stock options granted to executives officers on February 14, 2012, February 15, 2011 and February 9, 2010, respectively, under the 2008 Plan. Also, an aggregate amount of 53,912, 7,861 and 22,364 stock options were granted to other non-executive employees under the 2008 Plan on February 14, 2012, February 15, 2011 and February 9, 2010 respectively. The exercise price and expiration date of these stock options (3) are as follows: Grant of February 14, 2012, exercise price of \$18.93 and expiration date of February 14, 2019, Grant of February 15, 2011, exercise price of \$17.81 and expiration date of February 15, 2018, Grant of February 9, 2010, exercise price of \$13.52 and expiration date of February 9, 2017. Any unvested portion of the grants referenced above that will not vest within 60 days of December 31, 2012, is not deemed to be beneficially owned by the individuals listed in the table.

Includes 41,873, 26,990 and 10,605 unvested restricted stock units granted to executive officers on February 14, 2012, February 15, 2011, February 9, 2010 respectively, under the 2008 Plan; these restricted stock units vest 25% each year on the relevant grant date's anniversary. Also, an aggregate amount of 51,488, 7,838 and 5,401 restricted stock units were granted to other non-executive officers under the 2008 Plan on February 14, 2012, February 15, 2011, February 9, 2010 respectively. The figure in this column additionally include 32,906 unvested restricted stock units granted to executive officers on October 16, 2012 under the 2008 Plan; these restricted stock units vest 100% on the first year of grant date's anniversary. Also, an aggregate amount of 6,966 restricted stock units were granted to other non-executive officers on October 16, 2012 under the 2008 Plan; these restricted stock units vest 100% on the first year of grant date's anniversary. Any unvested portion of the grants referenced above that will not vest within 60 days of December 31, 2012, is not deemed to be beneficially owned by the individuals listed in the table.

(5) The executive and non-executives of Bladex Asset Management are not eligible to receive grants under any of the equity compensation plans.

The following table sets forth information regarding beneficial ownership of the Bank's shares, including restricted shares, indexed stock options, and stock options and holdings of unvested restricted shares, unvested indexed stock options, and unvested stock options by members of the Bank's Board, as of December 31, 2012:

Name of Director	Number of Shares Owned as of Dec. 31, 2012 (1)	Number of Shares that may be acquired within 60 days of Dec. 31, 2012 (2)	Total Number of Shares Beneficially Owned	Percent of Class Beneficially Owned	Restricted Shares (3)
Esteban Alejandro Acerbo (4)	0	0	0	*	0
João Carlos de Nóbrega Pecego (5)	0	0	0	*	0
Manuel Sánchez González	553	0	553	*	5,214
Mario Covo	12,370	2,119	14,489	*	11,757
Herminio Blanco	31,895	2,119	34,014	*	9,882

Maria da Graça França	6,520	0	6,520	*	9,882
William Dick Hayes	7,765	2,119	9,884	*	11,824
Guillermo Güémez García	404	0	404	*	4,618
Gonzalo Menéndez Duque	18,562	3,179	21,741	*	14,819
Total	78,069	9,536	87,605	*	67,996

* Less than one percent of the outstanding Class E shares.

(1) Includes Class E shares purchased by the director or restricted shares vested and transferred to the director pursuant to the 2003 Restricted Stock Plan and the 2008 Plan as of such date.

(2) Includes vested / unexercised traditional stock options.

(3) Includes unvested restricted Class E shares granted under the Bank's 2008 Plan. An aggregate amount of 28,500 restricted shares were granted to directors on July 17, 2012; these restricted shares vest 25% each year on the relevant grant date's anniversary. Also, an aggregate amount of 3,817 restricted shares were granted to directors on October 16, 2012; these restricted shares vest 100% on the first year of grant date's anniversary.

(4) 9,779 Class E shares corresponding to Mr. Acerbo's entitlement under the 2008 Plan have been issued to his employer, Banco de la Nación Argentina.

(5) 9,779 Class E shares corresponding to Mr. Pecego's entitlement under the 2008 Plan have been issued to his employer, Banco do Brasil.

For additional information regarding stock options granted to executive officers and directors, see Item 18, "Financial Statements," note 17.

C. Board Practices

Non-Executive Officers of the Board, Dignatarios

The following table sets forth the names, countries of citizenship and ages of the Board's non-executive officers ("*dignatarios*") and their current office or position with other institutions. *Dignatarios* are elected annually by the members of the Board. *Dignatarios* attend meetings of the Board, participate in discussions and offer advice and counsel to the Board, but do not have the power to vote (unless they also are directors of the Bank).

Name	Country of Citizenship	Position held by Dignatario with the Bank	Age
Gonzalo Menéndez Duque Director Banco de Chile, Chile	Chile	Chairman of the Board	64
Maria da Graça França Ricardo Manuel Arango Partner	Brazil	Treasurer	64
Arias, Fábrega & Fábrega	Panama	Secretary	52

For information regarding the date of expiration of the current term of office of the members of the Board and the period during which the directors have served in that office, see Item 6 “Directors and Executive Officers.”

Committees of the Board

The Board conducts its business through meetings of the Board and through its committees. During the fiscal year ended December 31, 2012, the Board held 10 meetings. Directors attended an average of 93% of the total number of Board meetings held during the fiscal year ended December 31, 2012.

The following table sets forth the five committees established by the Board, the current number of members of each committee and the total number of meetings held by each committee during the fiscal year ended December 31, 2012:

Committee	Number of members	Total number of meetings held
Audit and Compliance Committee	4	6
Risk Policy and Assessment Committee	5	5
Assets and Liabilities Committee	5	5
Business Committee	5	5
Nomination and Compensation Committee	4	8

Corporate Governance Committee

The Board has decided not to establish a corporate governance committee. Given the importance that corporate governance has for the Bank, the Board decided to address all matters related to corporate governance at the Board

level. Further, the Audit and Compliance Committee is responsible for promoting continued improvement in the Bank's corporate governance and verifying compliance with all applicable policies.

The Bank has included the information regarding its corporate governance practices necessary to comply with Section 303A of the NYSE's Listed Company Manual/Corporate Governance Rules on its website at <http://www.bladex.com>.

Shareholders, employees of the Bank, and other interested parties may communicate directly with the Board by corresponding to the address below:

Board of Directors of Banco Latinoamericano de Comercio Exterior, S.A.
c/o Mr. Gonzalo Menéndez Duque

Director and Chairman of the Board of Directors

Torre V, Business Park

Avenida La Rotonda, Urb. Costa del Este,

P.O. Box 0819-08730

Panama City, Republic of Panama

In addition, the Bank has selected EthicsPoint, an on-line reporting system, to provide shareholders, employees of the Bank, and other interested parties with an alternative channel to report anonymously, any actual or possible violations of the Bank's Code of Ethics, as well as other work-related situations or irregular or suspicious transactions, accounting matters, internal audit or accounting controls. In order to file a report, a link is provided on the Bank's website at <http://www.bladex.com>.

Audit and Compliance Committee

The Audit and Compliance Committee is a standing committee of the Board. According to its Charter, the Audit and Compliance Committee must be comprised of at least three directors. The current members of the Audit and Compliance Committee are Herminio Blanco (Chairman), Gonzalo Menéndez Duque, Esteban Alejandro Acerbo and Maria da Graça França.

The Board has determined that all members of the Audit and Compliance Committee are independent directors under the terms defined by applicable laws and regulations, including rules promulgated by the SEC under the Sarbanes-Oxley Act, Section 303A of the rules of the NYSE, and Agreement No. 5-2011 of the Superintendency. In addition, at least one of the members of the Audit and Compliance Committee is an “audit committee financial expert,” as defined in the rules enacted by the SEC under the Sarbanes-Oxley Act. The Audit and Compliance Committee’s financial expert is Gonzalo Menéndez Duque.

The purpose of the Audit and Compliance Committee is to provide assistance to the Board in fulfilling its oversight responsibilities regarding the processing of the Bank’s financial information, the integrity of the Bank’s financial statements, the Bank’s system of internal controls over financial reporting, the performance of both the internal audit and the independent registered public accounting firm, the Bank’s corporate governance, compliance with legal and regulatory requirements and the Bank’s Code of Ethics. The Audit and Compliance Committee meets with each of the internal and independent auditors, and the Bank’s management to discuss the Bank’s audited consolidated financial statements and management’s discussion and analysis of financial condition and results of operations.

The Audit and Compliance Committee meets at least six times a year, as required by the Superintendency, or more often if the circumstances so require. During the fiscal year ended December 31, 2012, the committee met six times.

The Audit and Compliance Committee, in its capacity as a committee of the Board, is directly responsible for the final approval of its recommendation to the shareholders for the renewal or replacement of the Bank’s independent auditors at the Annual Shareholders’ Meeting, the compensation of the independent auditors (including the pre-approval of all audit and non-audit services) and oversight of the independent auditors, including the resolution of disagreements regarding financial reporting between the Bank’s management and the independent auditors. The Bank’s independent auditors are required to report directly to the committee.

The Charter of the Audit and Compliance Committee requires an annual self-evaluation of the committee’s performance.

The Audit and Compliance Committee pre-approved all audit and non-audit services in 2012.

Risk Policy and Assessment Committee

The Risk Policy and Assessment Committee is a standing committee of the Board. The Board has determined that all members of the Risk Policy and Assessment Committee are independent. The current members of the Risk Policy and Assessment Committee are Mario Covo (Chairman), Gonzalo Menéndez Duque, Herminio Blanco, Guillermo Güémez García and João Carlos de Nóbrega Pecego.

The Risk Policy and Assessment Committee is responsible for reviewing and recommending to the Board, for their approval, all policies and procedures related to the prudent enterprise risk management of the Bank (credit, operational and market risk). The committee also reviews and evaluates the exposures, within the risk levels the Bank is willing to take, depending on the Bank's business management, including the quality and profile of the Bank's credit facilities, the exposure and analysis to market risks and operational risks, which take into account the legal risks associated with the Bank's products and services.

The Risk Policy and Assessment Committee performs its duties through the review of periodic reports from Risk Management, and by way of its interaction with the Chief Risk Officer and other members of the Bank's management. The committee meets at least four times per year. During the fiscal period ended December 31, 2012, the committee held five meetings.

The Risk Policy and Assessment Committee Charter may be found on the Bank's website at <http://www.bladex.com>.

Assets and Liabilities Committee

The Assets and Liabilities Committee is a standing committee of the Board. The Board has determined that all members of the Assets and Liabilities Committee are independent directors. The current members of the Assets and Liabilities Committee are Guillermo Güémez García (Chairman), Mario Covo, William Dick Hayes, João Carlos de Nóbrega Pecego and Manuel Sánchez González.

The Assets and Liabilities Committee is responsible for reviewing and recommending to the Board all policies and procedures related to the Bank's management of assets and liabilities to meet profitability, liquidity, and market risk control objectives. As part of its responsibilities, the committee reviews and recommends to the Board, among other things, policies related to the Bank's funding, interest rate and liquidity gaps, liquidity investments, securities investments, derivative positions, funding strategies, and market risk.

The Assets and Liabilities Committee carries out its duties by reviewing periodic reports that it receives from the Bank's management, and by way of its interaction with the Executive Vice President-Senior Managing Director, Treasury & Capital Markets and other members of the Bank's management. The committee meets at least four times per year. During the fiscal year ended December 31, 2012, the committee held five meetings.

The Assets and Liabilities Committee Charter may be found on the Bank's website at <http://www.bladex.com>.

Business Committee

The Business Committee is a standing committee of the Board. The Board has determined that all members of the Business Committee are independent directors. The current members of the Business Committee are William Dick Hayes (Chairman), Gonzalo Menéndez Duque, Herminio Blanco, Mario Covo and João Carlos de Nóbrega Pecego.

The Business Committee's primary responsibility is to support the Bank's management with business ideas and strategies and to provide follow-up on the business directives of the Board. The committee's main objective will always be to improve the Bank's efficiency in the management of the Bank's various business units.

The Business Committee meets at least four times per year. During the fiscal year ended December 31, 2012, the committee held five meetings.

The Business Committee Charter may be found on the Bank's website at <http://www.bladex.com>.

Nomination and Compensation Committee

The Nomination and Compensation Committee is a standing committee of the Board. No member of the Nomination and Compensation Committee can be an employee of the Bank. The Board has determined that all members of the Nomination and Compensation Committee are independent under the terms defined by applicable laws and regulations, including rules promulgated by the SEC under the Sarbanes-Oxley Act, Section 303A of the rules of the NYSE, and Agreement No. 5-2011 of the Superintendency. The current members of the Nomination and Compensation Committee are Maria da Graça França (Chairman), Esteban Alejandro Acerbo, William Dick Hayes and Manuel Sánchez González.

The Nomination and Compensation Committee meets at least five times per year. During the fiscal year ended December 31, 2012, the committee held eight meetings.

The Nomination and Compensation Committee's primary responsibilities are to assist the Board by identifying candidates to become Board members and recommending nominees for the annual meetings of shareholders; by making recommendations to the Board concerning candidates for Chief Executive Officer and other executive officers and counseling on succession planning for executive officers; by recommending compensation for Board members and committee members, including cash and equity compensation; by recommending compensation for executive officers and employees of the Bank, including cash and equity compensation, policies for senior management and employee benefit programs and plans; by reviewing and recommending changes to the Bank's Code of Ethics; and by advising executive officers on issues related to the Bank's personnel.

The Nomination and Compensation Committee will consider qualified director candidates recommended by shareholders. All director candidates will be evaluated in the same manner regardless of how they are recommended, including recommendations by shareholders. For the current director nominees, the committee considers candidate qualifications and other factors, including, but not limited to, diversity in background and experience, industry knowledge, educational level and the needs of the Bank. Shareholders can mail any recommendations and an explanation of the qualifications of the candidates to the Secretary of the Bank at Torre V, Business Park, P.O. Box 0819-08730, Panama City, Republic of Panama.

Although the Bank does not have a formal policy or specific guidelines for the consideration of diversity by the Nomination and Compensation Committee in identifying nominees for director, diversity is one of the factors the Nomination and Compensation Committee considers. The Nomination and Compensation Committee generally views and values diversity from the perspective of professional and life experiences, and recognizes that diversity in professional and life experiences may include considerations of gender, race, national origin or other characteristics, in identifying individuals who possess the qualifications that the Committee believes are important to be represented on the Board. The current composition of the Bank's Board of Directors, where out of a total of ten (10) members, five (5) different nationalities are represented, reflects the importance given to diversity by the Nomination and Compensation

Committee.

The Charter of the Nomination and Compensation Committee requires an annual self-evaluation of the committee's performance.

The Nomination and Compensation Committee Charter may be found on the Bank's website at <http://www.bladex.com>.

Mr. Rubens V. Amaral Jr. is the only executive officer who serves as a member of the Board. None of the Bank's executive officers serve as a director or a member of the Nomination and Compensation Committee, or any other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of the Board or the Nomination and Compensation Committee. None of the members of the Nomination and Compensation Committee has ever been an employee of the Bank.

Advisory Council

The Advisory Council was created by the Board in April 2000 pursuant to the powers granted to the Board under the Bank's Articles of Incorporation. The duties of Advisory Council members consist primarily of providing advice to the Board with respect to the business of the Bank in their areas of expertise. Each member of the Advisory Council receives \$5,000 for each Advisory Council meeting attended. The aggregate amount of fees for services rendered by the Advisory Council during 2012 amounted to \$25,000. During the fiscal year ended December 31, 2012, the Advisory Council met once. The Advisory Council meets when convened by the Board.

The following table sets forth the names, positions, countries of citizenship and ages of the members of the Advisory Council of the Bank.

Name	Position	Country of Citizenship	Age
Roberto Feletti	Member of the National Chamber of Deputies, President of the Congressional Budgetary and Treasury Commission of Argentina	Argentina	54
Roberto Teixeira da Costa	Board Member Sul America, S.A.	Brazil	78
Carlos Martabit	General Manager, Finance Division BancoEstado	Chile	59
Santiago Perdomo	President Banco Colpatria, Multibanca Colpatria	Colombia	55
Alberto Motta, Jr	President Inversiones Bahía Ltd.	Panama	66
Enrique Cornejo	Director Soluciones Consultores Internacionales SAC	Peru	56
Jaime Rivera	Director of Banco General, S.A., Panama Former Chief Executive Officer of Bladex	Guatemala	59

D. Employees

The following table presents the total number of permanent employees, geographically distributed, at the dates indicated:

	As of December
	31,
	2012 2011 2010

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Bladex Head Office in Panama	137	135	132
New York Agency	4	4	7
Bladex Asset Management	7	9	9
Representative Office in Argentina	4	4	4
Representative Office in Brazil	17	20	18
Representative Office in Mexico	14	19	12
Florida International Administrative Office	9	10	6
Representative Office in Colombia	3	3	0
Representative Office in Peru	6	4	0
Total Number of Permanent Employees	201	208	188

The increase in number of permanent employees during 2011 and 2010 was associated with the expansion of the Bank's Commercial Division and the risk management area, as a result of the deployment of the Bank's strategic plan.

E. Share Ownership

See Item 6.B, "Directors, Executive Officers and Employees/Compensation/Beneficial Ownership."

Item 7. Major Stockholders and Related Party Transactions

A. Major Stockholders

As of December 31, 2012, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no person was the registered owner of more than 6.8% of the total outstanding of voting capital stock of the Bank.

The following table sets forth information regarding the Bank's stockholders that are the beneficial owners of 5% or more of any one class of the Bank's voting stock as of December 31, 2012:

	As of December 31, 2012		
	Number of Shares	% of Class	% of Total Common Stock
Class A Common Stock			
Banco de la Nación Argentina ⁽¹⁾			
Bartolomé Mitre 326	1,045,348	16.5	2.8
1036 Buenos Aires, Argentina			
Banco do Brasil ⁽²⁾			
SBS ED. Sede 111-24º Andar	974,551	15.4	2.6
CEP 70.073—901			
Brasilia, Brazil			
Banco de Comercio Exterior de Colombia			
Edif. Centro de Comercio Internacional	488,547	7.7	1.3
Calle 28 No. 13A-15			
Bogotá, Colombia			
Banco de la Nación (Perú)			
Ave. Republica de Panamá 3664	446,556	7.0	1.2
San Isidro, Lima, Perú			
Banco Central del Paraguay	434,658	6.9	1.1
Federación Rusa y Sargento Marecos			

Asunción, Paraguay			
Banco Central del Ecuador			
Ave. 10 de Agosto N11- 409 y Briceño	431,217	6.8	1.1
Quito, Ecuador			
Banco del Estado de Chile			
Ave. Libertador Bernardo O'Higgins 1111	323,413	5.1	0.8
Santiago, Chile			
Sub-total shares of Class A Common Stock	4,144,290	65.4	10.9
Total Shares of Class A Common Stock	6,342,189	100.0	16.6
Class B Common Stock	Number of Shares	% of Class	% of Total Common Stock
Banco de la Provincia de Buenos Aires.			
San Martin 137	884,461	34.9	2.3
C1004AAC Buenos Aires, Argentina			
Banco de la Nación Argentina			
Bartolomé Mitre 326	295,945	11.7	0.8
1036 Buenos Aires, Argentina			
The Korea Exchange Bank			
181, Euljiro 2GA Jungu,	147,173	5.8	0.4
Seoul, Korea			
Sub-total shares of Class B Common Stock	1,327,579	52.4	3.5
Total Shares of Class B Common Stock	2,531,926	100.0	6.6
Class E Common Stock	Number of Shares	% of Class	% of Total Common Stock
Brandes Investment Partners, LP ⁽³⁾			
11988 El Camino Real, Suite 500	2,571,856	8.8	6.8
San Diego, California 92130			
LSV Asset Management ⁽⁴⁾			
1 N. Wacker Drive, Suite 4000	1,655,453	5.7	4.3
Chicago, Illinois 60606			
Sub-total shares of Class E Common Stock	4,227,309	14.5	11.1
Total Shares of Class E Common Stock	29,271,067	100.0	76.7
Class F Common Stock	Number of Shares	% of Class	% of Total Common Stock
Total Shares of Class F Common Stock	0	0.0	0.0
Total Shares of Common Stock	38,145,182		100.0

⁽¹⁾ Does not include an aggregate of 17,061 Class E shares corresponding to former Directors' entitlements under the 2008 Stock Incentive Plan, that were issued to their employer, Banco de la Nación Argentina.

⁽²⁾ Does not include an aggregate of 18,259 Class E shares corresponding to former Directors' entitlements under the 2003 Restricted Stock Plan and the 2008 Stock Incentive Plan that were issued to their employer, Banco do Brasil.

⁽³⁾ Source: Schedule 13G/A (Amendment No. 10) filing with the U.S. Securities and Exchange Commission dated February 14, 2013.

⁽⁴⁾ Source: Schedule 13F filing with the U.S. Securities and Exchange Commission dated February 14, 2013.

All common shares have the same rights and privileges regardless of their class, except that:

The affirmative vote of three-quarters (3/4) of the issued and outstanding Class A shares is required (1) to dissolve and liquidate the Bank, (2) to amend certain material provisions of the Articles of Incorporation, (3) to merge or consolidate the Bank with another entity and (4) to authorize the Bank to engage in activities other than those described in its Articles of Incorporation;

The Class E shares are freely transferable without restriction to any person, while the Class A shares, Class B shares and Class F shares can only be transferred to qualified holders of each class;

The Class B shares and Class F shares may be converted into Class E shares;

The holders of Class A shares, Class B shares and Class F shares benefit from pre-emptive rights in respect of shares of the same class of shares owned by them that may be issued by virtue of a capital increase, in proportion to the shares of the class owned by them, but the holders of Class E shares do not; and

All classes vote separately for their respective directors. The holders of the Class A common shares have the right to elect three (3) Directors; the holders of the Class E common shares can elect five (5) Directors; and the holders of the Class F common shares have the right to elect one (1) Director, so long as the number of issued and outstanding Class F common shares is equal to or greater than fifteen per cent (15%) of the total number of issued and outstanding common shares of the corporation.

Set forth below are the number of shares of each class of the Bank's stock issued and outstanding as of December 31, 2012:

Class of Shares	Number of Shares Outstanding as of December 31, 2012	Number of Shares Outstanding as of December 31, 2011
Class A Common Shares	6,342,189	6,342,189
Class B Common Shares	2,531,926	2,531,926
Class E Common Shares	29,271,067	28,257,827
Class F Common Shares	0	0
Total Common Shares	38,145,182	37,131,942

As of December 31, 2012, the Bank's Class A and Class B common shares outstanding stood at the same level as of December 31, 2011. Class E common shares outstanding increased by 1.0 million shares during the same period.

The Bank had no preferred stock issued and outstanding as of December 31, 2012.

B. Related Party Transactions

Certain directors of the Bank are executive officers of banks and/or other institutions located in Latin America, the Caribbean and elsewhere. Some of these banks and/or other institutions own shares of the Bank's common stock and have entered into loan transactions with the Bank in the ordinary course of business. The terms and conditions of the loan transactions, including interest rates and collateral requirements, are substantially the same as the terms and conditions of comparable loan transactions entered into with other persons under similar market conditions. As a matter of policy, directors of the Bank do not participate in the approval process for credit facilities extended to institutions of which they are executive officers or directors, nor do they participate with respect to decisions regarding country exposure limits in countries in which such institutions are domiciled.

As of December 31, 2012, the Bank did not have any outstanding credit facility with any related parties as defined by the Superintendent.

C. Interests of Experts and Counsel

Not required in this Annual Report.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

The information included in Item 18 of this Annual Report is referred to and incorporated by reference into this Item 8.A.

There have been no legal or arbitration proceedings, which may have, or have had in the recent past, significant effects on the Bank's financial position or profitability, including proceedings pending or known to be contemplated.

Dividends

The Board's policy is to declare and distribute quarterly cash dividends on the Bank's common stock. Dividends are declared at the Board's discretion and, from time to time, the Bank has declared special dividends.

On January 17, 2012 the Bank increased quarterly dividends from \$0.20 to \$0.25 per share of common stock, corresponding to the fourth quarter of 2011, and from \$0.25 to \$0.30 per share of common stock in the third quarter of 2012.

During 2012, Bladex declared \$41.8 million in quarterly dividends, compared to \$31.5 million in 2011, and \$24.6 million in 2010.

No special dividends were declared during 2012, 2011 and 2010.

The following table presents information about common dividends paid on the dates indicated:

Payment date	Record date	Dividend per share
February 8, 2013	February 1, 2013	\$ 0.30
November 1, 2012	October 26, 2012	\$ 0.30
August 7, 2012	July 30, 2012	\$ 0.25
May 10, 2012	April 30, 2012	\$ 0.25
February 9, 2012	January 31, 2012	\$ 0.25
November 8, 2011	October 31, 2011	\$ 0.20
August 9, 2011	August 1, 2011	\$ 0.20
May 9, 2011	May 2, 2011	\$ 0.20
February 11, 2011	February 3, 2011	\$ 0.20
November 1, 2010	October 22, 2010	\$ 0.17
August 4, 2010	July 26, 2010	\$ 0.15
May 6, 2010	April 26, 2010	\$ 0.15
February 8, 2010	January 29, 2010	\$ 0.15
November 2, 2009	October 23, 2009	\$ 0.15
August 3, 2009	July 23, 2009	\$ 0.15
May 7, 2009	April 27, 2009	\$ 0.15
February 9, 2009	January 29, 2009	\$ 0.22

The following table presents information about preferred dividends paid on the dates indicated:

Payment date	Record date	Dividend per share
May 15, 2006	April 28, 2006	\$ 2.22
November 15, 2005	October 31, 2005	\$ 2.18

May 16, 2005	April 29, 2005	\$ 2.15
November 15, 2004	November 8, 2004	\$ 1.90
May 17, 2004	April 30, 2004	\$ 0.40

The Bank has no preferred shares issued and outstanding as of December 31, 2012.

B. Significant Changes

No significant change has occurred since the date of the annual financial statements (December 31, 2012).

Item 9. The Offer and Listing

A. Offer and Listing Details

The Bank's Class E shares are listed on the NYSE under the symbol "BLX." The following table shows the high and low sales prices of the Class E shares on the NYSE for the periods indicated:

	Price per Class E Share (in \$)	
	High	Low
2012	23.15	16.00
2011	19.03	14.84
2010	18.99	11.87
2009	15.09	6.83
2008	20.74	8.17
2013:		
March	25.38	23.88
February	24.78	23.21
January	23.42	21.80
2012:		
December	21.83	20.41
November	22.65	20.81
October	23.15	21.23
2012:		
First Quarter	21.52	16.00
Second Quarter	21.99	18.49
Third Quarter	23.15	19.50
Fourth Quarter	23.15	20.41
2011:		
First Quarter	19.03	16.41
Second Quarter	18.39	16.57
Third Quarter	18.94	15.18
Fourth Quarter	17.26	14.84

B. Plan of Distribution

Not required in this Annual Report.

C. Markets

The Bank's Class A shares and Class B shares were sold in private placements or sold in connection with the Bank's 2003 rights offering, are not listed on any exchange and are not publicly traded. The Bank's Class E shares, which constitute the only class of shares publicly traded (listed on the NYSE), represent approximately 76.7% of the total shares of the Bank's common stock issued and outstanding as of December 31, 2012. The Bank's Class B shares are convertible into Class E shares on a one-to-one basis.

D. Selling Shareholders

Not required in this Annual Report.

E. Dilution

Not required in this Annual Report.

F. Expenses of the Issue

Not required in this Annual Report.

Item 10. Additional Information

A. Share Capital

Not required in this Annual Report.

B. Memorandum and Articles of Association

Articles of Incorporation

Bladex is a bank organized under the laws of the Republic of Panama, and its Articles of Incorporation are recorded in the Public Registry Office of Panama, Republic of Panama, Section of Mercantile Persons, at microjacket 021666, roll 1050 and frame 0002.

Article 2 of Bladex's Articles of Incorporation states that the purpose of the Bank is to promote the economic development and foreign trade of Latin American countries. To achieve this purpose, the Bank may engage in any banking or financial business, investment or other activity intended to promote the foreign trade and economic development of countries in Latin America. The Articles of Incorporation provide that Bladex may engage in activities beyond those described above provided that it has obtained stockholder approval in a resolution adopted upon the affirmative majority vote of the common shares, either present or represented, in a meeting of stockholders called to obtain such authorization, including the affirmative vote of the holders of three-fourths (3/4) of the Class A shares issued and outstanding.

Bladex's Articles of Incorporation provide that the Board shall direct and control the business and management of the assets of the Bank, except for those matters specifically reserved to stockholders by law or the Articles of Incorporation. The Board, however, may grant general and special powers of attorney authorizing directors, officers and employees of the Bank or other persons to transact such business and affairs within the competence of the Board, as the Board may deem convenient to entrust to such persons.

The Articles of Incorporation of Bladex do not contain a provision limiting the ability of the Board to approve a proposal, arrangement or contract in which a Director is materially interested, a provision limiting the ability of the Board to fix the compensation of its members, a provision requiring the mandatory retirement of a Director at any prescribed age, or a provision requiring a person to own a certain number of shares to qualify as a Director.

The Board consists of ten members: three Directors elected by the holders of the Class A common shares; five Directors elected by the holders of the Class E common shares; and two Directors elected by the holders of all common shares. For so long as the number of Class F common shares issued and outstanding is equal to or greater than fifteen percent (15%) of the total number of common shares issued and outstanding, the holders of the Class F common shares will have the right to elect one director and the Board will consist of eleven members. As of December 31, 2012, no Class F shares or preferred shares were issued and outstanding.

The number of Class F shares issued and outstanding is measured annually as provided in the Articles of Incorporation to determine whether the holders of Class F shares have a right to elect a Director or, if the holders of Class F shares have previously elected a Director whose term is not scheduled to expire, to determine whether to retain or replace such Director on the Board at the following annual ordinary shareholders' meeting.

The Directors are elected by stockholders for periods of three (3) years and they may be re-elected. The holders of the Class A, Class E and Class F shares vote separately as a class in the election of Directors representing their respective class. In the election of Directors, each stockholder of each class electing a Director has a number of votes equal to the number of shares of such class held by such stockholder multiplied by the number of Directors to be elected by such class. The stockholder may cast all votes in favor of one candidate or distribute them among two or more of the Directors to be elected, as the shareholder may decide.

All common shares have the same rights and privileges regardless of their class, except that:

the affirmative vote of three-quarters (3/4) of the issued and outstanding Class A shares is required (A) to dissolve and liquidate the Bank, (B) to amend certain material provisions of the Articles of Incorporation, (C) to merge or consolidate the Bank with another entity and (D) to authorize the Bank to engage in activities other than those described as the purposes of the Bank in its Articles of Incorporation;

the Class E shares are freely transferable, but the Class A shares, Class B shares and Class F shares may only be transferred to qualified holders;

the Class B shares and Class F shares may be converted into Class E shares;

the holders of Class A shares, Class B shares and Class F shares benefit from pre-emptive rights, but the holders of Class E shares do not;

the classes vote separately for their representative directors; and

the rights, preferences, privileges and obligations of the preferred shares are determined by the Board at the time of their issuance in a certificate of designation.

Under the Bank's Articles of Incorporation, preferred shares have no voting rights, except in accordance with their certificate of designation mentioned above. Holders of preferred shares will have the right to elect one Director only upon a default in the terms of such preferred shares and only if contemplated in the certificate of designation. In the event the holders of the preferred shares are entitled to elect a Director, the total number of Directors in the Board will be increased by one. The rights of the holders of the common shares may be changed by an amendment to the Articles of Incorporation of the Bank.

Amendments to the Articles of Incorporation may be adopted by the affirmative majority vote of the common shares represented at the respective meeting, except for the following amendments which require, in addition, the affirmative vote of three-quarters (3/4) of all issued and outstanding Class A shares: (i) any amendment to the Bank's purposes or powers, (ii) any amendment to the capital structure of the Bank and the qualifications to become a holder of any particular class of shares, (iii) any amendment to the provisions relating to the notice, quorum and voting at stockholders' meetings, (iv) any amendment to the composition and election of the Board, as well as notices, quorum and voting at meetings of Directors, (v) any amendments to the powers of the Chief Executive Officer of the Bank and (vi) any amendments to the fundamental financial policies of the Bank.

The Articles of Incorporation of Bladex provide that there will be a general meeting of holders of the common shares every year, on such date and in such place as may be determined by resolution of the Board, to elect Directors and transact any other business duly submitted to the meeting by the Board. In addition, extraordinary meetings of holders of the common shares may be called by the Board, as it deems necessary. The Board or the Chairman of the Board must call an extraordinary meeting of holders of the common shares when requested in writing by one or more holders of common shares representing at least one-twentieth (1/20) of the issued and outstanding capital.

Notice of meetings of stockholders, whether ordinary or extraordinary, are personally delivered to each registered shareholder or sent by fax, telex, courier, air mail or any other means authorized by the Board of the Directors, at least 30 days before the date of the meeting, counted from the date that the notice is sent. The notice of the meeting must

include the agenda of the meeting. At any meeting of stockholders, stockholders with a right to vote may be represented by a proxy, who need not be a shareholder and who may be appointed by public or private document, with or without power of substitution.

Upon request to the Board or the Chairman of the Board, stockholders representing at least one-twentieth (1/20) of the issued and outstanding shares of any given class may hold a meeting separately as a class for the purpose of considering any matter which, in accordance with the provisions of the Articles of Incorporation and the By-laws, is within their competence. In order to have a quorum at any meeting of stockholders, a majority of the common shares issued and outstanding must be represented at the meeting. Whenever a quorum is not obtained at a meeting of stockholders, the meeting shall be held on the second date set forth in the notice of the meeting. All resolutions of stockholders shall be adopted by the affirmative majority vote of the common shares represented at the meeting where the resolution was adopted, except where a super-majority vote of the Class A shareholders is required, as described above.

Class A shares may be issued only as registered shares in the name of the following entities in Latin American countries: (i) central banks, (ii) banks in which the State is the majority shareholder or (iii) other government agencies. Class B shares may be issued only in the name of banks or financial institutions. Class E shares and preferred shares may be issued in the name of any person, whether a natural person or a legal entity. Class F shares may be issued only (i) in the name of state entities or agencies of countries that are not Latin American countries, including central banks and banks in which the State is the majority shareholder or (ii) in the name of multilateral financial institutions, whether international or regional.

Neither Bladex's Articles of Incorporation nor its By-laws contain any provision requiring disclosure with respect to a shareholder's ownership above a certain threshold. There are no conditions imposed by the Articles of Incorporation regarding changes in capital that are more stringent than conditions imposed by Panamanian law.

The Amended and Restated Articles of Incorporation were filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2008 filed with the SEC on June 26, 2009 and the By-Laws were filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2009 filed with the SEC on June 11, 2010.

C. Material Contracts

The Bank has not entered into any material contract outside the ordinary course of business during the two-year period immediately preceding the date of this Annual Report.

D. Exchange Controls

Currently, there are no restrictions or limitations under Panamanian law on the export or import of capital, including foreign exchange controls, the payment of dividends or interest, or the rights of foreign stockholders to hold or vote stock.

E. Taxation

The following is a summary of certain U.S. federal and Panamanian tax matters that may be relevant with respect to the acquisition, ownership and disposition of the Bank's Class E shares. Prospective purchasers of Class E shares should consult their own tax advisors as to the United States, Panamanian or other tax consequences of the acquisition, ownership and disposition of Class E shares. The Bank may be subject to the tax regime of other countries or jurisdictions due to its operations.

This summary does not address the consequences of the acquisition, ownership or disposition of the Bank's Class A or Class B shares.

United States Taxes

This summary describes the material U.S. federal income tax consequences of the ownership and disposition of the Class E shares, but does not purport to be a comprehensive description of all of the tax considerations that may be relevant to holders of Class E shares. This summary applies only to current holders that hold Class E shares as capital assets for U.S. federal income tax purposes and does not address classes of holders that are subject to special treatment under the United States Internal Revenue Code of 1986, as amended, or the Code, such as dealers in securities or currencies, financial institutions, tax-exempt entities, regulated investment companies, insurance companies, securities traders that elect mark-to-market tax accounting, persons subject to the alternative minimum tax, certain U.S. expatriates, persons holding Class E shares as part of a hedging, constructive ownership or conversion transaction or a straddle, holders whose functional currency is not the U.S. dollar, or a holder that owns 10% or more (directly, indirectly or constructively) of the voting shares of the Bank.

This summary is based upon the Code, existing, temporary and proposed regulations promulgated thereunder, judicial decisions and administrative pronouncements, all as in effect on the date of this Annual Report and which are subject to change (possibly on a retroactive basis) and to differing interpretations. Purchasers or holders of Class E shares should consult their own tax advisors as to the U.S. federal, state and local, and foreign tax consequences of the ownership and disposition of Class E shares in their particular circumstances.

As used herein, a “U.S. Holder” refers to a beneficial holder of Class E shares that is, for U.S. federal income tax purposes, (1) an individual citizen or resident of the United States, (2) a corporation, or an entity treated as a corporation, organized or created in or under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to U.S. federal income taxation without regard to the source of its income, (4) a trust, if both (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons (as defined in the Code) have the authority to control all substantial decisions of the trust, or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust, and (5) any holder otherwise subject to U.S. federal income taxation on net income basis with respect to Class E shares (including a non-resident alien individual or foreign corporation that holds, or is deemed to hold, any Class E share in connection with the conduct of a U.S. trade or business). If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Class E shares, the U.S. federal income tax consequences to a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of Class E shares that is a partnership and the partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of Class E shares.

Taxation of Distributions

Subject to the “Passive Foreign Investment Company Status” discussion below, to the extent paid out of current or accumulated earnings and profits of the Bank as determined under U.S. federal income tax principles (“earnings and profits”), distributions made with respect to Class E shares (other than certain pro rata distributions of capital stock of the Bank or rights to subscribe for shares of capital stock of the Bank) will be includable in income of a U.S. Holder as ordinary dividend income in accordance with the U.S. Holder’s regular method of accounting for U.S. federal income tax purposes whether paid in cash or Class E shares. To the extent that a distribution exceeds the Bank’s earnings and profits, such distribution will be treated, first, as a nontaxable return of capital to the extent of the U.S. Holder’s tax basis in the Class E shares and will reduce the U.S. Holder’s tax basis in such shares, and thereafter as a capital gain from the sale or disposition of Class E shares. See Item 10, “Additional Information/Taxation/United States Taxes-Taxation of Capital Gains.” The amount of the distribution will equal the gross amount of the distribution received by the U.S. Holder, including any Panamanian taxes withheld from such distribution.

Distributions made with respect to Class E shares out of earnings and profits generally will be treated as dividend income from sources outside the United States. U.S. Holders that are corporations will not be entitled to the “dividends received deduction” under Section 243 of the Code with respect to such dividends. Dividends may be eligible for special rates applicable to “qualified dividend income” received by an individual, provided, that (1) the Bank is not a

“passive foreign investment company” in the year in which the dividend is paid nor in the immediately preceding year, (2) the class of stock with respect to which the dividend is paid is readily tradable on an established securities market in the United States, and (3) the U.S. Holder held his shares for more than 60 days during the 121-day period beginning 60 days prior to the ex-dividend date and meets other holding period requirements. Subject to certain conditions and limitations, Panamanian tax withheld from dividends will be treated as a foreign income tax eligible for deduction from taxable income or as a credit against a U.S. Holder’s U.S. federal income tax liability. Distributions of dividend income made with respect to Class E shares generally will be treated as “passive” income or, in the case of certain U.S. Holders, “general category income,” for purposes of computing a U.S. Holder’s U.S. foreign tax credit.

Less than 25% of the Bank's gross income is effectively connected with the conduct of a trade or business in the United States, and the Bank expects this to remain true. If this remains the case, a holder of Class E shares that is not a U.S. Holder, or non-U.S. Holder, generally will not be subject to U.S. federal income tax or withholding tax on distributions received on Class E shares that are treated as dividend income for U.S. federal income tax purposes. Special rules may apply in the case of non-U.S. Holders (1) that are engaged in a U.S. trade or business, (2) that are former citizens or long-term residents of the United States, "controlled foreign corporations," corporations that accumulate earnings to avoid U.S. federal income tax, and certain foreign charitable organizations, each within the meaning of the Code, or (3) certain non-resident alien individuals who are present in the United States for 183 days or more during a taxable year. Such persons should consult their own tax advisors as to the U.S. federal income or other tax consequences of the ownership and disposition of Class E shares.

Taxation of Capital Gains

Subject to the "Passive Foreign Investment Company Status" discussion below, gain or loss realized by a U.S. Holder on the sale or other disposition of Class E shares generally will be subject to U.S. federal income tax as capital gain or loss in an amount equal to the difference between the U.S. Holder's tax basis in the Class E shares and the amount realized on the disposition. Such gain will be treated as long-term capital gain if the Class E shares are held by the U.S. Holder for more than one year at the time of the sale or other disposition. Otherwise, the gain will be treated as a short-term capital gain. Gain realized by a U.S. Holder on the sale or other disposition of Class E shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes, unless the gain is attributable to an office or fixed place of business maintained by the U.S. Holder outside the United States or is recognized by an individual whose tax home is outside the United States, and certain other conditions are met. For U.S. federal income tax purposes, capital losses are subject to limitations on deductibility. As a general rule, U.S. Holders that are corporations can use capital losses for a taxable year only to offset capital gains in that year. A corporation may be entitled to carry back unused capital losses to the three preceding tax years and to carry over losses to the five following tax years. In the case of non-corporate U.S. Holders, capital losses in a taxable year are deductible to the extent of any capital gains plus ordinary income of up to \$3,000. Unused capital losses of non-corporate U.S. Holders may be carried over indefinitely.

A non-U.S. Holder of Class E shares will generally not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of Class E shares. However, special rules may apply in the case of non-U.S. Holders (1) that are engaged in a U.S. trade or business, (2) that are former citizens or long-term residents of the United States, "controlled foreign corporations," corporations which accumulate earnings to avoid U.S. federal income tax, and certain foreign charitable organizations, each within the meaning of the Code, or (3) certain non-resident alien individuals who are present in the United States for 183 days or more during a taxable year. Such persons should consult their own tax advisors as to the United States or other tax consequences of the purchase, ownership and disposition of the Class E shares.

Passive Foreign Investment Company Status

Under the Code, certain rules apply to an entity classified as a “passive foreign investment company”, or PFIC. A PFIC is defined as any foreign (i.e., non-U.S.) corporation if either (1) 75% or more of its gross income for the taxable year is passive income (generally including, among other types of income, dividends, interest and gains from the sale of stock and securities) or (2) 50% or more of its assets (by value) produce, or are held for the production of, passive income. The application of the PFIC rules to banks is not entirely clear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The Internal Revenue Service, or IRS, issued a notice in 1989, or the Notice, and has proposed regulations, the Proposed Regulations, that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank, or the “active bank exception”. The Notice and the Proposed Regulations have different requirements for qualifying as an active foreign bank, and for determining the banking income that may be excluded from passive income under the active bank exception. Moreover, the Proposed Regulations have been outstanding since 1994 and will not be effective unless finalized.

While the Bank conducts, and intends to continue to conduct, a significant banking business, there can be no assurance that the Bank will satisfy the specific requirements for the active bank exception under either the Notice or the Proposed Regulations. However, based on certain estimates of the Bank’s gross income and gross assets and the nature of its business, the Bank believes that it does not qualify as a PFIC for the taxable year ending December 31, 2012.

If the Bank were to become a PFIC for purposes of the Code, unless a U.S. Holder makes one of the elections described below, a U.S. Holder generally will be subject to a special tax charge with respect to (a) any gain realized on the sale or other disposition of Class E shares and (b) any “excess distribution” by the Bank to the U.S. Holder (generally, any distributions including return of capital distributions, received by the U.S. Holder on the Class E shares in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years, or, if shorter, the U.S. Holder’s holding period). Under these rules (1) the gain or excess distribution would be allocated ratably over the U.S. Holder’s holding period for the Class E shares, (2) the amount allocated to the current taxable year would be treated as ordinary income, (3) the amount allocated to each prior taxable year generally would be subject to tax at the highest rate in effect for that year; and (4) an interest charge at the rate generally applicable to underpayments of tax would be imposed with respect to the resulting tax attributable to each such prior taxable year. For purposes of the foregoing rules, a U.S. Holder of Class E shares that uses such stock as security for a loan will be treated as having disposed of such stock.

If the Bank were to become a PFIC, U.S. Holders of interests in a holder of Class E shares may be treated as indirect holders of their proportionate share of the Class E shares and may be taxed on their proportionate share of any excess distributions or gain attributable to the Class E shares. An indirect holder also must treat an appropriate portion of its gain on the sale or disposition of its interest in the actual holder as gain on the sale of Class E shares.

If the Bank were to become a PFIC, a U.S. Holder could make an election, provided the Bank complies with certain reporting requirements, to have the Bank treated, with respect to such U.S. Holder, as a “qualified electing fund”, hereinafter referred to as a QEF election, in which case, the electing U.S. Holder would be required to include annually in gross income the U.S. Holder’s proportionate share of the Bank’s ordinary earnings and net capital gains, whether or not such amounts are actually distributed. If the Bank were to become a PFIC, the Bank intends to so notify each U.S. Holder and to comply with all reporting requirements necessary for a U.S. Holder to make a QEF election and will provide to record U.S. Holders of Class E shares such information as may be required to make such QEF election.

If the Bank were to become a PFIC in any year, a U.S. Holder that beneficially owns Class E shares during such year must make an annual return on IRS Form 8621, which describes the income received (or deemed to be received if a QEF election is in effect) from the Bank. The Bank will, if applicable, provide all information necessary for a U.S. Holder of record to make an annual return on IRS Form 8621.

Additionally, recently enacted legislation creates an additional annual filing requirement for U.S. persons who are shareholders of a PFIC. The legislation does not describe what information will be required to be included in the additional annual filing, but rather grants the Secretary of the U.S. Treasury authority to decide what information must be included in such annual filing. If the Bank were a PFIC for a given taxable year, then U.S. Holders should consult their tax adviser concerning their annual filing requirements.

A U.S. Holder that owns certain “marketable stock” in a PFIC may elect to mark-to-market such stock and, subject to certain exceptions, include in income any gain (increases in market value) or loss (decreases in market value to the extent of prior gains recognized) realized as ordinary income or loss to avoid the adverse consequences described above. U.S. Holders of Class E shares are urged to consult their own tax advisors as to the consequences of owning stock in a PFIC and whether such U.S. Holder would be eligible to make either of the aforementioned elections to mitigate the adverse effects of such consequences.

Information Reporting and Backup Withholding

Each U.S. payor making payments in respect of Class E shares will generally be required to provide the IRS with certain information, including the name, address and taxpayer identification number of the beneficial owner of Class E shares, and the aggregate amount of dividends paid to such beneficial owner during the calendar year. Under the backup withholding rules, a holder may be subject to backup withholding at a current rate of 28% with respect to proceeds received on the sale or exchange of Class E shares within the United States by non-corporate U.S. Holders and to dividends paid, unless such holder (1) is a corporation or comes within certain other exempt categories (including securities broker-dealers, other financial institutions, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts), and, when required, demonstrates this fact or (2) provides a taxpayer identification number, certifies as to no loss of exemption and otherwise complies with the applicable requirements of the backup withholding rules. Non-U.S. Holders generally are exempt from information reporting and backup withholding, but may be required to provide a properly completed IRS Form W-8BEN (or other similar form) or otherwise comply with applicable certification and identification procedures in order to prove their exemption. Backup withholding is not an additional tax and any amounts withheld from a payment to a holder of Class E shares will be refunded (or credited against such holder’s U.S. federal income tax liability, if any) provided that the required information is timely furnished to the IRS.

There is no income tax treaty between Panama and the United States.

3.8% Medicare Tax On “Net Investment Income”

Certain U.S. Holders who are individuals, estates or trusts may be required to pay an additional 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of Class E shares.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Bank's Class E shares, subject to certain exceptions (including an exception for Class E shares held in custodial accounts maintained by United States financial institutions) by filing IRS Form 8938 with their annual U.S. federal income tax return. U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations with respect to their ownership and disposition of the Class E shares.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Class E shares. Prospective purchasers should consult their own tax advisors to determine the tax consequences of their particular situations.

Panamanian Taxes

The following is a summary of the principal Panamanian tax consequences arising in connection with the ownership and disposition of the Bank's Class E shares. This summary is based upon the laws and regulations of Panama, as well as court precedents and interpretative rulings, in effect as of the date of this Annual Report, all of which are subject to prospective and retroactive change.

General Principle

The Bank is exempt from income tax in Panama under a special exemption granted to the Bank pursuant to Contract 103-78 of July 25, 1978 between the Nation and Bladex. In addition, under general rules of income tax in Panama, only income that is deemed to be Panamanian source income is subject to taxation in Panama. Accordingly, since the Bank's income is derived primarily from sources outside of Panama and is not deemed to be Panamanian source income, even in the absence of the special exemption, the Bank would have limited income tax liability in Panama.

Taxation of Distributions

Dividends, whether cash or in kind, paid by the Bank in respect of its shares are also exempt from dividend tax or other withholding under the special exemption described above. In the absence of this special exemption, there would be a 10% withholding tax on dividends or distributions paid in respect of the Bank's registered shares to the extent the dividends were paid from income derived by the Bank from Panamanian sources, and a 5% withholding tax on dividends or distributions paid from income derived by the Bank from non-Panamanian sources.

Taxation of Capital Gains

Since the Class E shares are listed on the NYSE, any capital gains realized by an individual or a corporation, regardless of its nationality or residency, on the sale or other disposition of such shares outside of Panama, would be exempted from capital gains taxes or any other taxes in Panama.

F. Dividends and Paying Agents

Not required in this Annual Report.

G. Statement by Experts

Not required in this Annual Report.

H. Documents on Display

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 Mr. Christopher Schech, 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 Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Republic of Panama. Telephone requests may be directed to Mr. Schech at + (507) 210-8630. Written requests may also be faxed to Mr. Schech at + (507) 269-6333 or sent via e-mail to cschech@bladex.com. Information is also available on the Bank's website at: <http://www.bladex.com>.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosure About Market Risk

The Bank's risk management policies, as approved by the Board from time to time, are designed to identify and control the Bank's credit and market risks by establishing and monitoring appropriate limits on the Bank's credit and market exposures. Certain members of the Board constitute the Assets and Liabilities Committee, which meets on a regular basis and monitors and controls the risks in each specific area. At the management level, the Bank has a Risk Management Department that measures and controls overall risk management of the Bank (credit, operational and market risk).

The Bank's businesses are subject to market risk. The components of this market risk are interest rate risk inherent in the Bank's balance sheet, foreign exchange risk, and the price risk in the Bank's investment portfolio and in the Bank's trading portfolios.

For quantitative information relating to the Bank's interest rate risk and information relating to the Bank's management of interest rate risk, see Item 5, "Operating and Financial Review and Prospects/Liquidity and Capital Resources."

For information regarding derivative financial instruments, see Item 18, "Financial Statements," notes 2(u) and 21.

For information regarding investment securities, see Item 4, "Information on the Company/Business Overview/Investment Securities," and Item 18, "Financial Statements," note 6.

The table below lists for each of the years from 2013 to 2017 the notional amounts and weighted interest rates, as of December 31, 2012, for derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including the Bank's investment securities, loans, borrowings and placements, interest rate swaps, cross currency swaps, forward currency exchange agreements, and trading assets and liabilities. Amounts presented below exclude the Bank's participation in the Fund. The Bank consolidates the Feeder retaining the specialized accounting for investment companies applied by the Feeder in the Fund, reporting it within the "Investment Fund" line in the consolidated balance sheet; see Item 18, "Financial Statements", notes 2 (e) and 7.

Interest Rate Risk Management and Sensitivity

As of December 31, 2012

Expected maturity date

	2013	2014	2015	2016	2017	There- after	Without Total maturity	2012
(\$ Equivalent in thousand)								
ASSETS								
Investment Securities								
Fixed rate								
U.S. Dollars	52,910	30,571	50,000	13,000	11,918	7,500	-	165,899
Average fixed rate	4.85	7.15	8.04	4.00	6.56	6.74	-	6.38
Floating rate								
U.S. Dollars	277	10,000	28,000	-	-	-	-	38,277
Average floating rate	3.75	2.43	2.11	-	-	-	-	2.21
Loans ⁽¹⁾								
Fixed rate								
U.S. Dollars	3,192,351	19,162	21,169	-	-	-	-	3,232,682
Average fixed rate	2.89	4.04	4.35	-	-	-	-	2.91
Mexican Peso	49,489	705	-	-	-	-	-	50,194
Average fixed rate	7.45	11.90	-	-	-	-	-	7.51
Floating rate								
U.S. Dollars	1,099,775	632,949	513,462	99,082	26,671	14,538	-	2,386,478
Average floating rate	3.40	3.76	3.67	4.06	4.28	3.19	-	3.59
Mexican Peso	4,008	9,695	11,310	13,123	8,067	-	-	46,203
Average floating rate	8.49	8.42	8.45	8.57	8.57	-	-	8.50
LIABILITIES								
Borrowings and Placements ⁽¹⁾								
Fixed rate								
U.S. Dollars	1,300,831	479	-	-	405,185	-	-	1,706,495
Average fixed rate	1.29	0.69	-	-	3.75	-	-	1.88
Mexican Peso	1,435	-	-	-	-	-	-	1,435
Average fixed rate	9.21	-	-	-	-	-	-	9.21
Peruvian Soles	-	48,188	-	-	-	-	-	48,188
Average fixed rate	-	6.50	-	-	-	-	-	6.50
Euro	39,633	-	-	-	-	-	-	39,633
Average fixed rate	0.70	-	-	-	-	-	-	0.70
Floating rate								
U.S. Dollars	520,888	815,083	-	-	-	-	-	1,335,971
Average floating rate	1.35	1.72	-	-	-	-	-	1.58
Mexican Peso	156,761	70,508	153,947	-	-	-	-	381,215
Average floating rate	5.57	6.34	5.50	-	-	-	-	5.69

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Interest Rate Swaps – Investment Securities

U.S. Dollars fixed to floating	10,000		10,000		50,000		10,000		-	-	-	80,000	
Average pay rate	5.20	%	7.75	%	7.13	%	3.75	%	-	-	-	6.54	%
Average receive rate	1.54	%	3.04	%	3.10	%	2.69	%	-	-	-	2.85	%

Interest Rate Swaps – Issuances

U.S. Dollars fixed to floating	-		-		-		-		400,000	-	-	400,000	
Average pay rate	-		-		-		-		3.07	%	-	3.07	%
Average receive rate	-		-		-		-		3.75	%	-	3.75	%

Cross Currency Swaps

Receive U.S. Dollars	5,804		3,691		2,634		609		368	-	-	13,106	
U.S. Dollars fixed rate	7.04	%	7.04	%	-		-		-	-	-	7.04	%
U.S. Dollars floating rate	4.25	%	4.36	%	4.28	%	4.35	%	4.33	%	-	4.29	%
Pay US Dollars	-		108,405		157,356		-		-	-	-	265,761	
U.S. Dollars fixed rate	-		-		-		-		-	-	-	5.35	%
U.S. Dollars floating rate	-		-		-		-		-	-	-	2.43	%
Receive Mexican Peso	-		-		-		-		-	-	-	224,741	
Mexican Peso floating rate	-		-		-		-		-	-	-	5.75	%
Pay Mexican Peso	5,804		3,691		2,634		609		368	-	-	13,106	
Mexican Peso fixed rate	9.29	%	11.71	%	-		-		-	-	-	9.75	%
Mexican Peso floating rate	6.89	%	7.97	%	7.94	%	7.92	%	7.90	%	-	7.64	%
Receive Peruvian Soles	-		41,020		-		-		-	-	-	41,020	
Peruvian Soles fixed rate	-		6.50	%	-		-		-	-	-	6.50	%

Forward Currency

Exchange Agreements

Receive U.S. Dollars/ Pay Mexican Pesos	35,997		-		-		-		-	-	-	35,997	
Average exchange rate	13.10		-		-		-		-	-	-	13.10	
Receive U.S. Dollars/ Pay Brazilian Reales	6,196		-		-		-		-	-	-	6,196	
Average exchange rate	2.06		-		-		-		-	-	-	2.06	
Pay U.S. Dollars/ Receive Euro	39,736		-		-		-		-	-	-	39,736	
Average exchange rate	1.32		-		-		-		-	-	-	1.32	

TRADING

Trading Assets

Debt securities:

Brazilian Reales	-		-		-		-		-		1,954	-	1,954	
Average floating rate	-		-		-		-		-		2.78	%	2.78	%

Trading Liabilities

Interest rate swaps:

U.S. Dollars fixed to floating	-		-		35,291		-		-		-	-	35,291	
Average pay rate	-		-		4.25	%	-		-		-	-	4.25	%
Average receive rate	-		-		3.98	%	-		-		-	-	3.98	%

Cross currency swaps:

Pay US Dollars	147,242		-		-		-		-		-	-	147,242	
U.S. Dollars floating rate	2.35	%	-		-		-		-		-	-	2.35	%
Receive Mexican Peso	147,242		-		-		-		-		-	-	147,242	

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Mexican Peso floating rate	5.70	%	-	-	-	-	-	-	5.70	%
US Dollars / Chilean Pesos	2,056		-	-	-	-	-	-	2,056	
US Dollars / Colombian Pesos	1,026		-	-	-	-	-	-	1,026	
US Dollars / Brazilian Reales	991		-	-	-	-	-	-	991	
Euro / Brazilian Reales	3,766		-	-	-	-	-	-	3,766	
Forward Currency exchange agreements:										
Receive U.S. dollars / Pay Mexican Peso	5,107		-	-	-	-	-	-	5,107	
Average exchange rate	12.87		-	-	-	-	-	-	12.87	
Receive Mexican Peso / Pay U.S. dollars	2,045		-	-	-	-	-	-	2,045	
Average exchange rate	12.85		-	-	-	-	-	-	12.85	
Futures:										
Currency futures	41		-	-	-	-	-	-	41	
Index futures	10		-	-	-	-	-	-	10	
Swap futures	6,845		-	-	-	-	-	-	6,845	

(1) Borrowings and placements include securities sold under repurchase agreements and short and long-term borrowings and debt.

As of December 31, 2011

Expected maturity date	2012	2013	2014	2015	2016	There-after	Without Total maturity	2011	Fair value 2011
(\$ Equivalent in thousand)									
NON-TRADING ASSETS									
Investment Securities									
Fixed rate									
U.S. Dollars	7,050	78,250	38,571	76,000	71,000	89,585	-	360,456	389,446
Average fixed rate	3.04	% 7.56	% 7.41	% 7.22	% 4.83	% 6.72	% -	6.64	%
Floating rate									
U.S. Dollars	15,000	553	10,000	28,000	-	-	-	53,553	53,491
Average floating rate	1.13	% 4.04	% 2.56	% 2.25	% -	-	-	2.01	%
Loans ⁽¹⁾									
Fixed rate									
U.S. Dollars	2,259,536	14,277	45,326	11,169	-	-	-	2,330,308	2,332,904
Average fixed rate	3.14	% 4.49	% 5.04	% 4.41	% -	-	-	3.20	%
Mexican Peso	24,624	4,493	690	-	-	-	-	29,807	32,031
Average fixed rate	8.75	% 10.11	% 11.74	% -	-	-	-	9.03	%
Floating rate									
U.S. Dollars	1,095,322	531,045	538,598	344,838	70,839	18,654	-	2,599,296	2,548,376
Average floating rate	3.09	% 3.67	% 3.85	% 3.16	% 3.78	% 3.42	% -	3.39	%
Euro	162	-	-	-	-	-	-	162	162
Average floating rate	2.92	% -	-	-	-	-	-	2.92	%
LIABILITIES									
Borrowings and Placements ⁽²⁾									
Fixed rate									
U.S. Dollars	1,343,202	-	-	-	-	-	-	1,343,202	1,341,021
Average fixed rate	1.33	% -	-	-	-	-	-	1.33	%
Mexican Peso	4,361	1,335	-	-	-	-	-	5,696	6,088
Average fixed rate	8.31	% 9.21	% -	-	-	-	-	8.52	%
Peruvian Soles	-	-	45,615	-	-	-	-	45,615	49,175
Average fixed rate	-	-	6.50	% -	-	-	-	6.50	%

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Euro	38,850	-	-	-	-	-	-	-	38,850	38,962	
Average fixed rate	2.98	%	-	-	-	-	-	-	2.98	%	
Chinese Renminbi	10,307	-	-	-	-	-	-	-	10,307	10,312	
Average fixed rate	6.65	%	-	-	-	-	-	-	6.65	%	
Floating rate											
U.S. Dollars	628,867		273,775	581,933	-	-	-	-	1,484,575	1,439,187	
Average floating rate	1.26	%	1.23	%	1.85	%	-	-	1.49	%	
Mexican Peso	93,109		101,188	65,474	-	-	-	-	259,771	253,526	
Average floating rate	5.70	%	5.66	%	6.30	%	-	-	5.83	%	
Interest Rate Swaps											
U.S. Dollars fixed to floating	-		55,000	10,000	50,000	10,000	-	-	125,000	(10,301)	
Average pay rate	-		7.76	%	7.75	%	7.13	%	3.75	%	-
Average receive rate	-		4.36	%	2.87	%	2.91	%	2.38	%	-
U.S. Dollars floating to fixed	20,000		-	-	-	-	-	-	20,000	(512)	
Average pay rate	5.94	%	-	-	-	-	-	-	5.94	%	
Average receive rate	0.73	%	-	-	-	-	-	-	0.73	%	
Cross Currency Swaps											
Receive U.S. Dollars	645		552	600	-	-	-	-	1,797	106	
U.S. Dollars fixed rate	7.04	%	7.04	%	7.04	%	-	-	7.04	%	
U.S. Dollars floating rate	2.69	%	3.99	%	-	-	-	-	3.16	%	
Pay US Dollars	-		147,242	108,404	-	-	-	-	255,646	(37,075)	
U.S. Dollars fixed rate	-		-	5.35	%	-	-	-	5.35	%	
U.S. Dollars floating rate	-		2.07	%	2.82	%	-	-	2.31	%	
Receive Mexican Peso	-		147,242	67,384	-	-	-	-	214,626		
Mexican Peso floating rate	-		5.66	%	6.30	%	-	-	5.86	%	
Pay Mexican Peso	483		552	600	-	-	-	-	1,635		
Mexican Peso fixed rate	12.50	%	12.50	%	12.50	%	-	-	12.50	%	

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Receive Peruvian Soles	-	-	41,020	-	-	-	-	41,020	
Peruvian Soles fixed rate	-	-	6.50	%	-	-	-	6.50	%
Pay Euro	162	-	-	-	-	-	-	162	
Euro floating rate	2.92	%	-	-	-	-	-	2.92	%
Forward Currency Exchange Agreements									
Receive U.S. Dollars/ Pay Mexican Pesos	10,171	351	-	-	-	-	-	10,522	247
Average exchange rate	13.84	13.14	-	-	-	-	-	13.82	
Receive U.S. Dollars/ Pay Brazilian Reales	6,036	-	-	-	-	-	-	6,036	289
Average exchange rate	1.89	-	-	-	-	-	-	1.89	
Pay U.S. Dollars/ Receive Euro	42,742	-	-	-	-	-	-	42,742	(2,337)
Average exchange rate	1.38	-	-	-	-	-	-	1.38	
TRADING									
Trading Assets									
Debt securities:									
Fixed rate									
U.S. Dollars	-	17,000	-	-	-	-	-	17,000	17,488
Average fixed rate	-	5.20	%	-	-	-	-	5.20	%
Floating rate									
Brazilian Reales	-	-	-	-	-	1,340	-	1,340	2,927
Average floating rate	-	-	-	-	-	5.32	%	5.32	%
Trading Liabilities									
Interest rate swaps:									
U.S. Dollars fixed to floating	-	17,000	-	-	-	-	-	17,000	(748)
Average pay rate	-	5.20	%	-	-	-	-	5.20	%
Average receive rate	-	1.84	%	-	-	-	-	1.84	%

Cross currency swaps:										
Receive US Dollars	883	-	-	-	-	-	-	883	21	
U.S. Dollars floating rate	4.80	%	-	-	-	-	-	4.80	%	
Pay US Dollars	84,280	-	-	-	-	-	-	84,280	(4,836)
U.S. Dollars floating rate	4.90	%	-	-	-	-	-	4.90	%	
Receive Mexican Peso	84,280	-	-	-	-	-	-	84,280		
Mexican Peso floating rate	5.70	%	-	-	-	-	-	5.70	%	
Pay Mexican Peso	883	-	-	-	-	-	-	883		
Mexican Peso fixed rate	11.00	%	-	-	-	-	-	11.00	%	
Futures:										
Currency futures	6	-	-	-	-	-	-	6	(4)
Index futures	31	-	-	-	-	-	-	31	-	
Swap futures	54	48	-	-	-	-	-	102	4	

(1) U.S. Dollars loans include \$32.8 million of delinquent and restructured and impaired loans.

(2) Borrowings and placements include securities sold under repurchase agreements and short and long-term borrowings and debt.

Although certain assets and liabilities may have similar maturities or periods of re-pricing, they may be impacted in varying degrees to changes in market interest rates. The maturity of certain types of assets and liabilities may fluctuate in advance of changes in market rates, while the maturity of other types of assets and liabilities may lag behind changes in market rates. In the event of a change in interest rates, prepayment and early withdrawal levels could deviate significantly from the maturities assumed in calculating the table above.

For information regarding the fair value disclosure of financial instruments, see Item 18, "Financial Statements," note 22. For information regarding the fair value of trading assets and liabilities of the Fund, See Item 18, "Financial Statements," notes 2(i) and 5.

Foreign Exchange Risk Management and Sensitivity

The Bank accepts deposits and raises funds principally in U.S. dollars, and makes loans mostly in U.S. dollars. Currency exchange risk arises when the Bank accepts deposits or raises funds in one currency and lends or invests the

proceeds in another. In general, foreign currency-denominated assets are funded with liability instruments denominated in the same currency. In those cases where assets are funded in different currencies, forward foreign exchange or cross-currency swap contracts are used to fully hedge the risk resulting from this cross currency funding. During 2012, the Bank did not hold significant open foreign exchange positions. The Fund invests in securities denominated in foreign currency, as well as forward foreign currency exchange contracts and cross currency swap contracts, all for trading purposes. As of December 31, 2012, the Bank had an equivalent of \$98 million in non-U.S. dollar financial assets and \$470 million of non-U.S. dollar financial liabilities which are fully hedged.

Price Risk Management and Sensitivity

Price risk corresponds to the risk that arises from the volatility in the price of the financial instruments held by the Bank, which may result from observed transaction prices that fluctuate freely according to supply and demand or from changes in the risk factors used for determining prices (interest rates, exchange rates, credit risk spreads, etc.).

The table below lists the carrying amount and fair value of the investment securities portfolio and the interest rate swaps associated with this portfolio as of the dates below:

	As of December 31, 2012		As of December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in \$ thousand)			
NON—TRADING ASSETS				
Investment Securities				
Investment available for sale	183,017	183,017	416,300	416,300
Investment held-to-maturity	34,113	34,149	26,536	26,637
LIABILITIES				
Interest rate swaps	(6,600)	(6,600)	(10,317)	(10,317)
TRADING ASSETS				
Trading Assets	5,146	5,146	20,415	20,415

For additional information regarding derivative financial instruments, see Item 18, “Financial Statements,” notes 2(u) and 21, for information regarding trading assets and liabilities, see Item 18, “Financial Statements,” note 5 and for information regarding investment securities, see Item 18, “Financial Statements,” note 6.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

The Bank maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Such controls include those designed to ensure that information for disclosure is accumulated and communicated to the members of the Board and management, as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer, or CEO, and the Chief Financial Officer, or CFO, evaluated the effectiveness of the Bank's disclosure controls and procedures as of December 31, 2012, and concluded that they were effective as of December 31, 2012.

b) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Management, with the participation and supervision of the Bank's CEO and CFO, has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2012 and based its conclusion on such evaluation, which included (i) the documentation and understanding of the Bank's internal control over financial reporting and (ii) a test of the design and the operating effectiveness of internal controls over financial reporting. This evaluation was the basis of management's conclusions.

Management's evaluation was based on the criteria set forth by the Internal Control-Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Bank's internal control over financial reporting includes policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Bank's transactions and dispositions of its assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that the Bank's receipts and expenditures are being made only in accordance with authorizations of the Bank's management and the Board; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on the assessment and criteria described above, the Bank's management concluded that, as of December 31, 2012, the Bank's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, Deloitte, Inc., has issued an attestation report on the effectiveness of the Bank's internal control over financial reporting.

c) Attestation Report of the Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

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

We have audited the internal control over financial reporting of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries (the "Bank") as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012 of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries and our report dated April 23, 2013 expressed an unqualified opinion on those financial statements.

/s/ Deloitte, Inc.

April 23, 2013

Panama, Republic of Panama

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d) Changes in Internal Control over Financial Reporting

There has been no change in the Bank's internal control over financial reporting during the fiscal year ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Item 16. [Reserved]

Item 16A. Audit and Compliance Committee Financial Expert

The Board has determined that at least one member of the Audit and Compliance Committee is an "audit committee financial expert," as defined in the rules enacted by the SEC under the Sarbanes-Oxley Act. The Audit and Compliance Committee's financial expert is Gonzalo Menéndez Duque. Mr. Menéndez Duque is independent as defined by the NYSE Listed Company Manual, or the NYSE Rules.

See Item 6.A, "Directors and Executive Officers."

Item 16B. Code of Ethics

The Bank has adopted a Code of Ethics that applies to the Bank's principal executive officer, principal financial and principal accounting officers. The Bank's Code of Ethics includes the information regarding its corporate governance practices necessary to comply with Section 303A of the NYSE Rules.

A copy of the Bank's Code of Ethics was filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2009 filed with the SEC on June 11, 2010, and may also be found on the Bank's website (<http://www.bladex.com>) at Investors / Corporate Overview / Corporate Governance / Code of Ethics and Addenda to the Code of Ethics (For purposes of Section 406 of the Sarbanes-Oxley Act of 2002). Written requests for copies should be directed to the attention of Christopher Schech, Chief Financial Officer, Bladex via e-mail to cschech@bladex.com.

Item 16C. Principal Accountant Fees and Services

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The following table summarizes the fees paid or accrued by the Bank for audit and other services provided by Deloitte, Inc., the Bank's independent accounting firm, for each of the years ended December 31, 2012 and 2011:

	2012	2011
Audit fees	\$681,775	\$638,440
Audit-related fees	\$128,900	\$294,250
Tax fees	\$0	\$0
All other fees	\$0	\$0
Total	\$810,675	\$932,690

The following is a description of the type of services included within the categories listed above:

Audit fees include aggregate fees billed for professional services rendered by Deloitte, Inc. for the audit of the Bank's annual financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-related fees include, aggregate fees billed for professional services rendered by Deloitte, Inc. related to the revision of the Bank's renewal of the Bank's EMTN Program in 2011 and 2012 and the establishment of the dual program to issue "certificados bursátiles" in Mexico in 2012.

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Audit and Compliance Committee Pre-Approval Policies and Procedures

The Audit and Compliance Committee pre-approves all audit and non-audit services to be provided to the Bank by the Bank's independent accounting firm. All of the services related to the audit fees, audit-related fees, tax fees and all other fees described above were approved by the Audit and Compliance Committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

The corporate governance practices of the Bank and those required by the NYSE for domestic companies in the United States differ in two significant ways:

First, under Section 303A.04 of the NYSE Rules, a listed company must have a nomination/corporate governance committee comprised entirely of independent directors. However, it is common practice among public companies in Panama not to have a corporate governance committee. The Bank addresses all corporate governance matters in plenary meetings of the Board, and the Audit and Compliance Committee has been given the responsibility of improving the Bank's corporate governance practices and monitoring compliance with such practices.

Second, under Section 303A.08 of the NYSE Rules, stockholders must approve all equity compensation plans and material revisions to such plans, subject to limited exceptions. However, under Panamanian law, any contracts, agreements and transactions between the Bank and one or more of its directors or officers, or companies in which they have an interest, only need to be approved by the Board, including equity compensation plans. The Board must inform stockholders of the equity compensation plans and/or material revisions to such plans at the next stockholders' meeting. In addition, stockholders may revoke the Board's approval of the equity compensation plans and/or material revisions to such plans at a meeting, if there is adequate justification and whenever convenient, by invoking the

fiduciary duty of the directors that approved such plans and/or revisions.

PART III

Item 17. Financial Statements

The Bank is providing the financial statements and related information specified in Item 18.

Item 18. Financial Statements

List of Consolidated Financial Statements

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Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2012, 2011, and 2010	F-6
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**Banco Latinoamericano
de Comercio Exterior, S. A.
and Subsidiaries**

With Independent Auditors' Report

Consolidated Balance Sheets as of December 31, 2012 and 2011, and Related Consolidated Statements of Income, Comprehensive Income, Changes in Stockholders' Equity and Cash Flows for Each of the Three Years in the Period Ended December 31, 2012

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

Consolidated Financial Statements 2012, 2011 and 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

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

We have audited the accompanying consolidated balance sheets of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries (the “Bank”) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in stockholders’ equity and redeemable noncontrolling interest, and cash flows for each of the three years in the period ended December 31, 2012. These consolidated financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 23, 2013 expressed an unqualified opinion on the Bank's internal control over financial reporting.

/s/ Deloitte, Inc.

April 23, 2013

Panama, Republic of Panama

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Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Consolidated balance sheets****December 31, 2012 and 2011**

(in US\$ thousand, except share amounts)

	Notes	2012	2011
Assets			
Cash and due from banks	4,23	6,718	12,814
Interest-bearing deposits in banks (including pledged deposits of \$14,519 in 2012 and \$23,994 in 2011)	4,23	700,312	830,670
Trading assets (including pledged securities to creditors of \$1,262 in 2012 and \$18,988 in 2011)	5,23	5,265	20,436
Securities available-for-sale (including pledged securities to creditors of \$152,340 in 2012 and \$375,492 in 2011)	6,23	183,017	416,300
Securities held-to-maturity (fair value of \$34,149 in 2012 and \$26,637 in 2011) (including pledged securities to creditors of \$19,453 in 2012 and \$17,486 in 2011)	6,23	34,113	26,536
Investment fund	7,23	105,888	120,425
Loans	8,23	5,715,556	4,959,573
Less:			
Allowance for loan losses	9,23	72,976	88,547
Unearned income and deferred fees		7,100	6,697
Loans, net		5,635,480	4,864,329
Customers' liabilities under acceptances	23	1,157	1,110
Accrued interest receivable	23	37,819	38,168
Premises and equipment (net of accumulated depreciation and amortization of \$11,688 in 2012 and \$17,881 in 2011)	10	12,808	6,673
Derivative financial instruments used for hedging - receivable	21,23	19,239	4,159
Other assets	11	14,580	18,412
Total assets		6,756,396	6,360,032
Liabilities and stockholders' equity			
Deposits:			
12,23			
Noninterest-bearing - Demand		580	680
Interest-bearing - Demand		131,295	66,906
Time		2,185,385	2,235,920
Total deposits		2,317,260	2,303,506
Trading liabilities	5,23	32,304	5,584
Securities sold under repurchase agreement	4,5,6,13,23	158,374	377,002
Short-term borrowings	14,23	1,449,023	1,323,466
Acceptances outstanding	23	1,157	1,110
Accrued interest payable	23	17,943	11,790
Borrowings and long-term debt	15,23	1,905,540	1,487,548
Derivative financial instruments used for hedging - payable	21,23	11,747	53,742

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Reserve for losses on off-balance sheet credit risk	9	4,841	8,887
Other liabilities	11	28,348	22,568
Total liabilities		5,926,537	5,595,203
Commitments and contingencies	19,20,21,23,24		
Redeemable noncontrolling interest		3,384	5,547
Stockholders' equity:	16,17,18,22,25		
"Class A" common stock, no par value, assigned value of \$6.67 (Authorized 40,000,000; outstanding 6,342,189)		44,407	44,407
"Class B" common stock, no par value, assigned value of \$6.67 (Authorized 40,000,000; outstanding 2,531,926 in 2012 and 2011)		20,683	20,683
"Class E" common stock, no par value, assigned value of \$6.67 (Authorized 100,000,000; outstanding 29,271,067 in 2012 and 28,257,827 in 2011)		214,890	214,890
Additional paid-in capital in excess of assigned value of common stock		121,419	130,177
Capital reserves		95,210	95,210
Retained earnings		422,048	372,644
Accumulated other comprehensive loss	6,21,22	(730)	(3,112)
Treasury stock	16	(91,452)	(115,617)
Total stockholders' equity		826,475	759,282
Total liabilities and stockholders' equity		6,756,396	6,360,032

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Consolidated statements of income****Years ended December 31, 2012, 2011 and 2010**

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

	Notes	2012	2011	2010
Interest income:	21			
Deposits with banks		1,876	1,351	839
Trading assets		69	1,758	3,133
Investment securities:				
Available-for-sale		5,675	10,780	8,188
Held-to-maturity		721	880	285
Investment fund		880	2,341	2,198
Loans		183,216	140,317	104,835
Total interest income		192,437	157,427	119,478
Interest expense:	21			
Deposits		12,944	8,818	8,531
Investment fund		109	323	963
Short-term borrowings		20,673	15,753	8,058
Borrowings and long-term debt		53,734	29,823	27,423
Total interest expense		87,460	54,717	44,975
Net interest income		104,977	102,710	74,503
Reversal of provision (provision) for loan losses	9	8,343	(8,841)	(9,091)
Net interest income, after reversal of provision (provision) for loan losses		113,320	93,869	65,412
Other income (expense):				
Reversal of provision for losses on off-balance sheet credit risk	9	4,046	4,448	13,926
Fees and commissions, net		10,021	10,619	9,811
Derivative financial instruments and hedging	21	71	2,923	(1,446)
Recoveries, net of impairment of assets		0	(57)	233
Net gain (loss) from investment fund trading		7,011	20,314	(7,995)
Net gain (loss) from trading securities		11,234	(6,494)	(3,603)
Net gain on sale of securities available-for-sale	6	6,030	3,413	2,346
Net gain (loss) on foreign currency exchange		(10,525)	4,269	1,870
Gain on sale of premises and equipment	10	5,626	0	0
Other income, net		2,986	1,059	1,279
Net other income		36,500	40,494	16,421
Operating expenses:				
Salaries and other employee expenses		33,171	27,825	22,251
Depreciation and amortization of premises and equipment		2,269	2,139	2,471
Professional services		4,053	4,151	3,977
Maintenance and repairs		1,936	1,634	1,615
Expenses from the investment fund		2,953	4,372	3,996
Other operating expenses		11,432	9,966	7,908

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Total operating expenses		55,814	50,087	42,218
Net income from continuing operations		94,006	84,276	39,615
Net income (loss) from discontinued operations	3	(681)	(420)	206
Net income		93,325	83,856	39,821
Net income (loss) attributable to the redeemable noncontrolling interest		293	676	(2,423)
Net income attributable to Bladex		93,032	83,180	42,244
Amounts attributable to Bladex:				
Net income from continuing operations		93,713	83,600	42,038
Net income (loss) from discontinued operations		(681)	(420)	206
		93,032	83,180	42,244
Earnings per share from continuing operations:				
Basic	18	2.48	2.26	1.15
Diluted	18	2.47	2.25	1.14
Earnings (loss) per share from discontinued operations:				
Basic	18	(0.02)	(0.01)	0.01
Diluted	18	(0.02)	(0.01)	0.01
Earnings per share:				
Basic	18	2.46	2.25	1.15
Diluted	18	2.45	2.24	1.15
Weighted average basic shares	18	37,824	36,969	36,647
Weighted average diluted shares	18	37,938	37,145	36,814

The accompanying notes are an integral part of these consolidated financial statements.

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Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Consolidated statements of comprehensive income****Years ended December 31, 2012, 2011 and 2010**

(in US\$ thousand)

	Notes	2012	2011	2010
Net income		93,325	83,856	39,821
Other comprehensive income (loss)				
Unrealized gains (losses) on securities available-for-sale:				
Unrealized gains arising from the year	22	8,436	4,095	2,325
Less: reclassification adjustments for net gains included in net income	22	(5,775)	(2,079)	(2,825)
Net change in unrealized gains (losses) on securities available for sale		2,661	2,016	(500)
Unrealized gains (losses) on derivative financial instruments:				
Unrealized gains arising from the year	22	5,699	1,097	1,391
Less: reclassification adjustments for net (gains) losses included in net income	22	(5,427)	960	(1,172)
Net change in unrealized gains on derivative financial instruments		272	2,057	219
Foreign currency translation adjustment, net of hedges:				
Current year change		(735)	(744)	-
Change in foreign currency translation adjustment		(735)	(744)	-
Other comprehensive income (loss)		2,198	3,329	(281)
Comprehensive income		95,523	87,185	39,540
Comprehensive income (loss) attributable to the redeemable noncontrolling interest		109	676	(2,423)
Comprehensive income attributable to Bladex		95,414	86,509	41,963

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Consolidated statements of changes in stockholders' equity and redeemable noncontrolling interest
Years ended December 31, 2012, 2011 and 2010**

(in US\$ thousand)

	Stockholders' equity		Accumulated			Total	Redeemable	
	Common	Additional paid-in capital in excess of assigned value	Capital	Retained	other	Treasury	noncontrolling	
	stock	of common	reserves	earnings	comprehensive	stock	equity	
		stock			income		interest	
					(loss)			
Balances at January 1, 2010	279,980	134,820	95,210	301,389	(6,160)	(129,602)	675,637	34,900
Net income (loss)	-	-	-	42,244	-	-	42,244	(2,423)
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	9,900
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(23,427)
Other comprehensive loss	-	-	-	-	(281)	-	(281)	-
Compensation cost - stock options and stock units plans	-	2,099	-	-	-	-	2,099	-
Issuance of restricted stock	-	(909)	-	-	-	909	-	-
Exercised options and stock units vested	-	(2,195)	-	-	-	3,029	834	-
Repurchase of common stock "Class E"	-	-	-	-	-	(3)	(3)	-
Dividends declared	-	-	-	(23,480)	-	-	(23,480)	-
Balances at December 31, 2010	279,980	133,815	95,210	320,153	(6,441)	(125,667)	697,050	18,950
Net income	-	-	-	83,180	-	-	83,180	676
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	531
	-	-	-	-	-	-	-	(14,610)

Redeemable noncontrolling interest - redemptions									
Other comprehensive income	-	-	-	-	3,329	-	3,329	-	
Compensation cost - stock options and stock units plans	-	2,311	-	-	-	-	2,311	-	
Issuance of restricted stock	-	(609)	-	-	-	609	-	-	
Exercised options and stock units vested	-	(5,340)	-	-	-	9,441	4,101	-	
Dividends declared	-	-	-	(30,689)	-	-	(30,689)	-	
Balances at December 31, 2011	279,980	130,177	95,210	372,644	(3,112)	(115,617)	759,282	5,547	
Net income	-	-	-	93,032	-	-	93,032	293	
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	1,773	
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(4,045)	
Other comprehensive income (loss)	-	-	-	-	2,382	-	2,382	(184)	
Compensation cost - stock options and stock units plans	-	2,271	-	-	-	-	2,271	-	
Issuance of restricted stock	-	(771)	-	-	-	771	-	-	
Exercised options and stock units vested	-	(10,258)	-	-	-	23,394	13,136	-	
Dividends declared	-	-	-	(43,628)	-	-	(43,628)	-	
Balances at December 31, 2012	279,980	121,419	95,210	422,048	(730)	(91,452)	826,475	3,384	

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Consolidated statements of cash flows**
Years ended December 31, 2012, 2011 and 2010

(in US\$ thousand)

	2012	2011	2010
Cash flows from operating activities:			
Net income	93,325	83,856	39,821
Adjustments to reconcile net income to net cash provided by operating activities:			
Activities of derivative financial instruments and hedging	(47,678)	17,177	(6,498)
Depreciation and amortization of premises and equipment	2,269	2,139	2,471
Provision (reversal of provision) for loan losses	(8,343)	8,841	9,091
Provision (reversal of provision) for losses on off-balance sheet credit risk	(4,046)	(4,448)	(13,926)
Impairment loss on assets	-	57	-
Net gain on sale of securities available-for-sale	(6,030)	(3,413)	(2,346)
Gain on sale of premises and equipment	(5,626)	-	-
Compensation cost - compensation plans	2,271	2,311	2,099
Amortization of premium and discounts on investments	3,075	6,912	7,597
Net decrease (increase) in operating assets:			
Trading assets	14,338	29,766	(135)
Investment fund	14,537	46,866	30,284
Accrued interest receivable	349	(7,058)	(5,549)
Other assets	3,786	(7,498)	(24,409)
Net increase (decrease) in operating liabilities:			
Trading liabilities	26,720	1,647	786
Accrued interest payable	6,153	1,706	(1,207)
Other liabilities	2,250	1,126	30,747
Net change from discontinued operating activities	(256)	200	213
Net cash provided by operating activities	97,094	180,187	69,039
Cash flows from investing activities:			
Net decrease (increase) in pledged deposits	9,475	(7,919)	6,507
Net decrease (increase) in deposits with original maturities greater than three months	30,000	(30,000)	-
Net increase in loans	(909,019)	(901,103)	(1,308,935)
Proceeds from the sale of loans	146,211	9,261	20,000
Acquisition of equipment and leasehold improvements	(10,823)	(2,220)	(1,281)
Proceeds from the sale of premises and equipment	8,023	-	-
Proceeds from the redemption of securities available-for-sale	15,277	19,484	33,074
Proceeds from the sale of securities available-for-sale	254,772	264,997	151,267
Proceeds from the redemption of securities held to maturity	7,050	13,500	-
Purchases of investments available-for-sale	(39,982)	(364,993)	(93,009)
Purchases of investments held-to-maturity	(14,811)	(7,050)	(33,196)
Net change from discontinued investing activities	(3)	(88)	(12)
Net cash used in investing activities	(503,830)	(1,006,131)	(1,225,585)

Cash flows from financing activities:			
Net increase in due to depositors	13,754	482,581	564,679
Net increase (decrease) in short-term borrowings and securities sold under repurchase agreements	(93,071)	340,141	961,195
Proceeds from borrowings and long-term debt	817,827	824,139	212,960
Repayments of borrowings and long-term debt	(399,835)	(411,731)	(528,207)
Dividends paid	(39,714)	(29,505)	(22,720)
Subscriptions of redeemable noncontrolling interest	1,773	531	9,900
Redemptions of redeemable noncontrolling interest	(4,045)	(14,610)	(23,427)
Exercised stock options	13,136	4,101	834
Repurchase of common stock	-	-	(3)
Net cash provided by financing activities	309,825	1,195,647	1,175,211
Effect of exchange rate fluctuations on cash and cash equivalents	(68)	(852)	-
Net increase (decrease) in cash and cash equivalents	(96,979)	368,851	18,665
Cash and cash equivalents at beginning of the year	789,490	420,639	401,974
Cash and cash equivalents at end of the year	692,511	789,490	420,639
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	81,307	54,717	46,182

The accompanying notes are an integral part of these consolidated financial statements.

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

Notes to consolidated financial statements

1. Organization

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

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

In the Republic of Panama, banks are regulated by the SBP through Executive Decree No. 52 of April 30, 2008, which adopts the text of the Law Decree No. 9 of February 26, 1998, modified by the Law Decree No. 2 of February 22, 2008. Banks are also regulated by resolutions and agreements issued by this entity. The main aspects of this law and its regulations include: the authorization of banking licenses, minimum capital and liquidity requirements, consolidated supervision, procedures for management of credit and market risks, measures to prevent money laundering, the financing of terrorism and related illicit activities, and procedures for banking intervention and liquidation, among others.

Bladex Head Office’s subsidiaries are the following:

Bladex Holdings Inc., is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Bladex Holdings Inc. exercises control over Bladex Asset Management Inc., incorporated on May 24, 2006, under the laws of the State of Delaware, USA, which serves as investment manager for Bladex Offshore Feeder Fund (the “Feeder”) and Bladex Capital Growth Fund (the “Fund”). In February 2012, Bladex Asset Management Inc., was registered with the Securities and Exchange Commission (“SEC”) as an investment adviser. On September 8, 2009, Bladex Asset Management Inc. was registered as a foreign entity in the Republic of Panama, to establish a branch in Panama, which is mainly engaged in providing administrative and operating services to Bladex Asset Management Inc. in USA.

The Feeder is an entity in which Bladex Head office owns 98.06% and 95.84% as of December 31, 2012 and 2011, respectively. The Feeder was incorporated on February 21, 2006 under the laws of the Cayman Islands, and invests substantially all its assets in the Fund, which is also incorporated under the laws of the Cayman Islands. The Feeder and the Fund are registered with the Cayman Island Monetary Authority (“CIMA”), under the Mutual Funds Law of the Cayman Islands. The objective of the Fund is to achieve capital appreciation by investing in Latin American debt securities, stock indexes, currencies, and trading derivative instruments.

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**Banco Latinoamericano de Comercio Exterior, S. A.
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Bladex Representacao Ltda., incorporated under the laws of Brazil on January 7, 2000, acts as the Bank's representative office in Brazil. Bladex Representacao Ltda. is 99.999% owned by Bladex Head Office and the remaining 0.001% owned by Bladex Holdings Inc.

Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owns 99% of Bladex Investimentos Ltda. and Bladex Holdings Inc. owns the remaining 1%. This company has invested substantially all its assets in Bladex Latam Fundo de Investimento Multimercado, which was also incorporated under the laws of Brazil on July 26, 2011.

The objective of Bladex Latam Fundo de Investimento Multimercado (the "Brazilian Fund") is to achieve capital gains by dealing in the interest, currency, securities, commodities and debt markets, and by trading instruments available in the spot and derivative markets. Bladex Latam Fundo de Investimento Multimercado is registered with the Brazilian Securities Commission ("CVM"). This fund is a variable interest entity ("VIE"), and has been consolidated in these consolidated financial statements. As of December 31, 2012 and 2011, Bladex Investimentos Ltda. holds 82.90% and 91.99%, respectively, of the Brazilian Fund's net asset value.

BLX Brazil Ltd., was incorporated under the laws of the Cayman Islands on October 5, 2010. Bladex Head Office owns 99.80% of BLX Brazil Ltd. In turn, BLX Brazil Ltd. owns 99.9999% of Bladex Asset Management Brazil – Gestora de Recursos Ltda. and Bladex Asset Management Inc. owns the remaining 0.0001%. Bladex Asset Management Brazil – Gestora de Recursos Ltda. was incorporated under the laws of Brazil on January 6, 2011, and provides investment advisory services to Bladex Latam Fundo de Investimento Multimercado.

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

The Bank has representative offices in Buenos Aires, Argentina, in Mexico City, D.F. and Monterrey, Mexico, in Porto Alegre, Brazil, in Lima, Peru, in Bogota, Colombia, and an international administrative office in Miami, Florida, USA.

Bladex Head Office owns 50% of the equity shares of BCG PA LLC, a company incorporated under the laws of the State of Delaware, USA. This company owns "Class C" shares of the Fund that entitle it to receive a performance

allocation on third-party investments in the Feeder and in the Fund.

Clavex LLC, a former subsidiary of Bladex Holdings, was dissolved on April 7, 2011, and its net assets were transferred to its controlling entity. Clavex S. A., a former subsidiary of Bladex Head Office, was dissolved on August 30, 2011, and its net assets were transferred to its Head Office.

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

Notes to consolidated financial statements

2. Summary of significant accounting policies

a) Basis of presentation

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

The Accounting Standards Codification (the “ASC”) issued by the Financial Accounting Standards Board (the “FASB”) constitute the single official source of authoritative, non-governmental GAAP, other than guidance issued by the Securities and Exchange Commission (“SEC”). All other literature is considered non-authoritative.

b) Principles of consolidation

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

When Bladex holds an interest in investment companies under the “Feeder-Master” structure where the Feeder’s shareholding is diluted and such entity is registered as a mutual fund with a regulatory body, it is considered an investment company. In those cases, the Feeder, and thereby Bladex indirectly, consolidates its participation in the Fund in one line item in the balance sheet, as required by the specialized accounting in the ASC Topic 946 - Financial Services – Investment Companies.

c) Variable interest entities

Variable interest entities (“VIE”) are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. Investors that finance the VIE through debt or equity interests or other counterparties that provide other forms of support, such as guarantees, or certain types of derivative contracts, are variable interest holders in the entity.

The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. The Bank would be deemed to have a controlling financial interest and be the primary beneficiary if it has both of the following characteristics:

- power to direct the activities of a VIE that most significantly impact the entity’s economic performance; and
- obligation to absorb losses of the entity that could potentially be significant to the VIE or right to receive benefits from the entity that could potentially be significant to the VIE.

**Banco Latinoamericano de Comercio Exterior, S. A.
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Notes to consolidated financial statements

d) Equity method

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

e) Specialized accounting for investment companies

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

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

f) Use of estimates

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

g) Cash equivalents

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

h) Repurchase agreements

Repurchase agreements are generally treated as collateralized financing transactions. When the criteria set forth in the following paragraph are met to account for the transaction as secured financing, the transaction is recorded at the amounts at which the securities will be subsequently reacquired including interest paid, as specified in the respective agreements. Interest is recognized in the consolidated statement of income over the life of the transaction. The fair value of securities to be repurchased is continuously monitored, and additional collateral is obtained or provided where appropriate, to protect against credit exposure.

**Banco Latinoamericano de Comercio Exterior, S. A.
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Notes to consolidated financial statements

The Bank's policy is to relinquish possession of the securities sold under agreements to repurchase. Despite such relinquishment of possession, repurchase agreements qualify as secured financings if and only if all of the following conditions are met: the repurchase agreement must grant the transferor the right and obligation to repurchase or redeem the transferred financial assets; the assets to be repurchased are the same or substantially the same as those transferred; the agreement is to repurchase or redeem them before maturity, at a fixed and determinable price; and the agreement is entered into concurrently at the transfer date.

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

i) Trading assets and liabilities

Trading assets and liabilities include bonds acquired for trading purposes, and receivables (unrealized gains) and payables (unrealized losses) related to derivative financial instruments which are not designated as hedges or which do not qualify for hedge accounting. These amounts include the derivative assets and liabilities net of cash received or paid, respectively, under legally enforceable master netting agreements.

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

j) Investment securities

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

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

Securities available-for-sale

These securities consist of debt instruments that the Bank buys with the intention of selling them prior to maturity and are subject to the same approval criteria as the rest of the credit portfolio. These securities are carried at fair value. Unrealized gains and losses are reported as net increases or decreases to other comprehensive income (loss) (OCI) in stockholders' equity until they are realized. Realized gains and losses from the sale of securities which are included in net gain on sale of securities are determined using the specific identification method.

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Securities held-to-maturity

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

Impairment of securities

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

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

In periods subsequent to the recognition of the other-than-temporary impairment, the difference between the new amortized cost and the expected cash flows to be collected is accreted as interest income. The present value of the expected cash flows is estimated over the life of the debt security.

The other-than-temporary impairment of securities held-to-maturity that has been recognized in other comprehensive income (loss) is accreted to the amortized cost of the debt security prospectively over its remaining life.

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

k) Investment Fund

The Feeder records its investment in the Fund at fair value, which is the Feeder's proportionate interest in the net assets of the Fund. The Fund invests in trading assets and liabilities that are carried at fair value. The Fund reports trading gains and losses from negotiation of these instruments as realized and unrealized gains and losses on investments.

**Banco Latinoamericano de Comercio Exterior, S. A.
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Notes to consolidated financial statements

l) Other investments

Other investments that mainly consist of unlisted stock are recorded at cost and are included in other assets. The Bank determined that it is not practicable to obtain the fair value of these investments, as these shares are not traded in a secondary market. Performance of these investments is evaluated periodically and declines that are determined to be other-than-temporary are charged to earnings as impairment on assets (See Note 11).

m) Loans

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

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

The Bank identifies loans as delinquent when no debt service and/or interest payment has been received for 30 days after such payments were due. The outstanding balance of a loan is considered past due when the total principal balance with one single balloon payment has not been received within 30 days after such payment was due, or when no agreed-upon periodical payment has been received for a period of 90 days after the agreed-upon date.

Loans are placed in a non-accrual status when interest or principal is overdue for 90 days or more, or before if the Bank's Management believes there is an uncertainty with respect to the ultimate collection of principal or interest. Any interest receivable on non-accruing loans is reversed and charged-off against earnings. Interest on these loans is only recorded as earned when collected. Non-accruing loans are returned to an accrual status when (1) all contractual principal and interest amounts are current; (2) there is a sustained period of repayment performance in accordance with the contractual terms of at least six months; and (3) if in the Bank Management's opinion the loan is fully collectible.

A modified loan is considered a troubled debt restructuring when the debtor is experiencing financial difficulties and if the restructuring constitutes a concession to the debtor. A concession may include modification of terms such as an extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, and reduction in the face amount of the debt or reduction of accrued interest, among others. Marketable securities received in exchange for loans under troubled debt restructurings are initially recorded at fair value, with any gain or loss recorded as a recovery or charge to the allowance, and are subsequently accounted for as securities available-for-sale.

A loan is considered impaired, and also placed on a non-accrual basis, when based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to original contractual terms of the loan agreement. Factors considered by the Bank's Management in determining impairment include collection status, collateral value, and economic conditions in the borrower's country of residence. Impaired loans also include those modified loans considered troubled debt restructurings. When current events or available information confirm that specific impaired loans or portions thereof are uncollectible, such impaired loans are charged-off against the allowance for loan losses.

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Notes to consolidated financial statements

The reserve for losses on impaired loans is determined considering all available evidence, including the present value of expected future cash flows discounted at the loan's original contractual interest rate and/or the fair value of the collateral, if applicable. If the loan's repayment is dependent on the sale of the collateral, the fair value considers costs to sell.

The Bank maintains a system of internal credit quality indicators. These indicators are assigned depending on several factors which include: profitability, quality of assets, liquidity and cash flows, capitalization and indebtedness, economic environment and positioning, regulatory framework and/or industry, sensitivity scenarios and the quality of debtor's management and shareholders. A description of these indicators is as follows:

Rating	Classification	Description
1 to 6	Normal	Clients with payment ability to satisfy their financial commitments.
7	Special Mention	Clients exposed to systemic risks specific to the country or the industry in which they are located, facing adverse situations in their operation or financial condition. At this level, access to new funding is uncertain.
8	Substandard	Clients whose primary source of payment (operating cash flow) is inadequate and who show evidence of deterioration in their working capital that does not allow them to satisfy payments on the agreed terms, endangering recovery of unpaid balances.
9	Doubtful	Clients whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms. Due to the fact that the debtor presents an impaired financial and economic situation, the likelihood of recovery is low.
10	Unrecoverable	Clients with operating cash flow that does not cover their costs, are in suspension of payments, presumably they will also have difficulties to fulfill possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

In order to maintain a periodical monitoring of the quality of the portfolio, loans with ratings between 1 and 5 are reviewed annually, ratings 6 are reviewed semi-annually, and those with ratings above 6 are reviewed quarterly.

The Bank's lending portfolio is summarized in the following segments: corporations, sovereign, middle-market companies and banking and financial institutions. The distinction between corporations and middle-market companies depends on the client's level of annual sales in relation to the country risk, among other criteria. Except for the sovereign segment, segments are broken down into state-owned and private.

The Bank's lending policy is applicable to all classes of loans.

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Notes to consolidated financial statements

n) Transfer of financial assets

Transfers of financial assets, primarily loans, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank even in bankruptcy or other receivership; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or does not have the right to cause the assets to be returned. Upon completion of a transfer of assets that satisfies the conditions described above to be accounted for as a sale, the Bank recognizes the assets as sold and records in earnings any gain or loss on the sale. The Bank may retain interest in loans sold in the form of servicing rights. Gains or losses on sale of loans depend in part on the carrying amount of the financial instrument involved in the transfer, and its fair value at the date of transfer.

o) Allowance for credit losses

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

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

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

- Exposure (E) = the total accounting balance (on and off-balance sheet) at the end of the period under review.
- Probabilities of Default (PD) = one-year probability of default applied to the portfolio. Default rates are based on Bladex's historical portfolio performance per rating category, complemented by Standard & Poor's ("S&P") probabilities of default for categories 6, 7 and 8, in view of the greater robustness of S&P data for such cases.
- Loss Given Default (LGD) = a factor is utilized, based on historical information, same as based on best practices in the banking industry. Management applies judgment and historical loss experience.

Management can also apply complementary judgment to capture elements of prospective nature or loss expectations based on risks identified in the environment that are not necessarily reflected in the historical data.

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The allowance policy is applicable to all classes of loans and off-balance sheet financial instruments of the Bank.

p) Fees and commissions

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

q) Premises and equipment

Premises and equipment, including the electronic data processing equipment, are carried at cost less accumulated depreciation and amortization, except land, which was carried at acquisition cost. Depreciation and amortization are charged to operations using the straight-line method, over the estimated useful life of the related asset. The estimated original useful life for furniture and equipment is 3 to 5 years and for improvements is 3 to 15 years. The building was depreciated in a period of 40 years.

The Bank defers the cost of internal-use software that has a useful life in excess of one year in accordance with ASC Topic 350-40 - Intangibles – Goodwill and Other – Internal-Use Software. These costs consist of payments made to third parties related to the use of licenses and installation of both, software and hardware. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized internal use software costs are amortized using the straight-line method over their estimated useful lives, generally consisting of 5 years.

r) Borrowings and debt

Short and long-term borrowings and debt are accounted for at amortized cost.

s) Capital reserves

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

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t) Stock-based compensation and stock options plans

The Bank applies ASC Topic 718 – Compensation - Stock Compensation to account for compensation costs on restricted stock and stock option plans. Compensation cost is based on the grant date fair value of both stock and options and is recognized over the requisite service period of the employee, using the straight-line method. The fair value of each option is estimated at the grant date using a binomial option-pricing model. For the year 2010, the options' expected term was calculated using the simplified weighted average method because the Bank did not have sufficient historical exercise data to provide for a reasonable basis to estimate expected term.

When options and stock are exercised, the Bank's policy is to reissue shares from treasury stock.

u) Derivative financial instruments and hedge accounting

The Bank uses derivative financial instruments for its management of interest rate and foreign exchange risks. Interest rate swap contracts, cross-currency swap contracts and forward foreign exchange contracts have been used to manage interest rate and foreign exchange risks associated with debt securities and borrowings with fixed rates, and loans and borrowings in foreign currency. These contracts can be classified as fair value and cash flow hedges. In addition, forward foreign exchange contracts are used to hedge exposures to changes in foreign currency in subsidiary companies with functional currencies other than US dollar. These contracts are classified as net investment hedges.

The accounting for changes in value of a derivative depends on whether the contract is for trading purposes or has been designated and qualifies for hedge accounting.

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

Derivatives for hedging purposes primarily include forward foreign exchange contracts and interest rate swap contracts in US dollars and cross-currency swaps. Derivative contracts designated and qualifying for hedge accounting

are reported in the consolidated balance sheet as derivative financial instruments used for hedging - receivable and payable, as applicable, and hedge accounting is applied. In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. Each derivative must be designated as a hedge, with documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, as well as how effectiveness will be assessed prospectively and retrospectively. The extent to which a hedging instrument is effective at achieving offsetting changes in fair value or cash flows must be assessed at least quarterly. Any ineffectiveness must be reported in current-period earnings. The Bank discontinues hedge accounting prospectively in the following situations:

1. It is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item.
2. The derivative expires or is sold, terminated or exercised.

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3. The Bank otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

The Bank carries all derivative financial instruments in the consolidated balance sheet at fair value. For qualifying fair value hedges, all changes in the fair value of the derivative and the fair value of the item for the risk being hedged are recognized in earnings. If the hedge relationship is terminated, then the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment. The Bank applies the shortcut method of hedge accounting that does not recognize ineffectiveness in hedges of interest rate swap that meet the requirements of ASC Topic 815-20-25-104. For qualifying cash flow hedges and net investment hedges, the effective portion of the change in the fair value of the derivative is recorded in OCI and recognized in the consolidated statement of income when the hedged cash flows affect earnings. The ineffective portion is recognized in the consolidated statement of income as activities of derivative financial instruments and hedging. If the cash flow hedge relationship is terminated, related amounts in OCI are reclassified into earnings when hedged cash flows occur.

v) Foreign currency translation

Assets and liabilities of foreign subsidiaries whose local currency is considered their functional currency, are translated into the reporting currency, US dollars, using period-end spot foreign exchange rates. The Bank uses monthly-averaged exchange rates to translate revenues and expenses from local functional currency into US dollars. The effects of those translations adjustments are reported as a component of the Other comprehensive income (loss) in the stockholders' equity.

Transactions whose terms are denominated in a currency other than the functional currency, including transactions denominated in local currency of the foreign entity with the US dollar as their functional currency, are recorded at the exchange rate prevailing at the date of the transaction. Assets and liabilities in foreign currency are translated into US dollars using period-end spot foreign exchange rates. The effects of translation of monetary assets and liabilities into US dollars are included in current year's earnings in the Gain (loss) on foreign currency exchange item.

w) Income taxes

Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract signed between the Republic of Panama and Bladex.

The Feeder, the Fund, and BLX Brazil Ltd. are not subject to income taxes in accordance with the laws of the Cayman Islands. These companies received an undertaking exempting them from taxation of all future profits until

March 7, 2026 for the Feeder and the Fund, and until November 23, 2030 for BLX Brazil Ltd.

Bladex Representacao Ltda., Bladex Investimentos Ltda., and Bladex Asset Management Brazil – Gestora de Recursos Ltda. are subject to income taxes in Brazil.

The New York Agency and Bladex's subsidiaries incorporated in USA are subject to federal and local taxation in USA based on the portion of income that is effectively connected with its operations in that country.

Such amounts of income taxes have been immaterial to date.

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x) Redeemable noncontrolling interest

ASC Topic 810 - Consolidation requires that a noncontrolling interest, previously referred to as a minority interest, in a consolidated subsidiary be reported as a separate component of equity and the amount of consolidated net income specifically attributable to the noncontrolling interest be presented separately, below net income in the consolidated statement of income.

Furthermore, in accordance with ASC 480-10-S99, equity securities that are redeemable at the option of the holder and not solely within the control of the issuer must be classified outside of equity. The terms of third party investments in the consolidated funds contain a redemption clause which allows the holders the option to redeem their investment at fair value. Accordingly, the Bank presents the noncontrolling interest between liabilities and stockholders' equity in the consolidated balance sheets.

Net assets of the Feeder and the Brazilian Fund are measured and presented at fair value, given the nature of their net assets (i.e. represented mainly by cash and investments in securities). Therefore, when calculating the value of the redeemable noncontrolling interest under ASC Topic 810, such amount is already recorded at its fair value and no further adjustments under ASC 480-10-S99 are necessary.

y) Earnings per share

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

z) Recently issued accounting standards

During 2012 and 2011, new accounting standards, modifications, interpretations, and updates to standards (“ASU”), applicable to the Bank, have been issued and are not in effect. These standards establish the following:

ASU 2011-11 – Balance Sheet (Topic 210)

This update requires an entity to disclose information about financial instruments and derivative instruments that are either offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset. Entities are required to disclose both gross and net information about instruments and transactions eligible for offset and instruments and transactions subject to an agreement similar to a master netting arrangement.

This update is effective for interim and annual periods beginning on or after January 1, 2013. Entities should provide the disclosures required by this update retrospectively for all comparative periods presented. The Bank does not anticipate any material impact on its financial statements as a result of those disclosures.

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ASU 2012-04 – Technical Corrections and Improvements

The amendments in this update are intended to make minor improvements to the Accounting Standard Codification that are not expected to have a significant effect on current accounting practice. Additionally, these amendments will make the Codification easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications.

This update is effective for annual periods beginning on or after December 15, 2012. The Bank is evaluating the potential impact of this update in its financial statements.

3. Discontinued operations

In the fourth quarter of 2012, the Bank established a plan to divest the operations of the Asset Management unit. The Bank applied discontinued operations accounting to the operations of the Asset Management unit for the year ended December 31, 2012, in accordance with ASC Topic 205-20 – Presentation of Financial Statements – Discontinued Operations. Amounts reported in the consolidated financial statements of income and cash flows for the years ended December 31, 2011 and 2010 have been reclassified to conform to the presentation of discontinued operations in 2012. The reclassification of amounts in the consolidated statements of cash flows for the years 2011 and 2010 did not affect the totals of operating, investing and financing activities. The book value of assets of the Asset Management unit is not significant; so have not been reported as assets held-for-sale in the consolidated balance sheet.

The following table summarizes the operating results of the discontinued operations:

(In thousands of US\$)	Year ended December 31		
	2012	2011	2010
Other income:			
Fees and commissions ⁽¹⁾	2,683	2,942	3,621
Other income	20	-	181
	2,703	2,942	3,802
Operating expenses:			

Salaries and other employee expenses	(1,535)	(1,443)	(1,247)
Depreciation and amortization	(21)	(27)	(39)
Professional services	(699)	(731)	(968)
Maintenance and repairs	(7)	(5)	(1)
Other operating expenses	(1,122)	(1,156)	(1,341)
Total operating expenses	(3,384)	(3,362)	(3,596)
Net gain (loss) from discontinued operations	(681)	(420)	206

⁽¹⁾ Includes management fees from the investment fund for \$2,588 thousand, \$2,832 thousand, and \$3,106 thousand in years 2012, 2011 y 2010, respectively.

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4. Cash and cash equivalents

Cash and cash equivalents are as follows:

(In thousands of US\$)	December 31,	
	2012	2011
Cash and due from banks	6,718	12,814
Interest-bearing deposits in banks	700,312	830,670
Total	707,030	843,484
Less:		
Interest-bearing deposits with original maturities of more than three months	-	30,000
Pledged deposits	14,519	23,994
	692,511	789,490

On December 31, 2012 and 2011, the New York Agency had a pledged deposit with a carrying value of \$3.0 million with the New York State Banking Department, as required by law since March 1994. As of December 31, 2012 and 2011, the Bank had pledged deposits of \$11.5 million and \$21.0 million, respectively, to secure derivative financial instruments transactions and repurchase agreements.

5. Trading assets and liabilities

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

(In thousands of US\$)	December 31,	
	2012	2011
Trading assets:		
Sovereign bonds	5,146	20,415
Cross-currency interest rate swaps	49	21
Forward foreign exchange	50	-
Future contracts	20	-
Total	5,265	20,436

Trading liabilities:

Interest rate swaps	100	748
Cross-currency interest rate swaps	32,182	4,836
Forward foreign exchange	22	-
Total	32,304	5,584

Sovereign bonds outstanding as of December 31, 2012, 2011 and 2010, have generated gains of \$0.1 million during 2012 and 2010, respectively, and loss of \$0.7 million during 2011 which have been recorded in earnings.

As of December 31, 2012 and 2011, bonds with a carrying value of \$1.3 million and \$19.0 million, respectively, secured repurchase agreements accounted for as secured borrowings and derivative financial instruments transactions.

During 2012, 2011 and 2010, the Bank recognized the following gains and losses related to trading derivative financial instruments:

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(In thousands of US\$)	Year ended December 31,		
	2012	2011	2010
Interest rate swaps	(310)	(299)	(2,091)
Cross-currency interest rate swaps	11,537	(4,858)	(1,662)
Credit default swap	-	-	13
Forward foreign exchange	27	93	-
Future contracts	207	(29)	-
Total	11,461	(5,093)	(3,740)

These amounts are reported in the Net gain (loss) from trading securities and Net gain (loss) from the investment fund trading lines in the consolidated statements of income.

In addition to the trading derivative financial instruments, the Bank has hedging derivative financial instruments that are disclosed in Note 21.

As of December 31, 2012 and 2011, trading derivative liabilities include interest rate swap and cross-currency interest rate swap contracts that were previously designated as fair value hedges of securities available-for-sale, and foreign-currency loans and borrowings, respectively that no longer qualify for hedge accounting. Hedge accounting of certain fair value hedges was discontinued during 2012. Adjustments to the carrying value of the hedged underlying transactions are amortized in the interest expense line over the remaining term of these transactions. Changes in the fair value of these derivative instruments after discontinuation of fair value hedge accounting are recorded in Net gain (loss) from trading securities.

As of December 31, 2012 and 2011, information on the nominal amounts of derivative financial instruments held for trading purposes is as follows:

(In thousands of US\$)	2012		2011	
	Nominal Amount	Fair Value Asset Liability	Nominal Amount	Fair Value Asset Liability
Interest rate swaps	35,291	- 100	17,000	- 748
Cross-currency interest rate swaps	155,081	49 32,182	85,163	21 4,836

Forward foreign exchange	7,152	50	22	-	-	-
Future contracts	6,896	20	-	139	-	-
Total	204,420	119	32,304	102,302	21	5,584

6. Investment securities

Securities available-for-sale

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

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(In thousands of US\$)	December 31, 2012		Unrealized Gross Loss	Fair Value
	Amortized Cost	Unrealized Gross Gain		
Corporate debt:				
Brazil	13,581	158	-	13,739
Colombia	986	60	-	1,046
Chile	1,967	87	-	2,054
Peru	530	17	-	547
	17,064	322	-	17,386
Sovereign debt:				
Brazil	28,783	1,965	-	30,748
Colombia	15,489	-	199	15,290
Chile	1,061	1	-	1,062
Honduras	15,986	224	-	16,210
Mexico	20,553	1,779	-	22,332
Panama	37,845	1,828	-	39,673
Venezuela	39,548	801	33	40,316
	159,265	6,598	232	165,631
Total	176,329	6,920	232	183,017

(In thousands of US\$)	December 31, 2011		Unrealized Gross Loss	Fair Value
	Amortized Cost	Unrealized Gross Gain		
Corporate debt:				
Brazil	45,937	152	2,094	43,995
Colombia	28,169	89	-	28,258
Peru	14,916	29	-	14,945
	89,022	270	2,094	87,198
Sovereign debt:				
Brazil	44,541	2,401	376	46,566
Colombia	59,204	1,682	230	60,656
Guatemala	5,469	-	19	5,450
Honduras	16,384	-	166	16,218
Mexico	63,094	2,456	62	65,488
Panama	46,796	2,227	61	48,962
Peru	25,487	602	-	26,089
Venezuela	59,291	577	195	59,673

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	320,266	9,945	1,109	329,102
Total	409,288	10,215	3,203	416,300

As of December 31, 2012 and 2011, securities available-for-sale with a carrying value of \$152.3 million and \$375.5 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

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

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(In thousands of US\$)	December 31, 2012					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Sovereign debt	10,188	79	10,009	153	20,197	232
	10,188	79	10,009	153	20,197	232

(In thousands of US\$)	December 31, 2011					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses	Fair Value	Unrealized Gross Losses
Corporate debt	33,366	2,094	-	-	33,366	2,094
Sovereign debt	110,589	1,109	-	-	110,589	1,109
	143,955	3,203	-	-	143,955	3,203

Gross unrealized losses are related mainly to changes in market interest rates and other market factors and not due to underlying credit concerns by the Bank about the issuers. The sovereign debt that shows an unrealized gross loss for more than twelve months relates to a counterparty whose payment performance is and continues to be strong. The price of the bond in question has seen a recovery during 2012. Historically, this counterparty has not failed to perform on its obligations. As of December 31, 2012 the Bank does not intent to sell and will not be required to sell this security available-for-sale showing gross unrealized losses before the recovery of its amortized cost. As a result, the Bank does not consider this exposure to be other-than temporary impaired.

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

(In thousands of US\$)	Year ended December 31,		
	2012	2011	2010
Gains	6,141	3,825	2,346
Losses	(111)	(412)	-
Net	6,030	3,413	2,346

The amortized cost and fair value of securities available-for-sale by contractual maturity as of December 31, 2012, are shown in the following table:

(In thousands of US\$)	Amortized Cost	Fair Value
Due within 1 year	34,574	34,815
After 1 year but within 5 years	133,298	139,661
After 5 years but within 10 years	8,457	8,541
	176,329	183,017

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Securities held-to-maturity

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

(In thousands of US\$)	December 31, 2012			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Panama	12,660	-	-	12,660
Sovereign debt:				
Colombia	13,011	4	3	13,012
Honduras	6,442	9	19	6,432
Panama	2,000	45	-	2,045
	21,453	58	22	21,489
Total	34,113	58	22	34,149

(In thousands of US\$)	December 31, 2011			
	Amortized Cost	Unrealized Gross Gain	Unrealized Gross Loss	Fair Value
Corporate debt:				
Panama	7,050	-	-	7,050
Sovereign debt:				
Colombia	13,015	40	-	13,055
Honduras	4,471	1	-	4,472
Panama	2,000	60	-	2,060
	19,486	101	-	19,587
Total	26,536	101	-	26,637

Securities that show gross unrealized losses have had losses for less than 12 months. These losses are related mainly to changes in market interest rates and other market factors and not due to underlying credit concerns by the Bank about the issuers therefore, such losses are considered temporary.

The amortized cost and fair value of securities held-to-maturity by contractual maturity as of December 31, 2012, are shown in the following table:

(In thousands of US\$)	Amortized Cost	Fair Value
Due within 1 year	18,960	19,014
After 1 year but within 5 years	15,153	15,135
	34,113	34,149

As of December 31, 2012 and 2011, securities held-to-maturity with a carrying value of \$19.4 million and \$17.5 million, respectively, were pledged to secure repurchase transactions accounted for as secured financings.

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7. Investment fund

The balance in the investment fund for \$105.9 million as of December 31, 2012 and \$120.4 million as of December 31, 2011 represents the participation of the Feeder in the net asset value (NAV) of the Fund.

The Fund's net assets are mainly composed by cash, investments in equity and debt instruments, and derivative financial instruments that are quoted and traded in active markets. For financial instruments for which quoted prices are not available, the Fund uses independent valuations from pricing providers that use valuation models considering market information.

As of December 31, 2012, the Feeder owns 97.95% of the Fund with a total of 79,335.7 shares issued, divided in 839.0 "Class A" shares, 846.4 "Class A1" shares and 77,650.3 "Class B" shares.

As of December 31, 2011, the Feeder owns 98.03% of the Fund with a total of 93,094.3 shares issued, divided in 2,948.0 "Class A" shares, 397.9 "Class A1" shares, 89,040.3 "Class B" shares and 708.1 "Class E1" shares.

The Fund has issued "Class A", "Class A1", "Class B", "Class C", "Class D", "Class E" and "Class E1" shares and administrative shares. "Class A", "Class A1" and "Class B" shares are participating shares in the net gains (losses) of the Fund, and only differ in relation to certain administrative fees. "Class C" and "Class D" shares do not participate in the net gains (losses) of the Fund; they are only entitled to the performance allocation from "Class A", "Class A1" and "Class B" shares. The "Class E" and "Class E1" shares are not subject to either administrative fees or performance allocation. The Bank owns the Feeder's and the Fund's administrative shares.

"Class A", "Class A1" and "Class E" shares can be redeemed monthly by investors with 30 days' notice. \$100 million of the "Class B" shares can be redeemed starting in 2013.

8. Loans

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

(In thousands of US\$)	December 31,	
	2012	2011
Corporations:		
Private	2,202,613	2,089,520
State-owned	538,638	232,893
Banking and financial institutions:		
Private	1,775,938	1,716,406
State-owned	416,085	447,757
Middle-market companies:		
Private	681,912	445,731
Sovereign	100,370	27,266
Total	5,715,556	4,959,573

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

(In thousands of US\$)	December 31,	
	2012	2011
Banking and financial institutions	2,192,023	2,164,163
Industrial	1,108,223	967,929
Oil and petroleum derived products	894,368	645,875
Agricultural	853,377	730,119
Services	210,925	264,895
Mining	22,122	37,723
Sovereign	100,370	27,266
Others	334,148	121,603
Total	5,715,556	4,959,573

Loans classified by debtor's credit quality indicators are as follows:

(In thousands of US\$) December 31, 2012

Rating ⁽¹⁾	Corporations		Banking and financial institutions		Middle-market companies	Sovereign	Total
	Private	State-owned	Private	State-owned	Private		
1-6	2,202,613	538,638	1,775,938	416,085	681,912	100,370	5,715,556
7	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
Total	2,202,613	538,638	1,775,938	416,085	681,912	100,370	5,715,556

(In thousands of US\$) December 31, 2011

Rating ⁽¹⁾	Corporations		Banking and financial institutions		Middle-market companies	Sovereign	Total
	Private	State-owned	Private	State-owned	Private		
1-6	2,057,520	232,893	1,716,406	447,757	445,731	27,266	4,927,573
7	-	-	-	-	-	-	-
8	24,000	-	-	-	-	-	24,000
9	8,000	-	-	-	-	-	8,000

10	-	-	-	-	-	-	-
Total	2,089,520	232,893	1,716,406	447,757	445,731	27,266	4,959,573

(1) Current ratings as of December 31, 2012 and 2011, respectively.

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The remaining loan maturities are summarized as follows:

(In thousands of US\$)	December 31,	
	2012	2011
Current:		
Up to 1 month	1,155,222	395,091
From 1 month to 3 months	1,475,201	1,110,307
From 3 months to 6 months	962,377	1,095,632
From 6 months to 1 year	752,822	767,526
From 1 year to 2 years	662,511	539,077
From 2 years to 5 years	692,884	1,000,486
More than 5 years	14,539	18,654
	5,715,556	4,926,773
Delinquent	-	800
Restructured and impaired:		
Current balances with impairment	-	32,000
Past due balances with impairment	-	-
	-	32,000
Total	5,715,556	4,959,573

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

(In thousands of US\$)	December 31,	
	2012	2011
Country:		
Argentina	222,159	389,591
Belgium	30,692	-
Brazil	1,773,401	1,852,152
Chile	309,712	376,297
Colombia	450,037	734,213
Costa Rica	196,857	109,263
Dominican Republic	110,688	118,275
Ecuador	173,782	21,676
El Salvador	66,013	21,098
France	59,501	-

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Germany	-	5,000
Guatemala	273,051	161,107
Honduras	70,701	45,509
Jamaica	9,772	1,768
Mexico	495,954	416,353
Netherlands	77,336	20,000
Nicaragua	10,169	9,995
Panama	277,144	118,526
Paraguay	27,060	30,286
Peru	841,032	341,784
Spain	9,695	340
Trinidad and Tobago	119,347	76,340
United States	2,925	-
Uruguay	108,528	110,000
	5,715,556	4,959,573

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

(In thousands of US\$)	December 31,	
	2012	2011
Fixed interest rates	3,282,876	2,360,115
Floating interest rates	2,432,680	2,599,458
	5,715,556	4,959,573

As of December 31, 2012 and 2011, 92% and 84%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

(In thousands of US\$)	December 31,		
	2012	2011	2010
Loans in non-accrual status			
Private corporations	-	32,000	28,000
Private middle-market companies	-	-	1,002
Total loans in non-accrual status	-	32,000	29,002
Interest which would have been recorded if the loans had not been in a non-accrual status	-	2,325	3,403
Interest income collected on non-accruing loans	2,288	2,375	3,335

An analysis of non-accruing loans with impaired balances as of December 31, 2012 and 2011 is detailed as follows:

(In thousands of US\$)	December 31, 2012		2012	
	Recorded investment	Unpaid principal balance	Related allowance	Average interest recognized
With an allowance recorded				
Private corporations	-	-	-	2,288

Total - - - - 2,288

(In thousands of US\$)	December 31, 2011		2011		
	Unpaid		Related	Average	Interest
	Recorded		allowance	principal	Income
	investment			loan	recognized
	balance			balance	
With an allowance recorded					
Private corporations	32,000	32,000	14,800	26,860	2,375
Total	32,000	32,000	14,800	26,860	2,375

As of December 31, 2012 and 2011, there were no impaired loans without related allowance.

As of December 31, 2012 and 2011, the Bank did not have any troubled debt restructurings.

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The following table presents an aging analysis of the loan portfolio:

(In thousands of US\$)	December 31, 2012				Total Past Due	Delinquent	Current	Total Loans
	91-120 days	121-150 days	151-180 days	Greater than 180 days				
Corporations	-	-	-	-	-	-	2,741,251	2,741,251
Banking and financial institutions	-	-	-	-	-	-	2,192,023	2,192,023
Middle-market companies	-	-	-	-	-	-	681,912	681,912
Sovereign	-	-	-	-	-	-	100,370	100,370
Total	-	-	-	-	-	-	5,715,556	5,715,556

(In thousands of US\$)	December 31, 2011				Total Past Due	Delinquent	Current	Total Loans
	91-120 days	121-150 days	151-180 days	Greater than 180 days				
Corporations	-	-	-	-	-	-	2,322,413	2,322,413
Banking and financial institutions	-	-	-	-	-	-	2,164,163	2,164,163
Middle-market companies	-	-	-	-	-	800	444,931	445,731
Sovereign	-	-	-	-	-	-	27,266	27,266
Total	-	-	-	-	-	800	4,958,773	4,959,573

As of December 31, 2012 and 2011, the Bank has credit transactions in the normal course of business with 29% of its Class "A" and "B" stockholders (see Note 16). All transactions are made based on arm's-length terms and subject to prevailing commercial criteria and market rates and are subject to all of the Bank's Corporate Governance and control procedures. As of December 31, 2012 and 2011, approximately 18% and 19%, respectively, of the outstanding loan portfolio is placed with the Bank's Class "A" and "B" stockholders and their related parties. As of December 31, 2012, the Bank was not directly or indirectly owned or controlled by another corporation or any foreign government, and no Class "A" or "B" shareholder was the registered owner of more than 3.5% of the total outstanding shares of the voting capital stock of the Bank.

During the years 2012, 2011 and 2010, the Bank sold loans with a book value of \$146.2 million, \$9.3 million and \$20 million, respectively, with a net gain of \$1,147 thousand, \$64 thousand and \$201 thousand in 2012, 2011 and 2010, respectively.

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9. Allowance for credit losses

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

a) Allowance for loan losses:

(In thousands of US\$)	Year ended December 31, 2012				
	Corporati	Banking and financial institutions	Middle- market companies	Sovereign	Total
Balance at beginning of the year	48,865	30,523	8,952	207	88,547
Provision (reversal of provision) for loan losses ⁽¹⁾	(8,887)	(1,704)	1,690	558	(8,343)
Loan recoveries and other	-	17	245	-	262
Loans written-off against the allowance for loan losses	(7,490)	-	-	-	(7,490)
Balance at end of the year	32,488	28,836	10,887	765	72,976
Components:					
Generic allowance	32,488	28,836	10,887	765	72,976
Specific allowance	-	-	-	-	-
Total allowance for loan losses	32,488	28,836	10,887	765	72,976

(In thousands of US\$)	Year ended December 31, 2011					Year ended December 31, 2010
	Corporati	Banking and financial institutions	Middle- market companies	Sovereign	Total	
Balance at beginning of the year	54,160	18,790	5,265	400	78,615	73,789
Provision (reversal of provision) for loan losses ⁽¹⁾	(5,295)	10,017	4,312	(193)	8,841	9,091
Loan recoveries and other	-	1,716	440	-	2,156	996
Loans written-off against the allowance for loan losses	-	-	(1,065)	-	(1,065)	(5,261)
Balance at end of the year	48,865	30,523	8,952	207	88,547	78,615
Components:						
Generic allowance	34,065	30,523	8,952	207	73,747	67,115

Specific allowance	14,800	-	-	-	14,800	11,500
Total allowance for loan losses	48,865	30,523	8,952	207	88,547	78,615

⁽¹⁾ It includes releases of specific reserves for \$7,931 thousand during 2012, \$1,600 thousand during 2011, and \$1,031 thousand during 2010.

Provision (reversal of provision) of generic allowance for credit losses are mostly related to changes in volume and composition of the credit portfolio. The decrease in the generic allowance for loan losses in 2012 was primarily due to an increased exposure in countries, customers and type of transactions with better ratings and a decreased exposure in those with lower ratings.

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Following is a summary of loan balances and reserves for loan losses:

(In thousands of US\$)	December 31, 2012				
	Corporations	Banking and financial institutions	Middle- market companies	Sovereign	Total
Allowance for loan losses					
Generic allowance	32,488	28,836	10,887	765	72,976
Specific allowance	-	-	-	-	-
Total of allowance for loan losses	32,488	28,836	10,887	765	72,976
Loans					
Loans with generic allowance	2,741,251	2,192,023	681,912	100,370	5,715,556
Loans with specific allowance	-	-	-	-	-
Total loans	2,741,251	2,192,023	681,912	100,370	5,715,556

(In thousands of US\$)	December 31, 2011				
	Corporations	Banking and financial institutions	Middle- market companies	Sovereign	Total
Allowance for loan losses					
Generic allowance	34,065	30,523	8,952	207	73,747
Specific allowance	14,800	-	-	-	14,800
Total of allowance for loan losses	48,865	30,523	8,952	207	88,547
Loans					
Loans with generic allowance	2,290,413	2,164,163	445,731	27,266	4,927,573
Loans with specific allowance	32,000	-	-	-	32,000
Total loans	2,322,413	2,164,163	445,731	27,266	4,959,573

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

(In thousands of US\$)	Year ended December 31,		
	2012	2011	2010
Balance at beginning of the year	8,887	13,335	27,261
Reversal of provision for losses on off-balance sheet credit risk	(4,046)	(4,448)	(13,926)
Balance at end of the year	4,841	8,887	13,335

The reserve for losses on off-balance sheet credit risk reflects the Bank's Management estimate of probable losses on off-balance sheet credit risk items such as: confirmed letters of credit, stand-by letters of credit, guarantees and credit commitments (see Note 19). The 2012's decrease in the reserve for losses on off-balance sheet credit risk was primarily due to changes in volume, composition, and risk profile of the portfolio.

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10. Premises and equipment

A breakdown of cost and accumulated depreciation and amortization for premises and equipment as of December 31, 2012 and 2011 is as follows:

(In thousands of US\$)	December 31,	
	2012	2011
Land	-	462
Leasehold improvements	7,194	1,646
Building	-	3,750
Furniture and equipment	17,302	18,696
	24,496	24,554
Less: accumulated depreciation and amortization	11,688	17,881
	12,808	6,673

In June 2012, the Bank recorded a gain on sale of premises and equipment of \$5.6 million due to the sale of its former head office's premises. The Bank's new head office is located in leased premises at Business Park Tower V, in Panama City.

11. Other assets and other liabilities

Following is a summary of other assets and other liabilities as of December 31, 2012 and 2011:

Other assets

(In thousands of US\$)	December 31,	
	2012	2011
Prepaid commissions	10,193	10,357
Accounts receivable	1,749	1,260
Equity investment in a private fund (at cost)	961	1,415
Other	1,677	5,380
	14,580	18,412

Other liabilities

(In thousands of US\$)	December 31,	
	2012	2011
Accruals and provisions	20,345	14,773
Accounts payable	6,045	5,417
Other	1,958	2,378
	28,348	22,568

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12. Deposits

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

(In thousands of US\$)	December 31,	
	2012	2011
Demand	131,875	67,586
Up to 1 month	1,194,102	1,474,088
From 1 month to 3 months	540,619	402,472
From 3 months to 6 months	281,120	196,016
From 6 months to 1 year	152,000	151,800
From 1 year to 2 years	7,000	-
From 2 years to 5 years	10,544	11,544
	2,317,260	2,303,506

The following table presents additional information about deposits:

(In thousands of US\$)	December 31,	
	2012	2011
Aggregate amounts of time deposits of \$100,000 or more	2,185,277	2,233,044
Aggregate amounts of deposits in offices outside Panama	229,170	220,340
Interest expense paid to deposits in offices outside Panama	1,332	983

13. Securities sold under repurchase agreements

The Bank's financing transactions under repurchase agreements amounted to \$158.4 million and \$377.0 million as of December 31, 2012 and 2011, respectively.

During the years ended December 31, 2012, 2011 and 2010, interest expense related to financing transactions under repurchase agreements totaled \$1.7 million, \$2.1 million, and \$1.5 million, respectively. These expenses are included in the interest expense – borrowings line in the consolidated statements of income.

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14. Short-term borrowings

The breakdown of short-term borrowings due to financial institutions, together with contractual interest rates, is as follows:

(In thousands of US\$)	December 31,	
	2012	2011
Advances from financial institutions:		
At fixed interest rates	1,181,133	1,005,357
At floating interest rates	267,890	318,109
Total short-term borrowings	1,449,023	1,323,466
Average outstanding balance during the year	967,629	1,100,059
Maximum balance at any month-end	1,449,023	1,323,466
Range of fixed interest rates on borrowings in U.S. dollars	0.75% to 1.92 %	0.84% to 2.64 %
Range of floating interest rates on borrowings in U.S. dollars	1.06% to 1.99 %	1.11% to 2.01 %
Fixed interest rate on borrowings in Euros	0.70	2.98
		%
Fixed interest rate on borrowings in Renminbis	-	6.65
		%
Floating interest rate on borrowings in Mexican pesos	5.14% to 5.25 %	5.70
		%
Weighted average interest rate at end of the year	1.48	1.84
		%
Weighted average interest rate during the year	1.79	1.22
		%

The balances of short-term borrowings by currency, is as follows:

(In thousands of US\$)	December 31,	
	2012	2011
Currency		
U.S. dollar	1,365,500	1,181,200

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Euro	39,633	38,850
Mexican peso	43,890	93,109
Renminbis	-	10,307
Total	1,449,023	1,323,466

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15. Borrowings and long-term debt

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

(In thousands of US\$)	December 31, 2012	2011
Borrowings:		
At fixed interest rates with due dates from April 2013 to September 2013	1,435	15,696
At floating interest rates with due dates from January 2013 to September 2014	1,296,785	1,426,237
Total borrowings	1,298,220	1,441,933
Debt:		
At fixed interest rates with due dates from November 2014 to April 2017	453,373	45,615
At floating interest rates with due dates in March 2015	153,947	-
Total debt	607,320	45,615
Total borrowings and long-term debt outstanding	1,905,540	1,487,548
Average outstanding balance during the year	1,893,580	1,391,440
Maximum outstanding balance at any month-end	2,152,584	1,548,404
Fixed interest rates on debt in U.S. dollars	3.75	% 1.50 %
Range of floating interest rates on borrowings in U.S. dollars	0.68% to 2.40 %	0.62% to 2.30 %
Range of fixed interest rates on borrowings in Mexican pesos	7.60% to 9.90 %	7.50% to 9.90 %
Range of floating interest rates on borrowings and debt in Mexican pesos	5.50% to 6.34 %	% 5.66% to 6.30 %
Fixed interest rate on debt in Peruvian nuevos soles	6.50	% 6.50 %

Weighted average interest rate at the end of the year	2.92	%	2.16	%
Weighted average interest rate during the year	2.74	%	1.94	%

The balances of long-term debt and borrowings by currency, is as follows:

(In thousands of US\$)	December 31,	
	2012	2011
Currency		
U.S. dollar	1,518,592	1,269,575
Mexican peso	338,760	172,358
Peruvian nuevo sol	48,188	45,615
Total	1,905,540	1,487,548

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Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements**

The Bank's funding activities include: (i) Euro Medium Term Note Program (“EMTN”), which may be used to issue notes for up to \$2.3 billion, with maturities from 7 days up to a maximum of 30 years, at fixed or floating interest rates, or at discount, and in various currencies. The notes are generally issued in bearer or registered form through one or more authorized financial institutions; (ii) Short-and Long-Term Notes “Certificados Bursatiles” Program (the “Mexico Program”) in the Mexican local market, registered with the Mexican National Registry of Securities maintained by the National Banking and Securities Commission in Mexico (“CNBV”, for its initials in Spanish), for an authorized aggregate principal amount of 10 billion Mexican pesos with maturities from one day to 30 years; (iii) a Program in Peru to issue corporate bonds under a private offer in Peruvian nuevos soles (“PEN”), offered exclusively to institutional investors domiciled in the Republic of Peru, for an maximum aggregate limit of the equivalent of \$300 million, with different maturities and interest rate structures.

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2012, the Bank was in compliance with all covenants.

The future remaining maturities of long-term debt and borrowings outstanding as of December 31, 2012, are as follows:

(In thousands of US\$)	Outstanding
Due in:	
2013	412,151
2014	934,257
2015	153,947
2016	-
2017	405,185
	1,905,540

16. Common stock

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

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

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

Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements**

The following table provides detailed information on the Bank's common stock activity per class for each of the years in the three-year period ended December 31, 2012:

(Share units)	"Class A"	"Class B"	"Class E"	"Class F"	Total
Authorized	40,000,000	40,000,000	100,000,000	100,000,000	280,000,000
Outstanding at January 1, 2010	6,342,189	2,584,882	27,618,545	-	36,545,616
Conversions	-	(42,861)	42,860	-	(1)
Repurchase of common stock	-	-	(200)	-	(200)
Restricted stock issued - directors	-	-	38,115	-	38,115
Exercised stock options - compensation plans	-	-	82,106	-	82,106
Restricted stock units - vested	-	-	44,904	-	44,904
Outstanding at December 31, 2010	6,342,189	2,542,021	27,826,330	-	36,710,540
Conversions	-	(10,095)	10,095	-	-
Restricted stock issued - directors	-	-	25,541	-	25,541
Exercised stock options - compensation plans	-	-	325,996	-	325,996
Restricted stock units - vested	-	-	69,865	-	69,865
Outstanding at December 31, 2011	6,342,189	2,531,926	28,257,827	-	37,131,942
Conversions	-	-	-	-	-
Restricted stock issued - directors	-	-	32,317	-	32,317
Exercised stock options - compensation plans	-	-	895,674	-	895,674
Restricted stock units - vested	-	-	85,249	-	85,249
Outstanding at December 31, 2012	6,342,189	2,531,926	29,271,067	-	38,145,182

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

(In thousands, except for share data)	"Class A"	"Class B"	"Class E"	Total
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	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at January 1, 2010	318,140	10,708	568,010	15,655	4,548,075	103,239	5,434,225	129,602
Repurchase of common stock	-	-	-	-	200	3	200	3
Restricted stock issued - directors	-	-	-	-	(38,115)	(909)	(38,115)	(909)
Exercised stock options - compensation plans	-	-	-	-	(82,106)	(1,958)	(82,106)	(1,958)
Restricted stock units - vested	-	-	-	-	(44,904)	(1,071)	(44,904)	(1,071)
Outstanding at December 31, 2010	318,140	10,708	568,010	15,655	4,383,150	99,304	5,269,300	125,667
Restricted stock issued - directors	-	-	-	-	(25,541)	(609)	(25,541)	(609)
Exercised stock options - compensation plans	-	-	-	-	(325,996)	(7,775)	(325,996)	(7,775)
Restricted stock units - vested	-	-	-	-	(69,865)	(1,666)	(69,865)	(1,666)
Outstanding at December 31, 2011	318,140	10,708	568,010	15,655	3,961,748	89,254	4,847,898	115,617
Restricted stock issued - directors	-	-	-	-	(32,317)	(771)	(32,317)	(771)
Exercised stock options - compensation plans	-	-	-	-	(895,674)	(21,361)	(895,674)	(21,361)
Restricted stock units - vested	-	-	-	-	(85,249)	(2,033)	(85,249)	(2,033)
Outstanding at December 31, 2012	318,140	10,708	568,010	15,655	2,948,508	65,089	3,834,658	91,452

17. Cash and stock-based compensation plans

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

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A. 2008 Stock Incentive Plan – Directors and Executives

In February 2008, the Board of Directors of the Bank approved an incentive plan for Directors and Executives allowing the Bank to grant restricted stock, restricted stock units, stock purchase options, and/or other similar compensation instruments. Until the year 2011, the maximum aggregate number of shares which may be issued under this plan was two million “Class E” common shares. During 2012, the Board of Directors of the Bank approved to increase this maximum to three million “Class E” common shares. The 2008 Stock Incentive Plan is administered by the Board of Directors which has the authority in its discretion to select the Directors and Executives to whom the Award may be granted; to determine whether and to what extent awards are granted, and to amend the terms of any outstanding award under this plan.

Restricted stocks are issued at the grant date, but are withheld by the Bank until the vesting date. Restricted stocks are entitled to receive dividends. A restricted stock unit is a grant valued in terms of the Bank’s stock, but no stock is issued at the grant date. Restricted stock units are not entitled to dividends. The Bank issues and delivers common stock at the vesting date of the restricted stock units.

During 2012, 2011 and 2010, the Board of Directors approved the grant of restricted stock to Directors and stock options and restricted stock units to certain Executives of the Bank, as follows:

Restricted stock – Directors

In the years 2012, 2011 and 2010, the Board of Directors granted 32,317, 25,541 and 38,115 “Class E” common shares. The fair value of restricted stock granted was based on the stock closing price in the New York Stock Exchange of the “Class E” shares on July 17, 2012, October 16, 2012, July 15, 2011 and July 9, 2010 and July 10, 2009. Until the year 2011, the restricted stock vested in five years at a rate of 20% each year, beginning the year following the grant date. For grants beginning 2012, the Board of Directors of the Bank established a vesting period of four years, at a rate of 25% each year on the grant’s date anniversary. The fair value of restricted stock granted totaled \$714 thousand in 2012, \$462 thousand in 2011 and \$475 thousand in 2010, of which \$428 thousand, \$414 thousand and \$270 thousand were

charged against income during 2012, 2011 and 2010, respectively. The remaining cost pending amortization of \$1,326 thousand will be amortized over 3.20 years.

A summary as of December 31, 2012 of the restricted stock granted to Directors during the years 2010, 2011 and 2012 is presented below:

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2010	62,938	\$ 13.58
Granted	38,115	12.46
Vested	(13,026)	13.80
Outstanding at December 31, 2010	88,027	13.07
Granted	25,541	18.07
Vested	(31,563)	13.14
Outstanding at December 31, 2011	82,005	14.59
Granted	32,317	22.09
Vested	(23,493)	14.35
Outstanding at December 31, 2012	90,829	\$ 17.32
Expected to vest	90,829	\$ 17.32

The fair value of vested stock during the years 2012, 2011 and 2010 was \$337 thousand, \$415 thousand and \$180 thousand, respectively.

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Restricted Stock Units and Stock Purchase Options granted to certain Executives

The Board of Directors approved the grant of stock purchase options and restricted stock units to certain Executives of the Bank with a grant date fair value of \$3.7 million in 2012, \$1.7 million in 2011 and \$2.4 million in 2010. In 2012, the distribution of the fair value in restricted stock units and stock purchase options was \$3.2 million and \$0.5 million, respectively. In the year 2011, the distribution of the fair value in restricted stock units and stock purchase options was \$1.5 million and \$0.2 million, respectively. In 2010, the distribution of the total grant was 50% in restricted stock units and 50% in stock purchase options.

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

Restricted stock units:

The fair value of the stock units was based on the “Class E” stock closing price in the New York Stock Exchange on the grants date. These stock units vest 25% each year on the grant date’s anniversary.

Compensation costs of the restricted stock units are amortized during the period of restriction. Costs charged against income during 2012, 2011 and 2010 due to the amortization of these grants totaled \$1,317 thousand, \$1,020 thousand and \$742 thousand, respectively. The remaining compensation cost pending amortization of \$3,076 thousand will be amortized over 2.26 years.

A summary as of December 31, 2012, 2011 and 2010 of the status of the restricted stock units granted to certain Executives and changes during the years 2010, 2011 and 2012 are presented below:

	Stock units	Weighted average grant date fair value	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2010	166,118	\$ 10.20		
Granted	101,496	12.04		
Forfeited	-	-		
Vested	(44,904)	10.59		
Outstanding at December 31, 2010	222,710	10.96		
Granted	94,496	15.84		
Forfeited	(20,931)	12.63		
Vested	(69,865)	11.09		
Outstanding at December 31, 2011	226,410	12.80		
Granted	181,598	17.52		
Forfeited	(54,367)	13.88		
Vested	(85,249)	12.31		\$ 578
Outstanding at December 31, 2012	268,392	\$ 15.93	2.11 years	\$ 1,510
Expected to vest	268,392	\$ 15.93		\$ 1,510

The fair value of vested stock during the years 2012, 2011 and 2010 was \$1,050 thousand, \$775 thousand and \$476 thousand, respectively.

Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements**Stock purchase options:

The fair value of stock purchase options granted to certain Executives during 2012, 2011 and 2010 was estimated using a binomial option-pricing model for 2012 and 2011 and the “Black-Scholes” option-pricing model for 2010, based on the following factors:

	2012		2011	2010
Weighted average fair value per option	\$3.01		\$2.92	\$2.91
Weighted average expected term, in years	5.50		5.50	4.75
Expected volatility	33.35	%	30 %	37 %
Risk-free rate	0.18% to 1.34%		2.52%	2.32%
Expected dividend	5.30	%	4.50%	5.00%

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

Related cost charged against income during 2012, 2011 and 2010 as a result of the amortization of these plans amounted to \$485 thousand, \$765 thousand and \$742 thousand, respectively. The remaining compensation cost pending amortization of \$474 thousand will be amortized over a period of 2.04 years. A summary of stock options granted is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2010	803,994	\$ 11.58		
Granted	420,777	13.52		
Forfeited	(646)	15.43		

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Exercised	(82,106)	10.15		
Outstanding at December 31, 2010	1,142,019	12.39		
Granted	72,053	17.81		
Forfeited	(58,067)	12.16		
Exercised	(240,439)	12.27		
Outstanding at December 31, 2011	915,566	12.87		
Granted	182,420	18.93		
Forfeited	(231,639)	15.82		
Exercised	(442,675)	12.90		
Outstanding at December 31, 2012	423,672	\$ 13.83	4.15 years	\$ 3,273
Exercisable	92,316	\$ 12.45	2.12 years	\$ 841
Expected to vest	331,356	\$ 14.22	4.43 years	\$ 2,432

The intrinsic value of exercised options during the years 2012, 2011 and 2010 was \$3,375 thousand, \$1,322 thousand and \$383 thousand, respectively. During the years 2012, 2011 and 2010 the Bank received \$5,709 thousand, \$2,949 thousand and \$834 thousand, respectively, from exercised options.

Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements****B. Restricted Stock – Directors (Discontinued)**

During 2003, the Board of Directors approved a restricted stock award plan for Directors of the Bank that was amended in 2007 and subsequently terminated in 2008. No grants were made after the 2007's grant. The restricted stock vests at a rate of 20% each year on the grant date's anniversary.

Related costs to outstanding restricted stock were charged against income totaled \$41 thousand, \$87 thousand and \$108 thousand in 2012, 2011 and 2010, respectively. As of December 31, 2012, the Bank has no unrecognized compensation costs related to this plan.

A summary as of December 31, 2012 of restricted stock granted to Directors under this plan and changes during 2010, 2011 and 2012 is presented below:

	Shares	Weighted average grant date fair <u>value</u>
Non vested at January 1, 2010	14,673	\$ 20.45
Granted	-	-
Vested	(5,756)	19.95
Non vested at December 31, 2010	8,917	20.77
Granted	-	-
Vested	(5,399)	20.39
Non vested at December 31, 2011	3,518	21.35
Granted	-	-
Vested	(3,518)	21.35
Non vested at December 31, 2012	-	\$ -
Expected to vest	-	\$ -

The total fair value of vested stock during the years ended December 31, 2012, 2011 and 2010 was \$75 thousand, \$110 thousand and \$115 thousand, respectively.

C. Stock Option Plan 2006 – Directors and Executives (Discontinued)

The 2006 Stock Option Plan was terminated in 2008. The options granted under this plan expire seven years after the grant date. No grants were made after the 2007's grant.

Related cost charged against income as a result of the amortization of options granted under this compensation plan amounted to \$25 thousand in 2011 and \$221 thousand in 2010. As of December 31, 2011, there were no compensation costs pending amortization.

A summary as of December 31, 2012 of the share options granted to Directors and certain Executives and changes during 2010, 2011 and 2012 is presented below:

	Options	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value (thousands)</u>
Outstanding at January 1, 2010	207,706	\$ 16.34		
Forfeited	-	-		
Outstanding at December 31, 2010	207,706	16.34		
Forfeited	-	-		
Exercised	(27,552)	16.34		
Outstanding at December 31, 2011	180,154	16.34		
Forfeited	-	-		
Exercised	(130,350)	16.34		
Outstanding at December 31, 2012	49,804	\$ 16.34	1.12 years	\$ 260
Exercisable at December 31, 2012	49,804	\$ 16.34	1.12 years	\$ 260

Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements**

The intrinsic value of exercised options during the year ended December 31, 2012 and 2011 was \$570 thousand and \$45 thousand, respectively. During the year ended December 31, 2012 and 2011, the Bank received \$2,130 and \$450 thousand from exercised options, respectively. All options are available to be exercised as of December 31, 2012.

D. Indexed Stock Option Plan (Discontinued)

During 2004, the Board of Directors approved an indexed stock purchase option plan for Directors and certain executives of the Bank, which was subsequently terminated in April 2006. The indexed stock options expire ten years after the grant date. The exercise price is adjusted based on the change in a customized Latin American general market index. As of December 31, 2012, there was no compensation cost pending amortization. Related costs charged against income amounted to \$17 thousand in 2010.

A summary as of December 31, 2012 and changes during the years 2010, 2011 and 2012 of the indexed stock purchase options is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2010	385,469	\$ 17.46		
Forfeited	-	-		
Exercised	-	-		
Outstanding at December 31, 2010	385,469	17.98		
Forfeited	-	-		
Expired	(4,100)	11.87		
Exercised	(55,433)	12.12		
Outstanding at December 31, 2011	325,936	12.86		

Forfeited	-	-			
Expired	(3,542)	\$ 14.48			
Exercised	(322,394)	\$ 16.41			
Outstanding at December 31, 2012	-	\$ -	-	\$ -	-
Exercisable at December 31, 2012	-	\$ -	-	\$ -	-

The intrinsic value of options exercised during the years ended December 31, 2012 and 2011 was \$1,213 and \$235 thousand, respectively. During the years ended December 31, 2012 and 2011, the Bank received \$5,292 thousand and \$672 thousand, respectively, from exercised options.

E. 1995 and 1999's Stock Option Plan (Discontinued)

During 1995 and 1999, the Board of Directors approved two stock option plans for employees. Under these plans, stock options were granted at a purchase price equal to the average market value of the common stock at the grant date. One third of the options would have been exercised on each successive year after the grant date and expired on the tenth anniversary after the grant date. These plans were discontinued in 2003; therefore, no additional stock options have been granted.

Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements**

A summary of the status as of December 31, 2011 of the stock options granted and changes during 2010 and 2011 of these option plans is presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2010	11,735	29.89		
Forfeited	-	-		
Expired	(3,615)	23.16		
Outstanding at December 31, 2010	8,120	32.88		
Forfeited	-	-		
Expired	(8,120)	32.88		
Outstanding at December 31, 2011	-	\$ -	-	\$ -

F. Deferred Compensation Plan (the "DC Plan")

In 1999, the Board of Directors approved the DC Plan, which was subsequently terminated in 2003. The Bank could grant a number of deferred equity units ("DEU"). Eligible employees would vest the DEU after three years of service, and distributions were made on the later of (i) the date the vested DEU were credited to the employee's account, and (ii) ten years the employee was first credited with DEU. Participating employees received dividends with respect to their unvested deferred equity units. A summary on changes is presented below:

	2012	2011	2010
Outstanding at beginning of year	1,812	17,746	18,755
Exercised	(1,278)	(15,934)	(1,009)
Outstanding at end of year	534	1,812	17,746

Related cost charged against income related to this plan amounted to \$1 thousand in 2012 and 2011, and \$11 thousand in 2010.

G. Other plans - Expatriate Officer Plan

The Bank sponsors a defined contribution plan for its expatriate top executives based in Panama, which are not eligible to participate in the Panamanian social security system. The Bank's contributions are determined as a percentage of the annual salaries of top executives eligible for the plan, each contributing an additional amount withheld from their salary. Contributions to this plan are managed by a fund manager through a trust. The executives are entitled to the Bank's contributions after completing at least three years of service in the Bank. During the years 2012, 2011 and 2010, the Bank charged to salaries expense \$131 thousand, \$119 thousand and \$117 thousand, respectively, that correspond to the Bank's contributions to this plan. As of December 31, 2012 and 2011, the accumulated liability payable amounted to \$198 thousand and \$255 thousand, respectively.

Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements****18. Earnings per share**

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

(In thousands of US\$, except per share amounts)	Year ended December 31,		
	2012	2011	2010
Net income from continuing operations attributable to Bladex for both basic and diluted EPS	93,713	83,600	42,038
Net income (loss) from discontinued operations	(681)	(420)	206
Net income attributable to Bladex for both basic and diluted EPS	93,032	83,180	42,244
Basic earnings per share from continuing operations	2.48	2.26	1.15
Diluted earnings per share from continuing operations	2.47	2.25	1.14
Basic income (loss) per share from discontinued operations	(0.02)	(0.01)	0.01
Diluted income (loss) per share from discontinued operations	(0.02)	(0.01)	0.01
Basic earnings per share	2.46	2.25	1.15
Diluted earnings per share	2.45	2.24	1.15
Weighted average common shares outstanding - applicable to basic EPS	37,824	36,969	36,647
Weighted average common shares outstanding applicable to diluted EPS	37,824	36,969	36,647
Effect of dilutive securities ⁽¹⁾ :			
Stock options and restricted stock units plans	114	176	167
Adjusted weighted average common shares outstanding applicable to diluted EPS	37,938	37,145	36,814

⁽¹⁾ As of December 31, 2011 and 2010, weighted average options of 72,053 and 760,284, respectively, were excluded from the computation of diluted earnings per share because the option's exercise price was greater than the average quoted market price of the Bank's common stock. As of December 31, 2012, the computation of earnings per share did

not exclude any weighted average options.

19. Financial instruments with off-balance sheet credit risk

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

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

(In thousands of US\$)	December 31,	
	2012	2011
Confirmed letters of credit	106,415	266,547
Stand-by letters of credit and guarantees - Commercial risk	25,167	18,899
Credit commitments	103,294	75,962
	234,876	361,408

Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements**

As of December 31, 2012, the remaining maturity profile of the Bank's outstanding financial instruments with off-balance sheet credit risk is as follows:

(In thousands of US\$)	
Maturities	Amount
Within 1 year	219,421
From 1 to 2 years	1,000
From 2 to 5 years	13,791
After 5 years	664
	234,876

As of December 31, 2012 and 2011 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

(In thousands of US\$)		
Country:	2012	2011
Argentina	-	92
Bolivia	820	944
Brazil	23,630	41,116
Chile	6,084	12,367
Colombia	9,098	2,396
Costa Rica	1,000	11,661
Dominican Republic	1,535	1,603
Ecuador	79,760	215,272
El Salvador	625	2,025
Guatemala	180	501
Honduras	562	400
Jamaica	-	295
Mexico	27,289	14,677
Panama	58,219	1,801
Paraguay	-	81
Peru	2,843	2,467
Spain	-	9,660

Switzerland	-	500
United States of America	-	21,780
Venezuela	23,231	21,770
	234,876	361,408

Letters of credit and guarantees

The Bank, on behalf of its client base, advises and confirms letters of credit to facilitate foreign trade transactions. When confirming letters of credit, the Bank adds its own unqualified assurance that the issuing bank will pay and that if the issuing bank does not honor drafts drawn on the credit, the Bank will. The Bank provides stand-by letters of credit and guarantees, which are issued on behalf of institutional customers in connection with financing between its customers and third parties. The Bank applies the same credit policies used in its lending process, and once issued the commitment is irrevocable and remains valid until its expiration. Credit risk arises from the Bank's obligation to make payment in the event of a customer's contractual default to a third party. Risks associated with stand-by letters of credit and guarantees are included in the evaluation of the Bank's overall credit risk.

Credit commitments

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

Banco Latinoamericano de Comercio Exterior, S. A.
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Notes to consolidated financial statements

20. Leasehold commitments

As of December 31, 2012, leasehold commitments are as follows:

(In thousands of US\$)

Year	
2013	2,330
2014	2,192
2015	2,013
2016	1,678
2017	1,587
Thereafter	17,438
Total minimum payments ⁽¹⁾	27,238

⁽¹⁾ Minimum payments have not been reduced by minimum sublease rentals of \$1,318 thousand due in the future under non-cancelable subleases.

The following table presents an analysis of all operating leases:

	2012	2011	2010
Rent expense	2,468	1,403	875
Less: Sublease rentals	(386)	(129)	-
	2,082	1,274	875

21. Derivative financial instruments for hedging purposes

As of December 31, 2012 and 2011, quantitative information on derivative financial instruments held for hedging purposes is as follows:

<i>(In thousands of US\$)</i>	2012			2011		
	Nominal Amount	Fair Value ⁽¹⁾		Nominal Amount	Fair Value ⁽¹⁾	
		Asset	Liability		Asset	Liability
Fair value hedges:						
Interest rate swaps	480,000	8,319	6,600	125,000	16	10,317
Cross-currency interest rate swaps	236,866	3,525	4,665	215,107	56	40,574
Cash flow hedges:						
Interest rate swaps	-	-	-	20,000	-	512
Cross-currency interest rate swaps	42,001	7,333	23	42,336	3,549	-
Forward foreign exchange	75,733	62	411	53,264	249	2,339
Net investment hedges:						
Forward foreign exchange	6,196	-	48	6,036	289	-
Total	840,796	19,239	11,747	461,743	4,159	53,742
Net gain on the ineffective portion of hedging activities ⁽²⁾	71			2,849		

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

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

Banco Latinoamericano de Comercio Exterior, S. A.**and Subsidiaries****Notes to consolidated financial statements**

The gains and losses resulting from activities of derivative financial instruments and hedging recognized in the consolidated statements of income are presented below:

2012

(In thousands of US\$)	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	217			
Cross-currency interest rate swaps	3,740	Gain (loss) on foreign currency exchange	2,481	-
		Interest income – loans	(564)	-
Forward foreign exchange	1,742	Interest expense - borrowings	(169)	-
	-	Gain (loss) on foreign currency exchange	3,679	-
Total	5,699		5,427	-
Derivatives – net investment hedge				
Forward foreign exchange	109	Gain (loss) on foreign currency exchange	-	-
Total	109		-	-

2011

(In thousands of US\$)	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	987			
Cross-currency interest rate swaps	2,270	Gain (loss) on foreign currency exchange	1,958	-
Forward foreign exchange	(2,160	) Interest income – loans	(124)	-
		Interest expense - borrowings	172	-
	-	Gain (loss) on foreign currency exchange	(2,966) -
Total	1,097		(960) -
Derivatives – net investment hedge				
Forward foreign exchange	289	Gain (loss) on foreign currency exchange	-	-
Total	289		-	-

**Banco Latinoamericano de Comercio Exterior, S. A.
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Notes to consolidated financial statements

2010

<i>(In thousands of US\$)</i>	Gain (loss) recognized in OCI (effective portion)	Classification of gain (loss)	Gain (loss) reclassified from accumulated OCI to the statements of income (effective portion)	Gain (loss) recognized on derivatives (ineffective portion)
Derivatives – cash flow hedge				
Interest rate swaps	460			
Cross-currency interest rate swaps	1,690	Gain (loss) on foreign currency exchange	1,171	-
Forward foreign exchange	(759	) Interest income - loans	(477)
	-	Gain (loss) on foreign currency exchange	478	-
Total	1,391		1,172	-

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

2012

<i>(In thousands of US\$)</i>	Classification in statements of income	Gain (loss) on derivatives	Gain (loss) on hedged item	Net gain (loss)
Derivatives - fair value hedge				
Interest rate swaps	Interest income – available-for-sale	(2,982	) 4,776	1,794
	Interest expense – borrowings and debt	1,564	(12,022	) (10,458
	Derivative financial instruments and hedging (ineffectiveness)	59	-	59
Cross-currency interest rate swaps	Interest income – loans	(239	) 522	283
	Interest expense – borrowings and debt	8,024	(11,187	) (3,163
	Derivative financial instruments and hedging (ineffectiveness)	12	-	12
	Gain (loss) on foreign currency exchange	5,873	(6,469	) (596

		12,311	(24,380)	(12,069)
2011				
(In thousands of US\$)	Classification in statements of income	Gain (loss) on derivatives	Gain (loss) on hedged item	Net gain (loss)
<u>Derivatives - fair value hedge</u>				
Interest rate swaps	Interest income – available-for-sale	(6,857)	10,266	3,409
	Derivative financial instruments and hedging	74	-	74
Cross-currency interest rate swaps	Derivative financial instruments and hedging (ineffectiveness)	2,849	-	2,849
	Interest income – loans	(33)	55	22
	Interest expense – borrowings	4,352	(7,874)	(3,522)
	Gain (loss) on foreign currency exchange	(17,427)	17,475	48
		(17,042)	19,922	2,880

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Notes to consolidated financial statements

2010

(In thousands of US\$)	Classification in statements of income	Gain (loss) on derivatives	Gain (loss) on hedged item	Net gain (loss)
Derivatives - fair value hedge				
Interest rate swaps	Interest income – available-for-sale	(14,760)	22,000	7,240
	Derivative financial instruments and hedging	419	-	419
Cross-currency interest rate swaps				
	Derivative financial instruments and hedging (ineffectiveness)	(1,865)	-	(1,865)
	Interest income – loans	(45)	89	44
	Interest expense – borrowings	3,812	(7,046)	(3,234)
	Gain (loss) on foreign currency exchange	7,922	(7,994)	(72)
		(4,517)	7,049	2,532

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

The maximum length of time over which the Bank has hedged its exposure to the variability in future cash flows on forecasted transactions is 1.89 years.

The Bank estimates that approximately \$42 thousand of gains reported in OCI as of December 31, 2012 related to forward foreign exchange contracts are expected to be reclassified into interest expense as an adjustment to yield of hedged liabilities during the twelve-month period ending December 31, 2013.

The Bank estimates that approximately \$82 thousand of losses reported in OCI as of December 31, 2012 related to forward foreign exchange contracts are expected to be reclassified into interest income as an adjustment to yield of hedged loans during the twelve-month period ending December 31, 2013.

Types of Derivatives and Foreign Exchange Instruments

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

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Notes to consolidated financial statements

In addition to hedging derivative financial instruments, the Bank has derivative financial instruments held for trading purposes that have been disclosed in Note 5.

22. Accumulated other comprehensive income (loss)

As of December 31, 2012, 2011 and 2010 the breakdown of accumulated other comprehensive income (loss) related to investment securities available-for-sale and derivative financial instruments, and foreign currency translation is as follows:

(In thousands of US\$)	Securities available- for-sale	Derivative financial instruments	Foreign currency translation adjustment, net of hedges	Total
Balance as of January 1, 2010	(3,244)	(2,916)	-	(6,160)
Net unrealized gains arising from the year	2,325	1,391	-	3,716
Reclassification adjustment for gains included in net income ⁽¹⁾	(2,825)	(1,172)	-	(3,997)
Balance as of December 31, 2010	(3,744)	(2,697)	-	(6,441)
Net unrealized gains arising from the year	4,095	1,097	-	5,192
Reclassification adjustment for (gains) losses included in net income ⁽¹⁾	(2,079)	960	-	(1,119)
Foreign currency translation adjustment, net	-	-	(744)	(744)
Balance as of December 31, 2011	(1,728)	(640)	(744)	(3,112)
Net unrealized gains arising from the year	8,436	5,699	-	14,135
Reclassification adjustment for gains included in net income ⁽¹⁾	(5,775)	(5,427)	-	(11,202)
Foreign currency translation adjustment, net	-	-	(551)	(551)
Balance as of December 31, 2012	933	(368)	(1,295)	(730)

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

23. Fair value of financial instruments

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

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

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

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

When determining the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers the assumptions that market participants would use when pricing the asset or liability. When possible, the Bank uses active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Bank uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the size of the bid-ask spread and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in those markets.

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

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

Trading assets and liabilities and securities available-for-sale

Trading assets and liabilities are carried at fair value, which is based upon quoted prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

Securities available for sale are carried at fair value, based on quoted market prices when available, or if quoted market prices are not available, based on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

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

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Notes to consolidated financial statements

Investment fund

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

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

Derivative financial instruments

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

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

The fair value adjustments applied by the Bank to its derivative carrying values include credit valuation adjustments (“CVA”), which are applied to over-the-counter derivative instruments, in which the base valuation generally discounts expected cash flows using the London Interbank Offered Rate (“LIBOR”) interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant LIBOR curve, a CVA is necessary to incorporate the market view of both, counterparty credit risk and the Bank’s own credit risk, in the valuation.

Own-credit and counterparty CVA is determined using a fair value curve consistent with the Bank's or counterparty credit rating. The CVA is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most of the Bank's derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the CVA may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of the Bank or its counterparties or due to the anticipated termination of the transactions.

Transfer of financial assets

Gains or losses on sale of loans depend in part on the carrying amount of the financial assets involved in the transfer, and its fair value at the date of transfer. The fair value of instruments is determined based upon quoted market prices when available, or are based on the present value of future expected cash flows using information related to credit losses, prepayment speeds, forward yield curves, and discounted rates commensurate with the risk involved.

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Notes to consolidated financial statements

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

(In thousands of US\$)	2012 Quoted market prices in an active market (Level 1)	Internally developed models with significant observable market information (Level 2)	Internally developed models with significant unobservable market information (Level 3)	Total carrying value in the consolidated balance sheets
Assets				
Trading assets				
Sovereign bonds	5,146	-	-	5,146
Interest rate swap	49	-	-	49
Forward foreign exchange	-	50	-	50
Future contracts	20	-	-	20
Total trading assets	5,215	50	-	5,265
Securities available-for-sale				
Corporate debt	17,386	-	-	17,386
Sovereign debt	165,355	276	-	165,631
Total securities available-for-sale	182,741	276	-	183,017
Investment fund	-	105,888	-	105,888
Derivative financial instruments used for hedging - receivable				
Interest rate swaps	-	8,319	-	8,319
Cross-currency interest rate swaps	-	10,858	-	10,858
Forward foreign exchange	-	62	-	62
Total derivative financial instruments used for hedging - receivable	-	19,239	-	19,239
Total assets at fair value	187,956	125,453	-	313,409
Liabilities				
Trading liabilities				
Interest rate swaps	-	100	-	100
Cross-currency interest rate swaps	-	32,182	-	32,182
Forward foreign exchange	-	22	-	22
Total trading liabilities	-	32,304	-	32,304

Derivative financial instruments used for hedging – payable

Interest rate swaps	-	6,600	-	6,600
Cross-currency interest rate swaps	-	4,688	-	4,688
Forward foreign exchange	-	459	-	459
Total derivative financial instruments used for hedging - payable	-	11,747	-	11,747
Total liabilities at fair value	-	44,051	-	44,051

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Notes to consolidated financial statements

(In thousands of US\$)	2011			
	Quoted market prices in an active market (Level 1)	Internally developed models with significant observable market information (Level 2)	Internally developed models with significant unobservable market information (Level 3)	Total carrying value in the consolidated balance sheets
Assets				
Trading assets				
Sovereign bonds	20,415	-	-	20,415
Cross-currency interest rate swaps	-	21	-	21
Total trading assets	20,415	21	-	20,436
Securities available-for-sale				
Corporate debt	87,198	-	-	87,198
Sovereign debt	328,544	558	-	329,102
Total securities available-for-sale	415,742	558	-	416,300
Investment fund	-	120,425	-	120,425
Derivative financial instruments - receivable				
Interest rate swaps	-	16	-	16
Cross-currency interest rate swaps	-	3,605	-	3,605
Forward foreign exchange	-	538	-	538
Total derivative financial instruments - receivable	-	4,159	-	4,159
Total assets at fair value	436,157	125,163	-	561,320
Liabilities				
Trading liabilities				
Interest rate swaps	-	748	-	748
Cross-currency interest rate swaps	-	4,836	-	4,836
Total trading liabilities	-	5,584	-	5,584
Derivative financial instruments – payable				
Interest rate swaps	-	10,829	-	10,829
Cross-currency interest rate swaps	-	40,574	-	40,574
Forward foreign exchange	-	2,339	-	2,339
Total derivative financial instruments – payable	-	53,742	-	53,742
Total liabilities at fair value	-	59,326	-	59,326

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

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

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

Financial instruments with carrying value that approximates fair value

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

Securities held-to-maturity

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

Loans

The fair value of the loan portfolio, including impaired loans, is estimated by discounting future cash flows using the current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities, considering the contractual terms in effect as of December 31 of the relevant period.

Borrowings and short and long-term debt

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

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

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements which consider the counterparty risks; which fair value is calculated based on the present value of the premium to be received or a specific allowance for off-balance sheet credit contingencies, whichever is greater.

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Notes to consolidated financial statements

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

(In thousands of US\$)	December 31, 2012				
	Carrying Value	Fair Value	Quoted market prices in an active market (Level 1)	Internally developed models with significant observable market information (Level 2)	Internally developed models with significant unobservable market information (Level 3)
Financial assets:					
Instruments with carrying value that approximates fair value	746,006	746,006	-	746,006	-
Securities held-to-maturity	34,113	34,149	19,444	14,705	-
Loans, net of allowance ⁽¹⁾	5,635,480	5,784,172	-	5,784,172	-
Financial liabilities:					
Instruments with carrying value that approximates fair value	2,494,734	2,494,824	-	2,494,824	-
Short-term borrowings	1,449,023	1,453,159	-	1,453,159	-
Borrowings and long-term debt	1,905,540	1,922,544	-	1,922,544	-
Commitments to extend credit, standby letters of credit, and financial guarantees written	5,781	4,841	-	4,841	-

⁽¹⁾ The carrying value of loans is net of the Allowance for loan losses of \$73.0 million for December 31, 2012.

(In thousands of US\$)	December 31, 2011	
	Carrying Value	Fair Value
Financial assets:		
Instruments with carrying value that approximates fair value	882,762	882,762

Securities held-to-maturity	26,536	26,637
Loans, net of allowance ⁽¹⁾	4,864,329	4,913,473
Financial liabilities:		
Instruments with carrying value that approximates fair value	2,693,408	2,692,832
Short-term borrowings	1,323,466	1,319,350
Borrowings and long-term debt	1,487,548	1,441,919
Commitments to extend credit, standby letters of credit, and financial guarantees written	10,497	9,807

⁽¹⁾ The carrying value of loans is net of the Allowance for loan losses of \$88.5 million for December 31, 2011.

24. Litigation

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

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Notes to consolidated financial statements

25. Capital adequacy

The Banking Law in the Republic of Panama requires banks with general banking license to maintain a total capital adequacy index that shall not be lower than 8% of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk; and primary capital equivalent that shall not be less than 4% of its assets and off-balance sheet irrevocable contingency transactions, weighted according to their risk. As of December 31, 2012, the Bank's capital adequacy ratio is 17% which is in compliance with the capital adequacy ratios required by the Banking Law in the Republic of Panama.

26. Business segment information

The Bank's activities are operated and managed in two segments, Commercial and Treasury. The Asset Management unit was discontinued since the fourth quarter of 2012. The segment information reflects this operational and management structure, in a manner consistent with the requirements outlined in ASC Topic 280 - Segment Reporting. The segment results are determined based on the Bank's managerial accounting process, which assigns consolidated balance sheets, revenue and expense items to each reportable division on a systematic basis.

In 2011, the Bank made the following changes in the measurement methods used to determine segment profit or loss. Current interest expense allocation methodology reflects allocated funding on a matched-funded basis, net of risk adjusted capital by business segment. Current operating expense allocation methodology allocates overhead expenses based on resource consumption by business segment. Prior methodology allocated interest expenses and overhead operating expenses based on the segments average portfolio.

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

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

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

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**Banco Latinoamericano de Comercio Exterior, S. A.
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Notes to consolidated financial statements

Commercial incorporates all of the Bank's financial intermediation and fees generated by the commercial portfolio. The commercial portfolio includes book value of loans, selected deposits placed, acceptances and contingencies. Operating income from the Commercial Segment includes net interest income from loans, fee income and allocated operating expenses.

Treasury incorporates deposits in banks and all of the Bank's trading assets, securities available-for-sale and held-to-maturity, and the balance of the Investment Fund and the assets of the Brazilian Fund. Operating income from the Treasury Segment includes net interest income from deposits with banks, trading securities and securities available-for-sale and held-to-maturity, net interest margin related to the Feeder's participation in the net interest margin of the Fund, derivative and hedging activities, net gain (loss) from investment fund trading, net gain (loss) from trading securities, net gain on sale of securities available-for-sale, net gain (loss) on foreign currency exchange, and allocated income and operating expenses. Operating income from this segment also includes the net interest margin from the Brazilian Fund, as well as net gain (loss) from trading securities, fee income, and allocated operating expenses from the Brazilian Fund. The Treasury segment information for years 2011 and 2010 includes the results of the Investment Fund and the Brazilian Fund for those years, in order to conform to the presentation of this segment in 2012.

Since the fourth quarter of 2012, the Bank established a plan to divest the operations of the Asset Management unit, which are reported as discontinued operation in the following segment analysis.

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

Business Segment Analysis ⁽¹⁾

(In thousands of US\$)	2012	2011	2010
COMMERCIAL			
Interest income	183,365	140,697	104,822
Interest expense	(73,398)	(58,969)	(50,306)
Net interest income	109,967	81,728	54,516
Net other income ⁽²⁾	12,216	11,001	10,306
Operating expenses	(38,322)	(34,895)	(28,304)

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Net operating income ⁽³⁾	83,861	57,834	36,518
Reversal of provision (provision) for loan and off-balance sheet credit losses	12,389	(4,393)	4,835
Recoveries, net of impairment of assets	-	(57)	233
Net income attributable to Bladex	96,250	53,384	41,586
Commercial assets and contingencies (end of period balances):			
Interest-earning assets ⁽⁴⁾	5,708,456	4,982,876	4,059,943
Other assets and contingencies ⁽⁵⁾	237,077	364,016	382,437
Total interest-earning assets, other assets and contingencies	5,945,533	5,346,892	4,442,380
TREASURY			
Interest income	9,072	16,730	14,656
Interest expense	(14,062)	4,252	5,331
Net interest income	(4,990)	20,982	19,987
Net other income (expense) ⁽²⁾	14,612	25,102	(8,044)
Operating expenses	(17,492)	(15,192)	(13,914)
Net operating income ⁽³⁾	(7,870)	30,892	(1,971)
Reversal of provision (provision) for loan and off-balance sheet credit losses	-	-	-
Net income (loss)	(7,870)	30,892	(1,971)
Net income (loss) attributable to the redeemable noncontrolling interest	293	676	(2,423)
Net income (loss) attributable to Bladex	(8,163)	30,216	452
Treasury assets and contingencies (end of period balances):			
Interest-earning assets ⁽⁶⁾	1,035,313	1,397,181	1,040,848
Third party participation	(3,384)	(5,547)	(18,950)
Total interest-earning assets and third participation	1,031,929	1,391,634	1,021,898

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(In thousands of US\$)	2012	2011	2010
TOTAL			
Interest income	192,437	157,427	119,478
Interest expense	(87,460)	(54,717)	(44,975)
Net interest income	104,977	102,710	74,503
Net other income ⁽²⁾	26,828	36,103	2,262
Operating expenses	(55,814)	(50,087)	(42,218)
Net operating income ⁽³⁾	75,991	88,726	34,547
Reversal of provision (provision) for loans and off-balance sheet credit losses	12,389	(4,393)	4,835
Recoveries, net of impairment of assets	-	(57)	233
Net income – business segment	88,380	84,276	39,615
Net income (loss) attributable to the redeemable noncontrolling interest	<u>293</u>	676	(2,423)
Net income attributable to Bladex – business segment	88,087	83,600	42,038
Other income unallocated - Gain on sale of premises and equipment	5,626	-	-
Discontinued operations (Note 3)	(681)	(420)	(206)
Net income attributable to Bladex	93,032	83,180	42,244
Total assets and contingencies (end of period balances):			
Interest-earning assets ^(4 & 6)	6,743,769	6,380,057	5,100,791
Other assets and contingencies ⁽⁵⁾	237,077	364,016	382,437
Third party participation	(3,384)	(5,547)	(18,950)
Total interest-earning assets, other assets and contingencies	6,977,462	6,738,526	5,464,278

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

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

Reconciliation of Net other income:

Net other income – business segment	26,828	36,103	2,262
Reversal of provision for losses on off-balance sheet credit risk	4,046	4,448	13,926
Recoveries, net of impairment of assets	-	(57)	233
Gain on sale of premises and equipment	5,626	-	-
Net other income – consolidated financial statements	36,500	40,494	16,421

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

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

(5) Includes customers' liabilities under acceptances, letters of credit and guarantees covering commercial and country risk, and credit commitments.

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

Reconciliation of Total assets:

Interest-earning assets – business segment	6,743,769	6,380,057	5,100,791
Allowance for loan losses	(72,976)	(88,547)	(78,615)
Customers' liabilities under acceptances	1,157	1,110	27,213
Premises and equipment	12,808	6,673	6,532
Accrued interest receivable	37,819	38,168	31,110
Derivative financial instruments used for hedging - receivable	19,239	4,159	2,103
Other assets	14,580	18,412	10,953
Total assets – consolidated financial statements	6,756,396	6,360,032	5,100,087

Geographic information is as follows:

(In thousands of US\$)	2012				Total
	Panama	Brazil	United States of America	Cayman Islands	
Interest income	173,663	155	17,894	725	192,437
Interest expense	(86,019)	-	(1,332)	(109)	(87,460)
Net interest income	87,644	155	16,562	616	104,977
Long-lived assets:					
Premises and equipment, net	12,397	8	403	-	12,808

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(In thousands of US\$)	2011				Total
	Panama	Brazil	United States of America	Cayman Islands	
Interest income	144,491	114	10,595	2,227	157,427
Interest expense	(53,411)	-	(983)	(323)	(54,717)
Net interest income	91,080	114	9,612	1,904	102,710

Long-lived assets:

Premises and equipment, net	6,125	10	538	-	6,673
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(In thousands of US\$)	2010				Total
	Panama	Brazil	United States of America	Cayman Islands	
Interest income	106,673	-	10,607	2,198	119,478
Interest expense	(41,266)	-	(2,746)	(963)	(44,975)
Net interest income	65,407	-	7,861	1,235	74,503

Long-lived assets:

Premises and equipment, net	6,039	-	493	-	6,532
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27. Subsequent events

On April 2, 2013, Bladex announced the finalization of its definitive agreement for the sale of its Asset Management Unit. The Asset Management Unit is being sold to Alpha4X Asset Management, LLC (“Alpha4X”), a newly-formed company that is majority-owned by former members of the Asset Management Unit. Bladex will continue to invest in the fund under Alpha4X’s management in its role as anchor investor for a period of up to three years.

Item 19. Exhibits

List of
Exhibits

Exhibit 1.1. Amended and Restated Articles of Incorporation*

Exhibit 1.2. By-Laws**

Exhibit 8.1. List of Subsidiaries**

Exhibit 11.1. Code of Ethics**

Exhibit 12.1. Rule 13a-14(a) Certification of Principal Executive Officer

Exhibit 12.2. Rule 13a-14(a) Certification of Principal Financial Officer

Exhibit 13.1. Rule 13a-14(b) Certification of Principal Executive Officer

Exhibit 13.2. Rule 13a-14(b) Certification of Principal Financial Officer

* Filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2008 filed with the SEC on June 26, 2009.

** Filed as an exhibit to the Form 20-F for the fiscal year ended December 31, 2009 filed with the SEC on June 11, 2010.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

/s/ RUBENS V. AMARAL, JR.
Rubens V. Amaral, Jr.
Chief Executive Officer

April 23, 2013

EXHIBIT INDEX

Exhibit

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