LHC Group, Inc
Form 424B5
July 14, 2006

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-135024

PROSPECTUS SUPPLEMENT
(To Prospectus dated June 14, 2006)

4,000,000 Shares
Common Stock

We are offering 1,000,000 shares of our common stock. The selling stockholders identified in this prospectus supplement are selling an additional 3,000,000 shares of our common stock in this offering. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

Our common stock is traded on the Nasdaq Global Market under the symbol LHCG. On July 13, 2006, the last reported sale price for our common stock on the Nasdaq Global Market was $19.41 per share.

Investing in our common stock involves risks.
See Risk Factors beginning on page S-9.

	Per Share	Total
Public offering price	$ 19.25	$ 77,000,000
Underwriting discounts and commissions	$ 0.96	$ 3,840,000
Proceeds, before expenses, to LHC Group	$ 18.29	$ 18,290,000
Proceeds, before expenses, to the selling stockholders	$ 18.29	$ 54,870,000

Neither the Securities and Exchange Commission, any state securities commission, nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement and the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We and the selling stockholders have granted the underwriters an option to purchase up to 150,000 and up to 450,000 additional shares of our common stock, respectively, at the public offering price, less the underwriting discounts and commissions, exercisable within 30 days of the date of this prospectus supplement to cover over-allotments.

The underwriters expect to deliver the shares on or about July 19, 2006.

Jefferies & Company

CIBC World Markets

Stifel Nicolaus

The date of this prospectus supplement is July 13, 2006.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement contains the terms of this offering.

This prospectus supplement is part of and should be read in conjunction with the accompanying prospectus. This prospectus supplement is not complete without, and may not be delivered or utilized except in conjunction with the accompanying prospectus. The information we present in this prospectus supplement may add, update or change information included in the accompanying prospectus. If information in this prospectus supplement, or the

information incorporated by reference herein, is inconsistent with the accompanying prospectus, this prospectus supplement, or the information incorporated by reference herein, will apply and will supersede that information in the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement. We have not authorized anyone to provide you with different information. You should assume that the information in this prospectus supplement and the accompanying prospectus, as well as the information we have previously filed with the Securities and Exchange Commission and incorporated by reference in this prospectus supplement and the accompanying prospectus, is accurate only as of the date of the documents containing the information. This prospectus supplement may be used only where it is legal to sell these securities.

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PROSPECTUS SUPPLEMENT SUMMARY

You should read this entire prospectus supplement, the accompanying prospectus and the information incorporated by reference herein, before making an investment decision. You should also carefully consider the information set forth under Risk Factors. Unless otherwise indicated, LHC Group, we, us, and the Company refer to LHC Group, Inc. and our consolidated subsidiaries.

Overview

We provide post-acute healthcare services primarily to Medicare beneficiaries in rural markets in the southern United States. We provide these services through our home nursing agencies, hospices, long-term acute care hospitals and outpatient rehabilitation clinics. Since our founders began operations in 1994 with one home nursing agency in Palmetto, Louisiana, we have grown to 100 locations in Louisiana, Mississippi, Arkansas, Alabama, Texas and West Virginia as of March 31, 2006. We have also grown our net service revenue from $28.2 million in 2001 to $162.5 million in 2005, representing a compound annual growth rate of 55.0%. During this same period, our annual net income grew from $787,000 in 2001 to $10.1 million in 2005. During the three months ended March 31, 2006, we reported $45.5 million of net service revenue and $4.1 million of net income. Medicare accounted for 85.1% of our net service revenue for the year ended December 31, 2005 and 84.9% of our net service revenue for the three months ended March 31, 2006. We have been profitable every year since 1999.

Our objective is to become the leading provider of post-acute healthcare services to Medicare patients in selected rural markets, which we define as counties having between 10,000 and 100,000 residents. We believe these markets, which have a higher percentage of Medicare beneficiaries, are underserved relative to urban or suburban markets. Upon entering a new market, we implement our clinically-oriented business model that emphasizes improved patient care, strong relationships with local hospitals, physicians and other healthcare providers and an expansion in the range of healthcare services available to patients. Our model provides support and clinical guidelines to our local caregivers while promoting treatment flexibility that allows them to effectively address individual patient needs. Our model also enhances our ability to expand efficiently into these markets and deliver high quality care consistently on a cost-effective basis across multiple locations.

We provide home-based post-acute healthcare services through our home nursing agencies and hospices. As of March 31, 2006, we owned and operated 80 home nursing locations, of which 77 are certified to receive Medicare reimbursement. We also manage the operations of three home nursing locations in which we currently have no ownership interest. Our home nursing locations offer a wide range of services, including skilled nursing, private duty nursing, physical, occupational, and speech therapy and medically-oriented social services. The nurses, home health aides and therapists in our home nursing agencies work closely with patients and their families to design and implement individualized treatment responsive to a physician-prescribed plan of care. As of March 31, 2006, we also owned and operated four Medicare-certified hospices and managed the operations of one Medicare-certified hospice in which we currently have no ownership interest. Our hospices provide palliative care to patients with terminal illnesses through interdisciplinary teams of physicians, nurses, home health aides, counselors and volunteers. For the years ended December 31, 2004 and 2005 and the three months ended March 31, 2006, our home-based services provided $84.5 million, $107.4 million and $32.7 million, respectively, of our net service revenue.

We provide facility-based post-acute healthcare services through our long-term acute care hospitals and outpatient rehabilitation clinics. As of March 31, 2006, we owned and operated four long-term acute care hospitals with seven locations, with a total of 175 licensed beds. Our long-term acute care hospitals, all of which are located within host hospitals, provide services primarily to patients who have transitioned out of a hospital intensive care unit and suffer

from complex medical conditions that remain too severe for treatment in a non-acute setting. We also owned and operated four outpatient rehabilitation clinics and provided contract rehabilitation services to third parties. We provide outpatient rehabilitation services through physical therapists, occupational therapists and speech pathologists at our five outpatient rehabilitation clinics in which we have an ownership interest. We also provide outpatient rehabilitation services on a contract basis. In addition, we

manage the operations of one inpatient rehabilitation facility in which we have no ownership interest. For the years ended December 31, 2004 and 2005 and the three months ended March 31, 2006, our facility-based services provided $38.5 million, $55.2 million and $12.8 million, respectively, of our net service revenue.

Industry and Market Opportunity

According to estimates of the Medicare Payment Advisory Committee, or MedPAC, Medicare spending totaled $14.3 billion in 2004 for the two primary post-acute sectors in which we operate: home nursing and long-term acute care. MedPAC estimates that Medicare spending on home nursing services totaled $11.2 billion in 2004. The Centers for Medicare and Medicaid Services, or CMS, estimates that there are approximately 8,204 Medicare-certified home nursing agencies in the United States, the majority of which are operated by small local or regional providers. CMS has historically estimated that approximately 32.0% of these home nursing agencies are hospital-based or not-for-profit, freestanding agencies, and MedPAC estimates that approximately 36.0% are located in rural markets. CMS predicts that Medicare spending on home nursing services will increase at an average annual growth rate of 5.2% between 2005 and 2015. According to MedPAC estimates, Medicare spending for services provided by long-term acute care hospitals has grown from $0.4 billion in 1993 to an estimated $3.1 billion in 2004.

We believe our post-acute healthcare services provide valuable treatment alternatives to underserved, rural patient populations. Rural areas typically do not offer the range of post-acute healthcare services that are available in urban or suburban markets; therefore, patients in rural markets often face challenges in accessing healthcare in a convenient and appropriate setting. Because most rural areas have the population size to support only one or two general acute care hospitals, the local hospital often plays a significant role in rural market healthcare delivery systems. Rural patients who require home nursing services frequently receive care from a small home nursing agency or an agency that, while owned and operated by the hospital, is not an area of focus for that hospital. In addition, patients in these markets who require services typically offered by long-term acute care hospitals generally remain in the community hospital, as it is often the only local facility equipped to deal with severe, complex medical conditions.

Competitive Strengths

We believe the following competitive strengths have enabled us to grow our business and increase our net income while building strong market share:

We have a proven track record of success in serving rural markets. Of our 100 locations as of March 31, 2006, 72.4% are located in counties with fewer than 100,000 residents. Our strategic plan for entering new markets is specifically designed for rural markets and includes: (1) building relationships with local hospitals, physicians and other healthcare providers; (2) expanding the breadth and quality of services provided; (3) recruiting qualified nurses and other healthcare professionals; and (4) transitioning acquired operations to our operating model and technology platform.

We are clinically-oriented and patient-focused. We have developed a decentralized, care management operating model that enhances our ability to deliver high-quality care on a consistent and cost-effective basis across multiple locations. Our operating model provides clinical guidelines at the agency and caregiver levels while promoting treatment flexibility to address patient-specific needs. We believe this approach also allows us to allocate more resources to patient care, which enhances clinical outcomes and increases physician and patient satisfaction.

We incur lower costs to enter new markets. We often enter a new market by forming a joint venture with a local hospital for, or by acquiring or assuming operations of, an existing hospital-owned home nursing agency that may be underperforming clinically or financially. Typically, we have acquired the assets of these agencies with

limited capital investment. Upon acquiring these interests, we implement our standardized operating model, which generally leads to increased patient census, enhanced patient care and improved financial performance.

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We focus on maintaining strong employee relations. Critical to our success is our ability to attract and retain experienced and skilled employees and our recognition of the importance of good relations with our employees. The flexibility created by our care management operating model, combined with our emphasis on communication, education and competitive benefits, has allowed us to attract and retain highly skilled and experienced employees. As a result, we had an employee turnover rate for full-time employees of approximately 18.7% for the twelve months ended December 31, 2005, which we believe is below the comparable national average.

We have an experienced management team. Our ability to grow profitability, deliver high-quality service, and expand our operations has been due, in large part, to the experience of our senior management team. Our four executive officers have over 75 years of combined experience in the healthcare services industry.

Growth Strategy

Our objective is to become the leading provider of post-acute services to Medicare beneficiaries in rural markets in the southern United States. To achieve this objective, we intend to:

Drive internal growth in existing markets. We intend to drive internal growth in our current markets by increasing the number of healthcare providers in each market from whom we receive referrals and by expanding the breadth of our services. We intend to achieve this growth by: (1) continuing to educate healthcare providers about the benefits of our services; (2) reinforcing the position of our agencies and facilities as community assets; (3) maintaining our emphasis on high-quality medical care for our patients; and (4) providing a superior work environment for our employees.

Achieve margin improvement through the active management of costs. The majority of our net service revenue is generated under Medicare prospective payment systems through which we are paid pre-determined rates based upon the clinical condition and severity of the patients in our care. Because our profitability in a fixed payment system depends upon our ability to manage the costs of providing care, we continue to pursue initiatives to improve our margins and net income.

Expand into new rural markets. We will continue expanding into new markets by developing new and acquiring existing Medicare-certified home nursing agencies in attractive markets. Once we have established a home nursing agency in a new market, we will consider the development of a freestanding long-term acute care hospital and the provision of other complementary post-acute healthcare services in such market. We currently plan to pursue expansion opportunities in 15 contiguous states, and we have identified approximately 500 underserved rural markets in those states where we believe we can implement our operating model successfully.

Pursue strategic acquisitions. We will continue to identify and evaluate opportunities for strategic acquisitions in new and existing markets that will enhance our market position, increase our referral base and expand the breadth of services we offer. We may use a portion of the proceeds of this offering to pursue acquisitions that would allow us to acquire market share in our target states through the purchase of larger home nursing operations.

Recent Developments

On June 19, 2006, we entered into an agreement to purchase the Kentucky-based assets of The Lifeline Health Group, Inc., or Lifeline, a privately-held company based in Somerset, Kentucky, a Certificate of Need state, for an aggregate cash purchase price of $15.0 million. The acquisition involves an approximate total patient census of 2,400 and 350 Lifeline employees. As part of the purchased assets, we will acquire 17 locations in 29 counties throughout Kentucky. In 2005, Lifeline reported Kentucky-based revenue of approximately $23.0 million, which is subject to final

verification in connection with our pre-closing due diligence. The transaction is expected to close by July 31, 2006, pending regulatory clearance and satisfaction of customary closing conditions. We cannot assure you that we will be able to consummate the Lifeline transaction within the expected timeframe, if at all.

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The Offering

Common stock offered by us	1,000,000 shares
Common sock offered by selling stockholders	3,000,000 shares
Common stock to be outstanding after this offering	17,567,995 shares
Use of Proceeds	We intend to use the proceeds that we receive from this offering to fund contemplated and possible future acquisitions and for other general corporate purposes, which may include repaying indebtedness. We will not receive any of the proceeds from the sale of shares of common stock by selling stockholders. See Use of Proceeds.
Nasdaq symbol	LHCG

The number of shares of our common stock that will be outstanding after this offering is based on shares outstanding of 16,567,995 as of June 30, 2006.

Except as otherwise noted, all information in this prospectus supplement:

- assumes the underwriters do not exercise their over-allotment option;
- excludes 89,050 shares of unvested restricted common stock issued by us under our 2005 Long-Term Incentive Plan; and
- excludes 27,000 shares of our common stock issuable upon exercise of outstanding stock options issued by us under our Amended and Restated 2005 Non-Employee Directors Compensation Plan.

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Summary Consolidated Financial Data

The summary consolidated financial data presented below is derived from our consolidated financial statements, which are incorporated by reference herein. The summary financial information set forth below as of and for the years ended December 31, 2003, 2004 and 2005 has been derived from our audited consolidated financial statements. The summary financial information as of and for the three months ended March 31, 2005 and 2006 has been derived from our unaudited consolidated financial statements, which include all adjustments consisting of normal recurring accruals that we consider necessary for a fair presentation of the financial position and the results of operations for these periods. Historical results are not necessarily indicative of future performance. See Note on Discontinued Operations at the end of this Summary.

The as adjusted consolidated balance sheet data as of March 31, 2006 presented below gives effect to the completion of this offering and application of the net proceeds by us, as described in Use of Proceeds, as if each had occurred as of March 31, 2006. The as adjusted summary financial data is not necessarily indicative of what our consolidated financial position would have been had this offering been completed as of the dates indicated, nor is such data necessarily indicative of our consolidated financial position as of any future date.

	Year Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006
			(in thousands)		
Consolidated Statements of Income Data:					
Net service revenue	$ 72,365	$ 122,980	$ 162,549	$ 35,557	$ 45,482
Cost of service revenue	37,146	63,249	88,343	17,779	24,047
Gross margin	35,219	59,731	74,206	17,778	21,435
General and administrative expenses	24,761	37,926	49,884	10,017	14,994
Impairment loss	31				
Equity-based compensation expense	864	1,788	3,856	504	
Operating income	9,563	20,017	20,466	7,257	6,441
Interest expense	1,226	1,189	1,068	308	86
Non-operating (income) loss, including gain on sale of assets	(106)	150	(595)	(518)	(167)
Income from continuing operations before income taxes and minority interest and cooperative endeavor allocations	8,443	18,678	19,993	7,467	6,522
Income tax expense	2,320	5,605	5,364	2,304	1,715
Minority interest and cooperative endeavor allocations	2,837	4,046	4,527	1,441	1,028
Income from continuing operations	3,286	9,027	10,102	3,722	3,779
Loss from discontinued operations, net	(443)	(26)		(435)	(240)
Gain on sale of discontinued operations, net		312			597
Net income	2,843	9,313	10,102	3,287	4,136

Change in the redemption value of redeemable minority interests			(1,476)		843
Net income available to common stockholders	$ 2,843	$ 9,313	$ 8,626	$ 3,287	$ 4,979

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	Year Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006
Earnings per share-basic:					
Income from continuing operations	$ 0.27	$ 0.75	$ 0.69	$ 0.31	$ 0.23
Loss from discontinued operations	(0.03)			(0.04)	(0.01)
Gain on sale of discontinued operations, net		0.02			0.04
Net income	0.24	0.77	0.69	0.27	0.26
Change in the redemption value of redeemable minority interests			(0.10)		0.05
Net income available to common stockholders	$ 0.24	$ 0.77	$ 0.59	$ 0.27	$ 0.31
Earnings per share-diluted:					
Income from continuing operations	$ 0.26	$ 0.74	$ 0.69	$ 0.30	$ 0.23
Loss from discontinued operations	(0.03)			(0.04)	(0.01)
Gain on sale of discontinued operations, net		0.02			0.04
Net income	0.23	0.76	0.69	0.26	0.26
Change in the redemption value of redeemable minority interests			(0.10)		0.05
Net income available to common stockholders	$ 0.23	$ 0.76	$ 0.59	$ 0.26	$ 0.31
Weighted average shares outstanding:					
Basic	12,085,154	12,085,154	14,628,737	12,085,154	16,557,828
Diluted	12,114,675	12,145,150	14,684,639	12,207,532	16,563,368

	As of December 31,			As of March 31, 2006	
	2003	2004	2005	Actual	As Adjusted
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash	$ 1,725	$ 2,911	$ 17,398	$ 18,133	$ 35,923
Total assets	27,915	47,519	104,418	110,137	127,927
Total debt	12,277	18,275	5,427	4,715	4,715
Total stockholders equity	6,909	16,351	78,444	83,579	101,369

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Note on Discontinued Operations

During the three months ended March 31, 2006, we sold one of our long-term acute care hospitals and closed substantially all of our private duty operations. The results of these closed private duty operations are reported as discontinued operations in the consolidated financial information above for the three months ended March 31, 2005 and 2006. In addition, we identified an outpatient rehabilitation clinic, a home health agency and a long-term acute care hospital as held for sale as of March 31, 2006. The operations of these businesses were also reported as discontinued operations in the consolidated financial information above for the three months ended March 31, 2006 and 2005. The outpatient rehabilitation clinic and home health agency have been subsequently sold. The results of these discontinued operations identified in 2006 are not classified as discontinued operations in the years ended December 31, 2003, 2004, and 2005. In the years ended December 31, 2003 and 2004, the loss from discontinued operations represents operations that were discontinued in 2004. Net service revenue from the discontinued operations identified in 2006 for the years ended December 31, 2003, 2004 and 2005 was $3.5 million, $6.4 million, and $9.5 million, respectively. Costs, expenses and minority interest and cooperative endeavor allocations were $3.6 million, $7.5 million, and $12.1 million, for the years ended December 31, 2003, 2004, and 2005. Losses from discontinued operations were $0, $1.1 million, and $2.6 million for the years ended December 31, 2003, 2004 and 2005, respectively.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement contains forward-looking statements. Forward-looking statements relate to expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts or that necessarily depend upon future events. In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, expect, plan, anticipate, believe, estin predict, potential, and similar expressions. Specifically, this prospectus supplement contains, among others, forward-looking statements about:

- our expectations regarding financial condition or consolidated results of operations for periods after March 31, 2006;
- our future sources of and need for liquidity and capital resources;
- our expectations regarding the size and growth of the market for our services;
- our business strategies and our ability to grow our business;
- the implementation or interpretation of current or future regulations and legislation; and
- the reimbursement levels of third-party payors.

These forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties. Many important factors, some of which are discussed elsewhere in this prospectus supplement, could cause actual results or achievements to differ materially from any future results or achievements expressed or implied by forward-looking statements. Many of the factors that will determine future events or achievements are beyond our ability to control or predict. Important factors that could cause actual results or achievements to differ materially from current expectations reflected in these forward-looking statements include, among others, the factors discussed under Risk Factors.

You should read this prospectus supplement, the accompanying prospectus, and the documents incorporated by reference herein, completely and with the understanding that our actual future results may be materially different from what we expect.

The forward-looking statements contained in this prospectus supplement reflect our views and assumptions only as of the date of this prospectus. Except as required by law, we assume no responsibility for updating any forward-looking statements.

We qualify all of our forward-looking statements by these cautionary statements.

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RISK FACTORS

You should carefully consider the risks described below before investing in LHC Group. The risks and uncertainties described below ***are not*** *the only ones we face. Other risks and uncertainties that we have not predicted or assessed may also adversely affect us. If any of the following risks occurs, our earnings, financial condition or business could be materially harmed, and the trading price of our common stock could decline, resulting in the loss of all or part of your investment.*

More than 80% of our net service revenue is derived from Medicare. If there are changes in Medicare rates or methods governing Medicare payments for our services, or if we are unable to control our costs, our net service revenue and net income could decline materially.

For the years ended December 31, 2003, 2004, and 2005 and for the three months ended March 31, 2006, we received 83.1%, 84.6%, 85.1% and 84.9%, respectively, of our net service revenue from Medicare. Reductions in Medicare rates or changes in the way Medicare pays for services could cause our net service revenue and net income to decline, perhaps materially. Reductions in Medicare reimbursement could be caused by many factors, including:

- administrative or legislative changes to the base rates under the applicable prospective payment systems;
- the reduction or elimination of annual rate increases;
- the imposition or increase by Medicare of mechanisms, such as co-payments, shifting more responsibility for a portion of payment to beneficiaries;
- adjustments to the relative components of the wage index used in determining reimbursement rates;
- changes to case mix or therapy thresholds;
- the reclassification of home health resource groups or long-term care diagnosis-related groups; or
- further limitations on referrals to long-term acute care hospitals from host hospitals.

We generally receive fixed payments from Medicare for our services based on the level of care provided to our patients. Consequently, our profitability largely depends upon our ability to manage the cost of providing these services. Medicare currently provides for an annual adjustment of the various payment rates, such as the base episode rate for our home nursing services, based upon the increase or decrease of the medical care expenditure category of the Consumer Price Index, which may be less than actual inflation. This adjustment could be eliminated or reduced in any given year. Our base episode rate for home nursing services is also subject to an annual market basket adjustment. Further, Medicare routinely reclassifies home health resource groups and long-term care diagnosis-related groups. As a result of those reclassifications, we could receive lower reimbursement rates depending on the case mix of the patients we service. If our cost of providing services increases by more than the annual Medicare price adjustment, or if these reclassifications result in lower reimbursement rates, our net income could be adversely impacted.

We are subject to extensive government regulation. Any changes in the laws governing our business, or the interpretation and enforcement of those laws or regulations, could cause us to modify our operations and could negatively impact our operating results.

As a provider of healthcare services, we are subject to extensive regulation on the federal, state and local levels, including with regard to:

- agency, facility and professional licensure, certificates of need and permits of approval;
- conduct of operations, including financial relationships among healthcare providers, Medicare fraud and abuse, and physician self-referral;
- maintenance and protection of records, including the Health Insurance Portability and Accountability Act of 1996, or HIPAA;

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environmental protection, health and safety;

certification of additional agencies or facilities by the Medicare program; and

payment for services.

The laws and regulations governing our operations, along with the terms of participation in various government programs, regulate how we do business, the services we offer, and our interactions with patients and other providers. These laws and regulations, and their interpretations, are subject to frequent change. Changes in existing laws or regulations, or their interpretations, or the enactment of new laws or regulations could increase our costs of doing business and cause our net income to decline. If we fail to comply with these applicable laws and regulations, we could suffer civil or criminal penalties, including the loss of our licenses to operate and our ability to participate in federal and state reimbursement programs.

We are subject to various routine and non-routine governmental reviews, audits, and investigations. In recent years federal and state civil and criminal enforcement agencies have heightened and coordinated their oversight efforts related to the healthcare industry, including with respect to referral practices, cost reporting, billing practices, joint ventures and other financial relationships among healthcare providers. A violation or change in the interpretation of the laws governing our operations, or changes in the interpretation of those laws, could result in the imposition of fines, civil or criminal penalties, the termination of our rights to participate in federal and state-sponsored programs, or the suspension or revocation of our licenses to operate. If we become subject to material fines or if other sanctions or other corrective actions are imposed upon us, we may suffer a substantial reduction in net income.

If any of our agencies or facilities fail to comply with the conditions of participation in the Medicare program, that agency or facility could be terminated from Medicare, which would adversely affect our net service revenue and net income.

Our agencies and facilities must comply with the extensive conditions of participation in the Medicare program. These conditions of participation vary depending on the type of agency or facility, but in general require our agencies and facilities to meet specified standards relating to personnel, patient rights, patient care, patient records, administrative reporting and legal compliance. If an agency or facility fails to meet any of the Medicare conditions of participation, that agency or facility may receive a notice of deficiency from the applicable state surveyor. If that agency or facility then fails to institute and comply with a plan of correction to correct the deficiency within the time period provided by the state surveyor, that agency or facility could be terminated from the Medicare program. We respond in the ordinary course to deficiency notices issued by state surveyors, and none of our facilities or agencies have ever been terminated from the Medicare program for failure to comply with the conditions of participation. Any termination of one or more of our agencies or facilities from the Medicare program for failure to satisfy the Medicare conditions of participation would affect adversely our net service revenue and net income.

In addition, if our long-term acute care hospitals fail to meet or maintain the standards for Medicare certification as long-term acute care hospitals, such as for average minimum length of patient stay, they will receive reimbursement under the prospective payment system applicable to general acute care hospitals rather than the system applicable to long-term acute care hospitals. Payments at rates applicable to general acute care hospitals would likely result in our long-term acute care hospitals receiving less Medicare reimbursement than they currently receive for their patient services. Moreover, all of our long-term acute care hospitals are subject to additional Medicare criteria because they operate as separate hospitals located in space leased from, and located in, a general acute care hospital, known as a host hospital. This is known as a hospital within a hospital model. These additional criteria include requirements concerning financial and operational separateness from the host hospital. If several of our long-term acute care hospitals were subject to payment as general acute care hospitals or fail to comply with the separateness requirements,

our net service revenue and net income would decline.

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CMS has adopted regulations that could materially and adversely impact the revenue and net income of our long-term acute care hospitals.

In August 2004, CMS adopted regulations that implement significant changes affecting our long-term acute care hospitals. Among other things, these new regulations, effective for hospital cost reporting periods beginning on or after October 2004, mandate that long-term acute care hospitals operating in the hospital within a hospital model receive lower rates of reimbursement for Medicare admissions from their host hospitals that are in excess of specified percentages. For new long-term acute care hospitals opened after October 1, 2004 located within hospitals, the Medicare admissions limitation will be 25.0% for hospitals located in a metropolitan statistical area, or MSA, and 50.0% for hospitals located in a non-MSA. This means a new long-term acute care hospital located within a hospital will receive lower rates of reimbursement for patients admitted from their host hospitals in excess of 25.0%, or 50.0% if located in a non-MSA.

For existing long-term acute care hospitals within hospitals and those under development that meet specified criteria, the Medicare admissions limitations are being phased in over a four-year period starting with hospital cost reporting periods beginning on or after October 1, 2004 and also provide for different percentages of allowable admissions based on whether the facilities are located in MSAs or non-MSAs. Further, for cost reporting periods beginning prior to October 1, 2007, the Medicare admissions limitation for each existing long-term acute care hospital is the lesser of the percentage of Medicare discharges admitted from its host hospital during its 2004 cost reporting period or the amount set forth in the table below.

		Allowable Admissions From Host Hospital Before Payment Reduction	
Cost Report Period Beginning		**MSAs**	**Non-MSAs**
Until September 30, 2005		100.0%	100.0%
October 1, 2005	September 30, 2006	75.0%	75.0%
October 1, 2006	September 30, 2007	50.0%	50.0%
October 1, 2007	and thereafter	25.0%	50.0%

As of March 31, 2006, of our seven long-term acute care hospital locations, five are physically located in a non-MSA. Of these five locations, two are satellite locations of a parent hospital that is located in a MSA. Based on our discussions with CMS, we believe this satellite location will be viewed as being located in a non-MSA regardless of the location of its parent hospital and will be treated independently from its parent for purposes of calculating its compliance with the admissions limitations. For the three months ended March 31, 2006, on an individual basis, one of our long-term acute care hospital locations admitted less than 50.0% of its patients from its host hospital, four of our long-term acute care hospital locations admitted between 50.0% and 75.0% of their patients from their host hospitals and one of our long-term acute care hospital locations admitted more than 75.0% of its patients from its host hospital. The seventh long-term acute care hospital is not a hospital within a hospital. For the three months ended March 31, 2006, three of our long-term acute care hospital locations admitted a higher percentage of their patients from their host hospitals than the percentage of Medicare discharges admitted from their host hospitals in the 2005 cost reporting year.

Our ability to quantify the potential reduction in our reimbursement rates resulting from the implementation of these new regulations is contingent upon a variety of factors, such as our ability to reduce the percentage of admissions that are derived from our host hospitals and, if necessary, our ability to relocate our existing long-term acute care hospitals

to freestanding locations. We may not be able to successfully restructure or relocate these operations without incurring significant expense or in a manner that avoids reimbursement reductions. If these new regulations result in lower reimbursement rates, our net service revenue and net income could decline. As a result of these new rules, we do not intend to expand the number of hospital within a hospital long-term acute care hospitals that we operate.

We are reimbursed by Medicare for services we provide in our long-term acute care hospitals based on the long-term care diagnosis-related group assigned to each patient. CMS establishes these long-term care

diagnosis-related groups by grouping diseases by diagnosis, which group reflects the amount of resources needed to treat a given disease. These new rules reclassify certain long-term care diagnosis-related groups, which could result in a decrease in reimbursement rates. Further, the new rules kept in place the financial penalties associated with the failure to limit the total number of Medicare patients discharged to a host hospital and subsequently readmitted to a long-term acute care hospital located within the host hospital to no greater than 5.0%. If we fail to comply with these readmission rates or if our reimbursement rates decline due to the reclassification of certain long-term care diagnosis-related groups, our net service revenue and net income could decline.

Legislative initiatives could negatively impact our operations and financial results.

In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would result in major changes in the healthcare system, either at the national or state level. Many of these proposals have been introduced in an effort to reduce costs. For example, the Medicare Modernization Act of 2003, or MMA, allocated significant additional funds to Medicare managed care providers in order to promote greater participation in those plans by Medicare beneficiaries. If these increased funding levels achieve their intended result, the rate of growth in the Medicare fee-for-service market could decline. For the years ended December 31, 2003, 2004, and 2005 and for the three months ended March 31, 2006, we received 83.1%, 84.6%, 85.1% and 84.9%, respectively, of our net service revenue from the Medicare fee-for-service market. Among other proposals that have been introduced are insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health insurance coverage to their employees and the creation of government health insurance or plans that would cover all citizens and increase payments by beneficiaries. We cannot predict whether any of the above proposals, or any other future proposals, will be adopted. If adopted, we could be forced to expend considerable resources to comply with and implement such reforms.

More than 70% of our net service revenue is currently generated in Louisiana, making us particularly sensitive to economic and other conditions in that state.

Our Louisiana agencies and facilities accounted for approximately 89.0%. 82.8%. 79.5% and 70.3% of our net service revenue during the years ended December 31, 2003, 2004 and 2005 and the three months ended March 31, 2006. Any material change in the current economic or competitive conditions in Louisiana, which could result from events such as the implementation of certificate of need regulations or changes in state tax laws, could have a disproportionate effect on our overall business results.

Hurricanes or other adverse weather events could negatively affect our local economies or disrupt our operations, which could have an adverse effect on our business or results of operations.

Our market areas in the southern United States are particularly susceptible to hurricanes. Such weather events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. In late summer 2005, Hurricane Katrina and Hurricane Rita struck the Gulf Coast region of the United States and caused extensive and catastrophic physical damage to those areas. While we believe we have recovered from the effects of Hurricane Katrina and Hurricane Rita, future hurricanes could affect our operations or the economies in those market areas and result in damage to certain of our facilities and the equipment located at such facilities, or equipment on rent with customers in those areas. Our business or results of operations may be adversely affected by these and other negative effects of future hurricanes.

Future acquisitions may be unsuccessful and could expose us to unforeseen liabilities.

Our growth strategy involves the acquisition of home nursing agencies in rural markets. These acquisitions involve significant risks and uncertainties, including difficulties integrating acquired personnel and other corporate cultures

into our business, the potential loss of key employees or patients of acquired agencies, and the assumption of liabilities and exposure to unforeseen liabilities of acquired agencies. We may not be able to fully integrate the operations of the acquired businesses with our current business structure in an

efficient and cost-effective manner. The failure to effectively integrate any of these businesses could have a material adverse effect on our operations.

We generally structure our acquisitions as asset purchase transactions in which we expressly state that we are not assuming any pre-existing liabilities of the seller and obtain indemnification rights from the previous owners for acts or omissions arising prior to the date of such acquisitions. However, the allocation of liability arising from such acts or omissions between the parties could involve the expenditure of a significant amount of time, manpower and capital. Further, the former owners of the agencies and facilities we acquire may not have the financial resources necessary to satisfy our indemnification claims relating to pre-existing liabilities. If we were unsuccessful in a claim for indemnification from a seller, the liability imposed could materially, adversely affect our operations.

If we are unable to maintain relationships with existing referral sources or establish new referral sources, our growth and net income could be adversely affected.

Our success depends significantly on referrals from physicians, hospitals, and other healthcare providers in the communities in which we deliver our services. Our referral sources are not obligated to refer business to us and may refer business to other healthcare providers. We believe many of our referral sources refer business to us as a result of the quality of patient service provided by our local employees in the communities in which our agencies and facilities are located. If we are unable to retain these employees, our referral sources may refer business to other healthcare providers. Our loss of, or failure to maintain, existing relationships or our failure to develop new relationships could affect adversely our ability to expand our operations and operate profitably.

Delays in reimbursement may cause liquidity problems.

Our business is characterized by delays in reimbursement from the time we request payment for our services to the time we receive reimbursement or payment. A portion of our estimated reimbursement (60.0% for an initial episode of care and 50.0% for subsequent episodes of care) for each Medicare home nursing episode is billed at the commencement of the episode and we typically receive payment within approximately 12 days. The remaining reimbursement is billed upon completion of the episode and is typically paid within 14-17 days from billing date. If we have information system problems or issues arise with Medicare or other payors, we may encounter further delays in our payment cycle. For example, in the past we have experienced delays resulting from problems arising out of the implementation by Medicare of new or modified reimbursement methodologies or as a result of natural disasters, such as hurricanes. We have also experienced delays in reimbursement resulting from our implementation of new information systems related to our accounts receivable and billing functions. Any future timing delay may cause working capital shortages. As a result, working capital management, including prompt and diligent billing and collection, is an important factor in our consolidated results of operations and liquidity. Our working capital management procedures may not successfully negate this risk. Significant delays in payment or reimbursement could have an adverse impact on our liquidity and financial condition.

Future cost containment initiatives undertaken by private third party payors may limit our future net service revenue and net income.

Initiatives undertaken by major insurers and managed care companies to contain healthcare costs may affect our net income. These payors attempt to control healthcare costs by contracting with hospitals and other healthcare providers to obtain services on a discounted basis. We believe that this trend may continue and may limit reimbursements for healthcare services. If insurers or managed care companies from whom we receive substantial payments were to reduce the amounts they pay for services, our profit margins may decline, or we may lose patients if we choose not to renew our contracts with these insurers at lower rates.

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If the structures or operations of our joint ventures are found to violate the law, our financial condition and consolidated results of operations could be materially adversely impacted.

As of March 31, 2006, we have entered into 35 joint ventures for the ownership and operation of 42 home nursing agency locations, two hospices, one outpatient rehabilitation clinic and six long-term acute care hospital locations. Of these 35 joint ventures, 23 are with hospitals, five are with physicians and seven are with other parties. Our joint venture relationships are structured as equity joint ventures, cooperative endeavors or license leasing arrangements. Our joint ventures with hospitals and physicians are governed by the federal anti-kickback statute and similar state laws. These anti-kickback statutes prohibit the payment or receipt of anything of value in return for referrals of patients or services covered by governmental healthcare programs, such as Medicare. The Office of Inspector General of the Department of Health and Human Services has published numerous safe harbors that exempt qualifying arrangements from enforcement under the federal anti-kickback statute. We have sought to satisfy as many safe harbor requirements as possible in structuring these joint ventures. For example, each of our equity joint ventures with hospitals and physicians is structured in accordance with the following principles:

The investment interest offered is not based upon actual or expected referrals by the hospital or physician.

Our joint venture partners are not required to make or influence referrals to the joint venture.

At the time the joint venture is formed, each hospital or physician joint venture partner is required to make an actual capital contribution to the joint venture equal to the fair market value of its investment interest and is at risk to lose its investment.

Neither we nor the joint venture entity lends funds to or guarantees a loan to acquire interests in the joint venture for a hospital or physician.

Distributions to our joint venture partners are based solely on their equity interests and not affected by referrals from the hospital or physician.

Although we have sought to satisfy as many safe harbor requirements as possible, our joint ventures may not satisfy all elements of the safe harbor requirements.

Our five joint ventures with physicians are also governed by the federal Stark Law and similar state laws, which restrict physicians from making referrals for particular healthcare services to entities with which the physicians or their families have a financial relationship. We also believe we have structured our physician joint ventures in a way that meets applicable exceptions under the federal Stark Law and similar state physician referral laws. For example, we believe our two physician joint ventures for home nursing agencies comply with the rural provider exception to the Stark Law and that our three physician joint ventures for long-term acute care hospitals comply with the whole hospital exception to the Stark Law.

If any of our joint ventures were found to be in violation of federal or state anti-kickback or physician referral laws, we could be required to restructure them or refuse to accept referrals from the physicians or hospitals with which we have entered into a joint venture. We also could be required to repay to Medicare amounts we have received pursuant to any prohibited referrals, and we could suffer civil or criminal penalties, including the loss of our licenses to operate and our ability to participate in federal and state healthcare programs. If any of our joint ventures were subject to any of these penalties, our business could be damaged. In addition, our growth strategy is, in part, based on the continued development of new joint ventures with rural hospitals for the ownership and operation of home nursing agencies. If the structure of any of these joint ventures were found to violate federal or state anti-kickback statutes or physician referral laws, we may be unable to implement our growth strategy, which could have an adverse impact on our future

net income and consolidated results of operations.

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If we are required to either repurchase or sell a substantial portion of the equity interests in our joint ventures, our capital resources and financial condition could be materially, adversely impacted.

Upon the occurrence of fundamental changes to the laws and regulations applicable to our joint ventures, or if a substantial number of our joint venture partners were to exercise the buy/sell provisions contained in many of our joint venture agreements, we may be obligated to purchase or sell the equity interests held by us or our joint venture partners. The purchase price under these buy/sell provisions is typically based on a multiple of the historical or projected earnings before income taxes, depreciation and amortization of the joint venture at the time the buy/sell option is exercised. In the event the buy/sell provisions are exercised and we lack sufficient capital to purchase the interest of our joint venture partners, we may be obligated to sell our equity interest in these joint ventures. If we are forced to sell our equity interest, we will lose the benefit of those particular joint venture operations. If these buy/sell provisions are exercised and we choose to purchase the interest of our joint venture partners, we may be obligated to expend significant capital in order to complete such acquisitions. If either of these events occur, our net service revenue and net income could decline or we may not have sufficient capital necessary to implement our growth strategy.

Shortages in qualified nurses and other healthcare professionals could increase our operating costs significantly or constrain our ability to grow.

We rely on our ability to attract and retain qualified nurses and other healthcare professionals. The availability of qualified nurses nationwide has declined in recent years, and competition for these and other healthcare professionals has increased. Salary and benefit costs have risen accordingly. Our ability to attract and retain these nurses and other healthcare professionals depends on several factors, including our ability to provide desirable assignments and competitive benefits and salaries. We may not be able to attract and retain qualified nurses or other healthcare professionals in the future. In addition, the cost of attracting and retaining these professionals and providing them with attractive benefit packages may be higher than anticipated which could cause our net income to decline. Moreover, if we are unable to attract and retain qualified professionals, the quality of services offered to our patients may decline or our ability to grow may be constrained.

The loss of certain senior management could have a material adverse effect on our operations and financial performance.

Our success depends upon the continued employment of certain members of our senior management, including our co-founder, President, Chief Executive Officer and Chairman, Keith G. Myers; our Senior Vice President, Chief Financial Officer and Treasurer, Barry E. Stewart; our Executive Vice President, Chief Operating Officer, Secretary and Director, John L. Indest; and our Senior Vice President, Acquisitions and Market Development, Daryl J. Doise. We have entered into an employment agreement with each of these officers in an effort to further secure their employment.

If we are subject to substantial malpractice or other similar claims, our net income could be materially, adversely impacted.

The services we offer have an inherent risk of professional liability and related, substantial damage awards. We and the nurses and other healthcare professionals who provide services on our behalf may be the subject of medical malpractice claims. These nurses and other healthcare professionals could be considered our agents and, as a result, we could be held liable for their medical negligence. We cannot predict the effect that any claims of this nature, regardless of their ultimate outcome, could have on our business or reputation or on our ability to attract and retain patients and employees. We maintain malpractice liability insurance that provides primary coverage on a claims-made basis of $1.0 million per incident and $3.0 million in annual aggregate amounts. In addition, we maintain multiple

layers of umbrella coverage in the aggregate amount of $10.0 million that provide excess coverage for professional malpractice and other liabilities. We are responsible for deductibles and amounts in excess of the limits of our coverage. Claims that could be made in the future in excess of the limits of such insurance, if successful, could materially, adversely affect our ability to conduct business or manage our assets. In addition, our insurance coverage may not continue to be available to us at commercially reasonable rates, in adequate amounts or on satisfactory terms.

The application of state certificate of need and permit of approval regulations and compliance with federal and state licensing requirements could substantially limit our ability to operate and grow our business.

Our ability to expand operations in a state will depend on our ability to obtain a state license to operate. States may have a limit on the number of licenses they issue. For example, as of March 31, 2006 we operated 45 home nursing agencies in Louisiana. Louisiana currently has a moratorium on the issuance of new home nursing agency licenses through July 1, 2008. We cannot predict whether this moratorium will be extended beyond this date or whether any other states in which we currently operate, or may wish to operate in the future, may adopt a similar moratorium.

In addition to the moratorium imposed by the state of Louisiana, ten of the states in which we currently operate, or plan to operate in the future, require healthcare providers to obtain prior approval, known as a certificate of need or a permit of approval, for the purchase, construction or expansion of healthcare facilities, to make certain capital expenditures or to make changes in services or bed capacity. Of the states in which we currently operate, or intend to operate in the future, Alabama, Arkansas, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia have certificate of need or permit of approval laws. In granting approval, these states consider the need in the service area for additional or expanded healthcare facilities or services. The failure to obtain any requested certificate of need, permit of approval or other license could impair our ability to operate or expand our business.

We face competition, including from competitors with greater resources, which may make it difficult for us to compete effectively as a provider of post-acute healthcare services.

We compete with local and regional home nursing and hospice companies, hospitals, and other businesses that provide post-acute healthcare services, some of which are large established companies that have significantly greater resources than we do. Our primary competition comes from local operators in each of our markets. We expect our competitors to develop joint ventures with providers, referral sources, and payors, which could result in increased competition. The introduction by our competitors of new and enhanced service offerings, in combination with industry consolidation and the development of competitive joint ventures, could cause a decline in net service revenue, loss of market acceptance of our services, or make our services less attractive. Future increases in competition from existing competitors or new entrants may limit our ability to maintain or increase our market share. We may not be able to compete successfully against current or future competitors, and competitive pressures may have a material, adverse impact on our business, financial condition, or consolidated results of operations.

If we are unable to protect the proprietary nature of our software systems and methodologies, our business and financial condition could be harmed.

We have developed a proprietary software system, which we refer to as our Service Value Point system that allows us to collect assessment data, establish treatment plans, monitor patient treatment, and evaluate our clinical and financial performance. In addition, we rely on other proprietary methodologies or information to which others may obtain access or independently develop. To protect our proprietary information, we require certain employees, consultants, financial advisors and strategic partners to enter into confidentiality and non-disclosure agreements. These agreements may not ultimately provide meaningful protection for our proprietary information in the event of any unauthorized use, misappropriation or disclosure. If our competitors were able to replicate our Service Value Point system, it could allow them to improve their operations and thereby compete more effectively in the markets in which we provide our services. If we are unable to protect the proprietary nature of our Service Value Point system or our other proprietary information or methodologies, our business and financial performance could be harmed.

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Failure of, or problems with, our critical software or information systems could harm our business and operating results.

In addition to our Service Value Point system, we also depend on other non-proprietary third-party accounting and billing software systems. Problems with, or the failure of, these systems could negatively impact our clinical performance and our management and reporting capabilities. Any such problems or failure could materially and adversely affect our operations and reputation, result in significant costs to us, cause delays in our ability to bill Medicare or other payors for our services, or impair our ability to provide our services in the future. The costs incurred in correcting any errors or problems with regard to our proprietary and non-proprietary software may be substantial and could adversely affect our net income.

Our information systems are networked via public network infrastructure and standards based encryption tools that meet regulatory requirements for transmission of protected healthcare information over such networks. However, threats from computer viruses, instability of the public network on which our data transit relies, or other instances that might render those networks unstable or disabled would create operational difficulties for us, including the ability to effectively transmit claims and maintain efficient clinical oversight of our patients as well as the disruption of revenue reporting and billing and collections management, which could adversely affect our business or operations.

Our acquisition and internal development activity may impose strains on our existing resources.

We have grown significantly over the past four years. As we continue to expand our markets, our growth could strain our resources, including management, information and accounting systems, regulatory compliance, logistics, and other internal controls. Our resources may not keep pace with our anticipated growth. If we do not manage our expected growth effectively, our future prospects could be affected adversely.

We may face increased competition for attractive acquisition and joint venture candidates.

We intend to continue growing through the acquisition of additional home nursing agencies and the formation of joint ventures with rural hospitals for the operation of home nursing agencies. We face competition for acquisition and joint venture candidates, which may limit the number of acquisition and joint venture opportunities available to us or lead to the payment of higher prices for our acquisitions and joint ventures. Recently, we have observed an increase in the acquisition prices for select home nursing agencies. We cannot assure you that we will be able to identify suitable acquisition or joint venture opportunities in the future or that any such opportunities, if identified, will be consummated on favorable terms, if at all. Without successful acquisitions or joint ventures, our future growth rate could decline. In addition, we cannot assure you that any future acquisitions or joint ventures, if consummated, will result in further growth.

We may be unable to secure the additional capital necessary to implement our growth strategy.

As of March 31, 2006, we had cash of $18.1 million. Based on our current plan of operations, including acquisitions, we believe this amount, when combined with the proceeds from this offering and a revolving line of credit of approximately $22.5 million available under our senior secured credit facility, which, subject to certain conditions, may be increased to $25.0 million, will be sufficient to fund our growth strategy and to meet our currently anticipated operating expenses, capital expenditures and debt service obligations for at least the next 12 months. If our future net service revenue or cash flow from operations is less than we currently anticipate, we may not have sufficient funds to implement our growth strategy. Further, we cannot readily predict the timing, size, and success of our acquisition and internal development efforts and the associated capital commitments. If we do not have sufficient cash resources, our growth could be limited unless we are able to obtain additional equity or debt financing.

We are a holding company with no operations of our own.

We are a holding company with no operations of our own. Accordingly, our ability to service our debt and pay dividends, if any, is dependent upon the earnings from the business conducted by our subsidiaries. The distributions of those earnings or advances or other distributions of funds by these subsidiaries to us are

contingent upon the subsidiaries earnings and are subject to various business considerations. In addition, distributions by subsidiaries could be subject to statutory restrictions, including state laws requiring that the subsidiary be solvent, or contractual restrictions. If our subsidiaries are unable to make sufficient distributions or advances to us, we may not have the cash resources necessary to service our debt or pay dividends.

Our executive officers and directors and their affiliates hold a substantial portion of our stock and could exercise significant influence over matters requiring stockholder approval, regardless of the wishes of other stockholders.

Our executive officers and directors, and individuals or entities affiliated with them, currently beneficially own an aggregate of approximately 31.4% of our outstanding common stock and will beneficially own an aggregate of approximately 23.0% of our outstanding common stock immediately following this offering (or 22.1% if the underwriters exercise their over-allotment option in full). The interests of these stockholders may differ from your interests. If they were to act together, these stockholders would be able to significantly influence all matters that our stockholders vote upon, including the election of directors, business combinations, the amendment of our certificate of incorporation and other significant corporate actions.

Certain provisions of our charter, bylaws and Delaware law may delay or prevent a change in control of our company.

Delaware law and our corporate documents contain provisions that may enable our board of directors to resist a change in control of our company. These provisions include:

- a staggered board of directors;
- limitations on persons authorized to call a special meeting of stockholders;
- the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval; and
- advance notice procedures required for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing or cause us to take other corporate actions you desire.

Our stock price may be volatile and your investment in our common stock could suffer a decline in value.

The price at which our common stock trades may be volatile. The stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices of securities, particularly securities of healthcare companies. The market price of our common stock may be influenced by many factors, including:

- our operating and financial performance;
- variances in our quarterly financial results compared to research analyst expectations;
- the depth and liquidity of the market for our common stock;

future sales of our common stock or the perception that sales could occur;

investor perception of our business, acquisitions and our prospects;

developments relating to litigation or governmental investigations;

changes or proposed changes in healthcare laws or regulations or enforcement of these laws and regulations, or announcements relating to these matters; or

general economic and stock market conditions.

In addition, the stock market, and the Nasdaq Global Market, or Nasdaq, in particular, has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of healthcare provider companies. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In the past, securities class-action litigation has often been brought against companies following periods of volatility in the market price of their respective securities. We may become involved in this type of litigation in the future. Litigation of this type is often expensive to defend and may divert the attention of our senior management as well as resources from the operation of our business.

Our senior management has broad discretion to spend a large portion of the net proceeds from this offering and may do so in ways with which you do not agree.

The net proceeds to us from this offering will be approximately $17.8 million, after deducting underwriting discounts and commissions and estimated offering expenses. We have not determined specific uses for a large portion of these net proceeds. Our board of directors and senior management will have broad discretion over the use and investment of the net proceeds of this offering and they may apply these proceeds to uses that you may not consider desirable. The failure of management to apply these funds effectively could harm our business.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

We do not plan to declare dividends on shares of our common stock in the foreseeable future. Further, our senior secured credit facility imposes limits on our ability to pay dividends. Consequently, your only opportunity to achieve a return on your investment in our common stock will be if the market price of our common stock appreciates and you sell your shares at a profit. There is no guarantee that the price of our common stock will ever exceed the price that you pay.

We incur costs as a result of being a public company.

As a public company, we incur significant legal, accounting and other expenses associated with our public company reporting requirements and corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, and the rules of the Securities and Exchange Commission, or the Commission, and Nasdaq. These requirements result in increased legal and financial compliance costs and make some activities more time-consuming and costly. For example, we expect to incur significant costs in connection with the assessment of our internal controls. These rules and regulations also make it more expensive for us to obtain director and officer liability insurance. We consistently evaluate and monitor developments with respect to these rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

If we identify deficiencies in our internal control over financial reporting, our business and our stock price could be adversely affected.

In connection with the 2005 audit of our financial statements and management s required assessment of our disclosure controls and procedures, Ernst & Young, LLP, our independent registered public accounting firm, issued a management letter which noted a material weakness in our internal control over financial reporting relating to

preventing posting errors within the patient billing system for certain rebilled accounts. Specifically, that our personnel lacked sufficient knowledge and experience in our billing and revenue management software and we did not establish appropriate controls to detect or correct errors relating to these rebilled transactions. The correction of these posting errors resulted in a $900,000 increase to revenue for the year ended December 31, 2005. The potential effects of these posting errors on our financial statements issued

during the interim periods of 2005 were not material. Subsequent to identifying this material weakness, we initiated the process of improving our internal controls over rebilled transactions through the requirement of additional training on our software for those individuals recording these transactions, the implementation of strict procedural controls and documentation requirements over rebilled transactions, and newly established monitoring, review and approval controls over these transactions. No other material weaknesses in our internal control over financial reporting were identified in the management letter.

Beginning with our annual report for the year ending December 31, 2006, we will be required to report on the effectiveness of our internal control over financial reporting as required by Section 404 of Sarbanes-Oxley. Under Section 404, we will be required to assess the effectiveness of our internal control over financial reporting and report our conclusion in our annual report. Our auditor is also required to report its conclusion regarding the effectiveness of our internal control over financial reporting. The existence of one or more material weaknesses would require us and our auditor to conclude that our internal control over financial reporting is not effective. If there are identified deficiencies in our internal control over financial reporting, we could be subject to regulatory scrutiny and a loss of public confidence in our financial reporting, which could have an adverse effect on our business and our stock price.

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USE OF PROCEEDS

The net proceeds to us from the sale of 1,000,000 shares of common stock that we are offering will be approximately $17.8 million, or approximately $20.5 million if the underwriters over-allotment option is exercised in full, after deducting the underwriting discounts and commissions and our estimated offering expenses. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

We intend to use the net proceeds from this offering to fund currently contemplated and possible future acquisitions and for other general corporate purposes, which may include the repayment of indebtedness.

We have from time to time engaged in, and expect to continue to pursue, discussions with respect to possible business acquisitions. In that regard, we expect to use an aggregate of approximately $15.0 million of the net proceeds of this offering to fund various costs in connection with the Lifeline transaction, as described in Prospectus Supplement Summary Recent Developments. While we have no present commitments or agreements with respect to any other business acquisitions, we frequently investigate acquisitions of companies engaged in businesses that we believe will complement our existing business.

Our management will have considerable discretion in the application of the net proceeds of this offering and may spend the net proceeds in a manner and at times other than as set forth above. As a result, you will not have the opportunity, as part of your investment decision, to assess how and when the net proceeds will be used.

Until we use the net proceeds of this offering for the above purposes, we intend to invest the funds in short-term, investment grade, interest-bearing securities. We cannot predict whether the proceeds invested will yield a favorable return.

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CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2006, on an actual basis and on an as adjusted basis to reflect:

- our sale of 1,000,000 shares of common stock in this offering at the public offering price of $19.25 per share; and
- our application of the estimated net proceeds of this offering in the manner described under Use of Proceeds as if it had occurred on March 31, 2006.

You should read this table together with the information under Use of Proceeds and with our consolidated financial statements and related notes which are incorporated by reference herein.

	As of March 31, 2006	
	Actual	As Adjusted
	(unaudited) (dollars in thousands)	
Cash and cash equivalents	$ 18,133	$ 35,923
Total debt, including current portion:		
Capital lease obligations	$ 638	$ 638
Long-term debt	4,077	4,077
Total debt	$ 4,715	$ 4,715
Stockholders equity:		
Common stock: $0.01 par value; 40,000,000 shares authorized, 19,507,887 shares issued; 16,557,828 shares outstanding; 20,507,887 shares issued as adjusted; 17,557,828 shares outstanding as adjusted	166	176
Treasury stock: 2,950,059 units at cost	(2,856)	(2,856)
Additional paid-in capital	58,752	76,532
Retained earnings	27,517	27,517
Total stockholders equity	83,579	101,369
Total capitalization	$ 88,294	$ 106,084

MANAGEMENT

Executive Officers and Directors

The following table sets forth, as of July 13, 2006, information about our executive officers and directors.

Name	Age	Position(s)
Keith G. Myers	46	President and Chief Executive Officer, Chairman of the Board
John L. Indest	54	Executive Vice President, Chief Operating Officer, Secretary, Director
Barry E. Stewart	51	Senior Vice President, Chief Financial Officer, Treasurer
Daryl J. Doise	48	Senior Vice President, Acquisitions and Market Development
W.J. Billy Tauzin	63	Lead Independent Director
Nancy G. Brinker	59	Director
Ted W. Hoyt	52	Director
George A. Lewis	69	Director
W. Patrick Mulloy, II	53	Director
Ronald T. Nixon	50	Director
Dan S. Wilford	66	Director

Keith G. Myers is our co-founder, and has served as Chairman of the Board, President and Chief Executive Officer (or similar positions in our predecessors) since 1994. Prior to joining us, Mr. Myers founded, co-owned and operated Louisiana Premium Seafoods, Inc., an international food processing, procurement and distribution company. Mr. Myers received credentials in 1999 from the National Association for Home Care with regard to the home/hospice care sector. Mr. Myers was named Business Executive of the Year in 1999 by Louisiana Rural Health Association and Entrepreneur of the Year in the healthcare category by Ernst & Young LLP with respect to the Texas, Louisiana and Mississippi Region.

John L. Indest currently serves as our Executive Vice President and Chief Operating Officer. He previously served as our Senior Vice President and Chief Operating Officer of Home-Based Services, beginning in May 2001. Mr. Indest has also served as a director since June 2000 and as Secretary since August 2004. From November 1998 to May 2001, Mr. Indest served as our Vice President. Prior to joining us in November 1998, Mr. Indest served as President, Chief Executive Officer and co-owner of Homebound Care, Inc., a regional home health provider. Mr. Indest has testified before the United States House of Representatives Ways and Means Subcommittee on healthcare issues and currently serves as co-chairman of the Louisiana Task Force on Ethics, overseeing compliance issues applicable to home health and hospice in the state of Louisiana. Mr. Indest is a registered nurse with a Masters of Science in Health Services Administration from the University of St. Francis.

135 3.3 31 1.1 48 1.8 29 0.8 Ecuador 22 0.4 18 0.4 23 0.8 36 1.4 61 1.6 El Salvador 21 0.4 39 1.0 41 1.5 76 2.9 47 1.2 Germany 5 0.1 0 0.0 0 0.0 0 0.0 0 0.0 Guatemala 161 3.2 (2) 416 8.4 404 9.9 302 10.9 380 14.5 410 11.0 Netherlands 20 0.4 0 0.0 0 0.0 0 0.0 0 0.0 Nicaragua 10 & Tobago 76 1.5 63 1.6 72 2.6 23 0.9 88 2.3 Uruguay 110 2.2 0 0.0 30 1.1 45 1.7 0 0.0

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	As of December 31,									
	2011	% of Total Loans	2010	% of Total Loans	2009	% of Total Loans	2008	% of Total Loans	2007	% of Total Loans
	(in $ million, except percentages)									
Venezuela	0	0.0	0	0.0	0	0.0	0	0.0	135	3.6
Total	$4,960	100.0	$4,064	100.0	$2,779	100.0	$2,619	100.0	$3,732	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, 2011, the loans extended in European countries represented 0.5% of the Bank's total loan portfolio and consisted of loans pertaining to Latin-America trade transactions extended to private corporations with solid reputations in the following countries: the Netherlands ($20 million, or 0.4% of the total loan portfolio), Germany ($5 million, or 0.1% of the total loan portfolio), and Spain ($0.3 million, or 0.0% of the total loan portfolio).

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,									
	2011	% of Total Loans	2010	% of Total Loans	**2009**	% of Total Loans	2008	% of Total Loans	2007	% of Total Loans
	(in $ million, except percentages)									
Private sector commercial banks and financial institutions	$1,716	34.6	$1,381	34.0	$875	31.5	$577	22.0	$1,491	39.9
State-owned commercial banks	448	9.0	320	7.9	334	12.0	322	12.3	241	6.5
Central banks	0	0.0	0	0.0	0	0.0	25	1.0	0	0.0
Sovereign debt	27	0.5	54	1.3	96	3.4	67	2.6	113	3.0
State-owned exporting organizations	233	4.7	312	7.7	193	7.0	50	1.9	282	7.6
Private middle-market companies [1]	446	9.0	225	5.5	129	4.6	0	0.0	0	0.0
Private corporations [2]	2,090	42.1	1,772	43.6	1,153	41.5	1,577	60.2	1,605	43.0
Total [3]	$4,960	100.0	$4,064	100.0	$2,779	100.0	$2,619	100.0	$3,732	100.0

(1) In 2011, 42% of loans to private middle-market companies correspond to the industrial sector, 29% of loans correspond to the agricultural sector, and 5% correspond to oil and petroleum and derived products.

(2) In 2011, 36% of loans to private corporations correspond to the industrial sector, 29% of loans correspond to the agricultural sector, 20% of loans correspond to oil and petroleum derived products, and 2% 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.

As of December 31, 2011, the Bank did not have any exposure to European sovereign debt.

As of December 31, 2011, the Bank's loan portfolio amounted to $4,960 million, an increase of $896 million, or 22%, from 2010 year-end balances. 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, 2011, 20% of the Bank's $2,768 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, Argentina, Uruguay, the Dominican Republic, Trinidad & Tobago and the Netherlands.

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, 2011, by type of rate and type of borrower:

	As of December 31, 2011 (in $ million)			
	Due in one year or less	Due after one year through five years	**Due after five years through ten years** [1]	Total
FIXED RATE				
Private sector commercial banks and financial institutions	814	0	0	814
State-owned commercial banks	414	0	0	414
Sovereign debt	17	3	0	20
State-owned exporting organizations	148	0	0	148
Private middle-market companies	250	21	0	271
Private corporations	642	52	0	693
Sub-total	$2,284	$ 76	$ 0	$2,360
FLOATING RATE				
Private sector commercial banks and financial institutions	441	462	0	903
State-owned commercial banks	1	33	0	34
Sovereign debt	7	0	0	7
State-owned exporting organizations	75	10	0	85
Private middle-market companies	97	78	0	175
Private corporations	474	903	19	1,396
Sub-total	$1,095	$ 1,486	$ 19	$2,599
Total	$3,379	$ 1,562	$ 19	$4,960

(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, and equity investment.

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, 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.

As of December 31, 2009, total contingencies and other assets in the commercial portfolio amounted to $331 million (11% of the total commercial portfolio).

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

	As of December 31, 2011		2010		2009	
	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	0.3	$27	7.1	$2	0.5
Contingencies						
Bolivia	1	0.3	0	0.0	0	0.0
Brazil	41	11.3	67	17.4	22	6.8
Chile	12	3.4	0	0.0	0	0.0
Colombia	2	0.7	0	0.0	0	0.0
Costa Rica	12	3.2	32	8.4	24	7.3
Dominican Republic	2	0.4	0	0.0	0	0.0
Ecuador	215	59.1	121	31.7	112	33.5
El Salvador	2	0.6	0	0.0	2	0.5
Guatemala	1	0.1	1	0.4	1	0.3
Honduras	0	0.1	0	0.1	0	0.1
Jamaica	0	0.1	0	0.0	0	0.0
Mexico	16	4.4	53	13.8	60	18.0
Panama	2	0.5	1	0.3	0	0.0
Peru	2	0.7	0	0.0	0	0.0
Spain	10	2.7	0	0.0	0	0.0
Switzerland	1	0.1	1	0.1	0	0.0
Uruguay	0	0.0	0	0.0	16	4.8
United States	22	6.0	0	0.0	0	0.0
Venezuela	22	6.0	78	20.5	92	27.8
Total Contingencies	$363	99.7	$355	92.9	$330	99.5
Total Contingencies and Other Assets	$364	100.0	$382	100.0	$331	100.0

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

Investment Securities Portfolio

The Bank's investment securities portfolio consists of debt securities available-for-sale, securities held-to-maturity and some trading assets.

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.

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	As of December 31,		
	2011	2010	2009
	(in $ millions)		
Trading assets [1]	17	50	50
Securities available-for-sale	416	353	457
Securities held-to-maturity	27	33	0
Total investment securities	$460	$437	$507

(1) The trading assets of $17 milion for the year ended December 31, 2011 does not include trading assets related to the Brazilian Fund ($3 million).

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 mark-to-market 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.

As of December 31, 2009, the Bank's securities available-for-sale amounted to $457 million and consisted of investments with issuers in the Region, of which 80% were securities of banks and sovereign borrowers and 20% were securities of corporations.

The held-to-maturity portfolio amounted to $27 million as of December 31, 2011, compared to $33 million as of December 31, 2010. As of December 31, 2009 the Bank had no securities held-to-maturity.

See Item 18, "Financial Statements," notes 2 (j) and 5.

As of December 31, 2011, the Bank's trading assets amounted to $17 million, compared to $50 million as of December 31, 2010, and compared to the same amount as of December 31, 2009. See Item 18, "Financial Statements", notes 2(i) and 4.

Investment Fund

The Fund consists of the Bank’s investment in the Fund’s assets and liabilities and is managed by Bladex Asset Management.

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 Board of Directors of the Fund controls the exposure of the Fund to certain risks through a risk matrix, which contains guidelines and parameters that the Fund’s managers must follow. Specific risk management guidelines include limitations regarding capital usage and portfolio concentrations.

The Fund’s asset value totaled $120 million as of December 31, 2011, compared to $167 million as of December 31, 2010, and compared to $198 million as of December 31, 2009, of which the minority interest in the investment fund amounted to $6 million, $19 million, and $35 million, respectively.

Bladex's ownership of the Feeder was 95.84% as of December 31, 2011, 88.67% as of December 31, 2010, and 82.34% as of December 31, 2009, with the remaining balances owned by third party investors.

As part of the Bank's decision to gradually reduce its exposure, the Bank redeemed $50 million during the year 2011.

See Item 18, "Financial Statements," notes 1, 2(e), 2(k), 6, and 22.

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,					
	2011		2010		2009	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in $ million, except percentages)					
Argentina	$392	6.1	$239	4.7	$74	1.9
Austria	0	0.0	0	0.0	0	0.0
Brazil	1,962	30.5	1,689	32.9	1,471	37.4
Chile	377	5.9	367	7.1	297	7.6
Colombia	843	13.1	711	13.8	345	8.8
Costa Rica	110	1.7	93	1.8	83	2.1
Dominican Republic	149	2.3	139	2.7	38	1.0
Ecuador	22	0.3	18	0.4	23	0.6
El Salvador	21	0.3	55	1.1	58	1.5
France	1	0.0	11	0.2	20	0.5
Germany	7	0.1	0	0.0	0	0.0
Guatemala	168	2.6	104	2.0	86	2.2
Honduras	46	0.7	38	0.7	23	0.6
Jamaica	2	0.0	65	1.3	31	0.8
Japan	11	0.2	62	1.2	100	2.5
Mexico	484	7.5	457	8.9	361	9.2
Panama	181	2.8	98	1.9	86	2.2
Peru	386	6.0	346	6.7	193	4.9
Switzerland	0	0.0	32	0.6	22	0.6
Trinidad & Tobago	77	1.2	63	1.2	72	1.8

United Kingdom	1		0.0	1	0.0	20	0.5
United States	779		12.1	297	5.8	239	6.1
Uruguay	110		1.7	0	0.0	30	0.8
Multilateral Organization	99		1.5	65	1.3	50	1.3
Other countries [1]	75		1.2	20	0.4	14	0.3
Sub-Total	$6,304		98.1	$4,969	96.7	$3,737	95.0
Investment Fund [2]	120		1.9	167	3.3	198	5.1
Total [3]	$6,425	$	100.0	$5,136	100.0	$3,934	100.0

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(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 the year 2011 was comprised of $31 million in Paraguay, $20 million in the Netherlands, $10 million in Nicaragua, $10 million in China, and $4 million in Spain. Other countries in the year 2010 was comprised of $20 million in Finland. Other Countries in the year 2009 was comprised of $10 million in Portugal, $1 million in Nicaragua and $3 million of cash and due from banks.
(2) The balances in Investment Fund represent the participation of the Feeder in the net asset value of the Fund.
(3) The outstandings by country does not include contingencies. See Item 4, "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 remained fairly stable over the 2009 to 2011 period. 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,		
	2011	2010	2009
		(in $ million)	
Private sector commercial banks and financial institutions	$1,823	$ 1,560	$1,177
State-owned commercial banks	505	403	355
Central banks	761	265	178
Sovereign debt	238	307	434
State-owned exporting organizations	383	355	246
Private middle-market companies	449	227	130
Private corporations	2,146	1,852	1,216
Sub-Total	$6,304	$ 4,969	$3,737
Investment fund	120	167	198
Total	$6,425	$ 5,136	$3,934

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,		
	2011	2010	2009
	(in $ million)		
Argentina	$ 8.4	$ 4.9	$ 2.0
Brazil	37.5	28.6	25.9
Chile	3.5	2.9	1.9
Colombia	12.0	5.1	5.8
Costa Rica	1.9	2.0	4.2
Dominican Republic	2.8	1.3	0.7
Ecuador	5.8	4.1	3.0
El Salvador	0.5	0.8	5.4
Guatemala	0.8	1.4	8.8
Honduras	1.8	1.4	1.1

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	For the year ended December 31,		
	2011	2010	2009
	(in $ million)		
Jamaica	1.4	1.1	0.6
Mexico	18.8	15.7	16.8
Panama	2.5	1.6	3.3
Paraguay	0.4	0.0	0.0
Peru	8.7	5.0	0.5
Trinidad and Tobago	1.7	1.3	1.0
Uruguay	1.3	0.5	1.2
Venezuela	2.6	4.6	2.5
Other countries[1]	4.6	2.0	2.4
Asset Management Unit	21.1	(7.7)	22.1
Total net revenues	$ 138.3	$ 76.8	$ 109.1
Reversal (provision) for credit losses	(4.4)	4.8	(14.8)
Recoveries, net of impairment of assets	(0.1)	0.2	(0.1)
Operating expenses	(50.0)	(42.1)	(38.2)
Net income	$ 83.9	$ 39.8	$ 56.0
Net income (loss) attributable to the redeemable noncontrolling interest	0.7	(2.4)	1.1
Net income attributable to Bladex	$ 83.2	$ 42.2	$ 54.9

[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 previous table 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 and operating expenses. The objective of the aforementioned table is to show net revenues before operating expenses generated from the Bank's Commercial Division, Treasury Division and Asset Management Unit, 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 three 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, "Key Information/Risk Factors."

Regulation

General

The Superintendency regulates, supervises and examines the Bank. The New York Agency is regulated, supervised and examined by the New York Banking Department 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 government authorities in the Cayman Islands. The regulation of the Bank by relevant Panamanian authorities differs from the regulation generally imposed on banks, including foreign banks, in the United States by U.S. federal and state regulatory authorities.

The Superintendency of Banks has signed and executed agreements or letters of understanding with 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, and (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. The Superintendency last inspected the Bank during the months of February through April, 2010, and the results of this inspection were satisfactory. During 2011, the Superintendency inspected the Bank with respect to Anti-Money Laundering, IT Security and other security measures, and the results of this inspection were satisfactory.

Panamanian Anti-Money Laundering laws and regulations

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

United States Law

Bladex operates a New York state-licensed agency in New York, New York and maintains a direct wholly-owned non-banking subsidiary in Delaware, Bladex Holdings Inc., or 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, incorporated on May 24, 2006. Another wholly-owned subsidiary, Clavex LLC, which was incorporated on June 15, 2006, 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, Bladex incorporated a direct fifty percent (50%) owned subsidiary in Delaware with the name of BCG PA LLC, which receives the performance allocation of Bladex Capital Growth Fund.

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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 of less than $100,000, from persons in the United States, but may maintain credit balances incidental to its lawful powers, issue large-denomination obligations ($100,000 or more) to corporations, partnerships and associations, 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 Bladex on January 29, 2008, has been withdrawn effective March 2, 2012, as Bladex no longer considers the financial holding company status to be a necessary requirement in order to achieve its long-term strategic goals and objectives. At present, Bladex 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 U.S. Securities and Exchange Commission, or 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. While the Bank is closely monitoring this rulemaking process, the exact impact of new rules on its business remains uncertain. Bladex will continue to monitor all relevant developments and rulemaking initiatives, and expects to successfully implement any new applicable legislative and regulatory requirements. At this time, the Bank cannot predict the impact or possible additional costs to the Bank, if any, related to the implementation of, or compliance with, the potential future requirements under the Dodd-Frank Act.

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 Banks 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 New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York agency. New York agencies of foreign banks are regulated substantially the same as, and have similar powers to, New York state-chartered banks, except with respect to capital requirements and deposit-taking activities.

The Superintendent is empowered by law to require any branch or agency of a foreign bank to maintain in New York specified assets equal to a percentage of the branch'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, 2011, the New York Agency maintained a pledge deposit with a carrying value of $3.0 million with the New York State Banking Department, 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.

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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 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 (2011 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 does not permit the Feeder and the Fund to trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of these companies carried on outside the Cayman Islands. This does not prevent the Feeder and the Fund 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.

The Bank is subject to banking regulations in each jurisdiction in which the Bank has a physical presence.

C. Organizational Structure

For information regarding the Bank's organizational structure, see Item 18, "Financial Statements," note 1.

D. Property, Plant and Equipment

The Bank owns its headquarters office, with 6,161 square meters of office space, located at Calle 50 and Aquilino de la Guardia in Panama City, Panama. The Bank leases 11.2 square meters of computer equipment hosting, located at Gavilan Street Balboa in Panama City, Panama and 21.2 square meters of office space and internet access in case of a contingency, located at 75E Street San Francisco, in Panama City, Panama. The Bank also leases, as contingency, 10.37 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. Bladex Asset Management Unit leases office space in São Paulo, Brazil and New York City, New York. See Item 18, "Financial Statements," notes 2(r), 9 and 19.

During the year 2012, the Bank is planning to move its offices to the Business Park - Tower V in Costa del Este, Panama. The move is planned for the second quarter of 2012. The total investment budget cost of the project is approximately $6.7 million, which is expected to be funded by the proceeds of the sale of the Bank's current premises. The current headquarter premises are under contract to sell. The fulfillment of the contract is expected to occur in congruence with the planned move to the new offices.

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.

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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,		
	2011	2010	2009
	(in $ thousand, except per share amounts and percentages)		
Total interest income	$ 157,427	$ 119,478	$ 141,964
Total interest expense	54,717	44,975	77,212
Net interest income	102,710	74,503	64,752
Provision for loan losses	(8,841)	(9,091)	(18,293)
Net interest income, after provision for loan losses	93,869	65,412	46,459
Other income (expense):			
Reversal of provision for losses on off-balance sheet credit risk	4,448	13,926	3,463
Fees and commissions, net	10,729	10,326	6,733
Derivative financial instruments and hedging	2,923	(1,446)	(2,534)
Recoveries, net of impairment of assets	(57)	233	(120)
Net gain (loss) from investment fund trading	20,314	(7,995)	24,997
Net gain (loss) from trading securities	(6,494)	(3,603)	13,113
Net gain on sale of securities available-for-sale	3,413	2,346	546
Gain on foreign currency exchange	4,269	1,870	613
Other income , net	477	833	912
Net other income	40,022	16,490	47,723
Total operating expenses	(50,035)	(42,081)	(38,202)
Net income	83,856	39,821	55,980
Net income (loss) attributable to the redeemable noncontrolling interest	676	(2,423)	1,118
Net income attributable to Bladex	$ 83,180	$ 42,244	$ 54,862
Basic earnings per share	$ 2.25	$ 1.15	$ 1.50
Diluted earnings per share	$ 2.24	$ 1.15	$ 1.50
Return on average assets	1.46 %	0.97 %	1.38 %
Return on average stockholders' equity	11.40 %	6.21 %	8.60 %

Business Segment Analysis

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

Comparative amounts for 2010 and 2009 have been reclassified to conform to the current period presentation.

The Bank determines net operating income by business segment in order to disclose the revenue and expense items related to its normal course of business, segregating from net operating income the impact of reversals (provisions) of reserves for loan losses and off-balance sheet credit risk and recoveries on assets. The following table summarizes net operating income of the Bank, both by business segment and on a consolidated basis for the periods indicated:

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	For the Year Ended December 31,		
	2011	2010	2009
	(in $ million, except percentages)		
COMMERCIAL DIVISION:			
Net interest income.	$ 81.7	$ 54.5	$ 53.9
Non-interest operating income	11.0	10.3	6.9
Operating expenses	(34.8)	(28.3)	(21.8)
Net operating income	57.9	36.5	39.0
Reversal (provision) for loan and off-balance sheet credit losses, net	(4.4)	4.8	(14.8)
Recoveries, net of impairment of assets	(0.1)	(0.2)	(0.1)
NET INCOME ATTRIBUTABLE TO BLADEX	$ 53.4	$ 41.5	$ 24.1
TREASURY DIVISION:			
Net interest income	$ 20.7	$ 20.7	$ 14.4
Non-interest operating income	4.2	(0.7)	11.9
Operating expenses.	(10.2)	(9.3)	(9.6)
Net operating income	14.7	10.7	16.7
NET INCOME ATTRIBUTABLE TO BLADEX	$ 14.7	$ 10.7	$ 16.7
ASSET MANAGEMENT UNIT:			
Net interest income .	$ 0.3	$ (0.7)	$ (3.5)
Non-interest operating income	20.5	(7.2)	25.5
Operating expenses	(5.0)	(4.5)	(6.8)
Net operating income	15.8	(12.4)	15.2
Net income	15.8	(12.4)	15.2
Net income (loss) attributable to the redeemable noncontrolling interest.	0.7	(2.4)	1.1
NET INCOME ATTRIBUTABLE TO BLADEX	$ 15.1	$ (10.0)	$ 14.1
CONSOLIDATED:			
Net interest income	$ 102.7	$ 74.5	$ 64.8
Non-interest operating income	35.7	2.4	44.3
Operating expenses.	(50.0)	(42.1)	(38.2)
Net operating income	88.4	34.8	70.9
Reversal (provision) for loan and off-balance sheet credit losses, net	(4.4)	4.8	(14.8)
Recoveries, net of impairment of assets.	(0.1)	0.2	(0.1)
Net income.	83.9	39.8	56.0
Net income (loss) attributable to the redeemable noncontrolling interest.	0.7	(2.4)	1.1
NET INCOME ATTRIBUTABLE TO BLADEX	$ 83.2	$ 42.2	$ 54.9

For further information on net income by business segment, see Item 18, "Financial Statements," note 25.

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 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 $41.5 million for the year ended December 31, 2010. The $11.9 million, or 29%, 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 (+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, and compared to $3,110 million as of December 31, 2009. 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.

Year 2010 vs. Year 2009

The Commercial Division's net income amounted to $41.5 million for the year ended December 31, 2010, compared to $24.1 million for the year ended December 31, 2009. The $17.5 million, or 73%, net increase during the year was

primarily due to (i) a $19.7 million positive variation in reversal (provisions) for credit losses, due to an increase in the loan portfolio which was partially mitigated by an improvement of the risk profile of the Region, (ii) a $3.7 million increase in commissions and fees from loan commitments and letters of credit, (iii) a $0.6 million increase in net interest income mostly attributable to the income effects of an increase in average loan portfolio balances of 27%, and (iv) a $6.5 million increase in operating expenses as the Commercial Division expanded its sales force and local presence in various markets.

The Treasury Division

The Treasury Division is responsible for the Bank's liquidity, interest rate and foreign currency management, and investment securities activities. 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); non-interest operating income (expense), such as net gain (loss) from trading securities, the sale of securities available-for-sale, foreign currency exchange, and derivative financial instruments and hedging.

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Year 2011 vs. Year 2010

The Treasury Division reported net income of $14.7 million for the year ended December 31, 2011, compared to net income of $10.7 million for the year ended December 31, 2010. The $4.0 million, or 37%, increase during 2011 was due to the combined effects of a $4.9 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, 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, and compared to $402 million as of December 31, 2009. 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.

Year 2010 vs. Year 2009

The Treasury Division reported net income of $10.7 million for the year ended December 31, 2010, compared to net income of $16.7 million for the year ended December 31, 2009. The 2010 results were mainly driven by a $3.6 million loss from trading securities, compared to a gain of $13.1 million in the year 2009. The $6.1 million decrease in 2010 compared to 2009 was primarily driven by trading portfolio valuations, as increases in securities valuations were more than offset by the diminished valuations of associated trading derivatives. This offset the $2.3 million gain on sale of securities available-for-sale during the year 2010 compared to a gain on sale of securities available-for-sale of $0.5 million in the year 2009.

The Asset Management Unit

The Asset Management Unit is responsible for the Bank's asset management activities in the Investment Fund and assets of the Brazilian Fund (see Item 4.A "History and Development of the Company"). The Asset Management Unit's

net income attributable to Bladex includes net interest and fee income from the investment fund, gains from investment fund trading, related other income (loss), direct and allocated operating expenses, net of net income attributable to the redeemable non-controlling interest.

Year 2011 vs. Year 2010

During 2011, Bladex’s investment in the Fund contributed to net income of $15.1 million, compared to a net loss of $10.0 million in 2010. The $25.1 million year-over-year increase was due to the combined effects of: (i) a $27.7 million increase in non-interest operating income attributable to gains from investments in the Fund, (ii) a $1.0 million increase in net interest income, and was partially offset by a $0.5 million increase in operating expenses as a result of higher provisions for variable compensation tied to the performance of the Fund and a $3.1 million increase in net income attributable to the redeemable non-controlling interest.

The Asset Management Unit reviewed the Fund's risk parameters in 2011 with a goal of mitigating volatility. With the same objective, the Bank decided to gradually reduce its exposure to the Fund. During the year 2011, the Bank redeemed $50.0 million from its investment in the Fund, contributing to a reduction in the Fund's net asset value to $120 million as of December 31, 2011, compared to $167 million as of December 31, 2010. Third party participation in the Fund dropped to 4.2% as of December 31, 2011 from 11.3% as of December 31, 2010.

Year 2010 vs. Year 2009

During 2010, the Asset Management Unit reported a net loss of $10.0 million, compared to net income of $14.1 million in 2009. The $24.0 million year-over-year decrease was mainly due to the combined effects of: (i) a $32.8 million decrease in non-interest operating income attributable to the absence of the significant trading gains attained during 2009, and to the impact of trading losses experienced primarily during the second quarter of 2010, (ii) a $2.9 million positive variance in net interest income, and (iii) a $2.3 million decrease in operating expenses as a result of lower variable compensation tied to the performance of the Fund.

Third party participation in the Fund dropped to 11.3% as of December 31, 2010 from 17.6% as of December 31, 2009. During 2010, the Bank redeemed $6.0 million from its investment in the Fund. As of December 31, 2010, the Fund's net assets totaled $167 million, compared to $198 million as of December 31, 2009.

Net Income attributable to Bladex

The 2011 results reflect the Bank's solid positioning as a result of a well executed 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 $53.4 million in net income from the Commercial Division, $15.1 million in net income from the Asset Management Division and $14.7 million in net income from the Treasury Division.

For the year ended December 31, 2010, net income attributable to Bladex was $42.2 million, compared to $54.9 million in 2009. The 2010 results were mostly driven by $41.5 million in net income from the Commercial Division and $10.7 million in net income from the Treasury Division, which was offset by net losses of $10.0 million in the Asset Management Unit. The Bank's 2010 results reflect the Bank's capacity to leverage the trade flows that the Region has been recovering, to expand its operations and grow its core business through higher average credit volumes and higher fee income, strengthening even further its critical role in financial relations between Latin America and the international markets.

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,		
	2011	2010	2009
	(in $ million, except percentages)		
Net interest income			
Commercial Division	81.7	$54.5	$53.9
Treasury Division	20.7	20.7	14.4
Asset Management Unit	0.3	(0.7)	(3.5)
Consolidated	$102.7	$74.5	$64.8
Net interest margin	1.81 %	1.70%	1.62%
Net interest spread	1.62 %	1.43%	1.12%

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, 2011 Average balance	Interest	Average yield/rate	2010 Average balance	Interest	Average yield/rate	2009 Average balance	Interest	Average yield/rate
	(in $ million, except percentages)								
Interest-Earning Assets									
Interest-earning deposits with banks	$458	$ 1	0.29 %	$384	$ 1	0.22 %	$592	$ 1	0.21 %
Loans, net of unearned income & deferred loan fees	4,576	138	2.97 %	3,243	102	3.09 %	2,569	113	4.36 %
Non-accrual loans [1]	29	2	8.03 %	44	3	7.55 %	17	1	4.92 %
Trading assets	30	2	5.79 %	51	3	6.11 %	102	7	6.95 %
Investment securities[2]	441	12	2.61 %	468	8	1.79 %	546	17	3.15 %
Investment fund	148	2	1.56 %	190	2	1.14 %	172	2	1.01 %
Total interest-earning assets	$5,681	$ 157	2.73 %	$4,378	$ 119	2.69 %	$3,998	$ 142	3.50 %
Non-interest-earning assets	71			42			46		
Allowance for loan losses	(81)			(75)			(79)		
Other assets	16			12			9		
Total Assets	$5,687			$4,357			$3,975		
Interest-Bearing Liabilities									
Deposits	$2,074	$ 9	0.42 %	$1,555	$ 9	0.54 %	$1,218	$ 11	0.93 %
Trading liabilities	2	0	n.m. (*)	4	0	n.m. (*)	9	0	n.m. (*)

Investment fund	0	0	n.m. (*)		0	1	n.m.	(*)	0	2	n.m. (*)	
Securities sold under repurchase agreements	267	14	5.02	%	179	1	0.79	%	263	6	2.24	%
Short-term borrowings	1,102	2	0.18	%	545	7	1.19	%	501	18	3.50	%
Borrowings and long-term debt	1,392	30	2.12	%	1,241	27	2.18	%	1,208	40	3.24	%
Total interest-bearing liabilities	$4,838	$ 55	1.12	%	$3,524	$ 45	1.26	%	$3,199	$ 77	2.38	%
Non-interest bearing liabilities and other liabilities	$111				$119				$122			
Total Liabilities	$4,949				$3,643				$3,321			
Redeemable noncontrolling interest	8				34				16			
Stockholders' equity	730				681				638			
Total Liabilities and Stockholders' Equity	$5,687				$4,357				$3,975			
Net interest spread			1.62	%			1.43	%			1.12	%
Net interest income and net interest margin		$ 103	1.81	%		$ 75	1.70	%		$ 65	1.62	%

(*) "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 2.65%, 2.02%, and 3.46%, for 2011, 2010, and 2009, respectively.

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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 2011 compared to 2010 and for 2010 compared to 2009. 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.

	2011 vs. 2010			2010 vs. 2009		
	Volume(*)	**Rate(*)**	Net Change	**Volume(*)**	**Rate(*)**	Net Change
	(in $ thousand)					
Increase (decrease) in interest income						
Interest-bearing deposits with banks	$217	$294	$512	$(453)	$32	$(421)
Loans, net	40,190	(3,749)	36,441	21,017	(32,996)	(11,979)
Non-accrual loans	(1,168)	209	(959)	2,036	452	2,488
Trading assets	(1,212)	(164)	(1,375)	(3,162)	(863)	(4,025)
Investment securities	(721)	3,908	3,188	(1,425)	(7,559)	(8,984)
Investment fund	(655)	799	144	201	234	435
Total increase (decrease)	$36,652	$1,297	$37,949	$18,214	$(40,700)	$(22,486)
Increase (decrease) in interest expense						
Deposits	2,206	(1,918)	288	$1,853	(4,816)	(2,963)
Trading liabilities	0	0	0	0	0	0
Investment fund	(36)	(604)	(641)	(7)	(1,355)	(1,362)
S Securities sold under repurchase agreement and Short-term borrowings	7,355	227	7,581	(438)	(12,936)	(13,374)
Borrowings and long-term debt	3,262	(748)	2,513	714	(15,253)	(14,539)
Total increase (decrease)	$12,786	$(3,044)	$9,742	$2,123	(34,359)	(32,237)
Increase (decrease) in net interest income	$23,867	$4,341	$28,208	$16,091	$(6,340)	$9,751

(*) 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

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:

i. 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.

ii. 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.

2010 vs. 2009

The $9.7 million, or 15%, increase in net interest income for the year ended December 31, 2010 compared to the year ended December 31, 2009 primarily reflects:

i. Higher average interest-earning assets balances, primarily average loan portfolio balances, which increased by $700 million, or 27%, to $3.2 billion in 2010 from $2.6 billion in 2009, resulting in a $18.2 million overall increase in interest income, which was partially offset by a $2.1 million increase in interest expense associated with an increase in average interest-bearing liability balances. The effect of higher average volumes in interest-earning assets and interest-bearing liabilities was a $16.1 million net increase in net interest income.

ii. Lower average interbank market rates for the Bank's assets and liabilities, which resulted in a $6.3 million decrease in net interest income during 2010 due to rate variances, as the average yield paid on interest-bearing liabilities decreased 112 bps to 1.26% in 2010 (from 2.38% in 2009), while the average yield on interest-earning assets decreased by 81 bps to 2.69% in 2010 (from 3.50% in 2009), both of which effects were mostly attributable to lower interbank market rates.

Net interest margin was 1.70% in 2010 compared to 1.62% in 2009 as the Bank (i) reduced its average liquidity balance throughout the year at a minimal return, and replaced it with more profitable lending balances, and (ii) increased its average deposit balances bearing lower cost of funds than that of its borrowings and debt, which average balances decreased for the year.

Reversal (Provision) for Loan Losses

	For the year ended December 31,		
	2011	2010	2009
	(in $ million)		
Net Brazil specific reserve reversals (provisions)	(0.7)	2.1	(2.4)
Net Mexico specific reserve reversals (provisions)	(3.6)	0.8	(12.0)
Total specific reserve reversals (provisions)	(4.3)	2.9	(14.4)

Generic reserve reversals (provisions) - due to changes in credit portfolio composition and risk levels	(4.5)	(11.9)	(3.9)
Total generic reserve reversals (provisions)	(4.5)	(11.9)	(3.9)
Total reversals (provisions) of allowance for loan losses	$(8.8)	$(9.1)	$(18.3)

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, have been allocated.

As of December 31, 2009, the Bank had $50.5 million in non-accrual loans. Based on analysis of these loans, the Bank identified impaired loans of $35.8 million for which specific reserves of $14.4 million have been allocated. The remaining $14.8 million of the non-accrual portfolio does not present impairment; therefore, no additional specific reserves have been recorded.

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.

During 2009, there were no reversals of specific provisions for loan losses related to the impaired and restructured portfolio, as the Bank did not have any impaired or non-accrual loans during 2008. The Bank recorded $14.4 million in provision of specific reserves related to the non-accrual portfolio in 2009.

The $18.3 million provision for loan losses in 2009 was the result of: (i) a $14.4 million specific reserves provision assigned to non-accrual loans and (ii) a $3.9 million increase in generic provision for loan losses, as a reflection of higher loan balances.

The Bank's loan loss reserve coverage was 1.8% as of December 31, 2011, a decrease from 1.9% as of December 31, 2010, and a decrease from 2.7% as December 31, 2009. 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 8.

For more detailed information about Non-Accrual Loans, see Item 18 "Financial Statements," note 7.

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

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 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 $3.5 million reversal of provision for losses on off-balance sheet credit risk in 2009 was primarily due to lower off-balance sheet balances in the commercial portfolio (acceptances and contingencies), and the impact on the Bank's reserve model of prudent off-balance sheet portfolio management considering risk levels in the Region.

The off-balance sheet reserve coverage decreased to 2.5% as of December 31, 2011, compared to 3.5% as of December 31, 2010, and compared to 8.2% as of December 31, 2009.

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 8.

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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,		
	2011	2010	2009
		(in $ thousand)	
Letters of credit	$9,360	$ 8,314	$4,973
Guarantees	14	158	1,017
Loan Fees	1,109	1,195	224
Third party investors (Bladex Asset Management)	115	516	281
Other [1]	131	143	239
Fees and commissions, net	$10,729	$ 10,326	$6,733

[1] Net of commission expense.

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(q).

Derivative Financial Instruments and Hedging

In 2011, 2010, and 2009, the Bank recorded a net gain of $2.9 million, a net loss of $1.4 million, and a net loss of $2.5 million, 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 and 2009 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 2009 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(v) and 20.

Net Gain (Loss) from Investment Fund Trading

The Bank recorded a net gain of $20.3 million from investment fund trading in 2011, compared to a net loss of $8.0 million in 2010, and compared to a net gain of $25.0 million in 2009, related to the performance of the trading activities of the Fund.

For additional information, see Item 18, "Financial Statements," notes 6 and 22.

Net Gain (Loss) from Trading Securities

The Bank recorded a $6.5 million loss from trading securities in 2011, compared to a $3.6 million loss in 2010, and compared to a $13.1 million gain in 2009.

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.

The $13.1 million gain in 2009 was due to the appreciation in mark-to-market of the trading securities portfolio in 2009, which is composed of all the securities that were sold in 2008 under repurchase agreements accounted for as sales.

For additional information, see Item 18, "Financial Statements," notes 4 and 12.

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 2011 was $3.4 million, compared to $2.3 million in 2010, and compared to $0.5 million in 2009. Detail of the net gains is as follows:

	For the year ended December 31,		
	2011	2010	2009
	(in $ millions)		

Nominal amount	$243.6	$135.0	$137.0
Amortized cost	$(265.0)	$(151.3)	$(146.5)
Proceeds	279.7	167.2	150.6
Net effect of unwinding hedging derivatives of the available for-sale securities portfolio	(11.3)	(13.6)	(3.6)
Total net gain on sale of securities available-for-sale	$3.4	$2.3	$0.5

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

Gain (Loss) on Foreign Currency Exchange

The Bank recorded a net gain of $4.3 million on foreign currency exchange during 2011, compared to a net gain of $1.8 million and $0.6 million on foreign currency exchange during 2010 and 2009, respectively. The $2.4 million increase during 2011 is mostly related to the effects of changes in assets and liabilities economically hedged with derivatives that do not qualify for hedge accounting.

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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,		
	2011	2010	2009
	(in $ thousand)		
Salaries and other employee expenses	$29,268	$23,499	$20,201
Depreciation and amortization of premises and equipment.	2,166	2,510	2,671
Professional services	4,882	4,945	3,262
Maintenance and repairs	1,639	1,616	1,125
Expenses from the investment fund	1,540	890	3,520
Other operating expenses	10,540	8,621	7,423
Total operating expenses	$50,035	$42,081	$38,202

During 2011, operating expenses amounted to $50.0 million, compared to $42.1 million for the year 2010. The $8.0 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.

The $3.9 million, or 10.2%, increase in operating expenses for the year ended December 31, 2010 compared to the year ended December 31, 2009 is attributable to: the net effect of higher salary and other employee expenses associated with higher average headcount and professional fees associated with the support of the expansion of the Commercial Division and the expansion in risk management, as well as capital market issuance programs, which was partially offset by lower performance – related expenses from the Fund.

Changes in Financial Condition

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

	As of December 31,		
	2011	2010	2009
	(in $ thousand)		
Assets			
Cash and due from banks	$12,814	$5,570	$2,961
Interest-bearing deposits in banks	830,670	431,144	421,595
Trading assets	20,436	50,412	50,277
Securities available-for-sale	416,300	353,250	456,984
Securities held-to-maturity	26,536	33,181	0
Investment fund	120,425	167,291	197,575
Loans	4,959,573	4,064,332	2,779,262
Allowance for loan losses	(88,547)	(78,615)	(73,789)
Unearned income and deferred fees	(6,697)	(4,389)	(3,989)
Loans, net	4,864,329	3,981,328	2,701,484
Customers’ liabilities under acceptances	1,110	27,213	1,551
Accrued interest receivable	38,168	31,110	25,561
Premises and equipment, net	6,673	6,532	7,749
Derivative financial instruments used for hedging - receivable	4,159	2,103	828
Other assets	18,412	10,953	12,206
Total Assets	$6,360,032	$5,100,087	$3,878,771
Liabilities and Stockholders’ Equity			
Deposits	$2,303,506	$1,820,925	$1,256,246
Trading liabilities	5,584	3,938	3,152
Securities sold under repurchase agreements	377,002	264,927	71,332
Short-term borrowings	1,323,466	1,095,400	327,800

	As of December 31,		
	2011	2010	2009
	(in $ thousand)		
Acceptances outstanding	1,110	27,213	1,551
Accrued interest payable	11,790	10,084	11,291
Borrowings and long-term debt	1,487,548	1,075,140	1,390,387
Derivative financial instruments used for hedging - payable	53,742	53,029	65,137
Reserve for losses on off-balance sheet credit risk	8,887	13,335	27,261
Other liabilities	22,568	20,096	14,077
Total Liabilities	$5,595,203	$4,384,087	3,168,234
Redeemable noncontrolling interest	5,547	18,950	34,900
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	130,177	133,815	134,820
Capital reserves	95,210	95,210	95,210
Retained earnings	372,644	320,153	301,389
Accumulated other comprehensive loss	(3,112)	(6,441)	(6,160)
Treasury stock	(115,617)	(125,667)	(129,602)
Total Stockholders' Equity	759,282	697,050	675,637
Total Liabilities and Stockholders' Equity	$6,360,032	$5,100,087	$3,878,771

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.

2010 vs. 2009

During 2010, total assets increased by $1,221 million, or 31%, strengthened by a 46%, or $1,285 million, increase in the Bank's loan portfolio during the same period as a result of solid growth in the commercial activity of the Bank as a result of strong recovery in the Latin American economy and increased trade flows in the Region. As of December 31, 2010, the Bank's loan portfolio amounted to $4,064 million, and had an average maturity term of 389 days, with 70% of the portfolio scheduled to mature within one year. 56% of the loan portfolio was trade-related in nature and 44% constituted non-trade loans mainly extended to private banks and private corporations.

The increase in assets during 2010 was offset by a $104 million decrease in the securities available-for-sale portfolio, mainly resulting from the sale of securities available-for-sale for a nominal amount of $135 million (carrying value of $151 million).

As of December 31, 2010, the Bank's liquidity amounted to $421 million, compared to $402 million as of December 31, 2009.

The increase in assets in 2010 was accompanied by a $1,216 million increase in liabilities, especially in deposits, securities sold under repurchase agreements and short term borrowing ($1,526 million), offset by a $315 million decrease in borrowings and long-term debt, as a result of increased liquidity levels in international markets, 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, or will likely have difficulties in 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 7. For information on impaired securities, see Item 18, "Financial Statements," notes 2(j) and 5. For more information on contingencies, see Item 18, "Financial Statements", note 18, 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 principal 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 of a 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.

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 takes into account 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,				
	2011	2010	2009	2008	2007
	(in $ million, except percentages)				
Impaired loans	$32	$29	$36	$0	$0
Allocation from the allowance for loan losses	15	12	14	0	0
Impaired loans as a percentage of total loans, net of unearned income and deferred commission	0.6%	0.7 %	1.3 %	0.0 %	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]	0.6 %	0.6 %	1.0 %	0.0 %	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, 2011 and 2010, there were no impaired loans without related allowance.

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

	For the year ended December 31,		
	2011	2010	2009
	(in $ thousands)		
Loans in non-accrual status			
Private corporations	$32,000	$28,000	$39,000
Private middle-market companies	0	1,002	11,534
Total loans in non-accrual status	$32,000	$29,002	$50,534
Foregone interest revenue at beginning of the year	$996	$928	$0
Interest which would have been recorded if the loans had not been in a non-accrual status	2,325	3,403	1,775
Interest income collected on non-accrual loans	(2,375)	(3,335)	(847)
Foregone interest revenue at end of the year	$946	$996	$928

The Bank has not had any troubled debt restructurings for each of the five years ended December 31, 2011.

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 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 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.

Reserves = S(E x PD x LGD)

where:

a) Exposure (E) = the total accounting balance (on- and off-balance sheet) at the end of the period under review.
b) Probabilities of Default (PD) = one-year probability of default applied to the portfolio. Default rates are based on the Bank's historical portfolio performance per rating category, complemented by Standard & Poor's, or S&P's 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 8.

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,				
	2011	2010	2009	2008	2007
	(in $ million, except percentages)				
Components of the allowance for credit losses					
Allowance for loan losses:					
Balance at beginning of the year	$79	$74	$55	$70	$51
Provision (reversal)	9	9	18	(19)	12
Recoveries	2	1	1	4	6
Loans charged-off	(1)	(5)	0	0	0
Balance at the end of the year	89	79	74	55	70
Reserve for losses on off-balance sheet credit risk:					
Balance at beginning of the year	13	27	31	14	27
Provision (reversal)	(4)	(14)	(3)	17	(13)
Balance at end of the year	9	13	27	31	14
Total allowance for credit losses	$98	$92	$101	$85	$83
Allowance for credit losses to total commercial portfolio	1.83%	2.07%	3.25%	2.79%	1.95%
Net charge offs to average loans outstanding	0.02%	0.13%	0.00%	0.00%	0.00%

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,		
2011	2010	2009

	Total	%	Total	%	Total	%
	(in $ million, except percentages)					
Allowance for loan losses						
Argentina	$16	18.1	$28	35.1	$14	18.4
Brazil	11	13.0	13	15.9	17	23.5
Chile	2	2.0	1	1.1	2	2.2
Colombia	12	13.0	5	5.8	3	4.0
Costa Rica	3	3.3	2	3.0	4	4.8
Dominican Republic	6	6.9	5	6.9	2	2.7
Ecuador	3	3.1	2	2.7	4	5.1
El Salvador	1	0.6	1	1.3	2	2.3
Guatemala	4	4.8	1	1.4	1	1.9
Honduras	2	2.1	2	1.9	1	2.0
Jamaica	0	0.1	3	3.2	2	2.6

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	As of December 31,					
	2011		2010		2009	
	Total	%	Total	%	Total	%
	(in $ million, except percentages)					
Mexico	18	20.7	14	18.0	19	25.1
Peru	5	5.4	2	3.1	2	2.5
Uruguay	3	3.3	0	0.0	1	1.7
Other	3	3.4	0	0.6	1	1.1
Total Allowance for loan losses	$89	100.0	$79	100.0	$74	100.0
Reserve for losses on off-balance sheet credit risk						
Ecuador	7	82.7	10	72.5	21	75.8
Venezuela	1	7.0	2	18.0	4	15.3
Other	1	10.3	1	9.6	2	8.9
Total Reserve for losses on off-balance sheet credit risk	$9	100.0	$13	100.0	$27	100.0
Allowance for credit losses						
Argentina	16	16.5	$28	30.0	$14	13.4
Brazil	11	11.9	13	13.8	17	17.3
Chile	2	1.9	1	0.9	2	1.6
Colombia	12	11.9	5	5.0	3	2.9
Costa Rica	3	3.3	3	3.5	5	4.5
Dominican Republic	6	6.3	5	5.9	2	2.1
Ecuador	10	10.3	12	12.8	24	24.2
El Salvador	1	0.6	1	1.1	2	1.8
Guatemala	4	4.4	1	1.2	1	1.4
Honduras	2	2.0	2	1.7	2	1.5
Jamaica	0	0.1	3	2.7	2	1.9
Mexico	18	19.0	14	15.6	19	18.8
Peru	5	5.0	2	2.7	2	1.8
Uruguay	3	3.0	0	0.0	2	1.9
Venezuela	1	0.6	2	2.6	4	4.1
Other [(1)]	4	3.3	0	0.5	1	0.8
Total Allowance for credit losses	98	100.0	$92	100.0	$101	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,					
2011		2010		2009	
Total	%	Total	%	Total	%

	(in $ million, except percentages)					
Private sector commercial banks and Financial Institutions	$22	22.7	$15	15.5	$14	13.7
State-owned commercial banks	16	16.8	7	7.1	10	10.0
Central banks	0	0.1	9	9.9	20	20.3
Sovereign debt	0	0.3	0	0.4	1	1.1
State-owned exporting organization	3	3.3	5	5.7	5	5.0
Private middle - market companies	9	9.3	5	8.8	7	7.3
Private corporations	46	47.5	50	52.5	43	42.6
Total	$98	100.0	$92	100.0	$101	100.0

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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,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in $ million, except percentages)									
Brazil	1	100.0	2	40.5	0	0.0	0	0.0	0	0.0
Mexico	0	0.0	3	59.5	0	0.0	0	0.0	0	0.0
Total	$1	100.0	$ 5	100.0	$ 0	0.0	$ 0	0.0	$ 0	0.0

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.

A 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 or the right to receive benefits, as the case may be, of the entity that could potentially be significant to the VIE.

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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, 2011, 7% of the Bank’s assets were accounted for at fair value using quoted market prices in an active market, and 2% 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 20.

Notwithstanding the level of subjectivity inherent in determining fair value, the Bank's Management believes that its estimates of fair value are adequate. The use of different models or assumptions could lead to changes in the Bank's reported results. See Item 18, "Financial Statements," note 22.

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 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 2011-03 – Transfers and Servicing (Topic 860)

The main objective of this update is to improve the accounting for repurchase agreements. The modifications of these amendments remove from the assessment of effective control over the transferred assets, the criterion relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed terms. Consequently, the amendments also eliminate the requirement to demonstrate that the transferor possesses adequate collateral to replace the transferred assets in the event of bankruptcy of the counterparty.

This update is effective for interim and annual financial statements beginning on or after December 15, 2011. Early adoption is not permitted. The Bank is evaluating the potential impact of this update in its consolidated financial statements.

ASU 2011-04 – Fair Value Measurement (Topic 820)

The objective of this update is to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRSs). The amendments in this update explain how to measure fair value and disclose related information.

This update is effective for interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. The Bank is evaluating the potential impact of this update in its consolidated financial statements.

ASU 2011-05 – Comprehensive Income (Topic 220)

The objective of this update is to increase the prominence of items reported in other comprehensive income. This update provides two options for reporting other comprehensive income, where the entity should choose one and apply it consistently:

1. To present a single continuous financial statement. At the end of the income statement, the Bank shall present the components of comprehensive income in two sections, net income and other comprehensive income. If this option is elected, the name of the income statement changes to “statement of comprehensive income”.

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2. To present comprehensive income in two separate but consecutive statements.

In addition, it is required to present, by component, the reclassification adjustments of items from the other comprehensive income that are reclassified to the net income on the financial statements where components of net income and components of other comprehensive income are presented.

This update is effective for interim and annual periods beginning on or after December 15, 2011, and should be applied retrospectively. The Bank is evaluating the potential impact of this update on presentation of OCI in its consolidated financial statements.

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 is evaluating the potential impact of these disclosures.

ASU 2011-12 – Comprehensive Income (Topic 220)

Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments of items from the other comprehensive income that are reclassified to the net income on the financial statements where components of net income and components of other comprehensive income are presented.

The amendments of ASU 2011-12 defer indefinitely those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented.

The amendments in this ASU are effective for interim and annual periods beginning on or after December 15, 2011.

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, 2011, the Bank's 24-hour deposits from customers (overnight deposits, demand deposit accounts and call deposits) amounted to $70 million, representing 3% 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, 2011 were $786 million (representing 34% of total deposits) of which $10 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. As a precautionary measure, since the onset of the global financial crisis in September 2008, the Bank has consistently maintained a cash position in excess of the minimum required.

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,		
	2011	2010	2009
	(in $ million)		
Europe	$2	$60	$60
United States	762	287	219
Other O.E.C.D.	21	74	123
Total	$786	$421	$402

As of December 31, 2011, liquidity amounted to $786 million. $761 million, or 96%, of liquid assets were deposited at the Federal Reserve Bank in 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, 2011, the average original term to maturity of the Bank's short-term loan portfolio maturing up to one year based on original term was approximately 219 days.

Medium-term assets (maturing beyond one year based on original term) totaled $2,638 million as of December 31, 2011. Of that amount, $434 million was comprised of liquid bonds held primarily in the Bank's securities available-for-sale portfolio ($416 million) and trading assets ($17 million). The remaining $2,204 million in medium-term assets represented commercial loans of $2,185 million and $19 million in securities held-to-maturity.

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, 2011, were as follows:

	As of December 31, 2011		
	Standard & Poor's	Moody's	Fitch
Short -Term	A-2	P-2	F2
Long-Term	BBB	Baa2	BBB
Rating Outlook	Stable	Stable	Stable

On December 6, 2011 Standard & Poor's, or S&P, affirmed the Bank's credit rating at "BBB/A-2", with Outlook Stable, following a review of Bladex under S&P's revised bank criteria (published on November 9, 2011). S&P also affirmed the rating on senior unsecured debt at "BBB", stating that the ratings reflect the Bank's adequate business position, strong capital and earnings, adequate risk position, above-average funding, and adequate liquidity compared with other banking institutions in Latin America. The credit ratings have been unchanged since May 13, 2008.

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 ratings of the Bank.

The credit ratings from Fitch Ratings Ltd., or Fitch, have been unchanged since July 7, 2008, and on August 29, 2011, Fitch confirmed its credit ratings of the Bank.

Critical factors in maintaining the Bank's high credit ratings,under S&P critera, 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:

	As of December 31,		
	2011	2010	2009
		(in percentages)	
Interbank deposits	41.2 %	41.5 %	39.7 %
Securities sold under repurchase agreements	6.7 %	6.0 %	2.3 %
Borrowings and debts	50.2 %	49.5 %	54.2 %
Other liabilities.	1.9 %	2.9 %	3.9 %
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 Item 5 "Asset/Liability Management."

Among other sources, Bladex funds itself through short- and medium-term loans taken from international correspondent banks. 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, 2011, and $5 million outstanding from Portuguese banks as of that date. The balance of bilateral loans taken from Spanish banks represented 1.5% of the Bank's total liabilities as of December 31, 2011.

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, 2011, the volume of interest rate swaps contracted with European banks was $122 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 $194 million, contracted with highly-rated banks from France, the United Kingdom, and Switzerland. As of December 31, 2011, 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, 2011, approximately 35% of the deposits held by the Bank were deposits made by central banks of countries in the Region and 52% of deposits held by the Bank were made by state owned banks. 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, 2011, 2010, and 2009, was 72 days, 53 days, and 57 days, respectively. The bulk of the Bank's other deposits is obtained primarily from commercial banks located in the Region. As of December 31, 2011, deposits from the Bank's five largest depositors, of which four were central banks in the Region, represented 65% of the Bank's total deposits. See Item 18, "Financial Statements," note 11.

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

	As of December 31,		
	2011	2010	2009

	(in $ million)		
Argentina	$71	$78	$87
Bahamas	2	2	0
Barbados	35	5	21
Brazil	465	359	266
Cayman Island	7	41	105
Colombia	4	7	55
Costa Rica	0	12	9
Dominican Republic	0	0	10
Ecuador	746	437	234
El Salvador	28	18	28
Guatemala	50	60	0
Haiti	78	3	3
Honduras	71	99	151
Jamaica	1	1	1
Japan	0	0	1
Mexico	50	50	0
Nicaragua	57	50	50
Panama	125	147	50

	As of December 31,		
	2011	2010	2009
	(in $ million)		
Paraguay	250	200	0
Peru	21	31	2
Trinidad and Tobago	19	19	20
United Kingdom	50	50	0
United States	27	15	0
Venezuela	146	137	162
Total	$2,304	$1,821	$1,256

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, 2011, securities sold under repurchase agreements amounted to $377 million, an increase of $112 million from $265 million as of December 31, 2010. See Item 18, “Financial Statements,” note 12.

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, four Asian and three Latin American banks provide these short-term borrowings to the Bank.

As of December 31, 2011, short-term borrowings amounted to $1,323 million, compared to $1,095 million as of December 31, 2010, an increase of $228 million. The increase in short-term borrowings was the result of more demand for credit and taking advantage of Bladex’s access to funding due to increased levels of liquidity. The average term remaining to maturity of short-term borrowings as of December 31, 2011 was approximately 147 days. See Item 18, “Financial Statements,” note 13.

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,		
	2011	2010	2009
	(in $ million, except percentages)		

Short-term borrowings and securities sold under repurchase agreements			
Advances from banks	$ 1,323	$ 1,095	$ 328
Securities sold under repurchase agreements	377	265	71
Total short-term borrowings and securities sold under repurchase agreements	$ 1,700	$ 1,360	$ 399
Maximum amount outstanding at any month-end	$ 1,700	$ 1,360	$ 1,094
Amount outstanding at year-end	$ 1,700	$ 1,360	$ 399
Average amount outstanding	$ 1,369	$ 724	$ 764
Weighted average interest rate on average amount outstanding	1.12 %	1.09 %	2.77 %
Weighted average interest rate on amount outstanding at year end	0.91 %	0.58 %	1.61 %

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, or EMTN, Program and a local – currency bond issuance in Latin America.

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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 finance its medium-term and long-term loan portfolio. As of December 31, 2011, the average term remaining to maturity of the Bank's medium and long-term debt was 1.6 years.

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.

During 2009, the Bank entered into two syndicated loans with Asian lenders. The first syndicated loan, in the amount of $100 million, and the second syndicated loan, in the amount of $113 million, had a two-year term. These loans, which matured in 2011, were Bladex's first syndicated loans placed in Asia and were intended to diversify the Bank's funding sources and strengthen its presence in the Asian markets.

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 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. On March 22, 2012, its successful completion of the first issuance of 2 billion pesos with a 3 year tenor at a floating-rate of 28-day TIIE plus 65 basis points.

144A/Reg S

On March 29, 2012, Bladex priced the first 144A/Reg S issuance in several years under their Euro Medium Term Note Program (EMTN), in the amount of $400,000,000 (Four hundred million US dollars) effective April 4, 2012. The Senior unsecured notes have a tenor of five years, with a fixed rate coupon of 3.75%. The transaction was oversubscribed, with total demand exceeding $2 billion dollars. 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 14, 20 and Item 11, "Quantitative and Qualitative Disclosure About Market Risk." See Item 18, Consolidated Balance Sheet as of December 31, 2011 and 2010.

	As of and for the Year Ended December 31,		
	2011	2010	2009
	(in $ million, except percentages)		
Borrowings and long-term debt			
Amount outstanding at year-end	$ 1,488	$ 1,075	$ 1,390
Maximum amount outstanding at any month-end	$ 1,548	$ 1,400	$ 1,390
Average amount outstanding	$ 1,392	$ 1,241	$ 1,208
Weighted average interest rate on average amount outstanding	1.94 %	2.07 %	3.07 %
Weighted average interest rate on amount outstanding at year end	2.16 %	2.10 %	2.07 %

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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, 2011:

	Amount	Weighted Average Cost	
	(in $ million, except percentage)		
Short-term borrowings and Securities sold under repurchase agreements at fixed interest rate			
Due in 0 to 30 days	170	1.29	%
Due in 31 to 90 days	622	1.24	%
Due in 91 to 180 days	327	1.31	%
Due in 181 to 365 days	263	2.05	%
Total	$1,382	1.42	%
Short-term borrowings at floating interest rate			
Due in 31 to 90 days	75	1.12	%
Due in 91 to 180 days	93	5.70	%
Due in 181 to 365 days	150	1.76	%
Total	$318	2.76	%
Medium and long-term borrowings at fixed interest rate			
Due in 0 to 30 days	0	7.92	%
Due in 31 to 90 days	1	8.29	%
Due in 91 to 180 days	1	8.16	%
Due in 181 to 365 days	12	2.53	%
Due in 1 through 6 years	1	9.21	%
Total	$16	4.05	%
Medium and long-term borrowings at floating interest rate			
Due in 31 to 90 days	151	0.87	%
Due in 91 to 180 days	92	1.67	%
Due in 181 to 365 days	160	1.01	%
Due in 1 through 6 years	1,022	2.35	%
Total	$1,426	2.00	%
Medium and long-term fixed-rate placements			
Due in 1 through 6 years	46	6.50	%
Total	$46	6.50	%

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 2011, 2010 and 2009.

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, 2011, net cash provided by operating activities was $180.2 million. Net cash was provided by net income ($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 decreases 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.

For the year ended December 31, 2009, net cash provided by operating activities was $17.5 million. In 2009, the net decline in trading liabilities and accrued interest payable was a result of the impact of the challenging environment that existed in 2008, and continued into the first half of 2009. In 2009, net cash generated from operating activities was lower than net income, largely as a result of net increases in the balance of the Fund in 2009.

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, 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.

For the year ended December 31, 2009, net cash of $104.8 million was provided by investing activities, primarily from proceeds from the redemption and sale of securities available-for-sale and from the maturity of securities held-to-maturity. Offsetting these cash proceeds was a net increase in loans originated by the Bank, resulting primarily from the recovery of foreign trade in the Region and the resulting increase in 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 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.

In 2009, net cash used in financing activities was $545.8 million; this reflected primarily a net decrease in short-term borrowings and securities sold under repurchase agreements, and the repayments of borrowings and long-term debt, and was partially offset by proceeds from borrowings and long-term debt, and a net increase in due to depositors.

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. Non-dollar assets or liabilities are generally converted to U.S. dollars through 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, 2011. 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	843	813	30	0	0	0	0
Trading assets	20	0	17	0	0	0	3
Securities available-for-sale	416	40	61	65	0	222	29
Securities held to maturity	27	0	0	14	7	6	0
Investment fund	120	0	0	0	0	0	120
Loans, net	4,864	852	2,119	1,543	340	105	(96)
Total interest-earning assets	6,292	1,706	2,226	1,622	347	334	57
Non-interest earning assets	50	0	0	0	0	0	50
Other assets	18	0	0	0	0	0	18
Total assets	6,360	1,706	2,226	1,622	347	334	126
Interest-bearing liabilities							
Deposits							
Demand	68	68	0	0	0	0	0
Time	2,236	1,474	402	196	152	12	0
Trading liabilities	6	0	0	0	0	5	1
Securities sold under repurchase agreements	377	102	194	82	0	0	0
Short-term borrowings	1,323	176	604	280	263	0	0
Borrowings and long-term debt	1,488	116	682	621	18	50	0
Total interest-bearing liabilities	5,497	1,936	1,882	1,179	433	67	1
Non-interest-bearing liabilities	98	0	0	0	0	0	98
Total liabilities	5,595	1,936	1,882	1,179	433	67	99
Redeemable noncontrolling interest	6	0	0	0	0	0	6
Stockholders' equity	759	0	0	0	0	0	759
Total liabilities and stockholders' equity	6,360	1,936	1,882	1,179	433	67	864
Interest rate sensitivity gap		(230)	344	443	(86)	267	(738)
Cumulative interest rate sensitivity gap		(230)	115	557	471	738	
Cumulative gap as a % of total interest-earning assets		-4 %	2 %	9 %	7 %	12 %	

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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,		
	2011	2010	2009
	(in $ thousand)		
Common stock	$279,980	$279,980	$279,980
Additional paid-in capital in excess of assigned value of common stock	130,177	133,815	134,820
Capital reserves	95,210	95,210	95,210
Retained earnings	372,644	320,153	301,389
Accumulated other comprehensive loss	(3,112)	(6,441)	(6,160)
Treasury stock	(115,617)	(125,667)	(129,602)
Total stockholders' equity	$759,282	$697,050	$675,637

As of December 31, 2011, stockholders' equity amounted to $759 million, compared to $697 million as of December 31, 2010 and compared to $676 million as of December 31, 2009.

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.

The $21 million increase during 2010 compared to 2009 was the net result of increased retained earnings as a result of net income attributable to Bladex of $42 million, partially offset by $23 million declared as cash dividends, and a $4 million net variance in treasury stock mostly due to compensation cost and the exercise of stock based compensation plans.

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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, 2011, the capital ratio of total stockholders' equity to total assets was 11.9% and the Bank's Tier 1 and total capital ratios calculated according to Basel I capital adequacy guidelines were 18.6% and 19.9%, respectively. As of December 31, 2011, the Bank's total capital to risk-weighted asset ratio, calculated according to the guidelines of the Banking Law, was 16.19%. See Item 4, "Information on the Company / Business Overview / Regulation."

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 2011

Bladex 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 Divison, $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.

Year 2010

The Bank's performance during 2010 was characterized by solid growth in the commercial activity of the Bank, improving the scope and diversification of the Bank's business against background of a strong recovery in Latin America and of the increase in trade flows in the Region. The increase in commercial activity in the Region resulted in part from the improvement in the risk profile of countries in the Region, reflected by a general reduction of fiscal deficits, relative price stability and strengthened foreign reserves. As a result, the Bank's commercial portfolio as of December 31, 2010 amounted to $4,446 million, compared to $3,110 million as of December 31, 2009, resulting in a $1,336 million, or 43%, increase during the year. Market interest rates such as 6M LIBOR decreased from an average of 112 bps in 2009 to 52 bps in 2010, leading to a compression of lending spreads. Net interest margin improved to 1.70% for 2010 from 1.62% for 2009, as a result of lower costs of funds. Funding costs decreased to 126 bps in 2010 from 238 bps in 2009, due to increased average balances of deposits, borrowings and long-term debt. Liquidity balances remained high, amounting to $421 million as of December 31, 2010. The Bank's net income for the year 2010 resulted from the strong performance of the Commercial and the Treasury Divisions, offset by the losses from the Asset Management Unit.

Year 2009

Specific trends that affected the Bank's performance during 2009 included the pronounced decrease in market rates such as 6M LIBOR which saw a decrease from an average 306 bps in 2008 to an average of 112 bps in 2009, leading to a compression of lending spreads. An increase in funding margins from an average of 35 bps in 2008 to an average of 70 bps in 2009 as liquidity and access to capital markets became limited due to the repercussions of the financial crisis, also affected the Bank's lending spreads, particularly during the first half of 2009. During this period, the Bank maintained higher than normal levels of liquidity with adverse effect on margins. These effects were partially offset by an increase in lending margins from an average of 168 bps in 2008 to an average of 262 bps in 2009, as the Bank was able to pass on higher funding costs. The Bank also benefited from an improvement in market valuations in 2009 compared to the previous year which impacted favorably the results of the Bank's Asset Management Unit and

Treasury Division.

In addition, see Item 3, “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 ordinary course of business, in order to meet the financing needs of its customers, the Bank enters into arrangements that are not recognized on its balance sheet. As of December 31, 2011, 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 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, 2011, total reserves for losses on off-balance sheet arrangements amounted to $9 million, compared to $13 million as of December 31, 2010, and compared to $27 million as of December 31, 2009. See Item 18, "Financial Statements," note 8 and 18.

As of December 31, 2011, the total off-balance sheet portfolio amounted $364 million, compared to $381 million as of December 31, 2010, and compared to $332 million as of December 31, 2009.

Fees and commission income from off-balance sheet arrangements amounted to $11 million, $10 million and $7 million, for the years ended December 31, 2011, December 31, 2010 and December 31, 2009, 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, 2011.

	Payments Due by Period		
Contractual Obligations [(1)]	Total	1 – 3 years	3 – 5 years

		Less than 1 year			More than 5 years
	(in $ million)				
Deposits	$2,304	$ 68	$ 2,236	$ 0	$ 0
Trading liabilities	6	0	6	0	0
Securities sold under repurchase agreement	377	377	0	0	0
Short-term borrowings	1,323	1,323	0	0	0
Borrowings and long-term debt (2)	1,488	418	1,069	0	0
Accrued interest payable	12	12	0	0	0
Leasehold obligations	2	1	1	0	0
Total contractual obligations	$5,511	$ 2,199	$ 3,312	$ 0	$ 0

(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.

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 (3)	$268	$ 268	$ 0	$ 0	$ 0
Stand-by letters of credit	19	19	0	0	0
Guarantees	0	0	0	0	0
Credit derivative	0	0	0	0	0
Other commercial commitments	76	44	30	1	1
Total Commercial Commitments	$363	$ 331	$ 30	$ 1	$ 1

(3) Includes acceptances outstanding for a total amount of $1 million as of December 31, 2011.

The covenants included in some of our 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 18 and 19.

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 Director Banco de la Nación Argentina, Argentina	Argentina	Director	2014	2010	50
Manuel Sánchez González Deputy Governor Banco de Mexico, Mexico	Mexico	Director	2014	2011	61
João Carlos Nobrega Pecego Regional General Manager – Head of Latin America Banco do Brasil, Brazil	Brazil	Director	2013	2010	48
CLASS E					
Mario Covo Chief Executive Officer Finaccess International, Inc., U.S.A.	U.S.A.	Director	2014	1999	54
Herminio Blanco Chief Executive Officer Soluciones Estratégicas Consultoría, Mexico	Mexico	Director	2013	2004	61
Maria da Graça França Brazil	Brazil	Director	2013	2004	63
William D. Hayes President					

Whaleco, Inc., U.S.A.	U.S.A.	Director	2013	2004	68
Guillermo Güémez García Mexico	Mexico	Director	2015	1997	71
ALL CLASSES OF COMMON STOCK (*)					
Gonzalo Menéndez Duque Director Banco de Chile, Chile	Chile	Chairman of the Board	2015	1990	63
Jaime Rivera Chief Executive Officer Bladex, Panama	Guatemala	Director	2015	2004	58

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

Esteban Alejandro Acerbo has served as Director of our Board since 2010. Mr. Acerbo has served as Director of Banco de la Nación Argentina 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's professional experience in the fields of tax, accounting and finance qualify him to serve on the Board.

Manuel Sánchez González has been a Director of our 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. Manuel Sánchez's professional experience in the fields of finance and economics and his academic skills qualify him to serve on the Board.

João Carlos de Nóbrega Pecego has served as Director of our Board since 2010. Mr. Pecego has served as Vice President of Banco Patagonia, Argentina since 2011 and Regional General Manager – Head of Latin America of Banco do Brasil based in Argentina since 2009. He has been employed by Banco do Brasil in various capacities since 1978, holding the positions of Executive Regional Manager of the South Region of Brazil (Rio Grande do Sul, Santa Catarina and Parana) from 2006 to 2009, Executive Manager responsible for Corporate and Project Finance from 2003 to 2006, Executive Manager of the Corporate Area of Banco do Brasil in Sao Paulo from 2000 to 2003, Regional Superintendent of the Sao Paulo Unit from 1995 to 2000, General Manager of the main agencies of Banco do Brasil in Sao Paulo from 1990 to 1995, and in various other capacities from 1978 to 1990. Mr. Pecego's professional experience relating to the banking industry qualifies him to serve on the Board.

Mario Covo has served as Director of our Board since 1999 and Director of Bladex Asset Management Inc. ("Bladex Asset Management") 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's qualifications to serve on the Board include his extensive background and experience in the financial services industry, and his exposure to the markets where the Bank operates.

Herminio A. Blanco has served as Director of our 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 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, the United States Chamber of Commerce Foundation since 2005 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 negotiations 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's extensive experience and background in foreign trade and his academic and consulting skills qualify him to serve on the Board.

Maria da Graça França has served as Director of our 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, starting in 1971, including 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's qualifications to serve on the Board include her extensive experience in managing operations and internal controls in international banking.

William Dick Hayes has served as Director of our 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, Managing Director of MacGregor Design Development, LLC, Connecticut and since 1999, as Chairman and charter member of the Board of Directors and the Investment Committee of Tricon Forfaiting Fund Limited, Bermuda. He served as Managing Director-Emerging Markets and in various other capacities for West Merchant Bank, Chartered WestLB and Standard Chartered Merchant Bank from 1987 to 1999. 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 various capacities for Wells Fargo Bank, N.A., San Francisco, California from 1969 to 1984. Mr. Hayes' qualifications to serve on the Board include his background in the financial services industry, experience in emerging markets, and exposure to international capital markets.

Guillermo Güémez García has served as director on our Board since 1997. Mr. Güémez is member of the Board and chairman of the Risk Committee of Banco Santander (Mexico) S.A., chairman of the Audit Committee of Zurich

Compañia de Seguros S.A. and Zurich Vida Compañia de Seguros S.A., member of the Senior Advisory Board of Oliver Wyman Financial Services, member of the Board of Directors of Zurich Santander Seguros Mexico S.A., member of the Board of Financiera Mexicana para el Desarrollo Rural S.A. de C.V., member of the Investment Committee of Nacional Monte de Piedad IAP since 2012. Mr. Güémez has served as member of the Institute of International Finance Board of Director's Alumni Council, member of the Board of Directors of Zurich Compañia de Seguros S.A. and Zurich Vida Compañia de Seguros S.A., member of the Board of Directors and member of the Investment Committee of Afore Sura (former ING pension fund in México), member of the Strategy and Financial Committee of Nacional Monte de Piedad IAP, member of the Board of Geusa S.A. de C.V. and member of the Board of Fundación UNAM since 2011, and Chairman of the Advisory Board of the Bussiness School of Universidad Panamericana in Gudalajara since 2008. He served as Deputy Governor of Banco de Mexico from 1995 to 2010 and 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. 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’s qualifications to serve on the Board include his extensive background and professional experience in risk assessment, financial services and international banking.

Gonzalo Menéndez Duque has served as Director on our 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. 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 is the Chairman of our Board since 2002, previously he had been Chairman of our Board from 1995 to 1997. Mr. Menéndez Duque's skills, leadership and managerial experience in large complex organizations of various industries which are subject to extensive regulations, and his experience as a board member in different companies, qualify him to serve on the Board.

Jaime Rivera has served as a Director of the Bank since 2004, when he was appointed Chief Executive Officer. He joined the Bank in 2002 as Chief Operating Officer. Previously, Mr. Rivera served in various capacities for Bank of America Corporation, including positions in the U.S. as Managing Director of the Latin America Financial Institutions Group and the Latin America Corporate Finance team and on-site as General Manager in Brazil, Argentina, Uruguay and Guatemala, Marketing Manager in Chile, and as Manager of Latin America Information Systems in Venezuela. He has held Board positions with the Council of the Americas, the Florida International Bankers' Association, and the Latin American Agribusiness Development Corporation. Mr. Rivera is a member of the International Advisory Committee (IAC) to the Board of Directors of the NYSE Euronext. He has an MBA degree from Cornell University, a master of science degree from Northwestern University, and a bachelor of science degree from Northrop University. Mr. Rivera's academic background and his previous international banking experience throughout Latin America have provided him with the business skills, leadership and managerial abilities that qualify him to serve on the Board.

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**
Jaime Rivera	Chief Executive Officer	Guatemala	58
Rubens V. Amaral Jr.	Executive Vice President, Chief Commercial Officer	Brazil	52
Gregory D. Testerman	Executive Vice President - Senior Managing Director, Treasury & Capital Markets	U.S.A.	49

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Name	Position Held with The Bank	Country of Citizenship	Age
Miguel Moreno	Executive Vice President, Chief Operating Officer	Colombia	58
Miguel A. Kerbes	Senior Vice President, Chief Risk Officer	Uruguay	52
Christopher Schech	Senior Vice President, Chief Financial Officer	Germany	47
Gustavo Díaz	Senior Vice President, Controller	Colombia	49
Julio C. Aguirre	Vice President, Chief Compliance Officer	Panama	44
Manuel Mejía-Aoun	Chief Investment Officer, Bladex Asset Management Inc.	Panama	53

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. has served as Executive Vice President, Chief Commercial Officer of the Bank, and the alternate to the CEO since April 2004. He previously served as General Manager and Managing Director for North America of Banco do Brasil, New York Branch, 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, Executive General Manager of the International Division in Sao Paulo from 1998 to 2000, Deputy General Manager in the New York Branch in charge of the Trade Finance and Correspondent Banking Department from 1994 to 1998, Head of Staff of the International Division from 1993 to 1994 and Advisor, Head of Department and General Manager in the Trade Finance Area at the International Department Division – Head Office from 1989 to 1993. Mr. Amaral also served as a representative in banking supervision for the Central Bank of Brazil from 1982 to 1988. Mr. Amaral has also had active participation in different Institutions in the banking industry, such as Trustee of the Board of Trustees of the Institute of International Bankers - IIB, member of the Advisory Board of the Center for Latin America Studies from the George Washington University, member of the International Advisory Council at Bankers Association for Finance and Trade - BAFT, and Director of the Brazilian American Chamber of Commerce, in New York.

Gregory D. Testerman has served as Executive Vice President, Senior Managing Director, 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.

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.

Miguel A. Kerbes has been in charge of the Risk Department of Bladex since 2000, serving as Senior Vice President, Chief Risk Officer for the Bank since July 2002, and as Vice President, Risk Management from 2000 to 2002. Mr. Kerbes has over 34 years of experience in risk management at prominent international financial institutions in Latin America. He served as the Risk Officer, Southern Cone Area for Banco Santander, with domicile in Chile, from 1995 to 2000, overseeing the Country Risk Managers for the area. From 1992 to 1995 he served with Bank of Boston, Chile as the Risk Director for credit and treasury risks and as Senior Risk Officer. From 1989 to 1992, Mr. Kerbes participated in the start-up of ING Bank in Chile, continuing as its Risk Officer. He had previously served with ING Bank in Uruguay and participated in the start-up of ING Bank from 1982 to 1992 the Bank's diverse subsidiaries in Argentina, Uruguay and Chile.

Christopher Schech has served as Senior Vice President, 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.

Gustavo Díaz has served as Senior Vice President, 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 Tegucigalpa, 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 was External Auditing Manager for KPMG in Colombia and Chile, from 1985 to 1994 specializing in the financial industry. Mr. Díaz has CIA, CFSA, and CCSA certifications, granted by The Institute of Internal Auditors (IIA) and AML/CA certification granted by FIBA and FIU.

Julio C. Aguirre has served as Vice President - Chief Compliance Officer of Bladex since February 2002. Previously, 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, 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.

B. Compensation

Cash and Stock-Based Compensation

Executive Officers Compensation

The aggregate amount of cash compensation paid by the Bank during the year ended December 31, 2011, to the executive officers employed in Bladex's Head Office as a group for services in all capacities was $2,875,092. During the fiscal year ended December 31, 2011, the Bank accrued, and paid on February 23, 2012, performance-based bonuses to the Bank's executive officers in the aggregate amount of $1,303,000.

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, 2011, as a group, for services in all capacities, was $1,215,382.

In February 2008, the Board approved the 2008 Stock Incentive Plan (the “2008 Plan”), which allows the Bank to grant restricted shares, restricted stock units, stock options and/or other similar compensation instruments to the directors, executive officers and other non-executive employees of the Bank.

On February 15, 2011, the Bank granted 68,652 restricted stock units and 57,243 stock options to executive officers of the Bank. The Bank granted an additional 25,844 restricted stock units and 14,810 stock options to other non-executive employees of the Bank. These stock options have an exercise price of $17.81 and an expiration date of February 15, 2018. The restricted stock units vest at a rate of 25% per year, measured from the award date, with vesting occurring on each anniversary of the award date. The options vest at a rate of 25% per year, measured from the award date, with vesting occurring on each anniversary of the award date. As of December 31, 2011, the compensation cost charged against the Bank’s 2011 income in connection with these restricted stock units and stock options was $301,056 and $45,970 respectively. The total remaining compensation cost of $1,241,243 will be charged over a period of 3.13 years.

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 2011, the Bank charged to salaries expense $119,074 with respect to the contribution plan. As of December 31, 2011, the total amount set aside or accrued by the Bank in 2011 to provide pension, retirement or similar benefits for executive officers was approximately $255,109.

2011 Chief Executive Officer Compensation

The 2011 compensation of the Bank's Chief Executive Officer included a base salary of $300,000, a performance-based cash bonus of $250,000, a performance-based stock option and a restricted stock units grant with a value of $325,000, an aggregate 2011 contribution from the Bank to the Chief Executive Officer’s retirement plan account in the amount of $25,699, and limited perquisites and other benefits amounting to $10,450. In addition, the Chief Executive Officer has a contractual severance payment of $300,000 in the event of his termination without cause.

Results of the Advisory 2011 Say on Pay Shareholder Vote

At the Company’s annual meeting of shareholders held in April of 2011, our shareholders were asked to approve the Bank's fiscal 2010 executive compensation programs. A substantial majority (94%) 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 our shareholders’ support of the Bank’s approach to executive compensation, and therefore did not change its approach in 2011. The Nomination and Compensation Committee will continue working to ensure that the design of the Bank’s executive 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 executive compensation programs, such as the combination of performance-based short-term cash bonuses and performance-based long-term stock options, 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 $40,000 for his or her services as a director and the Chairman of the Board receives an annual cash retainer in the amount of $85,000. 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 $1,500 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 $20,000 and the Chairmen of the Assets and Liabilities Committee, Nomination and Compensation Committee, Credit Policy and Risk Assessment Committee, and Business Committee each receive an annual retainer of $15,000. The non-Chairman members of the Audit and Compliance Committee receive an annual retainer of $10,000 and the non-Chairman members of the Assets and Liabilities Committee, Nomination and Compensation Committee, Credit Policy and Risk Assessment Committee, and Business Committee, each receive an annual retainer of $7,500. 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, Credit Policy and Risk 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, Credit Policy and Risk Assessment Committee, and Business Committee have each met more than six times, the Bank will pay an attendance fee of $1,000 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, 2011 to the directors of the Bank as a group for their services as directors was $797,750.

The aggregate number of restricted shares awarded during the year ended December 31, 2011, to non-employee directors of the Bank as a group under the 2008 Plan was 25,541 class E shares, equal to $50,000 for each non-employee director of the Bank and $75,000 for the Chairman of the Board. As of December 31, 2011, the total cost for these restricted shares amounted to $461,526 of which $41,957 was registered during 2011, and the remaining compensation cost of $419,569 for these restricted shares will be charged against income over a period of 4.55 years.

Beneficial Ownership

As of December 31, 2011, the Bank's executive officers and directors as a group, beneficially owned an aggregate of 892,673 class E shares, representing approximately 3.16% (based on 28,257,827 class E shares outstanding as of December 31, 2011) of all issued and outstanding class E shares as of such date. As used in this Item (including, for the avoidance of doubt, as used in the tables included in this Item), "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. For purposes of this Item, a person is deemed to be the beneficial owner of securities that can be acquired within 60 days from December 31, 2011 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 set 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, 2011.

Name and Position of Executive Officer	**Number of Shares Owned as of Dec. 31, 2011** [1]	**Number of Shares that may be acquired within 60 days of Dec. 31, 2011** [2]	Total Number of Shares Beneficially Owned	Percent of Class Beneficially Owned	**Stock Options** [3]	**Unvested Restricted Stock Units (2008 Stock Incentive Plan)** [4]	**Unvested Deferred Equity Units** [5]
Jaime Rivera Chief Executive Officer	14,525	326,020	340,545	1.21 %	493,891	23,322	0
Rubens V. Amaral Jr Executive Vice President Chief Commercial Officer	20,294	199,378	219,672	*	342,963	28,321	0
Gregory D. Testerman Executive Vice President Senior Managing Director Treasury and Capital Markets	0	145,243	145,243	*	261,709	28,795	0
Miguel Moreno Executive Vice President Chief Operating Officer	0	29,926	29,926	*	138,691	10,365	0
Miguel A. Kerbes Senior Vice President Chief Risk Officer	0	47,911	47,911	*	99,087	6,481	0
Christopher Schech Senior Vice President Chief Financial Officer	0	1,657	1,657	*	0	4,971	0
Gustavo Díaz Senior Vice President Controller	0	946	946	*	0	2,841	0
Julio Aguirre Vice President, Chief Compliance Officer	586	4,754	5,340	*	7,307	391	128
Manuel Mejía-Aoun [6] Chief Investment Officer Bladex Asset Management	5,000	0	5,000	*	0	0	0
Total	40,405	755,835	796,240	-	1,343,648	105,487	128

* 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 indexed and traditional stock options, as well as options and restricted stock units that will vest within 60 days of December 31, 2011.

(3) Includes 57,243, 273,014, 384,040, and 157,248 stock options granted to executives officers on February 15, 2011, February 9, 2010, February 10, 2009 and February 12, 2008, respectively, under the 2008 Plan. Also, an aggregate amount of 14,810, 147,763, 217,945 and 75,155 stock options were granted to other non-executive employees under the 2008 Plan on February 15, 2011, February 9, 2010, February 10, 2009, and February 12, 2008 respectively. The exercise price and expiration date of these stock options are as follows: 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; Grant of February 10, 2009, exercise price of $10.15 and expiration date of February 10, 2016, Grant of February 12, 2008, exercise price of $15.43 and expiration date of February 12, 2015. The figures in this column additionally include (i) 127,171 stock options granted to executive officers on February 13, 2007 under the Bank's discontinued 2006 Stock Option Plan, or the 2006 Plan, with an exercise price of $16.34 and expiration date of February 13, 2014 and (ii) 136,733, 83,176 and 125,023 stock options granted to executive officers on January 31, 2006, February 1, 2005, and April 13, 2004 under the Bank's discontinued indexed stock purchase option plan, or the Indexed Plan, with expiration date as follows: Grant of January 31, 2006, with an expiration date of January 31, 2016, Grant of February 1, 2005 with an expiration date of February 1, 2015 and Grant of April 13, 2004 with an expiration date of April 13, 2014.

(4) Includes 51,492, 32,932, and 21,063 unvested restricted stock units granted to executive officers on February 15, 2011, February 9, 2010 and February 10, 2009 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 25,844, 35,640, and 48,420 restricted stock units were granted to other non-executive officers under the 2008 Plan on February 15, 2011, February 9, 2010 and February 10, 2009 respectively.

(5) Deferred Equity Units under the Bank's discontinued Deferred Compensation Plan.

(6) 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, in as of December 31, 2011:

Name of Director	**Number of Shares Owned as of Dec. 31, 2011 [1]**	**Number of Shares that may be acquired within 60 days of Dec. 31, 2011 [2]**	Total Number of Shares Beneficially Owned	Percent of Class Beneficially Owned	**Stock Options [3]**	**Restricted Shares [4]**
Esteban Alejandro Acerbo [5]	0	0	0	*	0	0
João Carlos de Nóbrega Pecego [6]	0	0	0	*	0	0
Manuel Sánchez González	0	0	0	*	0	2,767
Mario Covo	9,091	8,079	17,170	*	8,079	10,161
Herminio Blanco	28,616	8,079	36,695	*	8,079	10,161
Maria da Graça França	3,241	0	3,241	*	0	10,161
William Dick Hayes	5,486	8,079	13,565	*	8,079	10,161
Guillermo Güémez García	0	0	0	*	0	2,022
Gonzalo Menéndez Duque	13,641	12,121	25,762	*	12,121	15,240
Total	60,075	36,358	96,433	-	36,358	60,673

* 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 indexed and traditional stock options.

(3) Includes (i) 9,536 stock options granted to directors on February 13, 2007 under the 2006 Plan, with an exercise price of $16.34 and expiration date of February 13, 2014 and 9,626, 7,970, 9,226 stock options granted to directors on January 31, 2006, February 1, 2005, and April 13, 2004 respectively, under the Indexed Plan, with expiration date as follows: Grant of January 31, 2006, with an expiration date of January 31, 2016, Grant of February 1, 2005 with an expiration date of February 1, 2015 and Grant of April 13, 2004 with an expiration date of April 13, 2014.

(4) Includes unvested restricted class E shares granted under the Bank's discontinued 2003 Restricted Stock Plan and the 2008 Plan. An aggregate amount of 25,541 restricted shares were granted to directors on July 18, 2011 under the 2008 Plan; these restricted shares granted under the 2008 Plan vest 20% each year on the relevant grant date's anniversary.

(5) 6,779 class E shares corresponding to Mr. Acerbo's entitlement under the 2008 Plan have been issued to his employer, Banco de la Nación Argentina.

(6) 6,779 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 16.

C. Board Practices

Non-Executive Officers of the Board, Dignatarios

The following table sets forth the names, countries of citizenship, and ages of the Bank's non-executive officers of the Board, or 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	Chile	Chairman of the Board	63
Banco de Chile, Chile			
Maria da Graça França	Brazil	Treasurer	63
Ricardo Manuel Arango			
Partner	Panama	Secretary	51
Arias, Fábrega & Fábrega			

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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, 2011, the Board held 10 meetings. Each director attended an average of 95% of the total number of Board meetings held during the fiscal year ended December 31, 2011. All directors attended the prior year’s annual meeting.

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, 2011:

Committee	Number of members	Total number of meetings held
Audit and Compliance Committee	4	7
Credit Policy and Risk Assessment Committee	5	5
Assets and Liabilities Committee	5	6
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 and 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. See Item 16G, “Corporate Governance.”

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
Calle 50 and Aquilino de la Guardia

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/Investors Center/Corporate Governance, under "Corporate Governance – Private Filing of Reports".

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. 04-2001 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, 2011, the committee met seven 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 2011.

See Item 16A, "Audit and Compliance Committee Financial Expert" and Item 16C, "Principal Accountant Fees and Services."

The Audit and Compliance Committee's Charter may be found on the Bank's website at http://www.bladex.com.

Credit Policy and Risk Assessment Committee

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

The Credit Policy and Risk Assessment Committee is responsible for reviewing and recommending to the Board all credit policies and procedures related to the management of the Bank's risks. The committee also reviews the quality and profile of the Bank's credit facilities and the risk levels that the Bank is willing to assume. The committee's responsibilities also include, among other things, the review of operational and legal risks, the presentation for Board approval of country limits and limits exceeding delegated authority, and the approval of exemptions to credit policies.

The Credit Policy and Risk 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, 2011, the committee held five meetings.

The Credit Policy and Risk 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, 2011, the committee held six 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 is 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, 2011, the committee held five meetings.

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

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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. 04-2001 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, 2011, 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 Calle 50 and Aquilino de la Guardia, 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, six (6) 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. Jaime Rivera is the only executive officer that 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 2011 amounted to $25,000. During the fiscal year ended December 31, 2011, 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	53
Roberto Teixeira da Costa	Board Member Sul America, S.A.	Brazil	77
Carlos Martabit	General Manager, Finance Division BancoEstado	Chile	58
Santiago Perdomo	President Banco Colpatria – Red Multibanca Colpatria	Colombia	54
Alberto Motta, Jr	President Inversiones Bahía Ltd.	Panama	65
Enrique Cornejo	Director Soluciones Consultores Internacionales SAC	Peru	55

D. Employees

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

	As of December 31,		
	2011	2010	2009
Bladex Head Office in Panama	135	132	127
New York Agency	4	7	7
Bladex Asset Management	9	9	5
Representative Office in Argentina	4	4	3
Representative Office in Brazil	20	18	12
Representative Office in Mexico	19	12	6
Florida International Administrative Office	10	6	4
Representative Office in Colombia	3	0	0
Representative Office in Peru	4	0	0
Total Number of Permanent Employees	208	188	164

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, 2011, 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 8.7% 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, 2011:

	As of December 31, 2011		
	Number of Shares	% of Class	% of Total Common Stock
Class A Common Stock			
Banco de la Nación Argentina [(1)] Bartolomé Mitre 326 1036 Buenos Aires, Argentina	1,045,348	16.5	2.8
Banco do Brasil [(2)] SBS Quadra 1-Bloco A CEP 70.0070-100 Brasilia, Brazil	974,551	15.4	2.6
Banco de Comercio Exterior de Colombia Edif. Centro de Comercio Internacional Calle 28 No. 13A-15 Bogotá, Colombia	488,547	7.7	1.3
Banco de la Nación (Perú) Ave. Republica de Panamá 3664 San Isidro, Lima, Perú	446,556	7.0	1.2
Banco Central del Paraguay Federación Rusa y Sargento Marecos Asunción, Paraguay	434,658	6.9	1.2
Banco Central del Ecuador Ave. 10 de Agosto N11- 409 y Briceño Quito, Ecuador	431,217	6.8	1.2
Banco del Estado de Chile Ave. Libertador Bernardo O'Higgins 1111 Santiago, Chile	323,413	5.1	0.9
Sub-total shares of Class A Common Stock	4,144,290	65.4	11.2
Total Shares of Class A Common Stock	6,342,189	100.0	17.1

Class B Common Stock	Number of Shares	% of Class	% of Total Common Stock
Banco de la Provincia de Buenos Aires. San Martin 137 C1004AAC Buenos Aires, Argentina	884,461	34.9	2.4
Banco de la Nación Argentina Bartolomé Mitre 326 1036 Buenos Aires, Argentina	295,945	11.7	0.8
The Korea Exchange Bank 181, Euljiro 2GA Jungu, Seoul, Korea	147,173	5.8	0.4
Sub-total shares of Class B Common Stock	1,327,579	52.4	3.6

Total Shares of Class B Common Stock	2,531,926	100.0	6.8

Class E Common Stock	Number of Shares	% of Class	% of Total Common Stock
Brandes Investment Partners, LP [3]			
11988 El Camino Real, Suite 500	3,216,456	11.4	8.7
San Diego, California 92130			
LSV Asset Management [4]			
1 N. Wacker Drive, Suite 4000	1,572,530	5.6	4.2
Chicago, Illinois 60606			
Sub-total shares of Class E Common Stock	4,788,986	17.0	12.9
Total Shares of Class E Common Stock	28,257,827	100.0	76.1

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	37,131,942		100.0

[1] Does not include an aggregate of 14,061 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 15,259 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 (Amendment No. 10) filing with the U.S. Securities and Exchange Commission dated January 10, 2012.

[4] Source: Schedule 13F filing with the U.S. Securities and Exchange Commission dated February 7, 2012.

As of December 31, 2011, the Bank's Class A common shares outstanding stood at the same level as of December 31, 2010. Class B common shares outstanding decreased by 10,095 shares during 2011 and Class E common shares outstanding increased by 431,497 shares during the same period.

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, 2011:

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

The Bank had no preferred stock issued and outstanding as of December 31, 2011.

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, 2011, the Bank did not have any outstanding credit facility with any related parties as defined by the Superintendency.

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 the quarterly common dividend from $0.20 to $0.25 per common share corresponding to the fourth quarter 2011. For the first, second and third quarter of 2011, the Bank paid quarterly dividends of $0.20 per share outstanding.

During 2010, the Bank increased quarterly dividends from $0.15 to $0.17 in the third quarter of the fiscal year 2010 and from $0.17 to $0.20 per share in the fourth quarter of fiscal year 2010.

During 2011, Bladex declared $31.5 million in quarterly dividends, compared to $24.6 million in 2010, and compared to $21.9 million in 2009. No special dividends were declared during 2011, 2010 or 2009.

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

Payment date	Record date	Dividend per share	
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
October 31, 2008	October 22, 2008	$	0.22
July 31, 2008	July 21, 2008	$	0.22
April 4, 2008	March 25, 2008	$	0.22
January 17, 2008	January 7, 2008	$	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, 2011.

B. Significant Changes

No significant change has occurred since the date of the annual financial statements (December 31, 2011).

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
2011	19.03	14.84
2010	18.99	11.87
2009	15.09	6.83
2008	20.74	8.17
2007	23.17	15.52
2012:		
March	21.52	18.93
February	20.38	18.42
January	19.14	16.00
2011:		
December	16.83	15.45
November	17.00	14.88

October	17.26	14.84
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
2010:		
First Quarter	15.14	13.33
Second Quarter	16.48	11.87
Third Quarter	15.00	11.90
Fourth Quarter	18.99	14.16

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 76.1% of the total shares of the Bank's common stock issued and outstanding as of December 31, 2011. The Bank's Class B shares are convertible into Class E shares on a one-to-one basis.

D. Selling Stockholders

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, 2011, 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.

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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 the special 15% rate 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 was not classified as a PFIC for the taxable year ending December 31, 2011.

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.

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.

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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 Calle 50 y Aquilino de la Guardia, 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 the credit and market exposure of the Bank.

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(v) and 20.

For information regarding investment securities, see Item 4, “Information on the Company/Business Overview/Investment Securities,” and Item 18, “Financial Statements,” note 5.

The table below lists for each of the years from 2012 to 2016 the notional amounts and weighted interest rates, as of December 31, 2011, 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 6.

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Interest Rate Risk Management and Sensitivity

As of December 31, 2011

Expected maturity date

	2012	2013	2014	2015	2016	There-after	Without maturity	Total 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
	8.31 %	9.21 %	-	-	-	-	-	8.52 %	

Average fixed rate									
Peruvian Soles	-	-	45,615	-	-	-	-	45,615	49,175
Average fixed rate	-	-	6.50 %	-	-	-	-	6.50 %	
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 %	-	-	7.19 %	
Average receive rate	-	4.36 %	2.87 %	2.91 %	2.38 %	-	-	3.50 %	
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 %	

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Expected maturity date	2012	2013	2014	2015	2016	There-after	Without maturity	Total 2011	Fair value 2011
($ Equivalent in thousand)									
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 %	
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)

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Expected maturity date

	2012	2013	2014	2015	2016	There-after	Without maturity	Total 2011	Fair value 2011
($ Equivalent in thousand)									
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.

As of December 31, 2010

Expected maturity date

	2011	2012	2013	2014	2015	There-after	Without maturity	Total 2010	Fair value 2010
($ Equivalent in thousand)									
NON-TRADING ASSETS									
Investment Securities									
Fixed rate									
U.S. Dollars	31,601	5,000	101,250	70,000	70,000	10,000	-	287,851	323,371
Average fixed rate	6.44 %	10.00 %	8.54 %	9.24 %	7.34 %	3.75 %	-	8.05 %	
Floating rate									
U.S. Dollars	-	25,000	-	-	38,000	-	-	63,000	63,085
Average floating rate	-	0.90 %	-	-	2.08 %	-	-	1.62 %	
Loans (1)									
Fixed rate									
U.S. Dollars	1,938,172	11,214	1,929	17,584	1,127	-	-	1,970,026	1,973,505
Average fixed rate	2.68 %	6.92 %	5.93 %	3.74 %	5.85 %	-	-	2.72 %	
Mexican Peso	23,848	6,688	2,442	627	-	-	-	33,605	37,471

Average fixed rate	10.02 %	10.48 %	11.78 %	12.50 %	-	-	-	10.28 %	
Floating rate									
U.S. Dollars	881,734	453,895	297,863	140,274	257,551	27,343	-	2,058,660	1,997,316
Average floating rate	2.52 %	3.04 %	3.41 %	4.00 %	2.93 %	3.19 %	-	2.92 %	
Mexican Peso	1,116	-	-	-	-	-	-	1,116	1,151
Average floating rate	11.00 %	-	-	-	-	-	-	11.00 %	
Euro	753	172	-	-	-	-	-	925	920
Average floating rate	2.28 %	2.24 %	-	-	-	-	-	2.28 %	
LIABILITIES									
Borrowings and Placements (2)									
Fixed rate									
U.S. Dollars	1,270,179	-	-	-	-	-	-	1,270,179	1,267,917
Average fixed rate	1.09 %	-	-	-	-	-	-	1.09 %	
Mexican Peso	15,610	4,923	1,507	-	-	-	-	22,040	23,653
Average fixed rate	8.22 %	8.31 %	9.21 %	-	-	-	-	8.31 %	
Peruvian Soles	-	-	-	43,827	-	-	-	43,827	47,753
Average fixed rate	-	-	-	6.50 %	-	-	-	6.50 %	
Floating rate									
U.S. Dollars	463,314	293,272	226,109	-	-	-	-	982,695	953,767
Average floating rate	1.48 %	0.81 %	1.24 %	-	-	-	-	1.22 %	
Mexican Peso	-	-	116,726	-	-	-	-	116,726	111,133
Average floating rate	-	-	5.79 %	-	-	-	-	5.79 %	

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Expected maturity date	2011	2012	2013	2014	2015	There-after	Without maturity	Total 2010	Fair value 2010
($ Equivalent in thousand)									
Interest Rate Swaps									
U.S. Dollars fixed to floating	17,800	5,000	95,000	70,000	70,000	10,000	-	267,800	(25,146)
Average pay rate	8.66 %	10.00 %	8.73 %	9.24 %	7.34 %	3.75 %	-	8.34 %	
Average receive rate	5.21 %	6.68 %	4.89 %	5.19 %	2.91 %	2.30 %	-	4.41 %	
U.S. Dollars floating to fixed	-	20,000	-	-	-	-	-	20,000	(1,499)
Average pay rate	-	5.94 %	-	-	-	-	-	5.94 %	
Average receive rate	-	0.68 %	-	-	-	-	-	0.68 %	
Cross Currency Swaps									
Receive U.S. Dollars	1,144	645	552	600	-	-	-	2,941	(168)
U.S. Dollars fixed rate	7.04 %	7.04 %	7.04 %	7.04 %	-	-	-	7.04 %	
U.S. Dollars floating rate	2.08 %	2.76 %	3.84 %	-	-	-	-	2.47 %	
Pay US Dollars	-	-	147,242	41,020	-	-	-	188,262	(24,182)
U.S. Dollars fixed rate	-	-	-	5.35 %	-	-	-	5.35 %	
U.S. Dollars floating rate	-	-	2.29 %	-	-	-	-	2.29 %	
Receive Mexican Peso	-	-	147,242	-	-	-	-	147,242	
Mexican Peso floating rate	-	-	5.83 %	-	-	-	-	5.83 %	
Pay Mexican Peso	428	483	552	600	-	-	-	2,063	
Mexican Peso fixed rate	12.50 %	12.50 %	12.50 %	12.50 %	-	-	-	12.50 %	
Receive Peruvian Soles	-	-	-	41,020	-	-	-	41,020	
Peruvian Soles fixed rate	-	-	-	6.50 %	-	-	-	6.50 %	
Pay Euro	716	162	-	-	-	-	-	878	
Euro floating rate	2.28 %	2.24 %	-	-	-	-	-	2.28 %	
Forward Currency Exchange Agreements									
	1,302	455	351	-	-	-	-	2,108	69

Receive U.S. Dollars/Pay Mexican Pesos									
Average exchange rate	12.08	12.63	13.14	-	-	-	-	12.37	
TRADING									
Trading Assets									
Debt securities:									
Fixed rate									
U.S. Dollars	10,000	-	36,800	-	-	-	-	46,800	50,412
Average fixed rate	10.25 %	-	5.73 %	-	-	-	-	6.69 %	
Trading Liabilities									
Interest rate swaps:									
U.S. Dollars fixed to floating	10,000	-	36,800	-	-	-	-	46,800	(3,031)
Average pay rate	10.25 %	-	5.73 %	-	-	-	-	6.69 %	
Average receive rate	7.40 %	-	2.07 %					3.21 %	
Cross currency swap:									
Receive US Dollars	7,296	883	-	-	-	-	-	8,179	(907)
U.S. Dollars floating rate	4.79 %	4.79 %	-	-	-	-	-	4.79 %	
Pay Mexican Peso	7,296	883	-	-	-	-	-	8,179	
Mexican Peso fixed rate	11.00 %	11.00 %	-	-	-	-	-	11.00 %	

(1) U.S. Dollars floating rate loans include $29.0 million of 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(e) and 6.

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 2011, 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, 2011, the Bank had an equivalent of $33 million in non-U.S. dollar financial assets and $363 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 December 31, 2011.

	Carrying Amount	Fair Value
($ Equivalent in thousand)		

NON-TRADING ASSETS		
Investment Securities		
Investment available for sale	416,300	416,300
Investment held-to-maturity	26,536	26,637
LIABILITIES		
Interest rate swaps	(10,317)	(10,317)
TRADING ASSETS		
Trading Assets	20,415	20,415
TRADING LIABILITIES		
Interest rate swaps	(748)	(748)

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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 December 31, 2010.

	Carrying Amount	Fair Value
($ Equivalent in thousand)		
NON-TRADING ASSETS		
Investment Securities		
Investment available for sale	353,250	353,250
Investment held-to-maturity	33,181	33,206
LIABILITIES		
Interest rate swaps	(25,737)	(25,737)
TRADING ASSETS		
Trading Assets	50,412	50,412
TRADING LIABILITIES		
Interest rate swaps	(3,031)	(3,031)

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, 2011, and concluded that they were effective as of December 31, 2011.

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, 2011 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, 2011, 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, 2011, 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.

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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, 2011, 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, 2011 of Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries and our report dated February 27, 2012 expressed an unqualified opinion on those financial statements.

/S/ Deloitte, Inc.

February 27, 2012

Panama, Republic of Panama

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, 2011 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.

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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 Investor Center / Corporate Governance / Code of Ethics and Addenda to the Code of Ethics (For purposes of Section 406 of the Sarbanes-Oxley Act of 2002).

Item 16C. Principal Accountant Fees and Services

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, 2011 and 2010:

	2011	2010
Audit fees	$638,440	$595,000
Audit-related fees	$294,250	$277,000
Tax fees	$0	$0
All other fees	$0	$0
Total	$932,690	$872,000

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 the establishment of the dual program to issue "certificados bursátiles" in Mexico. In 2010, aggregate fees billed for professional services rendered by Deloitte, Inc. related to the renewal of the Bank's EMTN Program in 2010.

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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Banco Latinoamericano

de Comercio Exterior, S. A.

and Subsidiaries

With Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2011 and 2010, and Related Consolidated Statements of Income, Stockholders' Equity, Comprehensive Income (Loss) and Cash Flows for Each of the Three Years in the Period Ended December 31, 2011

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Banco Latinoamericano de Comercio Exterior, S. A.

and Subsidiaries

Consolidated Financial Statements 2011, 2010 and 2009

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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, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and redeemable noncontrolling interest, comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, 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, 2011, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2012 expressed an unqualified opinion on the Bank's internal control over financial reporting.

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

/S/ Deloitte, Inc.

February 27, 2012

Auditoría . Impuestos . Consultoría . Asesoría Financiera.

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

Consolidated balance sheets
December 31, 2011 and 2010
(in US$ thousand, except share amounts)

	Notes	2011	2010
Assets			
Cash and due from banks	3,22	12,814	5,570
Interest-bearing deposits in banks (including pledged deposits of $23,994 in 2011 and $16,075 in 2010)	3,22	830,670	431,144
Trading assets (including pledged securities to creditors of $18,988 in 2011 and $34,208 in 2010)	4,22	20,436	50,412
Securities available-for-sale (including pledged securities to creditors of $375,492 in 2011 and $235,581 in 2010)	5,22	416,300	353,250
Securities held-to-maturity (fair value of $26,637 in 2011 and $33,206 in 2010) (including pledged securities to creditors of $17,486 in 2011 and $13,018 in 2010)	5,22	26,536	33,181
Investment fund	6,22	120,425	167,291
Loans	7,22	4,959,573	4,064,332
Less:			
Allowance for loan losses	8,22	88,547	78,615
Unearned income and deferred fees		6,697	4,389
Loans, net		4,864,329	3,981,328
Customers' liabilities under acceptances	22	1,110	27,213
Accrued interest receivable	22	38,168	31,110
Premises and equipment (net of accumulated depreciation and amortization of $17,881 in 2011 and $16,640 in 2010)	9	6,673	6,532
Derivative financial instruments used for hedging - receivable	20,22	4,159	2,103
Other assets	10	18,412	10,953
Total assets		6,360,032	5,100,087
Liabilities and stockholders' equity			
Deposits:	11,22		
Noninterest-bearing - Demand		680	705
Interest-bearing - Demand		66,906	99,647
Time		2,235,920	1,720,573
Total deposits		2,303,506	1,820,925
Trading liabilities	4,22	5,584	3,938
Securities sold under repurchase agreement	3,4,5,12,22	377,002	264,927
Short-term borrowings	13,22	1,323,466	1,095,400
Acceptances outstanding	22	1,110	27,213
Accrued interest payable	22	11,790	10,084
Borrowings and long-term debt	14,22	1,487,548	1,075,140
Derivative financial instruments used for hedging - payable	20,22	53,742	53,029

Reserve for losses on off-balance sheet credit risk	8	8,887	13,335
Other liabilities		22,568	20,096
Total liabilities		5,595,203	4,384,087
Commitments and contingencies	18,19,20,22,23		
Redeemable noncontrolling interest		5,547	18,950
Stockholders' equity:	15,16,17,21,24		
"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 2011 and 2,542,021 in 2010)		20,683	20,736
"Class E" common stock, no par value, assigned value of $6.67 (Authorized 100,000,000; outstanding 28,257,827 in 2011 and 27,826,330 in 2010)		214,890	214,837
Additional paid-in capital in excess of assigned value of common stock		130,177	133,815
Capital reserves		95,210	95,210
Retained earnings		372,644	320,153
Accumulated other comprehensive loss	5,20,21	(3,112)	(6,441)
Treasury stock	15	(115,617)	(125,667)
Total stockholders' equity		759,282	697,050
Total liabilities and stockholders' equity		6,360,032	5,100,087

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, 2011, 2010 and 2009
(in US$ thousand, except per share amounts)

	Notes	2011	2010	2009
Interest income:	20			
Deposits with banks		1,351	839	1,260
Trading assets		1,758	3,133	7,158
Investment securities:				
Available-for-sale		10,780	8,188	17,267
Held-to-maturity		880	285	190
Investment fund		2,341	2,198	1,763
Loans		140,317	104,835	114,326
Total interest income		157,427	119,478	141,964
Interest expense:	20			
Deposits		8,818	8,531	11,493
Investment fund		323	963	2,325
Short-term borrowings		15,753	8,058	23,729
Borrowings and long-term debt		29,823	27,423	39,665
Total interest expense		54,717	44,975	77,212
Net interest income		102,710	74,503	64,752
Provision for loan losses	8	(8,841)	(9,091)	(18,293)
Net interest income, after provision for loan losses		93,869	65,412	46,459
Other income (expense):				
Reversal of provision for losses on off-balance sheet credit risk	8	4,448	13,926	3,463
Fees and commissions, net		10,729	10,326	6,733
Derivative financial instruments and hedging	20	2,923	(1,446)	(2,534)
Recoveries, net of impairment of assets		(57)	233	(120)
Net gain (loss) from investment fund trading		20,314	(7,995)	24,997
Net gain (loss) from trading securities		(6,494)	(3,603)	13,113
Net gain on sale of securities available-for-sale	5	3,413	2,346	546
Gain on foreign currency exchange		4,269	1,870	613
Other income, net		477	833	912
Net other income		40,022	16,490	47,723
Operating expenses:				
Salaries and other employee expenses		29,268	23,499	20,201
Depreciation and amortization of premises and equipment		2,166	2,510	2,671
Professional services		4,882	4,945	3,262
Maintenance and repairs		1,639	1,616	1,125
Expenses from the investment fund		1,540	890	3,520
Other operating expenses		10,540	8,621	7,423

Total operating expenses		50,035	42,081	38,202
Net income		83,856	39,821	55,980
Net income (loss) attributable to the redeemable noncontrolling interest		676	(2,423)	1,118
Net income attributable to Bladex		83,180	42,244	54,862
Basic earnings per share	17	2.25	1.15	1.50
Diluted earnings per share	17	2.24	1.15	1.50
Weighted average basic shares	17	36,969	36,647	36,493
Weighted average diluted shares	17	37,145	36,814	36,571

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 changes in stockholders' equity and redeemable noncontrolling interest
Years ended December 31, 2011, 2010 and 2009
(in US$ thousand)

	Stockholders' equity							
	Common stock	Additional paid-in capital in excess of assigned value of common stock	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity	Redeemable noncontrolling interest
Balances at January 1, 2009	279,980	135,577	95,210	268,435	(72,115)	(132,763)	574,324	4,689
Net income	-	-	-	54,862	-	-	54,862	1,118
Redeemable noncontrolling interest - subscriptions	-	-	-	-	-	-	-	32,090
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(2,997)
Other comprehensive income	-	-	-	-	65,955	-	65,955	-
Compensation cost - stock options and stock units plans	-	1,596	-	-	-	-	1,596	-
Issuance of restricted stock	-	(905)	-	-	-	905	-	-
Exercised options and stock units vested	-	(1,448)	-	-	-	2,256	808	-
Dividends declared	-	-	-	(21,908)	-	-	(21,908)	-
Balances at December 31, 2009	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)
	-	-	-	-	(281)	-	(281)	-

Other comprehensive loss								
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
Redeemable noncontrolling interest - redemptions	-	-	-	-	-	-	-	(14,610)
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

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 (loss)
Years ended December 31, 2011, 2010 and 2009
(in US$ thousand)

	Notes	2011	2010	2009
Net income		83,856	39,821	55,980
Other comprehensive income (loss)				
Unrealized gains (losses) on securities available-for-sale:				
Unrealized gains arising from the year	21	4,095	2,325	63,556
Less: reclassification adjustments for net gains included in net income	21	(2,079)	(2,825)	(649)
Net change in unrealized gains (losses) on securities available-for-sale		2,016	(500)	62,907
Unrealized gains (losses) on derivative financial instruments:				
Unrealized gains arising from the year	21	1,097	1,391	1,971
Less: reclassification adjustments for net (gains) losses included in net income	21	960	(1,172)	1,077
Net change in unrealized gains on derivative financial instruments		2,057	219	3,048
Foreign currency translation adjustment, net of hedges:				
Current year change	21	(744)	-	-
Change in foreign currency translation adjustment		(744)	-	-
Other comprehensive income (loss)		3,329	(281)	65,955
Comprehensive income		87,185	39,540	121,935
Comprehensive income (loss) attributable to the redeemable noncontrolling interest		676	(2,423)	1,118
Comprehensive income attributable to Bladex		86,509	41,963	120,817

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 cash flows
Years ended December 31, 2011, 2010 and 2009
(in US$ thousand)

	2011	2010	2009
Cash flows from operating activities:			
Net income	83,856	39,821	55,980
Adjustments to reconcile net income to net cash provided by operating activities:			
Activities of derivative financial instruments and hedging	17,177	(6,498)	1,391
Depreciation and amortization of premises and equipment	2,166	2,510	2,671
Provision for loan losses	8,841	9,091	18,293
Reversal of provision for losses on off-balance sheet credit risk	(4,448)	(13,926)	(3,463)
Impairment loss on assets	57	-	120
Net gain on sale of securities available-for-sale	(3,413)	(2,346)	(546)
Compensation cost - compensation plans	2,311	2,099	1,596
Amortization of premium and discounts on investments	6,912	7,597	9,382
Net decrease (increase) in operating assets:			
Trading assets	29,766	(135)	(5,338)
Investment fund	46,866	30,284	(46,880)
Accrued interest receivable	(7,058)	(5,549)	20,758
Other assets	(7,507)	(24,409)	(5,126)
Net increase (decrease) in operating liabilities:			
Trading liabilities	1,647	786	(11,005)
Accrued interest payable	1,706	(1,207)	(21,665)
Other liabilities	1,308	30,921	1,303
Net cash provided by operating activities	180,187	69,039	17,471
Cash flows from investing activities:			
Net decrease (increase) in pledged deposits	(7,919)	6,507	52,422
Net increase in deposits with original maturities greater than three months	(30,000)	-	-
Net increase in loans	(901,103)	(1,308,935)	(160,471)
Proceeds from the sale of loans	9,261	20,000	-
Acquisition of premises and equipment	(2,308)	(1,293)	(2,450)
Proceeds from the redemption of securities available-for-sale	19,484	33,074	50,509
Proceeds from the sale of securities available-for-sale	264,997	151,267	146,471
Proceeds from the maturity of securities held-to-maturity	13,500	-	28,275
Purchases of investments available-for-sale	(364,993)	(93,009)	(9,994)
Purchases of investments held-to-maturity	(7,050)	(33,196)	-
Net cash provided by (used in) investing activities	(1,006,131)	(1,225,585)	104,762
Cash flows from financing activities:			
Net increase in due to depositors	482,581	564,679	87,198
Net increase (decrease) in short-term borrowings and securities sold under repurchase agreements	340,141	961,195	(813,789)

Proceeds from borrowings and long-term debt	824,139	212,960	335,598
Repayments of borrowings and long-term debt	(411,731)	(528,207)	(150,163)
Dividends paid	(29,505)	(22,720)	(34,593)
Subscriptions of redeemable noncontrolling interest	531	9,900	32,090
Redemptions of redeemable noncontrolling interest	(14,610)	(23,427)	(2,997)
Exercised stock options	4,101	834	808
Repurchase of common stock	-	(3)	-
Net cash provided by (used in) financing activities	1,195,647	1,175,211	(545,848)
Effect of exchange rate fluctuations on cash and cash equivalents	(852)	-	-
Net increase (decrease) in cash and cash equivalents	368,851	18,665	(423,615)
Cash and cash equivalents at beginning of the year	420,639	401,974	825,589
Cash and cash equivalents at end of the year	789,490	420,639	401,974
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	53,011	46,182	98,877

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, serves as investment manager for Bladex Offshore Feeder Fund (the "Feeder") and Bladex Capital Growth Fund (the "Fund"). 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 95.84% as of December 31, 2011, and 88.67% as of December 31, 2010. 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.

- 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.

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

Notes to consolidated financial statements

- 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, 2011, Bladex Investimentos Ltda. holds 92% 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% of Bladex Asset Management Brazil – Gestora de Recursos Ltda. and Bladex Asset Management Inc. owns the remaining 1%. 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. The offices in Lima, Peru and Bogota, Colombia started operations in 2011.

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.

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 Stated 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.

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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

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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.

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.

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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 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.

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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 assets to be repurchased are the same or substantially the same as those transferred; the transferor is able to repurchase them with the collateral received, keeping substantially the agreed terms, even in the event of default of the transferee; the agreement is to repurchase or redeem them before maturity, at a fixed and determinable price; and the agreement is entered into concurrently at the transfer date. In order to be able to repurchase assets on substantially the agreed terms, even in the case of default from the counterparty, the transferor must at all times, during the contract term, have obtained cash or other collateral sufficient to fund substantially all the cost of purchasing the transferred assets from other counterparties.

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, which is based upon quoted prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the security.

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

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, 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. 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 market value has been less than cost, the severity of the impairment, the cause of the impairment and the financial condition of the issuer, activity in the market of the issuer which may indicate adverse credit conditions, 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 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.

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The Fund invests in trading assets and liabilities that are carried at fair value, which is based upon quoted market prices when available. For financial instruments for which quoted prices are not available, the Fund uses independent valuations from pricing providers that use their own proprietary valuation models that take into consideration discounted expected cash flows, using market rates commensurate with the credit quality and maturity of the security. These prices are compared to independent valuations from counterparties. The Fund reports trading gains and losses from negotiation of these instruments as realized and unrealized gains and losses on investments.

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 market 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 10).

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.

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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.

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 4 are reviewed annually, ratings 5 and 6 are reviewed semi-annually, and those with greater ratings 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.

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The Bank's lending policy is applicable to all classes of loans.

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 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.

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 accreting earnings. Credit losses are deducted from the allowance, and subsequent recoveries are added. The allowance is also decreased by reversals of the allowance back to earnings. The allowance attributable to loans is reported as a deduction of loans and the allowance for off-balance sheet credit risk, such as, letters of credit and guarantees, is reported as a liability.

The allowance for possible credit losses includes an asset-specific component and a formula-based component. The asset-specific component relates to 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 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:

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Reserves = ∑(E x PD x 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.

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

p) Fair value of guarantees including indirect indebtedness of others

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

q) 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.

r) Premises and equipment

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

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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.

s) Borrowings and debt

Short and long-term borrowings and debt are accounted for at amortized cost.

t) 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.

u) 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. The fair value of each option is estimated at the grant date using the Black-Scholes option-pricing model. For the years 2010 and 2009, 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.

v) 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 and cross-currency swap 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.

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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 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.
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. 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 income statement 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.

w) 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 on foreign currency exchange item.

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x) 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.

y) 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.

z) 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.

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aa) Recently issued accounting standards

During 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 2011-03 – Transfers and Servicing (Topic 860)

The main objective of this update is to improve the accounting for repurchase agreements. The modifications of these amendments remove from the assessment of effective control over the transferred assets, the criterion relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed terms. Consequently, the amendments also eliminate the requirement to demonstrate that the transferor possesses adequate collateral to replace the transferred assets in the event of bankruptcy of the counterparty.

This update is effective for interim and annual financial statements beginning on or after December 15, 2011. Early adoption is not permitted. The Bank is evaluating the potential impact of this update in its consolidated financial statements.

ASU 2011-04 – Fair Value Measurement (Topic 820)

The objective of this update is to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRSs). The amendments in this update explain how to measure fair value and disclose related information.

This update is effective for interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. The Bank is evaluating the potential impact of this update in its consolidated financial statements.

ASU 2011-05 – Comprehensive Income (Topic 220)

The objective of this update is to increase the prominence of items reported in other comprehensive income. This update provides two options for reporting other comprehensive income, where the entity should choose one and apply it consistently:

1. To present a single continuous financial statement. At the end of the income statement, the Bank shall present the components of comprehensive income in two sections, net income and other comprehensive income. If this option is elected, the name of the income statement changes to "statement of comprehensive income".
2. To present comprehensive income in two separate but consecutive statements.

In addition, it is required to present, by component, the reclassification adjustments of items from the other comprehensive income that are reclassified to the net income on the financial statements where components of net income and components of other comprehensive income are presented.

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This update is effective for interim and annual periods beginning on or after December 15, 2011, and should be applied retrospectively. The Bank is evaluating the potential impact of this update on presentation of OCI in its consolidated financial statements.

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 is evaluating the potential impact of those disclosures.

ASU 2011-12 – Comprehensive Income (Topic 220)

Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments of items from the other comprehensive income that are reclassified to the net income on the financial statements where components of net income and components of other comprehensive income are presented.

The amendments of ASU 2011-12 defer indefinitely those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented.

The amendments in this ASU are effective for interim and annual periods beginning on or after December 15, 2011.

3. Cash and cash equivalents

Cash and cash equivalents are as follows:

(In thousands of US$)	December 31, 2011	2010
Cash and due from banks	12,814	5,570
Interest-bearing deposits in banks	830,670	431,144
Total	843,484	436,714
Less:		
Interest-bearing deposits with original maturities of more than three months	30,000	-
Pledged deposits	23,994	16,075
	789,490	420,639

On December 31, 2011 and 2010, 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, 2011 and 2010, the Bank had pledged deposits of $21.0 million and $13.1 million, respectively, to secure derivative financial instruments transactions and repurchase agreements.

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4. Trading assets and liabilities

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

(In thousands of US$)	December 31, 2011	2010
Trading assets:		
Sovereign bonds	20,415	45,058
Corporate bonds	-	5,354
Cross-currency interest rate swaps	21	-
Total	20,436	50,412
Trading liabilities:		
Interest rate swaps	748	3,031
Cross-currency interest rate swaps	4,836	907
Total	5,584	3,938

Sovereign and corporate bonds outstanding as of December 31, 2011, 2010 and 2009, have generated losses of $0.7 million during 2011, and gains of $0.1 million and $3.3 million during 2010 and 2009, respectively, which have been recorded in earnings.

As of December 31, 2011 and 2010, bonds with a carrying value of $19.0 million and $34.2 million, respectively, secured repurchase agreements accounted for as secured borrowings and derivative financial instruments transactions.

During 2011, 2010 and 2009, the Bank recognized the following gains and losses related to trading derivative financial instruments:

(In thousands of US$)	Year ended December 31, 2011	2010	2009

Forward repurchase agreements	-	-	2,570
Interest rate swaps	(299)	(2,091)	(551)
Cross-currency interest rate swaps	(4,858)	(1,662)	(638)
Credit default swap	-	13	110
Forward foreign exchange	93	-	-
Future contracts	(29)	-	-
Total	(5,093)	(3,740)	1,491

These losses 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 20.

As of December 31, 2011 and 2010, 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, respectively, that no longer qualify for hedge accounting.

As of December 31, 2011 and 2010, information on the nominal amounts of derivative financial instruments held for trading purposes is as follows:

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(In thousands of US$)	2011 Nominal Amount	Fair Value Asset	Fair Value Liability	2010 Nominal Amount	Fair Value Asset	Fair Value Liability
Interest rate swaps	17,000	-	748	46,800	-	3,031
Cross-currency interest rate swaps	85,163	21	4,836	8,179	-	907
Future contracts	139	-	-	-	-	-
Total	102,302	21	5,584	54,979	-	3,938

5. 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:

(In thousands of US$)	December 31, 2011 **Amortized Cost**	**Unrealized Gross Gain**	Unrealized Gross Loss	Fair Value
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
	320,266	9,945	1,109	329,102

Total	409,288	10,215	3,203	416,300

(In thousands of US$)	**December 31, 2010** **Amortized Cost**	**Unrealized Gross Gain**	Unrealized Gross Loss	Fair Value
Corporate debt:				
Brazil	39,600	995	290	40,305
Chile	26,493	1,090	-	27,583
	66,093	2,085	290	67,888
Sovereign debt:				
Brazil	42,259	5,253	-	47,512
Colombia	101,222	5,634	355	106,501
Dominican Republic	3,118	79	-	3,197
El Salvador	15,299	292	-	15,591
Mexico	45,796	2,057	8	47,845
Panama	36,605	2,269	79	38,795
Venezuela	25,100	1,050	229	25,921
	269,399	16,634	671	285,362
Total	335,492	18,719	961	353,250

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As of December 31, 2011 and 2010, securities available-for-sale with a carrying value of $375.5 million and $235.6 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:

	December 31, 2011					
(In thousands of US$)	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

	December 31, 2010					
(In thousands of US$)	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	13,756	290	-	-	13,756	290
Sovereign debt	35,737	464	10,063	207	45,800	671
	49,493	754	10,063	207	59,556	961

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

(In thousands of US$)	Year ended December 31,		
	2011	2010	2009
Gains	3,825	2,346	1,276
Losses	(412)	-	(730)
Net	3,413	2,346	546

The amortized cost and fair value of securities available-for-sale by contractual maturity as of December 31, 2011, are shown in the following table:

(In thousands of US$)	**Amortized Cost**	**Fair Value**
Due within 1 year	14,945	14,892
After 1 year but within 5 years	296,837	303,971
After 5 years but within 10 years	97,506	97,437
	409,288	416,300

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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, 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

(In thousands of US$)	December 31, 2010			
	Amortized Cost	**Unrealized Gross Gain**	**Unrealized Gross Loss**	**Fair Value**
Corporate debt:				
Panama	8,500	-	-	8,500
Sovereign debt:				
Colombia	13,018	64	-	13,082
Costa Rica	5,025	-	12	5,013
Honduras	4,638	-	27	4,611
Panama	2,000	-	-	2,000
	24,681	64	39	24,706
Total	33,181	64	39	33,206

Securities that show gross unrealized losses have had losses for less than 12 months; and therefore, such losses are considered temporary.

The amortized cost of securities held-to-maturity by contractual maturity as of December 31, 2011, are shown in the following table:

(In thousands of US$)	**Amortized Cost**
Due within 1 year	7,050
After 1 year but within 5 years	19,486
	26,536

As of December 31, 2011 and 2010, securities held-to-maturity with a carrying value of $17.5 million and $13.0 million, respectively, were pledged to secure repurchase agreements accounted for as secured financings.

6. Investment fund

The balance in the investment fund for $120.4 million as of December 31, 2011 and $167.3 million as of December 31, 2010 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.

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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.

As of December 31, 2010, the Feeder owns 97.56% of the Fund with a total of 146,134.7 shares issued, divided in 9,090.9 “Class A” shares, 7,968.5 “Class A1” shares, 128,367.2 “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 administrat 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 day’s notice. $100 million of the “Class B” shares can be redeemed starting in 2012.

7. Loans

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

(In thousands of US$)	December 31,	
	2011	2010
Corporations:		
Private	2,089,520	1,772,232
State-owned	232,893	312,154
Banking and financial institutions:		
Private	1,716,406	1,381,266
State-owned	447,757	319,796
Middle-market companies:		
Private	445,731	224,758

Sovereign	27,266	54,126
Total	4,959,573	4,064,332

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

(In thousands of US$)	December 31,	
	2011	2010
Banking and financial institutions	2,164,163	1,701,062
Industrial	967,929	894,355
Oil and petroleum derived products	645,875	616,708
Agricultural	730,119	548,894
Mining	37,723	111,639
Services	264,895	61,587
Sovereign	27,266	54,126
Others	121,603	75,961
Total	4,959,573	4,064,332

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Loans classified by debtor's credit quality indicators are as follows:

(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

(In thousands of US$)	December 31, 2010						
Rating [1]	Corporations		**Banking and financial institutions**		**Middle-market companies**	Sovereign	Total
	Private	State-owned	Private	State-owned	Private		
1-6	1,744,232	312,154	1,381,266	319,796	223,756	54,126	4,035,330
7	-	-	-	-	-	-	-
8	28,000	-	-	-	1,002	-	29,002
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
Total	1,772,232	312,154	1,381,266	319,796	224,758	54,126	4,064,332

(1) Current ratings as of December 31, 2011 and 2010, respectively.

The remaining loan maturities are summarized as follows:

(In thousands of US$)	December 31,	
	2011	2010
Current:		

Up to 1 month	395,091	473,836
From 1 month to 3 months	1,110,307	705,147
From 3 months to 6 months	1,095,632	942,989
From 6 months to 1 year	767,526	718,649
From 1 year to 2 years	539,077	463,969
From 2 years to 5 years	1,000,486	703,397
More than 5 years	18,654	27,343
	4,926,773	4,035,330
Delinquent	800	-
Restructured and impaired:		
Current balances with impairment	32,000	28,000
Past due balances with impairment	-	1,002
	32,000	29,002
Total	4,959,573	4,064,332

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

(In thousands of US$)	December 31,	
	2011	2010
Country:		
Argentina	389,591	237,062
Brazil	1,852,152	1,582,761
Chile	376,297	328,447
Colombia	734,213	584,549
Costa Rica	109,263	87,537
Dominican Republic	118,275	135,291
Ecuador	21,676	18,121
El Salvador	21,098	39,036
Germany	5,000	-
Guatemala	161,107	92,104
Honduras	45,509	37,518
Jamaica	1,768	64,457
Mexico	416,353	403,829
Netherlands	20,000	-
Nicaragua	9,995	-
Panama	118,526	47,485
Paraguay	30,286	-
Peru	341,784	343,135
Spain	340	-
Trinidad and Tobago	76,340	63,000
Uruguay	110,000	-
	4,959,573	4,064,332

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

	December 31,	
(In thousands of US$)	2011	2010
Fixed interest rates	2,360,115	2,003,631
Floating interest rates	2,599,458	2,060,701
	4,959,573	4,064,332

As of December 31, 2011 and 2010, 84% and 88%, respectively, of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days.

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

(In thousands of US$)	December 31, 2011	2010	2009
Loans in non-accrual status			
Private corporations	32,000	28,000	39,000
Private middle-market companies	-	1,002	11,534
Total loans in non-accrual status	32,000	29,002	50,534
Foregone interest revenue at beginning of the year	996	928	-
Interest which would have been recorded if the loans had not been in a non-accrual status	2,325	3,403	1,775
Interest income collected on non-accruing loans	(2,375)	(3,335)	(847)
Foregone interest revenue at end of the year	946	996	928

An analysis of non-accruing loans with impaired balances as of December 31, 2011 and 2010 is detailed as follows:

(In thousands of US$)	December 31, 2011			2011	
	Recorded investment	**Unpaid principal balance**	**Related allowance**	**Average principal balance**	**Interest income recognized**
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

(In thousands of US$)	December 31, 2010			2010	
	Recorded investment	**Unpaid principal balance**	**Related allowance**	**Average principal balance**	**Interest income recognized**
With an allowance recorded					
Private corporations	28,000	28,000	11,200	29,151	2,492

Private middle-market companies	1,002	1,002	300	887	-
Total	29,002	29,002	11,500	30,038	2,492

As of December 31, 2011 and 2010, there were no impaired loans without related allowance.

As of December 31, 2011 and 2010, the Bank did not have any troubled debt restructurings.

The following table presents an aging analysis of the loan portfolio:

(In thousands of US$)	December 31, 2011							
	91-120 days	**121-150 days**	**151-180 days**	**Greater than 180 days**	**Total Past Due**	Delinquent	Current	**Total Loans**
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

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(In thousands of US$)	December 31, 2010							
	91-120 days	**121-150 days**	**151-180 days**	**Greater than 180 days**	**Total Past Due**	Delinquent	Current	**Total Loans**
Corporations	-	-	-	-	-	-	2,084,386	2,084,386
Banking and financial institutions	-	-	-	-	-	-	1,701,062	1,701,062
Middle-market companies	-	-	-	1,002	1,002	-	223,756	224,758
Sovereign	-	-	-	-	-	-	54,126	54,126
Total	-	-	-	1,002	1,002	-	4,063,330	4,064,332

As of December 31, 2011 and 2010, the Bank has credit transactions in the normal course of business with 29% and 25%, respectively, of its Class “A” and “B” stockholders (see Note 15). 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, 2011 and 2010, approximately 19% and 15%, 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, 2011, 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 2011 and 2010, the Bank sold loans with a book value of $9.3 million and $20 million, respectively, with a net gain of $64 thousand and $201 thousand, respectively.

8. 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, 2011	Year ended December 31,

	Corporations	**Banking and financial institutions**	**Middle-market companies**	Sovereign	Total	2010	2009
Balance at beginning of the year	54,160	18,790	5,265	400	78,615	73,789	54,648
Provision (reversal of provision) for loan losses	(5,295)	10,017	4,312	(193)	8,841	9,091	18,293
Loan recoveries and other	-	1,716	440	-	2,156	996	866
Loans written-off against the allowance for loan losses	-	-	(1,065)	-	(1,065)	(5,261)	(18)
Balance at end of the year	48,865	30,523	8,952	207	88,547	78,615	73,789
Components:							
Generic allowance	34,065	30,523	8,952	207	73,747	67,115	59,432
Specific allowance	14,800	-	-	-	14,800	11,500	14,357
Total allowance for loan losses	48,865	30,523	8,952	207	88,547	78,615	73,789

Provision (reversal of provision) of generic allowance for credit losses are mostly related to changes in volume and composition of the credit portfolio. The increase in the generic allowance for loan losses in 2011 was primarily due to an increase in the loan portfolio mitigated by an improvement of the risk profile of the Region and a prudent portfolio management.

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Following is a summary of loan balances and reserves for loan losses:

(In thousands of US$)	December 31, 2011				
	Corporations	**Banking and financial institutions**	**Middle-market companies**	Sovereign	Total
Allowance for loan losses					
Specific allowance	14,800	-	-	-	14,800
Generic allowance	34,065	30,523	8,952	207	73,747
Total of allowance for loan losses	48,865	30,523	8,952	207	88,547
Loans					
Loans with specific allowance	32,000	-	-	-	32,000
Loans with generic allowance	2,290,413	2,164,163	445,731	27,266	4,927,573
Total loans	2,322,413	2,164,163	445,731	27,266	4,959,573

(In thousands of US$)	December 31, 2010				
	Corporations	**Banking and financial institutions**	**Middle-market companies**	Sovereign	Total
Allowance for loan losses					
Specific allowance	11,200	-	300	-	11,500
Generic allowance	42,960	18,790	4,965	400	67,115
Total of allowance for loan losses	54,160	18,790	5,265	400	78,615
Loans					
Loans with specific allowance	28,000	-	1,002	-	29,002
Loans with generic allowance	2,056,386	1,701,062	223,756	54,126	4,035,330
Total loans	2,084,386	1,701,062	224,758	54,126	4,064,332

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

(In thousands of US$)	Year ended December 31,		
	2011	2010	2009

Balance at beginning of the year	13,335	27,261	30,724
Provision (reversal of provision) for losses on off-balance sheet credit risk	(4,448)	(13,926)	(3,463)
Balance at end of the year	8,887	13,335	27,261

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 18). The 2011'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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9. Premises and equipment

A breakdown of cost and accumulated depreciation and amortization for premises and equipment as of December 31, 2011 and 2010 is as follows:

(In thousands of US$)	December 31,	
	2011	2010
Land	462	462
Building and improvements	5,396	5,365
Furniture and equipment	18,696	17,345
	24,554	23,172
Less: accumulated depreciation and amortization	17,881	16,640
	6,673	6,532

10. Other assets

As of December 31, 2011 and 2010, other assets include an equity investment in a private investment fund with a carrying value of $1.4 million and $1.7 million, respectively. During 2011, the Bank did not increase its participation in this fund.

11. Deposits

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

(In thousands of US$)	December 31,	
	2011	2010
Demand	67,586	100,352
Up to 1 month	1,474,088	1,173,415
From 1 month to 3 months	402,472	286,806
From 3 months to 6 months	196,016	143,352
From 6 months to 1 year	151,800	117,000
From 2 years to 5 years	11,544	-

	2,303,506	1,820,925

The following table presents additional information about deposits:

(In thousands of US$)	December 31,	
	2011	2010
Aggregate amounts of time deposits of $100,000 or more	2,233,044	1,720,106
Aggregate amounts of deposits in offices outside Panama	220,340	221,185
Interest expense paid to deposits in offices outside Panama	983	2,746

12. Securities sold under repurchase agreements

The Bank's financing transactions under repurchase agreements amounted to $377.0 million and $264.9 million as of December 31, 2011 and 2010, respectively.

During the years ended December 31, 2011, 2010 and 2009, interest expense related to financing transactions under repurchase agreements totaled $2.1 million, $1.5 million, and $5.9 million, respectively, were recorded. These expenses are presented in the consolidated statements of income as interest expense –borrowings.

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13. 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, 2011	2010
Advances from financial institutions:		
At fixed interest rates	1,005,357	1,000,400
At floating interest rates	318,109	95,000
Total short-term borrowings	1,323,466	1,095,400
Average outstanding balance during the year	1,100,059	541,978
Maximum balance at any month-end	1,323,466	1,095,400
Range of fixed interest rates on borrowings in U.S. dollars	0.84% to 2.64%	0.69% to 1.65%
Range of floating interest rates on borrowings in U.S. dollars	1.11% to 2.01%	0.85% to 1.29%
Fixed interest rate on borrowings in Euros	2.98 %	-
Fixed interest rate on borrowings in Renminbis	6.65 %	-
Floating interest rate on borrowings in Mexican pesos	5.70 %	-
Weighted average interest rate at end of the year	1.84 %	1.13 %
Weighted average interest rate during the year	1.22 %	1.20 %

14. Borrowings and long-term debt

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

(In thousands of US$)	December 31, 2011	2010
Borrowings:		
At fixed interest rates with due dates from June 2012 to September 2013	15,696	26,892
At floating interest rates with due dates from March 2012 to September 2014	1,426,237	1,004,421
Total borrowings	1,441,933	1,031,313

Debt:		
At fixed interest rates with due dates in November 2014	45,615	43,827
Total debt	45,615	43,827
Total borrowings and long-term debt outstanding	1,487,548	1,075,140
Average outstanding balance during the year	1,391,440	1,240,750
Maximum outstanding balance at any month-end	1,548,404	1,400,307

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Range of fixed interest rates on borrowings and debt in U.S. dollars	1.50 %	2.53% to 3.10 %
Range of floating interest rates on borrowings and debt in U.S. dollars	0.62% to 2.30 %	0.53% to 2.52 %
Range of fixed interest rates on borrowings in Mexican pesos	7.50% to 9.90 %	7.50% to 9.90 %
Range of floating interest rates on borrowings in Mexican pesos	5.66% to 6.30 %	5.76% to 5.80 %
Fixed interest rate on debt in Peruvian soles	6.50 %	6.50 %
Weighted average interest rate at the end of the year	2.16 %	2.10 %
Weighted average interest rate during the year	1.94 %	2.07 %

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

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

Some borrowing agreements include various events of default and covenants related to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2011, the Bank was in compliance with all covenants.

The future remaining maturities of long-term debt and borrowings outstanding as of December 31, 2011, are as follows:

(In thousands of US$)	
Due in:	Outstanding
2012	418,228
2013	376,298
2014	693,022

1,487,548

15. 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.

4) “Class F”; can only be issued to state entities and agencies of non-Latin American countries, including, among others, central banks and majority state-owned banks in those countries, and multilateral financial institutions either international or regional institutions.

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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.

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, 2011:

(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, 2009	6,342,189	2,617,784	27,453,115	-	36,413,088
Conversions	-	(32,902)	32,901	-	(1)
Restricted stock issued	-	-	37,934	-	37,934
Exercised stock options - compensation plans	-	-	82,180	-	82,180
Restricted stock units - vested	-	-	12,415	-	12,415
Outstanding at December 31, 2009	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	-	-	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	-	-	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

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

	“Class A”	“Class B”	“Class E”	Total

(In thousands, except for share data)	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at January 1, 2009	318,140	10,708	568,010	15,655	4,680,604	106,400	5,566,754	132,763
Restricted stock issued	-	-	-	-	(37,934)	(905)	(37,934)	(905)
Exercised stock options – compensation plans	-	-	-	-	(82,180)	(1,960)	(82,180)	(1,960)
Restricted stock units - vested	-	-	-	-	(12,415)	(296)	(12,415)	(296)
Outstanding at December 31, 2009	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	-	-	-	-	(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	-	-	-	-	(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

16. 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. The maximum aggregate number of shares which may be issued under this plan is two million "Class E" common shares. The 2008 Stock Incentive Plan is administered by the Board of Directors which has the authority in its discretion to select the Directors and Executives to whom the Award may be granted; to determine whether and to what extent awards are granted, and to amend the terms of any outstanding award under this plan.

During 2011, 2010 and 2009, 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 July 2011, 2010 and 2009, the Board of Directors granted 25,541, 38,115 and 37,934 "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 7, 2011, July 9, 2010 and July 10, 2009, respectively. The restricted stock vests in five years at a rate of 20% each year, beginning the year following the grant date. The fair value of restricted stock granted totaled $462 thousand in 2011, and $475 thousand in 2010 and 2009, of which $414 thousand, $270 thousand and $139 thousand were charged against income during 2011, 2010 and 2009, respectively. The remaining cost pending amortization of $1,040 thousand will be amortized over 3.51 years.

A summary as of December 31, 2011 of the restricted stock granted to Directors during the years 2011, 2010 and 2009 is presented below:

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2009	31,246	$ 15.20
Granted	37,934	12.52

Vested	(6,242)		15.20
Outstanding at December 31, 2009	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
Expected to vest	82,005	$	14.59

The fair value of vested stock during the years 2011, 2010 and 2009 was $415 thousand, $180 thousand and $95 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 $1.7 million in 2011, $2.4 million in 2010 and $2.3 million in 2009. In 2011, the distribution of the fair value in restricted stock units and stock purchase options was $1.5 million and $0.2 million, respectively. For the years 2010 and 2009, the distribution of the total grant was 50% in restricted stock units and 50% in stock purchase options, in both years.

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 grant date. These stock units vest 25% each year on the grant date's anniversary.

Compensation costs of these restricted stock units are amortized during the period of restriction. Costs charged against income during 2011, 2010 and 2009 due to the amortization of these grants totaled $1,020 thousand, $742 thousand and $436 thousand, respectively. The remaining compensation cost pending amortization of $1,965 thousand will be amortized over 2.5 years.

A summary as of December 31, 2011, 2010 and 2009 of the status of the restricted stock units granted to certain Executives and changes during the years 2011, 2010 and 2009 are presented below:

	Stock units	Weighted average grant date fair value	Weighted average remaining contractual term	Aggregate intrinsic value (thousands)

Outstanding at January 1, 2009	52,226	$ 15.43		
Granted	132,020	8.67		
Forfeited	(5,713)	11.44		
Vested	(12,415)	15.43		
Outstanding at December 31, 2009	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		$ 446
Outstanding at December 31, 2011	226,410	$ 12.80	1.76 years	$ 736
Expected to vest	226,410	$ 12.80		$ 736

The fair value of vested stock during the years 2011, 2010 and 2009 was $775 thousand, $476 thousand and $192 thousand, respectively.

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Stock purchase options:

The fair value of stock purchase options granted to certain Executives during 2011, 2010 and 2009 was estimated using the “Black-Scholes” option-pricing model, based on the following factors:

	2011	2010	2009
Weighted average fair value per option	$2.92	$2.91	$1.90
Weighted average expected term, in years	5.50	4.75	4.75
Expected volatility	30 %	37 %	37 %
Risk-free rate	2.52%	2.32%	1.79%
Expected dividend	4.50%	5.00%	6.00%

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 2011, 2010 and 2009 as a result of the amortization of these plans amounted to $765 thousand, $742 thousand and $436 thousand, respectively. The remaining compensation cost pending amortization of $1,052 thousand in 2011 will be amortized over a period of 1.96 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, 2009	229,085	$ 15.43		
Granted	601,985	10.15		
Forfeited	(27,076)	12.43		
Outstanding at December 31, 2009	803,994	11.58		
Granted	420,777	13.52		
Forfeited	(646)	15.43		
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	4.46 years	$ 3,040
Exercisable	238,466	$ 13.10	3.12 years	$ 703
Expected to vest	677,100	$ 12.79	4.68 years	$ 2,337

The intrinsic value of exercised options during the years 2011 and 2010 was $1,322 thousand and $383 thousand, respectively. During the years 2011 and 2010 the Bank received $2,949 thousand and $834 thousand, respectively, from exercised options.

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 $87 thousand, $108 thousand and $123 thousand in 2011, 2010 and 2009, respectively. As of December 31, 2011, the Bank had unrecognized compensation costs of $41 thousand related to this plan that will be amortized over 7 months.

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A summary as of December 31, 2011 of restricted stock granted to Directors under this plan and changes during 2011, 2010 and 2009 is presented below:

	Shares	Weighted average grant date fair value
Non vested at January 1, 2009	21,419	$ 20.07
Granted	-	-
Vested	(6,746)	19.25
Non vested at December 31, 2009	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
Expected to vest	3,518	$ 21.35

The total fair value of vested stock during the years ended December 31, 2011, 2010 and 2009 was $110 thousand, $115 thousand and $130 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 and 2009. As of December 31, 2011, there was no compensation cost pending amortization.

A summary as of December 31, 2011 of the share options granted to Directors and certain Executives and changes during 2009, 2010 and 2011 is presented below:

	Options	Weighted average exercise price	Weighted average remaining **contractual term**	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2009	207,706	$ 16.34		
Forfeited	-	-		
Outstanding at December 31, 2009	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	2.12 years	$ -
Exercisable at December 31, 2011	180,154	$ 16.34	2.12 years	$ -

The intrinsic value of exercised options during the year ended December 31, 2011 was $45 thousand. During the year ended December 31, 2011, the Bank received $450 thousand from exercised options. All options are available to be exercised as of December 31, 2011.

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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, 2011, there was no compensation cost pending amortization. Related costs charged against income amounted to $17 thousand and $241 thousand in 2010 and 2009, respectively.

A summary as of December 31, 2011 and changes during the years 2009, 2010 and 2011 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, 2009	467,649	$ 12.93		
Forfeited	-	-		
Exercised	(82,180)	9.84		
Outstanding at December 31, 2009	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	3.43 years	$ 1,039
Exercisable at December 31, 2011	325,936	$ 12.86	3.43 years	$ 1,039

The intrinsic value of options exercised during the years ended December 31, 2011 and 2009 was $235 thousand and $252 thousand, respectively. During the years ended December 31, 2011 and 2009, the Bank received $672 thousand and $808 thousand, respectively, from exercised options. All options are available to be exercised as of December 31, 2011.

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.

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A summary of the status as of December 31, 2011 of the stock options granted and changes during 2011, 2010 and 2009 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, 2009	14,350	$ 28.81		
Forfeited	(533)	27.72		
Expired	(2,082)	23.03		
Outstanding at December 31, 2009	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:

	2011	2010	2009
Outstanding at beginning of year	17,746	18,755	19,609
Exercised	(15,934)	(1,009)	(854)
Outstanding at end of year	1,812	17,746	18,755

Related cost charged against income related to this plan amounted to $1 thousand in 2011, and $11 thousand in 2010 and 2009.

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 2011, 2010 and 2009, the Bank charged to salaries expense $119 thousand, $117 thousand and $116 thousand, respectively, that correspond to the Bank's contributions to this plan. As of December 31, 2011 and 2010, the accumulated liability payable amounted to $255 thousand and $307 thousand, respectively.

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17. 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,		
	2011	2010	2009
Net income attributable to Bladex for both basic and diluted EPS	83,180	42,244	54,862
Weighted average common shares outstanding - applicable to basic EPS	36,969	36,647	36,493
Basic earnings per share	2.25	1.15	1.50
Weighted average common shares outstanding applicable to diluted EPS	36,969	36,647	36,493
Effect of dilutive securities [1]:			
Stock options and restricted stock units plans	176	167	78
Adjusted weighted average common shares outstanding applicable to diluted EPS	37,145	36,814	36,571
Diluted earnings per share	2.24	1.15	1.50

(1) As of December 31, 2011, 2010 and 2009, weighted average options of 72,053, 760,284 and 769,790, 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.

18. 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,	
	2011	2010
Confirmed letters of credit	266,547	196,287
Stand-by letters of credit and guarantees - Commercial risk	18,899	38,410
Credit commitments	75,962	118,863
	361,408	353,560

As of December 31, 2011, 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	317,556
From 1 to 2 years	42,528
From 2 to 5 years	606
After 5 years	718
	361,408

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As of December 31, 2011 and 2010 the breakdown of the Bank's off-balance sheet exposure by country risk is as follows:

(In thousands of US$)

Country:	2011	2010
Argentina	92	-
Bolivia	944	-
Brazil	41,116	66,700
Chile	12,367	-
Colombia	2,396	-
Costa Rica	11,661	32,160
Dominican Republic	1,603	86
Ecuador	215,272	121,245
El Salvador	2,025	25
Guatemala	501	1,475
Honduras	400	430
Jamaica	295	125
Mexico	14,677	50,964
Panama	1,801	1,200
Paraguay	81	-
Peru	2,467	39
Spain	9,660	-
Switzerland	500	500
United States of America	21,780	-
Uruguay	-	170
Venezuela	21,770	78,441
	361,408	353,560

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.

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19. Leasehold commitments

As of December 31, 2011, a summary of leasehold commitments is as follows:

(In thousands of US$)	
Year	
2012	780
2013	509
2014	478
2015	337
2016	138
Thereafter	11
Total minimum payments [1]	2,253

[1] Minimum payments have not been reduced by minimum sublease rentals of $1,704 thousand due in the future under noncancelable subleases.

The following table presents an analysis of all operating leases:

	2011	2010	2009
Rent expense	1,403	875	770
Less: Sublease rentals	(129)	-	-
	1,274	875	770

20. Derivative financial instruments for hedging purposes

As of December 31, 2011 and 2010, quantitative information on derivative financial instruments held for hedging purposes is as follows:

	2011		2010	
(In thousands of US$)	Nominal	**Fair Value** [1]	Nominal	**Fair Value** [1]

	Amount	Asset	Liability	Amount	Asset	Liability
Fair value hedges:						
Interest rate swaps	125,000	16	10,317	267,800	591	25,737
Cross-currency interest rate swaps	215,107	56	40,574	148,570	24	25,631
Cash flow hedges:						
Interest rate swaps	20,000	-	512	20,000	-	1,499
Cross-currency interest rate swaps	42,336	3,549	-	42,633	1,407	150
Forward foreign exchange	53,264	249	2,339	2,108	81	12
Net investment hedges:						
Forward foreign exchange	6,036	289	-	-	-	-
Total	461,743	4,159	53,742	481,111	2,103	53,029
Net gain (loss) on the ineffective portion of hedging activities [2]	2,849			(1,446)		

(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.

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The gains and losses resulting from activities of derivative financial instruments and hedging recognized in the consolidated statements of income are presented below:

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		-	-

2010

(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	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	-

2009

(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	513			
Cross-currency interest rate swaps	6,231	Gain (loss) on foreign currency exchange	(3,430)	-
		Derivative financial instruments and hedging	-	(3)
Forward foreign exchange	(4,773)	Interest expense – borrowings	336	-
		Interest income - loans	313	
		Gain (loss) on foreign currency exchange	3,861	-
Total	1,971		1,080	(3)

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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:

2011

(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	(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

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

2009

(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	(11,959)	27,477	15.518
Cross-currency interest rate swaps	Derivative financial instruments and hedging (ineffectiveness)	(2,531)	-	(2.531)
	Interest income – loans	(62)	619	557
	Interest expense – borrowings	3,480	(8,098)	(4.618)
	Gain (loss) on foreign currency exchange	591	(5,681)	(5.090)
		(10,481)	14,317	3.836

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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 2.89 years.

The Bank estimates that approximately $842 thousand of gains reported in OCI as of December 31, 2011 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, 2012.

The Bank estimates that approximately $198 thousand of losses reported in OCI as of December 31, 2011 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, 2012.

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.

In addition to hedging derivative financial instruments, the Bank has derivative financial instruments held for trading purposes that have been disclosed in Note 4.

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21. Accumulated other comprehensive income (loss)

As of December 31, 2011, 2010 and 2009 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, 2009	(66,151)	(5,964)	-	(72,115)
Net unrealized gains (losses) arising from the year	63,556	1,971	-	65,527
Reclassification adjustment for (gains) losses included in net income [1]	(649)	1,077	-	428
Balance as of December 31, 2009	(3,244)	(2,916)	-	(6,160)
Net unrealized gains (losses) arising from the year	2,325	1,391	-	3,716
Reclassification adjustment for (gains) losses 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 (losses) 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)

[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.

22. 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:

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.

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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

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

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.

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Adjustments for credit risk of the counterparty are applied to those derivative financial instruments where the internal credit risk rating of said counterparties deviates substantially from the credit risk implied by the London Interbank Offered rate ("LIBOR"). Not all counterparties have the same credit rating that is implicit in the LIBOR curve; therefore, it is necessary to take into account the current credit rating of the counterparty for the purpose of obtaining the true fair value of a particular instrument. In addition, adjustments to bilateral or own risk are adjusted to reflect the bank's credit risk when measuring all liabilities at fair value. The methodology is consistent with the adjustments applied to generate the counterparty credit risk.

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$)	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

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(In thousands of US$)	2010			
	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	45,058	-	-	45,058
Corporate bonds	5,354	-	-	5,354
Total trading assets	50,412	-	-	50,412
Securities available –for-sale				
Corporate debt	67,888	-	-	67,888
Sovereign debt	285,362	-	-	285,362
Total securities available-for-sale	353,250	-	-	353,250
Investment fund	-	167,291	-	167,291
Derivative financial instruments - receivable				
Interest rate swaps	-	591	-	591
Cross-currency interest rate swaps	-	1,431	-	1,431
Forward foreign exchange	-	81	-	81
Total derivative financial instruments - receivable	-	2,103	-	2,103
Total assets at fair value	403,662	169,394	-	573,056
Liabilities				
Trading liabilities				
Interest rate swaps	-	3,031	-	3,031
Cross-currency interest rate swaps	-	907	-	907
Total trading liabilities	-	3,938	-	3,938
Derivative financial instruments - payable				
Interest rate swaps	-	27,236	-	27,236
Cross-currency interest rate swaps	-	25,781	-	25,781
Forward foreign exchange	-	12	-	12
Total derivative financial instruments - payable	-	53,029	-	53,029
Total liabilities at fair value	-	56,967	-	56,967

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.

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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, 2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Instruments with carrying value that approximates fair value	882,762	882,762	495,037	495,037
Securities held-to-maturity	26,536	26,637	33,181	33,206
Loans, net of allowance	4,864,329	4,913,473	3,981,328	4,010,363
Financial liabilities:				
Instruments with carrying value that approximates fair value	2,693,408	2,692,832	2,123,149	2,123,149
Short-term borrowings	1,323,466	1,319,350	1,095,400	1,092,265
Borrowings and long-term debt	1,487,548	1,441,919	1,075,140	1,047,031
Commitments to extend credit, standby letters of credit, and financial guarantees written	10,497	9,807	12,162	11,761

23. 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.

24. 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, 2011, the Bank's capital adequacy ratio is 16% which is in compliance with the capital adequacy ratios required by the Banking Law in the Republic of Panama.

25. Business segment information

The Bank's activities are operated and managed in three segments, Commercial, Treasury and Asset Management. The segment information reflects this operational and management structure, in a manner consistent with the requirements outlined in 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 period´s interest expenses allocation methodology reflects allocated funding on a matched-funded basis, net of risk adjusted capital by business segment. Current period´s operating expenses allocation methodology allocates overhead expenses based on resource consumption by business segment. Prior periods' presentation allocated interest expenses and overhead operating expenses based on the segments average portfolio. Comparative amounts for 2010 and 2009 have been reclassified to conform to current period presentation.

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The Bank incorporates net operating income[3] by business segment in order to disclose the revenue and expense items related to its normal course of business, segregating from the net income, the impact of reversals of reserves for loan losses and off-balance sheet credit risk, and recoveries on assets. In addition, the Bank's net interest income represents the main driver of net operating income; therefore, the Bank presents its interest-earning assets by business segment, to give an indication of the size of business generating net interest income. Interest-earning assets also generate gains and losses on sales, such as for securities available-for-sale and trading assets and liabilities, which are included in net other income, in the Treasury and Asset Management segments. The Bank also discloses its other assets and contingencies by business segment, to give an indication of the size of business that generates net fees and commissions, also included in net other income, in the Commercial Segment.

The Bank believes that the presentation of 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.

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. 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, derivative and hedging activities, gains and losses from trading securities, gains and losses on sale of securities available-for-sale, gain and losses on foreign currency exchange, and allocated income and operating expenses.

Asset Management incorporates the balance of the Investment Fund and the assets of the Brazilian Fund. Operating income from the Asset Management Segment includes net interest margin related to the Feeder's participation in the net interest margin of the Fund, net gains from investment fund trading, fee income, and allocated 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.

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

Business Segment Analysis [1]

(In millions of US$)	2011	2010	2009
COMMERCIAL			
Interest income	140.7	104.8	114.3
Interest expense	(59.0)	(50.3)	(60.4)
Net interest income	81.7	54.5	53.9
Net other income (2)	11.0	10.3	6.9
Operating expenses	(34.8)	(28.3)	(21.8)
Net operating income (3)	57.9	36.5	39.0
(Provision) reversal of provision for loan and off-balance sheet credit losses	(4.4)	4.8	(14.8)
Recoveries, net of impairment of assets	(0.1)	0.2	(0.1)
Net income attributable to Bladex	53.4	41.5	24.1
Commercial assets and contingencies (end of period balances):			
Interest-earning assets (4)	4,982.8	4,060.0	2,775.3
Other assets and contingencies (5)	362.6	382.4	331.2
Total interest-earning assets, other assets and contingencies	5,345.4	4,442.4	3,106.5
TREASURY			
Interest income	14.4	12.5	25.9
Interest expense	6.3	8.2	(11.5)
Net interest income	20.7	20.7	14.4
Net other income (2)	4.2	(0.7)	11.9
Operating expenses	(10.2)	(9.3)	(9.6)
Net operating income (3)	14.7	10.7	16.7
Net income (loss) attributable to Bladex	14.7	10.7	16.7
Treasury assets and contingencies (end of period balances):			
Interest-earning assets (6)	1,270.1	873.6	931.8
Other assets and contingencies (5)	-	-	3.0
Total interest-earning assets, other assets and contingencies	1,270.1	873.6	934.8
ASSET MANAGEMENT			
Interest income	2.3	2.2	1.8

Interest expense	(2.0)	(2.9)	(5.3)
Net interest income	0.3	(0.7)	(3.5)
Net other income (2)	20.5	(7.2)	25.5
Operating expenses	(5.0)	(4.5)	(6.8)
Net operating income (3)	15.8	(12.4)	15.2
Net income (loss)	15.8	(12.4)	15.2
Net income (loss) attributable to the redeemable noncontrolling interest	0.7	(2.4)	1.1
Net income (loss) attributable to Bladex	15.1	(10.0)	14.1
Funds' assets and contingencies (end of period balances):			
Interest-earning assets (6)	127.0	167.3	197.6
Other assets	-	-	0.1
Total interest-earning assets, other assets and contingencies	127.0	167.3	197.7
TOTAL			
Interest income	157.4	119.5	142.0
Interest expense	(54.7)	(45.0)	(77.2)
Net interest income	102.7	74.5	64.8
Net other income (2)	35.7	2.4	44.3
Operating expenses	(50.0)	(42.1)	(38.2)
Net operating income (3)	88.4	34.8	70.9
(Provision) reversal of provision for loans and off-balance sheet credit losses	(4.4)	4.8	(14.8)
Recoveries, net of impairment of assets	(0.1)	0.2	(0.1)
Net income	83.9	39.8	56.0
Net income (loss) attributable to the redeemable noncontrolling interest	0.7	(2.4)	1.1
Net income attributable to Bladex	83.2	42.2	54.9
Total assets and contingencies (end of period balances):			
Interest-earning assets (4 & 6)	6,379.9	5,100.9	3,904.7
Other assets and contingencies (5)	362.6	382.4	334.3
Total interest-earning assets, other assets and contingencies	6,742.5	5,483.3	4,239.0

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

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

Reconciliation of Net other income:			
Net other income – business segment	35.7	2.4	44.3
Reversal of provision for losses on off-balance sheet credit risk	4.4	13.9	3.5
Recoveries, net of impairment of assets	(0.1)	0.2	(0.1)
Net other income – consolidated financial statements	40.0	16.5	47.7

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

Notes to consolidated financial statements

(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	6,379.9	5,100.9	3,904.7
Allowance for loan losses	(88.5)	(78.6)	(73.8)
Customers' liabilities under acceptances	1.1	27.2	1.6
Premises and equipment	6.7	6.5	7.7
Accrued interest receivable	38.2	31.1	25.6
Derivative financial instruments used for hedging - receivable	4.2	2.1	0.8
Other assets	18.4	10.9	12.2
Total assets – consolidated financial statements	6,360.0	5,100.1	3,878.8

Geographic information is as follows:

	2011				
(In thousands of US$)	Panama	Brazil	United States of America	Cayman Islands	Total
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

	2010				
(In thousands of US$)	Panama	Brazil	United States of America	Cayman Islands	Total

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

	2009				
(In thousands of US$)	Panama	Brazil	United States of America	Cayman Islands	Total
Interest income	122,731	-	17,470	1,763	141,964
Interest expense	(69,066)	-	(5,821)	(2,325)	(77,212)
Net interest income	53,665	-	11,649	(562)	64,752
Long-lived assets:					
Premises and equipment, net	7,096	-	653	-	7,749

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/ JAIME RIVERA
Jaime Rivera
Chief Executive Officer

April 26, 2012

EXHIBIT INDEX

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