LATIN AMERICAN EXPORT BANK
Form 20-F/A
February 28, 2008

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

FORM 20-F/A
(Amendment No. 1)

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934
OR
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to _______

Commission File Number 1-11414
BANCO LATINOAMERICANO DE EXPORTACIONES, S.A.
(Exact name of Registrant as specified in its charter)

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

Calle 50 y Aquilino de la Guardia
P.O. Box 0819-8730
Panama City, Republic of Panama
(507) 210-8500
(Address and telephone number of Registrant's principal executive offices)

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

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

6,342,189	Shares of Class A Common Stock
2,725,387	Shares of Class B Common Stock
27,261,495	Shares of Class E Common Stock

36,329,072Total Shares of Common Stock

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

x Yes ¨ No

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

¨ Yes x No

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

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

x Yes ¨ No

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

¨ Large Accelerated Filer x Accelerated Filer ¨ Non-accelerated Filer

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

¨ Item 17 x Item 18

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

¨ Yes x No

EXPLANATORY NOTE

This Amendment on Form 20-F/A (this "Amendment") to the Annual Report on Form 20-F of Banco Latinoamericano de Exportaciones, S.A. (the "Bank") for the fiscal year ended December 31, 2006 (the "Form 20-F") is being filed by the Bank solely for the purpose of amending "Item 15. Controls and Procedures," now "Item 15T. Controls and Procedures."

The Bank has not updated the disclosure in this Amendment to speak as of a later date than the date of the original filing of the Form 20-F.

BANCO LATINOAMERICANO DE EXPORTACIONES, S.A.

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

Upon written or oral request, the Bank will provide without charge to each person to whom this Annual Report is delivered, a copy of any or all of the documents listed as exhibits to this Annual Report (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference in the documents). Written requests for copies should be directed to the attention of Carlos Yap, 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. Yap at 011-507-210-8563. Written requests also may be faxed to Mr. Yap at 011-507-269-6333 or sent via e-mail to cyap@blx.com. Information is also available on the Bank's website at: www.blx.com.

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include statements regarding:

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

In addition, the statements included under the headings "Strategy" and "Trends" are forward-looking statements. Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from these forward-looking statements include the risks described in the section titled "Risk Factors." All forward-looking statements in this Annual Report are made as of the date hereof, based on information available to the Bank as of the date hereof, and the Bank assumes no obligation to update any forward-looking statement.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not required in this Annual Report.

Item 2. Offer Statistics and Expected Timetable

Not required in this Annual Report.

Item 3. Key Information

A. Selected Financial Data

The following table presents consolidated selected financial data for the Bank. The financial data presented below are at and for the years ended December 31, 2002, 2003, 2004, 2005 and 2006 and are derived from the Bank's consolidated financial statements for the years indicated, which were prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and audited by KPMG. The consolidated financial statements of the Bank at December 31, 2005 and 2006 and for each of the years in the three-year period ended December 31, 2006 (the "Consolidated Financial Statements") are included in this Annual Report, together with the report of KPMG. The information below is qualified in its entirety by the detailed information included elsewhere herein and should be read in conjunction with "Information on the Company," "Operating and Financial Review and Prospects" and the Consolidated Financial Statements and notes thereto included in this Annual Report.

Consolidated Selected Financial Information

	At and for the Year Ended December 31,				
	2002	2003	2004	2005	2006
	(in $ thousands, except per share amounts and ratios)				
Income Statement Data:					
Net interest income [1]	$ 64,779	$ 53,987	$ 42,025	$ 45,253	$ 58,837
Commission income, net [1]	8,886	7,446	5,928	5,824	6,285
Reversal of (Provision for) credit losses [2]	(278,756)	58,905	112,271	38,374	13,045
Total operating expenses	(19,259)	(22,561)	(21,352)	(24,691)	(28,929)
Income (loss) from continuing operations	(266,492)	111,496	141,730	77,518	57,902
Cumulative effect of accounting changes	0	0	0	2,583	0
Net income (loss)	(268,838)	111,496	141,730	80,101	57,902
Balance Sheet Data:					
Trading assets	0	0	0	0	130,076
Investment securities	160,714	77,793	192,856	208,570	471,351
Loans	2,516,512	2,275,031	2,441,686	2,610,019	2,980,772
Allowance for loan losses	429,720	224,347	106,352	39,448	51,266
Total assets	2,925,401	2,560,612	2,732,940	3,159,231	3,978,338
Total deposits	551,973	702,955	864,160	1,046,618	1,056,278
Trading liabilities	0	0	0	0	54,832
Short-term borrowings and placements	647,344	687,214	704,718	760,699	1,595,604
	1,285,493	485,516	403,621	533,860	558,860

Medium and long-term borrowings and placements					
Total liabilities	2,584,002	1,976,283	2,076,810	2,542,449	3,394,442
Total stockholders' equity	328,923	584,329	656,130	616,782	583,896
Average number of shares outstanding	17,343	28,675	39,232	38,550	37,065
Per Common Share Data:					
Net income (loss) per share	(15.56)	3.88	3.61	2.08	1.56
Diluted earnings (loss) per share	(15.56)	3.88	3.60	2.06	1.54
Book value (period end)	18.91	14.84	16.87	16.19	16.07
Cash dividends per share	0.00	0.00	1.50	2.60	1.75
Selected Financial Ratios:					
Performance Ratios:					
Return on average assets	(6.47)%	4.24%	5.83%	3.00%	1.70%
Return on average stockholders' equity	(60.48)%	23.91%	22.75%	12.85%	9.96%
Net interest margin [3]	1.48%	1.87%	1.65%	1.70%	1.76%
Net interest spread [3]	0.96%	1.23%	0.98%	0.67%	0.70%
Total operating expenses to total average assets	0.46%	0.86%	0.88%	0.93%	0.85%
Cash dividend payout ratio	0.00%	0.00%	41.52%	125.13%	112.02%
Asset Quality Ratios:					
Impaired loans to total loans, net of unearned income and deferred commission [4]	27.62%	19.62%	10.50%	1.11%	0.00%
Charged-off loans to total loans, net of unearned income and deferred commission	0.8%	6.1%	0.5%	0.4%	0.00%
Allowance for loan losses to total loans, net of unearned income and deferred commission	17.17%	9.89%	4.37%	1.51%	1.72%
Allowance for credit losses to non-accruing credits	54%	53%	48%	217%	n.a.
Capital Ratios:					
Stockholders' equity to total assets	11.24%	22.82%	24.01%	19.52%	14.68%
Tier 1 capital to risk-weighted assets [5]	15.26%	35.42%	42.90%	33.74%	24.45%
Total capital to risk-weighted assets [5]	16.51%	36.67%	44.15%	34.99%	25.70%

[1] For 2002, commission expense related to borrowings and placements was reclassified from commission expense and other charges to interest expense to conform to the required presentation for 2003 pursuant to U.S. GAAP.

[2] For information regarding reversal (provision) for credit losses, see "Business Overview" and "Results of Operations".

[3] For information regarding calculation of the net interest margin and the net interest spread, see "Results of Operations—Net Interest Income and Margins".

[4] Repossessed assets or troubled debt restructurings as defined in Statement of Financial Accounting Standards No. 15 amounted to $23 million in 2005, and $202 million in 2004, and related mostly to Argentine credits.

[5] Calculated using the U.S. Federal Reserve Board's 1992 fully phased in risk-weighted capital guidelines.

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B. Capitalization and Indebtedness

Not required in this Annual Report.

C. Reasons for the Offer and Use of Proceeds

Not required in this Annual Report.

D. Risk Factors

Risks Relating to the Region

The Bank's credit portfolio is concentrated in Latin America and the Caribbean. Adverse economic changes in those countries, could affect adversely the Bank's growth, asset quality, prospects, profitability and financial condition.

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

The Bank's lending activities are concentrated in a relatively small number of countries, which could have an adverse impact on the Bank's credit portfolio and, as a result, its financial condition, growth, prospects, cash flows and results of operations if one or more of those countries encounters economic difficulties. At December 31, 2006, approximately 64% of the Bank's credit portfolio was outstanding to borrowers in the following four countries: Brazil ($1,663 million, or 42%); Colombia ($329 million, or 8%); Mexico ($283 million, or 7%); and Peru ($280 million, or 7%).

In addition, at December 31, 2006, 15% of the Bank's total credits were to five borrowers in Brazil, and 9% of total credits were to three borrowers from: Ecuador (3%), Peru (3%), and the Dominican Republic (3%), A significant deterioration of the financial or economic condition of any of these countries or borrowers could have an adverse impact on the Bank's credit portfolio and, as a result, require the Bank to create additional allowances for credit losses, or suffer further credit losses with the effect being accentuated because of this concentration.

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

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

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

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

Risks Relating to the Bank's Business

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

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

The Bank's businesses are subject to market risk.

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

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

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

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

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

Bladex, like all financial institutions, is exposed to operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, and errors by employees. There can be no assurance that operational problems or errors will not occur, and that their occurrence will not have a material adverse impact on the Bank's business, financial condition and results of operations.

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

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

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

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

Although some of these international banks compete directly with the Bank, in many cases they also provide funding for the Bank and represent a source of business. If these international banks ceased providing funding to the Bank, the Bank would be required to seek funding from other sources, which may not be available, or if available, may be at higher interest costs.

Merger activity in the financial services industry has produced companies that are capable of offering a wide array of financial products and services at competitive prices. This significant consolidation of the banking business has also reduced the number of client banks in the Region for trade finance credit and services. Globalization of the capital markets and financial services industries exposes the Bank to further competition. The Bank's ability to grow its business and therefore, its earnings, is affected by these competitive pressures.

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

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

Item 4. Information on the Company

A. History and Development of the Company

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

Bladex offers its services through the Bank's head office and subsidiaries in Panama City, its subsidiaries and offices in New York City, including its agency (the "New York Agency") and Bladex Asset Management, its International Administrative Office in Miami, its subsidiaries in Brazil and the Cayman Islands, its representative offices in Mexico City and Buenos Aires, and a worldwide network of correspondent banks. See "Organizational Structure" and Note 1 to the Consolidated Financial Statements.

B. Business Overview

Overview

The Bank's mission is to provide seamless support to Latin America's foreign trade, while creating value for its stockholders. The Bank is principally engaged in providing trade financing to selected commercial banks and corporations in the Region. The Bank's core trade finance products include loans for pre and post export financing and import of goods, letters of credit, banker's acceptances and guarantees. The majority of the Bank's loans are extended in connection with specific identified foreign trade transactions. More recently, through its revenue diversification strategy, the Bank has introduced a broader range of products, services and solutions associated with foreign trade, including co-financing arrangements, underwriting, leasing, structured trade and vendor financing, and US clearing electronic services.

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

During 2006, the Bank completed the process of conversion of its treasury area into a revenue center. The area is organized around three business platforms, from which Bladex intermediates in the capital markets throughout the Region. The Treasury, based in the Panama head office, is responsible for ensuring the Bank's funding and liquidity, for the management of its interest rate and liquidity risks, and for Bladex's investments in fixed-income securities. Asset Distribution, based in the New York Agency, was established to intermediate in the primary and secondary loan markets in Latin America. Bladex Asset Management, based in New York, is engaged in the management of a multi-strategy portfolio of Latin American fixed income securities, currencies, and credit derivatives.

At December 31, 2006, the Bank had 47 officers across its offices responsible for marketing the Bank's financial products and services to existing and potential customers.

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

Developments During 2006

During 2006, Bladex achieved net income of $58 million, or $1.56 per share, compared with net income of $80 million, or $2.08 per share, for 2005. The net income reduction was driven by lower reversals of credit provisions and recoveries on assets, net of impairments, which for 2006 amounted to $19 million, compared to $51 million in 2005.

Bladex's strategy of diversifying its activities and revenues, as well as broadening its services to new clients along new trade-related business lines translated into an increase of 36% in operating income (net income before net reversals of credit provisions and recoveries on assets, net of impairments), to $39 million, compared to $29 million in 2005, reflecting principally a 30% increase in net interest income, an 8% increase in fee income, and higher gains in Treasury activities. Net revenues from the impaired portfolio contributed only 6% of this operating income, compared to 20% in 2005. Excluding this effect, the real increase in operating income reached 60%. The increase in the Bank's revenue, combined with careful expense control allowed the Bank to improve its operating efficiency ratio from 46% in 2005 to 42% in 2006. As a result, the Bank's operating return on average equity rose to 6.8%, compared to 4.6% in 2005, and 4.7% in 2004.

Sustained growth in the Bank's commercial activity resulted in over $8 billion in credit disbursements in 2006, and a 19% increase in its average credit portfolio over 2005. This growth was achieved under conditions of high liquidity in the financial markets and intense regional competition, and was especially noteworthy in the corporate segment.

The growth of the Bank's credit and other business activities was achieved while maintaining its credit quality, allowing Bladex to close 2006 without any past due or non-accrual loans. The Bank continued to develop and introduce new products in 2006. The Bank launched new activities in leasing, and completed the transformation of the Treasury function into a profit center, through active participation in the Region's fixed income markets and through the creation of a new proprietary asset management fund.

In addition, the Bank completed a series of important internal projects in 2006, such as the deployment of a new technology platform, which has allowed the Bank to optimize its responsiveness to clients, improve its operating efficiency, and upgrade its information management systems.

Developments and Strategy for 2007

In 2007, Bladex continues to focus its efforts on diversifying its revenue sources across a stronger client franchise, geared towards a growing corporate segment, a wider product range, and expanded Treasury operations, with the objective of achieving improved return on equity levels.

The Bank has adjusted its business model to further expand its participation in the value chain of international trade flows. In this context, the Bank is developing and implementing new products to finance trade flows between the Region and the rest of the world, and to facilitate trade between countries within the Region, thus strengthening intra-regional commercial flows. As such, the commercial effort is primarily focused on offering services to a significant segment of the external trade business that is not adequately covered by local financial markets, or by multinational banks operating in the Region.

To achieve this, in 2007 Bladex continues to reinforce its product portfolio. Introducing operational and financial leasing services allows Bladex to offer additional financing solutions to its clients. The Bank also continues to focus its efforts on leveraging the Bank's competitive advantages in originating, structuring, underwriting, and distributing trade finance transactions by focusing on maximizing profitability per client, and strengthening the Bank's relationships with its clients.

The Bank also continues to expand its Treasury activities and continue complementing its revenue sources. During 2007, the Bank plans to increase its available for sale and held to maturity fixed income portfolio and intends to adjust the structure of its asset management fund to allow the participation of third-party investors.

During the first quarter of 2007, the Bank decided to discontinue its digital identity project, as the market for the service in the Region was taking longer to mature than the Bank's management had anticipated. While the project expenses were relatively small, amounting to less than 3% of the Bank's operating expenses for 2006, the Bank's management concluded that management time could be put to better use pursuing other businesses.

Lending Policies

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

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

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

Country Credit Limits

Bladex has a methodology for capital allocation by country, aligned with Basel II and its risk weights for assets. The Credit Policy and Risk Assessment Committee ("CPER") approves a level of "allocated capital" for each country, instead of nominal exposure limits. These country capital limits are reviewed at least annually in the quarterly meetings of the aforementioned Committee. The system establishes the capital equivalent of each transaction, based on the internal numeric rating assigned to each country (which is approved by this Committee, on the basis of recommendations made by the Country Risk Committee comprised by members of local management). The amounts of capital allocated takes into account the customer type (sovereign, private, corporate or financial institutions), the type of transaction (trade or non trade), and the remaining tenor of the transaction (less than a year, between one and three years, or more than three years). Capital utilizations by the business units should never exceed the Bank's reported equity.

Borrower Lending Limits

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

For existing borrowers, the Bank's management has authority to approve credit lines up to the legal lending limit prescribed by Panamanian law (see "Regulation—Panamanian Law"), provided that the credit lines comply fully with the country credit limits and conditions for the borrower's country of domicile set by the Board. Approved borrower lending limits are reported to the CPER quarterly. As of December 31, 2006, the legal lending limit prescribed by Panamanian law for any one borrower amounted to approximately $175 million. The head of the Commercial Area or Treasury Area, or their designees, depending on the facility type, recommend proposed credit lines. Approval from the head of the Risk Management Area is required for all credit approvals, and approval from the Chief Executive Officer also is required for all new clients and for exposures exceeding $30 million. Certain credit lines require approval by the CPER. On a quarterly basis, the CPER reviews the impaired portfolio, if any, along with certain non-impaired credits.

Panamanian Banking Law prescribes certain concentration limits, which are strictly adhered to by the Bank, including a 30% limit, applicable to the Bank, as a percentage of capital and reserves for any one borrower and borrower group. At December 31, 2006, the Bank was in full compliance with all regulatory limits. See "Regulation—Panamanian Law".

Credit Portfolio

The Bank's credit portfolio consists of the commercial division portfolio and the fair value of selected investment securities.

The Bank's credit portfolio, increased from $2,944 million at December 31, 2004, to $3,616 million at December 31, 2005 and to $4,006 million at December 31, 2006.

Commercial Division Portfolio

The Commercial Division Portfolio includes book value of loans, securities purchased under agreements to resell and contingencies (including letters of credit, reimbursement undertakings, guarantees, credit commitments, equity investments and customers' liabilities under acceptances).

The Bank's commercial portfolio (excluding non-accruing credits) increased from $2,463 million at December 31, 2004, to $3,365 million at December 31, 2005 and to $3,634 million at December 31, 2006.

At December 31, 2006, 74% of the Bank's commercial portfolio represented trade related credits. The following table sets forth the distribution of the Bank's commercial portfolio (excluding non-accruing credits), by product category at December 31 of each year:

	At December 31,									
	2002	%	2003	%	2004	%	2005	%	2006	%
	(in $ millions, except percentages)									
Loans	$ 1,825	75.8	$ 1,830	79.8	$ 2,186	88.7	$ 2,581	76.7	$ 2,981	82.0
Securities purchased under agreements to resell	132	5.5	132	5.8	0	0.0	0	0.0	0	0.0
Contingencies	450	18.7	330	14.4	277	11.3	784	23.3	654	18.0
Total	**$ 2,407**	**100.0**	**$ 2,292**	**100.0**	**$ 2,463**	**100.0**	**$ 3,365**	**100.0**	**$ 3,634**	**100.0**

Loan Portfolio

At December 31, 2006, the Bank's total loans amounted to $2,981 million, compared to $2,610 million at December 31, 2005. See "Changes in Financial Condition—Loans" and Note 6 to the Consolidated Financial Statements.

Loans by Country

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

	At December 31,									
	2002	%	2003	%	2004	%	2005	%	2006	%
	(in $ millions, except percentages)									
Argentina	$ 694	27.6	$ 398	17.5	$ 207	8.5	$ 51	2.0	$ 203	6.8
Bolivia	13	0.5	0	0.0	0	0.0	0	0.0	5	0.2
Brazil	930	37.0	1,011	44.4	1,054	43.2	1,095	42.0	1,317	44.2
Chile	48	1.9	131	5.8	322	13.2	283	10.8	175	5.9
Colombia	80	3.2	96	4.2	148	6.1	249	9.5	163	5.5
Costa Rica	42	1.7	59	2.6	38	1.5	54	2.1	85	2.9
Dominican Republic	156	6.2	24	1.1	0	0.0	1	0.0	9	0.3
Ecuador	46	1.8	22	1.0	51	2.1	25	1.0	43	1.4
El Salvador	2	0.1	26	1.1	44	1.8	81	3.1	82	2.8
Guatemala	29	1.1	34	1.5	38	1.6	41	1.6	89	3.0
Honduras	0	0.0	0	0.0	6	0.2	26	1.0	36	1.2
Jamaica	11	0.4	14	0.6	26	1.1	24	0.9	49	1.6
Mexico	142	5.6	183	8.0	262	10.7	161	6.1	168	5.6
Nicaragua	7	0.2	9	0.4	5	0.2	2	0.1	10	0.3
Panama	19	0.8	44	1.9	89	3.7	156	6.0	180	6.1
Paraguay	2	0.1	0	0.0	0	0.0	0	0.0	0	0.0
Peru	63	2.5	65	2.8	55	2.2	180	7.0	262	8.8
Trinidad & Tobago	84	3.3	100	4.4	92	3.8	177	6.8	104	3.5
Uruguay	0	0.0	0	0.0	0	0.0	4	0.1	0	0.0

Venezuela	149	6.0	61	2.7	5	0.2	0	0.0	1	0.0
Total	**$ 2,517**	**100.0**	**$ 2,275**	**100.0**	**$ 2,442**	**100.0**	**$ 2,610**	**100.0**	**$ 2,981**	**100.0**

Loans by Type of Borrower

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

			At December 31,		
	2002	**2003**	**2004**	**2005**	**2006**
			(in $ millions)		
Private sector commercial banks	$ 935	$ 986	$ 1,243	$ 1,583	$ 1,167
State-owned commercial banks	511	422	563	118	273
Central banks	71	0	13	0	0
Sovereign debt	90	50	58	49	123
State-owned exporting organizations	335	424	363	402	138
Private corporations	574	392	201	458	1,279
Total	**$ 2,517**	**$ 2,275**	**$ 2,442**	**$ 2,610**	**$ 2,981**

Contingencies

The Bank applies to contingencies the same credit policies used in its lending process to its evaluation of these instruments. At December 31, 2006, total contingencies amounted to $654 million, representing 18% of the Bank's total commercial portfolio.

The Bank, on behalf of its institutional client base, advises and confirms letters of credit to facilitate foreign trade transactions. The Bank also issues guarantees to provide coverage for country risk arising from the risk of convertibility and transferability of local currency of countries in the Region into hard currency and to provide coverage for country risk arising from political risks, such as expropriation, nationalization, war and/or civil disturbances. At December 31, 2006, total guarantees representing country risk coverage amounted to $124 million. The Bank also enters into credit commitments (defined as a combination of either non-binding or legal agreements to lend to a customer) in order to meet the financial needs of customers. See Note 16 to the Consolidated Financial Statements.

Investment Securities

The Bank's investment securities consist mostly of debt securities held to maturity and securities available for sale. See Note 5 to the Consolidated Financial Statements.

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

At December 31, 2006, the Bank's investment securities portfolio totaled $471 million, of which 79% consisted of investments with banks and sovereign borrowers, and the Bank's total portfolio had a weighted average interest rate of 6.02% per annum.

Trading Assets and Liabilities

The Bank's trading activity started in April 2006 and is conducted through an asset management fund incorporated in the Cayman Islands. At December 31, 2006, the fair value of trading assets was $130 million and trading liabilities was $55 million. See Notes 2(g), 4 and 20 to the Consolidated Financial Statements.

Total Outstandings by Country

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

	2004		2005		2006	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in $ millions, except percentages)					
Argentina	$ 208	7.4%	$ 55	1.8%	$ 229	5.9%
Brazil	1,065	38.2	1,193	39.1	1,494	38.2
Chile	362	13.0	315	10.3	210	5.4
Colombia	172	6.2	260	8.5	278	7.1
Costa Rica	38	1.3	54	1.8	85	2.2
Ecuador	51	1.8	25	0.8	43	1.1

El Salvador	59	2.1	101	3.3	87	2.2
France	15	0.5	1	0.0	50	1.3
Germany	0	0.0	40	1.3	0	0.0
Guatemala	38	1.4	41	1.4	89	2.3
Jamaica	26	0.9	24	0.8	51	1.3
Japan	45	1.6	35	1.1	33	0.9
Mexico	364	13.0	199	6.5	268	6.8
Panama	89	3.2	161	5.3	200	5.1
Peru	55	2.0	180	5.9	271	6.9
Spain	24	0.8	48	1.6	73	1.9
Switzerland	0	0.0	0	0.0	40	1.0
Trinidad & Tobago.	92	3.3	177	5.8	104	2.6
United States	15	0.6	5	0.2	135	3.5
Other[1]	71	2.6	132	4.3	174	4.4
Total	**$ 2,789**	**100.0%**	**$ 3,048**	**100.0%**	**$ 3,914**	**100.0%**

[1] Other consists of cross-border outstandings to countries in which cross-border outstandings did not exceed 1% of total assetsfor any of the periods indicated above.

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

Cross-border outstandings in countries outside the Region correspond principally to cash and due from banks, interest-earning deposits with banks and securities held to maturity.

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

	2004	2005	2006
		(in $ millions)	
Private sector commercial banks	$ 1,429	$ 1,784	$ 1,595
State-owned commercial banks	563	184	324
Central banks	28	20	0
Sovereign debt	110	157	424
State-owned exporting organizations	488	434	219
Private corporations	171	470	1,352
Total	**$ 2,789**	**$ 3,048**	**$ 3,914**

Asset Quality

The Bank believes that its asset quality is linked to the composition of its client base, the importance that governments and borrowers in the Region attach to maintaining continued access to trade financing, its preferred creditor status, and the Bank's strict adherence to commercial criteria in its credit activities. The Bank has developed knowledge of, and a relationship with, most of its client base throughout its 28 years of operations in the Region, which allows it to continue to further enhance its risk management process.

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

Impaired Assets and Contingencies

The Bank's impaired assets consist of impaired loans and impaired securities. Loans are identified as impaired and placed on non-accrual status when any principal or interest payment is over 90 days past due or if the Bank's management determines that the ultimate collection of principal or interest is doubtful. In all cases, if a borrower has more than one outstanding loan under its line of credit with the Bank and any of its individual loans is placed on non-accrual status, the Bank places all outstanding loans to that borrower on non-accrual status. Similarly, if a single note of a loan is placed on non-accrual status, the remaining notes under that loan are placed on non-accrual status as well. Securities that experience a decline in value, which is deemed other than temporary, are classified as impaired. Contingencies are identified as impaired and placed on non-accrual status when any payment of fees or commissions relating thereto is over 90 days past due or if the Bank's management determines that the item may become payable by the Bank and ultimate collection of principal or interest is doubtful. For more information see Notes 2, 5, 6 and 16 to the Consolidated Financial Statements.

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

	2002	2003	2004	2005	2006
			(in $ millions, except percentages)		
Impaired loans	$ 691	$ 445	$ 256	$ 29	$ 0
Allocation from the allowance for loan losses	365	191	82	11	0
Impaired loans as a percentage of total loans, net of unearned income and deferred commission	27.6%	19.6%	10.5%	1.1%	0.0%
Impaired contingencies	$ 45	$ 32	$ 32	$ 13	$ 0
Allocation from the reserve for losses on off balance-sheet credit risks	14	20	21	9	0
Impaired contingencies as a percentage of total contingencies	9.2%	8.8%	10.5%	1.7%	0.0%
Impaired securities (par value)	$ 107	$ 10	$ 5	$ 0	$ 0
Estimated fair value adjustments on options and impaired securities[1]	73	5	4	0	0
Estimated fair value of impaired securities	$ 35	$ 5	$ 1	$ 0	$ 0
Impaired securities as a percentage of total securities[2]	21.6%	6.8%	0.5%	0.0%	0.0%
Impaired assets and contingencies as a percentage of total credit portfolio[3]	23.4%	17.0%	9.8%	1.2%	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.

Allowance for Credit Losses

The allowance for credit losses (which includes the allowance for loan losses and the reserve for losses on off-balance sheet credit risk) covers the credit risk on loans and contingencies. The allowance for credit losses includes an asset-specific component and a formula-based component in line with FAS 5. The asset-specific component relates to a provision for losses on credits considered impaired and measured on a case-by-case basis pursuant to FAS 114. For additional information regarding allowance for credit losses, see Notes 2 (k) and 7 to the Consolidated Financial Statements.

During the third quarter of 2005, Bladex implemented a new methodology for estimating generic allowances for credit losses. The new methodology is driven primarily by Bladex's own historical probability of default and loss experience, as well as an internal country risk classification, rather than relying exclusively on third party data, as was formerly the case. This change in methodology was the result of the Bank's decision to adopt best practices in the banking industry, and is in line with FAS 5, which calls for the use of internal historical performance data in the estimation of credit loss reserves. The Bank began compiling its eight-year historical database in 2004 and completed this effort during 2005.

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

Reserves = S(E x PD x LGD)

where:

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

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

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

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

	2002	2003	2004	2005	2006
	(in $ millions, except percentages)				
Components of the allowance for credit losses					
Allowance for loan losses					
Balance at beginning of the year	$ 177	$ 430	$ 224	$ 106	$ 39
Provision (reversal)	273	(70)	(111)	(48)	12
Effect of change in methodology	0	0	0	(6)	0
Cumulative effect on prior years (2004) of a change in credit loss reserve methodology	0	0	0	(6)	0
Recoveries	0	2	6	3	0
Loans charged-off	(21)	(138)	(13)	(9)	0
Balance at the end of the year	$ 430	$ 224	$ 106	$ 39	$ 51
Reserve for losses on off-balance sheet credit risk:					
Balance at beginning of the year	$ 17	$ 23	$ 34	$ 33	$ 52
Provision (reversal)	6	11	(1)	(0)	(25)
Effect of change in methodology	0	0	0	16	0
Cumulative effect on prior years (2004) of a change in credit loss reserve methodology	0	0	0	3	0
Balance at end of the year	$ 23	$ 34	$ 33	$ 52	$ 27
Total allowance for credit losses	**$ 453**	**$ 258**	**$ 139**	**$ 92**	**$ 78**
Allowance for credit losses to total credit portfolio	13.7%	9.1%	4.7%	2.5%	2.0%

The effect of the change in credit loss methodology for 2005 decreased net income by $10 million, or $0.26 per share (resulting from a loan loss reserve provision reversal of $6 million, and an off-balance sheet reserve provision charge of $16 million). In addition, the adjustment to apply retroactively the new methodology (to December 31, 2004) increased net income for 2005 by $3 million (resulting from a loan loss reserve provision reversal of $6 million and an off-balance sheet reserve provision charge of $3 million). The pro-forma amounts shown on the income statement have been adjusted for the effect of retroactive application of the credit loss reserve, which could have been applied, had the new methodology been in effect.

The $12 million overall positive impact on 2005 net income as it relates to the allowance for loan losses results from the use by the Bank of its own historical portfolio performance to determine the probabilities of default, whereas the previous methodology utilized only probabilities of default data from international credit rating agencies, which are more severe than the Bank's, given the more selective and specialized nature of the Bank's portfolio (short-term trade finance). To a lesser extent, the result was also affected by the use of the current methodology of one-year probabilities of default, given the short-term nature of the Bank's portfolio (average maturity of 264 days), whereas the previous methodology utilized the probabilities of default of the remaining tenor of each loan, which resulted in more severe factors when exposures were longer term.

With regard to the reserve for losses on off-balance sheet credit risk, the $19 million overall negative impact on 2005 net income reflected the use by the previous methodology of a somewhat lower probability of default for off-balance sheet items, whereas the current methodology applies the same factor to both on and off-balance sheet items. This is because the Bank's data at this date is not sufficiently large to allow for segregated probabilities of default on a robust basis. In this regard, we note that the Bank determined, in the aftermath of the Argentine crisis, to reserve for both on and off-balance sheet items on an equal basis.

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

	2004		2005		2006	
	Total	**%**	**Total**	**%**	**Total**	**%**
	(in $ millions, except percentages)					
Argentina	$ 83.9	60.2%	$ 21.0	23.0%	$ 25.4	32.4%
Brazil	29.3	21.0	18.5	20.2	11.2	14.3
Colombia	1.3	0.9	0.5	0.5	1.7	2.2
Dominican Republic	3.9	2.8	1.2	1.3	2.6	3.3
Ecuador	14.4	10.3	46.1	50.4	30.0	38.3
Jamaica	1.0	0.7	0.2	0.3	2.4	3.1
Mexico	1.2	0.8	0.1	0.1	1.2	1.6
Peru	1.3	1.0	2.8	3.0	0.6	0.8
Other[1]	3.2	2.3	1.2	1.3	3.2	4.1
Total Allowance for Credit Losses	**$ 139.5**	**100.0%**	**$ 91.5**	**100.0%**	**$ 78.5**	**100.0%**

[1] Other consists of allowance for credit losses allocated to countries in which allowance for credit losses outstandings did not exceed $1 million for any of the periods indicated above.

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

	2004	2005	2006
		(in $ millions)	
Private sector commercial banks	$ 30.1	$ 19.8	$ 14.9
State-owned commercial banks	60.0	18.0	5.3
Central banks	10.0	36.1	20.5
Sovereign debt	0.0	1.1	1.1
State-owned exporting organization	6.6	3.1	1.5
Private corporations	32.6	13.5	35.1
Total	**$ 139.5**	**$ 91.5**	**$ 78.5**

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

	2002	%	2003	%	2004	%	2005	%	2006	%
				(in $ millions, except percentages)						
Argentina	$ 20	95.3	$ 137	99.4	$ 13	100.0	$ 5	53.7	$ 0	0.0
Brazil	0	0.0	0	0.0	0	0.0	4	46.3	0	0.0
Mexico	1	4.7	0	0.0	0	0.0	0	0.0	0	0.0
Paraguay	0	0.0	1	0.6	0	0.0	0	0.0	0	0.0
Total	**$ 21**	**100.0**	**$ 138**	**100.0**	**$ 13**	**100.0**	**$ 9**	**100.0**	**$ 0**	**0.0**

Reversals of Argentine Specific Provision for Credit Losses

The crisis in Argentina that began in December 2001, escalated into a full-scale political and economic crisis, which resulted in the default by the Argentine government on more than $50 billion of sovereign debt. Efforts by the Argentine government to contain the situation were followed by civil unrest and riots and a succession of government collapses and resignations. This economic crisis resulted in the imposition by the Argentine government of a number of measures, including a freeze on bank deposits, forced conversion of dollar-denominated bank deposits, a 70% currency devaluation, and the imposition of exchange controls. Because of the Argentine crisis, the Bank's Argentine obligors faced repayment difficulties. At December 31, 2001, the Bank's Argentine credit portfolio totaled $1 billion. The Bank classified as impaired nearly its entire Argentine exposure due to these collectibility concerns and increased its allowance for credit losses during 2001 and 2002 by $77 million and $279 million, respectively, bringing the total credit reserves assigned to its Argentine portfolio to $380 million at December 31, 2002.

In the years following the crisis, Argentina continued to experience significant problems and uncertainties, such as its defaults on debt with the World Bank and IMF, exchange controls, the need for important structural reforms (related to public security and the financial system), and political conflicts and domestic uncertainty. These factors forced the Bank to maintain strong provisioning coverage on its Argentine portfolio during these years.

Beginning in 2002, the Bank negotiated the restructuring of its Argentine portfolio and sold at a discount most of the positions that the Bank estimated had the lowest probability of collection. At the close of 2003, the Bank had restructured, sold or charged-off all of its non-performing exposures, with the exception of four clients for a total $34 million. During 2004 and 2005, the Bank was able to sell these four exposures. The restructuring process was made possible in part by the exception granted to Bladex by the Central Bank of Argentina regarding the foreign exchange controls imposed at the early stage of the crisis.

In 2003, economic conditions in Argentina started to improve gradually. After an 11% negative economic growth in 2002, the country achieved a 9% GDP growth in 2003, and in each of the following two years. The country benefited from post-crisis catch-up effects and a declining interest rate environment, combined with increasing prices of its most important commodities, wheat and soy, driven by a strong demand from Asian markets, which had a positive effect on the country's balance of payments and current accounts. During 2005, the country benefited from the sovereign foreign debt restructuring process, involving a deep discount in value and reduced interest payments, which eased the pressure on its balance of payments and consequently, increased the availability of hard currency for Argentine corporations to repay their obligations.

The following table shows Argentina's key economic indicators for the years indicated, reflecting an improved economic scenario from 2003 through 2006:

Key Economic Indicators - Argentina[1]

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Real GDP Growth (%)	-0.8%	-4.4%	-10.9%	8.8%	9.0%	9.2%	8.5%
Fiscal Balance (% GDP)	-2.4%	-3.2%	-1.5%	0.5%	3.1%	1.8%	1.8%
Public-sector Debt (% GDP)	45.1%	53.8%	145.9%	138.3%	127.3%	73.5%	64.6%[2]
Inflation (%)	-0.7%	-1.5%	41.0%	3.7%	6.1%	12.3%	9.8%
Current Account ($ millions)	-8,989	-3,336	8,710	8,051	3,158	5,625	8,054
Current Account (% GDP)	-3.2%	-1.2%	8.5%	6.2%	2.1%	3.1%	3.8%
Forex Reserves ($ millions)	25,147	14,553	10,489	14,153	19,646	28,077	32,037
Debt Service ratio (%)	70.8%	42.2%	59.8%	79.3%	66.9%	47.3%	n.a.

1 Source: Banco Central de la República Argentina.

2 This ratio corresponds to the third quarter of 2006.

These factors contributed to a gradual improvement and more stable economic situation, which in turn improved the financial flexibility of many of the Bank's clients, allowing them to comply with their contracted payments or make prepayments. As a result, the Bank was able to decrease its impaired loan portfolio in Argentina by $191 million, $184 million, and $23 million, for the years 2004, 2005, and 2006, respectively, as well as to recover previously charged-off loans, resulting in reversals of loan loss provisions for $105 million, $48 million, and $10 million, respectively. These reversals resulted from loan collections and sales that exceeded their respective net book values.

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

	For the year ended December 31,		
	2004	**2005**	**2006**
		(in $ millions)	
Argentine reversals related to sale of loans	$ 6.3	$ 2.9	$ 0.0
Argentine reversals related to credit restructurings and collections, and changes in expected loss levels	92.5	45.1	10.2
Total Argentine Specific Reserves Reversals	$ 98.8	$ 47.9	$ 10.2
Brazil Specific Reserves Reversals (Provisions)	(2.2)	13.2	1.0
Total Specific Reserves Reversals	**$ 96.6**	**$ 61.1**	**$ 11.2**
Generic Reserves Reversals (Provisions) - due to changes in credit portfolio composition and risk levels	$ 8.4	$ (15.5)	$ (23.0)
Generic Reserves Reversals - due to change in credit loss reserve methodology	0.0	6.0	0.0
Total Generic Reserves Reversals (Provisions)	**$ 8.4**	**$ (9.6)**	**$ (23.0)**
Recoveries - Argentine credits	6.4	0.3	0.0
Recoveries - Other credits	0.0	2.3	0.0
Total Recoveries	**$ 6.4**	**$ 2.6**	**$ 0.0**
Total Reversals (Provisions) of Allowance for Loan Losses	**$ 111.4**	**$ 54.2**	**$ (11.8)**

Revenues Per Country

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

	For the year ended December 31,		
	2004	2005[2]	2006
	(in $ millions)		
Argentina	$ 14.6	$ 5.7	$ 4.2
Brazil	17.9	23.4	31.4
Chile	1.1	2.9	2.7
Colombia	2.2	3.4	3.6
Costa Rica	0.0	0.0	1.6

	For the year ended December 31,		
	2004	2005[2]	2006
	(in $ millions)		
Dominican Republic	1.1	1.0	1.0
Ecuador	2.8		