FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 20-F
June 26, 2009

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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2008

OR

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

OR

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

Date of event requiring this shell company report______________________

For the transition period from ______ to _______

Commission File Number 1-11414

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

FOREIGN TRADE BANK OF LATIN AMERICA, INC.	REPUBLIC OF PANAMA
(Translation of Registrant's name into English)	(Jurisdiction of incorporation or organization)

Calle 50 y Aquilino de la Guardia
P.O. Box 0819-08730
Panama City, Republic of Panama
(Address of principal executive offices)

Jaime Celorio
Chief Financial Officer
(507) 210-8500
Email address: jcelorio@bladex.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

6,342,189	Shares of Class A Common Stock
2,617,784	Shares of Class B Common Stock
27,453,115	Shares of Class E Common Stock
36,413,088	Total Shares of Common Stock

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

¨ Yes ý No

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

¨ Yes ý No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
ý Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
¨ Large Accelerated Filer ý Accelerated Filer ¨ Non-accelerated Filer

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

ý U.S. GAAP ¨ IFRS ¨ Other

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

¨ Item 17 ý Item 18

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

¨ Yes ý No

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, 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 Comercio Exterior, S.A., a specialized supranational bank incorporated under the laws of the Republic of Panama ("Panama") and its subsidiaries. References to "U.S. dollars" or "$" are to United States dollars. The Bank accepts deposits and raises funds principally in United States dollars, grants loans mostly in United States dollars and publishes its consolidated financial statements in United States dollars. The numbers and percentages set out in this Annual Report have been rounded and, accordingly, may not total exactly.

Upon written or oral request, the Bank will provide without charge to each person to whom this Annual Report is delivered, a copy of any or all of the documents listed as exhibits to this Annual Report (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference in the documents). Written requests for copies should be directed to the attention of Jaime Celorio, Chief Financial Officer, Bladex, as follows: (1) if by regular mail, to P.O. Box 0819-08730, Panama City, Republic of Panama, and (2) if by courier, to Calle 50 y Aquilino de la Guardia, Panama City, Republic of Panama. Telephone requests may be directed to Mr. Celorio at 011 + (507) 210-8630. Written requests may also be faxed to Mr. Celorio at 011 + (507) 269-6333 or sent via e-mail to jcelorio@bladex.com. Information is also available on the Bank's website at: http://www.bladex.com.

Forward-Looking Statements

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

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not required in this Annual Report.

Item 2. Offer Statistics and Expected Timetable

Not required in this Annual Report.

Item3. 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, 2008, 2007, 2006, 2005, and 2004 and are derived from the Bank's consolidated financial statements for the years indicated, which were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements for the years ended December 31, 2008 and 2007 were audited by the registered public accounting firm Deloitte,Inc. , and the consolidated financial statements of the Bank for the years ended December 31, 2006, 2005, and 2004 were audited by the registered public accounting firm KPMG. The consolidated financial statements of the Bank for each of the three years in the period ended December 31, 2008 (the "Consolidated Financial Statements") are included in this Annual Report, together with the reports of the registered public accounting firms Deloitte, Inc. and KPMG. The information below is qualified in its entirety by the detailed information included elsewhere herein and should be read in conjunction with Item 4, "Information on the Company," Item 5, "Operating and Financial Review and Prospects," and the Consolidated Financial Statements and notes thereto included in this Annual Report.

Consolidated Selected Financial Information

	At and for the Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in $ thousands, except per share amounts and ratios)				
Income Statement Data:					
Net interest income	$ 77,847	$ 70,570	$ 58,837	$ 45,253	$ 42,025
Fees and commissions, net	7,252	5,555	6,393	5,826	5,928
Reversal of provision for credit losses 1	1,544	1,475	13,045	38,374	112,271
Derivative financial instruments and hedging	9,956	(989)	(225)	2,338	48
Recoveries on assets, net of impairments	(767)	(500)	5,551	10,206	0
Gain on early extinguishment of debt	0	0	0	0	6
Net gain from investment fund trading	21,357	23,878	1,091	0	0
Net loss from trading securities	(20,998)	(12)	(212)	0	0
Net gain on sale on securities available-for-sale	67	9,119	2,568	206	2,922
Gain (loss) on foreign currency exchange	(1,596)	115	(253)	3	(194)
Other income (expense), net	656	(6)	36	3	77
Total operating expenses	(39,990)	(37,027)	(28,929)	(24,691)	(21,352)
Income before cumulative effect of changes in accounting principles and minority interest in the investment fund	55,327	72,177	57,902	77,518	141,730

Cumulative effect of accounting changes	0	0	0	2,583	0
Participation of the minority interest in gains of the investment fund	(208)	0	0	0	0
Net income	55,119	72,177	57,902	80,101	141,730
Balance Sheet Data:					
Trading assets	44,939	0	0	0	0
Investment securities	636,328	468,360	471,351	208,570	192,856
Investment fund	150,695	81,846	105,199	0	0
Loans	2,618,643	3,731,838	2,980,772	2,610,019	2,441,686
Allowance for loan losses	54,648	69,643	51,266	39,448	106,352
Total assets	4,362,678	4,698,571	3,922,373	3,159,231	2,732,940
Total deposits	1,169,048	1,462,371	1,056,278	1,046,618	864,160
Trading liabilities	14,157	13	0	0	0

	At and for the Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in $ thousands, except per share amounts and ratios)				
Securities sold under repurchase agreements and Short-term borrowings	1,212,921	1,504,710	1,595,604	760,699	704,718
Borrowings and long-term debt	1,204,952	1,010,316	558,860	533,860	403,621
Total liabilities	3,783,665	4,086,320	3,338,477	2,542,449	2,076,810
Total stockholders' equity	574,324	612,251	583,896	616,782	656,130
Average number of shares outstanding	36,388	36,349	37,065	38,550	39,232
Average number of diluted shares outstanding	36,440	36,414	37,572	38,860	39,372
Per Common Share Data:					
Basic earnings per share	1.51	1.99	1.56	2.01	3.61
Diluted earnings per share	1.51	1.98	1.54	1.99	3.60
Book value per share (period end)	15.77	16.83	16.07	16.19	16.87
Regular cash dividends per share	0.88	0.88	0.75	0.60	0.50
Special cash dividends per share	0.00	0.00	1.00	2.00	1.00
Selected Financial Ratios:					
Performance Ratios:					
Return on average assets	1.09%	1.76%	1.70%	3.00%	5.83%
Return on average stockholders' equity	8.99%	11.91%	9.96%	12.85%	22.75%
Net interest margin 2	1.55%	1.73%	1.78%	1.70%	1.65%
Net interest spread 2	0.98%	0.78%	0.69%	0.67%	0.98%
Total operating expenses to total average assets	0.79%	0.90%	0.85%	0.93%	0.88%
Regular cash dividend payout ratio	58.09%	44.32%	48.01%	29.84%	13.84%
Special cash dividend payout ratio	0.00%	0.00%	64.01%	99.46%	27.68%
Asset Quality Ratios:					
Impaired loans to total loans 3	0.00%	0.00%	0.00%	1.11%	10.50%
Charged-off loans to total loans	0.00%	0.00%	0.00%	0.36%	0.53%
Allowance for loan losses to total loans, net of unearned income and deferred commission	2.09%	1.87%	1.72%	1.51%	4.37%
Allowance for credit losses to non-accruing credits	0%	0%	0%	217%	48%
Capital Ratios:					
Stockholders' equity to total assets	13.16%	13.03%	14.89%	19.52%	24.01%
Tier 1 capital to risk-weighted assets 4	20.4%	21.2%	23.8%	33.7%	42.5%
Total capital to risk-weighted assets 5	21.6%	22.5%	25.1%	35.0%	43.8%

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1 Includes reversal of (provision for) loan losses and for losses on off-balance sheet credit risks. For information regarding reversal of (provision for) credit losses, see Item 5, "Operating and Financial Review and Prospects/Operating Results."

2 For information regarding calculation of the net interest margin and the net interest spread, see Item 5A, "Operating and Financial Review and Prospects/Operating Results/Net Interest Income and Margins."

3 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.

4 Tier 1 capital is calculated according to the U.S. Federal Reserve Board and Basel I capital adequacy guidelines, and is equivalent to stockholders' equity, excluding the Other Comprehensive Income ("OCI") account effect of the available-for-sale portfolio. The Tier 1 capital ratio is calculated as a percentage of risk-weighted assets. Risk-weighted assets are, in turn, also calculated based on U.S. Federal Reserve Board and Basel I capital adequacy guidelines.

5 Total capital refers to Tier 1 capital plus Tier 2 capital, based on U.S. Federal Reserve Board and Basel I capital adequacy guidelines. Total capital refers to the total capital ratio as a percentage of risk-weighted assets.

B. Capitalization and Indebtedness

Not required in this Annual Report.

C. Reasons for the Offer and Use of Proceeds

Not required in this Annual Report.

D. Risk Factors

Risks Relating to Latin America ("the Region")

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

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

The Bank's credit activities are concentrated in a relatively small number of countries, which could have an adverse impact on the Bank's credit portfolio and, as a result, its financial condition, growth, prospects, results of operations and financial condition, if one or more of those countries encounters economic difficulties. At December 31, 2008, approximately 71% of the Bank's credit portfolio was outstanding to borrowers in the following four countries: Brazil ($1,576 million, or 42%), Mexico ($477 million, or 13%), Colombia ($453 million, or 12%), and Argentina ($151 million, or 4%).

In addition, at December 31, 2008, of the Bank's total credits, 11% were to five borrowers in Brazil, 16% were to four borrowers from Mexico (6%), four borrowers from Colombia (8%) and four borrowers from Argentina (3%). A significant deterioration of the financial or economic condition of any of these countries or borrowers could have an adverse impact on the Bank's credit portfolio, requiring the Bank to create additional allowances for credit losses, or suffer credit losses with the effect being accentuated because of this concentration.

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

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

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

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

Risks Relating to the Bank's Business

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

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

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

Financial turmoil in the international markets could negatively impact liquidity in the financial markets, reducing the Bank's access to credit or increasing its cost of funding, which could lead to tighter lending standards. An example of this situation is the liquidity constraint experienced since the second half of 2007 in the international financial markets, which intensified during the third quarter of 2008, driven first by the subprime crisis in the United States and then followed by the credit crisis. The persistence or worsening of these unfavorable market conditions could have a material adverse effect on the Bank's liquidity.

Approximately 28% of the Bank's short term funding represents deposits from Central Banks.

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 the Region would not be obligated to act as lenders of last resort if Bladex were to face a liquidity shortage. Accordingly, if the Bank faced a liquidity shortage, it would have to rely on commercial liquidity sources to resolve the liquidity shortage.

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

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

The Bank's businesses are subject to market risk.

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

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

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

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

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

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

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

It is difficult to predict that, in the future, the Bank's credit portfolio, including the Bank's foreign trade portfolio, will continue to grow at historical rates. A reversal in the growth rate of the Region's economy and trade volumes could adversely affect the growth rate of the Bank's credit portfolio.

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

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

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

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

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

Item 4. Information on the Company

A. History and Development of the Company

The Bank, headquartered in Panama City, Panama, is a specialized supranational bank originally established by central banks of Latin American and Caribbean countries to promote trade finance in the Region. The Bank was established pursuant to a May 1975 proposal of the XX Assembly of Governors of central banks in the Region, which recommended the creation of a supranational organization to increase the Region's foreign trade financing capacity. The Bank was constituted in 1978 as a corporation pursuant to the laws of the Republic of Panama ("Panama") as "Banco Latinoamericano de Exportaciones, S.A." and commenced operations on January 2, 1979. The Bank operates under the commercial name of "Bladex." Panama was selected as the location of the Bank's headquarters because of the country's importance as a banking center in the Region, the benefits of a fully U.S. dollar-based economy, the absence of foreign exchange controls, its geographic location, and the quality of its communications facilities. Under a special contract between Panama and Bladex signed on 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 its 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, Inc. ("Bladex Asset Management" or "BAM"), its subsidiaries in Brazil and the Cayman Islands, its international administrative office in Miami and its representative offices in Mexico City and Buenos Aires, as well as through a worldwide network of correspondent banks.

Bladex Asset Management, Inc., serves as investment manager for Bladex Offshore Feeder Fund (the "Feeder") and Bladex Capital Growth Fund (the "Fund"). In April 2008, the Feeder was registered with the Cayman Island Monetary Authority ("CIMA"), under the Mutual Funds Law of the Cayman Islands. Until April 30, 2008, the Feeder was a wholly-owned subsidiary of Bladex. On May 1, 2008, the Feeder began receiving third party investments.

Bladex 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.

Bladex's head office is located at Calle 50 y Aquilino de la Guardia, Panama City, Panama, and its telephone number is country code + (507) 210-8500.

See Item 18, "Financial Statements," note 1.

Amendments to the Articles of Incorporation

During the Bank's Annual Shareholders' Meeting, which took place on April 15, 2009, the Bank's shareholders approved the following amendments to the Bank's Articles of Incorporation, effective June 17, 2009:

- An amendment to change the name of the Bank from "Banco Latinoamericano de Exportaciones, S.A." to "Banco Latinoamericano de Comercio Exterior, S.A." in Spanish, and from "Latin American Export Bank" to "Foreign Trade Bank of Latin America, Inc." in English. The Bank will continue to use the name "Bladex" in order to identify itself for branding, marketing and other purposes.

- An amendment to broaden the scope of the Bank's activities to encompass all types of banking, investment, and financial or other businesses that support foreign trade flows and the development of Latin American countries.

- Amendments authorizing (1) the increase in the total share capital of the Bank to 290 million shares, which includes up to ten million new shares of preferred stock, par value US$10.00 per share, to be issued in one or more series from time to time at the discretion of the Bank's Board of Directors; and (2) the establishment of a new class of common shares (class F) only to be issued to (a) state entities and agencies of non-Latin American countries, including, among others, central banks and those banks with the related state agency as the majority shareholder, and (b) multilateral institutions that are international or regional institutions. The class F common shares will not have any special privileges with respect to voting rights, and each class F common share will entitle its holder to one vote at any of the Bank's shareholder meetings, and to cumulative voting rights with respect to the election of directors of its class. The authorized number of class A, B and E common shares, and the rights and privileges associated with these common shares, have not changed.

See Item 19, "Exhibits," Exhibit 1.1

B. Business Overview

Overview

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

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

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

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

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

The Asset Management Division, which is based in New York and commenced operations in April 2006, provides investment advisory services to funds and managed accounts, and conducts business through Bladex Asset Management, which serves as investment manager for the Feeder and the Fund, both incorporated in the Cayman Islands. The Feeder invests substantially all of its assets in the Fund.

Historically, trade finance has been afforded favorable treatment under Latin American debt restucturings. This has been, in part, due to the perceived importance that governments and other borrowers in the Region have attributed to maintaining access to trade finance. The Bank believes that, in the past, the combination of its trade finance orientation and its Class A shareholding have been instrumental in obtaining some exceptions on U.S. dollars convertibility and transfer limitations imposed on the servicing of external obligations ("preferred creditor status"). While the Bank mantains both its trade finance orientation and its Class A shareholding, it cannot guarantee that such exceptions will be granted in all future debt restructurings.

At December 31, 2008, the Bank had 52 employees across its offices responsible for marketing the Bank's financial products and services to existing and potential customers.

Developments During 2008

Working within a challenging financial environment in the last quarter of the year, Bladex achieved solid results for the year, and maintained its strong fundamentals.

2008 was a unique year as the Commercial Division achieved its best performance during the past five years, despite an unprecedented global financial crisis in the last quarter. Net income increased by 35%, from $43.6 million to $59.1 million. Average lending spreads increased by 56%, and the Commercial Division added 44 new clients to the Bank's client base. The Bank responded to the global financial crisis by actively managing its credit and liquidity risks, reducing the size and concentration of its credit portfolio, and as a result, reinforced its liquidity position. This was made possible by the structure of the Bank's credit portfolio, which generally consists of short-term trade finance assets, as well as the quality of the Bank's client base.

The Asset Management Division's net income was $12.3 million for the year 2008 compared to $18.5 million in 2007. The Division's Investment Fund follows a Latin America macro strategy, utilizing a combination of products (foreign exchange, interest rate swaps, and credit derivative products) to establish long and short positions in Latin America markets.

The Treasury Division, during 2008, concentrated its efforts on effectively managing the Bank's liquidity position and diversifying its funding base, in light of the overall reduction in credit available in the global financial markets, stemming from the worldwide economic downturn. In this context, the Bank finalized a $200 million five-year bilateral term loan facility with the China Development Bank at the end of the first quarter of 2008, as a result of the Cooperation Agreement between both institutions. Additionally, the Bank entered into a two-year syndicated term loan facility, jointly lead-arranged by Santander Investment Securities and Standard Chartered Bank. The original $150 million facility was substantially oversubscribed, closing with $245 million in total commitments among thirteen international financial institutions. These facilities, coupled with continued support from depositors and correspondent banks, helped the Bank close the year with a strong liquidity position, of $826 million, which represented 23% of interest – bearing liabilities.

The 2008 net income results were affected by the accounting treatment related to certain securities-based financing transactions (i.e. repurchase agreements, or repos), which were recorded as sales in accordance with Financial Accounting Standards Board ("FASB") Statement No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("FASB Statement No. 140"). The Bank has routinely entered into repo transactions as part of its normal business operations, accounting for the repos as financing transactions. However, a particularly tight interbank market caused the Bank to renew some repos under new terms that resulted in the Bank receiving advances or lower percentage of receivables of the underlying securities ("repo haircuts" or "haircuts") than it had under normal market conditions. Based on the application of FASB Statement No. 140 and related guidance, the Bank determined that the repo transactions contracted under the new terms should be treated as sales of the underlying securities, rather than as financings or borrowings.

See Item 5, "Operating and Financial Review and Prospects/Operating Results/Net Income" and Item 18, "Financial Statements," note 26.

Strategy for 2009

The Bank's priorities in the short term are focused on two main goals: first, to continue prudently pursuing its mission to provide clients and the Region with secure and reliable financing; and second, to leverage the opportunities that will arise from the ongoing transformation of the financial industry.

For 2009, Bladex intends to continue focusing its efforts on diversifying its revenue sources across its three business units, with the objective of achieving improved return on equity levels, while preserving and optimizing the Bank's stockholders' equity.

The Commercial Division will continue to develop a stronger client base, particularly trade finance for the Bank's traditional institutional and corporate clients, to maintain the asset quality of the Bank's credit portfolio and maintain adequate reserve levels for credit losses.

The Bank will continue to focus its Treasury Division activities on prudent liquidity management, and the available-for-sale and trading securities portfolios, and to issue additional bonds in capital markets.

The Asset Management Division intends to continue to expand its operations and to continue generating trading revenues and fee income.

Lending Policies

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

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

Due to the nature of trade finance, 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, and other collateral.

Country Credit Limits

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

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

Borrower Lending Limits

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

For existing borrowers, the Bank's management has authority to approve credit lines up to the legal lending limit prescribed by Panamanian law (see Item 4, "Information on the Company/Business Overview/Regulation—Panamanian Law"), provided that the credit lines comply fully with the country credit limits and conditions for the borrower's country of domicile set by the Board. Approved borrower lending limits are reported to the CPER quarterly. Panamanian law prescribes certain concentration limits, which are applicable and strictly adhered to by the Bank, including a 30% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of financial institutions, and a 25% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of corporate and sovereign borrowers. As of December 31, 2008, the legal lending limit prescribed by Panamanian law for corporations and sovereign borrowers amounted to approximately $144 million, and for financial institutions and financial groups amounted to approximately $172 million. On a quarterly basis, the CPER reviews the Bank's impaired portfolio, if any, along with certain non-impaired credits.

At December 31, 2008, the Bank was in full compliance with all regulatory limits. See Item 4, "Information on the Company/Business Overview/Regulation/Panamanian Law."

Credit Portfolio

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

The Bank's credit portfolio at December 31, 2008 decreased to $3,718 million from $4,753 million at December 31, 2007. The credit portfolio balance at December 31, 2006 amounted to $4,006 million.

Commercial Portfolio

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

At December 31, 2008, the commercial portfolio amounted to $3,062 million, compared to $4,281 million at December 31, 2007 and to $3,634 million at December 31, 2006.

At December 31, 2008, 66% of the Bank's commercial portfolio represented trade related credits. The corporate market segment represented 60% of the total commercial portfolio, of which 63% represented trade financing. The following table sets forth the distribution of the commercial portfolio by product category at December 31 of each year (excluding non-accruing credits for the years 2005 and 2004 of $42 million and $293 million, respectively):

	At December 31,									
	2008	%	2007	%	2006	%	2005	%	2004	%
	(in $ million, except percentages)									
Loans	$ 2,619	85.5	$ 3,732	87.2	$ 2,981	82.0	$ 2,581	76.7	$ 2,186	88.7
Contingencies and other assets	444	14.5	550	12.8	654	18.0	784	23.3	277	11.3
Total	$ 3,062	100.0	$ 4,281	100.0	$ 3,634	100.0	$ 3,365	100.0	$ 2,463	100.0

Loan Portfolio

At December 31, 2008, the Bank's total loans amounted to $2,619 million, compared to $3,732 million at December 31, 2007. See Item 5, "Operating and Financial Review and Prospects/Operating Results/Changes in Financial Condition" and Item 18, "Financial Statements," note 8.

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,									
	2008	%	2007	%	2006	%	2005	%	2004	%
	(in $ million, except percentages)									
Argentina	$ 151	5.8	$ 264	7.1	$ 203	6.8	$ 51	2.0	$ 207	8.5
Bolivia	0	0.0	5	0.1	5	0.2	0	0.0	0	0.0
Brazil	1,289	49.2	1,379	37.0	1,317	44.2	1,095	42.0	1,054	43.2
Chile	8	0.3	10	0.3	175	5.9	283	10.8	322	13.2
Colombia	285	10.9	400	10.7	163	5.5	249	9.5	148	6.1
Costa Rica	55	2.1	77	2.1	85	2.9	54	2.1	38	1.5
Dominican Republic	48	1.8	29	0.8	9	0.3	1	0.0	0	0.0
Ecuador	36	1.4	61	1.6	43	1.4	25	1.0	51	2.1
El Salvador	76	2.9	47	1.2	82	2.8	81	3.1	44	1.8
Guatemala	61	2.3	96	2.6	89	3.0	41	1.6	38	1.6
Honduras	45	1.7	49	1.3	36	1.2	26	1.0	6	0.2
Jamaica	15	0.6	77	2.1	49	1.6	24	0.9	26	1.1
Mexico	380	14.5	410	11.0	168	5.6	161	6.1	262	10.7
Nicaragua	4	0.2	13	0.3	10	0.3	2	0.1	5	0.2
Panama	47	1.8	140	3.7	180	6.1	156	6.0	89	3.7
Peru	50	1.9	454	12.2	262	8.8	180	7.0	55	2.2
Trinidad & Tobago	23	0.9	88	2.3	104	3.5	177	6.8	92	3.8
Uruguay	45	1.7	0	0.0	0	0.0	4	0.1	0	0.0
Venezuela	0	0.0	135	3.6	1	0.0	0	0.0	5	0.2
Total	$ 2,619	100.0	$ 3,732	100.0	$ 2,981	100.0	$ 2,610	100.0	$ 2,442	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 of each year:

	At December 31,				
	2008	2007	2006	2005	2004
	(in $ million)				

Private sector commercial banks	$	577	$	1,491	$	1,167	$	1,583	$	1,243
State-owned commercial banks		322		241		273		118		563
Central banks		25		0		0		0		13
Sovereign debt		67		113		123		49		58
State-owned exporting organizations		50		282		138		402		363
Private corporations		1,577		1,605		1,279		458		201
Total	$	2,619	$	3,732	$	2,981	$	2,610	$	2,442

During 2008, the Bank reduced its loan portfolio by $1.1 billion, as liquidity was strengthened and exposures of potential vulnerable sectors and/or concentrations were reduced in response to deteriorating macroeconomic conditions.

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

Maturities and Sensitivites of the Loan Portfolio

The following table sets forth the remaining term of maturity profile of the Bank's loan portfolio at December 31, 2008, by type of rate and type of borrower:

	At December 31, 2008 (in $ million)			
	Due in one year or less	Due after one year through five years	Due after five years	Total
FIXED RATE				
Private sector commercial banks	$ 177	$ 0	$ 0	$ 177
State-owned commercial banks	185	20	0	205
Sovereign debt	25	39	0	64
State-owned exporting organizations	8	0	0	8
Private corporations	455	24	0	479
Sub-total	$ 850	$ 83	$ 0	$ 933
FLOATING RATE				
Private sector commercial banks	$ 162	$ 218	$ 19	$ 399
State-owned commercial banks	80	38	0	118
Sovereign debt	1	2	0	2
Central banks	25	0	0	25
State-owned exporting organizations	41	1	0	43
Private corporations	438	625	35	1,098
Sub-total	$ 747	$ 884	$ 54	$ 1,685
Total	$ 1,597	$ 968	$ 54	$ 2,619

Contingencies and Other Assets

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

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

The Bank applies the same credit policies used in its lending process to its evaluation of these instruments, and, once issued, the commitment is irrevocable and remains valid until its expiration. At December 31, 2008, total contingencies and other assets in the commercial portfolio amounted to $444 million, representing 14% of the total commercial portfolio. See Item 18, "Financial Statements," note 19.

Treasury Portfolio

The treasury portfolio includes selected investment securities, trading assets and credit default swaps. Investment securities and trading assets as of December 31, 2008 amounted to $653 million. Credit default swaps as of this same date amounted to $3 million.

Investment Securities

The Bank's investment securities consist of debt securities available-for-sale and securities held-to-maturity. See Item 18, "Financial Statements," notes 2 (i) and 6.

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.

At December 31, 2008, the Bank's securities available-for-sale amounted to $608 million and consisted of investments with issuers in the Region, of which 74% were banks and sovereign borrowers and 26% were corporations. The held-to-maturity portfolio amounted to $28 million at December 31, 2008. For the year 2008, the Bank's held-to-maturity portfolio had a weighted average annual interest rate of 3.39%.

Trading assets

At December 31, 2008, the Bank's trading assets amounted to $45 million. See Item 18, "Financial Statements," notes 2(h) and 5.

Asset Management Portfolio

The asset management portfolio incorporates the Bank's investment in the Fund's assets and liabilities and is managed by the Asset Management Division through Bladex Asset Management.

Currently, the Division follows a macro strategy by trading a combination of products (foreign exchange, equity indexes, interest rate swaps, and credit derivative products) to establish long and short positions mainly in Latin American markets. Capital preservation is one of the Division's main objectives, and the Division's trading strategy emphasizes high liquidity, moderate volatility, and lower leverage.

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 Investment Fund's balance totaled $151 million at December 31, 2008 and $128 million at December 31, 2007, which included $47 million in funds deposited with the Bank. See Item 18, "Financial Statements," notes 1, 2(d), 7, and 23.

Total Outstandings by Country

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

	2008			2007			2006		
	Amount		% of Total Outstandings	Amount		% of Total Outstandings	Amount		% of Total Outstandings
	(in $ million, except percentages)								
Argentina	$	151	3.5	$	283	6.0	$	212	5.5
Austria		0	0.0		45	1.0		0	0.0
Brazil		1,424	32.7		1,508	32.2		1,449	37.5
Chile		59	1.4		52	1.1		207	5.4
Colombia		449	10.3		526	11.2		261	6.8
Costa Rica		66	1.5		77	1.6		85	2.2
Dominican Republic		55	1.3		42	0.9		9	0.2
Ecuador		36	0.8		61	1.3		43	1.1
El Salvador		95	2.2		57	1.2		87	2.3
France		24	0.5		45	1.0		50	1.3
Germany		20	0.5		60	1.3		0	0.0
Guatemala		64	1.5		96	2.0		89	2.3
Honduras		45	1.0		49	1.0		36	0.9
Jamaica		15	0.3		77	1.7		49	1.3
Japan		60	1.4		40	0.9		33	0.9
Mexico		472	10.9		437	9.3		243	6.3
Panama		133	3.1		212	4.5		200	5.2
Peru		77	1.8		484	10.3		262	6.8
Spain		40	0.9		48	1.0		73	1.9
Switzerland		22	0.5		30	0.6		40	1.0
Trinidad & Tobago		23	0.5		88	1.9		104	2.7
United Kingdom		54	1.2		10	0.2		0	0.0
United States		633	14.5		23	0.5		107	2.8
Uruguay		45	1.0		0	0.0		0	0.0
Venezuela		0	0.0		135	2.9		1	0.0
Other countries1		139	3.2		118	2.5		116	3.0
Sub-Total	$	4,201	96.5	$	4,602	98.3	$	3,756	97.3
Investment fund2		151	3.5		82	1.7		105	2.7
Total	$	4,351	100.0	$	4,684	100.0	$	3,861	100.0

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

2 The balances in the investment fund represent the participation of the Feeder in the net asset value (NAV) of the Fund.

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 analyses, applying a portfolio management approach.

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

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

	2008	2007	2006
		(in $ million)	
Private sector commercial banks	$ 1,235	$ 1,868	$ 1,567
State-owned commercial banks	362	306	324
Central banks	320	0	0
Sovereign debt	506	389	350
State-owned exporting organizations	132	364	219
Private corporations	1,645	1,675	1,295
Sub-Total	$ 4,201	$ 4,602	$ 3,756
Investment fund	151	82	105
Total	$ 4,351	$ 4,684	$ 3,861

Revenues Per Country

The following table sets forth information regarding the Bank's net realized/ unrealized gains (losses) per country at December 31 of each year, with net revenues calculated as the sum of net interest income, fees and commissions, net, derivative financial instruments and hedging, net gain (loss) from investment fund trading, net gain (loss) from trading securities, net gain on sale of securities available-for-sale, gain (loss) on foreign currency exchange, and other income (expense), net:

	For the year ended December 31,		
	2008	2007	2006
	(in $ million)		
Argentina	$ 6.2	$ 4.8	$ 4.2
Brazil	24.4	33.2	31.4
Chile	1.0	1.4	2.7
Colombia	10.4	7.8	3.6
Costa Rica	1.6	0.9	1.6
Dominican Republic	1.3	0.9	1.0
Ecuador	2.2	3.2	2.9
El Salvador	(3.8)	0.9	1.5
Guatemala	(2.5)	1.5	1.3
Honduras	1.3	0.9	0.7
Jamaica	1.6	1.5	1.5
Mexico	25.1	12.4	5.0
Panama	(1.7)	3.8	3.6
Peru	9.2	4.5	3.4
Trinidad and Tobago	2.0	2.4	1.8
Venezuela	1.8	3.3	1.0
Other countries1	(3.7)	0.6	0.5
Asset Management Division	18.1	24.1	0.6
Total	$ 94.5	$ 108.2	$ 68.2

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

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

Competition

The Bank operates in a highly competitive environment in most of its markets, and faces competition principally from regional and international banks in making loans and providing fee-generating services. The Bank competes in its lending and deposit taking activities with other banks and international financial institutions, many of which have greater financial resources and offer sophisticated banking services. Whenever economic conditions and risk perception improve in the largest countries of the Region, competition from commercial banks, the securities markets and other new participants 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 dependant 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.”

During 2008, there was less credit available, as well as higher risks and less competition in the Region. As a result, the Bank was able to increase lending margins from new disbursements.

Regulation

General

The Superintendency of Banks of Panama (the “Superintendency of Banks”) regulates, supervises and examines the Bank. The New York Agency is regulated, supervised and examined by the New York Banking Department and 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 (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 of Banks 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 (“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.

On February 22, 2008, the Panamanian cabinet voted to adopt Decree-Law No. 2, which is a revision and restatement of the Decree-Law No.9 of February 26, 1998 (the “Old Banking Law”). This new legislation came into effect on August 25, 2008. Due to the issuance of Decree Law 2 of February 22 of 2008, the Executive Branch elaborated a systematic order as a sole text of the Decree Law 9 of 1998 and all its amendments, which was approved by means of Executive Decree 52 of April 30, 2008, hereinafter 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 minimum capital of 8% of their total risk-weighted assets, and primary 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 of Banks may now take into account market risks, operational risks and country risks, among others, to evaluate capital adequacy standards. The Superintendency of Banks is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards become more stringent.

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

Under the Old Banking Law, banks could not grant loans or issue guarantees or any other obligation ("Credit Facilities") to any one person or group of related persons in excess of twenty-five percent (25%) of the Bank's total capital. The Banking Law has maintained this limitation with respect to banks, and also extended this limitation to Credit Facilities granted to parties related to the ultimate parent of the banking group. However, the Old Banking Law and the Banking Law establish 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 will be thirty percent (30%) of the bank's capital funds. As confirmed by the Superintendency of Banks, the Bank currently applies the limit of thirty percent (30%) of the Bank's total capital with respect to the Bank's credit facilities in favor of financial institutions and the limit of twenty-five percent (25%) of the Bank's total capital with respect to the Bank's credit facilities in favor of corporations and sovereign borrowers.

Under the Banking Law, a bank 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 of Banks 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 contingent on the following conditions: (i) the ownership of shares in the debtor bank –directly or indirectly–by the shared director or shared officer, may not exceed five percent (5%) of the bank's capital, or may not amount to any sum that would ensure his or her majority control over the decisions of the bank; (ii) the ownership of shares in the creditor bank–directly or indirectly–by the debtor bank represented in any manner by the shared director or shared officer, may not exceed five percent (5%) of the shares outstanding of the creditor bank, or may not amount to any sum that would ensure his or her majority control over the decisions of the bank; (iii) the shared director or shared officer must abstain from participating in the deliberations and in the voting sessions held by the creditor bank regarding the loan or credit request; and (iv) the loan or credit must strictly comply with customary standards of discretion set by the grantor bank's credit policy. The Superintendency of Banks will determine the amount of the exclusion in the case of each loan or credit submitted for its consideration.

The Banking Law contains additional limitations and restrictions with respect to related party loans and credit facilities. For instance, under the Banking Law, 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 restrictions applicable to General License Banks, including (1) a requirement that a bank must notify the Superintendency of Banks before opening or closing a branch or office in Panama and obtain approval from the Superintendency of Banks before opening or closing a branch or subsidiary outside Panama, (2) a requirement that a bank obtain approval from the Superintendency of Banks before it liquidates its operations, merges or consolidates with another bank or sells all or substantially all of its assets, (3) a requirement that a bank must notify the Superintendency of Banks, within the first three months of each fiscal term, the name of the certified public accounting firm that it wishes to contract to carry out the duty of external auditing for the new fiscal term, and (4) a requirement that a bank obtain prior approval from the Superintendency of Banks of the risk rating entity it wishes to hire to perform the risk rating. The subsidiaries of Panamanian banks established in foreign jurisdictions must observe the legal and regulatory provisions applicable in Panama regarding the sufficiency of capital, as prescribed under the Banking Law.

The Banking Law regulates banks and now 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 now banking groups, in Panama are subject to inspection by the Superintendency of Banks, which must take place at least once every two years. The Superintendency of Banks is empowered to request from any bank or any company that belongs to the economic group of which a bank in Panama is a member, the documents and reports pertaining to its operations and activities. Banks are required to file with the Superintendency of Banks monthly, quarterly and annual information, including financial statements, an analysis of their credit facilities and any other information requested by the Superintendency of Banks. In addition, banks are required to make available for inspection any reports or documents that are necessary for the Superintendency of Banks to ensure compliance with Panamanian banking laws and regulations. Banks subject to supervision may be fined by the Superintendency of Banks for violations of Panamanian banking laws and regulations. The Superintendency of Banks last inspected the Bank during March of 2008, and the results of this inspection were fully 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. (“Bladex Holdings”), that is not engaged in activities other than owning one wholly owned subsidiary incorporated under the laws of the State of Delaware: Bladex Asset Management, Inc. incorporated on May 24, 2006. In February 2007, another wholly-owned subsidiary Clavex LLC,which was incorporated on June 15, 2006, became non-operative. On October 30, 2006, the Bank established an international administrative office in Miami, Florida (the “Florida International Administrative Office”). On April 16, 2008, Bladex incorporated a direct fifty percent (50%) owned subsidiary in Delaware with the name of BCG, PA, Llc., which is used as an investment vehicle to receive the performance allocation of Bladex Capital Growth Fund.

New York State Law. The New York Agency, established in 1989, is licensed by the Superintendent of Banks of the State of New York (the “Superintendent”) under the New York Banking Law. The New York Agency maintains an international banking facility that also is regulated by the Superintendent and the 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. At December 31, 2008, the New York Agency maintained a pledge of $5.5 million, complying with the minimum required amount.

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

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

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

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

Pursuant to Florida law, the Florida International Administrative Office is authorized to conduct certain "back office" functions on behalf of the Bank, including administration of the Bank's personnel and operations, data processing and record keeping activities, and negotiating and servicing loans or extensions of credit and investments. Under the provisions of the IBA and the regulations of the 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.

Federal Law. In addition to being subject to New York and Florida state laws and regulations, the New York Agency and the Florida International Administrative Office are subject to federal regulations, primarily under the IBA, and are subject to examination and supervision by the 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 (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 in the United States, and deposits with the New York Agency are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Under the FBSEA, the New York Agency may not obtain FDIC insurance and generally may not accept deposits of less than $100,000, but may accept limited types of deposits over $100,000 to the extent authorized by the Superintendent of Banks of the State of New

York.

The IBA also restricts the ability of a foreign bank with a branch or agency in the United States to engage in non-banking activities in the United States, to the same extent as a U.S. bank holding company. Bladex is subject to certain provisions of the Federal Bank Holding Company Act of 1956 (the "BHCA") because it maintains an agency in the United States. Generally, any nonbanking activity engaged in by Bladex directly or through a subsidiary in the United States is subject to certain limitations under the BHCA. Under the Gramm-Leach-Bliley Financial Modernization Act of 1999 (the "GLB Act"), a foreign bank with a branch or agency in the United States may engage in a broader range of non-banking financial activities, provided it is qualified and has filed a declaration with the U.S. Federal Reserve Board to be a "financial holding company" ("FHC"). Bladex filed an application with the U.S. Federal Reserve Board to obtain financial holding company status on January 29, 2008. The U.S. Federal Reserve Board is in the process of evaluating Bladex's application. At present, Bladex has two direct subsidiaries in the United States. The first direct subsidiary is Bladex Holdings, a company incorporated under Delaware law that is not engaged in any activity, other than owning Bladex Asset Management, Inc., and Clavex LLC, both Delaware companies. The other direct subsidiary is 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 Securities and Exchange Commission ("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 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.

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

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

The Companies Law (2007 Revision) of the Cayman Islands (the "Companies Law") is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Section 193 of the Companies Law does not permit the Bladex Offshore Feeder Fund and the Bladex Capital Growth 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 Bladex Offshore Feeder Fund and the Bladex Capital Growth 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, 2003 of the Cayman Islands impose reporting obligations on residents of the Cayman Islands who know or suspect the involvement of another person in money laundering or terrorist activities.

C. Organizational Structure

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

D. Property, Plant and Equipment

The Bank owns its main branch, with 6,161 square meters of office space, located at Calle 50 and Aquilino de la Guardia in Panama City. The Bank leases 11.2 square meters of computer equipment hosting, located at Gavilan Street Balboa in Panama City, and 21.2 square meters of office space and Internet access in case of a contingency, located at 75E Street San Francisco in Panama City. In addition, the Bank leases office space for its representative offices in Mexico, Buenos Aires, Bladex Representação Ltda. in Brazil, its New York Agency, Bladex Asset Management in New York, and the Florida International Administrative Office in Miami. See Item 18, "Financial Statements," notes 2(o) and 20.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

Nature of Earnings

The Bank derives income from net interest income, fees and commissions, derivative financial instruments and hedging, recoveries on assets, net of impairments; 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. Net interest income, or the difference between the interest income the Bank receives on its interest-earning assets and the interest it pays on interest-bearing liabilities, is generated principally by the Bank's lending activities. The Bank generates fees and commissions mainly through the issuance, confirmation and negotiation of letters of credit and guarantees covering commercial and country risk, and through loan origination and sales.

A. Operating Results

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

	At and For the Year Ended December 31,		
	2008	2007	2006
	(in $ thousand, except per share amounts and percentages)		
Total interest income	$ 244,243	$ 264,869	$ 203,350
Total interest expense	166,396	194,299	144,513
Net interest income	77,847	70,570	58,837
Reversal (provision) for loan losses	18,540	(11,994)	(11,846)
Net interest income after reversal (provision) for loan losses	96,387	58,576	46,991
Other income (expense):			
Reversal (provision) for losses on off-balance sheet credit risk	(16,997)	13,468	24,891
Fees and commissions, net	7,252	5,555	6,393
Derivative financial instruments and hedging	9,956	(989)	(225)
Recoveries of assets, net of impairments	(767)	(500)	5,551
Net gain (loss) from investment fund trading	21,357	23,878	1,091
Net gain (loss) from trading securities	(20,998)	(12)	(212)
Net gain on sale of securities available-for-sale	67	9,119	2,568
Gain (loss) on foreign currency exchange	(1,596)	115	(253)
Other income (expense), net	656	(6)	36
Net other income	(1,070)	50,628	39,840
Total operating expenses	(39,990)	(37,027)	(28,929)
Income before participation of the minority interest in gains of the investment fund	55,327	72,177	57,902
Participation of the minority interest in gains of the investment fund	(208)	0	0
Net income	$ 55,119	$ 72,177	$ 57,902
Basic earnings per share	1.51	1.99	1.56

Diluted earnings per share	1.51	1.98	1.54
Return on average assets	1.09%	1.76%	1.70%
Return on average stockholders' equity	8.99%	11.91%	9.96%

Net Income

The Bank's net income for 2008 was $55 million compared to $72 million for 2007. The Bank's 2008 results were mainly driven by the Commercial Division's net income of $59 million and the Asset Management Division's net income of $12 million, partially offset by the Treasury Division's net loss of $16 million. The Bank's 2008 results also include the impact of classifying certain securities financings (repos) as outright sales, mostly recorded by the Treasury Division, required by the application of FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("FASB Statement No. 140"), as well as the positive impact of FASB Statement No. 157, "Fair Value Mensurements" ("FASB Statement No. 157"). The application of these two FASB Statements amounted to a loss of $13 million during the particulary volatile second half of 2008.

The Commercial Division is responsible for the Bank's financial intermediation and fee generation activities. The Commercial Division's net income, which includes net interest income from loans, fees and commissions and other income derived from financial services and off-balance sheet credits (letters of credit, guarantees and credit commitments), allocated operating expenses, and reversals of (provisions for) credit losses, amounted to $59 million in 2008, compared to $44 million in 2007. The $15 million increase was primarily due to higher average loan balances of $352 million, or 10% during the year, as well as higher weighted average lending spreads, which increased 57 basis points, or 56%, during the year.

The Treasury Division is responsible for the Bank's liquidity management and investment securities activities. The Treasury Division's net income includes net interest income on treasury assets (interest-bearing deposits with banks, investment securities, and trading assets), related net other income (expense), such as net gain (loss) from trading, the sale of securities available-for-sale, foreign currency exchange, derivative financial instruments and hedging; and allocated operating expenses. The Treasury Division reported a net loss of $16 million for 2008, compared to net income of $10 million for 2007. The Treasury Division's 2008 results were affected by the accounting treatment related to certain securities-based financing transactions (repos), which were recorded as sales. Based on the application of FASB Statement No. 140 and related guidance, the higher haircuts applied to the repos due to market conditions resulted in the Bank having to recognize these transactions as outright securities sales, rather than as secured borrowings (financing). This accounting treatment resulted in a non-cash charge to earnings of $25 million, partially offset by a $12 million gain related to the application of FASB Statement No. 157 to the Bank's local funding cross currency swaps during the particularly volatile fourth quarter of 2008.

The Asset Management Division is responsible for the Bank's asset management activities. The Asset Management Division's net income, which includes net interest income on investment fund, gains (losses) from investment fund trading, related other income (loss), and allocated operating expenses, amounted to $12 million in 2008, compared to $18 million in 2007. The $6 million decrease was attributable principally to lower net gains from investment fund trading and lower net interest income, resulting mainly from decreased market interest rates.

The Bank's net income for 2007 was $72 million, compared to $58 million for 2006, a $14 million, or 25%, increase. This increase was mainly attributable to a $12 million, or 20%, increase in net interest income (mostly from the Commercial Division), $23 million in higher gains from investment fund trading by the Asset Management Division, and a $7 million increase in net gain on sale of securities available-for-sale by the Treasury Division, partly offset by an $8 million increase in operating expenses, an $11 million decrease in reversal of provision for off-balance sheet credit risk and a $6 million decrease in recoveries on assets, net of impairments.

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

Net Interest Income and Margins

The following table sets forth information regarding the Bank's net interest income, net interest margin (the net interest income divided by the average balance of interest-earning assets), and 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,		
	2008	2007	2006
	(in $ million, except percentages)		
Net interest income			
Commercial Division	$ 78.1	$ 64.5	$ 50.7
Treasury Division	3.0	5.9	6.9
Asset Management Division	(3.2)	0.1	1.2
Consolidated	$ 77.9	$ 70.5	$ 58.8
Net interest margin	1.55%	1.73%	1.78%
Net interest spread	0.98%	0.78%	0.69%

The $7 million, or 10%, increase in net interest income in 2008 compared to 2007 mainly reflected increased lending spreads and higher average loan balances for the first three quarters of 2008 in the Commercial Division. The 18 basis points decrease in net interest margin in 2008 compared to 2007 was mainly due to lower interest rates, as well as the cost of carrying higher liquidity, particularly towards the end of the 2008. During 2008, there was less credit available, as well as higher risks and less competition in the Region. As a result the Bank was able to increase lending margins on new disbursements.

The $12 million, or 20%, increase in net interest income in 2007 compared to 2006 was the result of higher average balances in the loan portfolio (24%) and increased weighted average lending spreads over the cost of funds. The 5 basis points decrease in net interest margin in 2007 compared to 2006 was mainly due to higher leveraging of the balance sheet and by non-recurring interest income on non-accrual loans received on a cash basis during 2006, both of which offset higher lending spreads during 2007.

The 2008 and 2007 increase in loan portfolio average balances and lending spreads was attributable to the Bank's strategy to improve client and geographic portfolio diversification, by increasing its exposure to the corporate client segment in several countries in the Region.

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 balance sheets:

	Year ended December 31,								
	2008			2007			2006		
Description	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate
	(in $ million, except percentages)								
Interest-Earning Assets									
Interest-bearing deposits with banks	$ 414	$ 8	1.80%	$ 248	$ 13	5.06%	$ 126	$ 6	4.73%
Loans, net	3,718	200	5.29%	3,366	222	6.49%	2,715	166	6.02%
Trading assets	0	1	n.m (*)	0	0	n.m. (*)	0	0	n.m. (*)
Investment securities	756	32	4.23%	345	21	5.99%	390	23	5.76%
Investment fund	138	3	2.49%	113	10	8.40%	69	9	12.47%
Total interest-earning assets	$ 5,025	$ 244	4.78%	$ 4,072	$ 265	6.42%	$ 3,300	$ 203	6.08%

Non-interest-earning assets	93