FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 20-F
April 25, 2014

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

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report________________

For the transition period from ______ to _______

Commission File Number 1-11414

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

(Exact name of Registrant as specified in its charter)

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

Torre V, Business Park

Avenida La Rotonda, Urb. Costa del Este

P.O. Box 0819-08730

Panama City, Republic of Panama

(Address of principal executive offices)

Christopher Schech

Chief Financial Officer

+507 210-8500

Email address: cschech@bladex.com

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

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

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

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

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

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

6,342,189	Shares of Class A Common Stock
2,520,422	Shares of Class B Common Stock
29,710,556	Shares of Class E Common Stock
0	Shares of Class F Common Stock
38,573,167	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.

x Yes ¨ No

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

¨ Yes x No

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

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

x Yes ¨ No

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

x Yes ¨ No

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

¨ Large Accelerated Filer x 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:

x U.S. GAAP	¨ International Financial Reporting Standards as issued by the International Accounting Standards Board	¨ Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

¨ Item 17 ¨ Item 18

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

¨ Yes x No

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

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

Upon written or oral request, the Bank will provide without charge to each person to whom this Annual Report is delivered, a copy of any or all of the documents listed as exhibits to this Annual Report (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference in the documents). Written requests for copies should be directed to the attention of Christopher Schech, Chief Financial Officer, Bladex, as follows: (1) if by regular mail, to P.O. Box 0819-08730, Panama City, Republic of Panama, and (2) if by courier, to Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Republic of Panama. Telephone requests may be directed to Mr. Schech at +507 210-8630. Written requests may also be sent via e-mail to cschech@bladex.com. Information is also available on the Bank’s website at: http://www.bladex.com.

Forward-Looking Statements

In addition to historical information, this Annual Report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements may appear throughout this Annual Report. The Bank uses words such as “believe,” “intend,” “expect,” “anticipate,” “plan,” “may,” “will,” “should,” “estimate,” “potential,” “project” and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning the Bank’s expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from these forward-looking statements include the risks described in the section titled “Risk Factors.” Forward-looking statements include statements regarding:

- the growth of the Bank’s credit portfolio, including its trade finance portfolio;
- the Bank’s ability to increase the number of its clients;
- the Bank’s ability to maintain its investment-grade credit ratings and preferred creditor status;
- the effects of changing interest rates, inflation, exchange rates and the macroeconomic environment in Latin America and the Caribbean on the Bank’s financial condition;
- the execution of the Bank’s strategies and initiatives, including its revenue diversification strategy;
- anticipated operating income and return on equity in future periods;
- the Bank’s level of capitalization and debt;
- the implied volatility of the Bank’s Treasury and trading revenues;

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

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

In addition, the statements included under the headings "Item 4.B. Business Overview—Strategies for 2014 and Subsequent Years" and "Item 5.D. Trend Information" are forward-looking statements. Given the risks and uncertainties surrounding forward-looking statements, undue reliance should not be placed on these statements. Many of these factors are beyond the Bank's ability to control or predict. The Bank's forward-looking statements speak only as of the date of this Annual Report. Other than as required by law, the Bank undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not required in this Annual Report.

Item 2. Offer Statistics and Expected Timetable

Not required in this Annual Report.

Item 3. Key Information

A. Selected Financial Data

The following table presents selected consolidated financial data for the Bank. The financial data presented below are at and for the years ended December 31, 2013, 2012, 2011, 2010, and 2009, and are derived from the Bank's consolidated financial statements for the years indicated, which were prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, and are stated in U.S. dollars. The consolidated financial statements for the years ended December 31, 2013, 2012, 2011, 2010, and 2009 were audited by the independent registered public accounting firm Deloitte, Inc. The consolidated financial statements of the Bank for each of the three years in the period ended December 31, 2013, or the Consolidated Financial Statements, are included in this Annual Report, together with the report of the independent registered public accounting firm Deloitte, Inc. The information below is qualified in its entirety by the detailed information included elsewhere herein and should be read in conjunction with Item 4, "Information on the Company," Item 5, "Operating and Financial Review and Prospects," and the Consolidated Financial Statements and notes thereto included in this Annual Report.

Consolidated Selected Financial Information

	As of and for the Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in $ thousand, except per share data and ratios)				
Income Statement Data:					
Interest income	$205,303	$192,437	$157,427	119,478	141,964
Interest expense	82,211	87,460	54,717	44,975	77,212
Net interest income	123,092	104,977	102,710	74,503	64,752
Reversal of provision (provision) for loan losses [1]	1,598	8,343	(8,841)	(9,091)	(18,293)
Net interest income, after reversal of provision (provision) for loan losses	124,690	113,320	93,869	65,412	46,459

Reversal of provision (provision) for losses on off-balance sheet credit risk [1]	(381)	4,046	4,448	13,926	3,463
Fees and commissions, net	13,669	10,021	10,619	9,811	6,452
Derivative financial instruments and hedging	353	71	2,923	(1,446)	(2,534)
Recoveries, net of impairment of assets	108	0	(57)	233	(120)
Net gain (loss) from investment fund trading	(6,702)	7,011	20,314	(7,995)	24,997
Net gain (loss) from trading securities	3,221	11,234	(6,494)	(3,603)	13,113
Net gain on sale of securities available-for-sale	1,522	6,030	3,413	2,346	546
Net gain (loss) on foreign currency exchange	(3,834)	(10,525)	4,269	1,870	613
Gain on sale of premises and equipment	0	5,626	0	0	0
Other income, net	2,232	2,986	1,059	1,279	1,451
Net other income	10,188	36,500	40,494	16,422	47,982
Total operating expenses	(54,306)	(55,814)	(50,087)	(42,218)	(38,674)
Net income from continuing operations	80,572	94,006	84,276	39,615	55,767
Net income (loss) from discontinued operations [2]	(4)	(681)	(420)	206	214
Net income	80,568	93,325	83,856	39,821	55,980
Net income (loss) attributable to the redeemable noncontrolling interest	(4,185)	293	676	(2,423)	1,118
Net income attributable to Bladex stockholders	84,753	93,032	83,180	42,244	54,862
Balance Sheet Data:					
Interest-bearing deposits in banks	837,557	700,312	830,670	431,144	421,595
Trading assets	0	5,265	20,436	50,412	50,277
Securities available-for-sale	334,368	183,017	416,300	353,250	456,984
Securities held-to-maturity	33,759	34,113	26,536	33,181	0

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	As of and for the Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in $ thousand, except per share data and ratios)				
Investment funds	118,661	105,888	120,425	167,291	197,575
Loans	6,148,298	5,715,556	4,959,573	4,064,332	2,779,262
Allowance for loan losses	72,751	72,976	88,547	78,615	73,789
Total assets	7,471,312	6,756,396	6,360,032	5,100,087	3,878,771
Total deposits	2,361,336	2,317,260	2,303,506	1,820,925	1,256,246
Trading liabilities	72	32,304	5,584	3,938	3,152
Securities sold under repurchase agreements and short-term borrowings and debt	2,991,527	1,607,397	1,700,468	1,360,327	399,132
Long-term borrowings and debt	1,153,871	1,905,540	1,487,548	1,075,140	1,390,387
Total liabilities	6,563,461	5,926,537	5,595,203	4,384,087	3,168,234
Capital stock	279,980	279,980	279,980	279,980	279,980
Total stockholders' equity	857,952	826,475	759,282	697,050	675,637
Weighted average basic shares	38,406	37,824	36,969	36,647	36,493
Weighted average diluted shares	38,533	37,938	37,145	36,814	36,571
Per Common Share Data:					
Basic earnings per share	2.21	2.46	2.25	1.15	1.50
Diluted earnings per share	2.20	2.45	2.24	1.15	1.50
Book value per share (period end)	22.24	21.67	20.45	18.99	18.49
Regular cash dividends per share	1.25	1.10	0.85	0.67	0.60
Special cash dividends per share	0.00	0.00	0.00	0.00	0.00
Selected Financial Ratios:					
Performance Ratios:					
Return on average assets (3)	1.20 %	1.51 %	1.46 %	0.97 %	1.38 %
Return on average stockholders' equity(3)	10.02 %	11.57 %	11.40 %	6.21 %	8.60 %
Net interest margin (4)	1.75 %	1.70 %	1.81 %	1.70 %	1.62 %
Net interest spread (4)	1.55 %	1.44 %	1.62 %	1.43 %	1.12 %
Total operating expenses to total average assets (3)	0.77 %	0.90 %	0.88 %	0.97 %	0.97 %
Regular cash dividend payout ratio	56.64 %	44.72 %	37.78 %	58.12 %	39.91 %
Special cash dividend payout ratio	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Liquidity Ratios:					
Liquid assets (5) / total assets	11.12 %	10.21 %	12.36 %	8.25 %	10.36 %
Liquid assets (5) / total deposits	35.18 %	29.78 %	34.11 %	23.10 %	32.00 %
Asset Quality Ratios:					
Non-accrual loans to total loans (6)	0.05 %	n.m.(*)	0.65 %	0.71 %	1.82 %
Impaired loans to total loans (6)	0.05 %	n.m.(*)	0.65 %	0.71 %	1.29 %
Charged-off loans to total loans	0.00 %	0.13 %	0.02 %	0.13 %	0.00 %
Allowance for loan losses to total loans, net of unearned income and deferred commission	1.18 %	1.28 %	1.79 %	1.94 %	2.66 %
Allowance for losses on off-balance sheet credit risk to total contingencies	1.08 %	2.05 %	2.45 %	3.50 %	8.28 %
Capital Ratios:					
Stockholders' equity to total assets	11.48 %	12.23 %	11.94 %	13.67 %	17.42 %

Average stockholders' equity to total average assets [3]	12.01	%	13.03	%	12.83	%	15.62	%	16.06	%
Leverage ratio [7]	8.7	x	8.2	x	8.4	x	7.3	x	5.7	x
Tier 1 capital to risk-weighted assets [8]	15.9	%	17.9	%	18.6	%	20.5	%	25.8	%
Total capital to risk-weighted assets [9]	17.1	%	19.2	%	19.9	%	21.8	%	27.0	%
Risk-weighted assets	$5,472,589		$4,609,221		$4,090,333		$3,416,782		$2,633,482	

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

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

(2) On April 2, 2013 the Bank reached a final agreement to sell its Asset Management Unit to Alpha4X Asset Management, LLC and its related companies ("Alpha4X"). The Bank applied discontinued operations accounting to the operations of the Asset Management Unit in accordance with ASC Topic 205-20 – Presentation of Financial Statements – Discontinued Operations. The amounts reported for the years ended December 31, 2011, 2010, and 2009 have been reclassified to conform with the presentation of discontinued operations in 2012. See Item 4.B, "Business Overview-Overview", for a discussion of the Asset Management Unit.

(3) Average assets and average stockholders' equity are calculated on the basis of unaudited daily average balances.

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

(5) Liquid assets consist of investment-grade "A" securities, and cash and due from banks, excluding pledged deposits. See Item 5.B. "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Liquidity" and Item 18, "Financial Statements" Notes 4 and 6 to the Audited Financial Statements.

(6) As of December 31, 2013 the Bank had $3 million in non-accrual status, all of which corresponded to impaired loans. As of December 31, 2012, the Bank did not have any loans in non-accrual status. As of December 31, 2011 and 2010 non-accrual loans amounted $32 million and $29 million, respectively, all of which corresponded to impaired loans. As of December 31, 2009, non-accrual loans amounted $51 million, of which $36 million corresponded to impaired loans. Impairment factors considered by the Bank's management include collection status, collateral value, the probability of collecting scheduled principal and interest payments when due, and economic conditions in the borrower's country of residence.

(7) Leverage ratio is the ratio of total assets to stockholders' equity.

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

(9) Total capital refers to Tier 1 capital plus Tier 2 capital, based on Basel I capital adequacy guidelines. Total capital refers to the total capital ratio as a percentage of risk-weighted assets.

B. Capitalization and Indebtedness

Not required in this Annual Report.

C. Reasons for the Offer and Use of Proceeds

Not required in this Annual Report.

D. Risk Factors

Risks Relating to the Bank's Business

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

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

As of December 31, 2013, approximately 38% of the Bank's funding represents short-term borrowings and debt from international private banks, which compete with the Bank in its credit extension activity. If these international banks cease to provide funding to the Bank, the Bank would have to seek funding from other sources, which may not be available, or if available, may be at a higher cost.

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

As of December 31, 2013, approximately 78% of the Bank's total deposits represented deposits from central and state-owned banks, and 14% of the Bank's deposits represented deposits from private sector commercial banks and financial institutions.

As a U.S. dollar-based economy, Panama does not have a central bank in the traditional sense, and there is no lender of last resort to the banking system in the country. Central Banks in Latin America and the Caribbean, or the Region, would not be obligated to act as lenders of last resort if Bladex were to face a liquidity shortage and the Bank would have to rely on commercial liquidity sources to cover the shortfall.

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

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

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

The Bank’s businesses are subject to market risk.

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

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

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

As a bank, Bladex faces interest rate risk because interest-bearing liabilities generally reprice at a different pace than interest-earning assets. Bladex’s exposure to instruments whose values vary with the level or volatility of interest rates contributes to its interest rate risk. Failure to adequately manage eventual mismatches may reduce the Bank’s net interest income during periods of fluctuating interest rates.

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

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

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

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

Over time, there has been substantial consolidation among companies in the financial services industry, and this trend continued accelerating in recent years as the credit crisis led to numerous mergers and asset acquisitions among industry participants and in certain cases reorganization, restructuring, or even bankruptcy. Merger activity in the financial services industry has produced companies that are capable of offering a wide array of financial products and services at competitive prices. In addition, whenever economic conditions and risk perception improve in the Region, competition from commercial banks, the securities markets and other new participants generally increases.

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

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

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

The Bank is also dependent on information systems to operate its website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. The Bank may experience operational problems with its information systems as a result of system failures (including failure to update systems), viruses, computer "hackers" or other causes. The Bank's ability to remain competitive depends in part on its ability to upgrade its information technology on a timely and cost-effective basis. The Bank continually makes investments and improvements in its information technology infrastructure in order to remain competitive. In the future, the Bank may not be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of its information technology infrastructure. Any failure to effectively improve or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Bank.

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

Bladex, like all financial institutions, is exposed to operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, and errors by employees, and any failure, interruption or breach in the security or operation of the Bank's information technology systems could result in interruptions in such activities. Operational problems or errors may occur, and their occurrence may have a material adverse impact on the Bank's business, financial condition, results of operations and cash flows.

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

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

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

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

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

The Bank is subject to extensive laws and regulations regarding the Bank organization, operations, lending and funding activities, capitalization and other matters. In 2010, the Basel Committee on Banking Regulations and Supervisory Practices, or the Basel committee, proposed comprehensive changes to the liquidity coverage ratio and liquidity risk monitoring tools, known as Basel III. On December 16, 2010 and January 13, 2011, the Basel Committee issued its original guidance (which was updated in 2013) on a number of regulatory reforms to the regulatory capital framework in order to strengthen minimum capital requirements, including the phasing out of innovative Tier 1 and 2 Capital instruments with incentive-based redemption clauses and implementing a leverage ratio on institutions in addition to current risk-based regulatory requirements. The Superintendency of Banks of Panama (Superintendencia de Bancos de Panamá, or the Superintendency) is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards (the standards set by the Basel Committee on Banking Supervision) become more stringent. Non-compliance with this legal lending limit could result in the assessment of administrative sanctions by the Superintendency for such violations, taking into consideration the magnitude of the offense and any prior occurrences, and the magnitude of damages and prejudice caused to third parties.

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

On July 21, 2010, the Dodd-Frank Act, was signed into law in the United States. The Dodd-Frank Act is intended primarily to overhaul the financial regulatory framework in the United States following the global financial crisis and may impact substantially all financial institutions including the Bank. The Dodd-Frank Act, among other things, imposes higher prudential standards, including more stringent risk-based capital, leverage, liquidity and risk-management requirements, establishes a Bureau of Consumer Financial Protection, establishes a systemic risk regulator, consolidates certain federal bank regulators, imposes additional requirements related to corporate governance and executive compensation and requires various U.S. federal agencies to adopt a broad range of new implementing rules and regulations, for which they are given broad discretion. The Bank is closely monitoring this rulemaking process, and analyzing, the impact of new rules on the Bank's business. On December 10, 2013, pursuant to the Dodd-Frank Act, federal banking and securities regulators issued final rules to implement Section 619 of the Dodd-Frank Act (the Volcker Rule). Generally, subject to a transition period and certain exceptions, the Volcker Rule restricts banks from: (i) short-term proprietary trading as principal in securities and other financial instruments, and (ii) sponsoring or acquiring or retaining an ownership interest in private equity and hedge funds. After the transition period, the Volcker Rule prohibitions and restrictions will apply to banking entities, including the Bank, unless an exception applies. We are analyzing the impact of the Volcker Rule on our investment portfolio and changes to our investment strategies may occur.

The Bank, as a foreign financial institution (FFI), will be subject to provisions of the U.S. Foreign Account Tax Compliance Act (FATCA). Pursuant to this legislation, the Bank entered on April 23, 2014 into an agreement with the Internal Revenue Service (IRS), which will require the Bank to identify U.S. accounts, report certain information regarding the U.S. accounts to the IRS and withhold a 30% tax on "pass-thru payments" made to non-participating FFIs or accountholders that fail to provide requested information.

Risk Relating to the Region

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

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

The Bank's credit activities are concentrated in a number of countries. Adverse changes affecting the economies in one or more of those countries could have an adverse impact on the Bank's credit portfolio and, as a result, its financial condition, growth, prospects, results of operations and financial condition. As of December 31, 2013, approximately 63% of the Bank's credit portfolio was outstanding to borrowers in the following five countries: Brazil ($1,805 million, or 26%), Colombia ($838 million, or 12%), Peru ($662 million, or 9%), Mexico ($572 million, or 8%), and Chile ($532 million, or 8%).

In addition, as of December 31, 2013, of the Bank's total credit portfolio balances, 7% were to five borrowers in Chile, 6% were to five borrowers in Brazil, 6% were to five borrowers in Colombia, 5% were to five borrowers in Peru, and 3% were to five borrowers in Mexico. A significant deterioration of the financial or economic condition of any of these countries or borrowers could have an adverse impact on the Bank's credit portfolio, requiring the Bank to create additional allowances for credit losses, or suffer credit losses with the effect being accentuated because of this concentration.

See Item 4.B. "Information on the Company—Business Overview—Developments During 2013".

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

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

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

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

Item 4. Information on the Company

A. History and Development of the Company

The Bank, a corporation *(sociedad anónima, S.A.)* organized under the laws of Panama and headquartered in Panama City, Panama, is a specialized supranational bank originally established by central banks of Latin American and Caribbean countries to promote trade finance in the Region.

The Bank was established pursuant to a May 1975 proposal presented to the Assembly of Governors of Central Banks in the Region, which recommended the creation of a multinational organization to increase foreign trade financing capacity of the Region. The Bank was organized in 1977, incorporated in 1978 as a corporation pursuant to the laws of the Republic of Panama, and officially initiated operations on January 2, 1979. 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 contract signed in 1978 between the Republic of Panama and Bladex, the Bank was granted certain privileges by the Republic of Panama, including an exemption from payment of income taxes in Panama.

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

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

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

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

Bladex Holdings Inc., or Bladex Holdings, is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, USA, on May 30, 2000. Bladex Holdings exercised control over Bladex Asset Management Inc., or Bladex Asset Management, incorporated on May 24, 2006 under the laws of the State of Delaware, USA, which, until its dissolution, provided investment management services to Bladex Offshore Feeder Fund, or the Feeder, and Bladex Capital Growth Fund, or the Fund. On September 8, 2009, Bladex Asset Management was registered as a foreign entity in the Republic of Panama, to establish a branch in Panama, which was mainly engaged in providing administrative and operating services to Bladex Asset Management Inc. in USA. Bladex Asset Management Inc. was dissolved, in the Republic of Panama on July 5, 2013 and, in the USA on September 18, 2013, and its net assets were transferred to the Head Office. Bladex Holdings maintains ownership in two companies: Bladex Representacao Ltda. and Baldex Investimentos Ltda.

The Feeder was incorporated on February 21, 2006 under the laws of the Cayman Islands, and invested substantially all its assets in the Fund, which was also incorporated under the laws of the Cayman Islands.

Bladex Head Office owned 50% of the equity shares of BCG PA LLC, or BCG, a company incorporated under the laws of the State of Delaware, USA. BCG owned "Class C" shares of the Fund, which were sold as part of the sale of the Asset Management Unit. The "Class C" shares entitled BCG to receive a performance allocation on third-party investments in the Feeder and in the Fund. BCG was dissolved on August 14, 2013 and its net assets were transferred to its investors.

Bladex Investimentos Ltda. was incorporated under the laws of Brazil on May 3, 2011. Bladex Head Office owns 99% of Bladex Investimentos Ltda. and Bladex Holdings owns the remaining 1%. Bladex Investimentos Ltda. has invested substantially all its assets in an investment fund incorporated in Brazil ("the Brazilian Fund"), registered with the

Brazilian Securities Commission, (“CVM”). The Brazilian Fund is a non-consolidating variable interest entity, or VIE.

The objective of the Brazilian Fund is to achieve capital gains by dealing in the interest, currency, securities, commodities and debt markets, and by trading instruments available in the spot and derivative markets.

BLX Brazil Ltd. was incorporated under the laws of the Cayman Islands on October 5, 2010. Bladex Head Office owned 99.8% of BLX Brazil Ltd. In turn, BLX Brazil Ltd. owned 99.9999% of Bladex Asset Management Brazil – Gestora de Recursos Ltda., or BAM Brazil, and Bladex Asset Management owned the remaining 0.0001%. BAM Brazil was incorporated under the laws of Brazil on January 6, 2011, and provided investment advisory services to the Brazilian Fund. BLX Brazil Ltd. and BAM Brazil were sold as part of the sale of the Asset Management Unit.

On April 2, 2013, Bladex reached a definitive agreement to sell its Asset Management Unit. The Asset Management Unit was sold to Alpha4X Asset Management, LLC (“Alpha4X”), a company majority-owned by former executives of the Asset Management Unit. The Bank has a committed to remain an investor in these funds, net of annual contractual redemptions, until to March 31, 2016. As part of the agreement, a subsidiary of XL Group plc will also become an anchor investor in the Fund under Alpha4X’s management. The sale agreement included, among other terms, the transfer of the Bank's participation in BLX Brazil Ltd. and BAM Brazil, the termination of the investment advisory contracts between Bladex Asset Management Inc. and the Feeder and the Fund, and the change of name of Bladex Offshore Feeder Fund to Alpha4X Feeder Fund, of Bladex Capital Growth Fund to Alpha4X Capital Growth Fund, and of Bladex Latam Fundo de Investimento Multimercado to Alpha4X Latam Fundo de Investimento Multimercado.

Bladex Head Office has a participation of 55.87% in Alpha4X Feeder Fund (formerly Bladex Offshore Feeder Fund), a fund constituted under the laws of the Cayman Islands, that invests substantially all its assets in Alpha4X Capital Growth Fund (formerly Bladex Capital Growth Fund), which is also incorporated under the laws of the Cayman Islands (see Note 7). Alpha4X Feeder Fund is a VIE, and has been consolidated in these consolidated financial statements. Both funds, Alpha4X Feeder Fund and Alpha4X Capital Growth Fund are registered with the Cayman Island Monetary Authority ("CIMA"), under the Mutual Funds Law of the Cayman Islands. The objective of these Funds is to achieve capital appreciation by investing in Latin American debt securities, stock indexes, currencies, and trading derivative instruments.

On June, 2012, the Bank's headquarters office were relocated to Torre V, Business Park, Avenida La Rotonda, Urb. Costa del Este, Panama City, Panama, and its telephone number is +507 210-8500. Bladex's New York Agency its located at 370 Lexington Avenue, Suite 500, New York, NY 10017, and its telephone number is (212) 754-9191.

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

See Item 18. "Financial Statements," notes 1, 2(a), 3 and 7.

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

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

The Commercial Division is responsible for the Bank's core business of financial intermediation and fee generation activities relating to the commercial portfolio. The division's portfolio includes the loan portfolio (bilateral and syndicated trade and non-trade finance lending, short and medium term loans), selected deposits placed, equity investments, customer liabilities under acceptances and contingencies (including confirmed and stand-by letters of credit and guarantees covering commercial risk, credit commitments). The majority of the Bank's loans are extended in connection with specifically identified foreign trade transactions. Through its revenue diversification strategy, the Bank's Commercial Division has introduced a broader range of products, services and solutions associated with foreign trade, including co-financing arrangements, underwriting of syndicated credit facilities, structured trade financing, asset-based financing in the form of factoring, vendor financing and leasing.

The Treasury Division is responsible for the Bank's funding and liquidity management, along with the management of its activities in investment securities, which comprise trading assets, securities available-for-sale, and securities held-to-maturity, the Bank's investments in investment funds, and the management of the Bank's interest rate, liquidity, price and currency risks.

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

The Asset Management Unit, which was comprised of the Bank’s interests in BAM Brazil, BCG, BLX Brazil Ltd. and Bladex Asset Management, was responsible for the Bank’s asset management activities, including its investments in the Investment Fund and the Brazilian Fund. Following the sale of the Bladex Asset Management Unit in April 2013, the Treasury Division now comprises the Bank’s remaining investment in the investment funds.

As of December 31, 2013, the Bank had 62 employees, or 32% of its total employees, across its offices responsible for marketing the Bank’s financial products and services to existing and potential customers.

See Item 18. “Financial Statements,” note 7.

Developments During 2013

After years of modest growth or outright recession, recovery appears to be taking hold in high-income economies. Among the three major high-income economies (the USA, the Euro Area, and Japan), the recovery appears the most advanced in the USA.

Growth in emerging markets remained at levels higher than most developed economies; however, the growth patterns tended to become more disparate amongst emerging market economies. In China, uncertainty regarding the sustainability of its growth and the possibility of a hard landing alleviated throughout the course of the year, although some of the more recent economic data once again suggested performance below market expectations. Moderate global trade growth, less supportive commodity markets, and domestic challenges curbed growth in 2013 in some parts of the Region. Real gross domestic product, or GDP, grew by 2.5 percent in 2013, broadly unchanged from 2012. Growth in regional merchandise exports was modest in 2013. Prices of agriculture products, base metals and precious metals fell compared to the prior year, resulting in a widening of the Region’s current account deficit from 1.7 percent of GDP in 2012 to 2.6 percent in 2013.

Despite increased volatility brought about the prospect of the commencement of reducing monetary stimuli in the United States, gross capital flows to the Region increased to $178 billion in 2013, compared with $150 billion in 2012. However, key regional currencies depreciated, losing 3 to 13 percent of their values. The depreciated currencies have provided support to the recent strengthening of exports in some of the Region's economies, notwithstanding softer commodity prices.

Domestic demand also softened in 2013, from cyclical highs reached in prior years, as private and government consumption growth moderated from well over 3 percent in 2012 to 2.6 percent and 2.2 percent, respectively, in 2013.

The Bank's full-year 2013 financial results showed a strengthening of core business activities and income. Average portfolio growth, net interest margin evolution, and fee income generation were stronger, as the Bank´s core competencies allowed it to compete effectively within challenging financial sector and debt capital markets conditions. Bladex's growth was achieved without compromising credit quality, as the portfolio mix shifted towards better-quality clients, average tenors were maintained, and overall expenses were reduced year-on-year.

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Net income attributable to Bladex stockholders amounted to $84.8 million, or $2.21 per share compared to $93.0 million, or $2.46 per share in 2012. The decrease in net income compared to 2012 was attributable primarily to losses from the participation in investment funds, lower reversals of provisions for credit losses and the absence of non-recurring gains on the sale of premises and equipment in 2012 associated with the relocation of the Bank's headquarters.

Fees and commissions totaled $13.7 million for the year 2013, an increase of $3.6 million, or 36%, compared to $10.0 million achieved in 2012, mostly driven by an increase in the activity in the letter of credit business, and by loan intermediation fees from mandated transactions reflecting the Bank's progress in establishing its structured finance and syndication platform.

The Bank's Tier 1 capitalization stood at 15.9% as of December 31, 2013, with leverage at 8.7 times, as the Bank continued to deploy capital towards business growth, compared with 17.9% of Tier 1 capital and 8.2 times, as of December 31, 2012.

Liquidity totaled $831 million as of December 31, 2013, compared to $690 million as of December 31, 2012, as the Bank maintained its proactive approach to liquidity management, in particular by increasing its liquidity position as a preventive measure as a result of heightened market volatility. The ratio of liquid assets to total assets stood at 11.1% as of December 31, 2013, compared to 10.2% as of December 31, 2012.

On December 10, 2013, the Bank's Board of Directors, or the Board, approved an increase in quarterly dividends distributed to holders of common shares from $0.30 to $0.35 per share pertaining to the fourth quarter of 2013. This 17% increase in quarterly dividends reaffirmed the Bank's commitment to continuing its established dividend approach that reflects the development and growth of the Bank's core business.

See Item 5, "Operating and Financial Review and Prospects—Operating Results—Net Income Attributable to Bladex" and Item 18, "Financial Statements," note 27.

Strategies for 2014 and Subsequent Years

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

The Bank's expertise in risk and capital management and extensive knowledge of the Region allows it to identify and strategically focus on stable and growth-oriented markets, including investment grade countries in the Region. Bladex maintains strategically placed representative offices in order to provide focused products and services in markets that the Bank considers key to its continued growth.

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

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

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

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

Increase the range of products and services that the Bank offers

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

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

Lending Policies

The Bank extends credit directly to financial institutions, corporations and middle market companies within the Region. The distinction between corporations and middle-market companies depends on the client level of annual sales in relation to the country risk, among other criteria. The Bank finances import and export transactions for all types of goods and products, with the exception of articles such as weapons, ammunition, military equipment, hallucinogenic drugs or narcotics not utilized for medical purposes. Imports and exports financed by the Bank are destined for buyers/sellers in countries both inside and outside the Region. The Bank analyzes credit requests from eligible borrowers in the light of credit risk criteria, including economic and market conditions. The Bank maintains a consistent lending policy and applies the same credit criteria to all types of potential borrowers in evaluating creditworthiness.

Due to the nature of trade finance, the Bank's loans are generally unsecured. However, in certain instances, based upon the Bank's credit review of the borrower and the economic and political situation and trends in the borrower's home country, the Bank has determined that the level of risk involved may require that a loan be secured by collateral.

Country Credit Limits

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

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

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

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Borrower Lending Limits

The Bank generally establishes lines of credit for each borrower according to the results of its risk analysis and potential business prospects; however, the Bank is not required to lend under these lines of credit. Once a line of credit has been established, credit generally is extended after receipt of a request from the borrower for financing, usually related to foreign trade, which accounted for 58% of such credit as of December 31, 2013. Loan pricing is determined in accordance with prevailing market conditions and the borrower's creditworthiness.

For existing borrowers, the Bank's management has authority to approve credit lines up to the legal lending limit prescribed by Panamanian law (see Item 4.B. "Information on the Company—Business Overview—Regulations—Panamanian Law"), provided that the credit lines comply fully with the country credit limits and conditions for the borrower's country of domicile set by the Board. Approved borrower lending limits are reported to the CPER quarterly. Panamanian Law sets forth certain concentration limits, which are applicable and strictly adhered to by the Bank, including a 30% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of financial institutions, and a 25% limit as a percentage of capital and reserves for any one borrower and borrower group, in the case of corporate, sovereign and middle-market companies. As of December 31, 2013, the legal lending limit prescribed by Panamanian law for corporations, sovereign borrowers and middle-market companies amounted to $214 million, and for financial institutions and financial groups amounted to $257 million. Non-compliance with this legal lending limit could result in the assessment of administrative sanctions by the Superintendency for such violations, taking into consideration the magnitude of the offense and any prior occurrences, and the magnitude of damages and prejudice caused to third parties. On a quarterly basis, the CPER reviews the impaired portfolio, if any, along with certain non-impaired credits. As of December 31, 2013, the Bank was in compliance with regulatory legal lending limits. See Item 4.B, "Information on the Company—Business Overview—Regulations—Panamanian Law."

Credit Portfolio

The Bank's credit portfolio, which consists of the commercial portfolio and investment securities portfolio, increased to $6,998 million as of December 31, 2013, from $6,170 million as of December 31, 2012, and from $5,814 million as of December 31, 2011. The $828 million, or 13%, credit portfolio increase during 2013 was largely attributable to increased demand from the Bank's established client base of corporations ($621 million, or 20%), and financial institutions ($304 million, or 13%) segments, partially offset by decreased demand of $97 million, or 14%, in the middle-market companies segment.

Commercial Portfolio

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

The Bank's commercial portfolio increased to $6,630 million as of December 31, 2013, an 11% increase from $5,953 million as of December 31, 2012, and a 24% increase from $5,354 million as of December 31, 2011. The increase in 2013 was largely attributable to growing demand from the Bank's established client base of corporations (which grew by $576 million, or 20%) and financial institutions (by $199 million, or 9%), which was partially offset by a decrease of $97 million, or 14%, in the middle-market segment.

As of December 31, 2013, 58% of the Bank's commercial portfolio represented trade-related credits, and the remaining balance consisted primarily of lending to financial institutions and corporations involved in foreign trade. The corporation segment represented 53% of the total commercial portfolio, of which 68% represented trade financing.

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

	As of December 31,									
	2013(1)	%	**2012**(2)	%	**2011**(3)	%	**2010**(4)	%	**2009**(5)	%
	(in $ million, except percentages)									
Loans	$6,148	92.7	$5,716	96.0	$4,960	92.6	$4,064	91.4	$2,779	89.4
Selected deposits placed	0	0.0	0	0.0	30	0.6	0	0.0	0	0.0
Contingencies and other assets	482	7.3	237	4.0	364	6.8	382	8.6	331	10.6
Total	$6,630	100.0	$5,953	100.0	$5,354	100.0	$4,446	100.0	$3,110	100.0

(1) Includes non-accrual loans for $3 million as of December 31, 2013.

(2) There were nil non-accrual loans as of December 31, 2012.

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

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

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

Loan Portfolio

As of December 31, 2013, the Bank's total loans amounted to $6,148 million, compared to $5,716 million as of December 31, 2012 and compared to $4,960 million as of December 31, 2011. As of December 31, 2013, 73% of the Bank's loans were scheduled to mature within one year.

As of December 31, 2013, the Bank had non-accrual loans for $3 million (or 0.05% of loan portfolio), compared to nil non-accrual loans as of December 31, 2012, and compared to $32 million (or 0.65% of loan portfolio) as of December 31, 2011.

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

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

Loans by Country Risk

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

	As of December 31,									
	2013	**% of Total Loans**	2012	**% of Total Loans**	2011	**% of Total Loans**	2010	**% of Total Loans**	2009	**% of Total Loans**
	(in $ million, except percentages)									
Argentina	$190	3.1	$222	3.9	$390	7.9	$237	5.8	$73	2.6
Belgium	0	0.0	31	0.5	0	0.0	0	0.0	0	0.0
Brazil [1]	1,709	27.8	1,773	31.0	1,852	37.3	1,583	38.9	1,335	48.0
Chile	491	8.0	310	5.4	376	7.6	328	8.1	258	9.3
Colombia	702	11.4	450	7.9	734	14.8	585	14.4	200	7.2
Costa Rica	410	6.7	197	3.4	109	2.2	88	2.2	83	3.0
Dominican Republic	191	3.1	111	1.9	118	2.4	135	3.3	31	1.1
Ecuador	126	2.0	174	3.0	22	0.4	18	0.4	23	0.8
El Salvador	123	2.0	66	1.2	21	0.4	39	1.0	41	1.5
France	101	1.6	60	1.0	0	0.0	0	0.0	0	0.0
Germany	0	0.0	0	0.0	5	0.1	0	0.0	0	0.0
Guatemala	200	3.3	273	4.8	161	3.2	92	2.3	74	2.7

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	As of December 31,									
	2013	**% of Total Loans**	2012	**% of Total Loans**	2011	**% of Total Loans**	2010	**% of Total Loans**	2009	**% of Total Loans**
	(in $ million, except percentages)									
Honduras	74	1.2	71	1.2	46	0.9	38	0.9	23	0.8
Jamaica	61	1.0	10	0.2	2	0.0	64	1.6	31	1.1
Mexico (2)	517	8.4	496	8.7	416	8.4	404	9.9	302	10.9
Netherlands	15	0.2	77	1.4	20	0.4	0	0.0	0	0.0
Nicaragua	8	0.1	10	0.2	10	0.2	0	0.0	1	0.0
Panama	224	3.6	277	4.8	119	2.4	47	1.2	41	1.5
Paraguay	102	1.7	27	0.5	30	0.6	0	0.0	0	0.0
Peru	581	9.4	841	14.7	342	6.9	343	8.4	161	5.8
Spain	0	0.0	10	0.2	0	0.0	0	0.0	0	0.0
Trinidad & Tobago	143	2.3	119	2.1	76	1.5	63	1.6	72	2.6
United States of America	28	0.5	3	0.1	0	0.0	0	0.0	0	0.0
Uruguay	155	2.5	109	1.9	110	2.2	0	0.0	30	1.1
Total	$6,148	100.0	$5,716	100.0	$4,960	100.0	$4,064	100.0	$2,779	100.0

(1) Includes non-accrual loans in Brazil of $3 million in 2013, $1 million in 2010 and $7 million in 2009.
(2) Includes non-accrual loans in Mexico of $32 million in 2011, $28 million in 2010 and $44 million in 2009.

As of December 31, 2013, the loans extended in European countries represented $116 million or 1.88% of total loan portfolio, compared to $177 million or 3.1% as of December 31, 2012. All loans granted in 2013 to European countries corresponded to corporations in France ($101 million, or 1.64% of the total loan portfolio), and in the Netherlands ($15 million, or 0.24% of the total loan portfolio), consisting mainly of loans extended to their subsidiaries in Latin America with head-office guarantee.

Loans by Type of Borrower

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

As of December 31,									
2013	**% of Total Loans**	2012	**% of Total Loans**	2011	**% of Total Loans**	2010	**% of Total Loans**	2009	**% of Total Loans**
(in $ million, except percentages)									

Private sector commercial banks and financial institutions	$1,786	29.0	$1,776	31.1	$1,716	34.6	$1,381	34.0	$875	31.5
State-owned commercial banks	449	7.3	416	7.3	448	9.0	320	7.9	334	12.0
Central banks	25	0.4	0	0.0	0	0.0	0	0.0	0	0.0
Sovereign debt	0	0.0	100	1.8	27	0.5	54	1.3	96	3.4
State-owned organizations (1)	939	15.3	539	9.4	233	4.7	312	7.7	193	7.0
Private middle-market companies (2)	574	9.3	682	11.9	446	9.0	225	5.5	129	4.6
Private corporations (3)	2,375	38.6	2,203	38.5	2,090	42.1	1,772	43.6	1,153	41.5
Total (4)	$6,148	100.0	$5,716	100.0	$4,960	100.0	$4,064	100.0	$2,779	100.0

(1) In 2013, 79% of loans to state-owned organizations correspond to the oil and petroleum derived products sector, 11% of loans correspond to the industrial sector, and 10% of loans correspond to the agricultural sector.

(2) In 2013, 46% of loans to private middle-market companies correspond to the industrial sector and 30% of loans correspond to the agricultural sector.

(3) In 2013, 28% of loans to private corporations correspond to the agricultural sector, 26% of loans correspond to the industrial sector, and 16% of loans correspond to oil and petroleum derived products.

(4) Includes $3 million, $32 million, $29 million and $51 million in non-accrual loans in 2013, 2011, 2010 and 2009, respectively.

The Bank did not have any exposure to European sovereign debt, as of December 31, 2013 and December 31, 2012.

As of December 31, 2013, the Bank's loan portfolio amounted to $6,148 million, an increase of $432 million, or 8%, from $5,716 million, as of December 31, 2012. The increase resulted from a higher demand for the Bank's lending products, as the Bank´s core competencies allowed it to compete effectively within challenging financial sector and debt capital markets conditions, along with moderate economic growth in the Region. As of December 31, 2013, 29% of the Bank's $3,888 million loan exposure to private corporations, state-owned organizations and private middle-market companies was concentrated in the oil & gas industry in countries such as Peru, Chile, Brazil, Uruguay, Trinidad & Tobago, France, Costa Rica, Jamaica, Argentina, Guatemala, Colombia, Dominican Republic, and Mexico.

Maturities and Sensitivities of the Loan Portfolio to Changes in Interest Rates

The following table sets forth the remaining term of the maturity profile of the Bank's loan portfolio as of December 31, 2013, by type of rate and type of borrower:

	As of December 31, 2013 (in $ million)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Total
FIXED RATE				
Private sector commercial banks and financial institutions	$712	$ 16	$ 0	$728
State-owned commercial banks	394	0	0	394
State-owned organizations	663	0	0	663
Private middle-market companies	335	5	0	340
Private corporations	1,107	21	0	1,128
Sub-total	$3,210	$ 42	$ 0	$3,252
FLOATING RATE				
Private sector commercial banks and financial institutions	$485	$ 573	$ 0	$1,058
State-owned commercial banks	14	42	0	56
Central banks	25	0	0	25
State-owned organizations	60	216	0	276
Private middle-market companies	133	101	0	234
Private corporations	564	683	0	1,247
Sub-total	$1,281	$ 1,615	$ 0	$2,896
Total	$4,491	$ 1,657	$ 0	$6,148

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

The Bank, on behalf of its client base, advises and confirms letters of credit to facilitate foreign trade transactions. The Bank also provides stand-by letters of credit, guarantees, and commitments to extend credit, which are binding legal agreements to lend to a customer.

The Bank applies the same credit policies used in its lending process to its evaluation of these instruments, and, once issued, the commitment is irrevocable and remains valid until its expiration. As of December 31, 2013, total contingencies and other assets in the commercial portfolio amounted to $482 million (7% of the total commercial portfolio), of which 64% corresponded to letters of credit.

As of December 31, 2012, total contingencies and other assets in the commercial portfolio amounted to $237 million (4% of the total commercial portfolio), of which 56% corresponded to letters of credit.

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

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

	As of December 31, 2013		2012		2011	
	Amount	% of Total Contingencies and other assets	Amount	% of Total Contingencies and other assets	Amount	% of Total Contingencies and other assets
	(in $ million, except percentages)					
Customers' liabilities under acceptances	$1	0.2	$1	0.5	$1	0.3
Contingencies						
Argentina	0	0.1	0	0.0	0	0.0
Bolivia	0	0.0	1	0.3	1	0.3
Brazil	23	4.7	24	10.0	41	11.3
Chile	0	0.0	6	2.6	12	3.4
Colombia	39	8.0	9	3.8	2	0.7
Costa Rica	1	0.2	1	0.4	12	3.2
Dominican Republic	0	0.0	2	0.6	2	0.4
Ecuador	153	31.8	80	33.6	215	59.1
El Salvador	0	0.0	1	0.3	2	0.6
Guatemala	44	9.0	0	0.1	1	0.1
Honduras	0	0.1	1	0.2	0	0.1
Jamaica	0	0.1	0	0.0	0	0.1
Mexico	21	4.5	28	11.9	16	4.4
Netherlands	18	3.7	0	0.0	0	0.0
Panama	97	20.1	58	24.6	2	0.5
Peru	41	8.5	3	1.2	2	0.7
Spain	0	0.0	0	0.0	10	2.7
Switzerland	1	0.2	0	0.0	1	0.1
United States of America	0	0.0	0	0.0	22	6.0
Uruguay	41	8.5	0	0.0	0	0.0
Venezuela	2	0.4	23	9.8	22	6.0
Total Contingencies	$481	99.8	$236	99.5	$363	99.7
Total Contingencies and Other Assets	$482	100.0	$237	100.0	$364	100.0

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

Investment Securities Portfolio

The Bank's investment securities portfolio consists of debt securities available-for-sale, securities held-to-maturity (including trading assets in 2011), and excludes the Bank's investments in the investment funds.

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

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

	As of December 31,		
	2013	2012	2011
	(in $ millions)		
Treasury trading assets [1]	$0	$0	$17
Securities available-for-sale	334	183	416
Securities held-to-maturity	34	34	27
Total investment securities	$368	$217	$460

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

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

	As of December 31,					
	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
Brazil	$74	20.0	$44	20.5	$91	19.7
Chile	41	11.2	3	1.4	0	0.0
Colombia	98	26.6	29	13.5	102	22.1
Costa Rica	2	0.5	0	0.0	0	0.0
Guatemala	0	0.0	0	0.0	5	1.2
Mexico	33	9.0	22	10.3	65	14.2
Panama	34	9.2	54	25.0	58	12.6
Peru	40	11.0	1	0.3	41	8.9
Trinidad and Tobago	5	1.2	0	0.0	0	0.0
Multilateral Organizations	41	11.2	63	29.0	98	21.3
Total	$368	100.0	$217	100.0	$460	100.0

	As of December 31,					
	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
Private sector commercial banks and financial institutions	$139	37.7	$26	12.2	$50	11.0
State-owned commercial banks	18	4.9	4	1.9	12	2.7
Sovereign debt	105	28.4	102	46.9	206	44.8
State-owned organizations	99	27.0	81	37.4	148	32.1
Private corporations	7	1.9	4	1.7	44	9.5
Total	$368	100.0	$217	100.0	$460	100.0

	As of December 31,					
	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
	(in $ millions, except percentages)					
In one year	$45	12.2	$54	24.8	$22	4.8
After one year through five years	192	52.1	155	71.3	341	74.1
After five years through ten years	131	35.7	9	3.9	97	21.2
Total	$368	100.0	$217	100.0	$460	100.0

As of December 31, 2013, and 2012, no security issuer exceeded ten percent of Bladex's stockholders equity.

Trading assets

As of December 31, 2013 and 2012, the Bank's treasury trading assets amounted to nil, compared to $17 million as of December 31, 2011. See Item 18, "Financial Statements", notes 2(i) and 5.

Securities available-for-sale

As of December 31, 2013, the Bank's securities available-for-sale amounted to $334 million and consisted of investments with issuers in the Region, of which 61% corresponded to sovereign and state owned borrowers, and 39% corresponded to private corporations and banks. The $151 million increase in the securities available-for-sale portfolio as of December 31, 2013 compared to December 31, 2012 reflects the net effect of: (i) $313.0 million in investment securities acquired during 2013, (ii) the sale of $105.9 million in book value ($102.5 million in nominal value) which generated gains of $1.5 million during 2013, (iii) the redemption of $34.3 million of investment securities, (iv) a negative $16.7 million variance of the fair value of the available for sale securities portfolio, and (v) a $5.3 million decrease in amortization of premiums and discounts.

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

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

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

Securities held-to-maturity

The held-to-maturity portfolio amounted to $34 million as of December 31, 2013, compared to the same amount as of December 31, 2012, and compared to $27 million as of December 31, 2011.

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

Investment Funds

The Bank's investment funds consist of its investment in the Funds' net assets and is managed by a third party following the sale of the Bladex Asset Management Unit which concluded in the second quarter of 2013. See Item 4 – Information on the Company – History and Development of the Company."

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

As of December 31, 2013, the funds' net asset value totaled $119 million, compared to $106 million as of December 31, 2012, and compared to $120 million as of December 31, 2011, of which the redeemable noncontrolling interest in the investment funds amounted to $50 million, $3 million, and $6 million, respectively. The Bank's participation in Alpha4X Feeder Fund (formerly Bladex Offshore Feeder Fund) was 55.87% as of December 31, 2013, 98.06% as of December 31, 2012, and 95.84% as of December 31, 2011, with the remaining balances owned by third party investors. The redemptions from the investment in the funds, amounted to $36 million in 2013, $15 million in 2012, and $50 million in 2011.

Bladex continues to consolidate its participation in the Alpha4X Offshore Feeder Fund under prevailing accounting rules while its participation exceeds 50%.

See Item 18, "Financial Statements," notes 1, 2(e), 2(k), 7, and 24.

Total Outstandings by Country

The following table sets forth the aggregate amount of the Bank's cross-border outstandings, consisting of cash and due from banks, interest-earning deposits in other banks, trading assets, investment securities, loans, investment funds outstandings and accrued interest receivable, but not including contingencies as of December 31 of each year:

	As of December 31,					
	2013		2012		2011	
	Amount	% of Total Outstandings	Amount	% of Total Outstandings	Amount	% of Total Outstandings
	(in $ million, except percentages)					
Argentina	$192	2.6	$225	3.3	$392	6.1
Brazil	1,798	23.9	1,837	27.1	1,962	30.5
Chile	534	7.1	313	4.6	377	5.9
Colombia	804	10.7	482	7.1	843	13.1
Costa Rica	414	5.5	199	2.9	110	1.7
Dominican Republic	191	2.5	112	1.6	149	2.3
Ecuador	126	1.7	174	2.6	22	0.3
El Salvador	124	1.7	66	1.0	21	0.3
France	102	1.4	60	0.9	1	0.0
Guatemala	201	2.7	274	4.0	168	2.6
Honduras	74	1.0	71	1.0	46	0.7
Mexico	557	7.4	523	7.7	484	7.5
Netherlands	15	0.2	77	1.1	20	0.3
Panama	259	3.4	333	4.9	181	2.8
Paraguay	104	1.4	27	0.4	31	0.5
Peru	626	8.3	846	12.5	386	6.0
Trinidad & Tobago	148	2.0	120	1.8	77	1.2
United States of America	801	10.7	681	10.0	779	12.1
Uruguay	155	2.1	109	1.6	110	1.7
Multilateral Organization	42	0.6	64	0.9	99	1.5
Other countries (1)	131	1.7	82	1.2	46	0.7
Sub-Total	$7,397	98.4	$6,678	98.4	$6,304	98.1
Investment funds (2)	119	1.6	111	1.6	120	1.9
Total (3)	$7,516	100.0	$6,789	100.0	$6,425	100.0

(1) Other countries consists of cross-border outstandings to countries in which cross-border outstandings did not exceed 1% for any of the periods indicated. Other countries in 2013 was comprised of $61 million in Jamaica, $60 million in Japan, $8 million in Nicaragua and $2 million in United Kingdom. Other countries in 2012 was comprised of $31 million in Belgium, $20 million in Japan, $10 million in Jamaica, $10 million in Nicaragua, $10 million in Spain and $2 million in United Kingdom. Other countries in 2011 was comprised of $11 million in Japan, $10 million in Nicaragua, $10 million in China, $7 million in Germany, $4 million in Spain, $2 million in Jamaica and $1 million in United Kingdom.

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

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

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

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

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

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

	As of December 31,		
	2013	2012	2011
	(in $ million)		
Private sector commercial banks and financial institutions	$2,042	$1,828	$1,823
State-owned commercial banks	469	424	505
Central banks	761	653	761
Sovereign debt	106	203	238
State-owned organizations	1,043	623	383
Private middle-market companies	579	727	449
Private corporations	2,397	2,218	2,146
Sub-Total	$7,397	$6,678	$6,304
Investment funds (1)	119	111	120
Total	$7,516	$6,789	$6,425

(1) The balances in investment funds represent the net asset value of the Feeder, as well as Bladex's participation in the Brazilian Fund.

Net Revenues Per Country

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

	For the year ended December 31,		
	2013	2012	2011
	(in $ million)		
Argentina	$ 11.4	$ 10.3	$ 8.4
Brazil	40.3	40.5	37.5

Chile	6.6	3.8	3.5
Colombia	9.4	9.3	12.0
Costa Rica	8.3	3.9	1.9
Dominican Republic	2.9	2.5	2.8
Ecuador	6.8	5.9	5.8
El Salvador	1.6	0.6	0.5
Guatemala	6.8	3.4	0.8
Honduras	2.2	1.7	1.8
Jamaica	1.1	1.3	1.4
Mexico	15.1	16.6	18.8
Panama	4.9	2.2	2.5
Paraguay	1.8	0.8	0.4
Peru	16.2	12.2	8.7
Trinidad and Tobago	0.8	1.6	1.7
Uruguay	2.5	1.7	1.3

	For the year ended December 31,		
	2013	2012	2011
	(in $ million)		
Venezuela	0.4	1.5	2.6
Other countries [1]	1.0	3.8	4.6
Investment funds	(6.6)	8.3	21.6
Total net revenues	$ 133.6	$ 131.8	$ 138.8
Reversal of provision (provision) for credit losses	1.2	12.4	(4.4)
Recoveries, net of impairment of assets	0.1	0.0	(0.1)
Operating expenses	(54.3)	(55.8)	(50.1)
Net income – business segment	$ 80.6	$ 88.4	$ 84.3
Net income (loss) attributable to the redeemable non-controlling interest	(4.2)	0.3	0.7
Net income attributable to Bladex stockholders – business segment	$ 84.8	$ 88.1	$ 83.6
Other income unallocated — Gain on sale of premises and equipment	0.0	5.6	0.0
Net loss from discontinued operations	0.0	(0.7)	(0.4)
Net income attributable to Bladex stockholders	$ 84.8	$ 93.0	$ 83.2

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

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

Competition

The Bank operates in a highly competitive environment in most of its markets, and faces competition principally from international banks, the majority of which are European or North American, as well as Latin American regional 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, enjoy access to less expensive funding and offer sophisticated banking services. Whenever economic conditions and risk perception improve in the Region, competition from commercial banks, the securities markets and other new participants generally increases. Competition may have the effect of reducing the spreads of the Bank's lending rates over its funding costs and constraining the Bank's profitability.

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

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

Regulations

General

The Superintendency regulates, supervises and examines the Bank on a consolidated basis. The New York Agency is regulated, supervised and examined by the New York State Department of Financial Services and the Board of Governors of the Federal Reserve System, or the U.S. Federal Reserve Board, and the Florida International Administrative Office is regulated, supervised and examined by the Florida Office of Financial Regulation and the U.S. Federal Reserve Board. The Bank’s direct and indirect nonbanking subsidiaries doing business in the United States are subject to regulation by the U.S. Federal Reserve Board. The Bank is subject to regulations in each jurisdiction in which the Bank has a physical presence. The regulation of the Bank by relevant Panamanian authorities differs from the regulation generally imposed on banks, including foreign banks, in the United States by U.S. federal and state regulatory authorities.

The Superintendency of Banks has signed and executed agreements or letters of understanding with 26 foreign supervisory authorities for the sharing of supervisory information under the principles of reciprocity, appropriateness, national agreement, and confidentiality. These 26 entities include the U.S. Federal Reserve Board, the Office of the Comptroller of Currency of the Treasury Department or the OCC, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. In addition, the Statement of Cooperation between the United States and Panama promotes cooperation between U.S. and Panamanian banking regulators and demonstrates the commitment of the U.S. regulators and the Superintendency to the principles of comprehensive and consolidated supervision.

<u>Panamanian Law</u>

The Bank operates in Panama under a General Banking License issued by the National Banking Commission, predecessor of the Superintendency of Banks. Banks operating under a General Banking License, or General License Banks, may engage in all aspects of the banking business in Panama, including taking local and offshore deposits, as well as making local and international loans.

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

Under the Banking Law, a bank's capital composition includes primary, secondary and tertiary capital. Primary capital is made up of paid-in capital, declared reserves and retained earnings. Secondary capital is made up of undeclared reserves, hybrid instruments of debt and equity, and long-term subordinated debt. Tertiary capital is made up of short-term subordinated debt incurred for the management of market risk. Under the Banking Law, the sum of secondary and tertiary capital cannot exceed primary capital.

General License Banks must have paid-in capital of not less than $10 million. Additionally, they must maintain a minimum total capital of 8% of their total risk-weighted assets, and primary equity capital must be equal to or greater than 4% of the bank's assets and off-balance sheet operations that represent a contingency to the bank. The Superintendency is authorized to take into account market risks, operational risks and country risks, among others, to evaluate capital adequacy. In addition, the Superintendency is authorized to increase the minimum capital requirement percentage in Panama in the event that generally accepted international capitalization standards (the standards set by the Basel Committee on Banking Supervision) become more stringent.

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

Pursuant to the Banking Law, banks cannot grant loans or issue guarantees or any other obligation, or Credit Facilities, to any one person or group of related persons in excess of 25% of the Bank's total capital. This limitation also extends to Credit Facilities granted to parties related to the ultimate parent of the banking group. However, the Banking Law establishes that, in the case of Credit Facilities granted by mixed-capital banks with headquarters in Panama whose principal business is the granting of loans to other banks, the limit is 30% of the bank's capital funds. As confirmed by the Superintendency, the Bank currently applies the limit of 30% of the Bank's total capital with respect to the Bank's credit facilities in favor of financial institutions and the limit of 25% of the Bank's total capital with respect to the Bank's credit facilities in favor of corporations, middle-market companies and sovereign borrowers.

Under the Banking Law, a bank and the ultimate parent of the banking group may not grant loans or issue guarantees or any other obligation to "related parties" that exceed (1) 5% of its total capital, in the case of unsecured transactions, and (2) 10% of its total capital, in the case of collateralized transactions (other than loans secured by deposits in the bank). For these purposes, a "related party" is (a) any one or more of the bank's directors, (b) any stockholder of the bank who directly or indirectly owns 5% or more of the issued and outstanding capital stock of the bank, (c) any company of which one or more of the bank's directors is a director or officer or where one or more of the bank's directors is a guarantor of the loan or credit facility, (d) any company or entity in which the bank or any one of its directors or officers can exercise a controlling influence, (e) any company or entity in which the bank or any one of its directors or officers owns 20% or more of the issue and outstanding capital stock of the company or entity and (f) managers, officers and employees of the bank, or their respective spouses (other than home mortgage loans or guaranteed personal loans under general programs approved by the bank for employees). The Superintendency currently limits the total amount of secured and unsecured Credit Facilities (other than Credit Facilities secured by deposits in the bank) granted by a bank or the ultimate parent of a banking group to related parties to 25% of the total capital of the bank.

The Superintendency of Banks may authorize the total or partial exclusion of loans or credits from the computation of these limitations in cases of unsecured loans and other credits granted by mixed-capital banks with headquarters in Panama whose principal business is the granting of loans to other banks, which is the case of the Bank. This authorization is subject to the following conditions: (1) the ownership of shares in the debtor bank–directly or indirectly–by the shared director or shared officer, may not exceed 5% of the bank's capital, or may not amount to any sum that would ensure his or her majority control over the decisions of the bank; (2) the ownership of shares in the creditor bank–directly or indirectly–by the debtor bank represented in any manner by the shared director or shared officer, may not exceed 5% of the shares outstanding of the creditor bank, or may not amount to any sum that would ensure his or her majority control over the decisions of the bank; (3) the shared director or shared officer must abstain from participating in the deliberations and in the voting sessions held by the creditor bank regarding the loan or credit request; and (4) the loan or credit must strictly comply with customary standards of discretion set by the grantor bank's credit policy. The Superintendency will determine the amount of the exclusion in the case of each loan or credit submitted for its consideration.

The Banking Law contains additional limitations and restrictions with respect to related party loans and Credit Facilities. For instance, under the Banking Law, banks may not grant Credit Facilities to any employee in an amount that exceeds the employee's annual compensation package, and all Credit Facilities to managers, officers, employees or stockholders who are owners of 5% or more of the issued and outstanding capital stock of the lending bank or the ultimate parent of the banking group, will be made on terms and conditions similar to those given by the bank to its clients in arm's-length transactions and which reflect market conditions for a similar type of operation. Shares of a bank cannot be pledged or offered as security for loans or Credit Facilities issued by the bank.

In addition to the foregoing requirements, there are certain other requirements applicable to General License Banks, including (1) a requirement that a bank must notify the Superintendency before opening or closing a branch or office in Panama and obtain approval from the Superintendency before opening or closing a branch or subsidiary outside Panama, (2) a requirement that a bank obtain approval from the Superintendency before it liquidates its operations, merges or consolidates with another bank or sells all or substantially all of its assets, (3) a requirement that a bank must designate the certified public accounting firm that it wishes to contract to carry out the duty of external auditing for the new fiscal term, within the first three months of each fiscal term, and notify the Superintendency within 7 days of such designation, (4) a requirement that a bank obtain prior approval from the Superintendency of the rating agency it wishes to hire to perform the risk rating of the bank, (5) a requirement that a bank must publish in a local newspaper the risk rating issued by the rating agency and any risk rating update, and (6) a requirement that a bank must provide written affirmation of the Bank's audited financial statements signed by the Bank's Chairman of the Board, the Chief Executive Officer and Chief Financial Officer. The subsidiaries of Panamanian banks established in foreign jurisdictions must observe the legal and regulatory provisions applicable in Panama regarding the sufficiency of capital, as prescribed under the Banking Law.

The Banking Law regulates banks and the entire "banking group" to which each bank belongs. Banking groups are defined as the holding company and all direct and indirect subsidiaries of the holding company, including the bank in question. Banking groups must comply with audit standards and various limitations set forth in the Banking Law, in addition to all compliance required of the bank in question. The Banking Law provides that banks and banking groups in Panama are subject to inspection by the Superintendency, which must take place at least once every two years. The Superintendency is empowered to request from any bank or any company that belongs to the economic group of which a bank in Panama is a member, the documents and reports pertaining to its operations and activities. Banks are required to file with the Superintendency weekly, monthly, quarterly and annual information, including financial statements, an analysis of their credit facilities and any other information requested by the Superintendency. In addition, banks are required to make available for inspection any reports or documents that are necessary for the Superintendency to ensure compliance with Panamanian banking laws and regulations. Banks subject to supervision may be fined by the Superintendency for violations of Panamanian banking laws and regulations.

Panamanian Anti-Money Laundering laws and regulations

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

United States Law

The Bank operates a New York state-licensed agency in New York, New York and maintains a direct wholly-owned non-banking subsidiary in Delaware, Bladex Holdings, which is not engaged in activities. Bladex Holdings formerly owned one wholly-owned subsidiary, Bladex Asset Management, which was dissolved on September 18, 2013, with its net assets transferred to the Head Office. Bladex Holdings also previously owned another wholly-owned subsidiary, Clavex LLC, which was dissolved on April 7, 2011 and its net assets were transferred to its controlling entity. On October 30, 2006, the Bank established the Florida International Administrative Office in Miami, Florida. On April 16, 2008, the Bank incorporated a direct fifty percent (50%) owned subsidiary in Delaware, BCG PA LLC, which received the performance allocation of the Fund, therefore dissolved on August 14, 2013. See Item 4.A "Information on the Company—History and Development of the Company."

Federal Law

In addition to being subject to New York and Florida state laws and regulations, the New York Agency and the Florida International Administrative Office are subject to federal regulations, primarily under the International Banking Act of 1978, as amended, or IBA, and are subject to examination and supervision by the U.S. Federal Reserve Board. The IBA generally extends federal banking supervision and regulation to the U.S. offices of foreign banks and to the foreign bank itself. Under the IBA, the U.S. branches and agencies of foreign banks, including the New York Agency, are subject to reserve requirements on certain deposits. At present, the New York Agency has no deposits subject to such requirements. The New York Agency also is subject to reporting and examination requirements imposed by the U.S. Federal Reserve Board similar to those imposed on domestic banks that are members of the U.S. Federal Reserve System. The Foreign Bank Supervision Enhancement Act of 1991, or the FBSEA, amended the IBA to enhance the authority of the U.S. Federal Reserve Board to supervise the operations of foreign banks in the United States. In particular, the FBSEA expanded the U.S. Federal Reserve Board's authority to regulate the entry of foreign banks into the United States, supervise their ongoing operations, conduct and coordinate examinations of their U.S. offices with state banking authorities, and terminate their activities in the United States for violations of law or for unsafe or unsound banking practices.

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

The New York Agency does not engage in retail deposit-taking from persons in the United States. Under the FBSEA, the New York Agency may not obtain Federal Deposit Insurance Corporation, or FDIC, insurance and generally may not accept deposits from persons in the United States, but may accept credit balances incidental to its lawful powers, from persons in the United States, and accept deposits from non-U.S. citizens who are non-U.S. residents, but must inform each customer that the deposits are not insured by the FDIC.

The IBA also restricts the ability of a foreign bank with a branch or agency in the United States to engage in non-banking activities in the United States, to the same extent as a U.S. bank holding company. Bladex is subject to certain provisions of the Federal Bank Holding Company Act of 1956, or the BHCA, because it maintains an agency in the United States. Generally, any nonbanking activity engaged in by Bladex directly or through a subsidiary in the United States is subject to certain limitations under the BHCA. Under the Gramm-Leach-Bliley Financial Modernization Act of 1999, or GLB Act, a foreign bank with a branch or agency in the United States may engage in a broader range of non-banking financial activities, provided it is qualified and has filed a declaration with the U.S. Federal Reserve Board to be a "financial holding company". The application with the U.S. Federal Reserve Board to obtain financial holding company status, filed by the Bank on January 29, 2008, was withdrawn, effective March 2, 2012, as the Bank no longer considered the financial holding company status to be a necessary requirement in order to achieve its long-term strategic goals and objectives. At present, the Bank has subsidiaries in the United States, Bladex Holdings, a wholly-owned corporation incorporated under Delaware law that is not presently engaged in any activity, and which formerly owned Bladex Asset Management, a Delaware corporation and BCG, a fifty percent (50%) owned subsidiary incorporated under the laws of Delaware. Bladex Asset Management and BCG were dissolved on September 18, 2013, and August 14, 2013, respectively.

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

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

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

New York State Law

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

The Superintendent is empowered by law to require any branch or agency of a foreign bank to maintain in New York specified assets equal to a percentage of the branch's or agency's liabilities, as the Superintendent may designate. Under the current requirement, the New York Agency is required to maintain a pledge of a minimum of $2 million with respect to its total third-party liabilities and such pledge may be up to 1% of the agency's third party liabilities, or upon meeting eligibility criteria, up to a maximum amount of $100 million. As of December 31, 2013, the New York Agency maintained a pledge deposit with a carrying value of $3.0 million with the New York State Department of Financial Services, complying with the minimum required amount.

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

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

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

Florida Law

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

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

Anti-Money Laundering Laws

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

C. Organizational Structure

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

D. Property, Plant and Equipment

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

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

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with the Bank's Consolidated Financial Statements and the notes thereto included elsewhere in this Annual Report. See Item 18, "Financial Statements."

Nature of Earnings

The Bank derives income from net interest income, fees and commissions, derivative financial instruments and hedging, recoveries, net of impairment of assets, net gain (loss) from investment funds trading, net gain (loss) from trading securities, net gain on sale of securities available-for-sale, net gain (loss) on foreign currency exchange, and other income (net). Net interest income, or the difference between the interest income the Bank receives on its interest-earning assets and the interest it pays on interest-bearing liabilities, is generated principally by the Bank's lending activities. The Bank generates fees and commissions mainly through the issuance, confirmation and negotiation of letters of credit and guarantees, and through loan intermediation activities.

A. Operating Results

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

	For the Year Ended December 31,		
	2013	2012	2011
	(in $ thousand, except per share amounts and percentages)		
Total interest income	$ 205,303	$ 192,437	$ 157,427
Total interest expense	82,211	87,460	54,717
Net interest income	123,092	104,977	102,710
Reversal of provision (provision) for loan losses	1,598	8,343	(8,841)
Net interest income, after reversal of provision (provision) for loan losses	124,690	113,320	93,869
Other income (expense):			
Reversal of provision (provision) for losses on off-balance sheet credit risk	(381)	4,046	4,448
Fees and commissions, net	13,669	10,021	10,619
Derivative financial instruments and hedging	353	71	2,923
Recoveries, net of impairment of assets	108	0	(57)
Net gain (loss) from investment funds trading	(6,702)	7,011	20,314

Net gain (loss) from trading securities	3,221	11,234	(6,494)
Net gain on sale of securities available-for-sale	1,522	6,030	3,413
Net gain (loss) on foreign currency exchange	(3,834)	(10,525)	4,269
Gain on sale of premises and equipment	0	5,626	0
Other income, net	2,232	2,986	1,059
Net other income	10,188	36,500	40,494
Total operating expenses	(54,306)	(55,814)	(50,087)
Net income from continuing operations	80,572	94,006	84,276
Net loss from discontinued operations [1]	(4)	(681)	(420)
Net income	80,568	93,325	83,856
Net income (loss) attributable to the redeemable noncontrolling interest	(4,185)	293	676
Net income attributable to Bladex stockholders	$ 84,753	$ 93,032	$ 83,180
Net income from continuing operations	84,757	93,713	83,600
Net loss from discontinued operations [1]	(4)	(681)	(420)
Basic earnings per share	$ 2.21	$ 2.46	$ 2.25
Diluted earnings per share	$ 2.20	$ 2.45	$ 2.24
Return on average assets [2]	1.20%	1.51%	1.46%
Return on average stockholders' equity[3]	10.02%	11.57%	11.40%

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(1) On April 2, 2013, the Bank reached a final agreement to sell its Asset Management Unit to Alpha4X and related companies. The Bank applied discontinued operations accounting to the operations of the Asset Management Unit in accordance with ASC Topic 205-20 – Presentation of Financial Statements – Discontinued Operations.

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

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

Business Segment Analysis

The Bank's activities are operated and managed in two business segments: Commercial and Treasury. The Asset Management Unit was discontinued since the fourth quarter of 2012 as a result of its divestiture.

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

The Bank incorporates net operating income by business segment in order to disclose the revenue and expense items related to its normal course of business, segregating from the net income, the impact of provisions or reversals of provisions for loan losses and off-balance sheet credit risk, and recoveries on assets. In addition, the Bank's net interest income represents the main driver of net operating income. The current interest expense allocation methodology reflects allocated funding on a matched-funded basis, net of risk adjusted capital by business segment. The current operating expense allocation methodology allocates overhead expenses based on resource consumption by business segment. The following table summarizes net operating income of the Bank, both by business segment and on a consolidated basis for the periods indicated:

	For the Year Ended December 31,		
	2013	2012	2011
	(in $ million, except percentages)		
COMMERCIAL DIVISION:			
Net interest income	$ 115.1	$ 110.0	$ 81.7
Non-interest operating income	15.3	12.2	11.0
Operating expenses	(40.9)	(38.3)	(34.8)
Net operating income	89.5	83.9	57.9
Reversal of provision (provision) for loan and off-balance sheet credit losses, net	1.2	12.4	(4.4)
Recoveries, net of impairment of assets	0.1	0.0	(0.1)

NET INCOME ATTRIBUTABLE TO BLADEX STOCKHOLDERS	$	90.8		$	96.3		$	53.4
TREASURY DIVISION:								
Net interest income	$	8.0		$	(5.0	)	$	21.0
Non-interest operating income		(4.8	)		14.6			25.1
Operating expenses		(13.4	)		(17.5	)		(15.2	)
Net operating income (loss)		(10.2	)		(7.9	)		30.9
Net income (loss)		(10.2	)		(7.9	)		30.9
Net income (loss) attributable to the redeemable noncontrolling interest		(4.2	)		0.3			0.7
NET INCOME (LOSS) ATTRIBUTABLE TO BLADEX STOCKHOLDERS	$	(6.0	)	$	(8.2	)	$	30.2
CONSOLIDATED:								
Net interest income	$	123.1		$	105.0		$	102.7
Non-interest operating income		10.5			26.8			36.1
Operating expenses		(54.3	)		(55.8	)		(50.0	)
Net operating income		79.3			76.0			88.8
Reversal of provision (provision) for loan and off-balance sheet credit losses, net		1.2			12.4			(4.4	)
Recoveries, net of impairment of assets		0.1			0.0			(0.1	)
Net income – business segment		80.6			88.4			84.3

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	For the Year Ended December 31,		
	2013	2012	2011
	(in $ million, except percentages)		
Net income (loss) attributable to the redeemable non-controlling interest	(4.2)	0.3	0.7
NET INCOME ATTRIBUTABLE TO BLADEX STOCKHOLDERS – BUSINESS SEGMENT	84.8	88.1	83.6
Other income unallocated – Gain on sale of premises and equipment	0.0	5.6	0.0
Net loss from discontinued operations	0.0	(0.7)	(0.4)
NET INCOME ATTRIBUTABLE TO BLADEX STOCKHOLDERS	$84.8	$93.0	$83.2

For further information on net income by business segment, see Item 18, “Financial Statements,” notes 3 and 27.

The Commercial Division

The Commercial Division is responsible for the Bank’s core business of financial intermediation and fee generation activities relating to the Bank’s commercial portfolio. This activity includes the origination of bilateral and syndicated credits, short- and medium-term loans, acceptances and contingent credits. The division’s portfolio includes the loan portfolio, selected deposits placed, equity investments, acceptances and contingencies (including letters of credit, stand-by letters of credit, and guarantees covering commercial risk and credit commitments). The Commercial Division’s net income includes net interest income from loans, fee income, allocated operating expenses, the provisions or the reversal of provisions for credit losses, and any recoveries, net of impairment of assets.

Year 2013 vs. Year 2012

The Commercial Division’s net income amounted to $90.8 million for the year ended December 31, 2013, compared to $96.3 million for the year ended December 31, 2012. The decrease for the year was mainly the result of reversals of provisions for credit losses during 2012 , mostly related to the resolution of a non-accruing loan exposure. Excluding the effect of reversals (provisions) for credit losses, the Commercial Division’s net operating income improved by 7% during 2013 to $89.5 million, compared to $83.9 million in 2012, reflecting increased core revenues from higher average portfolio balances and fee generating activities. Higher average loan balances (+17%) resulted in a $5.1 million, or 5%, increase in the Commercial Division’s net interest income, while increased letters of credit activity along with the growth of the Bank’s structuring and syndication platform resulted in a $3.6 million, or 36% increase in fee income, partially offset by a $2.6 million, or 7% increase in allocated operating expenses.

The Commercial Division's portfolio balances totaled $6,630 million by the end of year 2013, an 11% increase from $5,953 million as of December 31, 2012. The year-on-year increase was mainly attributable to growing demand in the Bank's client base of corporations (+20%), and financial institutions (+9%). On an annual average basis, the Commercial Portfolio reached $6,337 million, an increase of $926 million, or 17% compared to average balances of $5,411 million during 2012.

The Commercial Portfolio continued to be short-term and trade-related in nature, with $4,846 million, or 73%, of the Commercial Portfolio maturing within one year. Trade financing operations represented 58% of the portfolio, while the remaining balance consisted primarily of lending to banks and corporations involved in foreign trade.

Credit disbursements in 2013 increased 26% to $14,276 million, a record level, compared to $11,338 million disbursed in 2012, as credit demand strengthened. The non-accrual portfolio amounted to $3.1 million representing 0.05% of the loan portfolio as of December 31, 2013, compared to a balance of nil as of December 31, 2012.

Year 2012 vs. Year 2011

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

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

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

Credit disbursements in 2012 increased 8% to $11,338 million, the highest level in 15 years, compared to $10,479 million disbursed in 2011. As of December 31, 2012, the Bank had no portfolio balances in non-accrual, compared to $32.0 million, or 0.6% of the loan portfolio balances in non-accrual,as of December 31, 2011.

The Treasury and Capital Markets Division

The Treasury and Capital Markets Division, or Treasury Division, is responsible for the Bank's funding and liquidity management, along with the management of its activities in investment securities, which comprise trading assets, securities available-for-sale, securities held-to-maturity, the Bank's investments in the investment funds, and the management of the Bank's interest rate, liquidity, price and currency risks. The Bank will continue to consolidate its participation in the Alpha4X Offshore Feeder Fund under prevailing accounting rules while its participation exceeds 50%.

The Treasury Division's net income is presented net of allocated operating expenses, and includes net interest income from interest-bearing deposits with banks, investment securities, and trading assets, net of allocated cost of funds, other income (expense) from derivative financial instruments and hedging, net gain (loss) from trading securities, net gain (loss) on sale of securities available for sale, gain (loss) on foreign currency exchange, gains (losses) from investments in the investment funds and allocated operating expenses.

Year 2013 vs. Year 2012

For the year 2013 the Treasury Division reported a net loss of $6.0 million compared to a net loss of $8.2 million during 2012. The Treasury Division’s net loss during 2013 was attributable to a decrease of $19.4 million in non-interest operating income, mainly related to net losses from the remaining participation in investment funds and lower gains on sale of securities available-for-sale, which was partially offset by the combined effects of: (i) a $13.0 million increase in net interest income, which resulted from an effective interest rate gap management, higher net interest income from increased average investment securities balances, and lower average cost of funds; (ii) a $4.1 million decrease in allocated operating expenses; and (iii) a $4.5 million positive variation in net income attributable to the redeemable non-controlling interest in the funds.

Liquidity assets amounted to $831 million as of December 31, 2013, compared to $690 million as of December 31, 2012, as the Bank maintained its proactive approach to liquidity management, increasing its liquidity position as a response to heightened market volatility. Liquid assets as of December 31, 2013 represented 11.1% of total assets and 12.7% of total liabilities, compared to 10.2% and 11.6%, respectively, as of December 31, 2012.

Deposit balances increased $44 million, or 2%, to $2,361 million as of December 31, 2013, compared to $2,317 million as of December 31, 2012. Deposits represented 36% of total liabilities as of December 31, 2013, compared to 39% as of December 31, 2012. Short-term borrowings and debt, including securities sold under repurchase agreements, totaled $2,991 million as of December 31, 2013, an 86% year-on-year increase, while long-term borrowings and debt totaled $1,154 million, a 39% year-on-year decrease, as the Bank opted to pre-pay certain medium-term obligations with remaining tenors of less than a year, as part of its proactive funding and interest rate position management. Consequently, weighted average funding costs for the year ended December 31, 2013 reached 1.33%, a decrease of 30 bps, or 18%, compared to 1.63% for the year ended December 31, 2012.

Year 2012 vs. Year 2011

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

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

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

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

Net Income Attributable to Bladex

The results for 2013 demonstrated the strength of Bladex's business model, as the Bank continued to add value to its clients with a focus on trade finance. During the year, the Bank experienced increased demand for its lending products, as the Bank´s core competencies allowed it to compete effectively within a challenging financial sector and debt capital markets conditions, along with moderate economic growth in the Region, which helped propel the increase in balances of the Bank's credit portfolio during 2013, especially in the segments of corporations and financial institutions.

Net Income attributable to Bladex stockholders reached $84.8 million in 2013, compared to $93.0 million in 2012. The 2013 results were negatively impacted by the remaining participation in investment funds pertaining to the Asset Management Unit sold earlier in the year, offsetting improved performance from business activities: higher net interest income from robust average portfolio growth, improving net interest margin and fee income, strong portfolio quality and lower operating expenses.

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

Net Interest Income and Margins

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

	For the Year Ended December 31,		
	2013	2012	2011
	(in $ million, except percentages)		
Net interest income (loss)			
Commercial Division	$ 115.1	$ 110.0	$ 81.7
Treasury Division	8.0	(5.0)	21.0
Total Net Interest Income	$ 123.1	$ 105.0	$ 102.7
Net interest margin	1.75 %	1.70 %	1.81 %
Net interest spread	1.55 %	1.44 %	1.62 %

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

The following table presents the distribution of consolidated average assets, liabilities and stockholders' equity, as well as the total dollar amounts of interest income from average interest-earning assets and the resulting yields, the dollar amounts of interest expense and average interest-bearing liabilities, and corresponding information regarding rates. Average balances have been computed on the basis of consolidated daily average balances:

Description	For the Year ended December 31, 2013 Average balance	Interest	Average yield/rate		2012 Average balance	Interest	Average yield/rate		2011 Average balance	Interest	Average yield/rate	
	(in $ million, except percentages)											
Interest-Earning Assets												
Interest bearing deposits with banks	$635	$1.5	0.24	%	$711	$1.9	0.26	%	$458	$1.4	0.29	%
Loans, net of unearned income & deferred loan fees	5,934	193.0	3.21	%	5,064	181.1	3.52	%	4,576	137.9	2.97	%
Non-accrual loans (1)	0	0.0	n.m.	(*)	23	2.1	9.17	%	29	2.4	8.03	%
Trading assets	2	0.0	0.00	%	7	0.1	0.94	%	30	1.8	5.79	%
Investment securities (2)	346	8.5	2.43	%	254	6.4	2.48	%	441	11.7	2.61	%
Investment funds	113	2.3	2.01	%	117	0.9	0.74	%	148	2.3	1.56	%
Total interest-earning assets	$7,028	$205.3	2.88	%	$6,177	$192.4	3.06	%	$5,681	$157.4	2.73	%

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Description	For the Year ended December 31, 2013 Average balance	Interest	Average yield/rate	2012 Average balance	Interest	Average yield/rate	2011 Average balance	Interest	Average yield/rate
	(in $ million, except percentages)								
Non-interest-earning assets	77			55			71		
Allowance for loan losses	(71)			(82)			(81)		
Other assets	13			20			16		
Total Assets	$7,048			$6,169			$5,687		
Interest-Bearing Liabilities									
Demand Deposits (3)	$95	0.2	0.19 %	$137	0.4	0.29 %	$53	0.2	0.35 %
Time Deposits (3)	2,418	12.2	0.50 %	2,121	12.5	0.58 %	2,021	8.6	0.42 %
Deposits (3)	2,513	12.4	0.49 %	2,258	12.9	0.56 %	2,074	8.8	0.42 %
Trading liabilities	7	0.0	n.m. (*)	10	0.0	n.m. (*)	2	0.0	n.m. (*)
Investment funds	0	1.8	n.m. (*)	0	0.1	n.m. (*)	0	0.3	n.m. (*)
Securities sold under repurchase agreements	227	1.3	0.56 %	153	1.6	1.05 %	267	2.0	0.75 %
Short-term borrowings and debt	2,048	25.7	1.24 %	973	19.0	1.92 %	1,102	13.7	1.23 %
Long-term borrowings and debt	1,318	41.0	3.07 %	1,892	53.7	2.79 %	1,392	29.8	2.11 %
Total interest-bearing liabilities	$6,112	$82.2	1.33 %	$5,285	$87.5	1.63 %	$4,838	$54.7	1.12 %
Non-interest bearing liabilities and other liabilities	$61			$76			$111		
Total Liabilities	$6,173			$5,361			$4,949		
Redeemable noncontrolling interest	29			4			8		
Stockholders' equity	846			804			730		
Total Liabilities and Stockholders' Equity	$7,048			$6,169			$5,687		
Net interest spread			1.55 %			1.44 %			1.62 %
Net interest income and net interest margin		$123.1	1.75 %		$105.0	1.70 %		$102.7	1.81 %

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

(2) The average yield of the investment securities portfolio (including securities available-for-sale and securities held to maturity) using cost-based average balances, would have been 2.55%, 2.64%, and 2.84%, for 2013, 2012 and 2011, respectively.

(3) The Bank obtains deposits in the form of demand deposits and time deposits from its central bank shareholders, commercial banks and corporations.

Note: Interest income and/or expense includes the effect of derivative financial instruments used for hedging.

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

Changes in Net Interest Income — Volume and Rate Analysis

Net interest income is affected by changes in volume and changes in interest rates. Volume changes are caused by differences in the level of interest-earning assets and interest-bearing liabilities. Rate changes result from differences in yields earned on interest-earning assets and rates accrued on interest-bearing liabilities. The following table sets forth a summary of the changes in net interest income of the Bank resulting from changes in average interest-earning asset and interest-bearing liability volume and changes in average interest rates for 2013 compared to 2012 and for 2012 compared to 2011. Volume and rate variances have been calculated based on daily movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

	2013 vs. 2012			2012 vs. 2011		
	Volume(*)	**Rate**(*)	Net Change	**Volume**(*)	**Rate**(*)	Net Change
	(in $ thousand)					
Increase (decrease) in interest income						
Interest bearing deposits with banks	$(186)	$(164)	$ (350)	$670	$(145)	$ 525
Accruing loans, net	28,021	(16,109)	11,912	17,653	25,472	43,125
Non-accrual loans	(3)	(2,146)	(2,149)	(569)	343	(226)
Trading assets	(0)	(69)	(69)	(214)	(1,474)	(1,688)
Investment securities	2,247	(146)	2,101	(4,689)	(575)	(5,264)
Investment funds	(86)	1,507	1,421	(230)	(1,232)	(1,462)
Total increase (decrease)	$29,993	$(17,127)	$ 12,866	$12,621	$22,389	$ 35,010
Increase (decrease) in interest expense						
Deposits	(1,240)	1,803	563	1,063	3,063	4,126
Trading liabilities	0	0	0	0	0	0
Investment funds	630	(2,365)	(1,735)	(25)	(189)	(214)
Securities sold under repurchase agreement and Short-term borrowings and debt	(13,577)	7,306	(6,271)	(4,436)	9,355	4,920
Long-term borrowings and debt	17,943	(5,251)	12,692	14,234	9,677	23,911
Total increase (decrease)	$3,756	$1,493	$ 5,249	$10,836	$21,907	32,743
Increase (decrease) in net interest income	$33,749	$(15,634)	$ 18,115	$1,785	$482	$ 2,267

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

Net Interest Income and Net Interest Margin Variation

<u>*2013 vs. 2012*</u>

The $18.1 million, or 17% increase in net interest income for the year ended December 31, 2013 was primarily driven by:

i. A $33.7 million overall increase in net interest income, mainly driven by higher average interest-earning assets, mostly from higher average balances in the loan portfolio (+17%) and in investment securities (+33%), along with lower average long-term debt and borrowings (-30%), partially offset by higher short-term interest-bearing liabilities (deposits +11%, borrowings and repo's +102%), as the Bank shifted its funding composition to shorter tenors.
ii. A $15.6 million overall decrease in net interest income as a result of lower average interest rates on the Bank's assets (-18 basis points), partly offset by lower rates paid on the Bank's liabilities (-30 basis points).

Net interest margin increased 5 basis points to 1.75% in 2013 compared to 1.70% in 2012, mainly from lower cost of funds.

2012 vs. 2011

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

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

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

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

Reversal (Provision) for Loan Losses

	For the year ended December 31,		
	2013	2012	2011
	(in $ million)		
Net Brazil specific reserve reversals (provisions)	(1.0)	0.0	(0.7)
Net Mexico specific reserve reversals (provisions)	0.0	7.3	(3.6)
Total specific reserve reversals (provisions)	(1.0)	7.3	(4.3)
Generic reserve reversals (provisions) — due to changes in credit portfolio composition and risk levels and loan recoveries	2.6	1.0	(4.5)
Total generic reserve reversals (provisions)	2.6	1.0	(4.5)
Total reversals (provisions) of allowance for loan losses	$ 1.6	$ 8.3	$ (8.8)

As of December 31, 2013, the Bank had $3.1 million in non-accrual loans, compared to nil loans in non-accrual status as of December 31, 2012, and compared to $32.0 million in non-accrual loans as of December 31, 2011, all of which corresponded to impaired loans for which specific reserves of $1.0 million and $14.8 million were allocated in 2013 and 2011, respectively.

The $1.6 million reversal of provision for loan losses during the year ended December 31, 2013 was the result of a $2.6 million reversal of generic reserves mainly associated with the improved risk profile of the Bank's loan portfolio (+$1.2 million), and recoveries from previous years charge-off loans (+$1.4 million), which was partially offset by a $1.0 million specific loan loss reserve assigned to the $3.1 million impaired loan as of December 31, 2013.

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

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

The Bank's loan loss reserve coverage was 1.2% as of December 31, 2013, a decrease from 1.3% as of December 31, 2012, and a decrease from 1.8% as of December 31, 2011. The decrease in the loan loss reserve coverage reflects the impact of changes in the composition of the Bank's loan portfolio and improvement of the risk profile of the portfolio as measured in the Bank's reserve model.

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

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

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

During 2013, the Bank accrued $0.4 million on provision for losses on off-balance sheet credit risk mainly due to higher balances in the off-balance sheet exposures in the commercial portfolio, partially mitigated by an improvement of the risk profile of the Region.

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

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

The off-balance sheet reserve coverage decreased to 1.1% as of December 31, 2013, compared to 2.1% as of December 31, 2012, and compared to 2.5% as of December 31, 2011.

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

Fees and Commissions, net

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

	For the Year Ended December 31,		
	2013	2012	2011
		(in $ thousand)	
Letters of credit	$ 9,244	$ 7,617	$ 9,360
Guarantees	142	184	14
Loan Fees	4,220	2,153	1,109

Other [1]	63	67	136
Fees and commissions, net	$ 13,669	$ 10,021	$ 10,619

[1] Net of commission expense.

Fees and commissions totaled $13.7 million for the year 2013, compared to $10.0 million for the year 2012. The $3.6 million, or 36% growth resulted from higher loan intermediation fees mainly from mandated transactions, reflecting the Bank's progress in establishing a track record as lead arranger of syndications, and an increase in the activity of the letter of credit business.

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

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

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

Derivative Financial Instruments and Hedging

The Bank recorded net gains of $0.4 million, $0.1 million, and $2.9 million in 2013, 2012 and 2011, respectively, in derivative financial instruments and hedging.

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

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

Net Gain (Loss) from Investment Funds Trading

The Bank recorded a net loss of $6.7 million from investment funds trading in 2013, compared to net gains of $7.0 million and $20.3 million in 2012 and 2011, respectively, related to the performance of the trading activities of the funds.

For additional information, see Item 18, "Financial Statements," notes 5 and 24.

Net Gain (Loss) from Trading Securities

In 2013, the Bank recorded a gain from trading securities of $3.2 million, compared to a $11.2 million gain in 2012, and a $6.5 million loss in 2011.

The $3.2 million gain in 2013 was mainly due to changes in valuations of derivative instruments used for risk management purposes that did not qualify for hedge accounting and/or in respect of which hedge accounting was discontinued.

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

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

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

Net Gain on Sale of Securities Available-for-Sale

The Bank purchases debt instruments with the intention of selling them prior to maturity. These debt instruments are classified as securities available-for-sale and are included as part of the Bank's credit portfolio.

The Bank's net gain on sale of securities available-for-sale in 2013 was $1.5 million, compared to $6.0 million in 2012, and compared to $3.4 million in 2011. Detail of the net gains is as follows:

	For the year ended December 31,		
	2013	2012	2011
	(in $ millions)		
Nominal amount	$ 102.5	$ 239.6	$ 243.6
Amortized cost	$ (105.9)	$ (254.8)	$ (265.0)

	For the year ended December 31,		
	2013	2012	2011
Proceeds	109.8	262.2	279.7
Net effect of unwinding hedging derivatives of the available for-sale securities portfolio	(2.4)	(1.4)	(11.3)
Total net gain on sale of securities available-for-sale	$ 1.5	$ 6.0	$ 3.4

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

Gain (Loss) on Foreign Currency Exchange

The Bank recorded a net loss of $3.8 million on foreign currency exchange during 2013, compared to a net loss of $10.5 million in 2012, and compared to a net gain of $4.3 million in 2011. The results reflect the effects of currency exchanges in assets and liabilities economically hedged with derivatives that do not qualify for hedge accounting, the impact of which is shown under Net Gain (Loss) from Trading Securities.

Operating Expenses

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

	For the Year Ended December 31,		
	2013	2012	2011
	(in $ thousand)		
Salaries and other employee expenses	$ 31,702	$ 33,171	27,825
Depreciation and amortization of equipment and leasehold improvements.	2,747	2,269	2,139
Professional services	4,010	4,053	4,151
Maintenance and repairs	1,529	1,936	1,634
Expenses from investment funds	2,589	2,953	4,372
Other operating expenses	11,729	11,432	9,966
Total operating expenses	$ 54,306	$ 55,814	$ 50,087

During 2013, the Bank's operating expenses totaled $54.3 million, compared to $55.8 million in 2012. The $1.5 million, or 3%, year-on-year decrease in operating expenses was mainly attributable to lower salary and other employee expenses.

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

Changes in Financial Condition

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

	As of December 31,		
	2013	2012	2011
	(in $ thousand)		
Assets			
Cash and due from banks	$2,161	$6,718	$12,814
Interest-bearing deposits in banks	837,557	700,312	830,670

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	As of December 31,		
	2013	2012	2011
	(in $ thousand)		
Trading assets	0	5,265	20,436
Securities available-for-sale	334,368	183,017	416,300
Securities held-to-maturity	33,759	34,113	26,536
Investment funds	118,661	105,888	120,425
Loans	6,148,298	5,715,556	4,959,573
Less:			
Allowance for loan losses	72,751	72,976	88,547
Unearned income and deferred fees	6,668	7,100	6,697
Loans, net	6,068,879	5,635,480	4,864,329
Customers' liabilities under acceptances	1,128	1,157	1,110
Accrued interest receivable	40,727	37,819	38,168
Equipment and leasehold improvements, net	10,466	12,808	6,673
Derivative financial instruments used for hedging — receivable	15,217	19,239	4,159
Other assets	8,389	14,580	18,412
Total Assets	$7,471,312	$6,756,396	$6,360,032
Liabilities and Stockholders' Equity			
Deposits	$2,361,336	$2,317,260	$2,303,506
Trading liabilities	72	32,304	5,584
Securities sold under repurchase agreements	286,162	158,374	377,002
Short-term borrowings and debt	2,705,365	1,449,023	1,323,466
Acceptances outstanding	1,128	1,157	1,110
Accrued interest payable	13,786	17,943	11,790
Long-term borrowings and debt	1,153,871	1,905,540	1,487,548
Derivative financial instruments used for hedging - payable	8,572	11,747	53,742
Reserve for losses on off-balance sheet credit risk	5,222	4,841	8,887
Other liabilities	27,947	28,348	22,568
Total Liabilities	$6,563,461	$5,926,537	$5,595,203
Redeemable noncontrolling interest	49,899	3,384	5,547
Stockholders' Equity			
Common stock, no par value	279,980	279,980	279,980
Additional paid-in capital in excess of assigned value of common stock	118,646	121,419	130,177
Capital reserves	95,210	95,210	95,210
Retained earnings	458,699	422,048	372,644
Accumulated other comprehensive loss	(12,575)	(730)	(3,112)
Treasury stock	(82,008)	(91,452)	(115,617)
Total Stockholders' Equity	857,952	826,475	759,282
Total Liabilities and Stockholders' Equity	$7,471,312	$6,756,396	$6,360,032

2013 vs. 2012

The Bank's total assets amounted to $7,471 million as of December 31, 2013, a $715 million, or 11%, increase from $6,756 million as of December 31, 2012, mainly as a result of increased balances related to the loan portfolio (an increase of $432 million), securities available-for-sale (an increase of $151 million) and cash and due from banks (an increase of $133 million). As of December 31, 2013, the Bank's loan portfolio amounted to $6,148 million, with an average remaining maturity term of 289 days, as 73% of the portfolio was scheduled to mature within one year. Trade financing operations represented 58% of the loan portfolio, while the remaining balance consisted primarily of lending to banks and corporations involved in foreign trade.

The Bank's liquidity amounted to $831 million as of December 31, 2013, compared to $690 million as of December 31, 2012, as the Bank maintained its proactive approach to liquidity management.

The 2013 increase in assets resulted in a $637 million increase in liabilities, mainly in short-term borrowings and debt (which increased by $1,256 million, or 87%), and securities sold under repurchase agreements (which increased by $128 million, or 81%), partially offset by the decrease in long-term borrowings and debt (which decreased by $752 million, or 39%), as the Bank opted to pre-pay certain medium-term obligations with remaining tenors of less than a year, as part of its proactive funding and interest rate position management.

2012 vs. 2011

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

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

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

Asset Quality

The Bank believes that its asset quality is a function of its strong client base, the importance that governments and borrowers alike attribute to maintaining continued access to trade financing, its preferred creditor status, and its strict adherence to commercial criteria in its credit activities. The Bank's management and the CPER review periodically a report of all loan delinquencies. The Bank's collection policies include rapid internal notification of any delinquency and prompt initiation of collection efforts, usually involving senior management.

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

Rating	**Classification**	**Description**
1 to 6	Normal	Clients with payment ability to satisfy their financial commitments.
7	Special Mention	Clients exposed to systemic risks specific to the country or the industry in which they are located, facing adverse situations in their operation or financial condition. At this level, access to new funding is uncertain.
8	Substandard	Clients whose primary source of payment (operating cash flow) is inadequate and who show evidence of deterioration in their working capital that does not allow them to satisfy payments on the agreed terms, endangering recovery of unpaid balances.

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Rating	Classification	Description
9	Doubtful	Clients whose operating cash flow continuously shows insufficiency to service the debt on the originally agreed terms. Due to the fact that the debtor presents an impaired financial and economic situation, the likelihood of recovery is low.
10	Unrecoverable	Clients with operating cash flow that does not cover their costs, are in suspension of payments, presumably they will also have difficulties to fulfill possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

Impaired Assets and Contingencies

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

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

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

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

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

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

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

	As of December 31,				
	2013	2012	2011	2010	2009
	(in $ million, except percentages)				
Impaired loans	$3	$0	$32	$29	$36
Allocation from the allowance for loan losses	1	0	15	12	14
Impaired loans as a percentage of total loans, net of unearned income and deferred commission	0.1%	0.0%	0.6%	0.7%	1.3%
Impaired contingencies	$0	$0	$0	$0	$0
Allocation from the reserve for losses on off balance-sheet credit risks	0	0	0	0	0
Impaired contingencies as a percentage of total contingencies	0.0%	0.0%	0.0%	0.0%	0.0%
Impaired securities (par value)	$0	$0	$0	$0	$0
Estimated fair value adjustments on options and impaired securities (1)	0	0	0	0	0
Estimated fair value of impaired securities	$0	$0	$0	$0	$0
Impaired securities as a percentage of total securities (2)	0.0%	0.0%	0.0%	0.0%	0.0%
Impaired assets and contingencies as a percentage of total credit portfolio (3)	0.0%	0.0%	0.6%	0.6%	1.0%

(1) Includes impairment losses on securities, estimated unrealized gain (loss) on impaired securities, premiums and discounts.

(2) Total securities consist of investment securities considered part of the Bank's credit portfolio.

(3) The total credit portfolio consists of loans net of unearned income and deferred loan fees, selected commercial deposits placed, fair value of investment securities, acceptances and contingencies (including confirmed letters of credit, stand-by letters of credit, equity investments, guarantees covering commercial risk and credit commitments).

As of December 31, 2013, 2012 and 2011, the Bank did not have impaired loans in its loan portfolio without related allowance.

The Bank has not had any troubled debt restructurings for the years ended December 31, 2013 and 2012.

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

	As of December 31,									
	2013	**%**	**2012**	**%**	**2011**	**%**	**2010**	**%**	**2009**	**%**
	(in $ million, except percentages)									
Brazil	0	0.0	0	0.0	1	100.0	2	40.5	0	0.0
Mexico	0	0.0	7	100.0	0	0.0	3	59.5	0	0.0

Total	$0	0.0	$ 7	100.0	$ 1	100.0	$ 5	100.0	$ 0	0.0

As of December 31, 2013, the Bank did not have any loans charged-off against the allowance for loan losses, compared to charge-offs to total loan portfolio of 0.13% as of December 31, 2012, and 0.02% as of December 31, 2011, respectively.

In the five year period ended December 31, 2013, the Bank has disbursed $48 billion in credits and has charged-off credits for $13 million, which represents 0.03% of total credits disbursed.

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

	For the year ended December 31,		
	2013	2012	2011
	(in $ thousands)		
Loans in non-accrual status:			
Private corporations	$ 3,125	$ 0	$ 32,000
Total loans in non-accrual status	$ 3,125	$ 0	$ 32,000
Interest which would have been recorded if the loans had not been in a non-accrual status	67	0	2,325
Interest income collected on non-accruing loans	0	2,288	2,375

Allowance for Credit Losses

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

The allowance for credit losses includes an asset-specific component and a formula-based component. The asset-specific component, or specific allowance, relates to provision for losses on credits considered impaired and measured individually on a case-by-case basis. A specific allowance is established when the discounted cash flows (or observable fair value of collateral) of the credit is lower than the carrying value of that credit. The formula-based component, or generic allowance, covers the Bank's performing credit portfolio and is established based on a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative judgment. The statistical calculation is a product of internal risk classifications, probabilities of default and loss given default. The probability of default is supported by Bladex's historical portfolio performance complemented by probabilities of default provided by external sources, in view of the greater robustness of this external data for some cases. The loss given default is based on Bladex's historical losses experience and best practices. The reserve balances, for both on and off-balance sheet credit exposures, are calculated by applying the following formula:

Reserves = S(E x PD x LGD); where:

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

b) Probabilities of Default (PD) = one-year probability of default applied to the portfolio. Default rates are based on the Bank's historical portfolio performance per rating category, complemented by Standard & Poor's, or S&P, probabilities of default for categories 6, 7 and 8, in view of the greater robustness of S&P data for such cases.

c) Loss Given Default (LGD) = a factor utilized, based on historical information, and as based on best practices in the banking industry. Management applies judgment for imprecision and uncertainty and historical loss experience.

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

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

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

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

	As of December 31,				
	2013	2012	2011	2010	2009
	(in $ million, except percentages)				
Components of the allowance for credit losses					
Allowance for loan losses:					
Balance at beginning of the year	$73.0	$88.5	$78.6	$73.8	$54.6
Provision (reversal)	(1.6)	(8.3)	8.8	9.1	18.3
Recoveries	1.4	0.3	2.2	1.0	0.9
Loans charged-off	0.0	(7.5)	(1.1)	(5.3)	0.0
Balance at the end of the year	$72.8	$73.0	88.5	78.6	73.8
Reserve for losses on off-balance sheet credit risk:					
Balance at beginning of the year	4.8	8.9	13.3	27.3	30.7
Provision (reversal)	0.4	(4.0)	(4.4)	(13.9)	(3.5)
Balance at end of the year	5.2	4.8	8.9	13.3	27.3
Total allowance for credit losses	$78.0	$77.8	$97.4	$92.0	$101.0
Allowance for credit losses to total commercial portfolio	1.18%	1.31%	1.83%	2.07%	3.25%
Net charge offs to average loans outstanding	0.00%	0.15%	0.02%	0.16%	n.m. (*)

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

The allowance for credit losses to total commercial portfolio amounted to 1.18% as of December 31, 2013 compared to 1.31% as of December 31, 2012, and 1.83% as of December 31, 2011. The decrease of 13 basis points in 2013 is mainly associated with an improved risk profile of the Bank's portfolio composition in terms of client and country exposures.

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

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

	As of December 31,					
	2013		2012		2011	
	Total	%	Total	%	Total	%
	(in $ million, except percentages)					
Allowance for loan losses						
Argentina	$5.8	8.0	$9.2	12.7	$16.1	18.1
Brazil	17.5	24.0	12.0	16.4	11.5	13.0
Chile	7.6	10.4	1.2	1.6	1.8	2.0
Colombia	4.7	6.5	5.2	7.2	11.6	13.0
Costa Rica	8.5	11.7	5.3	7.2	2.9	3.3
Dominican Republic	3.1	4.2	4.6	6.3	6.1	6.9
Ecuador	2.4	3.3	8.3	11.4	2.7	3.1
El Salvador	2.9	3.9	1.8	2.4	0.6	0.6
Guatemala	4.6	6.3	7.3	10.0	4.3	4.8

	As of December 31,					
	2013		2012		2011	
	Total	%	Total	%	Total	%
	(in $ million, except percentages)					
Honduras	2.5	3.5	2.9	4.0	1.9	2.1
Jamaica	1.0	1.3	0.3	0.5	0.1	0.1
Mexico	4.5	6.2	3.9	5.3	18.4	20.7
Nicaragua	0.3	0.4	1.3	1.7	1.2	1.4
Panama	0.7	1.0	1.4	1.9	0.7	0.8
Paraguay	2.4	3.3	0.7	1.0	0.8	0.9
Peru	3.4	4.6	4.3	5.9	4.8	5.4
Uruguay	0.6	0.8	2.9	4.0	2.9	3.3
Other	0.3	0.5	0.4	0.5	0.3	3.4
Total Allowance for loan losses	$72.8	100.0	$73.0	100.0	$88.5	100.0
Reserve for losses on off-balance sheet credit risk						
Ecuador	2.1	39.7	2.8	57.2	7.3	82.7
Guatemala	1.0	19.1	0.0	0.2	0.0	0.2
Panama	0.5	9.8	0.4	8.6	0.0	0.0
Venezuela	0.2	4.0	0.8	16.5	0.6	7.0
Other	1.4	27.4	0.8	17.5	0.9	10.1
Total Reserve for losses on off-balance sheet credit risk	$5.2	100.0	$4.8	100.0	$8.9	100.0
Allowance for credit losses						
Argentina	5.8	7.5	9.2	11.9	16.0	16.5
Brazil	17.9	22.9	12.3	15.9	11.6	11.9
Chile	7.6	9.7	1.2	1.6	1.9	1.9
Colombia	5.1	6.5	5.3	6.8	11.6	11.9
Costa Rica	8.6	11.0	5.3	6.8	3.2	3.3
Dominican Republic	3.1	3.9	4.6	6.0	6.1	6.3
Ecuador	4.5	5.7	11.1	14.3	10.1	10.3
El Salvador	2.9	3.7	1.8	2.3	0.6	0.6
Guatemala	5.6	7.2	7.3	9.4	4.3	4.4
Honduras	2.6	3.3	2.9	3.8	1.9	2.0
Jamaica	1.0	1.2	0.3	0.4	0.1	0.1
Mexico	4.8	6.2	4.1	5.2	18.5	19.0
Nicaragua	0.3	0.4	1.3	1.6	1.2	1.3
Panama	1.2	1.6	1.8	2.3	0.7	0.7
Paraguay	2.4	3.1	0.7	0.9	0.8	0.8
Peru	3.6	4.6	4.4	5.6	4.8	5.0
Uruguay	0.8	1.0	2.9	3.7	2.9	3.0
Venezuela	0.2	0.3	0.8	1.0	0.6	0.6
Other [(1)]	0.3	0.4	0.4	0.5	0.4	0.4
Total Allowance for credit losses	$78.0	100.0	$77.8	100.0	$97.4	100.0

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

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

	As of December 31,					
	2013		2012		2011	
	Total	%	Total	%	Total	%
	(in $ million, except percentages)					
Private sector commercial banks and Financial Institutions	$ 25					