FOREIGN TRADE BANK OF LATIN AMERICA, INC.
Form 6-K
August 26, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE

SECURITIES EXCHANGE ACT OF 1934

For the month of August, 2015

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

(Exact name of Registrant as specified in its Charter)

FOREIGN TRADE BANK OF LATIN AMERICA, INC.

(Translation of Registrant's name into English)

Business Park Torre V, Ave. La Rotonda, Costa del Este

P.O. Box 0819-08730

Panama City, Republic of Panama

(Address of Registrant's Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x   Form 40-F ¨

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g-3-2(b) under the Securities Exchange Act of 1934.)

Yes ¨ No x

(If “Yes” is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82__.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

August 26, 2015

FOREIGN TRADE
BANK OF LATIN
AMERICA, INC.

By: /s/ Pierre Dulin

Name: Pierre Dulin
Title: General Manager

NOTA: LA INFORMACION INCLUIDA EN EL PRESENTE REPORTE 6-K FUE PREPARADA EN UNA BASE NO CONSOLIDADA Y EXCLUYE LA INFORMACION FINANCIERA DE BLADEX HOLDINGS INC., ALPHA4X OFFSHORE FEEDER FUND, BLADEX REPRESENTACAO LTDA., Y BLADEX INVESTIMENTOS LTDA., SEGUN LO EXIGIDO POR LAS LEYES Y REGULACIONES A LAS CUALES ESTAMOS SUJETOS EN PANAMA, EL PAIS DONDE LA SOCIEDA SE ENCUENTRA CONSTITUIDA Y DONDE ESTAMOS REGULADOS COMO UNA INSTITUCION FINANCIERA. PROPORCIONAMOS LOS ESTADOS FINANCIEROS ANUALES CONSOLIDADOS EN EL REPORTE 20-F QUE SE PRESENTA PARA CADA AÑO FISCAL ANTE EL SECURITIES AND EXCHANGE COMMISSION. LA INFORMACION FINANCIERA NO CONSOLIDADA CONTENIDA EN EL PRESENTE PODRA SER SUBSTANCIALMENTE DIFERENTE DE NUESTROS RESULTADOS FINANCIEROS CONSOLIDADOS PARA EL MISMO PERIODO.

30 de julio 2015

BALANCE DE SITUACION

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

DE DICIEMBRE 2014 A JUNIO 2015

(En Miles de Balboas) *

			2014	**2015**			
	Variación Absoluta	**%**	**Diciembre**	**Enero**	**Febrero**	**Marzo**	**Abril**
ACTIVOS LIQUIDOS	211,218.36	27.08	780,009.65	771,132.02	908,299.33	944,371.99	658,564.17
Depósitos Locales en Bancos	40,047.49	33569.16	119.30	154.22	153.17	145.32	40,125.31
A la Vista	40,047.49	33569.16	119.30	154.22	153.17	145.32	40,125.31
A Plazo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depósitos Extranjeros en Bancos	171,170.18	21.95	779,881.06	770,967.49	908,137.72	944,214.22	618,429.71
A la Vista	161,170.18	21.21	759,881.06	770,967.49	878,137.72	914,214.22	588,429.71
A Plazo	10,000.00	50.00	20,000.00	0.00	30,000.00	30,000.00	30,000.00
Menos Provisiones	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Locales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Extranjero	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Otros	0.69	7.40	9.29	10.31	8.45	12.45	9.16
CARTERA CREDITICIA	230,735.56	3.45	6,683,828.99	6,640,917.21	6,617,713.34	6,564,870.51	6,635,685.08
Locales	24,698.52	6.52	378,738.78	381,495.39	379,400.60	384,709.82	376,234.60

Extranjero	208,826.10	3.31	6,307,505.02	6,261,836.63	6,240,727.55	6,184,223.80	6,263,513.58
Menos Provisiones	2,789.06	115.50	2,414.81	2,414.81	2,414.81	4,063.10	4,063.10
Locales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Extranjero	2,789.06	115.50	2,414.81	2,414.81	2,414.81	4,063.10	4,063.10
INVERSIONES EN VALORES	-47,813.05	-10.40	459,715.20	442,475.57	483,804.18	460,309.46	430,241.62
Locales	-3,511.17	-7.73	45,394.40	49,262.23	43,644.65	38,041.65	38,049.38
Extranjero	-44,301.88	-10.69	414,320.80	393,213.34	440,159.53	422,267.81	392,192.24
Menos Provisiones	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Locales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Extranjero	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTROS ACTIVOS	-111,982.16	-57.02	196,376.44	163,268.76	76,142.32	75,702.28	84,618.31
Locales	15,770.33	86.94	18,139.87	21,134.00	20,894.34	20,109.03	28,799.24
Extranjero	-127,752.49	-71.68	178,236.58	142,134.76	55,247.98	55,593.25	55,819.06
TOTAL DE ACTIVOS	282,158.72	3.47	8,119,930.28	8,017,793.56	8,085,959.18	8,045,254.24	7,809,109.17
DEPOSITOS	730,251.36	29.13	2,506,693.80	2,278,821.08	2,461,553.58	2,566,032.90	2,674,132.08
Locales	15,170.22	2.87	528,460.90	504,946.42	488,106.85	529,669.38	540,000.78
Oficiales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Particulares	-2,846.03	-1.85	153,843.56	133,841.65	137,483.25	140,047.76	149,380.62
A la Vista	3,153.97	110.92	2,843.56	2,841.65	2,483.25	47.76	4,380.62
A Plazo	-6,000.00	-3.97	151,000.00	131,000.00	135,000.00	140,000.00	145,000.00
De Ahorros	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Bancos	18,016.25	4.81	374,617.34	371,104.78	350,623.60	389,621.62	390,620.16
A la Vista	0.00	0.00	15.00	15.00	15.00	15.00	15.00
A Plazo	18,016.25	4.81	374,602.34	371,089.78	350,608.60	389,606.62	390,605.16
Extranjero	715,081.14	36.15	1,978,232.89	1,773,874.66	1,973,446.73	2,036,363.52	2,134,131.31
Oficiales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Particulares	54,205.74	72.64	74,624.79	75,701.52	78,455.36	135,471.91	162,862.09
A la Vista	12,851.70	321.19	4,001.26	2,276.22	8,082.07	22,085.42	25,565.28
A Plazo	41,354.04	58.56	70,623.53	73,425.30	70,373.29	113,386.49	137,296.81
De Ahorros	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Bancos	660,875.40	34.72	1,903,608.10	1,698,173.14	1,894,991.37	1,900,891.62	1,971,269.22
A la Vista	116,905.72	151.21	77,314.86	50,867.26	19,680.64	87,004.90	42,349.01
A Plazo	543,969.67	29.79	1,826,293.24	1,647,305.88	1,875,310.73	1,813,886.72	1,928,920.21
OBLIGACIONES	-399,045.34	-9.07	4,398,575.31	4,550,166.66	4,512,113.23	4,381,060.54	4,036,105.23
Locales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Extranjero	-399,045.34	-9.07	4,398,575.31	4,550,166.66	4,512,113.23	4,381,060.54	4,036,105.23
OTROS PASIVOS	-89,256.58	-42.65	209,262.74	172,067.03	85,059.70	63,330.13	69,070.88
Locales	20,377.39	213.23	9,556.67	9,196.04	10,116.73	8,003.52	10,587.85
Extranjero	-109,633.97	-54.90	199,706.07	162,870.98	74,942.97	55,326.60	58,483.03
PATRIMONIO	40,209.28	4.00	1,005,398.44	1,016,738.79	1,027,232.66	1,034,830.67	1,029,800.98
Capital	2,789.09	0.87	319,693.42	319,874.27	320,115.60	321,650.35	321,863.07
Reservas de Capital	0.00	0.00	95,210.15	95,210.15	95,210.15	95,210.15	95,210.15
Otras Reservas	14,072.22	15.38	91,516.14	89,778.60	91,035.17	90,709.15	92,506.42
	13,911.48	15.27	91,124.30	91,124.30	91,124.30	91,124.30	91,124.30

Provisiones Dinámicas							
Otras Reservas	160.73	41.02	391.84	-1,345.70	-89.14	-415.15	1,382.11
Utilidad de Periodos Anteriores	79,298.53	19.73	401,828.56	509,693.99	508,730.56	507,339.56	492,336.30
Utilidad de Periodo	-58,574.87	-54.65	107,177.64	13,222.19	20,149.94	28,982.83	36,082.99
Ganancia o Perdida en Valores Disponible para la venta	2,624.31	-26.17	-10,027.48	-11,040.41	-8,008.75	-9,061.38	-8,197.94
Deuda Subordinada	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PASIVO Y PATRIMONIO	282,158.72	3.47	8,119,930.28	8,017,793.56	8,085,959.18	8,045,254.24	7,809,109.17

***La unidad monetaria es par y equivalentes con el US$ dólar.**

Esta es una copia de la versión original, tomada de la publicación mensual de la Superintendencia de Bancos de Panamá.

(sitioweb: http://www.superbancos.gob.pa).

NOTA: LA INFORMACION INCLUIDA EN EL PRESENTE REPORTE 6-K FUE PREPARADA EN UNA BASE NO CONSOLIDADA Y EXCLUYE LA INFORMACION FINANCIERA DE BLADEX HOLDINGS INC., ALPHA4X OFFSHORE FEEDER FUND, BLADEX REPRESENTACAO LTDA., Y BLADEX INVESTIMENTOS LTDA., SEGUN LO EXIGIDO POR LAS LEYES Y REGULACIONES A LAS CUALES ESTAMOS SUJETOS EN PANAMA, EL PAIS DONDE LA SOCIEDA SE ENCUENTRA CONSTITUIDA Y DONDE ESTAMOS REGULADOS COMO UNA INSTITUCION FINANCIERA. PROPORCIONAMOS LOS ESTADOS FINANCIEROS ANUALES CONSOLIDADOS EN EL REPORTE 20-F QUE SE PRESENTA PARA CADA AÑO FISCAL ANTE EL SECURITIES AND EXCHANGE COMMISSION. LA INFORMACION FINANCIERA NO CONSOLIDADA CONTENIDA EN EL PRESENTE PODRA SER SUBSTANCIALMENTE DIFERENTE DE NUESTROS RESULTADOS FINANCIEROS CONSOLIDADOS PARA EL MISMO PERIODO.

30 de julio 2015

ESTADO DE RESULTADO

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

DE DICIEMBRE 2014 A JUNIO 2015

(En Miles de Balboas) *

	2014 Diciembre	**2015 Enero**	**Febrero**	**Marzo**	**Abril**	**Mayo**	**Junio**	**Julio**	**Agosto**	**Sept**
Ingresos Por Intereses	212,709.99	18,613.40	16,794.04	18,190.36	17,839.75	17,713.01	17,187.17	0.00	0.00	0.0
Préstamos	201,907.85	17,668.81	15,986.84	17,245.31	16,852.82	16,856.45	16,347.49	0.00	0.00	0.0
Depósitos	1,545.35	138.00	128.08	164.61	224.10	119.32	145.43	0.00	0.00	0.0
Inversiones	9,256.79	806.59	679.13	780.44	762.84	737.24	694.25	0.00	0.00	0.0
Arrendamiento Financiero	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Otros Ingresos	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Egresos de Operaciones	71,803.54	6,124.38	5,554.19	6,225.00	5,917.99	6,118.84	6,054.85	0.00	0.00	0.0
Intereses Pagados	71,562.06	6,121.15	|	6,154.21	5,894.45	6,097.49	6,025.27	0.00	0.00	0.0
Comisiones	241.48	3.23	1.02	70.78	23.53	21.35	29.58	0.00	0.00	0.0
Ingreso Neto de Intereses	140,906.45	12,489.03	11,239.85	11,965.36	11,921.77	11,594.16	11,132.32	0.00	0.00	0.0
Otros Ingresos	154,956.22	20,191.86	13,097.70	18,016.20	18,271.25	14,281.27	13,553.30	0.00	0.00	0.0
Comisiones	17,718.85	779.90	687.15	885.34	912.10	1,049.77	1,178.23	0.00	0.00	0.0
Operaciones con Divisas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Dividendos	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0

Otros ingresos	137,237.37	19,411.96	12,410.55	17,130.86	17,359.16	13,231.50	12,375.06	0.00	0.00	0.0
Ingresos de Operaciones	295,862.67	32,680.89	24,337.55	29,981.56	30,193.02	25,875.43	24,685.62	0.00	0.00	0.0
Egresos Generales	180,127.98	19,458.70	17,409.80	21,141.03	23,092.87	17,573.44	17,022.71	0.00	0.00	0.0
Gastos Administrativos	33,148.86	2,210.92	2,092.73	3,800.43	2,400.78	2,920.86	2,790.60	0.00	0.00	0.0
Gastos Generales	7,670.76	307.14	773.02	515.09	778.00	493.48	613.61	0.00	0.00	0.0
Gastos de Depreciación	2,440.50	173.35	173.35	173.23	179.63	172.69	158.90	0.00	0.00	0.0
Otros Gastos	136,867.86	16,767.29	14,370.71	16,652.27	19,734.46	13,986.41	13,459.59	0.00	0.00	0.0
Utilidad antes de Provisiones	115,734.69	13,222.19	6,927.75	8,840.53	7,100.16	8,301.99	7,662.91	0.00	0.00	0.0
Provisiones por Cuentas Malas	8,522.23	0.00	0.00	1.58	0.00	0.00	3,445.12	0.00	0.00	0.0
Utilidad del Periodo	107,212.46	13,222.19	6,927.75	8,838.95	7,100.16	8,301.99	4,217.79	0.00	0.00	0.0

***La unidad monetaria es par y equivalentes con el US$ dólar.**

Esta es una copia de la versión original, tomada de la publicación mensual de la Superintendencia de Bancos de Panamá.

(sitioweb: http://www.superbancos.gob.pa).

NOTE: THE FINANCIAL INFORMATION INCLUDED IN THIS FORM 6-K HAS BEEN PREPARED ON A NON-CONSOLIDATED BASIS AND EXCLUDES FINANCIAL INFORMATION FOR BLADEX HOLDINGS INC., ALPHA4X OFFSHORE FEEDER FUND, BLADEX REPRESENTACAO LTDA., AND BLADEX INVESTIMENTOS LTDA., AS REQUIRED BY THE LAWS AND REGULATIONS APPLICABLE TO BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A. ("BLADEX") IN PANAMA, COUNTRY OF INCORPORATION WHERE BLADEX IS REGULATED AS A BANK WITH A GENERAL LICENSE . WE PROVIDE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS IN OUR ANNUAL REPORT ON FORM 20-F FOR EACH FISCAL YEAR. THE NON-CONSOLIDATED FINANCIAL INFORMATION CONTAINED HEREIN MAY DIFFER MATERIALLY FROM OUR CONSOLIDATED FINANCIAL RESULTS FOR THE SAME PERIOD.

July 30, 2015

BALANCE SHEET

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

DECEMBER 2014 - JUNE 2015

(In Thousand Balboas) *

			2014	**2015**			
	Absolute Variation	**%**	**December**	**January**	**February**	**March**	**April**
LIQUID ASSETS	211,218.36	27.08	780,009.65	771,132.02	908,299.33	944,371.99	658,564.17
Local Deposits in Banks	40,047.49	33,569.16	119.30	154.22	153.17	145.32	40,125.31
Demand	40,047.49	33,569.16	119.30	154.22	153.17	145.32	40,125.31
Time	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign Deposits in Banks	171,170.18	21.95	779,881.06	770,967.49	908,137.72	944,214.22	618,429.71
Demand	161,170.18	21.21	759,881.06	770,967.49	878,137.72	914,214.22	588,429.71
Time	10,000.00	50.00	20,000.00	0.00	30,000.00	30,000.00	30,000.00
Less Allowance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.69	7.40	9.29	10.31	8.45	12.45	9.16
CREDIT PORTFOLIO	230,735.56	3.45	6,683,828.99	6,640,917.21	6,617,713.34	6,564,870.51	6,635,685.08
Local	24,698.52	6.52	378,738.78	381,495.39	379,400.60	384,709.82	376,234.60
Foreign	208,826.10	3.31	6,307,505.02	6,261,836.63	6,240,727.55	6,184,223.80	6,263,513.58
Less Allowance	2,789.06	115.50	2,414.81	2,414.81	2,414.81	4,063.10	4,063.10
Local	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign	2,789.06	115.50	2,414.81	2,414.81	2,414.81	4,063.10	4,063.10

INVESTMENT SECURITIES	-47,813.05	-10.40	459,715.20	442,475.57	483,804.18	460,309.46	430,241.62
Local	-3,511.17	-7.73	45,394.40	49,262.23	43,644.65	38,041.65	38,049.38
Foreign	-44,301.88	-10.69	414,320.80	393,213.34	440,159.53	422,267.81	392,192.24
Less Allowance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER ASSETS	-111,982.16	-57.02	196,376.44	163,268.76	76,142.32	75,702.28	84,618.31
Local	15,770.33	86.94	18,139.87	21,134.00	20,894.34	20,109.03	28,799.24
Foreign	-127,752.49	-71.68	178,236.58	142,134.76	55,247.98	55,593.25	55,819.06
TOTAL ASSETS	282,158.72	3.47	8,119,930.28	8,017,793.56	8,085,959.18	8,045,254.24	7,809,109.17
DEPOSITS	730,251.36	29.13	2,506,693.80	2,278,821.08	2,461,553.58	2,566,032.90	2,674,132.08
Local	15,170.22	2.87	528,460.90	504,946.42	488,106.85	529,669.38	540,000.78
Government	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	-2,846.03	-1.85	153,843.56	133,841.65	137,483.25	140,047.76	149,380.62
Demand	3,153.97	110.92	2,843.56	2,841.65	2,483.25	47.76	4,380.62
Time	-6,000.00	-3.97	151,000.00	131,000.00	135,000.00	140,000.00	145,000.00
Savings	0.00	0.00	0.00	0.00	0.00	0.00	0.00
From Banks	18,016.25	4.81	374,617.34	371,104.78	350,623.60	389,621.62	390,620.16
Demand	0.00	0.00	15.00	15.00	15.00	15.00	15.00
Time	18,016.25	4.81	374,602.34	371,089.78	350,608.60	389,606.62	390,605.16
Foreign	715,081.14	36.15	1,978,232.89	1,773,874.66	1,973,446.73	2,036,363.52	2,134,131.31
Government	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	54,205.74	72.64	74,624.79	75,701.52	78,455.36	135,471.91	162,862.09
Demand	12,851.70	321.19	4,001.26	2,276.22	8,082.07	22,085.42	25,565.28
Time	41,354.04	58.56	70,623.53	73,425.30	70,373.29	113,386.49	137,296.81
Savings	0.00	0.00	0.00	0.00	0.00	0.00	0.00
From Banks	660,875.40	34.72	1,903,608.10	1,698,173.14	1,894,991.37	1,900,891.62	1,971,269.22
Demand	116,905.72	151.21	77,314.86	50,867.26	19,680.64	87,004.90	42,349.01
Time	543,969.67	29.79	1,826,293.24	1,647,305.88	1,875,310.73	1,813,886.72	1,928,920.21
BORROWINGS	-399,045.34	-9.07	4,398,575.31	4,550,166.66	4,512,113.23	4,381,060.54	4,036,105.23
Local	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign	-399,045.34	-9.07	4,398,575.31	4,550,166.66	4,512,113.23	4,381,060.54	4,036,105.23
OTHER LIABILITIES	-89,256.58	-42.65	209,262.74	172,067.03	85,059.70	63,330.13	69,070.88
Local	20,377.39	213.23	9,556.67	9,196.04	10,116.73	8,003.52	10,587.85
Foreign	-109,633.97	-54.90	199,706.07	162,870.98	74,942.97	55,326.60	58,483.03
STOCKHOLDERS´ EQUITY	40,209.28	4.00	1,005,398.44	1,016,738.79	1,027,232.66	1,034,830.67	1,029,800.98
Capital	2,789.09	0.87	319,693.42	319,874.27	320,115.60	321,650.35	321,863.07
Capital Reserves	0.00	0.00	95,210.15	95,210.15	95,210.15	95,210.15	95,210.15
Other Reserves	14,072.22	15.38	91,516.14	89,778.60	91,035.17	90,709.15	92,506.42
Dynamic Provision	13,911.48	15.27	91,124.30	91,124.30	91,124.30	91,124.30	91,124.30
Other Reserves	160.73	41.02	391.84	-1,345.70	-89.14	-415.15	1,382.11
Retained Earnings	79,298.53	19.73	401,828.56	509,693.99	508,730.56	507,339.56	492,336.30
Net Income	-58,574.87	-54.65	107,177.64	13,222.19	20,149.94	28,982.83	36,082.99
Gain or Loss in Securities available for sale	2,624.31	-26.17	-10,027.48	-11,040.41	-8,008.75	-9,061.38	-8,197.94
Subordinated Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	282,158.72	3.47	8,119,930.28	8,017,793.56	8,085,959.18	8,045,254.24	7,809,109.17

LIABILITIES AND
STOCKHOLDER'S
EQUITY

***Monetary unit at par and equivalent with US$ dollars.**

This is a translation from Spanish original version, taken from the monthly publication of the Superintendency of Banks of Panama
(website: http://www.superbancos.gob.pa).

NOTE: THE FINANCIAL INFORMATION INCLUDED IN THIS FORM 6-K HAS BEEN PREPARED ON A NON-CONSOLIDATED BASIS AND EXCLUDES FINANCIAL INFORMATION FOR BLADEX HOLDINGS INC., ALPHA4X OFFSHORE FEEDER FUND, BLADEX REPRESENTACAO LTDA., AND BLADEX INVESTIMENTOS LTDA., AS REQUIRED BY THE LAWS AND REGULATIONS APPLICABLE TO BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A. ("BLADEX") IN PANAMA, COUNTRY OF INCORPORATION WHERE BLADEX IS REGULATED AS A BANK WITH A GENERAL LICENSE . WE PROVIDE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS IN OUR ANNUAL REPORT ON FORM 20-F FOR EACH FISCAL YEAR. THE NON-CONSOLIDATED FINANCIAL INFORMATION CONTAINED HEREIN MAY DIFFER MATERIALLY FROM OUR CONSOLIDATED FINANCIAL RESULTS FOR THE SAME PERIOD.

July 30, 2015

INCOME STATEMENT

BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A.

DECEMBER 2014 - JUNE 2015

(In Thousand Balboas) *

	2014	**2015**			
	December	**January**	**February**	**March**	**April**
Interest Income	212,709.99	18,613.40	16,794.04	18,190.36	17,839.75
Loans	201,907.85	17,668.81	15,986.84	17,245.31	16,852.82
Deposits	1,545.35	138.00	128.08	164.61	224.10
Investments	9,256.79	806.59	679.13	780.44	762.84
Financial Leases	0.00	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	0.00	0.00	0.00
Interest Expense	71,803.54	6,124.38	5,554.19	6,225.00	5,917.99
Interest	71,562.06	6,121.15	5,553.17	6,154.21	5,894.45
Commissions	241.48	3.23	1.02	70.78	23.53
Net Interest Income	140,906.45	12,489.03	11,239.85	11,965.36	11,921.77
Other Income	154,956.22	20,191.86	13,097.70	18,016.20	18,271.25
Commissions	17,718.85	779.90	687.15	885.34	912.10
Foreign currency operations	0.00	0.00	0.00	0.00	0.00
Dividends	0.00	0.00	0.00	0.00	0.00
Other Income	137,237.37	19,411.96	12,410.55	17,130.86	17,359.16
Operating Income	295,862.67	32,680.89	24,337.55	29,981.56	30,193.02
Operating Expenses	180,127.98	19,458.70	17,409.80	21,141.03	23,092.87

Administrative expenses	33,148.86	2,210.92	2,092.73	3,800.43		2,400.78	
General expenses	7,670.76	307.14	773.02	515.09		T: 0px; MARGIN-RIGHT: 0px; FONT-FAMILY: Times New Roman">(205,570)	
Net unrealized gains on available-for-sale securities	-	-	-	-	-	-	
Comprehensive loss							
Amortization of deferred compensation	-	-	-	-	378,430	-	
Noncash stock-based compensation	-	-	-	-	(173,347)	173,347	
Cancelled shares due to terminations	-	-	-	-	84,723	(84,723)	
Exercise of stock options	-	-	8,996	9	-	2,870	
Adjustment to issuance of common stock in connection with initial public offering	-	-	-	-	-	44,361	
Issuance of common stock in connection with private placement	-	-	184,250	184	-	955,337	
Issuance of warrants in connection with settlement agreement	-	-	-	-	-	17,348	
Balance, December 31, 2005	-	$ -	12,313,494	$ 12,313	$ (2,189,511)	$ 54,848,711	$ (4

The accompanying notes are an integral part of these statements.

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NEPHROS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31 2005		Year Ended December 31 2004	
	2005		**2004**	
Operating activities				
Net Loss	$	(5,468,177)	$	(7,596,480)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation		305,601		199,241
Noncash stock-based compensation		374,529		793,756
Gain on settlement agreement		(623,087)		-
Change in provision for returns		18,697		-
(Increase) decrease in operating assets:				
Accounts receivable		(133,066)		(174,797)
Prepaid expenses		87,360		(249,742)
Inventory, net		(280,613)		(451,387)
Other assets		(13,909)		-
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses		660,123		(423,630)
Deferred revenue		(64,058)		64,058
Other liabilities		32,652		-
Net cash used in operating activities		(5,103,948)		(7,838,981)
Investing activities				
Purchase of property and equipment		(397,290)		(902,872)
Redemption (purchase) of short-term investments		1,500,000		(6,000,000)
Net cash provided by (used in) investing activities		1,102,710		(6,902,872)
Financing activities				
Proceeds from issuance of preferred stock, net		-		3,811,538
Proceeds from private placement of common stock		955,521		-
Payment of preferred dividends		-		(349,949)
Proceeds from initial public offering of common stock		-		10,734,586
Adjustment to proceeds from IPO of common stock		44,361		-
Proceeds from exercise of stock options		2,879		-
Proceeds from the exercise of warrants		-		87,500
Net cash provided by financing activities		1,002,761		14,283,675
Effective exchange rates on cash		(25,877)		56,096
Net decrease in cash and cash equivalents		(2,972,600)		(402,082)
Cash and cash equivalents, beginning of period		3,719,181		4,121,263
Cash and cash equivalents, end of period	$	746,581	$	3,719,181
Supplemental disclosure of cash flow information cash paid for taxes	$	-	$	3,339

The accompanying notes are an integral part of these statements.

NEPHROS, INC. AND SUBSIDIARY

Notes to Condensed Consolidated Financial Statements

Note 1 - Organization and Nature of Operations

Nephros, Inc. (“Nephros” or the “Company”) was incorporated under the laws of the State of Delaware on April 3, 1997. Nephros was founded by health professionals, scientists and engineers affiliated with Columbia University to develop advanced End Stage Renal Disease (“ESRD”) therapy technology and products. The Company has three products in various stages of development in the hemodiafiltration, or HDF, modality to deliver improved therapy for ESRD patients. These are the OLpūr™ MDHDF filter series or “dialyzers,” designed expressly for HDF therapy, the OLpūr™ H_2H™, an add-on module designed to allow the most common types of hemodialysis machines to be used for HDF therapy, and the OLpūr™ NS2000 system, a stand-alone hemodiafiltration machine and associated filter technology.

On June 4, 2003, Nephros International Limited was incorporated under the laws of Ireland as a wholly-owned subsidiary of the Company. In August 2003, the Company established a European Customer Service and financial operations center in Dublin, Ireland.

Note 2 - Basis of Presentation and Significant Accounting Policies

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's recurring losses and difficulty in generating sufficient cash flow to meet its obligations and sustain its operations, raises substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Based on the Company’s current cash flow projections, we will need to raise additional funds through either the licensing of our technologies or the additional public or private offerings of our securities. We are currently investigating additional funding opportunities, talking to various potential investors who could provide financing and we believe that we will be able to secure financing in the near term. However, there is no guarantee that we will be able to obtain further financing. If we are unable to raise additional funds on a timely basis or at all, the Company would be adversely affected.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements of the Company include the accounts of Nephros, Inc. and Nephros International Limited, a wholly-owned subsidiary, which was formed in August 2003. Material intercompany items have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company invests its excess cash in bank deposits and money market accounts. The Company considers all highly liquid investments purchased with original maturities of three months or less from the date of purchase to be cash equivalents. Cash equivalents are carried at fair value, which approximate cost, and primarily consist of money market funds maintained at major U.S. financial institutions.

Short-Term Investments

All short-term investments, which are carried at fair market value, primarily represent auction rate debt securities. These securities have been classified as “available-for-sale.” Management determines the appropriate classification of its short-term investments at the time of purchase and evaluates such designation as of each balance sheet date. Interest earned on short-term investments

NEPHROS, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements

is included in interest income. At December 31, 2005, the cost of the available-for-sale securities was $4.5 million. At December 31, 2004, the cost of the available-for-sale securities was $6.0 million.

Concentration of Credit Risk

Cash and cash equivalents are financial instruments which potentially subject the Company to concentrations of credit risk. The Company deposits its cash in financial institutions. At times, such deposits may be in excess of insured limits. To date, the Company has not experienced any impairment losses on its cash and cash equivalents.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, short-term investments, accounts payable and debt approximate fair value due to the short-term maturity of these instruments.

Accounts Receivable

The Company provides credit terms to customers in connection with purchases of the Company's products. Management periodically reviews customer account activity in order to assess the adequacy of the allowances provided for potential collection issues and returns. Factors considered include economic conditions, each customer's payment and return history and credit worthiness. Adjustments, if any, are made to reserve balances following the completion of these reviews to reflect management's best estimate of potential losses. No allowance for doubtful accounts was considered necessary at December 31, 2005 and 2004. The allowance for sales returns was $18,697 at December 31, 2005 and $0 at December 31, 2004.

Inventory

The Company engages third parties to manufacture and package inventory held for sale, takes title to certain inventory once manufactured, and warehouses such goods until packaged for final distribution and sale. Inventory consists of finished goods and raw materials (fiber) held at the manufacturers' facilities, and are valued at the lower of cost or market using the first-in, first-out method.

The Company's inventory as of December 31, 2005 and 2004 was as follows:

	December 31,	
	2005	**2004**
Raw Materials	$ 153,299	$ 467,655
Finished Goods	661,249	185,696
Total Inventory	$ 814,548	$ 653,351

Patents

The Company has filed numerous patent applications with the United States Patent and Trademark Office and in foreign countries. All costs and direct expenses incurred in connection with patent applications have been expensed as incurred.

Property and Equipment, net

Property and equipment, net is stated at cost and are being depreciated over the estimated useful lives of the assets using the straight line method

Impairment for Long-lived Assets

The Company periodically evaluates whether current facts or circumstances indicate that the carrying value of its depreciable assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived assets, or the appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. An estimate of the asset's fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. The Company reports an asset to be disposed of at the lower of its carrying value or its estimated net realizable market value.

NEPHROS, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements

Revenue Recognition

Revenue is recognized in accordance with Securities and Exchange Commission Staff Accounting Bulletin, or SAB, No. 104 Revenue Recognition. SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed and determinable; and (iv) collectibility is reasonably assured.

The Company began sales of its first product in March 2004. Prior to fiscal year 2005, the Company's sales history did not provide a basis from which to reasonably estimate rates of product return. Consequently, for the fiscal year ended December 31, 2004 the Company did not recognize revenue from sales until the rights of return expired (thirty days after the date of shipment). Similarly, the Company deferred cost of goods sold to the extent of amounts billed to customers.

Effective for the fiscal year ended December 31, 2005, the Company started to recognize revenue related to product sales when the product was shipped and the other criterion of SAB No. 104 were met. Sales made on a returned basis were recorded net of a provision for estimated returns. These estimates are revised as necessary, to reflect actual experience and market conditions.

During fiscal 2005, the Company received an up front license fee in the amount of $1,750,000 from Asahi, a business unit of Asahi Kasei Corporation granting Asahi exclusive rights to manufacture and distribute the Company's OLpur™ MD19 hemodiafilter in Japan for 10 years commencing when the first such product receives Japanese regulatory approval. The Company is entitled to receive additional royalties and milestone payments based on the future sales of products in Japan, which sales are subject to Japanese regulatory approval. Because (i) the license agreement requires no continuing involvement in the manufacture and delivery of the licensed product in the covered territory of Japan; (ii) the criteria of SAB No. 104 have been met; and (iii) the license fee received is non-refundable, the Company recognized $1,750,000 in contract revenue on the effective date of the license agreement.

Stock-based Compensation

The Company accounts for non-employee stock-based awards in which goods or services are the consideration received for the equity instruments issued based on the fair value of the equity instruments issued in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" and the EITF 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling, Goods or Services."

We have identified in the current year a revision to the amounts previously reported in the 2004 financial statements for the deferred compensation component of equity. Current year non cash stock based compensation in the statement of stockholders' equity reflects the adjustment of $173,347. Such revision is a reclassification from additional paid in capital to deferred compensation for options omitted from the prior year amounts.

The Company accounts for stock-based compensation to employees under the intrinsic-value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and discloses the effect of the differences which would result had the Company applied the fair-value-based method of accounting on a pro forma basis, as required by SFAS 123. Had compensation expense for stock options granted under the Nephros 2000 Equity Incentive Plan (the "2000 Plan") and the 2004 Stock Incentive Plan (the "2004 Plan") been determined based on fair value at the grant dates, the Company's net loss and net loss per share for the years ended December 31, 2005 and 2004 would have been as follows:

NEPHROS, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements

	Years Ended December 31	
	2005	**2004**
Net loss attributable to common stockholders:		
As reported	$ (5,468,177)	$ (19,331,013)
Less - compensation recognized under the intrinsic value method	378,430	793,756
Add - compensation recognized under the fair value method	(730,143)	(1,047,571)
Pro Forma	$ (5,819,890)	$ (19,584,828)
Net loss per share:		
As reported	$ (0.45)	$ (4.38)
Pro Forma	$ (0.47)	$ (4.44)

The Company revised its previously issued pro-forma stock based compensation disclosures required under SFAS 123. Such revision increased the compensation recognized under the fair value method from $667,831 to $1,047,571. The effect on pro-forma loss per share was not considered material.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires accounting for deferred income taxes under the asset and liability method. Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable in future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

Research and Development Costs

Research and development costs are expensed as incurred.

Loss per Common Share

In accordance with SFAS No. 128, "Earnings Per Share," net loss per common share amounts ("basic EPS") were computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding and excluding any potential dilution. Net loss per common share amounts assuming dilution ("diluted EPS") is generally computed by reflecting potential dilution from conversion of convertible securities and the exercise of stock options and warrants. However, because their effect is antidilutive, the Company has excluded stock options and warrants aggregating 2,265,092 and 2,249,857 from the computation of diluted EPS for the years ended December 31, 2005 and 2004, respectively.

Translation of Foreign Currency

The functional currency of Nephros International Limited is the Euro, and its translation gains and losses are included in accumulated other comprehensive income (loss).

Comprehensive Income (Loss)

The Company complies with the provisions of SFAS No. 130, “Reporting Comprehensive Income,” which requires companies to report all changes in equity during a period, except those resulting from investment by owners and distributions to owners, for the period in which they are recognized. Comprehensive income (loss) is the total of net income (loss) and all

NEPHROS, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements

other non-owner changes in equity (or other comprehensive income (loss)) such as unrealized gains or losses on securities classified as available-for-sale, foreign currency translation adjustments and minimum pension liability adjustments. For the fiscal years ended 2005 and 2004, the comprehensive loss was $(5,669,687) and $ (7,544,444), respectively.

New Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3". SFAS No. 154 replaces APB Opinion No. 20, "Accounting Changes" (APB 20) and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. APB 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements for voluntary changes in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made subsequent to January 1, 2006. The impact of SFAS No. 154 will depend on the accounting change, if any, in a future period.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). FIN 47 clarifies that an entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. Asset retirement obligations covered by FIN 47 are those for which an entity has a legal obligation to perform an asset retirement activity, even if the timing and method of settling the obligation are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of this accounting pronouncement did not have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. Stock-based payments include stock option grants. SFAS No. 123R is effective for small business issuers the first interim reporting period beginning after December 15, 2005. Accordingly, the Company will adopt SFAS No. 123R commencing with the quarter ending March 31, 2006. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123R, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. The transition methods are either a prospective method or a retroactive method. Under the retroactive method, prior periods may be revised either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS No. 123R, while the retroactive method would record compensation expense for all unvested stock options and restricted stock beginning with the first period revised. We will use the prospective method of transition in our adoption of SFAS No. 123R. We expect the impact in future periods to be consistent with the company's current pro-forma disclosure under SFAS No 123. We expect the adoption of 123R to have a material impact on the Company's consolidated results of operations.

In December 2004, the FASB issued SFAS 153 "Exchange of Non-monetary assets." This statement was a result of a joint effort by the FASB and the IASB to improve financial reporting by eliminating certain narrow differences between their existing accounting standards. One such difference was the exception from fair value measurement in

APB Opinion No. 29, “Accounting for Non-Monetary Transactions,” for non-monetary exchanges of similar productive assets. SFAS 153 replaces this exception with a general exception from fair value measurement for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for non-monetary assets exchanges occurring in fiscal periods beginning after June 15, 2005.

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs.” SFAS 151 amends Accounting Research Bulletin (“ARB”) No. 43, Chapter 4. This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS 151 is the result of a broader effort by the FASB and the IASB to improve financial reporting by eliminating certain narrow differences between their existing accounting standards. This

NEPHROS, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements

statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect the adoption of SFAS 151 to have a material impact on its consolidated results of operations.

Note 3 - Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised of the following:

	December 31,	
	2005	**2004**
Prepaid insurance premiums	$ 94,556	$ 181,500
Advances on product development services	96,565	130,000
Other	167,185	156,855
Total	$ 358,306	$ 468,355

NEPHROS, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements

Note 4 - Property and Equipment, net

Property and equipment is comprised of the following:

		December 31,	
	Life	2005	2004
Manufacturing equipment	5 Years	$ 1,280,054	$ 1,103,186
Research equipment	5 Years	499,609	465,206
Computer equipment	4 Years	158,673	155,591
Furniture and fixtures	7 years	79,757	52,003
		2,018,093	1,775,986
Less: accumulated depreciation		(874,784)	(584,130)
		$ 1,143,309	$ 1,191,856

The Company contracts with Medica s.r.l., for its product manufacturing therein the Company's manufacturing assets of $1,280,054 are located at Medica's manufacturing plant in Italy. Depreciation expense for the years ended December 31, 2005 and 2004 was $305,601 and $199,241, respectively.

Note 5 - Stockholders' Equity and Redeemable Convertible Preferred Stock

On June 24, 2005, the Company filed its Fourth Amended and Restated Certificate of Incorporation, reducing the number of authorized shares of common stock from 49,000,000 to 25,000,000, and reducing the number of authorized shares of preferred stock from 31,000,000 to 5,000,000.

On March 2, 2005, the Company entered into an Agreement with Asahi pursuant to which Asahi purchased 184,250 shares of the Company's common stock at an aggregate purchase price of $955,521, the fair market value at the date of issuance.

On September 24, 2004, the Company completed the initial public offering of its common stock. The initial public offering consisted of the sale of 2,100,000 shares of common stock at a price of $6.00 per share. Net proceeds from the initial public offering after deducting underwriters' discounts, commissions and expenses, and offering expenses, were approximately $10.7 million.

Upon the closing of the Company's initial public offering on September 24, 2004:

· Each outstanding share of the Company's series A convertible preferred stock was converted into 0.2841 shares of its common stock resulting in the issuance of 1,161,256 shares of common stock;

· Each outstanding share of series B convertible preferred stock was converted into 0.2841 shares of common stock, and all accrued and unpaid dividends through May 31, 2004 on each such share was converted into common stock at a conversion price of approximately $3.03 per share resulting in the issuance of 845,287 shares of common stock;

· Each outstanding share of series C convertible preferred stock was converted into 0.2841 shares of common stock, and all accrued and unpaid dividends through May 31, 2004 on each such share was converted into common stock at a conversion price of approximately $3.52 per share resulting in the issuance of 1,170,397 shares of common stock; and

- Each outstanding share of series D convertible preferred stock was converted into 0.4310 shares of common stock, and all accrued and unpaid dividends through May 31, 2004 on each such share was converted into

NEPHROS, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements

common stock at a conversion price of approximately $2.32 per share resulting in the issuance of 5,249,649 shares of common stock.

Dividends accrued after May 31, 2004 on the shares of preferred stock that were converted into common stock upon the closing of the Company's initial public offering were paid in cash in the fourth quarter of 2004 in the amount of $349,949.

On September 10, 2004, the Company effected a reverse stock split pursuant to which each share of its common stock then outstanding was converted into 0.2841 of one share of its common stock. All share and per share amounts for all periods presented preceding September 10, 2004 have been retroactively restated to give effect to this reverse stock split.

In connection with its initial public offering, the Company issued to its underwriters (The Shemano Group, Inc. and National Securities Corporation), in exchange for $100, warrants to purchase up to an aggregate of 200,000 shares of its common stock. The Company has reserved an equivalent number of shares of common stock for issuance upon exercise of these warrants. Each warrant represents the right to purchase one share of common stock for a period of four and one-half years commencing six months from September 24, 2004, the effective date of the offering. The exercise price of the warrants is $7.50, and they have a cash-less exercise feature which allows them to be exercised through the surrender of a portion of the warrants (determined based on the market price of the Company's common stock at the time of exercise) in lieu of cash payment of the exercise price. The warrants contain provisions that protect their holders against dilution by adjustment of the exercise price and number of shares issuable upon exercise on the occurrence of specific events, such as stock dividends or other changes in the number of the Company's outstanding shares except for shares issued under certain circumstances, including shares issued under the Company's equity incentive plan and any equity securities for which adequate consideration is received. No holder of these warrants will possess any rights as a stockholder unless the warrant is exercised. The holders of the warrants will be entitled to one demand and customary "piggy-back" registration rights to register the shares underlying the warrants. Such registration rights shall continue for a period of five years from the effective date of the initial public offering.

Warrants Outstanding

The following table summarizes all of the outstanding warrants and applicable terms.

Total Outstanding Warrants

Title of Warrant	Date Issued	Expiry Date	Exercise Price	Total Common Shares Issuable
Lancer Notes & Warrants	1/18/2006	1/18/2009	$ 1.50	21,308
Underwriter Warrants	3/24/2005	9/20/2009	$ 7.50	200,000
Plexus Warrants	6/19/2002	6/19/2007	$10.56	170,460
Joe Giamanco Warrants	9/22/2003	9/11/2006	$ 8.80	4,439

George Hatsopoulos Warrants	9/22/2003	9/11/2006	$ 8.80	1,110

Note 6 - Stock-Based Compensation

In 2000, the Company adopted the Nephros 2000 Equity Incentive Plan. In January 2003, the Board of Directors adopted an amendment and restatement of the plan and renamed it the Amended and Restated Nephros 2000 Equity Incentive Plan (the “2000 Plan”), under which 2,130,750 shares of common stock have been authorized for issuance upon exercise of options granted and which may be granted by the Company. As of December 31, 2005, 1,203,021 options had been issued to

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employees and were outstanding. The options expire on various dates between December 31, 2009 and March 15, 2014, and vest upon a combination of the following: immediate vesting; straight line vesting of two, three or four years; and certain milestones.

In 2004, the Board of Directors adopted and the Company's stockholders approved the Nephros, Inc. 2004 Stock Incentive Plan, and, in June 2005, the Company's stockholders approved an amendment to such plan (as amended, the "2004 Plan"), that increased to 800,000 the number of shares of the Company's common stock that are authorized for issuance by the Company pursuant to grants of awards under the 2004 Plan. As of December 31, 2005, 170,808 options had been issued to employees under the 2004 Plan and were outstanding. The options expire on various dates between November 11, 2014 and April 27, 2015, and vest upon a combination of the following: immediate vesting; straight line vesting of two, three or four years; and certain milestones.

As of December 31, 2005, 394,568 options had been issued to non-employees under the 2000 Plan and were outstanding. Such options expire at various dates between December 31, 2006 and March 15, 2014 and vest upon a combination of the following: immediate vesting; straight line vesting of two, three or four years; and certain milestones.

As of December 31, 2005, 116,140 options had been issued to non-employees under the 2004 Plan and were outstanding. Such options expire at various dates between November 11, 2014 and December 14, 2014, and vest upon a combination of the following: immediate vesting; straight line vesting of two, three or four years; and certain milestones.

On January 5, 2006 the Board of Directors granted to employees of the company a total of 87,500 options to purchase the Company's common stock. These options vest over two years;

On February 2, 2006, the Board of Directors granted to each of the seven non-employee director options to purchase 10,000 shares of the Company's common stock for their service during 2005. Each option has vested with respect to 3,333 shares. The remainder of each option will vest in equal installments on the first and second anniversaries of the grant date;

On March 6, 2006 the Board of Directors granted to Mark Lerner options to purchase 40,000 shares of the Company's common stock. The option has vested with respect to 10,000 shares. The remainder of the option will vest in three equal installments beginning on the anniversary of the grant date.

Option activity for the years ended December 31, 2005 and 2004 is summarized as follows:

	Shares	Weighted - average exercise price
Outstanding at January 1, 2004	1,438,825	1.51
Options granted	434,454	3.04
Options canceled	(20,739)	2.62
Outstanding at December 31, 2004	1,852,540	1.85

Options Granted	65,000	3.49
Options exercised	(8,997)	0.32
Options canceled	(24,006)	2.60
Outstanding at December 31, 2005	1,884,537	1.91
Excercisable at December 31, 2005	1,232,977	1.48

The Board retired the 2000 Plan in June 2004, and thereafter no additional awards may be granted under the 2000 Plan. At December 31, 2005, there were 506,234 shares available for future grants under the 2004 Plan.

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Notes to Condensed Consolidated Financial Statements

Options granted prior to 2003 were issued with a strike price equal to fair market value at the date of grant. As such no compensation expense was recognized for such options. Compensation due to Stock Option Grants amounted to $344,206 in 2005 and $793,736 in 2004. We have identified in the current period an immaterial adjustment to the amounts and calculations reported in 2004 for deferred compensation. Current year end non cash stock based compensation reflects a revision to the prior year in the amount of $173,347.

The portion of stock options granted to employees which was based on performance achievement is accounted for as a variable award. As vesting depends upon discrete events, the measurement date and the expense recognition will occur when such targets are achieved.

The weighted-average fair value of options granted in 2005 and 2004 is $2.89 and $5.39, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 3.33%; no expected dividend yield; expected lives of seven years; and expected stock price volatility of 80% for 2005 and 2004.

The following table summarizes information about stock options outstanding at December 31, 2005:

	Options Outstanding			**Options Exercisable**	
Range of exercise prices	Number outstanding as of December 31, 2005	Weighted-average remaining contractual life in years	Weighted-average exercise price	Number exercisable as of December 31, 2005	Weighted-average exercise price
$0.32	524,970	4.07	$ 0.32	524,970	$ 0.32
$1.76	499,732	7.39	1.76	400,354	1.76
$2.32 to 2.39	311,250	8.44	2.39	75,770	2.39
$2.64 to 2.78	374,586	7.11	2.77	154,550	2.78
$3.40 to 3.70	65,000	9.32	3.49	21,667	3.49
$4.80 to 5.45	109,000	8.93	4.98	55,667	4.88
	1,884,537			1,232,977	

Note 7 - 401(k) Plan

The Company has established a 401(k) deferred contribution retirement plan (the “401(k) Plan”) which covers all employees. The 401(k) Plan provides for voluntary employee contributions of up to 15% of annual compensation, as defined. As of January 1, 2004, the Company began matching 100% of the first 3% and 50% of the next 2% of employee contributions to the 401(k) Plan. The Company contributed and expensed $49,965 and $37,691 in 2005 and 2004, respectively.

Note 8 - Leases

At December 31, 2005, the Company had noncancellable operating leases on real and personal property that expire in 2006 for the rental of its office and research and development facilities and equipment. Rent expense for the years ended December 31, 2005 and 2004 totaled approximately $170,259 and $105,000, respectively.

As of December 31, 2005, future net minimum rental payments required under operating leases are as follows:

Year ending December 31,		
2006		90,504
	$	90,504

Note 9 - Short-Term Investments

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The Company’s short-term investments are intended to establish a high-quality portfolio that preserves principal, meets liquidity needs, avoids inappropriate concentrations and delivers an appropriate yield in relationship to the Company’s Corporate Investment Policy and market conditions.

The following is a summary of available-for-sale securities as of December 31, 2005 and December 31, 2004:

	December 31, 2005		
	Cost	Gross Unrealized Losses	Gross Fair Value
Auction rate securities	$ 4,500,000	$ -	$ 4,500,000
Total securities	$ 4,500,000	$ -	$ 4,500,000

	December 31, 2004		
Cost		Gross Unrealized Losses	Gross Fair Value
Auction rate securities	$ 5,000,000	$ -	$ 5,000,000
Other debt securities	1,000,000	4,060	$ 995,940
Total securities	$ 6,000,000	$ 4,060	$ 5,995,940

All of the available-for-sale securities held by the Company at December 31, 2005 were due in one year or less.

Market values were determined for each individual security in the investment portfolio. The declines in value of these investments are primarily related to changes in interest rates and are considered to be temporary in nature. Investments are reviewed periodically to identify possible impairment. When evaluating the investments, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the investee, and the Company's ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value.

Note 10 - Commitments and Contingencies

Settlement Agreements

In April 2002, we entered into a letter agreement with Hermitage Capital Corporation (“Hermitage”), as placement agent, the stated term of which was from April 30, 2002 through September 30, 2004. As of February 2003, we entered into a settlement agreement with Hermitage pursuant to which, among other things: the letter agreement was terminated; the parties gave mutual releases relating to the letter agreement; and we agreed to issue Hermitage or its designees, upon the closing of certain transactions contemplated by a separate settlement agreement between us and Lancer Offshore, Inc., warrants exercisable until February 2006 to purchase an aggregate of 60,000 shares of common stock for $2.50 per share (or 17,046 shares of our common stock for $8.80 per share, if adjusted for the reverse stock split pursuant to the antidilution provisions of such warrant, as amended). Because Lancer Offshore, Inc. never satisfied the closing conditions and, consequently, a closing has not been held, we have not issued any warrants to

Hermitage in connection with our settlement with them. In June 2004, Hermitage threatened to sue us for warrants it claims are due to it under its settlement agreement with us as well as a placement fee and additional warrants it claims are, or will be, owed in connection with our initial public offering completed on September 24, 2004, as compensation for allegedly introducing us to one of the underwriters. We had some discussions with Hermitage in the hopes of reaching an amicable resolution of any potential claims, most recently in January 2005. We have not heard from Hermitage since then. As of December 31, 2005, no loss amount has been accrued because a loss is not considered probable or estimable.

In June 2002, the Company entered into a settlement agreement with one of its suppliers. The Company had an outstanding liability to such supplier in the amount of approximately $1,900,000. Pursuant to this settlement agreement, the Company and the supplier agreed to release each other from any and all claims or liabilities, whether known or unknown, that each had against the other as of the date of the settlement agreement, except for obligations arising out of the settlement agreement itself. The settlement agreement required the Company to grant to the supplier (i) warrants to purchase 170,460 shares of common stock of the Company at an exercise price of approximately $10.56 per share that expire in June 2007 and (ii) cash payments of an aggregate amount of $650,000 in three installments. The warrants were valued at $400,000 using the Black-Scholes model. Accordingly, the Company recorded a gain of approximately $850,000 based on such settlement agreement. On June 19, 2002, the Company issued the warrant to the supplier, and on August 7, 2002, the Company satisfied the first $300,000 installment of the agreement. The second installment of $100,000 was due on February 7, 2003, and the Company paid $75,000 towards the installment. On November 11, 2004, after the successful closing of its initial public offering, the Company paid an additional $25,000 and agreed with the supplier to pay the remaining $250,000 over time. The outstanding balance at December 31, 2005 was $150,000 and is included in “Accounts Payable” on the Consolidated Balance Sheet.

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In August 2002, the Company entered into a subscription agreement with Lancer Offshore, Inc. ("Lancer"). The subscription agreement provided, among other things, that Lancer would purchase, in several installments, (1) $3,000,000 principal amount of secured notes due March 15, 2003 convertible into 340,920 shares of the Company's common stock and (2) warrants to purchase until December 2007 an aggregate of 68,184 shares of the Company's common stock at an exercise price of approximately $8.80 per share.
In accordance with the subscription agreement, the first installment of securities, consisting of $1,500,000 principal amount of the notes and 34,092 of the warrants (which 34,092 warrants had nominal value at such time), were tendered. However, Lancer failed to fund the remaining installments. Following this failure, the Company entered into a settlement agreement with Lancer dated as of January 31, 2003, pursuant to which, (i) the parties terminated the subscription agreement; (ii) Lancer agreed to surrender 12,785 of the original 34,092 warrants issued to it; (iii) the warrants that were not surrendered were amended to provide that the exercise price per share and the number of shares issuable upon exercise thereof would not be adjusted as a result of a 0.2248318-for one reverse stock split of the Company's common stock that was contemplated at such time but never consummated; and (iv) the secured convertible note in the principal amount of $1,500,000 referred to above was cancelled. Lancer agreed, among other things, to deliver to the Company at or prior to a subsequent closing the cancelled note and warrants and to reaffirm certain representations and warranties and, subject to the satisfaction of these and other conditions, the Company agreed to issue to Lancer at such subsequent closing an unsecured note in the principal amount of $1,500,000 bearing no interest, not convertible into common stock and due on January 31, 2004 or earlier under certain circumstances. Lancer never fulfilled the conditions to the subsequent closing and, accordingly, the Company never issued the $1,500,000 note that the settlement agreement provided would be issued at such closing.

The above transaction resulted in the Company becoming a defendant in an action captioned Marty Steinberg, Esq. as Receiver for Lancer Offshore, Inc. v. Nephros, Inc., Case No. 04-CV-20547, that was commenced on March 8, 2004, in the U.S. District Court for the Southern District of Florida (the "Ancillary Proceeding"). That action was ancillary to a proceeding captioned Securities and Exchange Commission v. Michael Lauer, et. al., Case No.03-CV-80612, pending in the U.S. District Court for the Southern District of Florida, in which the court had appointed a Receiver to manage Lancer and various related entities (the "Receivership). In the Ancillary Proceeding, the Receiver sought payment of $1,500,000, together with interest, costs and attorneys' fees, as well as delivery of a warrant evidencing the right to purchase until December 2007 an aggregate of 75,000 shares of the Company's common stock for $2.50 per share (or 21,308 shares of the Company's common stock for $8.80 per share, if adjusted for the 0.2841-for-one reverse stock split the Company effected on September 10, 2004 pursuant to the antidilution provisions of such warrant, as amended). On or about April 29, 2004, the Company served an answer in which it denied liability for, and asserted numerous defenses to, the Receiver's claims. In addition, on or about March 30, 2004, the Company asserted claims for damages against Lancer Offshore, Inc. that exceeded the amount sought in the Ancillary Proceeding by submitting a proof of claim in the Receivership.

On December 19, 2005, the U.S. District Court for the Southern District of Florida approved the Stipulation of Settlement with respect to the Ancillary Proceeding dated November 8, 2005 (the "Settlement"). Pursuant to the terms of the Settlement, the Company agreed to pay the Receiver an aggregate of $900,000 under the following payment terms: $100,000 paid on January 5, 2006; and four payments of $200,000 each at six month intervals thereafter. In addition, any warrants previously issued to Lancer were cancelled, and, on January 18, 2006, the Company issued to the Receiver warrants to purchase 21,308 shares of the Company's common stock at $1.50 per share exercisable until January 18, 2009.

The Company had reserved for the Ancillary Proceeding on its balance sheet as of December 31, 2004 as a $1,500,000 accrued liability. As a result of the above Settlement the Company has adjusted such accrual liability and recorded a note payable to the Receiver to reflect the present value of the above amounts due to the Receiver of $859,565 of which $295,838 is reflected as short-term note payable and $563,727 reflected as a long-term note payable. Additionally, we recorded the issuance of the warrants issued at their fair market value of $17,348 based on a Black-Scholes calculation. Such Settlement resulted in a gain of $623,087 recorded in the fourth quarter of 2005 which is recorded as “Other Income” on the consolidated statements of operations as it was for compensation for damages sustained in the financing transaction.

Suppliers

The Company is committed to use one supplier for its production of products for sale in Europe; however no minimum purchase requirements are in effect.

Contractual Obligations

The following tables summarize our minimum contractual obligations and commercial commitments as of December 31, 2005:

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				Payments Due in Period
Contractual Obligations	Total	Within 1 Year	Years 1 - 3	Years 3 - 5
Open Purchase Orders	$ 52,306	$ 52,306	$ -	$ -
Leases	90,504	90,504	-	-
Employment Contracts	427,500	285,000	142,500	-
Total	$ 570,310	$ 427,810	$ 142,500	$ -

The accompanying consolidated financial statements for the year ended December 31, 2005, have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the Company's consolidated financial statements, the Company's recurring losses and difficulty in generating sufficient cash flow to meet its obligations and sustain its operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Employee Severance Agreement

The Company has provided for the severance costs associated with the termination of the employment of Jan Rehnberg, our Senior Vice President, Marketing and Sales. In accordance with the terms and provisions of an employment agreement we are required to pay a one-time lump sum severance payment of approximately $318,250 to Mr. Rehnberg during the second quarter of 2006.

Note 11 - Income Taxes

A reconciliation of the income tax provision computed at the statutory tax rate to the Company's effective tax rate is as follows:

	2005	**2004**
U.S. federal statutory rate	35.00%	35.00%
State & local taxes	6.13%	8.14%
Tax on foreign operations	(10.68)%	(6.19)%
Other	0.10%	(0.81)%
Valuation Allowance	(30.55)%	(36.14)%
Effective tax rate	0.00%	0.00%

Significant components of the Company's deferred tax assets as of December 31, 2005 and 2004 are shown below:

	2005	**2004**
Deferred tax assets:		
Net operating loss carryforwards	$ 12,077,036	$ 10,584,348
Research and development credits	745,141	651,498
Nonqualified stock option compensation expense	1,130,179	969,779

Other Temporary Book - Tax differences		52,968	(6,036)
Total deferred tax assets		14,005,324	12,199,589
Valuation allowance for deferred tax assets		(14,005,324)	(12,199,589)
Net deferred tax assets	$	—$	—

A valuation allowance has been recognized to offset the Company's net deferred tax asset as it is more likely than not that such net asset will not be realized. The Company primarily considered its historical loss and potential Internal Revenue Code Section 382 limitations to arrive at its conclusion that a valuation allowance was required.

At December 31, 2005, the Company had Federal, New York State and New York City income tax net operating loss carryforwards of approximately $24.6 million each and foreign income tax net operating loss carryforwards of approximately $4.8 million. The Company also had Federal and New York State research tax credit carryforwards of approximately $742,000 each at December 31, 2005. The Federal net operating loss and tax credit carryforwards will expire at various times between 2012 and 2025 unless utilized.

The Company's net operating losses carry forwards and net losses for each jurisdiction as of December 31, 2005 and 2004 are shown below:

	US		IRELAND		Total	
	2005	2004	2005	2004	2005	2004
Net Operating Loss Carryforwards	$ 24,579,888	$ 22,030,079	$ 4,836,445	$ 2,692,672	$ 29,416,333	$ 24,722,751
Net Loss	$ 2,872,981	$ 5,540,679	$ 2,595,196	$ 2,055,801	$ 5,468,177	$ 7,596,480

Note 12 - Related Party Transactions

a. In April 2002, the Company issued convertible notes in the aggregate principal amount of $250,000, pursuant to which the Company agreed to pay to each holder the principal amount due under such holder's convertible note, together with interest on the unpaid principal amount at the rate of 6% per annum, compounded semi-annually, from the date of the convertible note.

These notes were convertible, into 250,000 shares of the Company's series A convertible preferred stock or 250,000 shares of the Company's series C convertible preferred stock at the Company's election. In addition, the Company had agreed to issue warrants to these note holders to purchase through April 2004, an additional 125,000 shares of its series A convertible preferred stock or such common shares as would be issuable upon conversion of the preferred stock.

In April of 2004, the Company and holders of these notes agreed to convert the entire principal amount of these notes (except for $50, which the Company repaid) into an aggregate of 249,950 shares of series C convertible preferred stock, and the Company paid accrued interest on such convertible notes amounting to $5,000 in the aggregate. In connection with the warrant rights related to these convertible notes, in April 2004, the Company sold an aggregate of 87,500 shares of series A convertible preferred stock to the holders of such notes for $1.00 per share.

b. In May 2003, the Company entered into a Commitment Agreement with a holder of more than 5% of the Company's stock, pursuant to which, the Company agreed to sell convertible bridge notes in the aggregate principal amount of $1,000,000 at face value. The outstanding principal amount of such convertible bridge notes, together with interest at the rate of 6% per annum, would become due and payable on January 26, 2004. Pursuant to the Commitment Agreement, the Company offered the holders of its then outstanding capital stock and convertible notes the opportunity to invest in a portion of the bridge notes pro rata, in accordance with the number of shares of common stock then held, or issuable upon conversion of the capital stock and convertible notes then held, by them. Under the Commitment Agreement, such 5% holder had agreed to purchase additional bridge notes, if and to the extent that the other security holders elected not to purchase their respective pro rata shares of the bridge notes, thus ensuring that the Company would sell exactly $1,000,000 in aggregate principal amount of bridge notes. In June 2003, the Company sold the convertible bridge notes to twenty-three of the Company's security holders. Pursuant to the Commitment Agreement, the 5% holder had the right to elect whether he and the other holders would have the option to convert the bridge notes and purchase additional shares of series D convertible preferred stock at any time prior to the earlier of (i) 10 days after the Company notified such 5% holder that the Company obtained a CE mark on the initial product and (ii) January 15, 2004. The Company received such CE mark on July 31, 2003 and promptly notified such 5% holder thereof. On August 1, 2003, the 5% holder elected to proceed with the conversion and purchase. As of September 11, 2003, each of the holders converted its bridge note into shares of series D convertible preferred stock at a conversion price equal to the liquidation preference of the series D convertible preferred stock, in accordance with the terms thereof.

Pursuant to the terms of the bridge notes, in order to convert each holder's bridge note, such holder was required to commit to purchase, for the aggregate liquidation preference thereof, a number of additional shares of series D convertible preferred stock having an aggregate liquidation preference equal to any amount, at such holder's option, between 9 and 11 times the principal amount of the bridge note being converted. The purchase of the additional shares of series D convertible preferred stock occurred in three installments, with 3,993,793 shares purchased at the time of conversion on September 11, 2003, another 3,000,000 shares purchased as of December 1, 2003, and the remaining 3,811,538 shares purchased as of March 3, 2004.

c. The Chairman of the Company's Board is the Chairman of Columbia University's Department of Surgery. The Company licenses the right to use approximately 2,678 square feet of office space from the Trustees of Columbia University. The term of the license agreement is for one year through June 30, 2006 at a monthly cost of $10,184, including monthly internet access. The Company does not currently have any other material relationship with Columbia University.

Note 13 - Subsequent Events

On April 19, 2006, the Company received notice (the “Amex Notice”) from the American Stock Exchange (the “Amex”) regarding the Company’s failure to timely file its annual report on Form 10-KSB for the year ended December 31, 2005. According to the Amex Notice, the Company’s failure to timely file its annual report resulted in a violation of Sections 134 and 1101 of the Amex Company Guide and the Company’s listing agreement with the Amex. The Amex Notice further stated that, pursuant to Section 1003(d) of the Amex Company Guide, the Amex is authorized to suspend and, unless prompt corrective action is taken, remove the Company’s securities from the Amex. The Company believes that the filing of this annual report on Form 10-KSB would likely constitute such corrective action.

As a result of the Company’s failure to timely file its annual report on Form 10-KSB, the Company has breached the Registration Rights Agreement, dated as of May 17, 2000 and amended and restated as of June 26, 2003, between the Company and the Investors (as defined therein). Specifically, the Company’s delay in filing this Form 10-KSB constitutes a breach of the Company’s covenant in the Registration Rights Agreement to comply with all reporting requirements under the Exchange Act. The Company anticipates obtaining a waiver of this breach from the Investors. However, there can be no assurance that the Company will succeed in obtaining such waivers and, if these waivers are not obtained, then the Investors may have claims against the Company for damages that they incur as a result of such breach.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 8A. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the ‘‘Exchange Act’’), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal year covered by this Annual Report on Form 10-KSB, and has concluded that a material weakness existed in our internal control over financial reporting with respect to our financial closing and review and analysis process

We are not an ‘‘accelerated filer’’ as defined in Rule 12b-2 of the Exchange Act. Accordingly, our management is not required to perform an assessment of its internal control over financial reporting for, and its management report on its internal control over financial reporting is not required to be included in, our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005. However, in connection with the audit of our financial statements, our auditors identified a material adjustment to accrued severence expense for the recognition of employee severance relating to the closing process with respect to the termination of one of our employees and a number of other adjustments relating to the closing process that were immaterial. We promptly recorded such adjustments, pursuant to which we accrued severance costs in the fourth quarter of 2005 associated with the termination of the employment of Jan Rehnberg, our Senior Vice President, Marketing and Sales, arising from our requirement to make a one-time lump sum severance payment of approximately $318,360 to Mr. Rehnberg during the second quarter of 2006.

Our management concluded that our failure to book these severance and other adjustments prior to our auditors bringing them to our attention evidenced a material weakness in our internal control over financial reporting with respect to our financial closing and review and analysis process. The Audit Committee of our Board of Directors is continuing its review of our internal controls to determine how this material weakness occurred and how to implement controls designed to avoid the occurrence of this kind of problem in the future.

We believe that the failure to timely book these charges likely resulted from the recent transitions in the office of our Chief Financial Officer. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Controls.

In addition, we reviewed our internal controls over financial reporting, and there has been no change in our internal controls or in other factors in the last fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 8B. Other Information.

Not applicable.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

The information relating to our directors, nominees for election as directors and executive officers under the headings "Election of Directors" and "Directors, Director Nominees and Executive Officers" in our definitive proxy statement for the 2005 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement. If such proxy statement is not filed on or before May 1, 2006, the information called for by this item will be filed as part of an amendment to this Form 10-KSB on or before such date, in accordance with General Instruction E(3).

We have adopted a written code of ethics and business conduct that applies to our directors, executive officers and all employees. We intend to disclose any amendments to, or waivers from, our code of ethics and business conduct that are required to be publicly disclosed pursuant to rules of the Securities and Exchange Commission and the American Stock Exchange by filing such amendment or waiver with the Securities and Exchange Commission. This code of ethics and business conduct can be found in the corporate governance section of our website, www.nephros.com.

Item 10. Executive Compensation.

The discussion under the heading "Executive Compensation" in our definitive proxy statement for the 2005 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement. If such proxy statement is not filed on or before May 1, 2006, the information called for by this item will be filed as part of an amendment to this Form 10-KSB on or before such date, in accordance with General Instruction E(3).

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The discussion under the heading "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement for the 2005 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement. If such proxy statement is not filed on or before May 1, 2006, the information called for by this item will be filed as part of an amendment to this Form 10-KSB on or before such date, in accordance with General Instruction E(3).

Item 12. Certain Relationships and Related Transactions.

The discussion under the heading "Certain Relationships and Related Transactions" in our definitive proxy statement for the 2005 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement. If such proxy statement is not filed on or before May 1, 2006, the information called for by this item will be filed as part of an amendment to this Form 10-KSB on or before such date, in accordance with General Instruction E(3).

Item 13. Exhibits.

EXHIBIT INDEX

3.1	Fourth Amended and Restated Certificate of Incorporation of the Registrant. (5)
3.2	Amended and Restated By-laws of the Registrant. (1)
4.1	Specimen of Common Stock Certificate of the Registrant. (1)
4.2	Form of Underwriter's Warrant. (1)
4.3	Form of Convertible Promissory Note due August 7, 2002. (1)

4.4	Form of Senior Convertible Bridge Notes due 2004. (1)
4.5	Class C Warrant for the Purchase of Shares of Common Stock, dated September 22, 2003, issued to Joseph Giamanco by the Registrant. (1)
4.6	Class C Warrant for the Purchase of Shares of Common Stock, dated September 22, 2003, issued to George Hatsopoulous by the Registrant. (1)
4.7	Stock Purchase Warrant, dated June 19, 2002, issued to Plexus Services Corp. by the Registrant. (1)
4.8	Class A Warrant for the Purchase of Shares of Common Stock, dated August 5, 2002, issued to Lancer Offshore, Inc. (1)
4.9	Warrant for the purchase of shares of common stock dated January 18, 2006, issued to Marty Steinberg, Esq., as Court-appointed Receiver for Lancer Offshore, Inc.
10.1	Amended and Restated 2000 Nephros Equity Incentive Plan. (1) (2)
10.2	2004 Nephros Stock Incentive Plan. (1) (2)
10.3	Form of Subscription Agreement dated as of June 1997 between the Registrant and each Purchaser of Series A Convertible Preferred Stock. (1)
10.4	Amendment and Restatement to Registration Rights Agreement, dated as of May 17, 2000 and amended and restated as of June 26, 2003, between the Registrant and the holders of a majority of Registrable Shares (as defined therein). (1)
10.5	Employment Agreement dated as of November 21, 2002 between Norman J. Barta and the Registrant. (1) (2)
10.6	Amendment to Employment Agreement dated as of March 17, 2003 between Norman J. Barta and the Registrant. (1) (2)
10.7	Amendment to Employment Agreement dated as of May 31, 2004 between Norman J. Barta and the Registrant. (1) (2)
10.8	Form of Employee Patent and Confidential Information Agreement. (1)
10.9	Form of Employee Confidentiality Agreement. (1)
10.10	Settlement Agreement dated June 19, 2002 between Plexus Services Corp. and the Registrant. (1)
10.11	

	Settlement Agreement dated as of January 31, 2003 between Lancer Offshore, Inc. and the Registrant. (1)
10.12	Settlement Agreement dated as of February 13, 2003 between Hermitage Capital Corporation and the Registrant. (1)
10.13	License Agreement dated as of July 1, 2003 between the Trustees of Columbia University in the City of New York and the Registrant. (1)
10.14	Form of Transmittal Letter Agreement, dated as of April 28, 2004, between each holder of convertible promissory notes due August 7, 2002 and the Registrant. (1)
10.15	Commitment Agreement between Ronald Perelman and the Registrant, dated as of May 30, 2003. (1)
10.16	Form of Subscription Agreement between the Registrant and each purchaser of Senior Convertible Bridge Notes due 2004. (1)
10.17	Supply Agreement between Nephros, Inc. and Membrana GmbH, dated as of December 17, 2003. (1) (3)
10.18	Employment Agreement dated as of June 16, 2004 between Marc L. Panoff and the Registrant. (1) (2)
10.19	Manufacturing and Supply Agreement between Nephros, Inc. and Medica s.r.l., dated as of May 12, 2003. (1) (3)
10.20	License Agreement dated as of July 1, 2005 between the Trustees of Columbia University in the City of New York and the Registrant. (1)
10.21	HDF-Cartridge License Agreement dated as of March 2, 2005 between Nephros, Inc. and Asahi Kasei Medical Co., Ltd. (4)
10.22	Subscription Agreement dated as of March 2, 2005 between Nephros, Inc. and Asahi Kasei Medical Co., Ltd. (4)
10.23	Amendment No. 1 to 2004 Nephros Stock Incentive Plan. (2) (5)
10.24	Non-employee Director Compensation Summary. (2) (6)

10.25	Named Executive Officer Summary of Changes to Compensation. (2) (6)
10.26	Stipulation of Settlement Agreement between Lancer Offshore, Inc. and Nephros, Inc. approved on December 19, 2005.
10.27	Consulting Agreement, dated as of January 11, 2006, between the Company and Bruce Prashker. (2)
10.28	Summary of Changes to Chief Executive Officer's Compensation. (2)
10.29	Employment Agreement, dated as of February 28, 2006, between the Company and Mark W. Lerner. (2)
10.30	Amended Supply Agreement between Nephros, Inc. and Membrana GmbH dated as of June 16, 2005. (3) (7)
10.31	Amended Manufacturing and Supply Agreement between Nephros, Inc. and Medica s.r.l., dated as of March 22, 2005. (3)
21.1	Subsidiaries of Registrant.
23.1	Consent of Deloitte & Touche LLP, dated as of April 18, 2006.
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(1) Incorporated by reference to Nephros, Inc.'s Registration Statement on Form S- 1, File No. 333-116162.

(2) Management contract or compensatory plan arrangement.

(3) Portions omitted pursuant to a request for confidential treatment.
(4) Incorporated by reference to Nephros, Inc.'s Report on Form 8-K Filed with the Securities and Exchange Commission on March 3, 2005.
(5) Incorporated by reference to Nephros, Inc.'s Registration Statement on Form S-8 (No. 333-127264), as filed with the Securities and Exchange Commission on August 5, 2005.
(6) Incorporated by reference to Nephros, Inc.'s Quarterly Report on Form 10-QSB, filed with the Securities and Exchange Commission on May 16, 2005.

(7) Incorporated by reference to Nephros, Inc.'s Quarterly Report on Form 10-QSB, filed with the Securities and Exchange Commission on August 15, 2005.

Item 14. Principal Accountant Fees and Services.

The discussion under the heading "Auditor Services and Fees" in our definitive proxy statement for the 2005 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement. If such proxy statement is not filed on or before May 1, 2006, the information called for by this item will be filed as part of an amendment to this Form 10-KSB on or before such date, in accordance with General Instruction E(3).

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEPHROS INC.

Date: April 19, 2006	By:	/s/ Norman J. Barta Norman J. Barta President and Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and the dates indicated.

Signature	**Title**	**Date**
/s/ Norman J Barta Norman J. Barta	President, Chief Executive Officer and Director (Principal Executive Officer)	April 19, 2006
/s/ Mark W. Lerner Mark W. Lerner	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 19, 2006
/s/ Eric A. Rose, M.D. Eric A. Rose, M.D.	Chairman of the Board of Directors and Director	April 19, 2006
/s/ Lawrence J. Centella Lawrence J. Centella	Director	April 19, 2006
/s/ Donald G. Drapkin Donald G. Drapkin	Director	April 19, 2006
/s/ Howard Davis Howard Davis	Director	April 19, 2006
/s William J. Fox William J. Fox	Director	April 19, 2006
/s/ Bernard Salick, M.D. Bernard Salick, M.D.	Director	April 19, 2006
/s/ W. Townsend Ziebold, Jr.	Director	April 19, 2006

W. Townsend Ziebold, Jr.