

LATIN AMERICAN EXPORT BANK
Form 6-K
September 21, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 Or 15d-16 Of The
Securities Exchange Act of 1934

For the month of September, 2006

BANCO LATINOAMERICANO DE EXPORTACIONES, S.A.

(Exact name of Registrant as specified in its Charter)

LATIN AMERICAN EXPORT BANK

(Translation of Registrant's name into English)

Calle 50 y Aquilino de la Guardia
Apartado 0819-08730
El Dorado, 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 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

(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.

September 20, 2006

Banco Latinoamericano de Exportaciones, S.A.

By: /s/ Pedro Toll

Name: Pedro Toll

Title: Deputy Manager

BANCO LATINOAMERICANO DE EXPORTACIONES
BALANCE DE SITUACIÓN DE DICIEMBRE 2005 Y ENERO-JULIO 2006

30 de Agosto de 2006

(En Balboas)

Descripción	Absoluta	%	2005		2006		
			Diciembre	Enero	Febrero	Marzo	Abril
ACTIVOS LIQUIDOS	-146,880,428.11	-63.90	229,850,018.38	196,721,923.53	168,261,614.37	149,386,765.87	114,881,933.56
Depositos Locales en Bancos	38,006.83	33.60	113,130.93	143,003.06	199,605.12	218,218.33	195,234.30
A la Vista	38,006.83	33.60	113,130.93	143,003.06	199,605.12	218,218.33	195,234.30
A Plazo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depositos Extranjeros en							
Bancos	-146,916,227.06	-63.95	229,724,544.72	196,570,119.96	168,050,799.58	149,157,158.27	114,656,067.29
A la Vista	108,772.94	20.74	524,544.72	570,119.96	550,799.58	357,158.27	1,456,067.29
A Plazo	-147,025,000.00	-64.15	229,200,000.00	196,000,000.00	167,500,000.00	148,800,000.00	113,200,000.00
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	-2,207.88	-17.89	12,342.73	8,800.51	11,209.67	11,389.27	30,631.97
CARTERA CREDITICIA	208,604,544.38	8.12	2,570,571,012.15	2,432,060,734.87	2,493,605,033.89	2,546,352,925.93	2,445,451,397.17
Locales	51,709,687.26	28.32	182,580,335.71	170,060,870.91	178,503,679.16	178,749,183.50	164,433,954.00
Extranjero	162,631,055.93	6.70	2,427,438,626.39	2,301,441,680.16	2,351,554,768.98	2,410,814,109.78	2,324,227,810.52
Menos Provisiones	5,736,198.81	14.54	39,447,949.95	39,441,816.20	36,453,414.25	43,210,367.35	43,210,367.35
Locales	-4,789,563.70	-88.90	5,387,343.78	291,203.74	338,183.72	313,430.15	313,430.15
Extranjero	10,525,762.51	30.90	34,060,606.17	39,150,612.46	36,115,230.53	42,896,937.20	42,896,937.20
INVERSIONES EN							
VALORES	362,822,090.09	169.92	213,524,943.41	161,836,319.12	190,137,048.43	318,379,517.19	479,437,671.90
Locales	14,947,000.00	293.94	5,085,000.00	5,025,000.00	15,037,500.00	19,900,000.00	19,538,600.00
Extranjero	347,875,090.09	166.89	208,439,943.41	156,811,319.12	175,099,548.43	298,479,517.19	459,899,071.90
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	3,917,651.86	2.52	155,673,189.23	155,484,220.45	95,131,234.53	100,419,407.34	87,097,768.59
Locales	4,026,680.64	47.18	8,534,972.50	8,432,445.42	10,482,015.63	11,111,967.66	11,733,718.79
Extranjero	-109,028.78	-0.07	147,138,216.73	147,051,775.03	84,649,218.90	89,307,439.68	75,364,049.80
TOTAL DE ACTIVOS	428,463,858.22	13.52	3,169,619,163.17	2,946,103,197.97	2,947,134,931.22	3,114,538,616.33	3,126,868,771.22
DEPOSITOS	210,606,790.44	20.12	1,046,617,541.80	961,172,366.75	1,002,054,391.61	1,144,205,445.24	1,032,514,380.51
Locales	396,184.59	0.52	76,505,979.15	75,068,841.87	75,112,324.52	78,590,621.48	58,392,301.66
Oficiales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Particulares	-68,555.47	-100.00	68,555.47	71,526.30	74,493.85	77,503.94	80,508.58
A la Vista	-68,555.47	-100.00	68,555.47	71,526.30	74,493.85	77,503.94	80,508.58
A Plazo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Ahorros	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Bancos	464,740.06	0.61	76,437,423.68	74,997,315.57	75,037,830.67	78,513,117.54	58,311,793.08
A la Vista	-4,581,623.15	-23.63	19,389,547.08	13,970,578.97	7,493,199.52	12,950,393.85	11,941,026.48
A Plazo	5,046,363.21	8.85	57,047,876.60	61,026,736.60	67,544,631.15	65,562,723.69	46,370,766.60
Extranjero	210,210,605.85	21.67	970,111,562.65	886,103,524.88	926,942,067.09	1,065,614,823.76	974,122,078.85
Oficiales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Particulares	26,993,849.99	30.21	89,349,913.77	39,358,612.33	97,190,392.35	97,195,213.72	37,233,638.70
A la Vista	-21,342.01	-1.58	1,349,913.77	1,358,612.33	1,362,892.35	1,367,713.72	1,406,138.70
A Plazo	27,015,192.00	30.70	88,000,000.00	38,000,000.00	95,827,500.00	95,827,500.00	35,827,500.00
De Ahorros	0.00	0.00	0.00	0.00	0.00	0.00	0.00
De Bancos	183,216,755.86	20.80	880,761,648.88	846,744,912.55	829,751,674.74	968,419,610.04	936,888,440.15
A la Vista	206,668,958.21	2,727.76	7,576,512.05	7,754,593.37	7,608,750.38	7,348,714.04	7,996,262.90
A Plazo	-23,452,202.35	-2.69	873,185,136.83	838,990,319.18	822,142,924.36	961,070,896.00	928,892,177.25
OBLIGACIONES	285,967,747.45	22.00	1,299,707,654.53	1,160,813,511.50	1,183,159,426.71	1,211,745,735.01	1,394,790,637.04
Locales	-15,817,393.24	-51.33	30,817,393.24	30,827,326.53	30,816,373.24	20,942,674.80	20,942,674.80
Extranjero	301,785,140.69	23.78	1,268,890,261.29	1,129,986,184.97	1,152,343,053.47	1,190,803,060.21	1,373,847,962.24
OTROS PASIVOS	-15,600,132.00	-7.74	201,606,063.96	199,075,894.63	156,632,231.45	171,422,070.35	111,750,663.85
Locales	296,701.52	6.74	4,402,882.06	5,071,759.57	3,546,629.00	5,323,286.18	3,901,354.19
Extranjero	-15,896,833.52	-8.06	197,203,181.90	194,004,135.06	153,085,602.45	166,098,784.17	107,849,309.66
PATRIMONIO	-52,510,547.79	-8.45	621,687,903.33	625,041,425.18	605,288,881.81	587,165,366.10	587,813,089.79
Capital	-28,181,585.32	-9.15	308,036,516.51	308,008,142.60	308,036,320.80	303,325,174.12	301,606,289.18
Reservas de Capital	0.00	0.00	95,210,153.67	95,210,153.67	95,210,153.67	95,210,153.67	95,210,153.67
Otras Reservas	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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Utilidad de Periodos							
Anteriores	27,990,371.23	20.31	137,799,382.62	217,639,221.93	172,581,437.12	172,689,499.62	172,677,109.59
Utilidad de Periodo	-50,571,309.35	-63.20	80,021,975.18	3,718,273.75	29,376,513.45	16,586,452.24	19,543,853.03
Ganancia o Perdida en							
Valores Disponible para la							
venta	-1,748,024.35	-282.00	619,875.35	465,633.23	84,456.77	-645,913.55	-1,224,315.68
Deuda Subordinada	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PASIVO Y PATRIMONIO	428,463,858.10	13.52	3,169,619,163.62	2,946,103,198.06	2,947,134,931.58	3,114,538,616.70	3,126,868,771.19

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2006

Descripción	Mayo	Junio	Julio	Agosto	Septiembre	Octubre	Noviembre	Diciembre
ACTIVOS								
LIQUIDOS	60,162,287.02	116,681,698.17	82,969,590.27	0.00	0.00	0.00	0.00	0.00
Depositos Locales en								
Bancos	1,086,270.68	192,456.98	151,137.76	0.00	0.00	0.00	0.00	0.00
A la Vista	1,086,270.68	192,456.98	151,137.76	0.00	0.00	0.00	0.00	0.00
A Plazo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depositos Extranjeros								
en Bancos	59,063,750.11	116,477,736.13	82,808,317.66	0.00	0.00	0.00	0.00	0.00
A la Vista	Target	Maximum						
James R. Murphy	15,000	one year						
Robert M. Stote, M.D.	5,000	one year						
Michael D. Price	5,000	one year						
Robert J. Gyurik	6,000	one year						
Jordan A. Horvath	5,000	one year						

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and any persons who own more than 10% of any class of our equity securities, to file certain reports relating to their ownership of such securities and changes in such ownership with the Securities and Exchange Commission, the American Stock Exchange and the Pacific Exchange and to furnish us with copies of such reports. Based solely on a review of the copies of reports furnished to us, we believe that during 2003, our executive officers, directors and 10% beneficial owners complied with all applicable Section 16(a) filing requirements.

401(k) Retirement Plan

We sponsor a 401(k) retirement plan under which eligible employees may contribute, on a pre-tax basis, up to 100% of their respective total annual income from us, subject to a maximum aggregate annual contribution imposed by the Internal Revenue Code of 1986, as amended. All of our employees who work in the U.S. are eligible to participate in the 401(k) Plan. All employee contributions are allocated to the employee's individual account and are invested in various investment options as directed by the employee. Employees' cash contributions are fully vested and nonforfeitable. We made

matching contributions to the 401(k) Plan in 2003 by granting approximately 11,500 shares of common stock valued at approximately \$117,000. We currently match 100% of each eligible employee's contribution in 2004 with shares of common stock. All of our matching contributions vest 25% each year for the first four years of each employee's employment in which the employee works at least 1,000 hours.

Equity Compensation Plans

The following table sets forth certain information as of December 31, 2003 with respect to our equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	3,920,000	\$6.75	2,350,000
Equity compensation plans not approved by security holders(1)	420,000	\$2.38	
Total	4,340,000	\$6.32	2,350,000

(1) Includes options to purchase 20,000 shares of common stock exercisable at \$20.00 per share granted to a former officer and director of Bentley as termination compensation in 1995 and warrants to purchase 400,000 shares of common stock exercisable at \$1.50 per share issued to the seller of various patent rights and technology that we acquired in 1999.

Compensation Committee Report

The Corporate Governance and Compensation Committee of the Board of Directors, referred to herein as the Compensation Committee, determines the compensation of the Chief Executive Officer, the other executive officers and all other employees whose annual compensation exceeds \$250,000. All of the members of the Compensation Committee are directors who are not employees of Bentley.

The Compensation Committee, being responsible for overseeing and approving executive compensation and grants of stock options, is in a position to appropriately balance the current cash compensation considerations with the longer-range incentive-oriented growth outlook associated with stock options and shares of common stock.

The main objectives of Bentley's compensation structure include rewarding individuals for their respective contributions to Bentley's performance, providing executive officers with a stake in the long-term success of Bentley and providing compensation programs and policies that will attract, retain and motivate qualified executive personnel. The Board of Directors and the Compensation Committee place a great deal of importance on recruiting, hiring, retaining and motivating high quality personnel and recognize that, by offering executives employment agreements, Bentley can be more successful in recruiting experienced executives from large, established pharmaceutical companies. Historically, the members of the Board of Directors and the Compensation Committee have chosen to achieve these objectives through salary increases, cash and stock bonuses and periodic stock option grants.

In determining compensation for Mr. Murphy, who serves as President and Chief Executive Officer, and the other named executive officers, the Compensation Committee considers, among other things, Bentley's overall performance and any improvements in Bentley's financial results, strategic alliances, acquisitions of products, product registrations, and financing, as well as individual

contributions to Bentley and the length of the officer's service with Bentley. The Compensation Committee has also surveyed executive compensation of similarly situated companies.

Compensation through the periodic grants of restricted stock and stock options under Bentley's stock option plans is intended to coordinate executives' and stockholders' long-term interests by creating a direct link between a portion of executive compensation and increases in the price of Bentley's common stock and Bentley's long-term success. This method of compensation also permits Bentley to preserve its cash resources.

For the year 2003, Mr. Murphy recommended merit increases to base salary amounts for each officer other than himself based on his assessment of each officer's individual performance and accomplishment of corporate and personal objectives. We evaluated Mr. Murphy's recommendations regarding each officer's compensation, taking into account the officer's tenure and our subjective assessment of individual performance. We considered Mr. Murphy's recommendations with respect to merit increases to base salary amounts. We reviewed the accomplishments and performance of such officers and comparative compensation data from similar or competing companies and, based upon this information and our subjective judgment regarding individual performance, then approved compensation packages for each of Bentley's named executive officers.

A significant portion of the direct compensation of officers consists of annual incentive bonuses. Bonus targets are closely tied to performance measures, at both the corporate level and at individual areas of responsibility. Mr. Murphy recommended specific bonuses for all officers other than himself. We evaluated Mr. Murphy's recommendations regarding each officer's bonus, taking into account Mr. Murphy's subjective assessment of each officer's individual performance and our subjective assessment of individual performance, in addition to accomplishment of corporate objectives. We then approved the bonuses to be awarded for the calendar year 2003.

In the case of our Chief Executive Officer, in addition to the factors mentioned above, we considered the overall performance of management and Bentley in relation to general industry conditions and the performance of peer companies. Specifically, we reviewed the corporate milestones Bentley achieved during the year and Mr. Murphy's role in achieving those milestones. The Committee also considered compensation data for chief executive officers in comparable companies. Based upon this information and our subjective judgment regarding his individual performance, we increased Mr. Murphy's base salary to \$550,000 in 2003 and awarded him a cash bonus of \$150,000 and 15,000 shares of restricted common stock valued at \$120,750.

Future increases in executive compensation will be based upon the satisfaction of pre-established individual objectives, extraordinary individual contributions and Bentley's corporate milestones and financial performance.

By the Compensation Committee,

Michael McGovern, Chairman
Miguel Fernandez
John W. Spiegel

Compensation Committee Interlocks and Insider Participation

The members of the Corporate Governance and Compensation Committee during 2003 were Messrs. Miguel Fernandez, Michael McGovern and John W. Spiegel, all of whom were at the time of service non-employee directors. No member of the Corporate Governance and Compensation Committee has a relationship that would constitute an interlocking relationship with executive officers or directors of Bentley or another entity.

Remuneration of Non-Employee Directors

We pay directors who are not employees fees consisting of a \$20,000 annual retainer, \$2,500 for each in-person meeting of the Board of Directors, \$500 for each telephone meeting and \$500 for each committee meeting attended which does not take place on the same day as board meetings. We also reimburse expenses incurred in attending meetings. In addition, each member of the Audit Committee is paid an additional annual retainer of \$5,000. Each director who is not an employee is automatically granted options to purchase 15,000 shares of common stock upon his or her election to the Board, which vest quarterly over a one year period, and options to purchase 15,000 shares of common stock annually on the date of each of our annual stockholders' meetings during his or her term, which vest quarterly over a one year period. Each director also has the option to receive options to purchase an additional 5,000 shares of common stock in lieu of the \$20,000 annual retainer. For his additional time and effort, Mr. McGovern, our Vice Chairman, was awarded additional options to purchase a total of 115,000 shares of common stock during 2003, of which (i) 20,000 are fully vested, (ii) 20,000 vest over a two year period beginning on March 21, 2003, (iii) 70,000 vest quarterly over a one year period beginning on May 21, 2003, and (iv) 25,000 vest over a four month period beginning on December 31, 2003. During 2003, options to purchase 210,000 shares of common stock were granted to all directors who are not employees at exercise prices ranging from \$9.15 to \$13.48 per share, representing not less than the fair market value of the common stock on the dates of the grants. These options expire on dates ranging from March 21, 2013 to December 31, 2013.

Common Stock Performance

The graph presented below compares the cumulative total stockholder return on our common stock for the five years ended December 31, 2003 with the cumulative total stockholder return for such period reflected in the Russell 2000 Index and in a peer group index of three competing pharmaceutical companies (Andrx Corp., Cima Labs Inc. and Noven Pharmaceuticals, Inc., together, the peer group). We obtained the graph (and the information relating to it) from S&P. The comparative returns shown in the graph assume (i) the investment of \$100 in our common stock, the common stock of the companies included in the Russell 2000 Index and the peer group at the market close on December 31, 1998 and (ii) the reinvestment of all dividends.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN

Total Shareholder Returns
(Dividends Reinvested)

Company Name / Index	Annual Return Percentage				
	Year Ended December 31,				
	1999	2000	2001	2002	2003
Bentley Pharmaceuticals	312.50	-5.05	73.45	-21.00	65.22

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	Annual Return Percentage				
Russell 2000	21.26	-3.02	2.49	-20.48	47.25
Peer Group	95.74	174.61	0.36	-72.88	57.74

Company Name / Index	Base Period December 31, 1998	Indexed Returns				
		Year Ended December 31,				
		1999	2000	2001	2002	2003
Bentley Pharmaceuticals	100	412.50	391.67	679.33	536.67	886.67
Russell 2000	100	121.26	117.59	120.52	95.83	141.11
Peer Group	100	195.74	537.52	539.47	146.30	230.77

Peer Group

Andrx Corp.

Cima Labs Inc.

Noven Pharmaceuticals, Inc.

Certain Relationships and Related Transactions

In March 2000, we made loans to three executive officers to assist each of them in making their income tax payments for shares of common stock which we granted to them in 1999. We loaned \$250,000 to Mr. Murphy, \$50,000 to Mr. Price and \$140,000 to Mr. Gyurik. The loans had an interest rate of 2.37% annually, were due in March 2003 and were secured by shares of common stock owned by the three individuals (Mr. Murphy, 18,700 shares; Mr. Price, 4,000 shares; Mr. Gyurik, 10,700 shares). Interest on the loans accrued quarterly. In December 2001, January 2002 and March 2003, we agreed to forgive part of the principal and interest on the loans as detailed in the following chart. There are no further amounts due or outstanding on these loans. All of the amounts forgiven were reported as taxable income to the three individuals.

	James R. Murphy	Michael D. Price	Robert J. Gyurik
	_____	_____	_____
Initial amount of loan	\$ 250,000	\$ 50,000	\$ 140,000
Principal forgiven in December 2001	27,850	5,570	15,879
Interest forgiven in December 2001	27,687	5,537	15,151
Principal forgiven in January 2002	55,209	11,042	30,847
Interest forgiven in January 2002	439	88	245
Principal forgiven in March 2003	166,941	33,388	93,274
Interest forgiven in March 2003	4,813	963	2,689
	_____	_____	_____
Balance due at March 31, 2003	\$ 0	\$ 0	\$ 0
	_____	_____	_____

AUDIT COMMITTEE REPORT

In accordance with its charter approved by the Board of Directors, the Audit Committee has responsibility for oversight of Bentley's financial reporting process, including reviewing the audited financial statements, the systems of internal controls established by Bentley's management and the full Board, and the overall audit process. In performing these responsibilities, the Audit Committee of the Board of Directors has (i) reviewed and discussed with management our audited financial statements for the year ended December 31, 2003, (ii) discussed with Deloitte & Touche LLP, Bentley's independent auditors, the matters required to be discussed by Statement on Accounting Standards No. 61, Communication with Audit Committees, (iii) received the written disclosures and the letter from the auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, (iv) discussed with the auditors their independence, and (v) considered whether the provision of the nonaudit services described in this proxy statement under the captions "Audit Related Fees" and "Tax Fees" by the auditors is compatible with maintaining their independence.

Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Bentley's Annual Report on Form 10-K for the year ended December 31, 2003, for filing with the Securities and Exchange Commission.

By the Audit Committee,

William A. Packer, Co-Chairman
John W. Spiegel, Co-Chairman
Miguel Fernandez

INDEPENDENT AUDITORS

The Audit Committee has selected the firm of Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively, "Deloitte & Touche LLP") as Bentley's independent auditors for fiscal year 2004. Deloitte & Touche LLP audited Bentley's financial statements for fiscal year 2003. Representatives of Deloitte & Touche LLP are expected to attend the annual meeting. They will be available to respond to questions and will have the opportunity to make a statement if they desire.

Independent Auditors Fees and Services

Audit Fees. The aggregate fees billed for professional services rendered by the independent auditors for the audit of our financial statements as of and for the years ended December 31, 2002 and 2003, the reviews of the financial statements in our Form 10-Q filings for the respective years, the statutory audits of our subsidiaries, our filings with the Securities and Exchange Commission and other audit fees were \$431,958 and \$349,648, respectively.

Audit Related Fees. The aggregate audit related fees billed for professional services by the independent auditors in 2002 and 2003 rendered for due diligence reviews of potential acquisitions and other matters were \$9,645 and \$2,000, respectively.

Tax Fees. The aggregate tax fees billed for professional services rendered by the independent auditors in 2002 and 2003 for tax compliance, tax advice, tax planning and other tax-related matters were \$37,650 and \$44,000, respectively.

All Other Fees. No other fees were paid to the independent auditors during 2002 or 2003.

Audit Committee Pre-approval Policy

During 2003, the Audit Committee adopted a pre-approval policy for the audit and non-audit services performed by the independent auditors in order to assure that the provision of such services do not impair the auditors' independence. The pre-approval policy includes the following provisions:

Unless a type of service to be provided by the independent auditors has received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee.

The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent auditors to management.

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, company structure or other matters.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other audit services, which are those services that only the independent auditors reasonably can provide.

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All non-audit-related services must be separately pre-approved by the Audit Committee. Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our financial statements or that are traditionally performed by the independent auditors.

All tax services must be specifically pre-approved by the Audit Committee. The Audit Committee believes that the independent auditors can provide tax services to Bentley such as tax compliance, tax planning and tax advice without impairing the auditors' independence.

All other services must be separately pre-approved by the Audit Committee. The Audit Committee may grant pre-approval to those permissible nonaudit services classified as all other services that it believes are routine and recurring services, and would not impair the independence of the auditors.

Pre-approval fee levels for all services to be provided by the independent auditors will be established periodically by the Audit Committee. Any proposed services exceeding these levels will require specific pre-approval by the Audit Committee.

With respect to each proposed pre-approved service, the independent auditors will provide detailed back-up documentation, which will be provided to the Audit Committee, regarding the specific services to be provided.

Requests or applications to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditors and the Chief Financial Officer, and must include a written statement from each of them as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

MISCELLANEOUS

Communications from Stockholders

The Board will give appropriate attention to written communications on issues that are submitted by stockholders, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters, the Chairman of the Nominating and Governance Committee will, with the assistance of our Corporate Secretary, (1) be primarily responsible for monitoring communications from stockholders and (2) provide copies or summaries of such communications to the other directors as he or she considers appropriate.

Communications will be forwarded to all directors if they relate to substantive matters and include suggestions or comments that the Chairman of the Nominating and Governance Committee considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications to the Chairman of the Nominating and Governance Committee, c/o the Corporate Secretary, Bentley Pharmaceuticals, Inc., Bentley Park, 2 Holland Way, Exeter, New Hampshire, 03833.

Stockholder Recommendations for Director Nominations

Stockholders may recommend individuals for the Nominating and Governance Committee to consider as potential director candidates by submitting their names and background to the "Bentley Pharmaceuticals, Inc. Nominating and Governance Committee" c/o the Corporate Secretary, Bentley Pharmaceuticals, Inc., Bentley Park, 2 Holland Way, Exeter, New Hampshire, 03833. The Nominating and Governance Committee will consider a recommendation only if appropriate biographical information and background material is provided on a timely basis. Assuming that appropriate biographical and background material is provided for candidates recommended by stockholders, the Nominating and Governance Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members.

Deadlines for Stockholder Proposals and Director Nominations

From time to time stockholders may present proposals for consideration at a meeting, which may be proper subjects for inclusion in the proxy statement and form of proxy related to that meeting. We must receive stockholder proposals intended to be included in our proxy statement and form of proxy relating to our 2005 annual meeting of stockholders by January 8, 2005.

The deadline for submission of stockholder proposals to be presented at the 2005 annual meeting of stockholders, but which will not be included in the proxy statement and form of proxy relating to such meeting, is March 24, 2005. Any such proposal received at Bentley's principal executive offices in Exeter, New Hampshire after such date may be considered untimely and excluded.

Any such proposals, as well as any questions relating thereto, should be directed to our Secretary at Bentley Park, 2 Holland Way, Exeter, NH 03833.

Expenses of Solicitation

The cost of solicitation of proxies, including the cost of reimbursing banks, brokers and other nominees for forwarding proxy solicitation material to the beneficial owners of shares held of record by them and seeking instructions from such beneficial owners, will be borne by Bentley. Proxies may be

solicited without extra compensation by certain officers and regular employees of Bentley. We have retained Morrow and Company to assist with the solicitation of proxies for a fee of approximately \$11,500, plus reimbursement of out-of-pocket expenses. Proxies may be solicited by mail and, if determined to be necessary, by telephone, telegraph, e-mail or personal interview.

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you contact us at the following: Secretary, Bentley Pharmaceuticals, Inc., Bentley Park, 2 Holland Way, Exeter, New Hampshire, 03833, telephone (603) 658-6100 or by visiting our website, www.bentleypharm.com. If you want to receive separate copies of the proxy statement or annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other nominee record holder, or you may contact us at the above address or telephone number.

Copies of our Annual Report on Form 10-K for the year ended December 31, 2003 may be obtained by stockholders without charge upon written request addressed to Secretary, Bentley Pharmaceuticals, Inc., Bentley Park, 2 Holland Way, Exeter, New Hampshire, 03833, or by visiting our website, www.bentleypharm.com.

Other Matters

Management does not intend to bring before the meeting any matters other than those specifically described above and knows of no matters other than the foregoing to come before the meeting. If any other matters or motions properly come before the meeting, it is the intention of the persons named in the accompanying proxy to vote such proxy in accordance with their judgment on such matters or motions, including any matters dealing with the conduct of the meeting.

Bentley Pharmaceuticals, Inc.**Audit Committee Charter*****Purpose***

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Bentley Pharmaceuticals, Inc. (the "Company") is to assist the Board's oversight of:

the integrity of the Company's financial statements;

the Company's compliance with legal and regulatory requirements;

the outside auditing firm's qualifications and independence; and

the performance of the Company's internal audit function and the Company's outside auditing firm.

Committee Membership and Procedures

The Committee shall be comprised of at least three directors who satisfy the independence requirements of the exchange on which the Company's securities are listed and Section 10A(m)(3) of the Securities Exchange Act of 1934 (and the applicable rules thereunder).

Each member of the Committee shall be financially literate, as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. At least one member of the Committee must have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment. Unless otherwise determined by the Board (in which case disclosure of such determination shall be made in the Company's SEC periodic reports), at least one member of the Committee shall be a "financial expert" (as defined by applicable SEC rules).

Upon the recommendation of the Nominating and Governance Committee, the Board shall appoint Committee members and shall designate one member of the Committee as its Chairman. Committee members may be removed at any time with or without cause by the Board. Committee members may not simultaneously serve on the audit committee of more than three public companies without the consent of the Board obtained in each case.

The Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Committee shall meet separately, periodically, with: (i) the outside auditor; (ii) management and (iii) the Company's internal auditors (or other personnel responsible for the internal audit function).

The Committee shall conduct its meetings in accordance with this Charter, the procedures of the Board set forth in the bylaws, and such other procedures as the Committee may adopt.

Resources and Authority

In discharging its oversight role, the Committee is granted the authority to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent legal, accounting or other advisors to obtain such advice and assistance as the Committee determines necessary to carry out its duties. The Committee may request any officer or employee of the Company or the Company's outside counsel to attend a meeting of the Committee or to meet with any member of, or consultants to, the Committee.

The Company shall provide the Committee all appropriate funding, as determined by the Committee, for payment of compensation to any such advisors and any outside auditor, as well as for

any ordinary administrative expenses of the Committee that it determines are necessary or appropriate in carrying out its responsibilities.

Duties and Responsibilities

The Committee's role is one of oversight, and it is recognized that the Company's management is responsible for preparing the Company's financial statements and that the outside auditor is ultimately accountable to the Board and the Committee, as representatives of the stockholders, and is responsible for auditing those financial statements.

The following duties and responsibilities shall be the common recurring activities of the Committee in carrying out its oversight role. The Committee shall perform any other activities consistent with this Charter, the Company's bylaws and governing law as the Committee and the Board deem appropriate or necessary:

Appointment of Outside Auditor. The Committee shall have direct responsibility for the appointment, compensation, retention (and where appropriate, replacement), and oversight of the work of any registered public accounting firm selected to be the Company's outside auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

Quality-Control Report. At least annually, the Committee shall obtain and review a report by the outside auditor describing:

the firm's internal quality control procedures;

any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

In connection with the report review described above, the Committee should review and evaluate the lead partner of the outside auditor and present its conclusions with respect to the qualifications and performance of the outside auditor.

Disclosure Controls and Procedures. The Committee shall review periodically with management the Company's disclosure controls and procedures.

Internal Controls. The Committee shall discuss periodically with management and the outside auditor the quality and adequacy of the Company's internal controls and internal auditing procedures including any significant deficiencies in the design or operation of those controls which could adversely affect the Company's ability to record, process, summarize and report financial data and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls, and discuss with the outside auditor how the Company's financial systems and controls compare with industry practices.

Accounting Policies. The Committee shall review periodically with management and the outside auditor the quality, as well as acceptability, of the Company's accounting policies, and discuss with the outside auditor how the Company's accounting policies compare with those in the industry and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of use of such alternative disclosures and treatments and the treatment preferred by the outside auditor.

Internal Audit Function. The Committee shall coordinate the Board's oversight of the performance of the Company's internal audit function.

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Risk Management. The Committee shall discuss the Company's policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which the Company's exposure to risk is handled.

Hiring Policies. The Committee shall establish policies regarding the hiring of employees or former employees of the Company's outside auditors.

Compensation. The Committee shall be directly responsible for setting the compensation of the outside auditor. The Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of the outside auditor established by the Committee.

Pre-approval of All Audit Services and Permitted Non-Audit Services. The Committee shall approve, in advance, all audit services and all permitted non-audit services to be provided to the Company by the outside auditor. The Committee shall cause the Company to disclose in its SEC periodic reports the approval by the Committee of any non-audit services to be performed by the outside auditor.

Annual Audit. In connection with the annual audit of the Company's financial statements, the Committee shall:

request from the outside auditor a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard No. 1 and such other requirements as may be established by the Public Company Accounting Oversight Board, discuss with the outside auditor any such disclosed relationships and their impact on the outside auditor's objectivity and independence, and take appropriate action to oversee the independence of the outside auditor.

approve the selection and the terms of the engagement of the outside auditor.

review with management and the outside auditor the audited financial statements to be included in the Company's Annual Report on Form 10-K and the Annual Report to Stockholders, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and review and consider with the outside auditor the matters required to be discussed by Statement on Auditing Standards No. 61.

perform the procedures set forth below in "*Financial Reporting Procedures*" with respect to the annual financial statements to be reported.

review with management and the outside auditor the Company's critical accounting policies and practices.

recommend to the Board whether, based on the reviews and discussions referred to above, the annual financial statements should be included in the Company's Annual Report on Form 10-K.

prepare an Audit Committee report as required by the SEC for inclusion in the Company's annual proxy statement.

Quarterly Reports. In connection with the Company's preparation of its interim financial information to be included in the Company's Quarterly Reports on Form 10-Q, the Committee shall:

review with the outside auditor the Company's interim financial information, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the matters required to be discussed by SAS No. 61.

perform the procedures set forth below in "*Financial Reporting Procedures*" with respect to the interim financial information to be reported.

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by action of a majority of the Committee or through the Committee Chair, review with the outside auditor, prior to filing with the SEC, the Company's interim financial information to be included in the Company's Quarterly Reports on Form 10-Q.

A-3

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Financial Reporting Procedures. In connection with the Committee's review of each reporting of the Company's annual or interim financial information, the Committee shall:

discuss with the outside auditor whether all material correcting adjustments identified by the outside auditor in accordance with generally accepted accounting principles and the rules of the SEC are reflected in the Company's financial statements.

review with the outside auditor all material communications between the outside auditor and management, such as any management letter or schedule of unadjusted differences.

review any communication between audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement.

review with management and the outside auditor any material financial or other arrangements of the Company which do not appear on the Company's financial statements and any transactions or courses of dealing with third parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the Company's financial statements.

review any difficulties the outside auditor encountered in the course of the audit work, including restrictions on the scope of the outside auditor's activities or on access to requested information, and any significant disagreements with management.

resolve any disagreements between management and the outside auditor regarding financial reporting.

Earnings Releases. The Committee shall review and discuss the Company's earnings press release, as well as financial information and earnings guidance provided to analysts and rating agencies.

Reports to the Board. The Committee shall report regularly to the Board.

Written Affirmation. On an annual basis, no later than one month after the Annual Meeting of Stockholders, and after each change in the composition of the Committee, the Committee shall direct the Company to prepare and provide to the exchange on which the Company's securities are listed such written confirmations regarding the membership and operation of the Committee as such exchange's rules may require.

Self-Evaluation. The Committee shall conduct an annual evaluation of the Committee's performance.

Charter. The Committee shall review and reassess at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

Complaint Procedures

Any issue of significant financial misconduct shall be brought to the attention of the Committee for its consideration. In this connection, the Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

As approved by the Board of Directors on April 13, 2004.

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BENTLEY PHARMACEUTICALS, INC.

ANNUAL MEETING OF STOCKHOLDERS JUNE 7, 2004
PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned holder of common stock of Bentley Pharmaceuticals, Inc., a Delaware corporation (the "Company"), hereby appoints James R. Murphy and Michael D. Price and each of them, as proxies for the undersigned, each with full power of substitution, for and in the name of the undersigned to act for the undersigned and to vote, as designated below, all of the shares of stock of the Company that the undersigned is entitled to vote at the 2004 Annual Meeting of Stockholders of the Company, to be held on Monday, June 7, 2004, at 11:00 a.m., local time, at the Millennium Bostonian Hotel, Faneuil Hall Marketplace, located at 26 North Street, Boston, Massachusetts 02109 and at any adjournments or postponements thereof.

(CONTINUED AND TO BE SIGNED ON REVERSE SIDE)

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.
PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE

- 1. The election of two Class II Directors to serve until the 2007 Annual Meeting of Stockholders, or until the election and qualification of their respective successors:

FOR ALL NOMINEES WITHHOLD AUTHORITY FOR ALL NOMINEES
FOR ALL EXCEPT (see instructions below)

INSTRUCTIONS: To withhold authority for any individual Nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each Nominee for which you wish to withhold authority, as shown here:
NOMINEES: F. Ross Johnson
Edward J. Robinson

To amend and restate the Company's Restated Certificate of Incorporation to implement the amendments set forth below:

- 2. to prohibit stockholder action by written consent, effectively requiring that all stockholder action be taken only at an annual or special meeting of stockholders and require a supermajority vote to alter, amend or repeal this provision.

FOR AGAINST ABSTAIN

- 3. to amend the classified board provisions as follows:

(i) change the term of directors filling vacancies or newly created directorships from a term ending at the next annual meeting to the original term of the vacancy being filled or of the class of directors to which the newly created directorship is assigned; (ii) require a supermajority vote to alter, amend or repeal the provision granting the continuing directors sole power to fill vacancies on the board; and (iii) clarify the classified board provision.

FOR AGAINST ABSTAIN

- 4. to remove the indemnification provisions.

FOR AGAINST ABSTAIN

Upon such other matters as may properly come before the Annual Meeting and any adjournments or postponements thereof. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF

ALL CLASS II DIRECTOR NOMINEES LISTED

ABOVE AND "FOR" EACH OF THE AMENDMENTS TO THE RESTATED CERTIFICATE OF INCORPORATION.

The undersigned hereby acknowledged receipt of (i) the Notice of Annual Meeting, (ii) the Proxy Statement and (iii) the Company's 2003 Annual Report.

PLEASE MARK, SIGN AND DATE THIS PROXY CARD AND PROMPTLY RETURN IT IN THE ENVELOPE PROVIDED. NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES.

Signature of Shareholder

Address: _____

Date: _____

Signature of Shareholder

Address: _____

Date: _____

NOTE: Please sign exactly as your name appears hereon and mail it promptly. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

QuickLinks

[General Information About Voting](#)

[SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT](#)

[ELECTION OF DIRECTORS](#)

[PROPOSAL TO AMEND AND RESTATE OUR RESTATED CERTIFICATE OF INCORPORATION](#)

[CORPORATE GOVERNANCE](#)

[EXECUTIVE COMPENSATION](#)

[Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values](#)

[COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN](#)

[Total Shareholder Returns \(Dividends Reinvested\)](#)

[AUDIT COMMITTEE REPORT](#)

[INDEPENDENT AUDITORS](#)

[MISCELLANEOUS](#)

[Bentley Pharmaceuticals, Inc. Audit Committee Charter](#)